SIR Corp.

Condensed Interim Consolidated
Financial Statements
(Unaudited)
For the 12-week and 24-week periods
ended February 11, 2024
(in thousands of Canadian dollars)

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SIR Corp.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

	February 11, 2024 $	August 27, 2023 $
Assets		
Current assets		
Cash	1,878	8,231
Trade and other receivables (note 6(c))	8,117	8,341
Inventories	2,952	3,038
Prepaid expenses, deposits and other assets	4,199	2,551
Loans and advances	10	10
	17,156	22,171
Non-current assets		
Right-of-use assets – net (note 4)	68,595	69,137
Property and equipment	35,061	29,470
Goodwill and intangible assets	5,231	5,186
	126,043	125,964
Liabilities		
Current liabilities		
Bank indebtedness (note 5)	4,734	-
Trade and other payables	21,880	26,482
Current portion of long-term debt (note 5)	8,105	8,084
Current portion of lease obligation (note 4)	17,704	16,577
Current portion of Ordinary LP Units and Class A LP Units of the Partnership (note 6(b))	9,991	9,991
Current portion of provisions and other long-term liabilities	7,618	5,201
	70,032	66,335
Non-current liabilities		
Long-term debt (note 5)	16,902	13,823
Long-term portion of lease obligation (note 4)	68,571	69,581
Loan payable to SIR Royalty Income Fund (note 6(a))	36,150	36,112
Provisions and other long-term liabilities	996	1,602
Ordinary LP Units and Class A LP Units of the Partnership (note 6(b))	134,543	131,618
	327,194	319,071
Shareholders' Deficiency		
Capital stock	20,357	20,401
Contributed surplus	192	189
Deficit	(221,700)	(213,697)
	(201,151)	(193,107)
	126,043	125,964

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SIR Corp.

Condensed Interim Consolidated Statements of Operations and Comprehensive (Loss) Income (Unaudited)

(in thousands of Canadian dollars)

	12-week period ended		24-week period ended	
	February 11, 2024 $	February 12, 2023 $	February 11, 2024 $	February 12, 2023 $
Corporate restaurant operations				
Food and beverage revenue (note 3)	59,303	60,021	118,651	120,270
Gift card revenue	182	129	279	195
	59,485	60,150	118,930	120,465
Costs of corporate restaurant operations	52,694	52,753	105,526	105,126
Earnings from corporate restaurant operations	6,791	7,397	13,404	15,339
Corporate costs	3,970	4,329	8,044	7,695
Earnings before interest and income taxes	2,821	3,068	5,360	7,644
Interest expense	491	558	957	1,015
Interest on loan payable to SIR Royalty Income Fund (note 6(a))	706	702	1,415	1,406
Interest expense (income) and other income expense (income) – net	12	87	6	77
Interest on lease obligation (note 4)	1,009	1,047	2,046	2,123
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 6(b))	2,868	21,840	8,808	42,548
Net loss and comprehensive loss for the period	(2,265)	(21,166)	(7,872)	(39,525)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SIR Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
(Unaudited)

(in thousands of Canadian dollars)

	24-week period ended February 11, 2024			
	Capital stock $	Contributed surplus $	Deficit $	Total $
Balance – Beginning of period	20,401	189	(213,697)	(193,107)
Stock-based compensation	-	3	-	3
Repurchase of capital stock	(44)	-	(131)	(175)
Net loss and comprehensive loss for the period	-	-	(7,872)	(7,872)
Balance - End of period	20,357	192	(221,700)	(201,151)

	24-week period ended February 12, 2023			
	Capital stock $	Contributed Surplus $	Deficit $	Total $
Balance - Beginning of period	20,462	176	(193,337)	(172,699)
Stock-based compensation	-	9	-	9
Net loss and comprehensive loss for the period	-	-	(39,525)	(39,525)
Balance - End of period	20,462	185	(232,862)	(212,215)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SIR Corp.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

(in thousands of Canadian dollars)

	12-week period ended		24-week period ended	
	February 11, 2024 $	February 12, 2023 $	February 11, 2024 $	February 12, 2023 $
Cash provided by (used in)				
Operating activities				
Net loss for the period	(2,265)	(21,166)	(7,872)	(39,525)
Items not affecting cash				
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 6(b))	2,868	21,840	8,808	42,548
Depreciation and amortization	4,780	4,411	9,513	8,916
Stock based compensation	1	4	3	9
Recovery (impairment) of financial assets	60	(31)	48	(63)
Interest expense on long-term debt and SIR Loan	1,197	1,260	2,372	2,421
Interest on lease obligations (note 4)	1,009	1,047	2,046	2,123
Non-cash interest income	-	(2)	-	(4)
Amortization of deferred financing fees	45	41	80	65
Loss on disposal of property and equipment and other assets	377	51	395	74
Other	(2)	(60)	-	(125)
Supplier and other rebates received	-	-	50	-
Distributions paid to Ordinary LP and Class A LP unitholders (note 6(b))	(3,384)	(4,444)	(5,883)	(6,827)
Net change in working capital items (note 7)	(2,868)	66	(3,258)	(2,608)
Cash provided by operating activities	1,818	3,017	6,302	7,004
Investing activities				
Purchase of property and equipment and intangible assets	(4,339)	(2,774)	(9,966)	(4,136)
Receipt of loans and advances	-	5	-	15
Cash used in investing activities	(4,339)	(2,769)	(9,966)	(4,121)
Financing activities				
Increase in bank indebtedness	1,773	4,516	4,734	4,516
Proceeds from issuance of long-term debt	5,500	-	5,500	-
Principal repayment of long-term debt	(1,210)	(1,210)	(2,421)	(2,421)
Payment of lease obligations (note 4)	(3,870)	(3,851)	(7,744)	(7,744)
Interest paid	(1,308)	(1,322)	(2,524)	(2,540)
Repurchase of capital stock	-	-	(175)	-
Financing fees paid	(31)	(27)	(59)	(55)
Cash provided by (used in) financing activities	854	(1,894)	(2,689)	(8,244)
Decrease in cash and cash equivalents during the period	(1,667)	(1,646)	(6,353)	(5,361)
Cash and cash equivalents - Beginning of period	3,545	4,417	8,231	8,132
Cash and cash equivalents - End of period	1,878	2,771	1,878	2,771

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1 Nature of operations and fiscal year

Nature of operations

The Company is a private company amalgamated under the Business Corporations Act of Ontario. As at February 11, 2024, the Company owned a total of 51 (August 27, 2023 - 53) Concept and Signature restaurants in Canada (in Ontario, Quebec, Alberta, Nova Scotia and Newfoundland) (the SIR Restaurants). The Concept restaurants are Jack Astor's Bar and Grill® (Jack Astor's®) and Scaddabush Italian Kitchen & Bar® (Scaddabush). The Signature restaurants are Reds® Square One and Loose Moose Tap & Grill®. The Company also owns one Dukes Refresher® & Bar (Duke's Refresher) location in downtown Toronto, and one seasonal restaurant, Abbey's Bakehouse®, which are considered Signature restaurants, and are not currently part of Royalty Pooled Restaurants (note 6(b)).

On October 1, 2004, SIR Royalty Income Fund (the Fund) filed a final prospectus for a public offering of units of the Fund. The net proceeds of the offering of $51,167,000 were used by the Fund to acquire certain bank debt of the Company (the SIR Loan) (note 6(a)) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of SIR Royalty Limited Partnership (the Partnership) (note 6(b)). On October 12, 2004, the Partnership acquired from the Company the Canadian trademarks used in connection with the operation of the majority of the Company's restaurants in Canada.

The address of the Company's registered office is 5360 South Service Road, Suite 200, Burlington, Ontario. The condensed interim consolidated financial statements were approved for issuance by the Board of Directors on March 27, 2024.

Fiscal year

The Company's fiscal year is made up of 52 or 53-week periods ending on the last Sunday in August. The fiscal quarters for the Company consist of sequential accounting periods of 12, 12, 12 and 16 or 17 weeks, respectively. The fiscal years for 2024 and 2023 both consist of 52 weeks.

2 Basis of presentation

The Company prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") for interim financial reporting, including International Accounting Standard (IAS) 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the years ended August 27, 2023 and August 28, 2022, which have been prepared in accordance with IFRS Accounting Standards.

The note disclosures for these condensed interim consolidated financial statements only present material changes to the disclosure found in the Company's audited consolidated financial statements for the 52-week periods ended August 27, 2023 and August 28, 2022. Changes to the Company's accounting policies from those disclosed in its consolidated financial statements for the years ended August 27, 2023 and August 28, 2022 are described in note 2(a), recently adopted IFRS.

a) Recently adopted IFRS

Amendments to IAS 1, Presentation of Financial Statements

In February 2021, the International Accounting Standards Board issued amendments to the International Accounting Standard 1 Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2 Making Materiality Judgements ("IFRS Practice Statement 2"). The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The adoption of these amendments did not have a material impact on the Company's condensed interim consolidated financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

The narrow-scope amendment aims to improve accounting policy disclosures and to help distinguish between changes in accounting estimates and changes in accounting policies. The amendment is effective for annual periods beginning on or after January 1, 2023. The amended standard has been implemented by the Company and did not have a material impact on the condensed interim consolidated financial statements.

IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In January 2023, the IASB issued amendments to IAS 12 that aim to provide temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two model rules. The amendment is effective for annual periods beginning on or after January 1, 2023. The amended standard has been implemented by the Company and did not have a material impact on the condensed interim consolidated financial statements.

IFRS issued but not yet effective

IAS 1, Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued an amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. In October 2022, the IASB issued an amendment to IAS 1, Non-current Liabilities with Covenants, to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The 2022 amendments also introduce additional disclosure requirements to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period. The 2022 amendments changed the effective date of the 2020 amendments. The mandatory effective date would be annual periods beginning on or after January 1, 2024, with early adoption permitted. The Company has not yet assessed the impact of the amendment on the condensed interim consolidated financial statements.

IFRS 16, Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The mandatory effective date would be annual periods beginning on or after January 1, 2024, with early adoption permitted. The Company has not yet assessed the impact of the amendment on the condensed interim consolidated financial statements.

IAS 7, Disclosures on Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require specific disclosures regarding supplier finance arrangements. The mandatory effective date would be annual periods beginning on or after January 1, 2024. The Company has not yet assessed the impact of the amendment on the condensed interim consolidated financial statements.

3 Disaggregated revenue

The Company has determined that a disaggregation of revenue using Concept and Signature restaurants is adequate for its circumstances. Food and beverage revenue by segment is determined as follows:

	12-week period ended February 11, 2024 $	12-week period ended February 12, 2023 $	24-week period ended February 11, 2024 $	24-week ended February 12, 2023 $
	(in thousands of dollars)			
Jack Astor's	39,890	42,169	79,791	85,129
Scaddabush	14,447	12,426	28,868	24,331
Signature Restaurants	4,966	5,426	9,992	10,810
	59,303	60,021	118,651	120,270

4 Right-of-use assets and lease obligations

Right-of-use assets are included as follows in the consolidated balance sheet as at February 11, 2024:

	Property $	Equipment $	Total $
	(in thousands of dollars)		
At August 29, 2021	73,546	317	73,863
52-week period ended August 28, 2022			
Additions	5,306	50	5,356
Modifications	3,122	107	3,229
Termination of leases	(476)	(33)	(509)
Amortization	(12,447)	(72)	(12,519)
Impairment	(283)	-	(283)
At August 27, 2023	68,768	369	69,137
24-week period ended February 11, 2024			
Additions	3,935	-	3,935
Modifications	1,880	-	1,880
Amortization	(5,981)	(37)	(6,018)
Lease incentives	(339)	-	(339)
Right-of-use assets – net at February 11, 2024	68,263	332	68,595

For the 24-week period ended February 11, 2024, the lease obligation transactions were as follows:

	$ (in thousands of dollars)
At August 28, 2022	89,516
Additions	5,356
Modifications	3,229
Termination of leases	(509)
Repayments	(15,679)
Interest	4,245
As at February 11, 2024	86,158
Less: current portion of lease obligations	(16,577)
Long-term portion of lease obligations	69,581

	$ (in thousands of dollars)
At August 27, 2023	86,158
Additions	3,935
Modifications	1,880
Repayments	(7,744)
Interest	2,046
As at February 11, 2024	86,275
Less: current portion of lease obligations	(17,704)
Long-term portion of lease obligations	68,571

Interest expense on lease obligations for the 12-week and 24-week periods ended February 11, 2024 was $1,009,000 and $2,046,000, respectively (12-week and 24-week periods ended February 12, 2023 - $1,047,000 and $2,123,000, respectively). Total cash outflow for the 12-week period ended February 11, 2024 for leases was $3,870,000 (12-week period ended February 12, 2023 - $3,851,000) which includes $2,861,000 of principal payments and $1,009,000 of interest on lease obligations (12-week period ended February 12, 2023 - $2,804,000 of principal payments and $1,047,000 of interest on lease obligations). Total cash outflow for the 24-week period ended February 11, 2024 for leases was $7,744,000 which includes $5,698,000 of principal repayments and $2,046,000 of interest on lease obligations (24-week period ended February 12, 2023 for leases was $7,744,000 which includes $5,621,000 of principal repayments and $2,123,000 of interest on lease obligations).

Expenses for leases of low-dollar value items are not significant. All extension options that were reasonably expected to be exercised have been included in the measurement of lease obligations where applicable.

5 Bank indebtedness and long-term debt

The Company has a Credit Agreement with a Schedule 1 Canadian chartered bank (the Lender). The Credit Agreement provides for a maximum principal amount of $41,869,000 consisting of a $20,000,000 revolving term credit facility (Credit Facility 1), a $10,700,000 revolving term loan (Credit Facility 2), a $6,250,000 guaranteed facility with Economic Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") (EDC-Guaranteed Facility) and a $4,919,000 Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility"). The term of the Credit Agreement matures on July 6, 2026 ("Maturity Date"). SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional $1,500,000.

Credit Facility 1 is for general corporate and operating purposes, including capital spending on new and renovated restaurants, bearing interest at the prime rate plus 2.75% and/or the bankers' acceptance rate plus 3.75%, principal repaid in one bullet repayment on the Maturity Date. A standby fee of 0.85% is charged on the undrawn balance of Credit Facility 1. Provided SIR is in compliance with the Credit Agreement, the principal amount of

Credit Facility 1 can be repaid and reborrowed at any time during the term of the Credit Agreement. As at February 11, 2024, $10,233,000 was drawn Credit Facility 1.

Credit Facility 2 is a revolving facility that can be drawn for capital expenditures on new restaurants and renovations or remodelling of existing restaurants and bears interest at the prime rate plus 2.75% and/or the bankers' acceptance rate plus 3.75%. Each advance under Credit Facility 2 is repayable in equal quarterly instalments based on a seven year amortization, with the remaining outstanding balance due on the Maturity Date. For the 12-week period ended February 11, 2024, SIR repaid $1,037,000 on this facility. As at February 11, 2024, $8,626,000 was drawn on Credit Facility 2.

As at February 11, 2024, the Company has drawn $17,506,000 on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 27, 2023 - $4,681,000).

The EDC-Guaranteed Facility bears interest at the prime rate plus 3.00%. The EDC-Guaranteed Facility is a 364 day revolving term credit facility and can be extended at the Lender's sole discretion, in 12 month increments, by a further 12 months beyond the current expiration date of July 6, 2024. A standby fee of 0.90% is charged on the undrawn balance of this facility. As at February 11, 2024, SIR had fully drawn $6,250,000 on this facility.

The BDC-Guaranteed Facility is a 10 year non-revolving-term credit facility, with a one year principal payment moratorium, bearing a fixed rate of interest of 4.00%. The moratorium has elapsed and SIR has commenced repayment on this facility. For the 12-week period ended February 11, 2024, SIR repaid $174,000 on this facility. As at February 11, 2024, $4,919,000 was drawn on this facility.

The Credit Agreement is secured by substantially all of the assets of the Company and most of its subsidiaries, which are also guarantors. The Partnership and the Fund have not guaranteed the Credit Agreement.

The Credit Agreement contains certain financial and non-financial covenants that the Company is in compliance with as at February 11, 2024.

6 SIR Royalty Income Fund

a) Loan payable to SIR Royalty Income Fund (the SIR Loan)

The $40,000,000 SIR Loan bears interest at 7.5% per annum and is due on October 12, 2044. In conjunction with the Credit Agreement, on July 6, 2015, the Company, the Fund and the Partnership entered into an Intercreditor Agreement to subordinate and postpone their claims against the Company in favour of the Lender. The Fund and the Partnership have not guaranteed the Credit Agreement.

As at February 11, 2024, the Company was in compliance with the covenants stipulated by the SIR Loan Agreement.

Interest expense charged to the condensed interim consolidated statements of operations and comprehensive loss for the 12-week and 24-week periods ended February 11, 2024 was $706,000 and $1,415,000, respectively (12-week and 24-week periods ended February 12, 2023 - $702,000 and $1,406,000, respectively), which includes interest on the SIR Loan of $687,000 and $1,377,000, respectively (12-week and 24-week periods ended February 12, 2023 - $689,000 and $1,379,000, respectively), amortization of financing fees of $19,000 and $38,000, respectively (12-week and 24-week periods ended February 12, 2023 - $13,000 and $27,000, respectively). Interest receivable on SIR Loan as at February 11, 2024 was $44,000 (August 27, 2023 - $79,000) and is recorded in trade and other payables.

The Company has recorded the SIR Loan at amortized cost. The Company has netted the financing fees against the SIR Loan and amortizes this cost over the term of the SIR Loan using the effective interest method. Unamortized financing fees netted against the SIR Loan as at February 11, 2024 were $3,850,000 (August 27, 2023 - $3,888,000).

The Company has the right to require the Fund to, indirectly, purchase its Class C GP Units of the Partnership and assume a portion of the SIR Loan as consideration for the acquisition of the Class C GP Units.

b) Ordinary LP Units and Class A LP Units of SIR Royalty Limited Partnership

	12-week period ended		24-week period ended	
	February 11, 2024 $	February 12, 2023 $	February 11, 2024 $	February 12, 2023 $
	(in thousands of dollars)			
Balance - Beginning of period	141,609	117,299	141,609	117,299
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	2,868	21,840	8,808	42,548
Distributions paid to Ordinary LP and Class A LP unitholders	(3,384)	(4,444)	(5,883)	(6,827)
Balance - End of period	141,093	134,695	144,534	153,020
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(9,991)	(9,991)	(9,991)	(9,991)
Ordinary LP Units and Class A LP Units of the Partnership	131,102	124,704	134,543	143,029

The following is a summary of the results of operations of the Partnership:

	12-week period ended		24-week period ended	
	February 11, 2024 $	February 12, 2023 $	February 11, 2024 $	February 12, 2023 $
	(in thousands of dollars)			
Pooled Revenue*	57,536	58,433	114,463	116,567
Partnership royalty income*	3,452	3,506	6,868	6,994
Other income	5	5	11	13
Partnership expenses	(7)	(38)	(85)	(74)
Net earnings of the Partnership	3,450	3,473	6,794	6,933
The Company's interest in the earnings of the Partnership	(1,033)	(1,122)	(2,135)	(2,250)
Fund's interest in the earnings of the Partnership	2,417	2,351	4,659	4,683

*Includes revenue from the Royalty Pooled Restaurants. The Partnership owns the Canadian trademarks (the SIR Rights) formerly owned or licensed by the Company or its subsidiaries and used in connection with the operation of the majority of the Company's restaurants in Canada. Partnership royalty income is 6% of pooled revenue in accordance with the Licence and Royalty Agreement.

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash of $11,167,000. The holders of the Ordinary LP Units and the Class A LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership. The distributions are declared by the Board of Directors of SIR GP Inc., which is controlled by the Fund. Accordingly, the Ordinary LP Units and the Class A LP Units of the Partnership have been classified as a financial liability in the condensed interim consolidated statements of financial position. The Ordinary LP Units and the Class A LP Units are accounted for at amortized cost, with changes in the carrying value of Ordinary LP Units and the Class A LP Units of the Partnership recorded in the condensed interim consolidated statements of operations and comprehensive loss.

During the 12-week and 24-week periods ended February 11, 2024, distributions of $2,478,000 and $4,707,000, respectively (12-week and 24-week periods ended February 12, 2023 - $2,319,000 and $4,619,000, respectively) were declared to the Fund through the Partnership. Distributions paid during the 12-week and 24-week periods ended February 11, 2024 were $3,384,000 and $5,883,000, respectively (12-week and 24-week periods ended February 12, 2023 - $4,444,000 and $6,827,000, respectively). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions payable to the Fund as at February 11, 2024 were $3,244,000 (August 27, 2023 - $4,419,000).

The Company, as the holder of the Class A GP Units, is entitled to receive a pro rata share of all residual distributions of the Partnership and the Class A GP Units are exchangeable into units of the Fund.

The Partnership owns the SIR Rights formerly owned or licensed by the Company or its subsidiaries and used in connection with the operation of the majority of the Company's restaurants in Canada. In 2004, the

Partnership granted the Company a 99-year licence to use the SIR Rights in most of Canada in consideration for a Royalty, payable by the Company to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants (the Licence and Royalty Agreement).

Under the terms of the Licence and Royalty Agreement, on January 1 of each year (the Adjustment Date), the restaurants subject to the Licence and Royalty Agreement are adjusted for new SIR Restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, the Company will be entitled to convert its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted into Class A GP Units in respect of these new SIR Restaurants if actual revenue of the new SIR Restaurants exceeds 80% of the initial estimated revenue. Conversely, converted Class A GP Units will be returned by the Company if the actual revenue is less than 80% of the initial estimated revenue. In December of each year, an additional distribution will be payable to the Class B GP unitholders based on actual revenue of the new SIR Restaurants exceeding 80% of the initial estimated revenue or there will be a reduction in the distributions to the Class A GP unitholders if revenue is less than 80% of the initial estimated revenue.

On January 1, 2024, one new SIR Restaurant was added (January 1, 2023 – two) to the Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one new SIR Restaurant on January 1, 2024 (January 1, 2023 – two) as well as the Second Incremental Adjustment for two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2023 (January 1, 2022 – nil), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. In addition, there was a re-conversion of Class A GP Units into Class B GP Units for the permanent closure of three (January 1, 2023 – two) SIR Restaurants during 2023. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR returned 212,825 Class A GP Units into 212,825 Class B GP Units (January 1, 2023 – SIR converted 90,958 Class A GP Units into Class B GP Units) on January 1, 2024, decreasing the value of the SIR Rights by $1,612,625 (January 1, 2023 – increasing the value of the SIR Rights by $1,455,725).

In addition, the revenues of the two (January 1, 2022 – nil) new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2023 were less than 80% of the Initial Adjustment's estimated revenue and, as a result, the distributions of the Class A GP Units were reduced by a special conversion refund of $52,099 in December 2023 and paid in February 2024 (no conversion distributions effective in December 2022 as no new SIR Restaurants were added to Royalty Pooled Restaurants on January 1, 2022).

As at February 11, 2024, after the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2024, the Company's residual interest in the Partnership is 10.55% (August 27, 2023 – 12.54%). The Company continues to maintain control of the Partnership and, therefore, continues to consolidate the Partnership.

c) Advances receivable from SIR Royalty Income Fund

Advances receivable from the Fund as at February 11, 2024 were $3,201,000 (August 27, 2023 - $2,985,000). Advances receivable are non-interest bearing and due on demand. Advances receivable are recorded in trade and other receivables.

The Company, through the Partnership, has entered into an arrangement with the Fund and the Trust, whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc., in its capacity as the Managing General Partner. For the 12-week and 24-week periods ended February 11, 2024, the Partnership provided these services to the Fund and the Trust for consideration of $5,000 and $11,000 (12-week and 24-week periods ended February 12, 2023 - $5,000 and $13,000), which was the amount of consideration agreed to by the related parties.

7 Supplemental cash flow information to the consolidated statements of cash flows

The net change in working capital items is as follows:

	12-week period ended		24-week period ended	
	February 11, 2024 $	February 12, 2023 $	February 11, 2024 $	February 12, 2023 $
		(in thousands of dollars)		
Trade and other receivables	(677)	1,516	176	2,940
Inventories	200	(100)	86	(319)
Prepaid expenses, deposits and other assets	(1,258)	(926)	(1,621)	(1,510)
Trade and other payables	(1,031)	(1,328)	(1,889)	(4,715)
Provisions and other long-term liabilities	(102)	903	(10)	996
	(2,868)	65	(3,258)	(2,608)