SIR Corp.

Consolidated Financial Statements
August 25, 2024 and August 27, 2023
(in thousands of Canadian dollars)

This document is being filed with the Canadian securities regulatory authorities via www.sedar.com by and/or on behalf of, and with the approval of, SIR Corp. While it is located under the SIR Royalty Income Fund's issuer profile on www.sedar.com as a matter of convenience to investors in the SIR Royalty Income Fund, it is not being filed by or on behalf of, or with the approval, authorization, acquiescence or permission of, (a) the SIR Royalty Income Fund or any of its trustees or officers, and (b) the SIR Holdings Trust or any of its trustees or officers. None of them have approved, authorized, permitted or acquiesced with respect to the filing or contents hereof.

Independent auditor's report

To the Directors of SIR Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SIR Corp. and its subsidiaries (together, the Company) as at August 25, 2024 and August 27, 2023, and its financial performance and its cash flows for the 52-week period ended August 25, 2024 and for the 52-week period ended August 27, 2023 in accordance with IFRS Accounting Standards.

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at August 25, 2024 and August 27, 2023;
- the consolidated statements of operations and comprehensive income (loss) for the 52-week period ended August 25, 2024 and for the 52-week period ended August 27, 2023;
- the consolidated statements of changes in shareholders' deficiency for the 52-week period ended August 25, 2024 and for the 52-week period ended August 27, 2023;
- the consolidated statements of cash flows for the 52-week period ended August 25, 2024 and for the 52-week period ended August 27, 2023; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
November 25, 2024

SIR Corp.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	August 25, 2024 $	August 27, 2023 $
Assets		
Current assets		
Cash	6,450	8,231
Trade and other receivables (notes 6, 14(a)(c))	9,469	8,341
Inventories	3,769	3,038
Prepaid expenses, deposits and other assets	2,784	2,551
Loans and advances (note 7)	10	10
	22,482	22,171
Non-current assets		
Right-of-use assets (note 12)	63,873	69,137
Property and equipment (note 8)	44,755	29,470
Goodwill and intangible assets (note 9)	5,412	5,186
	136,522	125,964
Liabilities		
Current liabilities		
Trade and other payables (notes 10 and 14(a))	32,009	26,482
Current portion of long-term debt (notes 5, 13 and 24)	10,915	10,942
Current portion of lease obligation (note 12)	17,842	16,577
Current portion of Ordinary LP Units and Class A LP Units of the Partnership (note 14(a)(b))	9,991	9,991
Current portion of provisions and other long-term liabilities (note 15)	6,037	5,201
	76,794	69,193
Non-current liabilities		
Long-term debt (notes 5, 13 and 24)	23,723	10,965
Long-term portion of lease obligation (note 12)	63,932	69,581
Loan payable to SIR Royalty Income Fund (notes 5 and 14(a))	36,195	36,112
Provisions and other long-term liabilities (note 15)	746	1,602
Ordinary LP Units and Class A LP Units of the Partnership (note 14(b))	93,302	131,618
	294,692	319,071
Shareholders' Deficiency		
Capital stock (notes 16 and 17)	20,357	20,401
Contributed surplus (note 17)	193	189
Deficit	(178,720)	(213,697)
	(158,170)	(193,107)
	136,522	125,964

Approved by the Board of Directors

Director: (Signed) John Young

Director: (Signed) Peter Fowler

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

SIR Corp.

Consolidated Statements of Operations and Comprehensive Income (Loss)

(in thousands of Canadian dollars)

	52-week Period ended August 25, 2024 $	52-week Period ended August 27, 2023 $
Corporate restaurant operations		
Food and beverage revenue (note 11)	271,342	271,717
Gift card revenue	623	394
	271,965	272,111
Costs of corporate restaurant operations (notes 18 and 19)	238,501	231,191
Earnings from corporate restaurant operations	33,464	40,920
Corporate costs (notes 18 and 19)	15,618	15,565
Earnings before interest and income taxes	17,846	25,355
Interest expense (note 13)	2,807	2,344
Interest on loan payable to SIR Royalty Income Fund (notes 13 and 14(a))	3,066	3,051
Interest (income) expense and other (income) expense - net	259	(228)
Interest on lease obligation (note 12)	4,042	4,245
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 14(b))	(27,436)	36,134
Net income (loss) and comprehensive income (loss) for the period	35,108	(20,191)

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

SIR Corp.

Consolidated Statements of Changes in Shareholders' Deficiency

(in thousands of Canadian dollars)

	52-week period ended August 25, 2024			
	Capital stock $	Contributed Surplus $	Deficit $	Total $
Balance - Beginning of period as at August 27, 2023	20,401	189	(213,697)	(193,107)
Stock-based compensation (notes 16)	-	4	-	4
Repurchase of capital stock (note 16)	(44)	-	(131)	(175)
Net income and comprehensive income for the period	-	-	35,108	35,108
Balance - End of period	20,357	193	(178,720)	(158,170)

	52-week period ended August 27, 2023			
	Capital stock $	Contributed Surplus $	Deficit $	Total $
Balance - Beginning of period as at August 30, 2022	20,462	177	(193,337)	(172,698)
Stock-based compensation (notes 16)	-	12	-	12
Repurchase of capital stock (note 16)	(61)	-	(169)	(230)
Net loss and comprehensive loss for the period			(20,191)	(20,191)
Balance - End of period	20,401	189	(213,697)	(193,107)

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

SIR Corp.

Consolidated Statements of Cash Flows

August 25, 2024 and August 27, 2023

(in thousands of Canadian dollars)

	52-week period ended August 25, 2024 $	52-week period ended August 27, 2023 $
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	35,108	(20,191)
Items not affecting cash		
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 14(b))	(27,436)	36,134
Depreciation and amortization (notes 8, 9 and 12)	20,605	19,394
Stock based compensation (note 17)	4	12
Recovery of impairment of financial assets (note 14(c))	(4)	(22)
(Recovery) impairment of non-financial assets (notes 8 and 12)	(351)	619
Interest expense on long-term debt and SIR Loan (notes 13 and 14)	5,873	5,395
Interest on lease obligations (note 12)	4,042	4,245
Loss on disposal of property and equipment and other assets (notes 8 and 12)	4,597	644
Supplier and other rebates (paid) received	30	500
Interest income (note 18)	-	(5)
Distributions paid to Ordinary LP and Class A LP unitholders (note 14(b))	(10,880)	(11,824)
Net change in working capital items (note 21)	65	844
Cash provided by operating activities	31,653	35,745
Investing activities		
Purchase of property and equipment and intangible assets (notes 8 and 9)	(23,995)	(10,220)
Receipt of loans and advances (notes 7 and 18)	-	137
Cash used in investing activities	(23,995)	(10,083)
Financing activities		
Proceeds from issuance of long-term debt (note 13)	17,500	-
Principal repayment of long-term debt (notes 13)	(4,842)	(4,026)
Payment of lease obligations (note 12)	(16,498)	(15,679)
Interest paid (note 13)	(5,248)	(5,230)
Repurchase of capital stock (notes 16)	(175)	(230)
Financing fees paid (note 13)	(176)	(398)
Cash used in financing activities	(9,439)	(25,563)
(Decrease) increase in cash during the period	(1,781)	99
Cash - Beginning of period	8,231	8,132
Cash - End of period	6,450	8,231

The accompanying notes are an integral part of these 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 August 25, 2024, the Company owned a total of 55 (August 27, 2023 - 53) Concept and Signature restaurants in Canada (in Ontario, Quebec, 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 two Dukes Refresher® & Bar (Duke's Refresher) locations in downtown Toronto, one seasonal restaurant, Abbey's Bakehouse®, which are considered Signature restaurants and a new Italian-themed, fine dining restaurant brand called Edna + Vita, and are not currently part of Royalty Pooled Restaurants (note 14(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 14(a) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of SIR Royalty Limited Partnership (the Partnership) (note 14(a)(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 consolidated financial statements were approved for issuance by the Board of Directors on November 25, 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 consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

3 Summary of material accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention with the exception of certain assets and liabilities as outlined in Financial Instruments (note 5).

Consolidation

The Company’s consolidated financial statements include the accounts of the Company and its subsidiaries. The subsidiaries include one structured entity, being the Partnership, and the following wholly owned subsidiaries: Jack Astor’s (Dorval) Realty Inc., Jack Astor’s (Greenfield) Realty Inc., Jack Astor’s (Boisbriand) Realty Inc., Jack Astor’s (Laval) Realty Inc., Jack Astor’s MacLeod Trail Ltd., Armadillo Burlington Limited Partnership, SIR West Inc., 1031246 Ontario Limited, and 961471 Ontario Limited.

All intercompany accounts and transactions have been eliminated.

The Company consolidates an investee when it is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date control ceases.

Revenue recognition

Revenue is derived from the sale of goods and is recognized at a point in time when the performance obligation is fulfilled. For sales to consumers, the performance obligation is deemed fulfilled when food and beverage is purchased. Revenue from full-service restaurants and third party delivery channels is recognized when services are rendered. Revenue is recorded net of discounts and delivery fees. Revenue from branded food products sold to other retail channels outside of restaurant operations are recognized when the customer takes ownership of the product and the Company has no ongoing involvement with the sold product.

Gift card revenue represents the estimated revenue that is earned on gift card sales where the gift card will never be redeemed. This breakage amount is estimated based on historical actuals as a percentage of sales. Deferred revenue represents amounts paid by customers in advance of the purchase of products which typically takes the form of pre-loaded gift cards. The amounts received are recorded as a liability within the current portion of provisions and other long-term liabilities on the consolidated statements of financial position. Once a gift card is redeemed to make a purchase, the liability is relieved, and revenue is recognized as part of food and beverage revenue.

Costs of corporate restaurant operations

Costs of corporate restaurant operations include all costs directly attributable to the operations of the restaurants, including food and beverage costs, labour, rent, depreciation and amortization, impairment losses, and other direct costs of restaurant operations, including an allocation of costs for information technology, finance and other corporate costs.

Corporate costs

Corporate costs include salaries and benefits, selling and marketing expenses, professional and other fees and other general and administrative expenses.

Cash

Cash include cash on hand, deposits with banks and other short-term, highly liquid investments with original maturities of three months or less.

Inventories

Inventories, which consist of food, beverage and merchandise, are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price less applicable selling expenses. If the carrying value exceeds the net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the consolidated statements of operations and comprehensive loss during the period in which they are incurred.

The major categories of property and equipment are depreciated on a straight-line basis as follows:

Corporate furniture, fixtures and equipment	5 years straight-line
Computer equipment and software	5 years straight-line
Restaurant furniture, fixtures and equipment	5 to 10 years straight-line
Leasehold improvements	over the lease term on a straight-line basis to a maximum of 10 years

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, methods of amortization and useful lives of the assets are reviewed annually and adjusted, if appropriate.

Impairment losses and gains and losses on disposals of restaurant property and equipment are included in costs of corporate restaurant operations.

Intangible and other assets

Intangible computer software is recorded at cost, less accumulated amortization, and is amortized over three to five years on a straight-line basis.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost, less accumulated impairment losses. Impairment losses are recognized in the costs of corporate restaurant operations. Goodwill is allocated to each cash-generating unit (CGU) that is expected to benefit from the related business combination. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment of non-financial assets

Property and equipment and intangible assets (other than goodwill) are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists. Management monitors goodwill for internal purposes based on its CGUs, which are the restaurants.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration. Goodwill is assessed for impairment together with the assets and liabilities of the related CGU. Impairment losses are recognized in the costs of corporate restaurant operations.

Leases

IFRS 16 requires lessees to recognize a lease obligation reflecting future lease payments and a right-of-use asset for virtually all lease contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Company is reasonably certain it will exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease obligation.

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease obligation is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease obligation is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statements of operations if the carrying amount of the right-of-use asset has been reduced to zero.

The Company leases various restaurant properties, offices, warehouses, and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding lease obligation at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the repayment of the principal portion of the lease obligation and the interest portion. The interest expense is charged to the consolidated statement of operations and comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and obligations arising from a lease are initially measured on a present value basis. Lease obligations include the net present value of the following lease payments:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment.

Supplier rebates

Supplier rebates are upfront payments received under supplier agreements, which are recognized as a reduction of the cost of purchases over the term of the supplier agreements.

Financial instruments

At initial recognition, the Company classifies its financial instruments in the following categories:

i) Financial assets at amortized cost: Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's financial assets at amortized cost comprise cash, trade and other receivables and loans and advances, and are included in current assets due to their short-term nature, except for the portion expected to be realized beyond 12 months from the date of the consolidated statements of financial position. Financial assets at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, financial assets at amortized cost are measured at amortized cost using the effective interest method less a provision for impairment.

ii) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statements of operations and comprehensive loss. Gains and losses arising from changes in the fair value are presented in the consolidated statements of operations and comprehensive loss in interest (income) expense and other (income) expense in the period in which they arise. Non-derivative financial assets and liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realized or paid beyond 12 months of the date of the consolidated statements of financial position, which is classified as long-term.

iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade and other payables, long-term debt, loan payable to SIR Royalty Income Fund and the Ordinary LP Units and Class A LP Units of the Partnership. Trade and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Long-term debt, the loan payable to SIR Royalty Income Fund and the Ordinary LP Units and Class A LP Units of the Partnership are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

Impairment of financial assets

i) Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following:

i) significant financial difficulty of the obligor;
ii) delinquencies in interest or principal payments;
iii) restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganization; or
v) the disappearance of an active market for a security because of financial difficulties.

ii) Financial instruments and contract assets

The Company recognizes loss allowances for expected credit losses on:

i) financial assets measured at amortized cost; and
ii) contracted assets.

The Company measures loss allowances at an amount equal to lifetime expected credit losses.

Loss allowances for trade receivables are measured at an amount equal to lifetime expected credit losses. Expected credit losses are those that result from all possible default events over the expected life of a financial instrument. Expected credit losses are probability-weighted estimate of credit losses, and credit losses are measured as the present value of cash shortfalls from a financial asset.

The Company determines whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating lifetime expected credit losses, by considering reasonably available quantitative and qualitative information based on the Company's credit risk experience, forward looking information, and other reasonable estimates.

Ordinary LP Units and Class A LP Units of the Partnership

The Ordinary LP Units and Class A LP Units of the Partnership, which are held by the Fund, require the Company to pay distributions to the Fund when declared by the Board of Directors of SIR GP Inc. SIR GP Inc. is controlled by the Fund and, accordingly, the Company is unable to control the declaration of these distributions. As a result, the Ordinary LP Units and Class A LP Units of the Partnership have been classified as a liability in the consolidated statements of financial position. The Ordinary LP Units and Class A LP Units were initially recorded at fair value and subsequently at amortized cost, which requires updating the carrying amount of the financial liability to reflect actual and revised estimates in cash flows. The changes in the estimated cash flows are derived from changes in the value of the underlying Fund units adjusted for taxes and the Company's loan payable to the Fund. Changes in amortized cost are recognized in the consolidated statements of operations and comprehensive loss.

Income taxes

Income tax comprises current and deferred income taxes. Income taxes are recognized in the consolidated statements of operations and comprehensive loss, except to the extent to which they relate to items recognized directly in other comprehensive income (OCI) or directly in equity, in which case the income taxes are also recognized directly in OCI or equity, respectively.

Current tax is the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to taxes payable in respect of previous years.

In general, deferred income taxes are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income taxes are not recognized if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income taxes are provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income taxes are determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statements of financial position dates and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and liabilities are presented as non-current.

Stock-based compensation and other stock-based payments

The Company has a stock option plan. Each tranche of the award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche's vesting period and a corresponding adjustment to contributed surplus equal to the fair value of the equity instruments granted using the Black-Scholes option pricing model taking into consideration estimates for forfeitures. The contributed surplus is reduced as options are exercised through a credit to capital stock. Any consideration paid by employees or directors on exercising stock options is credited to capital stock.

Long-term management bonus

The Company has a long-term phantom stock option management bonus program, for corporate and area directors, with the opportunity to earn a bonus based on the overall valuation of the Company. The percentage of cash flow earned depends on the director's years of service, salary and vested "in the money" phantom options.

The discount rate applied in arriving at the present value of the liability represents the equivalent yield on high quality corporate bonds denominated in Canadian dollars and having terms to maturity approximating the terms of the related liability. Current service cost and past service costs arising on the liability are included in the costs of corporate restaurant operations and corporate costs in the consolidated statements of operations and comprehensive loss. Interest costs arising on the liability are included in interest expense. Past service costs and changes in estimates are recognized immediately in the period.

Asset retirement obligations

Asset retirement obligations are the legal obligations associated with the retirement of tangible non-financial assets. The Company has determined the lease-end remediation costs based on its best estimate of the required payment to settle the obligation. Accretion of the obligation over time is based on the market rate of interest for maturity dates that coincide with the expected cash flows.

Provisions and contingent liabilities

Provisions are recognized when present (legal or constructive) obligations as a result of a past event will lead to a probable outflow of economic resources and the amounts can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered remote, no liability has been recognized.

Borrowing costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statements of operations and comprehensive loss in the period in which they are incurred.

Recently adopted IFRS Accounting Standards

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 Accounting Standards 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 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 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 consolidated financial statements.

IFRS 9 and IFRS 7, Classification and Measurement of Financial Instruments

On May 30, 2024, the IASB issued targeted amendments to IFRS 9, ‘Financial Instruments’, and IFRS 7, ‘Financial Instruments: Disclosures’. The amendments respond to recent questions arising in practice, and include new requirements not only for financial institutions but also for corporate entities. These new requirements will apply from January 1, 2026, with early application permitted. The Company has not yet assessed the impact of the amendment on the condensed interim consolidated financial statements.

IFRS 18, Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB issued a new standard - IFRS 18, ‘Presentation and Disclosure in Financial Statements’ - in response to investors’ concerns about the comparability and transparency of entities’ performance reporting. The new requirements introduced in IFRS 18 will help to achieve comparability of the financial performance of similar entities, especially related to how ‘operating profit or loss’ is defined. The new disclosures required for some management-defined performance measures will also enhance transparency. The new standard will be effective for annual reporting periods beginning on or after January 1, 2027, including for interim financial statements. The Company has not yet assessed the impact of the amendment on the condensed interim consolidated financial statements.

4 Significant accounting estimates and judgments

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management’s experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of its consolidated financial statements.

Impairment of non-financial assets

The Company tests goodwill for impairment at least annually and tests other non-financial assets for impairment when there is any indication that the asset might be impaired. The Company has estimated the recoverable amounts of the CGUs to which goodwill is allocated using discounted cash flow models that required assumptions about future cash flows, margins and discount rates. Refer to note 8 and note 9 for more details about methods and assumptions used in estimating the recoverable amounts.

Loans and advances

Loans and advances are recorded at amortized cost and are written down to their estimated realizable amount when there is evidence of an impairment. As at August 25, 2024, As at August 25, 2024, the Company has fully provided for any loans and advances receivable from US SIR LLC.

Consolidation of the Partnership

The determination of the entity having the power to govern the financial and operating policies of the Partnership required significant judgments. Based on an evaluation of the activities of the Partnership and the Partnership Agreement, management concluded the substance of the relationships between the Partnership, the Company and the Fund indicates that the Partnership is controlled by the Company. Accordingly, the Company has consolidated the Partnership.

Ordinary LP Units and Class A LP Units of the Partnership

The classification of a financial instrument as a liability or equity requires significant judgment. Based on an evaluation of the Partnership Agreement and rights of the Company and SIR GP Inc. under this agreement, management concluded that the Company has an obligation to pay distributions once declared. Accordingly, the Ordinary LP Units and Class A LP Units of the Partnership held by the Fund have been classified as a liability in the consolidated statements of financial position.

In addition, accounting for the Ordinary LP Units and Class A LP Units at amortized cost also requires significant estimates. Management is required to estimate the future cash flows for the distributions on the Ordinary LP Units and Class A LP Units, which are estimated using the changes in the underlying unit price of the Fund units adjusted for taxes and the Company's loan payable to the Fund. Accordingly, the adjustments and methods used to estimate the cash flows are subject to uncertainty due to the fact that the expected cash flows can only be observed indirectly.

The current portion of the Ordinary LP Units and Class A LP Units is estimated based on the expected cash payments in the next fiscal year. The actual cash payments could differ from the estimates due to changes in the Fund's distribution policy, requirements of the Fund to settle its obligations, such as income taxes, and the performance of the Royalty Pooled Restaurants.

Income taxes

The Company has recognized certain deferred tax liabilities related to its investments in subsidiaries, based on management's estimate of the amount of the deferred tax liability that may reverse in the foreseeable future. In estimating the amount of the deferred tax liability, management considered the Company's strategies and its future financing requirements. Changes in the Company's strategic plan or financing requirement could result in a change in the amount of the deferred tax liability recognized.

5 Financial instruments

Classification

The following table summarizes the carrying values, fair values and classification of the financial assets and liabilities.

	August 25, 2024		August 27, 2023	
	Carrying value $	Fair value $	Carrying value $	Fair value $
	(in thousands of dollars)		(in thousands of dollars)	
Amortized cost				
Cash	6,450	6,450	8,231	8,231
Trade and other receivables	9,469	9,469	8,341	8,341
Loans and advances	10	10	10	10
Liabilities				
Amortized cost				
Trade and other payables	32,011	32,011	26,482	26,482
Long-term debt	34,638	34,874	21,907	22,216
Loan payable to SIR Royalty Income Fund (a)	36,195	see below	36,112	see below
Ordinary LP Units and Class A LP Units of the Partnership (b)	103,293	see below	141,609	see below

Carrying and fair values

Cash, trade and other receivables and trade and other payables are short-term financial instruments the fair values of which approximate their carrying values, given that they will mature in the short term. The carrying value of the loans and advances approximates fair value as the effective interest rate approximates current market rates. The fair value of long-term debt is determined based on the estimated contractual schedule of payments as the interest rate varies with the current market rates or, in the case of the finance lease obligations, the effect interest rate approximates current market rates.

(a) The loan payable to the Fund is due to a related party (see note 14(a)) and there is no active market for the debt. The Company intends to hold the loan payable to the Fund until its maturity on October 12, 2044.

The fair value of the loan payable to the Fund as at September 30, 2024 is estimated to be $38,500,000 (January 1, 2024 - $36,000,000).

The fair value of the loan payable to the Fund is estimated by discounting the expected cash flows using a current market interest rate adjusted for the Company's credit risk. In determining the appropriate discount rate, management has estimated the discount rate by considering comparable corporate bond rates, risk free rates and the Company's credit risk.

During the nine-month period ended September 30, 2024 for the Fund, the discount rate decreased to 7.85% from December 31, 2023 - 8.50%. The change in the discount rate is driven by the change in the spread between similar corporate bonds and the risk free rate over the same periods, and by management's estimate of the credit risk for SIR.

(b) The fair value of the Ordinary LP Units and Class A LP Units of the Partnership could only be determined through the valuation of the financial instruments. The Ordinary LP Units and Class A LP Units of the Partnership are held by the Fund and there is no active market for the Ordinary LP Units and Class A LP Units. As a result, the determination of their fair values is not practicable within the constraints of timeliness and cost.

Financial risk management

Financial risk management is carried out by the management of the Company and its Board of Directors. The Company's main financial risk exposure, as well as its risk management policy, is detailed as follows:

Interest rate risk

The loan payable to the Fund has a fixed interest rate. Accordingly, changes in interest rates would not impact the consolidated statements of operations and comprehensive loss or the carrying value of these financial liabilities. However, the fair value of these financial liabilities will vary with changes in interest rates.

As at August 25, 2024, the Company had $34,638,000 (August 27, 2023 - $21,907,000) in outstanding floating rate debt with an effective interest rate of 6.6% (August 28, 2022 - 7.9%). For the 52-week period ended August 25, 2024, the Company incurred interest expense on its floating rate long-term debt of $2,487,000 (52-week period ended August 27, 2023 - $2,085,000). Since the long-term debt facilities have variable interest rates, changes in market interest rates will have an impact on the Company's net earnings. An increase or decrease in the market rate of interest of 1% on the balances outstanding as at August 25, 2024, would result in a decrease or increase, respectively, in net earnings of $349,000 for the 52-week period ended August 25, 2024 (52-week period ended August 27, 2023 - $222,000).

The Company's policy is to invest excess cash in short-term highly liquid investments with original maturity of three months or less. It is not the Company's practice to hedge against changes in interest rates.

Market risk

The expected cash flows used in the estimate of the amortized cost of the Ordinary LP Units and Class A LP Units are derived from the market price of the Fund units adjusted for taxes and the Company's loan payable to the Fund. Accordingly, the change in the carrying value of the Ordinary LP Units and Class A LP Units changes with changes in the market price of the Fund units. An increase/decrease in the market price of the Fund units of 5% would result in an increase/decrease of the carrying value of Ordinary LP Units and Class A LP Units of the Partnership of $7,190,453 (August 27, 2023 - $9,116,000).

Credit risk

Credit risk is defined as the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in its cash, trade and other receivables and loans and advances. The Company minimizes the credit risk of cash by depositing funds with reputable financial institutions. The Company's trade and other receivables primarily comprise amounts due from major credit card companies; therefore, management believes that the Company's trade and other receivables credit risk exposure is limited.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due.

As at August 25, 2024, the Company's liquidity was comprised of $4,926,269 in cash on hand (which excludes cash on hand from the Partnership of $1,523,375) and $6,648,000 available to borrow under the Company's Credit Facilities 1 and 2 (note 13(a)), which currently expires on July 6, 2026. Management believes these resources, combined with cash generated by operations, provides sufficient cash resources to fund its working capital requirements, scheduled debt repayments, and current commitments for estimated construction costs for new restaurants. However, availability under the Credit Agreement is subject to certain conditions, including certain financial and non-financial covenants as determined by the Lender. The Company prepares budgets and forecasts to evaluate its ability to meet future cash obligations. The Company continues to assess changes in the marketplace, including economic conditions and consumer confidence. Based on these assessments, the timing of restaurant construction and opening schedules will be reviewed regularly by SIR's Management and adjusted as necessary.

Borrowings subject to financial covenants	Financial covenant	Frequency tested	Ratios to be compliant	Ratios as at August 25, 2024
$34,874,000*	Senior Leverage Ratio (c)	Quarterly	Maximum of 2.5:1	2.04:1
$34,874,000*	Fixed Charge Coverage Ratio (d)	Quarterly	Minimum of 1.10:1	1.17:1

* The fair value of the borrowings subject to financial covenants pursuant to the Credit Agreement is $34,874,000, which excludes deferred financing fees of $236,000.

The Credit Agreement defines the two financial covenants, calculated on a rolling four quarter basis, with reference to SIR on a consolidated basis, as follows:

(c) Senior Leverage Ratio is the ratio of: the numerator of which is (i) Debt (excluding any liability or indebtedness of SIR arising under the “SIR Loan Agreement”); minus (ii) cash on deposit in bank accounts of the Obligors maintained with the Lender as at the last day of the relevant determination period; and the denominator which is EBITDA.

(d) Fixed Charge Coverage Ratio is defined for any period, the ratio of: the numerator of which is EBITDA, plus the aggregate amount of rental payments in respect of leased real property, for such period minus cash Taxes paid in such period, and the denominator of which is the aggregate of all Fixed Charges in such period.

For the purposes of these financial covenants, the Credit Agreement defines “EBITDA” as net income or net loss for the relevant period, calculated on a consolidated basis, plus depreciation and amortization, interest expense, income taxes (whether or not deferred), the change in amortized cost of ordinary limited partnership units of the Partnership, new restaurant or stores pre-opening or closing costs (with some limitations), less the aggregate amount of rental payments in respect of leased real property and excluding partnership royalty income and other unusual or non-recurring items (as approved by the Lender). Unless otherwise provided, EBITDA shall be calculated on a rolling four quarter basis.

The continued ability to comply with financial covenants under the Company’s Credit Agreement for at least the next twelve months is contingent on management’s ability to meet budgeted revenue, profitability and working capital targets. The estimate of future cash flows in the Company’s Fiscal 2025 budget and forecasts through to the fourth quarter of Fiscal 2025 include a number of key assumptions to support the financial covenant calculations, specifically related to the forecasted revenues and gross margins (which in turn support EBITDA), and a decline in those assumptions could result in the breach of a covenant relative to its impact on the trailing period results used in calculating covenant compliance for the first and second quarter of Fiscal 2025 results. The Company safeguards against this through taking measures to manage its operating expenses, manage its revolving credit facility and term debt balances and negotiate terms with its lenders accordingly, in order to comply with the financial covenants.

The Company consolidates its investment in the Partnership. Included in cash is $1,523,375 (August 27, 2023 - $2,213,000) of cash of the Partnership. These funds can only be utilized by the Partnership and are not available to the Company for other general corporate purposes. These funds are maintained in separate bank accounts of the Partnership.

The estimated contractual payments required for the financial liabilities are as follows:

	As at August 25, 2024		
	Less than 1 year $	**2 - 5 years** $	**Over 5 years** $
		(in thousands of dollars)	
Trade and other payables	32,009	-	-
Long-term debt*	10,915	23,723	-
Loan payable to SIR Royalty Income Fund*	-	-	42,984
	42,924	23,723	42,984

	As at August 27, 2023		
	Less than 1 year $	**2 - 5 years** $	**Over 5 years** $
		(in thousands of dollars)	
Trade and other payables	26,482	-	-
Long-term debt*	10,942	10,965	-
Loan payable to SIR Royalty Income Fund*	-	-	42,992
	37,424	10,965	42,992

* Includes principal repayments and an estimate of interest payable based on current market interest rates or the interest rate per the Credit Agreement.

The above table excludes the cash flows relating to the Ordinary LP Units and Class A LP Units of the Partnership, as these are not contractual obligations until declared. The estimated amount expected to be paid, excluding the distributions on the Ordinary LP Units and Class A LP units, in the next fiscal year is $nil (August 27, 2023 - $nil).

6 Trade and other receivable

	August 25, 2024 $	August 27, 2023 $
	(in thousands of dollars)	
Trade receivables	2,932	2,880
Receivables from SIR Royalty Income Fund and its subsidiaries (note 14(c))	3,487	2,985
Marketing receivables	762	866
Gift card receivables	76	75
Quebec income tax recoverables	360	348
Takeout & delivery partner receivables	388	329
Other	1,464	858
	9,469	8,341

7 Loans and advances

	August 25, 2024 $	August 27, 2023 $
	(in thousands of dollars)	
Loan receivable from U.S. S.I.R. L.L.C., with interest at 10%, interest only repayable annually, due on August 31, 2003	1,180	1,180
Advances to and receivables from U.S. S.I.R. L.L.C., non-interest bearing, due on demand	1,913	1,913
Advances to and receivables from subsidiaries of U.S. S.I.R. L.L.C., non-interest bearing, due on demand	398	398
Loan receivable from U.S. S.I.R. L.L.C., with interest at 10% and no set terms of repayment	2,284	2,284
Loan receivable from U.S. S.I.R. L.L.C., non-interest bearing, due on demand	265	265
Loan receivable from a company owned by a shareholder and director, together with a member of executive management of SIR, non-interest bearing, due on demand	10	10
	6,050	6,050
Provision for impairment	(6,040)	(6,040)
	10	10
Current portion	(10)	(10)
Long term portion	-	-

8 Property and equipment

	Corporate			Restaurants		
	Furniture, fixtures and equipment $	Leasehold improvements $	Computer equipment and software $	Furniture, fixtures and equipment $	Leasehold improvements $	Total $
			(in thousands of dollars)			
As at August 28, 2022						
Cost	692	433	2,557	71,866	94,793	170,341
Accumulated depreciation and impairment losses	(692)	(269)	(2,494)	(56,460)	(85,708)	(145,623)
Net book value as at August 28, 2022	-	164	63	15,406	9,085	24,718
Net book value as at August 28, 2022	-	164	63	15,406	9,085	24,718
Additions	-	149	73	5,682	5,875	11,779
Disposals (net book value)	-	-	-	(124)	(11)	(135)
Depreciation	-	(7)	(6)	(3,610)	(2,933)	(6,556)
Impairment losses	-	-	-	-	(336)	(336)
As at August 27, 2023	-	306	130	17,354	11,680	29,470
As at August 27, 2023						
Cost	692	582	2,630	77,424	100,657	181,985
Accumulated depreciation and impairment losses	(692)	(276)	(2,500)	(60,070)	(88,977)	(152,515)
Net book value as at August 27, 2023	-	306	130	17,354	11,680	29,470
Net book value as at August 27, 2023	-	306	130	17,354	11,680	29,470
Additions	357	-	43	9,233	14,073	23,706
Disposals (net book value)	-	(105)	-	(484)	(255)	(844)
Depreciation	(30)	(7)	(28)	(3,819)	(3,737)	(7,621)
Recovery of previous impairment					44	44
As at August 25, 2024	327	194	145	22,284	21,805	44,755
As at August 25, 2024						
Cost	1,049	477	2,673	83,763	109,549	197,511
Accumulated depreciation and impairment losses	(722)	(283)	(2,528)	(61,479)	(87,744)	(152,756)
Net book value as at August 25, 2024	327	194	145	22,284	21,805	44,755

Property and equipment include $198,000 (August 27, 2023 - $257,000) of costs for restaurants under development that were not being depreciated as at August 25, 2024.

The Company conducted an (impairment) recovery analysis of these restaurants' non-financial assets (property and equipment and right-of-use). The analysis indicated that the estimated recoverable amounts for five restaurants (2023 - four) were less than the carrying value of the restaurants' non-financial assets. The analysis also indicated that the estimated recoverable amounts for two restaurants (2023 - nil), which were previously impaired as at August 30, 2020, had significantly recovered beyond the impairment previously recorded. The analysis indicated that estimated recoverable amounts of these restaurants were significantly greater than the carrying value of the restaurants' non-financial assets by an amount that warranted a full recovery and reversal of these previously recorded impairment losses. Management performed sensitivity testing on the estimates and determined that a reasonable change in the estimates would not result in a material change in the (impairment) recovery of property and equipment.

Restaurant furniture, fixtures and equipment, leasehold improvements and non-financial assets were written up (down) to reflect their recovery (impairment) as follows:

	August 25, 2024 $	August 27, 2023 $
Recovery of property and equipment	245	-
Impairment of property and equipment	(201)	(336)
Net recovery (impairment)	44	(336)
Recovery of right-of-use-assets (note 12)	385	-
Impairment of right-of-use-assets (note 12)	(78)	(283)
Net recovery (impairment)	307	(283)

In the 52-week period ended August 25, 2024, the Company recorded a recovery of previous impairments of $245,000 (August 27, 2023 - $nil) relating to the property and equipment of one Jack Astor's and one Duke's Refresher restaurant (2023 - nil). In the 52-week period ended August 25, 2024, the Company recorded an impairment loss of $201,000 (August 27, 2023 - $336,000) relating to the property and equipment of four Jack Astor's and one REDs restaurant (2023 - three Jack Astor's restaurants).

In the 52-week period ended August 25, 2024, the Company recorded a recovery of previous impairments of $385,000 (August 27, 2023 - $nil) related to the right-of-use assets for one Jack Astor restaurant (2023 - nil). In the 52-week period ended August 25, 2024, the Company recorded an impairment loss of $78,000 (August 27, 2023 - $336,000) related to the right-of-use assets for one Jack Astor restaurant (2023 - three).

The recoverable amounts were based on value-in-use methodologies using a discounted cash flow model. Significant assumptions used in these models include the estimate of cash flows and a discount rate of 13% (2023 - 13%) for this methodology.

9 Goodwill and intangible assets

	Goodwill $	Computer software $	Total $
As at August 28, 2022			
Cost	5,410	3,141	8,551
Accumulated amortization and impairment losses	(1,258)	(2,311)	(3,569)
Net book value	4,152	830	4,982
For the 52-week period ended August 27, 2023			
Net book value as at August 28, 2022	4,152	830	4,982
Additions	-	523	523
Amortization	-	(319)	(319)
As at August 28, 2022	4,152	1,034	5,186
As at August 27, 2023			
Cost	5,410	3,664	9,074
Accumulated amortization and impairment losses	(1,258)	(2,630)	(3,888)
Net book value	4,152	1,034	5,186
For the 52-week period ended August 25, 2024			
Net book value as at August 27, 2023	4,152	1,034	5,186
Additions	-	643	643
Amortization	-	(417)	(417)
As at August 25, 2024	4,152	1,260	5,412
As at August 25, 2024			
Cost	5,410	4,307	9,717
Accumulated amortization and impairment losses	(1,258)	(3,047)	(4,305)
Net book value	4,152	1,260	5,412

Goodwill has been allocated to the following Concept restaurants:

	August 25, 2024 $	August 27, 2023 $
	(in thousands of dollars)	
Jack Astor's	4,001	4,001
Scaddabush	151	151
	4,152	4,152

The Company conducted an impairment analysis of these restaurants' non-financial assets. The analysis indicated that the estimated recoverable amounts for all restaurants' with goodwill and intangible assets was greater than the carrying value of the restaurants' non-financial assets (goodwill and intangible assets). The recoverable amount was based on value-in-use. Significant assumptions used in the discounted cash flow model included estimated cash flows for the restaurant and the discount rate of 13% (2023 - 13%). Management performed sensitivity testing and further concluded that no impairment was necessary.

10 Trade and other payables

	August 25, 2024 $	August 27, 2023 $
	(in thousands of dollars)	
Trade payables	19,872	14,671
Accrued liabilities	9,182	9,125
Construction payables	2,773	2,607
Interest payable	120	-
Interest payable on SIR Loan (note 14(a))	63	79
	32,009	26,482

11 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:

	52-week period ended August 25, 2024 $	52-week ended August 27, 2023 $
	(in thousands of dollars)	
Jack Astor's	180,429	192,626
Scaddabush	69,296	55,770
Signature Restaurants	21,442	23,265
Corporate	174	56
	271,342	271,717

12 Right-of-use assets and lease obligations

Right-of-use assets are included as follows in the consolidated balance sheet as at August 25, 2024:

	Property $	Equipment $	Total $
	(in thousands of dollars)		
At August 28, 2022	73,546	317	73,863
52-week period ended August 27, 2023			
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 (note 8)	(283)	-	(283)
At August 27, 2023	68,768	369	69,137
52-week period ended August 25, 2024			
Additions	7,350	57	7,407
Modifications	3,514	16	3,530
Disposals	(2,864)	-	(2,864)
Amortization	(12,490)	(77)	(12,567)
Lease incentives	(1,077)	-	(1,077)
Recovery of previous impairment (note 8)	307		307
Right-of-use assets - net at August 25, 2024	63,508	365	63,873

For the 52-week period ended August 25, 2024, the lease obligation transactions were as follows:

	$ (in thousands of dollars)
At August 27, 2023	86,158
Additions	7,407
Modifications	3,530
Termination of leases	(2,865)
Repayments	(16,498)
Interest	4,042
As at August 25, 2024	81,774
Less: current portion of lease obligations	(17,842)
Long-term portion of lease obligations	63,932

Interest expense on lease obligations for the 52-week period ended August 25, 2024 was $4,042,000 (August 27, 2023 - $4,245,000). Total repayments for the 52-week period ended August 25, 2024 for leases was $16,498,000 (August 27, 2023 - $15,679,000) which includes $12,456,000 of principal payments and $4,042,000 of interest on lease obligations (August 27, 2023 - $11,434,000 and $4,245,000).

The annual lease obligations for the next five years and thereafter are as follows:

	As at August 25, 2024 $ (in thousands of dollars)
Fiscal 2025	16,668
Fiscal 2026	15,735
Fiscal 2027	13,862
Fiscal 2028	12,693
Fiscal 2029 and thereafter	38,181
Total undiscounted lease obligations	97,139
Total discounted lease obligations	81,774

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.

13 Bank indebtedness and long-term debt

	52-week period ended August 25, 2024 (in thousands of dollars)				
	Credit Facility 1 (a) $	**Credit Facility 2 (a) $**	**EDC Guaranteed Facility 2 (a) $**	**BDC Guaranteed Facility 2 (a) $**	**Total $**
Balance - Beginning of period	-	10,560	6,100	5,247	21,907
Issuance of long-term debt	17,500	-	-	-	17,500
Repayment of long-term debt	-	(4,148)	-	(694)	(4,842)
Finance fees paid	-	(54)	(122)	-	(176)
Amortization of finance fees	-	152	95	2	249
Balance - End of period	17,500	6,510	6,073	4,555	34,638
Current portion of long-term debt	-	(4,148)	(6,073)	(694)	(10,915)
Long-term debt	17,500	2,362	-	3,861	23,723

	52-week period ended August 27, 2023 (in thousands of dollars)				
	Credit Facility 1 (a) $	Credit Facility 2 (a) $	EDC Guaranteed Facility 2 (a) $	BDC Guaranteed Facility 2 (a) $	Total $
Balance - Beginning of period	-	14,037	6,159	5,939	26,135
Repayment of long-term debt	-	(3,332)	-	(694)	(4,026)
Finance fees paid	-	(276)	(122)	-	(398)
Amortization of finance fees	-	131	63	2	196
Balance - End of period	-	10,560	6,100	5,247	21,907
Current portion of long-term debt	-	(4,148)	(6,100)	(694)	(10,942)
Long-term debt	-	6,412	-	4,553	10,965

Reconciliation of interest expense to interest paid	52-week period ended August 25, 2024 $	52-week period ended August 27, 2023 $
	(in thousands of dollars)	
Interest expense	5,873	5,395
Amortization of deferred financing fees on SIR Loan	(82)	(59)
Amortization of deferred financing fees on long-term debt	(249)	(196)
Asset retirement obligation accretion	(15)	(29)
Change in prepaid interest	(175)	111
Change in interest payable	(104)	8
Interest paid	5,248	5,230

a) 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 $41,695,000 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 $4,572,000 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") (which excludes the term of the EDC-Guaranteed Facility). 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 CORRA advances' 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 August 25, 2024, $17,500,000 was drawn on 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 CORRA advances' 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 52 week period ended August 25, 2024, SIR repaid $4,148,000 on this facility. As at August 25, 2024, $6,552,000 was drawn on Credit Facility 2. Beginning financing fees on this facility were $140,000, for the 52-week period ended August 25, 2024 the company paid additional fees of $54,000 and amortized $152,000 of the total financing fees. As of August 25, 2024 the company had net financing fees of $42,000 bringing the total outstanding on this facility to $6,510,000.

As at August 25, 2024, the Company has drawn $19,126,000 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 is a 364-day revolving-term credit facility with a maturity date of July 6, 2025, that bears interest at the prime rate plus 3.00%. A standby fee of 0.90% is charged on the undrawn balance of this facility. As at August 25, 2024, SIR had fully drawn $6,250,000 on this facility. Beginning financing fees on this facility were $149,000, for the 52-week period ended August 25, 2024 the company paid additional fees of $122,000 and amortized $94,000 of the total financing fees. As of August 25, 2024 the company had net financing fees of $177,000 bringing the total outstanding on this facility to $6,073,000.

The BDC-Guaranteed Facility is a 10-year non-revolving term credit facility, with one year principal payment moratorium, bearing a fixed rate interest of 4%. The moratorium has elapsed and SIR has commenced repayment on this facility. For the 52-week period ended August 25, 2024, SIR repaid $694,000 on this facility. As at August 25, 2024, $4,572,000 was drawn on this facility. Beginning financing fees on this facility were $19,500, for the 52-week period ended August 25, 2024 the company amortized $2,500 of the total financing fees. As of August 25, 2024 the company had net financing fees of $17,000 bringing the total outstanding on this facility to $4,555,000.

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 August 25, 2024 (note 4).

	Long-term debt repayments $ (in thousands of dollars)
2025	10,915
2026	23,723
	34,638

The effective interest rate on long-term debt as at August 25, 2024 is 5.56% (August 27, 2023 - 8.72%).

14 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.

The long-term debt is permitted indebtedness within the meaning of the agreements between the Fund, the Partnership and the Company and, as a result, the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against the Company to the claims of the Lender. This subordination, which includes a subordination of the Partnership's rights under the Licence and Royalty Agreement between the Partnership and the Company, whereby the Partnership licenses to the Company the right to use the trademarks and related intellectual property in return for royalty payments based on revenue, has been effected pursuant to the terms of the Intercreditor Agreement.

Under the Intercreditor Agreement, absent any default or event of default under the Credit Agreement, ordinary payments to the Fund and the Partnership can continue and the Partnership can exercise any and all of its rights to preserve the trademarks and related intellectual property governed by the Licence and Royalty Agreement. However, if a default or an event of default were to occur, the Fund and the Partnership agree not to take actions on their security until the Lender has been repaid in full. However, payments by the Company to the Fund and the Partnership are permitted for such amounts as are required to fund their monthly operating expenses, up to an annual limit. In addition, the Company, the Fund and the Partnership have the right, acting cooperatively, to reduce payments of Royalties and/or interest on the SIR Loan by up to 50% without triggering a cross default under the Credit Agreement for a period of up to nine consecutive months. The Company and each obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Fund's unitholders and the Company and its shareholders in exchange for the subordinating parties not demanding repayment or enforcing security as a result of any such related party obligation default. The Intercreditor Agreement also contains various other typical covenants of the Fund and the Partnership.

Interest expense charged to the consolidated statements of operations and comprehensive loss for the 52-week period ended August 25, 2024 was $3,066,000 (52-week period ended August 27, 2023 - $3,051,000), which includes interest on the SIR Loan of $2,984,000 (52-week period ended August 27, 2023 - $2,992,000), amortization of financing fees of $82,000 (52-week period ended August 27, 2023 - $59,000). Interest payable on the SIR Loan as at August 25, 2024 was $63,000 (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 August 25, 2024 were $3,805,000 (August 27, 2023 - $3,888000).

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

	52-week period ended August 25, 2024 $	52-week period ended August 27, 2023 $
Balance - Beginning of period	141,609	117,299
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	(27,436)	36,134
Distributions paid to Ordinary LP and Class A LP unitholders	(10,880)	(11,824)
Balance - End of period	103,293	141,609
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(9,991)	(9,991)
Ordinary LP Units and Class A LP Units of the Partnership	93,302	131,618
The following is a summary of the results of operations of the Partnership:		
Pooled Revenue*	257,463	265,787
Partnership royalty income*	15,448	15,946
Other income	24	26
Partnership expenses	(103)	(107)
Net earnings of the Partnership	15,369	15,865
The Company’s interest in the earnings of the Partnership	(4,605)	(4,940)
Fund’s interest in the earnings of the Partnership	10,764	10,925

*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 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 consolidated statements of operations and comprehensive income (loss).

During the 52-week period ended August 25, 2024, distributions of $10,760,000 (52-week periods ended August 27, 2023 - $10,903,000) were declared to the Fund through the Partnership. Distributions paid during the 52-week period ended August 25, 2024 were $10,880,000 (52-week periods ended August 27, 2023 - $11,824,000). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions payable to SIR Royalty Income Fund from the Partnership as at August 25, 2024 were $4,299,000 (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 August 25, 2024, after the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2023, 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 SIR Royalty Income Fund as at August 25, 2024 were $3,487,000 (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.

During the 52-week period ended August 25, 2024, the Partnership recorded a recovery of $4,000 on previous impairments on the advances receivable from the Trust, GP and Fund for a total provision of $110,000 (52-week period ended August 27, 2023 - $114,000). The adjustment was based on management's assessment of the company-specific risks and a rate of approximately 7% (August 27, 2023 - 7%) was applied to the advances receivable at August 25, 2024.

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 52-week period ended August 25, 2024, the Partnership provided these services to the Fund and the Trust for consideration of $24,000 (52-week period ended August 27, 2023 - $26,000), which was the amount of consideration agreed to by the related parties.

15 Provisions and other long-term liabilities

	August 25, 2024 $	August 27, 2023 $
	(in thousands of dollars)	
Gift cards (deferred revenue)	5,166	3,949
Deferred supplier rebates	268	640
Management bonus (a)	796	1,514
Asset retirement obligations (b)	553	700
	6,783	6,803
Current portion	(6,037)	(5,201)
	746	1,602

a) The Company has a phantom stock option management bonus program for corporate and area directors, with the opportunity to earn a bonus based on the overall valuation of the Company. The percentage of cash flow earned depends on the directors' years of service, salary and vested "in the money" phantom options. This bonus is based on phantom stock options granted that vest over a 3-year term. The directors must remain with the organization during the 3-year vesting period to be eligible to earn the bonus payment. The options are granted on a predetermined formula based on the salaries of the directors and the annual valuation of the Company by a third-party valuation consultant. The discount rate used to estimate the current and long-term phantom stock option bonus for the 52-week period ended August 25, 2024 was 14.9%. As at the 52-week period ended August 25, 2024, the bonus accrual was $796,000.

Movement in the management bonus is as follows:

	$ (in thousands of dollars)
As at August 28, 2022	430
Current service cost and changes in estimates	2,759
Interest cost	(216)
Payments	(1,459)
As at August 27, 2023	1,514
Current service cost and changes in estimates	318
Interest cost	(51)
Payments	(985)
As at August 25, 2024	796

The amounts recognized in the consolidated statements of operations and comprehensive loss are as follows:

	52-week period ended August 25, 2024 $	52-week period ended August 27, 2023 $
	(in thousands of dollars)	
Current portion of management bonus	796	924
Long-term portion of management bonus	-	590
	796	1,514

b) The Company has recorded an asset retirement obligation in respect of the estimated lease-end remediation costs. The asset retirement obligation was estimated based on a discounted cash flow analysis using the following key assumptions:

	August 25, 2024	August 27, 2023
Total undiscounted estimated cash flows (in thousands of dollars)	$776	$621
Expected timing of repayments	0.1 to 8.8 years	0.1 to 9.8 years
Discount rate	8.7%	4.2%

16 Capital stock

Authorized
Unlimited common shares

Issued and outstanding

	August 25, 2024		August 27, 2023	
	Number of common shares (in thousands)	$	Number of common shares (in thousands)	$
Balance - Beginning of period	11,708	20,401	11,743	20,462
Repurchase of common shares (note 17)	(25)	(44)	(35)	(61)
Balance - End of period	11,683	20,357	11,708	20,401

During the 52-week period ended August 25, 2024, 35,000 common shares were repurchased and cancelled for a total consideration of $175,000 (52-week period ended August 27, 2023 - $230,000).

17 Stock option plan

During the 52-week period ended August 25, 2024, no stock options were granted (52-week period ended August 27, 2023 - none). During the 52-week period ended August 25, 2024, no stock options were exercised (52-week period ended August 27, 2023 - none) and no common shares were issued (52-week period ended August 27, 2023 - none).

During the 52-week period ended August 25, 2024, compensation expense of $4,000 was recognized in the consolidated statement of operations and comprehensive loss (52-week period ended August 27, 2023 - $12,000). Compensation expense for options not yet vested of $1,000 will be recognized in the consolidated statements of operations and comprehensive loss over the vesting period of the stock options (52-week period ended August 27, 2023 - $45,000).

	Number of stock options outstanding (in thousands)	Weighted average exercise price per share $
Balance - August 25, 2024 and August 27, 2023	585	4.61

As at August 25, 2024, the outstanding and exercisable stock options to purchase common shares are as follows:

		Stock options outstanding		Stock options exercisable	
Stock option price range	Weighted average remaining life (years)	Number of stock options (in thousands)	Weighted average exercise price per share $	Number of stock options (in thousands)	Weighted average exercise price per share $
$3.84 (a)	1.35	460	3.84	460	3.84
$4.93 (b)	1.35	25	4.93	20	4.93
$8.08 (c)	1.35	100	8.08	100	8.08
		585		580	

As at August 27, 2023, the outstanding and exercisable stock options to purchase common shares are as follows:

		Stock options outstanding		Stock options exercisable	
Stock option price range	Weighted average remaining life (years)	Number of stock options (in thousands)	Weighted average exercise price per share $	Number of stock options (in thousands)	Weighted average exercise price per share $
$3.84 (a)	1.35	460	3.84	460	3.84
$4.93 (b)	1.35	25	4.93	15	4.93
$8.08 (c)	1.35	100	8.08	100	8.08
		585		575	

a) These stock options were granted to key management of the Company during the 52-week period ended August 25, 2013, with an exercise price of $3.84 and an expiry date of January 1, 2020. During the 53-week period ended August 30, 2020, the expiry date was extended to January 1, 2025. Of the remaining stock options, 200,000 stock options vested on January 1, 2014 and 87,000 stock options vested annually thereafter over the next three years. On termination with cause, all vested and unvested options of the participant immediately expire and are cancelled.

b) These stock options were granted to key management of the Company during the 53-week period ended August 30, 2020, with an exercise price of $4.93 and an expiry date of January 1, 2025. Of the outstanding options, 5,000 options vested on January 1, 2021, 5,000 options vested on January 1, 2022, 5,000 options vested on January 1, 2023 and 5,000 options vested on January 1, 2024.

c) These stock options were granted to key management of the Company on July 1, 2018 with an exercise price of $8.08 and an expiry date of January 1, 2025. 10,000 options vested on January 1, 2019, 15,000 options vested on January 1, 2020, 20,000 options vested on January 1, 2021, 25,000 options vested on January 1, 2022 and 30,000 options vested on January 1, 2023.

18 Related party transactions

Transactions with U.S. S.I.R. L.L.C. and the Fund are related party transactions and are disclosed in notes 7 and 14, respectively.

In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Company entered into the following related party transactions:

	August 25, 2024 $	August 27, 2023 $
	(in thousands of dollars)	
Property and equipment		
Fixtures provided by a shareholder of the Company	79	85
Furniture and equipment provided by a company owned by a shareholder and director, together with a member of executive management of the Company	454	357

The above transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Compensation of key management:

	52-week period ended August 25, 2024 $	52-week period ended August 27, 2023 $
	(in thousands of dollars)	
Salaries, short-term employee benefits and director's fees	953	1,083
Fees paid to companies for management services and director's fees	870	807
	1,823	1,890

Key management includes the Company's directors and members of executive management.

19 Expenses by nature

	52-week period ended August 25, 2024 $	52-week period ended August 27, 2023 $
	(in thousands of dollars)	
Food and beverage	70,381	73,827
Labour	94,285	89,345
Direct costs of restaurant operations	53,934	49,528
Depreciation and amortization	19,777	17,853
Loss on disposal of property and equipment	474	19
(Recovery) impairment of non-financial assets	(351)	619
Cost of corporate restaurant operations	238,501	231,191
Salaries and benefits	9,986	9,556
Advertising and marketing	2,197	1,189
Professional, legal and consulting fees	1,221	915
Depreciation and amortization	828	1,541
Asset retirement obligation (recovery) accretion	(183)	115
Other	1,569	2,249
Corporate costs	15,618	15,565

20 Contingencies

In the normal course of business, the Company is threatened from time to time with, or named as a defendant in, legal proceedings, including those relating to wrongful dismissal or personal injury. Many claims are covered by the Company's insurance policies and none of the current claims are expected to have a material adverse effect on the Company.

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

The net change in working capital items is as follows:

	52-week period ended August 25, 2024 $	52-week period ended August 27, 2023 $
	(in thousands of dollars)	
Trade and other receivables	(1,084)	1,770
Inventories	(731)	(114)
Prepaid expenses, deposits and other assets	(408)	(1,220)
Trade and other payables	6,434	245
Provisions and other long-term liabilities	(4,146)	163
	65	844

For the 52 week period ended August 25, 2024 unpaid additions to property plant and equipment and intangible assets were $2,772,975 (52-week period ended August 27, 2023 - $2606,995).

22 Income taxes

The reconciliation of the Company's effective tax rate to the combined Canadian federal and provincial statutory income tax rate is as follows:

	52-week period ended August 25, 2024 $	52-week period ended August 27, 2023 $
	(in thousands of dollars)	
Earnings (loss) before income taxes	35,107	(20,191)
Income tax (recovery) expense at Canadian statutory income tax rate of 26.5% (August 30, 2020 - 26.5%)	9,303	(5,351)
Increase (decrease) by the effect of		
Change in amortized cost of Ordinary LP Units and Class A LP Units	(7,271)	9,575
Non-deductible expenses	180	164
Partnership structure	(2,830)	(2,880)
Deferred tax assets not recognized	618	(1,508)
Provision for (recovery of) income taxes	-	-

Deferred income tax assets not recognized are summarized as follows:

	August 25, 2024 $	August 27, 2023 $
	(in thousands of dollars)	
Property and equipment	6,050	8,447
Other non-current assets	429	437
Loss carry-forwards	6,026	3,068
Long-term management bonus	38	208
	12,543	12,160

Deferred income tax assets (liabilities) recognized are as follows:

	August 25, 2024 $	August 27, 2023 $
	(in thousands of dollars)	
Deferred financing fees	(895)	(875)
Loss carry-forwards	1,398	1,851
Investment in the Partnership	(200)	(700)
Other	(303)	(276)
	-	-

As at August 25, 2024, the deferred tax liability related to subsidiaries that has not been recognized amounted to $12,192,727 (August 27, 2023 - $8,813,000).

As at August 25, 2024, the Company and its subsidiaries have available non-capital for income tax purposes which expire as follows:

	$ (in thousands of dollars)
2026	224
2027	339
2028	657
2029	473
2030	320
2031	964
2032	428
2033	541
2034	671
2035	568
2036	590
2037	1,674
2038	523
2039	1,077
2040	1,995
2041	2,636
2042	163
2043	1,403
2044	12,569
	27,815

In addition, the Company's US subsidiary has loss carry-forwards of $113,000 which expire in 2028 and 2029.

23 Capital management

The Company's capital consists of its capital stock and deficit of $20,357,000 and $179,720,000, respectively. The objectives in managing capital are to safeguard the Company's ability to continue as a going concern, to provide financial capacity and flexibility to meet its strategic objectives, to allow the Company to respond to changes in economic and/or marketplace conditions and to provide a return to its shareholders. The Company strives to maintain an optimal split between senior debt and equity with a view to balancing its flexibility while minimizing its cost of capital. The Company evaluates cash flow through its budgeting and forecasting process, to help plan and track its capital requirements to meet its strategic plans and to monitor compliance with its Credit Agreement.

Compliance with the covenants included in the Company's amended Credit Agreement is monitored by management on a quarterly basis. As at August 25, 2024, the Company was in compliance with the senior leverage ratio and the fixed charge coverage ratio under the Credit Agreement. If the Company were not in compliance with the covenants of the Credit Agreement and unable to remedy this non-compliance, certain security is available to the Lender as described in note 13.

SIR currently holds 987,835 Class A GP Units, representing a 10.55% residual interest in the Partnership. The Class A GP Units are exchangeable into units of the Fund on a one for one basis, and, as at August 25, 2024, have a market value of approximately $12,466,000. Under the Credit Agreement and without prior consent from the Lender, SIR may convert Class A GP Units into Fund Units and promptly sell such units for the purposes of financing construction projects for new and existing restaurants, provided in any year the sale of the units does not exceed the lower of $7,000,000 and 400,000 units.

The Company is required to issue common shares on the exercise of stock options by shareholders, directors and employees (note 17).

24 Comparative figures

To align with the presentation adopted in the current period, the comparative figures in the balance sheet have been revised to reclassify $2,858,000 of long-term debt repayments associated with Credit Facility 2 (note 13) to current portion of long-term debt to be consistent with the presentation of long-term debt repayments on the credit facilities in the current year.