# SIR Corp.

Interim Consolidated Financial Statements
(Unaudited)
**For the 12-week and 24-week periods ended February 11, 2018**
(in thousands of Canadian dollars)

# SIR Corp.

Interim Consolidated Statements of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

| | February 11, 2018 $ | August 27, 2017 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 3,049 | 4,550 |
| Trade and other receivables (note 4(c)) | 9,453 | 8,391 |
| Inventories | 3,528 | 2,995 |
| Prepaid expenses, deposits and other assets | 2,308 | 1,109 |
| Current portion of loans and advances | 300 | 320 |
| | 18,638 | 17,365 |
| **Non-current assets** | | |
| Loans and advances | 728 | 792 |
| Property and equipment | 55,276 | 50,691 |
| Goodwill and intangible assets | 5,384 | 4,970 |
| | 80,026 | 73,818 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Bank indebtedness (note 3) | 3,265 | 1,943 |
| Trade and other payables (note 4(a)) | 29,940 | 31,582 |
| Dividends payable (note 5) | 700 | - |
| Current portion of long-term debt (note 3) | 3,293 | 15,838 |
| Current portion of provisions and other long-term liabilities | 4,658 | 3,797 |
| Current portion of Ordinary LP Units and Class A LP Units of the Partnership (note 4(b)) | 9,991 | 9,991 |
| | 51,847 | 63,151 |
| **Non-current liabilities** | | |
| Long-term debt (Note 3) | 22,335 | - |
| Loan payable to SIR Royalty Income Fund (note 4(a)) | 35,818 | 35,798 |
| Provisions and other long-term liabilities | 10,705 | 9,422 |
| Ordinary LP Units and Class A LP Units of the Partnership (note 4(b)) | 112,042 | 120,816 |
| | 232,747 | 229,187 |
| **Shareholders' Deficiency** | | |
| **Capital stock** (note 5) | 20,484 | 20,484 |
| **Contributed surplus** | 109 | 109 |
| **Deficit** | (173,314) | (175,962) |
| | (152,721) | (155,369) |
| | 80,026 | 73,818 |

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

# SIR Corp.

Interim Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

(in thousands of Canadian dollars)

| | 12-week period ended | | 24-week period ended | |
|---|---|---|---|---|
| | February 11, 2018 $ | February 12, 2017 $ | February 11, 2018 $ | February 12, 2017 $ |
| **Corporate restaurant operations** | | | | |
| Food and beverage revenue | 66,180 | 62,364 | 134,558 | 125,923 |
| Costs of corporate restaurant operations | 61,925 | 57,619 | 124,384 | 117,461 |
| **Earnings from corporate restaurant operations** | 4,255 | 4,745 | 10,174 | 8,462 |
| Corporate costs | 3,707 | 3,388 | 7,526 | 6,730 |
| **Earnings before interest and income taxes** | 548 | 1,357 | 2,648 | 1,732 |
| Interest expense | 311 | 249 | 607 | 454 |
| Interest on loan payable to SIR Royalty Income Fund (note 4(a)) | 700 | 700 | 1,393 | 1,392 |
| Interest (income) and other expense (income) - net | (32) | 140 | (64) | 152 |
| Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 4(b)) | (8,438) | 10,130 | (2,936) | 10,782 |
| **Earnings (loss) before income taxes** | 8,007 | (9,862) | 3,648 | (11,048) |
| **Provision for income taxes** | - | 43 | - | 67 |
| **Net earnings (loss) and comprehensive income (loss) for the period** | 8,007 | (9,905) | 3,648 | (11,115) |

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

# SIR Corp.

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

(in thousands of Canadian dollars)

| | 24-week period ended February 11, 2018 | | | |
|---|---|---|---|---|
| | **Capital stock $** | **Contributed surplus $** | **Deficit $** | **Total $** |
| **Balance - Beginning of period** | 20,484 | 109 | (175,962) | (155,369) |
| **Dividends declared** (note 5) | - | - | (1,000) | (1,000) |
| **Net earnings for the period** | - | - | 3,648 | 3,648 |
| **Balance - End of period** | 20,484 | 109 | (173,314) | (152,721) |

| | 24-week ended February 12, 2017 | | | |
|---|---|---|---|---|
| | **Capital stock $** | **Contributed surplus $** | **Deficit $** | **Total $** |
| **Balance - Beginning of period** | 20,390 | 31 | (162,601) | (142,180) |
| **Stock-based compensation** | - | 141 | - | 141 |
| **Exercise of stock options** (note 5) | 132 | (4) | - | 128 |
| **Net loss for the period** | - | - | (11,115) | (11,115) |
| **Balance - End of period** | 20,522 | 168 | (173,716) | (153,026) |

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

# SIR Corp.

Interim Consolidated Statements of Cash Flows
(Unaudited)

(in thousands of Canadian dollars)

| | 12-week period ended | | 24-week period ended | |
|---|---|---|---|---|
| | February 11, 2018 $ | February 12, 2017 $ | February 11, 2018 $ | February 12, 2017 $ |
| **Cash provided by (used in)** | | | | |
| **Operating activities** | | | | |
| Net earnings (loss) for the period | 8,007 | (9,905) | 3,648 | (11,115) |
| Items not affecting cash | | | | |
| Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 4(b)) | (8,438) | 10,130 | (2,936) | 10,782 |
| Depreciation and amortization | 2,641 | 2,529 | 5,099 | 5,029 |
| Deferred income taxes | - | - | - | - |
| Current income taxes | - | 43 | - | 67 |
| Recovery of loans and advances | - | - | - | 50 |
| Interest expense on long-term debt and SIR Loan | 1,011 | 949 | 2,000 | 1,846 |
| Non-cash interest income | (28) | (32) | (57) | (66) |
| Amortization of leasehold inducements | (134) | (113) | (250) | (221) |
| Stock-based compensation | - | 2 | - | 141 |
| Loss on disposal of property and equipment | 28 | 27 | 90 | 96 |
| Other | (45) | - | (98) | (39) |
| Leasehold and other inducements received | - | - | 165 | 158 |
| Distributions paid to Ordinary LP and Class A LP unitholders (note 4(b)) | (3,339) | (2,824) | (5,838) | (5,226) |
| Income taxes paid | - | (76) | - | (211) |
| Net change in working capital items (note 7) | (204) | (2,134) | (2,758) | (4,173) |
| Cash used in operating activities | (501) | (1,404) | (935) | (2,882) |
| **Investing activities** | | | | |
| Purchase of property and equipment and other assets - net | (5,635) | (2,737) | (9,483) | (6,006) |
| Repayment of loans and advances | 107 | 77 | 141 | 101 |
| Cash used in investing activities | (5,528) | (2,660) | (9,342) | (5,905) |
| **Financing activities** | | | | |
| Increase (decrease) in bank indebtedness and long-term debt | (159) | 617 | 1,322 | 556 |
| Proceeds from issuance of long-term debt | 6,895 | 4,000 | 10,895 | 10,000 |
| Principal repayment of long-term debt | (500) | (500) | (1,000) | (1,000) |
| Interest paid | (1,028) | (966) | (1,970) | (1,882) |
| Dividends paid | (200) | - | (300) | - |
| Financing fees | (171) | - | (171) | - |
| Exercise of stock options (note 5) | - | - | - | 128 |
| Cash provided by financing activities | 4,837 | 3,151 | 8,776 | 7,802 |
| **Decrease in cash and cash equivalents during the period** | (1,192) | (913) | (1,501) | (985) |
| **Cash and cash equivalents - Beginning of period** | 4,241 | 3,816 | 4,550 | 3,888 |
| **Cash and cash equivalents - End of period** | 3,049 | 2,903 | 3,049 | 2,903 |

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

## 1 Nature of operations and fiscal year

### Nature of operations

SIR Corp. (the Company) is a private company amalgamated under the Business Corporations Act of Ontario. As at February 11, 2018, the Company owned a total of 61 (August 27, 2017 - 60) Concept and Signature restaurants in Canada (in Ontario, Quebec, Alberta, Nova Scotia and Newfoundland) (the SIR Restaurants). The Concept restaurants are Jack Astor's Bar and Grill® (Jack Astor's®), Canyon Creek Chop House® (Canyon Creek®) and Scaddabush Italian Kitchen & Bar® ("Scaddabush") and the Signature restaurants are Reds® Wine Tavern, Reds® Midtown Tavern, Reds® Square One and Loose Moose Tap & Grill®. The Company also owns a Dukes Refresher® & Bar located in downtown Toronto, and one seasonal restaurant, Abbey's Bakehouse®, in addition to one seasonal Abbey's Bakehouse retail outlet, which are not currently part of Royalty Pooled Restaurants (note 4(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 4(a)) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of SIR Royalty Limited Partnership (the Partnership) (note 4(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 March 22, 2018.

### 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 accounting periods of 12, 12, 12 and 16 or 17 weeks, respectively. The fiscal years for 2018 and 2017 both consisted of 52 weeks.

## 2 Summary of significant accounting policies

### Basis of presentation

The Company prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for interim financial reporting, including International Accounting Standard (IAS) 34, Interim Financial Reporting. The disclosures contained in these interim consolidated financial statements do not include all requirements of IFRS for annual consolidated financial statements and notes thereto.

The accounting policies as applied in these interim consolidated financial statements are consistent with those followed in the August 27, 2017 audited annual consolidated financial statements, except as follows:

IAS 7, Statement of Cash Flows. The IASB issued an amendment to require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendment is effective for annual periods beginning on or after January 1, 2017. SIR will include the additional disclosures in the 2018 annual consolidated financial statements.

IAS 12, Income Taxes. The IASB issued an amendment to clarify the requirements for (a) recognizing deferred tax assets on unrealized losses, (b) deferred tax where an asset is measured at a fair value below the asset's tax base, and (c) certain other aspects of accounting for deferred tax assets. The amendment is effective for years beginning on or after January 1, 2017. The amendment will not have a material impact on the consolidated financial statements.

**Seasonality**

The financial performance of the Company for the interim period is not necessarily indicative of the results that may be expected for the full year due to the seasonality of the Company's business. The full service restaurant sector of the Canadian foodservice industry in which the Company operates experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenues during the Company's fourth quarter (ending the last Sunday in August) when patios can be open. Additionally, certain holidays and observances also affect dining patterns both favourably and unfavourably.

## 3 Bank indebtedness and long-term debt

The Company has a credit agreement (Credit Agreement) with a Schedule 1 Canadian chartered bank (the Lender). The Credit Agreement provides for a three-year facility for a maximum principal amount of $30,000,000 consisting of a $20,000,000 revolving term credit facility (Credit Facility 1), and a $10,000,000 revolving term loan (Credit Facility 2). The Company and the Lender also has a purchase card agreement providing credit of up to an additional $5,000,000. Subsequent to November 19, 2017, on December 8, 2017, the Company extended the Credit Agreement from July 6, 2018 to July 6, 2020 under substantially the same terms and conditions. The Credit Agreement as amended provides for a new $2,200,000 leasing facility.

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 2.25% and/or the bankers' acceptance rate plus 3.25%. A standby fee of 0.65% is charged on the undrawn balance of Credit Facility 1. Provided the Company is in compliance with the Credit Agreement, the principle amount of Credit Facility 1 can be repaid and reborrowed at any time during the term of the Credit Agreement. Credit Facility 2 bears interest at the prime rate plus 2.25% and/or the bankers' acceptance rate plus 3.25%. The initial advance on Credit Facility 2 is repayable in quarterly instalments of $500,000.

On December 15, 2017, the Company drew an additional $4,500,000 on Credit Facility 2. This advance is repayable in quarterly instalments of $225,000, with the remaining outstanding principal balance due on July 6, 2020.

Under the amended Credit Agreement, subsequent advances on Credit Facility 2 may be requested annually (subject to availability and Lender approval), in minimum multiples of $1,000,000, to finance capital spending on new and renovated restaurants. Each subsequent advance will be repayable in equal quarterly instalments based on a five-year amortization, with the remaining outstanding principal balance due on July 6, 2020.

During the 12-week period ended February 11, 2018, the Company drew $1,787,000 of the $2,200,000 leasing facility. These advances are repayable in equal monthly instalments.

The undrawn balance of Credit Facility 1 as at February 11, 2018 is $1,735,000.

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 February 11, 2018.

The Company has recorded its long-term debt at amortized cost. The Company has netted the financing fees against the respective debt and amortizes these costs over the expected life of the long-term debt using the effective interest rate method. Unamortized financing fees netted against the debt as at February 11, 2018 were $267,000 (August 27, 2017 - $162,000).

## 4 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 (note 3).

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 revenues, has been effected pursuant to the terms of the Intercreditor Agreement.

Under the Intercreditor Agreement, absent a 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 12-week and 24-week periods ended February 11, 2018 was $700,000 and $1,393,000, respectively (12-week and 24-week periods ended February 12, 2017 - $700,000 and $1,392,000, respectively), which includes interest on the SIR Loan of $690,000 and $1,373,000, respectively (12-week and 24-week periods ended February 12, 2017 - $690,000 and $1,373,000, respectively) and amortization of financing fees of $10,000 and $20,000, respectively (12-week and 24-week periods ended February 12, 2017 - $10,000 and $19,000, respectively). Interest payable on the SIR Loan as at February 11, 2018 was $348,000 (August 27, 2017 - $475,000).

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

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

| | 12-week period ended | | 24-week period ended | |
|---|---|---|---|---|
| | February 11, 2018 $ | February 12, 2017 $ | February 11, 2018 $ | February 12, 2017 $ |
| | | (in thousands of dollars) | | |
| Balance - Beginning of period | 133,810 | 122,071 | 130,807 | 123,821 |
| Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership | (8,438) | 10,130 | (2,936) | 10,782 |
| Distributions paid to Ordinary LP and Class A LP unitholders | (3,339) | (2,824) | (5,838) | (5,226) |
| Balance - End of period | 122,033 | 129,377 | 122,033 | 129,377 |
| Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership | (9,991) | (9,991) | (9,991) | (9,991) |
| Ordinary LP Units and Class A LP Units of the Partnership | 112,042 | 119,386 | 112,042 | 119,386 |
| The following is a summary of the results of operations of the Partnership: | | | | |
| Pooled Revenue* | 61,468 | 59,820 | 125,136 | 121,544 |
| Partnership royalty income* | 3,688 | 3,629 | 7,575 | 7,370 |
| Other income | 5 | 5 | 11 | 11 |
| Partnership expenses | 1 | (11) | (35) | (29) |
| Net earnings of the Partnership | 3,694 | 3,623 | 7,551 | 7,352 |
| The Company's interest in the earnings of the Partnership | (1,333) | (1,368) | (2,744) | (2,778) |
| Fund's interest in the earnings of the Partnership | 2,361 | 2,255 | 4,807 | 4,574 |

*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, plus a Make-Whole Payment for closed restaurants, from the date of closure to December 31 of the year closed.

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 loss.

During the 12-week and 24-week periods ended February 11, 2018, distributions of $2,361,000 and $4,807,000, respectively (12-week and 24-week periods ended February 12, 2017 - $2,255,000 and $4,574,000, respectively) were declared to the Fund through the Partnership. Distributions paid during the 12-week and 24-week periods ended February 11, 2018 were $3,339,000 and $5,838,000, respectively (12-week and 24-week periods ended February 11, 2018 – $2,824,000 and $5,226,000, respectively). 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 as at February 11, 2018 were $3,905,000 (August 27, 2017 - $4,935,000).

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, the Company may be required to pay a Make-Whole Payment in respect of the reduction in revenue for restaurants closed during a reporting period. The Company is not required to pay any Make-Whole Payment in respect of a closed restaurant following the date on which the number of restaurants in the Royalty pool is equal to or greater than 68 or following October 12, 2019, whichever occurs first. 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 revenues of the new SIR Restaurants exceed 80% of the initial estimated revenue. Conversely, converted Class A GP Units will be returned by the Company if the actual revenues are 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 revenues 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 revenues are less than 80% of the initial estimated revenue.

On January 1, 2018, three (January 1, 2017 - one) new SIR Restaurants were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of three new SIR Restaurants on January 1, 2018 (January 1, 2017 - one), as well as the Second Incremental Adjustment for one new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2017 (January 1, 2016 - two), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. The number of Class B GP Units that SIR converted into Class A GP Units was reduced by an adjustment for the permanent closure of three (January 1, 2017 - one) SIR Restaurants during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 35,000 Class B GP Units into 35,000 Class A GP Units

(January 1, 2016 – SIR exchanged 79,000 Class A GP Units into 79,000 Class B GP Units) on January 1, 2018 at a value of $2,847,000 (January 1, 2017 - $16,000).

In addition, the revenues of the one (January 1, 2016 – two) new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2017 was less than 80% of the Initial Adjustment's estimated revenue and, as a result, the distributions on the Class A GP Units were reduced by a special conversion refund of $52,000 in December 2017 and paid in January 2018 (December 31, 2016 – $492 paid in January 2017).

As a result of the permanent closure of one SIR restaurant during the period, Make-Whole payments to the Partnership of $67,000 have been recognized by the Company for the 24-week period ended February 11, 2018 (24-week ended February 12, 2017 - $77,000).

As at February 11, 2018, after the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2018, the Company's residual interest in the Partnership is 19.4% (August 27, 2017 - 19.1%). 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 February 11, 2018 were $2,828,000 (August 27, 2017 - $3,347,000). Advances receivable are non-interest bearing and due on demand.

The Company, through the Partnership, has entered into an arrangement with the Fund and the Trust, whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc., in its capacity as the Managing General Partner. For the 12-week and 24-week periods ended February 11, 2018, the Partnership provided these services to the Fund and the Trust for consideration of $6,000 and $12,000, respectively (12-week and 24-week periods ended February 12, 2017 - $6,000 and $12,000, respectively), which was the amount of consideration agreed to by the related parties.

## 5 Capital stock

During the 24-week ended February 11, 2018, the Company declared a dividend of $1,000,000 of which $200,000 and $300,000 was paid during the 12-week and 24-week periods ended February 11, 2018, respectively.

During the 12-week and 24-week periods ended February 12, 2017, nil and 146,000 stock options were exercised, respectively and nil and 146,000 common shares were issued, respectively for consideration of $nil and $128,000, respectively.

## 6 Contingencies

The Company has been named in a copyright infringement claim in the amount of $400,000. It is uncertain at this time to determine the outcome of this lawsuit or the potential liability, if any.

## 7 Supplemental cash flow information

The net change in working capital items is as follows:

| | 12-week period ended | | 24-week period ended | |
|---|---|---|---|---|
| | February 11, 2018 $ | February 12, 2017 $ | February 11, 2018 $ | February 12, 2017 $ |
| | | (in thousands of dollars) | | |
| Trade and other receivables | 592 | 42 | 438 | 187 |
| Inventories | (421) | 17 | (534) | (181) |
| Prepaid expenses, deposits and other assets | (634) | (707) | (1,217) | (1,249) |
| Trade and other payables | (312) | (1,674) | (2,224) | (3,745) |
| Provisions and other long-term liabilities | 571 | 188 | 779 | 815 |
| | (204) | (2,134) | (2,758) | (4,173) |