SIR Corp.

Amended Fiscal 2018 First Quarter Results

SIR Corp. has amended and restated its Interim Consolidated Financial Statements for the 12-week period ended November 19, 2017. The revised Interim Consolidated Financial Statements amended and restated the Interim Consolidated Financial Statements that was originally filed on December 21, 2017. All amounts noted below are in thousands of Canadian dollars.

The Interim Consolidated Financial Statements supersede the previous Interim Consolidated Financial Statements for the same period.

The revised Interim Consolidated Financial Statements reflects the correction of a misclassification of $6,533 as noted below based on revisions in the previously filed Interim Consolidated Financial Statements. No other revisions have been made.

Interim Consolidated Statements of Cash Flows – the amount reported as "Net change in working capital items (note 6)" was incorrect due to a misclassification of $6,533. As a result, the amount previously reported as $3,979 has been revised to the correct amount of ($2,554), and the amount reported as "Cash provided by (used in) operating activities" has been revised from $6,099 to $(434).

Interim Consolidated Statements of Cash Flows – the amount reported as "Purchase of property and equipment and other assets – net" was incorrect due to the above mentioned misclassification. As a result, the amount previously reported as $(10,381) has been revised to the correct amount of $(3,848), and the amount reported as "Cash used in investing activities" has been revised from $(10,347) to $(3,814).

In the Notes to Interim Consolidated Financial Statements, on page 7, note 6, the amount reported for "Trade and other payables" was incorrect due to the above mentioned misclassification. As a result, the amount previously reported as $4,621 has been revised to the correct amount of $(1,912).

SIR Corp.

Amended Interim Consolidated Financial Statements (Unaudited)

For the 12-week period ended November 19, 2017

(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.

SIR Corp.

Interim Consolidated Statements of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

	November 19, 2017 $	August 27, 2017 $
Assets		
Current assets		
Cash and cash equivalents	4,241	4,550
Trade and other receivables (note 4(c))	8,545	8,391
Inventories	3,108	2,995
Prepaid expenses, deposits and other assets	1,678	1,109
Current portion of loans and advances	310	320
	17,882	17,365
Non-current assets		
Loans and advances	797	792
Property and equipment	54,826	50,691
Goodwill and intangible assets	5,430	4,970
	78,935	73,818
Liabilities		
Current liabilities		
Bank indebtedness (note 3)	3,424	1,943
Trade and other payables (note 4(a))	32,879	31,582
Dividends payable (note 5)	900	-
Current portion of long-term debt (note 3)	19,393	15,838
Current portion of provisions and other long-term liabilities	3,947	3,797
Current portion of Ordinary LP Units and Class A LP Units of the Partnership (note 4(b))	9,991	9,991
	70,534	63,151
Non-current liabilities		
Loan payable to SIR Royalty Income Fund (note 4(a))	35,808	35,798
Provisions and other long-term liabilities	9,502	9,422
Ordinary LP Units and Class A LP Units of the Partnership (note 4(b))	123,819	120,816
	239,663	229,187
Shareholders' Deficiency		
Capital stock (note 5)	20,484	20,484
Contributed surplus	109	109
Deficit	(181,321)	(175,962)
	(160,728)	(155,369)
	78,935	73,818

Subsequent events (note 3)

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 November 19, 2017 $	12-week period ended November 20, 2016 $
Corporate restaurant operations		
Food and beverage revenue	68,378	63,559
Costs of corporate restaurant operations	62,459	59,842
Earnings from corporate restaurant operations	5,919	3,717
Corporate costs	3,819	3,342
Earnings before interest and income taxes	2,100	375
Interest expense	296	205
Interest on loan payable to SIR Royalty Income Fund (note 4(a))	693	692
Interest (income) and other expense (income) - net	(32)	12
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 4(b))	5,502	652
Loss before income taxes	(4,359)	(1,186)
Provision for income taxes	-	24
Net loss and comprehensive loss for the period	(4,359)	(1,210)

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)

	12-week period ended November 19, 2017			
	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 loss for the period	-	-	(4,359)	(4,359)
Balance - End of period	20,484	109	(181,321)	(160,728)

	12-week period ended November 20, 2016			
	Capital stock $	Contributed surplus $	Deficit $	Total $
Balance - Beginning of period	20,390	31	(162,601)	(142,180)
Stock-based compensation	-	139	-	139
Exercise of stock options	132	(4)	-	128
Net loss for the period	-	-	(1,210)	(1,210)
Balance - End of period	20,522	166	(163,811)	(143,123)

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 November 19, 2017 $	12-week period ended November 20, 2016 $
Cash provided by (used in)		
Operating activities		
Net loss from operations for the period	(4,359)	(1,210)
Items not affecting cash		
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 4(b))	5,502	652
Depreciation and amortization	2,458	2,500
Current income taxes	-	24
Provision for impairment of loans and advances	-	50
Interest expense on long-term debt and SIR Loan	989	897
Non-cash interest income	(29)	(34)
Amortization of leasehold inducements	(116)	(108)
Stock based compensation	-	139
Loss on disposal of property and equipment	62	69
Other	(53)	(39)
Landlord and other inducements received	165	158
Distributions paid to Ordinary LP and Class A LP unitholders (note 4(b))	(2,499)	(2,402)
Income taxes paid	-	(135)
Net change in working capital items (note 6)	(2,554)	(2,039)
Cash used in operating activities	(434)	(1,478)
Investing activities		
Purchase of property and equipment and other assets - net	(3,848)	(3,269)
Payment received on loans and advances - net	34	24
Cash used in investing activities	(3,814)	(3,245)
Financing activities		
Increase (decrease) in bank indebtedness	1,481	(61)
Proceeds from issuance of long-term debt	4,000	6,000
Principal repayment of long-term debt	(500)	(500)
Interest paid	(942)	(916)
Dividends paid	(100)	-
Exercise of stock options	-	128
Cash provided by financing activities	3,939	4,651
Decrease in cash and cash equivalents during the period	(309)	(72)
Cash and cash equivalents - Beginning of period	4,550	3,888
Cash and cash equivalents - End of period	4,241	3,816

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 November 19, 2017, the Company owned a total of 59 (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 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 December 11, 2017, the Company opened a new Reds restaurant.

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 December 20, 2017.

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.

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.

The undrawn balance of Credit Facility 1 as at November 19, 2017 is $2,576,000.

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 November 19, 2017.

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 November 19, 2017 were $107,000 (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 period ended November 19, 2017 was $693,000 (12-week period ended November 20, 2016 - $692,000), which includes interest on the SIR Loan of $683,000 (12-week period ended November 20, 2016 - $683,000) and amortization of financing fees of $10,000 (12-week period ended November 20, 2016 - $9,000). Interest payable on the SIR Loan as at November 19, 2017 was $408,000 (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 November 19, 2017 $	12-week period ended November 20, 2016 $
	(in thousands of dollars)	
Balance - Beginning of period	130,807	123,821
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	5,502	652
Distributions paid to Ordinary LP and Class A LP unitholders	(2,499)	(2,402)
Balance - End of period	133,810	122,071
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	123,819	112,080

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

	12-week period ended November 19, 2017 $	12-week period ended November 20, 2016 $
	(in thousands of dollars)	
Pooled revenue*	63,668	61,724
Partnership royalty income*	3,887	3,741
Other income	6	6
Partnership expenses	(36)	(18)
Net earnings of the Partnership	3,857	3,729
The Company's interest in the earnings of the Partnership	(1,411)	(1,410)
Fund's interest in the earnings of the Partnership	2,446	2,319

*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 period ended November 19, 2017, distributions of $2,446,000 (12-week period ended November 20, 2016 - $2,319,000) were declared to the Fund through the Partnership. Distributions paid during the 12-week period ended November 19, 2017 were $2,499,000 (12-week period ended November 20, 2016 - $2,402,000). 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 as at November 19, 2017 were $4,882,000 (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, 2017, one (January 1, 2016 - two) new SIR Restaurant was added 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, 2017 (January 1, 2016 - two), as well as the Second Incremental Adjustment for two new SIR Restaurants added to the Royalty Pooled Restaurants on January 1, 2016 (January 1, 2015 - two), the Company 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 the Company converted into Class A GP Units was reduced by an adjustment for the permanent closure of one (January 1, 2016 - nil) SIR Restaurant during the prior year. The net effect of these adjustments to the Royalty Pooled Restaurants was that the Company exchanged 79,000 Class A GP Units for 79,000 Class B GP Units (January 1, 2016 – the Company converted 323,000 Class B GP Units into 323,000 Class A GP Units) on January 1, 2017 at a value of $16,000 (January 1, 2016 - $4,182,000).

In addition, the revenues of two new SIR Restaurants added to the Royalty Pooled Restaurants on January 1, 2016 were less than 80% of the Initial Adjustment's estimated revenue (January 1, 2015 - revenues of two new SIR Restaurants exceeded 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 $492 in December 2016 and paid in January 2017 (a special conversion distribution of $109,000 was declared on the Class B GP units in December 2015 and paid in January 2016).

As a result of the permanent closure of one SIR restaurants during the period, make-whole payments to the Partnership of $67,000 have been recognized by the Company for the 12-week period ended November 19, 2017 (12-week period ended November 20, 2016 - $77,000).

As at November 19, 2017, after the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2017, the Company's residual interest in the Partnership is 19.1% (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 November 19, 2017 were $3,157,000 (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 period ended November 19, 2017, the Partnership provided these services to the Fund and the Trust for consideration of $6,000 (12-week period ended November 20, 2016 - $6,000), which was the amount of consideration agreed to by the related parties.

5 Capital stock

During the 12-week period ended November 19, 2017, the Company declared a dividend of $1,000,000 of which $100,000 was paid during the period.

During the 12-week period ended November 20, 2016, 146,000 stock options were exercised and 146,000 common shares were issued for consideration of $128,000.

6 Supplemental cash flow information

The net change in working capital items is as follows:

	12-week period ended November 19, 2017 $	12-week period ended November 20, 2016 $
	(in thousands of dollars)	
Trade and other receivables	(154)	145
Inventories	(113)	(198)
Prepaid expenses, deposits and other assets	(583)	(542)
Trade and other payables	(1,912)	(2,071)
Provisions and other long-term liabilities	208	627
	(2,554)	(2,039)