SIR Corp.

Interim Consolidated Financial Statements
For the 12-week period ended November 18, 2007
(Unaudited)

These interim consolidated financial statements have not been reviewed by the Company's auditors.

SIR Corp.
Consolidated Balance Sheets
(Unaudited)

(in thousands of dollars)

	November 18, 2007	August 26, 2007
Assets		
Current assets		
Cash and cash equivalents	3,262	3,377
Accounts receivable	3,032	3,100
Inventories	2,292	2,233
Prepaids, deposits and other assets	961	773
Income taxes receivable	10	-
	9,557	9,483
Investments, loans, advances and notes receivable (note 4)	772	772
Property and equipment	42,609	41,854
Goodwill	5,736	5,736
Intangible and other assets (note 3)	2,709	7,978
	61,383	65,823

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

SIR Corp.

Consolidated Balance Sheets...*continued*
(Unaudited)

(in thousands of dollars)

	November 18, 2007	August 26, 2007
Liabilities		
Current liabilities		
Bank indebtedness (note 5)	903	308
Trade accounts payable and accrued liabilities	15,827	16,231
Construction accounts payable and accrued liabilities	1,241	1,319
Current portion of long-term debt (note 5)	1,600	1,759
Current portion of other long-term liabilities	1,058	1,067
Amounts due to SIR Royalty Income Fund - net (note 6)	1,488	1,260
Income taxes payable	-	7
	22,117	21,951
Long-term debt (notes 3 and 5)	967	350
Loan payable to SIR Royalty Income Fund (notes 3 and 6)	35,516	40,000
Non-controlling interest in SIR Royalty Limited Partnership (note 6)	11,167	11,167
Other long-term liabilities	8,451	8,085
	78,218	81,553
Non-controlling interest in other subsidiary companies	40	58
Shareholders' Deficiency		
Capital stock	17,627	17,627
Accumulated other comprehensive income (note 3)	(202)	(202)
Deficit	(34,300)	(33,213)
	(16,875)	(15,788)
	61,383	65,823

Contingencies and commitments (note 7)

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

SIR Corp.

Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

(in thousands of dollars)

	12-week period ended November 18, 2007	12-week period ended November 19, 2006
Corporate restaurant operations		
Food and beverage revenue (note 8)	39,966	36,413
Cost of corporate restaurant operations		
Food and beverage	12,446	11,451
Labour	12,650	11,321
Direct cost of restaurant operations	9,775	9,403
Amortization of restaurant assets	1,732	1,693
	36,603	33,868
Earnings from corporate restaurant operations	3,363	2,545
Corporate costs	(2,745)	(2,668)
Other amortization	(62)	(73)
	(2,807)	(2,741)
Earnings (loss) before the following items	556	(196)
Interest expense - net	(48)	(15)
Interest on loan payable to SIR Royalty Income Fund (note 6)	(690)	(690)
Non-controlling interest in SIR Royalty Limited Partnership (note 6)	(1,088)	(1,043)
Unrealized foreign exchange gain (loss)	153	(52)
Provision for impairment of investments, loans, advances and notes receivable	-	(100)
Other income (expense)	12	(108)
Loss before non-controlling interest in other subsidiary companies	(1,105)	(2,204)
Non-controlling interest in other subsidiary companies	18	-
Net loss from continuing operations for the period	(1,087)	(2,204)
Net loss from discontinued operation for the period	-	(39)
Net loss and comprehensive loss for the period	(1,087)	(2,243)

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

SIR Corp.
Consolidated Statements of Deficit
(Unaudited)

(in thousands of dollars)

	12-week period ended November 18, 2007	12-week period ended November 19, 2006
Deficit - Beginning of period	(33,213)	(28,884)
Net loss for the period	(1,087)	(2,243)
Deficit - End of period	(34,300)	(31,127)

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

SIR Corp.
Consolidated Statements of Cash Flows
(Unaudited)

(in thousands of dollars)

	12-week period ended November 18, 2007	12-week period ended November 19, 2006
Cash provided by (used in)		
Operating activities		
Net loss from continuing operations for the period	(1,087)	(2,204)
Items not affecting cash		
Amortization	1,794	1,766
Non-controlling interest in other subsidiary companies	(18)	-
Provision for impairment of investments, loans, advances and notes receivable (note 4)	-	100
Non-cash interest expense	9	21
Amortization of leasehold inducements	(168)	(154)
Unrealized foreign exchange loss (gain)	(153)	52
Other items	21	116
Landlord inducements received	499	858
Net change in working capital items (note 9)	(303)	(419)
Net cash provided by continuing operations	594	136
Net cash used in discontinued operation	-	(4)
	594	132
Investing activities		
Purchase of property and equipment	(2,683)	(2,410)
Proceeds from sale of property and equipment	43	10
Increase in investments, loans, advances and notes receivable (note 4)	-	(412)
Restaurant pre-opening costs	(82)	(35)
Net cash used in continuing investing activities	(2,722)	(2,847)
Financing activities		
Increase in bank indebtedness	595	-
Payments to shareholders	-	(23)
Payments to non-controlling interest in subsidiary companies	-	(206)
Proceeds from issuance of long-term debt	1,500	-
Principal repayment of long-term debt	(79)	(413)
Net cash provided by (used in) continuing financing activities	2,016	(642)
Effect of foreign exchange rates on cash	(3)	-
Decrease in cash during the period	(115)	(3,357)
Cash and cash equivalents - Beginning of period	3,377	8,212
Cash and cash equivalents - End of period	3,262	4,855
Supplemental Information		
Interest paid	776	691
Income taxes paid	17	22

The accompanying notes are an integral part of these interim 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 18, 2007, the Company operates a total of 40, (2007 – 38) Concept and Signature restaurants in Canada (in Ontario, Quebec, Alberta and Nova Scotia) (the "SIR Restaurants"). The Concept restaurants are Jack Astor's®, Canyon Creek Chop House® and Alice Fazooli's!® and the Signature restaurants are *reds*®, Far Niente®/Soul of the Vine®, Petit Four™, Brasserie Frisco™, and the Loose Moose Tap & Grill®. The Company also has an investment in Jack Astor's (Cary & Las Colinas) Limited that operates one Jack Astor's restaurant in the United States.

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") and indirectly, through SIR Holdings Trust (the "Trust") all of the Ordinary LP units of SIR Royalty Limited Partnership (the "Partnership"). 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 (see note 6).

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 2008 fiscal year consists of 53 weeks while the 2007 fiscal year consisted of 52 weeks.

2. Accounting policies

Basis of presentation

These interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada for interim reporting. Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles for annual financial statements and should be read in conjunction with the annual financial statements of the Company. In the opinion of management, all adjustments considered necessary for fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the 12-week period ended November 18, 2007 are not necessarily indicative of the results that may be expected for the 53-week period ended August 31, 2008.

There have been no changes in accounting policies as described in note 2 to the consolidated financial statements for the year ended August 26, 2007 except as described in note 3 below.

Seasonality

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. Changes in accounting policies and recently issued accounting pronouncements

Changes in accounting policies

Financial Instruments – Recognition and Measurement, Handbook Section 3855

Handbook section 3855 prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and at what amount – in certain instances using fair value and in others using cost-based measures. It also specifies how financial instrument gains and losses are to be presented. The Company adopted this standard effective August 27, 2007.

Effective August 27, 2007, the Company elected to classify its cash and cash equivalents as held for trading which are carried at fair value and to classify its accounts receivable and notes receivable as loans and receivables which are carried at amortized cost. The Company's trade accounts payable and accrued liabilities, construction accounts payable and accrued liabilities, amounts due to related parties, long-term debt and loan payable to SIR Royalty Income Fund, are classified as other liabilities and are also carried at amortized cost.

Deferred financing fees of $5,338,000 related to the SIR Loan and the long-term debt prior to August 26, 2007 were presented as a separate asset on the consolidated balance sheet and amortized on a straight-line basis. Effective August 27, 2007, deferred financing fees are recognized as an offset to the carrying value of the SIR Loan and the long-term debt and amortized using the effective interest rate method.

Comprehensive Income, Handbook Section 1530

Handbook Section 1530 introduces a new requirement to temporarily present certain gains and losses outside net income.

The Company adopted this standard effective August 27, 2007. Financial statements of prior periods are required to be restated for certain comprehensive income items. In addition, an enterprise is encouraged, but not required, to present reclassification adjustments in comparative financial statements provided for earlier periods.

The Company has determined that it does not have any comprehensive income items requiring restatement or reclassification, except for the currency translation adjustment. Effective August 27, 2007, the currency translation adjustment is disclosed as an accumulated other comprehensive income item in shareholders' deficiency on the consolidated balance sheets.

Hedges – Handbook Section 3865

Handbook Section 3865 establishes standards for when and how hedge accounting may be applied. Hedge accounting is optional. Retroactive application is not permitted. The Company adopted this standard effective August 27, 2007. The Company has no arrangements for hedging, and the adoption of this standard did not have any impact on the Company.

Recently issued accounting pronouncements

Capital Disclosures – Handbook Section 1535

Handbook Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the Company for interim and annual financial statements beginning on September 1, 2008. Management has not yet determined the impact of the adoption of this change on the disclosure in its consolidated financial statements.

Financial Instruments – Disclosures – Handbook Section 3862

Handbook Section 3862 increases the disclosures currently required that will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable. This standard is effective for the Company for interim and annual financial statements beginning on September 1, 2008. Management has not yet determined the impact of the adoption of this change on the disclosure in its consolidated financial statements.

Financial Instruments – Presentation – Handbook Section 3863

Handbook Section 3863 replaces the existing requirements on presentation of financial instruments which have been carried forward unchanged to this new section. This standard is effective for the Company for interim and annual financial statements beginning on September 1, 2008. Management does not expect the adoption of this standard to have a material impact on presentation in its consolidated financial statements.

International Financial Reporting Standards

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. Management is reviewing the transition to IFRS on the Company's consolidated financial statements and has not yet determined the impact.

4. Investments, loans, advances and notes receivable

During the 12-week period ended November 19, 2006, the Company advanced $412,000 to U.S. S.I.R. L.L.C. and its subsidiaries. The Company has determined that these advances are impaired based on estimated future cash flows of the U.S. operations and a provision of $100,000 was recorded in the 12-week period ended November 19, 2006. Accordingly, the loans and advances have been written down to their net realizable value of $757,000 as at November 18, 2007.

5. Bank indebtedness and long-term debt

On August 9, 2007, the Company entered into a $16,000,000 credit facility. The credit facility consists of a two year revolving credit facility ("operating line") up to $2,000,000, a two year revolving construction credit facility ("construction line") for up to $13,000,000 and a treasury management facility for up to $1,000,000. Outstanding balances under the construction line for completed restaurants convert into a five year amortizing term loan at the end of the committed period or earlier, such as semi-annual, to be determined by the Company and the lender. The construction line and the operating line are two year committed facilities, renewable annually thereafter at the lender's sole discretion for a 364-day period. The structure of the facility may be in the form of direct advances, banker's acceptances, letters of credit or guarantee and the fixed term loan (up to a five year term). The rates of interest on the financing are banker's acceptance rate plus 1.75% and prime rate plus 0.25%. The financing arrangement is collateralized by a general security agreement and entitles the lender to a first charge on all of the Company's assets, including a pledge of all shares and the investment in the Partnership and a specific assignment of rights under the License and Royalty Agreement. However, the lender does not have a pledge over the assets of the Partnership. The financing arrangement contains certain financial and non-financial covenants.

The unused operating line and construction line as at November 18, 2007 is $1,092,000 and $11,500,000, respectively (August 26, 2007 – $1,677,000 and $13,000,000). As at November 18, 2007, the Company has outstanding letters of credit of $5,000 (August 26, 2007 – $15,000).

In compliance with Handbook section 3855, Financial Instruments – Recognition and Measurement, the Company has recorded its long-term debt at amortized cost. Effective August 27, 2007, the Company reclassified $850,000 of deferred financing fees and netted these against the long-term debt.

Long-term debt includes two loans payable by Jack Astor's Cary, LLC, a subsidiary of Jack Astor's (Cary & Las Colinas) Limited for a total amount of $1,460,000 (U.S. $1,470,000) (August 26, 2007 – $1,618,000; U.S. $1,514,000) that are currently non-compliant with respect to certain financial and non-financial covenants. As a result, these loans are presented as a current liability. All payments due on the loans have been made to date, and no notices of default have been received by the borrowers. The loans are collateralized by the assets of Jack Astor's (Cary & Las Colinas) Limited.

6. SIR Royalty Income Fund

The following is a summary of the transactions with the Fund and the Partnership:

(a) SIR Loan

The SIR Loan bears interest at 7.5% per annum, is due October 12, 2044 and is collateralized by a general security agreement covering substantially all of the assets of the Company. Interest expense of $690,000 and $690,000 was charged to the consolidated statement of operations for the 12-week periods ended November 18, 2007 and November 19, 2006, respectively.

The Company has the right to require the Fund to, indirectly, purchase their 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) Non-controlling interest in SIR Royalty Limited Partnership

	12-week period ended November 18, 2007	November 19, 2006
	(in thousands of dollars)	
Initial investment by the Fund	11,167	11,167
Non-controlling interest in earnings of the Partnership	1,088	1,043
Distributions declared on the Partnership's Units held by the non-controlling interest	(1,088)	(1,043)
Non-controlling interest in the Partnership	11,167	11,167
Pooled Revenue *	37,118	33,793
Partnership royalty income *	2,242	2,069
Other income	12	13
Partnership expenses	(15)	(22)
Net earnings of the Partnership	2,239	2,060
The Company's interest in the earnings of the Partnership	(1,151)	(1,017)
Non-controlling interest in the earnings of the Partnership	1,088	1,043

* Includes revenue from the 38 (November 19, 2006 – 35) SIR Restaurants subject to the License and Royalty Agreement. 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. Partnership royalty income is 6% of Pooled Revenue in accordance with the License and Royalty Agreement, plus a Make-Whole Payment for the closed restaurants.

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash consideration of $11,167,000. The holders of the Ordinary LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership and have the right to receive distributions in priority to the Class A GP Units which are held by the Company.

The holders of the Class A GP Units are 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 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. The Partnership has granted the Company a 99-year license 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 restaurants included in the Royalty pool (the "License and Royalty Agreement").

Under the terms of the License 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 Payments 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 License and Royalty Agreement are adjusted for new SIR Restaurants opened for at least 60 days proceeding such Adjustment Date. At each Adjustment Date, the Company will be entitled to convert its Class B GP Units of the Partnership to Class A GP Units of the Partnership based on a conversion formula defined in the Partnership Agreement. Additional Class B GP Units may be converted to 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 may 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 may 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 may 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, 2007, three new SIR Restaurants, Canyon Creek in Scarborough, Canyon Creek in Vaughan, and the Canyon Creek restaurant located at the Fallsview Casino Resort in Niagara Falls, Ontario, were added to the Royalty pool in accordance with the License and Royalty Agreement. As consideration for the additional Royalty associated with the addition of three new restaurants on January 1, 2007, as well as the Second Incremental Adjustment for the two new SIR Restaurants added to the Royalty Pooled Restaurants on January 1, 2006, 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 to Class A GP units was reduced by an adjustment for the closure of one SIR Restaurant during calendar year 2006. The net effect of these adjustments to the Royalty Pooled Restaurants was that the Company converted 421,004 Class B GP units of the Partnership into 421,004 Class A GP units of the Partnership on January 1, 2007 at an estimated fair value of $3,532,000. As a result of this exchange, the Company's interest in the Partnership increased to 21.4% effective January 1, 2007.

As actual revenues for the calendar year 2007, of the three new SIR Restaurants added to the Royalty pool on January 1, 2007 are not yet known, the additional Class B GP Units that may be converted to Class A GP Units and the additional distribution have not yet been determined. Currently, management expects to exceed 80% of the initial estimated revenue, which is expected to result in an additional distribution. The revenues of the two New Additional Restaurants added to the Royalty pool on January 1, 2006 exceeded 80% of the Initial Adjustment's estimated revenue and, as a result, an additional distribution of $231,000 was declared in December 2006 and paid in cash to the Company in January 2007.

(c) Amounts due to the SIR Royalty Income Fund

Amounts due to (from) the SIR Royalty Income Fund and its subsidiaries consist of:

	November 18, 2007	**August 26, 2007**
	(in thousands of dollars)	
Advances receivable	(1,252)	(1,047)
Interest payable on SIR Loan	424	483
Partnership distributions payable	2,316	1,824
Payable to the Fund and its subsidiaries – net	1,488	1,260

Amounts due to (from) related parties are non-interest bearing and due on demand.

During the 12-week periods ended November 18, 2007 and November 19, 2006 distributions of $1,088,000 and $1,043,000 respectively were declared to the Fund through the Partnership. The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions.

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 of the Partnership. For the 12-week periods ended November 18, 2007 and November 19, 2006, the Partnership provided these services to the Fund and the Trust for consideration of $6,000 and $6,000, respectively which was the amount of consideration agreed to by the related parties.

7. Contingencies and commitments

The Company has sites for six new restaurants that are or will be under construction with expected openings in calendar 2008. Currently, the Company has begun construction on three of these restaurants. The Company expects to spend an additional $5,500,000 to complete the construction of these three restaurants. At the current date, the Company has not entered into any construction contracts for the remaining three restaurants, but expects to do so in the near future. Final costs of construction are subject to uncertainties as to their amounts and timing. Such things as finalization of design and final construction quotes could change the total cost of these projects.

8. Segmented operations

The Company operates a portfolio of restaurants in Canada and the United States, which are categorized as Concept or Signature restaurants. Concept restaurants are brands that have been rolled out to multiple locations. Signature restaurants are one-of-a-kind brands. The accounting policies of the segments are the same as those described in the summary of accounting policies contained in the annual consolidated financial statements of the Company. The Company evaluates the performance of each segment based on earnings (loss) from operations before income taxes, interest, other non-recurring gains and losses, corporate costs and amortization of non-restaurant assets.

Selected information about the Company's operating segments has been provided as follows:

	12-week period ended November 18, 2007	November 19, 2006
	(in thousands of dollars)	
Food and beverage revenue		
Canada		
Jack Astor's	24,177	21,509
Alice Fazooli's!	4,437	4,186
Canyon Creek Chop House	6,383	5,960
Signature	4,393	4,260
	39,390	35,915
United States		
Jack Astor's	576	498
	39,966	36,413

9. Supplemental cash flow information

The net change in working capital items is as follows:

	12-week period ended November 18, 2007	12-week period ended November 19, 2006
	(in thousands of dollars)	
Accounts receivable and other receivables	(192)	120
Inventories	(61)	(181)
Prepaids, deposits and other assets	(189)	(285)
Income taxes receivable/payable	(17)	(21)
Trade accounts payable and accrued liabilities	(340)	(101)
Due to related parties	227	(7)
Accrued management bonus	269	56
	(303)	(419)

10. Comparative figures

Certain of the prior period balances have been reclassified to conform with the current period's presentation.