SIR Corp.

Interim Consolidated Financial Statements
(Unaudited)
For the 12-week period ended November 18, 2012

This document is being placed on www.sedar.com by SIR Corp. on a voluntary basis. It is not being placed by or with the approval of or on behalf of SIR Royalty Income Fund or any of its trustees or officers or by SIR GP Inc., or SIR Holdings Trust or their respective trustees, managing general partners, directors or officers, has not been approved by any of them, and is not to be regarded as a document placed, filed, furnished or submitted by or on behalf of any of them or by anyone with actual, implied or apparent authority to act on behalf of any of them. None of them has approved, authorized, permitted or acquiesced to the contents of this document.

SIR Corp.

Interim Consolidated Statements of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

	November 18, 2012 $	August 26, 2012 $
Assets		
Current assets		
Cash and cash equivalents	5,002	10,495
Restricted cash (note 3)	5,054	-
Trade and other receivables (note 4(c))	6,544	6,799
Inventories	2,672	2,622
Prepaid expenses, deposits and other assets	1,273	764
Current portion of loans and advances	150	150
	20,695	20,830
Non-current assets		
Loans and advances	1,109	1,076
Property and equipment	49,137	46,131
Goodwill and intangible assets	5,539	5,522
	76,480	73,559
Liabilities		
Current liabilities		
Trade and other payables (note 4)	23,333	24,381
Current portion of long-term debt (note 3)	4,068	3,864
Current portion of provisions and other long-term liabilities	3,973	3,663
Current portion of Ordinary LP Units and Class A LP Units of the Partnership (note 4(b))	5,449	4,696
	36,823	36,604
Non-current liabilities		
Long-term debt (note 3)	26,765	27,713
Loan payable to SIR Royalty Income Fund (note 4(a))	35,633	35,627
Provisions and other long-term liabilities	9,024	8,971
Deferred income taxes	71	84
Ordinary LP Units and Class A LP Units of the Partnership (note 4(b))	59,177	53,632
	167,493	162,631
Shareholders' Deficiency		
Capital stock	11,560	11,560
Contributed surplus	118	107
Deficit	(102,691)	(100,739)
	(91,013)	(89,072)
	76,480	73,559

Commitments (note 5)

Subsequent event (note 7)

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

SIR Corp.

Interim Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

(in thousands of Canadian dollars)

	12-week period ended November 18, 2012 $	12-week period ended November 20, 2011 $
Corporate restaurant operations		
Food and beverage revenue	50,380	49,213
Costs of corporate restaurant operations	47,565	45,314
Earnings from corporate restaurant operations	2,815	3,899
Corporate costs	2,676	2,724
Earnings before interest and income taxes	139	1,175
Interest expense	576	499
Interest on loan payable to SIR Royalty Income Fund (note 4(a))	697	696
Interest and other expense (income) - net	244	(4)
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 4(b))	586	7,706
Loss before income taxes	(1,964)	(7,722)
Recovery of income taxes	(12)	(2)
Net loss and comprehensive loss for the period	(1,952)	(7,720)

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

SIR Corp.

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

(in thousands of Canadian dollars)

	12-week period ended November 18, 2012			
	Capital stock $	Contributed surplus $	SIR Corp.'s deficit $	Total $
Balance - Beginning of period	11,560	107	(100,739)	(89,072)
Stock-based compensation	-	11	-	11
Net loss for the period	-	-	(1,952)	(1,952)
Balance - End of period	11,560	118	(102,691)	(91,013)

	12-week period ended November 20, 2011			
	Capital stock $	Contributed surplus $	SIR Corp.'s deficit $	Total $
Balance - Beginning of period	11,571	-	(65,959)	(54,388)
Stock-based compensation	-	74	-	74
Net loss for the period	-	-	(7,720)	(7,720)
Balance - End of period	11,571	74	(73,679)	(62,034)

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

SIR Corp.

Interim Consolidated Statements of Cash Flows
(Unaudited)

(in thousands of Canadian dollars)

	12-week period ended November 18, 2012 $	12-week period ended November 20, 2011 $
Cash provided by (used in)		
Operating activities		
Net loss for the period	(1,952)	(7,720)
Items not affecting cash		
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 4(b))	586	7,706
Depreciation and amortization	2,055	1,887
Deferred income taxes	(13)	(5)
Current income taxes	1	3
Interest expense	1,273	1,195
Non-cash interest income	(56)	(57)
Amortization of leasehold inducements	(118)	(115)
Stock-based compensation	11	74
Loss on disposal of property and equipment	101	76
Other	169	2
Leasehold and other inducements received	121	-
Distributions paid to Ordinary LP and Class A LP unitholders	(1,099)	(1,099)
Income taxes paid	-	(3)
Net change in working capital items (note 6)	(1,048)	(974)
Cash provided by continuing operations	31	970
Cash provided by discontinued operation	-	58
	31	1,028
Investing activities		
Purchase of property and equipment and other assets - net	(5,105)	(1,985)
Net cash proceeds received from restricted funds (note 3)	1,600	-
Repayment of loans and advances	11	120
Cash used in continuing investing activities	(3,494)	(1,865)
Financing activities		
Proceeds from issuance of long-term debt	-	3,581
Principal repayment of long-term debt	(838)	(438)
Interest paid	(1,156)	(1,283)
Financing fees	(36)	(251)
Cash provided by (used in) continuing financing activities	(2,030)	1,609
Increase (decrease) in cash and cash equivalents during the period	(5,493)	772
Cash and cash equivalents - Beginning of period	10,495	5,233
Cash and cash equivalents - End of period	5,002	6,005

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, 2012, the Company operated a total of 51 (November 20, 2011 - 48) Concept and Signature restaurants in Canada (in Ontario, Quebec, Alberta and Nova Scotia) (the SIR Restaurants). The Concept restaurants are Jack Astor's Bar and Grill® (Jack Astor's®), Canyon Creek Chop House® (Canyon Creek®) and Alice Fazooli's® and the Signature restaurants are Reds® Wine Tavern, Far Niente®/FOUR®/Petit Four®, the Loose Moose Tap & Grill®, Duke's Refresher™ and Abbey's Bakehouse™. The latter two Signature restaurants are not currently part of the 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) and, indirectly through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of the 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 4).

The address of the Company's registered office is 5360 South Service Road, Suite 200, Burlington, Ontario. The interim consolidated financial statements were approved by the board of directors on February 19, 2013.

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 2013 and 2012 consist of 52 weeks each.

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 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 should be read in conjunction with the August 26, 2012 annual consolidated financial statements and notes thereto. 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.

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 Long-term debt

The Company's existing credit facility (the Amended Credit Agreement) consists of a term loan (the Term Loan) and a development loan (the Development Loan). Both the Term Loan and the Development Loan are due on November 14, 2016 and have a variable interest rate equal to the greater of 6.0% per annum and the three-month Canadian dollar bankers' acceptance rate plus 5.75% per annum, which on November 18, 2012 totalled 6.94%. The Company can also elect to fix the interest rate. The amortization period for the Term Loan and the Development Loan are 10 years and 7 years, respectively.

The lender has made available the Development Loan to the Company only for the purpose of financing: (a) costs incurred in connection with the acquisition of furniture, fixtures, equipment and leasehold improvements relating to new locations; and (b) renovations and capital expenditure costs relating to existing locations. The Development Loan has been fully drawn and no further advances are permitted.

The Amended Credit Agreement 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 the rights under the License and Royalty Agreement. However, the lender does not have a pledge over the assets of the Partnership. The Amended Credit Agreement contains certain financial and non-financial covenants that the Company is in compliance with as at November 18, 2012. In addition, the debt is guaranteed by a Company owned by the majority shareholder of the Company (a related party), for which a guarantee fee of $49,000 (12-week period ended November 20, 2011 - $53,000) was charged to interest and other expense (income) - net in the consolidated statements of operations and comprehensive loss. On November 13, 2009, the Company also issued 26 warrants to the majority shareholder of the Company to acquire Class S Special Shares of the Company. These warrants have been pledged to the senior lender and only exercisable in the event of default.

Under the Fourth Amendment to the Amended Credit Agreement, the lender released the security it held on 1,500,000 Class A GP Units in the Partnership (and any Fund units received upon conversion of Class A GP Units in the Partnership) and required that all sale proceeds be used to fund the costs associated with constructing new restaurants and renovating existing restaurants. During the 12-week period ended November 18, 2012, the Company converted 523,900 Class A GP Units to Fund units and sold 523,900 Fund units for net proceeds of $6,560,000. The net proceeds from the sale of the Fund units were deposited in a restricted account by the lender and, accordingly, have been classified as restricted cash in the consolidated statements of financial position (note 4(b)). This disposition of the Fund units has been accounted for as a non-cash transaction in the consolidated statements of cash flows. Subsequent to the disposal of the Fund units, $1,600,000 of the funds held in the restricted account has been released to the Company and, accordingly, as at

November 18, 2012, the balance in the restricted account is $5,054,000. The funds are released upon the Company presenting eligible capital expenditures.

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 18, 2012 were $855,000 (August 26, 2012 - $959,000).

4 SIR Royalty Income Fund

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

a) SIR loan

The $40,000,000 SIR Loan bears interest at 7.5% per annum and is due October 12, 2044. On November 13, 2009, the Fund and the Partnership entered into a Subordination and Postponement Agreement to subordinate and postpone their claims against the Company in favour of the lender. This agreement was amended on August 26, 2011 to incorporate the Development Loan under the Company's Amended Credit Agreement. The Fund and the Partnership have not guaranteed the current credit facility (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 License 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 Subordination and Postponement Agreement.

Under the Subordination and Postponement Agreement, absent a default or event of default under the Amended 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 License and Royalty Agreement. However, if a default or an event of default were to occur, then payments to the Fund and the Partnership could cease and the related rights of the Fund and the Partnership could be subject to a "standstill" obligation for a period of up to 120 days (which may be extended if the lender is pursuing remedies). The Subordination and Postponement Agreement also contains various other typical covenants of the Fund and the Partnership. In addition, the Company provided an undertaking to the Fund and the Partnership to restrict the amount of additional debt that the Company can incur without the consent of the Fund and the Partnership (which consent shall not be unreasonably withheld).

Interest expense charged to the consolidated statements of operations and comprehensive loss for the 12-week period ended November 18, 2012 was $697,000 (12-week period ended November 20, 2011 -

$696,000), which includes interest on the SIR Loan of $690,000 (12-week period ended November 20, 2011 - $690,000) and amortization of financing fees of $7,000 (12-week period ended November 20, 2011 - $6,000). Interest payable on the SIR loan as at November 18, 2012 was $413,000 (August 26, 2012 - $473,000).

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

	12-week period ended November 18, 2012 $	12-week period ended November 20, 2011 $
	(in thousands of dollars)	
Balance - Beginning of period	58,328	25,579
Conversion of Class A GP Units	6,811	-
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	586	7,706
Distributions paid to Ordinary LP and Class A LP unitholders	(1,099)	(1,099)
Balance - End of period	64,626	32,186
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(5,449)	(4,259)
Ordinary LP Units and Class A LP Units of the Partnership	59,177	27,927
Pooled Revenue*	47,756	47,888
Partnership royalty income*	2,950	2,873
Other income	8	8
Partnership expenses	(18)	(18)
Net earnings of the Partnership	2,940	2,863
The Company's interest in the earnings of the Partnership	(1,786)	(1,713)
Fund's interest in the earnings of the Partnership	1,154	1,150

* Includes revenue from the 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. The distributions are declared by the board of directors of SIR GP Inc., which is controlled by the Fund. Accordingly, the Ordinary LP Units of the Partnership have been classified as a financial liability in the consolidated statements of financial position. The Ordinary LP Units are accounted for at amortized cost, with changes in the carrying value of Ordinary LP Units of the Partnership recorded in the consolidated statements of operations.

During the 12-week period ended November 18, 2012, distributions of $1,154,000 (12-week period ended November 20, 2011 - $1,150,000) were declared to the Fund through the Partnership. Distributions paid during the 12-week period ended November 18, 2012 were $1,099,000 (12-week period ended November 20, 2011 - $2,251,000). 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 18, 2012 was $3,865,000 (August 26, 2012 - $3,810,000).

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.

During the 12-week period ended November 18, 2012, the Company converted 523,900 Class A GP Units into Fund units and sold these Fund units. Net proceeds received from the sale of the Fund units were $6,560,000 (net of transaction costs of $251,000), of which $5,054,000 is held in an account that is restricted by the lender as at November 18, 2012 (note 3). As a result of the conversion of the Class A GP Units into Fund units, the Company's interest in the Partnership decreased from 38.2% to 32.2%. The Company continues to maintain control of the Partnership and, therefore, continues to consolidate the Partnership. The disposal of interest in the Partnership increases the Company's obligations in respect of the Class A LP Units of the Partnership. Accordingly, the gross proceeds received of $6,811,000 have been added to the carrying value of the Class A LP Units. The Class A LP Units have been accounted for at amortized cost, with changes in the carrying value being recorded in the consolidated statements of operations. As the Fund's interest in the Partnership has increased, this transaction is not dilutive to Fund unitholders. The Fund has converted the Class A GP Units received into Class A LP Units. The holders of the Class A LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership.

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 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 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 License 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 to Class A GP Units based on the 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 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 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, 2013, four (January 1, 2012 - one) new SIR Restaurants were added to the Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of four new SIR Restaurants on January 1, 2013 (January 1, 2012 - one), as well as the Second Incremental Adjustment for one new SIR Restaurant added to the Royalty Pooled Restaurants on January 1, 2012 (January 1, 2011 - one), 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 two (January 1, 2012 - nil) SIR Restaurants during the prior year. The net effect of these adjustments to the Royalty Pooled Restaurants was that the Company converted 296,000 (January 1, 2012 - 204,000) Class B GP Units into 296,000 (January 1, 2012 - 204,000) Class A GP Units on January 1, 2013 at an estimated fair value of $4,326,000 (January 1, 2012 - $1,906,000). As a result of this exchange, the Company's interest in the Partnership increased to 34.4%, effective January 1, 2013, from 32.2%.

In addition, the revenues of one (January 1, 2011 - one) new SIR Restaurant added to the Royalty pool on January 1, 2012 exceeded 80% of the Initial Adjustment's estimated revenue and, as a result, an additional distribution of $23,000 was declared in December 2012 (December 2011 - $34,000) and paid the following January.

c) Advances receivable from SIR Royalty Income Fund

Advances receivable from SIR Royalty Income Fund as at November 18, 2012 were $2,916,000 (August 26, 2012 - $2,844,000). 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 18, 2012, the Partnership provided these services to the Fund and the Trust for consideration of $6,000 (12-week period ended November 20, 2011 - $6,000), which was the amount of consideration agreed to by the related parties.

5 Commitments

The Company has five commitments to lease properties, on which it plans to build seven new restaurants. The Company has begun the early stages of construction of six of these restaurants to be built. During the 12-week period ended November 18, 2012, the Company incurred costs of $300,000 relating to those restaurants and has further purchase commitments for the construction of these restaurants of $6,200,000. As at the current date, the Company has not entered into any construction contracts for the other restaurant to be built but expects to do so in the future. Final costs of construction are subject to uncertainties as to their amounts and timing. Items such as finalization of design and final construction quotations could change the total cost of these projects.

6 Supplemental cash flow information

The net change in working capital items is as follows:

	12-week period ended November 18, 2012 $	12-week period ended November 20, 2011 $
	(in thousands of dollars)	
Trade and other receivables	133	(551)
Inventories	(50)	(15)
Prepaid expenses, deposits and other assets	(509)	(568)
Trade and other payables	(1,082)	(521)
Provisions and other long-term liabilities	460	681
	(1,048)	(974)

7 Subsequent event

On January 1, 2013, 500,000 stock options, with an exercise price of $3.84 and an expiry date of January 1, 2020, were granted to certain key management of the Company. Of this amount, 200,000 stock options vest on January 1, 2014 and 100,000 stock options vest annually thereafter over the next three years. On death, permanent disability, resignation or replacement by the shareholders of the Company, the Company retains the right to purchase the employees' remaining interest at a negotiated price, which shall be paid over three years.