SIR Corp.

Interim Consolidated Financial Statements
For the 12-week and 24-week periods ended February 12, 2012
(Unaudited)

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

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SIR Corp.
Consolidated Balance Sheets
(Unaudited)

(in thousands of dollars)

	February 12, 2012 $	August 28, 2011 $
Assets		
Current assets		
Cash and cash equivalents	5,566	5,209
Accounts receivable	2,599	3,099
Inventories	2,648	2,568
Prepaid expenses, deposits and other assets	1,278	541
Current portion of loans and advances	400	400
Current assets of discontinued operation (note 4)	-	203
	12,491	12,020
Loans and advances	909	1,065
Property and equipment	42,290	41,166
Goodwill	5,410	5,410
Intangible and other assets	319	848
	61,419	60,509

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

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

(in thousands of dollars)

	February 12, 2012 $	August 28, 2011 $
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	22,286	22,209
Construction accounts payable and accrued liabilites	463	453
Current portion of long-term debt (note 5)	3,004	2,078
Current portion of other long-term liabilities	1,179	1,042
Amounts due to SIR Royalty Income Fund - net (note 6)	1,428	1,896
Current liabilities of discontinued operation (note 4)	-	121
	28,360	27,799
Long-term debt (note 5)	22,358	20,503
Loan payable to SIR Royalty Income Fund (note 6)	36,054	35,999
Other long-term liabilities	8,565	8,742
Future income taxes	96	103
	95,433	93,146
Shareholders' Deficiency		
Capital stock (note 7)	11,560	11,571
Contributed surplus (note 7)	50	-
Non-controlling interest in SIR Royalty Limited Partnership (note 6)	11,167	11,167
Deficit	(56,791)	(55,375)
	(34,014)	(32,637)
	61,419	60,509

Commitments (note 8)

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

SIR Corp.
Consolidated Statements of Operations
(Unaudited)

(in thousands of dollars)

	12-week period ended February 12, 2012 $	12-week period ended February 13, 2011 $	24-week period ended February 12, 2012 $	24-week period ended February 13, 2011 $
Corporate restaurant operations				
Food and beverage revenue (note 10)	50,084	46,100	99,297	90,905
Cost of corporate restaurant operations				
Food and beverage	15,087	13,772	30,026	27,330
Labour	17,065	15,473	33,968	30,695
Direct cost of restaurant operations	11,341	10,513	22,964	21,714
Amortization of restaurant assets	1,906	1,765	3,736	3,510
	45,399	41,523	90,694	83,249
Earnings from corporate restaurant operations	4,685	4,577	8,603	7,656
Corporate costs	(2,627)	(2,680)	(5,204)	(5,383)
Other amortization	(55)	(63)	(112)	(128)
	(2,682)	(2,743)	(5,316)	(5,511)
Earnings before the following items	2,003	1,834	3,287	2,145
Interest expense - net	(444)	(545)	(930)	(1,091)
Interest on loan payable to SIR Royalty Income Fund (note 6)	(719)	(719)	(1,437)	(1,437)
Recovery of impairment of loans and advances	-	200	-	200
Other income (expense) - net	92	93	(46)	69
Earnings (loss) before income taxes	932	863	874	(114)
Recovery of (provision for) income taxes	2	(3)	4	12
Net earnings (loss) from continuing operations	934	860	878	(102)
Loss from discontinued operation (note 4)	-	(59)	-	(121)
Net earnings (loss) for the period	934	801	878	(223)
Non-controlling interest in SIR Royalty Limited Partnership (note 6)	(1,144)	(1,091)	(2,294)	(2,138)
Non-controlling interest in other subsidiary company	-	29	-	57
Net loss for the period attributable to shareholders of SIR Corp.	(210)	(261)	(1,416)	(2,304)

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

SIR Corp.
Consolidated Statements of Deficit
(Unaudited)

(in thousands of dollars)

	24-week period ended February 12, 2012						
	Capital stock $	Contributed surplus $	Currency translation adjustment $	SIR Corp.'s deficit $	Non-controlling interest in SIR Royalty Limited Partnership's deficit $	Non-controlling interest in other subsidiary company's deficit	Total $
Balance - Beginning of period	11,571	-	-	(55,375)	11,167	-	(32,637)
Repurchase of capital stock (note 7)	(11)	(14)	-	-	-	-	(25)
Stock-based compensation	-	64	-	-	-	-	64
Net earnings (loss) for the period	-	-	-	(1,416)	2,294	-	878
Distributions to non-controlling interest	-	-	-	-	(2,294)	-	(2,294)
Balance - End of period	11,560	50	-	(56,791)	11,167	-	(34,014)

	24-week period ended February 13, 2011						
	Capital stock $	Contributed surplus $	Currency translation adjustment $	SIR Corp.'s deficit $	Non-controlling interest in SIR Royalty Limited Partnership's deficit $	Non-controlling interest in other subsidiary company's deficit $	Total $
Balance - Beginning of period	11,571	-	(202)	(50,558)	11,167	-	(28,022)
Net earnings (loss) for the period	-	-	-	(2,304)	2,138	(57)	(223)
Distributions to non-controlling interest	-	-	-		(2,138)	-	(2,138)
Balance - End of period	11,571	-	(202)	(52,862)	11,167	(57)	(30,383)

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 February 12, 2012 $	12-week period ended February 13, 2011 $	24-week period ended February 12, 2012 $	24-week period ended February 13, 2011 $
Cash provided by (used in)				
Operating activities				
Net earnings (loss) from continuing operations for the period	934	860	878	(102)
Items not affecting cash				
Amortization	1,961	1,828	3,848	3,638
Non-controlling interest in SIR Royalty Limited Partnership	(1,144)	(1,091)	(2,294)	(2,138)
Future income taxes	(2)	3	(7)	(12)
Recovery of impairment of loans and advances	-	(200)	-	(200)
Non-cash interest expense	52	84	86	165
Amortization of leasehold inducements	(114)	(120)	(229)	(246)
Stock-based compensation	-	-	64	-
Other items	34	42	112	102
Landlord and other inducements received	25	97	25	97
Net change in working capital items (note 9)	757	(695)	(293)	(2,261)
Cash provided by (used in) continuing operations	2,503	808	2,190	(957)
Cash provided by (used in) discontinued operation (note 4)	-	(19)	82	(172)
	2,503	789	2,272	(1,129)
Investing activities				
Purchase of property and equipment and other assets - net	(3,046)	(1,606)	(5,031)	(3,382)
Repayment of loans and advances	89	240	209	331
Cash used in continuing investing activities	(2,957)	(1,366)	(4,822)	(3,051)
Cash used in discontinued operation (note 4)	-	-	-	(4)
	(2,957)	(1,366)	(4,822)	(3,055)
Financing activities				
Proceeds from issuance of long-term debt	609	-	4,190	-
Principal repayment of long-term debt	(356)	(330)	(794)	(768)
Financing fees	(213)	(105)	(464)	(105)
Repurchase of capital stock (note 7)	(25)	-	(25)	-
Cash provided by (used in) continuing financing activities	15	(435)	2,907	(873)
Principal repayment of long-term debt of discontinued operation (note 4)	-	(38)	-	(79)
	15	(473)	2,907	(952)
Increase (decrease) in cash during the period	(439)	(1,050)	357	(5,136)
Cash and cash equivalents - Beginning of period	6,005	5,500	5,209	9,586
Cash and cash equivalents - End of period	5,566	4,450	5,566	4,450
Supplemental Information				
Interest paid	1,064	1,046	2,347	2,397
Income taxes paid	-	-	3	-

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 February 12, 2012, the Company operates a total of 47 (February 13, 2011 – 46) 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*®, Far Niente®/FOUR®/Petit Four®, and the Loose Moose Tap & Grill®. The Company also owns Jack Astor's (Cary & Las Colinas) Limited which formerly operated one Jack Astor's restaurant in the United States (see note 4). During the 12-week period ended February 12, 2012, the Company closed its Alice Fazooli's restaurant located in Toronto, Ontario and subsequent to February 12, 2012, the Company closed its Jack Astor's restaurant located in Kitchener, Ontario.

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 fiscal years for 2012 and 2011 consist of 52 weeks each.

2. Basis of presentation, seasonality and summary of significant accounting policies

Basis of presentation

The Company has followed the guidance of CICA Handbook Section 1751, Interim Financial Statements, in the preparation of these unaudited interim consolidated financial statements. The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of Canadian accounting standards for private enterprises for annual financial statements and should be read in conjunction with the August 28, 2011 audited annual consolidated financial statements and notes thereto as well as the unaudited interim consolidated financial statements for the 12-week period ended November 20, 2011 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.

The accounting policies applied in these unaudited interim consolidated financial statements are consistent with those followed in the 12-week period ended November 20, 2011 unaudited interim consolidated financial statements and notes thereto.

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. Transition to Accounting Standards for Private Enterprises

Effective August 29, 2011, the Company elected to adopt Canadian accounting standards for private enterprises (ASPE) as issued by the Canadian Accounting Standards Board. These interim consolidated financial statements have been prepared in accordance with ASPE and the accounting policies followed are consistent with those followed in the interim consolidated financial statements for the 12-week period ended November 20, 2011. Subject to certain transition elections, the accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect.

The following adjustments were made by the Company on transition to ASPE:

(a) In accordance with CICA Handbook Section 3856- Financial Instruments, the Company elected to change from the effective interest rate method to the straight-line method to account for amortization of financing fees relating to its long-term debt and the loan payable to the SIR Royalty Income Fund. This change increased the opening deficit by $183,000 and interest expense by $140,000 for the year ended August 28, 2011.

(b) The impact on the Company's consolidated financial statements as a result of adopting ASPE Section 1602, Non-Controlling Interests was that non-controlling interest in the SIR Royalty Limited Partnership was reclassified from liabilities to shareholders' deficiency. As well, the non-controlling interest in other subsidiary company was also recorded in shareholder's deficiency. This non-controlling interest was previously, not recorded in the consolidated financial statements as it was in a debit position. Under ASPE, this non-controlling interest is recorded in the consolidated financial statements prospectively effective August 30, 2010.

The effect of the Company's transition to ASPE, is summarized as follows:

Reconciliation of deficit and net loss as previously reported under Canadian Generally Accepted Accounting Principles (GAAP) to ASPE:

	As at February 13, 2011		
	Canadian GAAP	Effect of transition to ASPE	ASPE
	(in thousands of dollars)		
Shareholders' deficiency			
Capital stock	11,571	-	11,571
Currency translation adjustment	(202)	-	(202)
Non-controlling interest in SIR Royalty Limited Partnership	-	11,167	11,167
Non-controlling interest in other subsidiary company	-	(57)	(57)
Deficit	(52,680)	(182)	(52,862)
	(41,311)	10,928	(30,383)

	12-week period ended February 13, 2011	24- week period ended February 13, 2011
	(in thousands of dollars)	
Net loss for the period, per Canadian GAAP	(267)	(2,305)
Effect of transition to ASPE:		
Interest expense - net	11	-
Interest on loan payable to SIR Royalty Income Fund	(34)	(56)
Non-controlling interest in other subsidiary company	29	57
Net loss for the period attributed to shareholders of SIR Corp., per ASPE	(261)	(2,304)

4. Discontinued operation

On August 16, 2011, the Company sold substantially all of the assets of its restaurant operation in the United States, Jack Astor's Cary, LLC, a subsidiary of Jack Astor's (Cary & Las Colinas) Limited for cash consideration of $1,695,000 (US$1,726,000), net of transaction costs of $95,000 (US$97,000). The Company recognized a loss on disposal of these assets of $565,000 and part of the net proceeds from the sale has been used to repay the associated US bank debt of $906,000 (US$923,000) as at August 16, 2011.

The foreign exchange gains and losses accumulated in the currency translation adjustment account are deferred and disclosed as a separate component of shareholders' deficiency until the Company's net investment in Jack Astor's (Cary & Las Colinas) Limited was reduced and the currency translation adjustment related to the restaurant of $202,000 was recognized in the consolidated statements of operations.

The results of Jack Astor's Cary, LLC have been reported as a discontinued operation.

The summarized statements of operations for this discontinued operation are as follows:

	12-week period ended		**24-week period ended**	
	February 12, 2012	**February 13, 2011**	**February 12, 2012**	**February 13, 2011**
	(in thousands of dollars)			
Food and beverage revenue	-	516	-	1,075
Loss from discontinued operation	-	(59)	-	(121)

Interest of $23,000 and $48,000 on long-term debt was paid by Jack Astor's Cary, LLC for the 12-week and 24-week periods ended February 13, 2011, respectively.

The remaining assets and liabilities of the discontinued operation were settled in the ordinary course of business during the 12-week period ended November 20, 2011. The summarized balance sheet for the discontinued operation is as follows:

	February 12, 2012	August 28, 2011
	(in thousands of dollars)	
Current assets		
Cash and cash equivalents	-	24
Accounts receivable	-	179
	-	203
Current liabilities		
Accounts payable and accrued liabilities	-	121
Net assets of discontinued operation	-	82

5. Long-term debt

Effective August 26, 2011, the Company's credit agreement, negotiated on November 13, 2009, was amended and restated (Amended Credit Agreement) to add an additional loan amount (Development Loan) to the existing $26,000,000 senior term debt facility (Term Loan). The Development Loan is for a maximum principal amount of $12,000,000 available to the Company by way of multiple advances, dispensed on or prior to May 18, 2012.

On November 25, 2011, the Company entered into a First Amendment to the Amended Credit Agreement (First Amendment) to extend and make coterminous the terms of the $12,000,000 Development Loan and the $26,000,000 Term Loan. Under the terms of the First Amendment, the term of the Term Loan is extended from November 13, 2012 to November 14, 2016 and the term of the Development Loan which was negotiated August 26, 2011, is extended from August 26, 2016 to November 14, 2016. Additionally, under the terms of the First Amendment, the variable interest rate of the Term Loan is reduced to the same rate as that of the Development Loan which is the greater of 6% per annum and the three-month Canadian dollar banker's acceptance rate plus 5.75% per annum, calculated monthly, not in advance. As at February 12, 2012, available drawings under the Development Loan total $7,800,000. The Term Loan is repayable in estimated monthly blended instalments of principal and interest of $307,000. Interest only was payable monthly on the Development Loan until January 13, 2012 and monthly blended instalments of principal and interest began in February, 2012 and are estimated to total $815,000 for the remainder of the current fiscal year.

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 Licence 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 that the Company is in compliance with at February 12, 2012. In addition, the debt is guaranteed by a Company owned by the majority shareholder of the Company, for which a guarantee fee of $53,000 and $106,000 for both, the 12-week and 24-week periods ended February 12, 2012 and February 13, 2011, respectively was charged to other income (expense) - net in the consolidated statements of operations. 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.

In compliance with CICA Handbook Section 3856, Financial, 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 financing fees over the expected life of the long-term debt using the straight-line method. Amortization of deferred financing fees of $53,000 and $96,000 has been charged to interest expense in the consolidated statements of operations for the 12-week and 24-week periods ended February 12, 2012, respectively (12-week and 24-week periods ended February 13, 2011 - $92,000 and $184,000, respectively). Unamortized transaction costs netted against the debt at February 12, 2012 were $1,099,000 (August 28, 2011 - $483,000).

6. 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 bank. This agreement was amended on August 26, 2011 to incorporate the Development Loan under the Company's amended and restated credit facility. The Fund and the Partnership have not guaranteed the current credit facility.

The bank 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 bank. 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 Subordination and Postponement Agreement.

Under the Subordination and Postponement Agreement, absent a default or event of default under the current credit facility, 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, 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 bank 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 of $691,000 and $1,381,000 was charged to the consolidated statements of operations for the 12-week and 24-week periods ended February 12, 2012, respectively (12-week and 24-week periods ended February 13, 2011 - $691,000 and $1,381,000, respectively). Also included in interest expense is amortization of financing fees of $28,000 and $56,000 for the 12-week and 24-week periods ended February 12, 2012, respectively (12-week and 24-week periods ended February 13, 2011 - $28,000 and $56,000, 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		**24-week period ended**	
	February 12, 2012	**February 13, 2011**	**February 12, 2012**	**February 13, 2011**
	(in thousands of dollars)		(in thousands of dollars)	
Initial investment by the Fund	11,167	11,167	11,167	11,167
Non-controlling interest in earnings of the Partnership	1,144	1,091	2,294	2,138
Distributions declared on the Partnership's Units held by the non-controlling interest	(1,144)	(1,091)	(2,294)	(2,138)
Non-controlling interest in the Partnership	11,167	11,167	11,167	11,167
Pooled Revenue *	48,567	45,663	96,455	90,137
Partnership royalty income *	2,926	2,740	5,799	5,408
Other income	10	7	18	15
Partnership expenses	(10)	(26)	(28)	(53)
Net earnings of the Partnership	2,926	2,721	5,789	5,370
The Company's interest in the earnings of the Partnership	(1,782)	(1,630)	(3,495)	(3,232)
Non-controlling interest in the earnings of the Partnership	1,144	1,091	2,294	2,138

* 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 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 revenues 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 to Class A GP Units 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 revenues. Conversely, converted Class A GP Units may be returned by the Company if the actual revenues are less than 80% of the initial estimated revenues. 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, 2012, one (January 1, 2011 - one) 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 (January 1, 2011 – one) new SIR Restaurant on January 1, 2012, as well as the Second Incremental Adjustment for the one (January 1, 2010 – nil) new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2011, the Company converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. The effect of these adjustments to the Royalty Pooled Restaurants was that the Company converted 204,000 (January 1, 2011 – 137,000) Class B GP Units into 204,000 (January 1, 2011 – 137,000) Class A GP Units on January 1, 2012 at an estimated fair value of $1,906,000 (January 1, 2011 - $1,420,000). As a result of this exchange, the Company's interest in the Partnership increased to 38.2% effective January 1, 2012 from 36.7%.

In addition, the revenues of the one new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2011 exceeded 80% of the Initial Adjustment's estimated revenues and, as a result, an Additional Distribution of $34,000 was declared in December 2011 and paid in cash the following January. There was no Additional Distribution declared in December 2010 because no new SIR Restaurants were added to Royalty Pooled Restaurants on January 1, 2010.

(c) Amounts due to the SIR Royalty Income Fund

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

	February 12, 2012	August 28, 2011
	(in thousands of dollars)	
Advances receivable	(1,967)	(2,021)
Interest payable on SIR Loan	362	481
Partnership distributions payable	3,033	3,436
Payable to the Fund and its subsidiaries – net	1,428	1,896

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

During the 12-week and 24-week periods ended February 12, 2012, distributions of $1,144,000 and $2,294,000, respectively were declared to the Fund through the Partnership (12-week and 24-week periods ended February 13, 2011 - $1,091,000 and $2,138,000). 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 and 24-week periods ended February 12, 2012, the Partnership provided these services to the Fund and the Trust for consideration of $5,000 and $11,000, respectively (February 13, 2011 – $5,000 and $11,000, respectively), which was the amount of consideration agreed to by the related parties.

7. Capital stock

During the 12-week and 24-week periods ended February 12, 2012, 10,000 stock options were exercised for no consideration. The Company immediately repurchased 10,000 shares of the Company for total cash consideration of $25,000. Of this amount, $11,000 was charged to capital stock and $14,000 was charged to deficit.

8. Commitments

The Company has four commitments to lease properties upon which it plans to build five new restaurants. As at February 12, 2012, the Company has begun the early stages of construction of one of these restaurants and expects to spend an additional $2,600,000 to complete this restaurant. At the current date, the Company has not entered into any construction contracts for the other four restaurants 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. Such things as finalization of design and final construction quotations could change the total cost of these projects.

9. Supplemental cash flow information

The net change in working capital items is as follows:

	12-week period ended February 12, 2012	12-week period ended February 13, 2011	24-week period ended February 12, 2012	24-week period ended February 13, 2011
	(in thousands of dollars)		(in thousands of dollars)	
Accounts receivable	1,014	(69)	536	(165)
Inventories	(65)	58	(80)	(87)
Prepaid expenses, deposits and other assets	(169)	(320)	(737)	(660)
Accounts payable and accrued liabilities	366	(433)	310	(1,407)
Amounts due to SIR Royalty Income Fund	(386)	(79)	(468)	(282)
Accrued management bonus	(3)	148	146	340
	757	(695)	(293)	(2,261)

10. Segmented operations

The Company operates a portfolio of restaurants in Canada, 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 unaudited interim consolidated financial statements of the Company for the 12-week period ended November 20, 2011. 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 February 12, 2012	12-week period ended February 13, 2011	24-week period ended February 12, 2012	24-week period ended February 13, 2011
	(in thousands of dollars)			
Food and beverage revenue				
Canada				
Jack Astor's	34,674	30,404	69,726	61,369
Canyon Creek	7,291	7,265	13,679	13,669
Alice Fazooli's	4,018	4,349	8,062	8,284
Signature	4,101	4,082	7,830	7,583
	50,084	46,100	99,297	90,905