SIR CORP.

REVISED AND RE-FILED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE REVISED AND RE-FILED INTERNATIONAL FINANCIAL REPORTING STANDARDS CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 16-WEEK AND 52-WEEK PERIODS ENDED AUGUST 26, 2012

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FOR THE 16-WEEK AND 52-WEEK PERIODS ENDED AUGUST 26, 2012

Executive Summary

SIR Corp.'s ("SIR's") fourth quarter of fiscal 2012 ("Q4") was from May 7, 2012 to August 26, 2012 inclusive. Highlights for SIR's fourth quarter include:

- ***Consolidated revenue and Same Store Sales[1] ("SSS") (unaudited):***
  - Food and beverage revenue from corporate restaurant operations for Q4 was $71.4 million and $221.6 million year to date ("YTD"). This represents a $3.6 million or 5.3% increase over the prior year for the quarter and a $15.0 million or 7.2% increase over the prior year for YTD.
  - SIR experienced same store sales growth[1] ("SSSG") of 3.1% and 4.3% for the 16-week and 52-week periods ended August 26, 2012, respectively.
  - SIR's flagship Concept Restaurant brand, Jack Astor's®, that generates approximately 72% of YTD Pooled Revenue, had SSSG[1] of 4.9% and 6.4% for Q4 and YTD, respectively. Canyon Creek® had SSSG[1] of 0.7% and a SSS[1] decline of 0.1% for Q4 and YTD, respectively. Alice Fazooli's® had SSS[1] declines of 4.5% and 0.7% for Q4 and YTD, respectively and the downtown Toronto Signature Restaurants had SSS[1] declines of 3.9% and 0.6% for Q4 and YTD, respectively.

Investment in new and existing restaurants

- During Q1, on November 14, 2011, SIR opened a new Jack Astor's restaurant on Argentia Road in Mississauga, Ontario. During Q4, on May 16, 2012, SIR opened a new Jack Astor's restaurant on Front St., near the St. Lawrence Market, in Toronto, Ontario. Subsequent to August 26, 2012, SIR opened two new Jack Astor's restaurants, one in Laval, Quebec and one in Kingston, Ontario. These restaurants will be added to Royalty Pooled Restaurants on January 1, 2013.
- During Q4, SIR also opened two new seasonal Signature Restaurants: Duke's Refresher™ and Abbey's Bakehouse™. These restaurants are not part of Royalty Pooled Restaurants.
- The Jack Astor's that opened in London, Ontario on May 2, 2011, was added to Royalty Pooled Restaurants on January 1, 2012.
- SIR completed three Jack Astor's restaurant renovations during Q1 and one Jack Astor's restaurant renovation during Q4. Subsequent to August 26, 2012, SIR completed a renovation of Reds®, the Loose Moose Tap & Grill® and two Jack Astor's restaurants**.**
- During Q2, on January 27, 2012, SIR closed the Alice Fazooli's restaurant in Toronto, Ontario. During Q3, on February 13, 2012, SIR closed the Jack Astor's restaurant in Kitchener, Ontario. SIR is required to pay a Make-Whole Payment for these locations from their date of closure until they cease to be part of Royalty Pooled Restaurants on January 1, 2013.
- At the current date, SIR has five other commitments to lease properties upon which it plans to build seven new restaurants. It is expected that four of these restaurants will open in fiscal year 2013, with the remaining three restaurants expected to open in fiscal year 2014.

- ***Net Earnings (Loss) and Comprehensive Income (Loss) and Adjusted Net Earnings (Loss)***[2]
  - The net loss and comprehensive loss for Q4 of $15.4 million is $30.6 million unfavourable to the same period in the prior year. The Adjusted Net Earnings[2] for Q4 of $1.4 million is $1.2 million favourable to the same period in the prior year.

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(1) Same store sales includes revenue from all SIR restaurants except for those restaurants that were not open for the entire comparable periods in fiscal 2012 and fiscal 2011. Same store sales growth ("SSSG") is the percentage increase in SSS over the prior comparable period. SSS and SSSG are non GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). However, SIR believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. SIR's method of calculating SSS and SSSG may differ from those of other issuers and accordingly, SSS and SSSG may not be comparable to measures used by other issuers. Please refer to the reconciliation of consolidated revenue to SSS on page 8 and to the definition of SSS in the Revenue section on page 10.

(2) Adjusted Net Earnings (Loss) is calculated by subtracting the change in amortized cost of the Ordinary LP Units of the Partnership from the net earnings (loss) and comprehensive income (loss) for the period. Adjusted Net Earnings (Loss) is a non-GAAP financial measure and does not have a standardized meaning prescribed by IFRS. Management believes that in addition to net earnings (loss) and comprehensive income (loss), Adjusted Net Earnings (Loss) is a useful supplemental measure to evaluate SIR's performance. Changes in the amortized cost of the Ordinary LP Units of the Partnership is a non-cash transaction and varies with changes in the market price of the Fund units. Management cautions investors that Adjusted Net Earnings (Loss) should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating Adjusted Net Earnings (Loss) may differ from the methods used by other issuers. Therefore, SIR's Adjusted Net Earnings (Loss) may not be comparable to similar measures presented by other issuers. Please refer to the reconciliation of net earnings (loss) and comprehensive income (loss) for the period to Adjusted Net Earnings (Loss) on pages 6 and 9 of this document.

- The YTD net loss and comprehensive loss of $34.8 million is $32.2 million unfavourable to the same period in the prior year. The Adjusted Net Earnings[2] of $2.9 million is $1.9 million favourable to the same period in the prior year.
- The unfavourable variance in Q4 and YTD net loss is primarily due to the changes in the amortized cost of Ordinary LP Units of the Partnership. Under IFRS, the Ordinary LP Units of the Partnership are treated as a financial liability requiring adjustments to the amortized cost to be recorded in the consolidated statements of operations. The change in the amortized cost is a non-cash transaction and accordingly, has no impact on cash flows. The change in amortized cost increased by $31.7 million and $34.1 million for Q4 and YTD 2012, respectively over the same period in the prior year. The increase is primarily due to the significant increase in the underlying Fund unit price during fiscal 2012. The Adjusted Net Earnings[2] in Q4 and YTD is primarily due to favourable earnings from corporate restaurant operations, resulting primarily from the SSSG[1] and because there is no loss from discontinued operation in fiscal 2012.

- ***EBITDA[3]***
  - EBITDA[3] for Q4 is $6.1 million and $5.7 million in fiscal 2012 and fiscal 2011, respectively.
  - YTD EBITDA[3] is $17.1 million and $15.9 million in fiscal 2012 and fiscal 2011, respectively.
- ***Other***
  - Effective August 29, 2011, SIR adopted International Financial Reporting Standards ("IFRS"). Information for the current and prior year comparatives have been presented under IFRS. SIR has consistently applied the same accounting policies in its opening IFRS consolidated statement of financial position at August 30, 2010.
- ***Outlook***
  - On August 26, 2011, SIR entered into an Amended and Restated Loan Agreement ("Amended Credit Agreement") that added a $12.0 million Development Loan to its existing $26.0 million Term Loan. The Development Loan was used to finance the building of new restaurants and to renovate existing restaurants to increase SSS[1] and strengthen SIR's portfolio of restaurants. No further draws are permitted on the Development Loan.
  - During Q2, on November 25, 2011, SIR entered into a First Amendment to the Amended Credit Agreement ("First Amendment") to extend and make coterminous the terms of the $12.0 million Development Loan and the $26.0 million Term Loan. Under the terms of the First Amendment, the term of the $26.0 million Term Loan was extended from November 13, 2012 to November 14, 2016 and the term of the Development Loan was 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
  - Subsequent to August 26, 2012, SIR converted 0.5 million Class A GP Units into Fund units and sold these Fund units. Net proceeds received from the sale of the Fund units was $6.6 million, of which $5.1 million is held in an account that is restricted by the lender as at November 18, 2012. As a result of the conversion of the Class A GP Units into Fund units, SIR's interest in the SIR Royalty Limited Partnership (the "Partnership") decreased from 38.2% to 32.2%. SIR continues to maintain control of the Partnership and therefore, the transaction has been accounted for as an equity transaction. 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.
  - SIR continues to focus on sustaining and growing existing restaurant sales and profits while managing costs. SIR continues to carefully monitor the current economic environment. SIR considers new restaurant growth and renovations, when appropriate and subject to acceptable long-term financing.

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[2] See footnote [2] on page 3

[3] References to EBITDA are to the net earnings (loss) and comprehensive income (loss) for the period before provision for (recovery of) income taxes, interest and other (income) expense - net, goodwill impairment, impairment of non-financial assets, loss on disposal of property and equipment, interest expense, interest on loan payable to SIR Royalty Income Fund, change in amortized cost of Ordinary LP Units of the Partnership, loss from discontinued operation, and depreciation and amortization. References to Adjusted EBITDA are to SIR's EBITDA plus pre-opening costs. Pre-opening costs are added back to EBITDA because Management views these costs as investments in new restaurants and not as on-going costs of operations. Management believes that, in addition to net earnings or loss, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating SIR's performance. EBITDA and Adjusted EBITDA are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. Management cautions investors that EBITDA and Adjusted EBITDA should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating EBITDA and Adjusted EBITDA may differ from the methods used by other issuers. Therefore, SIR's EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Please refer to the reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA and Adjusted EBITDA on page 6 of this document.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at August 26, 2012, SIR operates 49 Concept and Signature Restaurants in Canada (in Ontario, Quebec, Alberta and Nova Scotia). The Concept Restaurants are Jack Astor's, Canyon Creek and Alice Fazooli's. The Signature Restaurants are Reds® Wine Tavern, Far Niente®/FOUR®/Petit Four®, the Loose Moose Tap & Grill®, Dukes Refresher™ and Abbey's Bakehouse™. The latter two Signature Restaurants are not part of Royalty Pooled Restaurants. As at August 26, 2012, 47 SIR Restaurants were included in SIR Royalty Pooled Restaurants, consisting of 45 operating and two closed restaurants. SIR owns 100% of all its Canadian restaurants.

The new Jack Astor's restaurant in London, Ontario, that opened in Fiscal 2011, on May 2, 2011, was added to Royalty Pooled Restaurants on January 1, 2012. The two new Jack Astor's restaurants that opened in Fiscal year 2012 and the two new Jack Astor's that opened subsequent to August 26, 2012, were added to Royalty Pooled Restaurants on January 1, 2013.

During fiscal year 2012, SIR closed the Alice Fazooli's restaurant in Toronto, Ontario and the Jack Astor's restaurant in Kitchener, Ontario. These restaurants ceased to be part of Royalty Pooled Restaurants on January 1, 2013.

On October 1, 2004, the SIR Royalty Income Fund (the "Fund") filed a final prospectus for a public Offering of units of the Fund and the Offering closed on October 12, 2004. The net proceeds of the Offering of $51.2 million were used by the Fund to acquire the SIR Loan and indirectly, through the SIR Holdings Trust (the "Trust"), the SIR Rights owned or licensed by SIR or its subsidiaries and used in connection with the operation of SIR's restaurants in Canada. In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants. The Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

SIR's fiscal year is comprised of 52 or 53-week periods ending on the last Sunday in August. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks, respectively. The fiscal years for 2012 and 2011 consisted of 52 weeks.

Seasonality

The full service restaurant sector of the Canadian foodservice industry, in which SIR operates, experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenues during SIR's fourth quarter (ending on the last Sunday in August) when patios can be open. Certain holidays and observances also affect dining patterns both favourably and unfavourably.

Selected Consolidated Historical Financial Information

The following tables set out selected financial information of SIR for the 16-week and 52-week periods ended August 26, 2012 and August 28, 2011, respectively. The audited consolidated financial statements of SIR are prepared in accordance with IFRS and are presented in Canadian dollars. This information should be read in conjunction with the annual audited consolidated financial statements of SIR, including the notes thereto.

Statements of Operations and Comprehensive Income (Loss)	16-week Period Ended August 26, 2012	16-week Period Ended August 28, 2011[(4)]	52-week Period Ended August 26, 2012	52-week Period Ended August 28, 2011[(4)]
	(in thousands of dollars) (unaudited)			
Corporate restaurant operations:				
Food and beverage revenue	71,405	67,813	221,634	206,680
Costs of corporate restaurant operations	65,149	63,057	202,234	189,324
Earnings from corporate restaurant operations	**6,256**	**4,756**	**19,400**	**17,356**
Net earnings (loss) from continuing operations for the period	**(15,429)**	**15,462**	**(34,780)**	**(1,966)**
Net earnings (loss) and comprehensive income (loss) for the period attributable to shareholders of SIR	**(15,429)**	**15,103**	**(34,780)**	**(2,534)**
Adjusted Net Earnings (Loss) [(2)]	**1,432**	**217**	**2,861**	**971**

[(2)] *See footnote [(2)] on page 3*

[(4)] *Prior period balances reflect the retroactive application of the changes in accounting policies effective with the adoption of IFRS.*

Statements of financial position	August 26, 2012	August 28, 2011[4]
	(in thousands of dollars) (unaudited)	
Total assets	73,559	62,480
Total non-current liabilities	126,027	86,225

Adjusted Net Earnings (Loss)[2], EBITDA[3] and Adjusted EBITDA[3]

Adjusted Net Earnings (Loss)[2], EDITDA[3] and Adjusted EBITDA[3] are financial measures that do not have standardized meanings prescribed by IFRS. They are used by SIR to supplement its reporting of net earnings (loss) and net cash flow. Adjusted Net Earnings (Loss)[2] consist of net earnings (loss) and comprehensive income (loss) excluding change in amortized cost of Ordinary LP Units of the Partnership. EBITDA[3] and Adjusted EBITDA[3] consist of net earnings (loss) and comprehensive income (loss) for the period excluding certain non-cash expenses and other expenses that SIR considers not to be of an operating nature. SIR believes that Adjusted Net Earnings (Loss)[2], EBITDA[3] and Adjusted EBITDA[3] are useful estimates of the core business' contribution to cash flow from operations and uses this measure as a supplemental measure of SIR's performance. Similarly, SIR believes that certain investors may also find these non-GAAP financial measures to be useful measures for their independent evaluation of SIR's performance.

The following table reconciles net earnings (loss) and comprehensive income (loss) for the period to Adjusted Net Earnings (Loss)[2]:

Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to Adjusted Net Earnings (Loss)[2]	16-week Period Ended August 26, 2012	16-week Period Ended August 28, 2011[4]	52-week Period Ended August 26, 2012	52-week Period Ended August 28, 2011[4]
	(in thousands of dollars) (unaudited)			
Net earnings (loss) and comprehensive income (loss) for the period	(15,429)	15,103	(34,780)	(2,534)
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	16,861	(14,886)	37,641	3,505
Adjusted Net Earnings (Loss)[2]	**1,432**	**217**	**2,861**	**971**

(2) *See footnote (2) on page 3*
(3) *See footnote (3) on page 4*
(4) *See footnote (4) on page 5*

The following table reconciles net earnings (loss) and comprehensive income (loss) for the period to EBITDA[3] and Adjusted EBITDA[3]:

Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA[3] and Adjusted EBITDA[3]	16-week Period Ended August 26, 2012	16-week Period Ended August 28, 2011[4]	52-week Period Ended August 26, 2012	52-week Period Ended August 28, 2011[4]
	(in thousands of dollars) (unaudited)			
Net earnings (loss) and comprehensive income (loss) for the period	(15,429)	15,103	(34,780)	(2,534)
Add (deduct):				
Recovery of income taxes	(12)	(12)	(16)	(5)
Interest and other (income) expense - net	1	(110)	(3)	(402)
Goodwill and intangible assets impairment	164	-	164	-
Impairment of non-financial assets	113	935	113	935
Loss on disposal of property and equipment	70	74	193	269
Interest expense	722	781	2,292	2,638
Interest on loan payable to SIR Royalty Income Fund	930	928	3,019	3,017
Non-controlling interest in other subsidiary company	-	78	-	-
Change in amortized cost of Ordinary LP Units of the Partnership	16,861	(14,886)	37,641	3,505
Loss from discontinued operation	-	281	-	568
Depreciation and amortization	2,666	2,485	8,448	7,909
EBITDA[3]	**6,086**	**5,657**	**17,071**	**15,900**
Pre-opening costs expensed	727	61	1,536	957
Adjusted EBITDA[3]	**6,813**	**5,718**	**18,607**	**16,857**
Income from Class A & B GP Units of the Partnership [5] (Not included in EBITDA[3] and Adjusted EBITDA[3] above)	1,557	1,392	4,811	4,260
6% Royalty obligations under License and Royalty Agreement [6]	4,213	3,927	13,098	12,205

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[3] *See footnote [3] on page 4*

[4] *See footnote [4] on page 5*

[5] *The 16-week and 52-week periods ended August 26, 2012 and August 28, 2011 include the additional distribution paid to Class B GP Unitholders in December of each year, if any.*

[6] *See the SIR Royalty Income Fund section of this document for the Royalty calculation. Pooled Revenue includes revenue from all restaurants included in Royalty Pooled Restaurants. On January 1st of each year, New Additional Restaurants are added and New Closed Restaurants are removed from Royalty Pooled Restaurants. Royalty obligations equal 6% of Pooled Revenue plus any Make-Whole Payments.*

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	16-week Period Ended August 26, 2012	16-week Period Ended August 28, 2011	52-week Period Ended August 26, 2012	52-week Period Ended August 28, 2011
	(in thousands of dollars) (unaudited)			
Revenue reported in consolidated financial statements	71,405	67,813	221,634	206,680
Less: Revenue from corporate restaurant operations excluded from the Royalty pool	(3,079)	(2,367)	(6,842)	(3,259)
Revenue for Restaurants in the Royalty pool	**68,326**	**65,446**	**214,792**	**203,421**

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales[1]	16-week Period Ended August 26, 2012	16-week Period Ended August 28, 2011	52-week Period Ended August 26, 2012	52-week Period Ended August 28, 2011
	(in thousands of dollars) (unaudited)			
Revenue reported in consolidated financial statements	71,405	67,813	221,634	206,680
Less: Revenue from corporate restaurant operations excluded from same store sales[1]	(6,726)	(5,072)	(16,959)	(10,530)
Same store sales[1]	**64,679**	**62,741**	**204,675**	**196,150**

Same Store Sales[1] by Segment	16-week Period Ended August 26, 2012	16-week Period Ended August 28, 2011	% Fav. / (Unfav.)	52-week Period Ended August 26, 2012	52-week Period Ended August 28, 2011	% Fav. / (Unfav.)
	(in thousands of dollars) (unaudited)					
Jack Astor's	48,339	46,076	4.9%	145,944	137,175	6.4%
Canyon Creek	7,724	7,670	0.7%	27,832	27,873	(0.1%)
Alice Fazooli's	4,635	4,851	(4.5%)	15,258	15,360	(0.7%)
Signature Restaurants	3,981	4,144	(3.9%)	15,641	15,742	(0.6%)
Same store sales[1]	**64,679**	**62,741**	**3.1%**	**204,675**	**196,150**	**4.3%**

[1] *See footnote [1] on page 3*

Summary of Quarterly Results

Statement of Operations	4th Quarter Ended August 26, 2012 (16 weeks)	3rd Quarter Ended May 6, 2012 (12 weeks)	2nd Quarter Ended February 12, 2012 (12 weeks)	1st Quarter Ended November 20, 2011 (12 weeks)	4th Quarter Ended August 28, 2011[4] (16 weeks)	3rd Quarter Ended May 8, 2011[4] (12 weeks)	2nd Quarter Ended February 13, 2011[4] (12 weeks)	1st Quarter Ended November 21, 2010[4] (12 weeks)
				(in thousands of dollars) (unaudited)				
Corporate Restaurant Operations								
Food and beverage revenue	71,405	50,932	50,084	49,213	67,813	47,962	46,100	44,805
Cost of corporate restaurant operations	65,149	46,514	45,257	45,314	63,057	43,236	41,339	41,692
Earnings from corporate restaurant operations	**6,256**	**4,418**	**4,827**	**3,899**	**4,756**	**4,726**	**4,761**	**3,113**
Net earnings (loss) from continuing operations for the period	**(15,429)**	**(4,868)**	**(6,763)**	**(7,720)**	**15,462**	**8,002**	**(15,659)**	**(9,771)**
Net earnings (loss) and comprehensive income (loss) for the period	**(15,429)**	**(4,868)**	**(6,763)**	**(7,720)**	**15,181**	**7,929**	**(15,765)**	**(9,879)**
Non-controlling interest	**-**	**-**	**-**	**-**	**(78)**	**21**	**29**	**28**
Net earnings (loss) and comprehensive income (loss) for the period attributable to shareholders of SIR	**(15,429)**	**(4,868)**	**(6,763)**	**(7,720)**	**15,103**	**7,950**	**(15,736)**	**(9,851)**
Adjusted Net Earnings (Loss) [2]	**1,432**	**555**	**888**	**(14)**	**217**	**894**	**838**	**(978)**

The following table reconciles net earnings (loss) and comprehensive income (loss) for the quarters to Adjusted Net Earnings (Loss)[2]:

Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to Adjusted Net Earnings (Loss)[2]	4th Quarter Ended August 26, 2012 (16 weeks)	3rd Quarter Ended May 6, 2012 (12 weeks)	2nd Quarter Ended February 12, 2012 (12 weeks)	1st Quarter Ended November 20, 2011 (12 weeks)	4th Quarter Ended August 28, 2011[4] (16 weeks)	3rd Quarter Ended May 8, 2011[4] (12 weeks)	2nd Quarter Ended February 13, 2011[4] (12 weeks)	1st Quarter Ended November 21, 2010[4] (12 weeks)
				(in thousands of dollars) (unaudited)				
Net earnings (loss) and comprehensive income (loss)	(15,429)	(4,868)	(6,763)	(7,720)	15,103	7,950	(15,736)	(9,851)
Change in amortized cost of the Ordinary LP Units of the Partnership	16,861	5,423	7,651	7,706	(14,886)	(7,056)	16,574	8,873
Adjusted Net Earnings (Loss)[2]	**1,432**	**555**	**888**	**(14)**	**217**	**894**	**838**	**(978)**

Selected Unaudited Consolidated Statement of Cash Flows Information	4th Quarter Ended August 26, 2012 (16 weeks)	3rd Quarter Ended May 6, 2012 (12 weeks)	2nd Quarter Ended February 12, 2012 (12 weeks)	1st Quarter Ended November 20, 2011 (12 weeks)	4th Quarter Ended August 28, 2011[4] (16 weeks)	3rd Quarter Ended May 8, 2011[4] (12 weeks)	2nd Quarter Ended February 13, 2011[4] (12 weeks)	1st Quarter Ended November 21, 2010[4] (12 weeks)
				(in thousands of dollars) (unaudited)				
Cash provided by (used in) continuing operations	6,603	1,210	3,567	970	5,556	3,350	1,902	(414)
Cash used in continuing investing activities	(4,515)	(1,767)	(2,957)	(1,865)	(3,784)	(915)	(1,362)	(1,689)
Cash provided by (used in) continuing financing activities	4,490	(1,092)	(1,049)	1,609	(2,056)	(1,808)	(1,529)	(1,789)
Increase (decrease) in cash and cash equivalents during the period	6,578	(1,649)	(439)	772	187	550	(1,110)	(4,012)
Cash and cash equivalents – Beginning of period	3,917	5,566	6,005	5,233	5,046	4,496	5,606	9,618
Cash and cash equivalents – End of period	10,495	3,917	5,566	6,005	5,233	5,046	4,496	5,606

[2] *See footnote [2] on page 3*
[4] *See footnote [4] on page 5*

Revenue

There are a number of references to different revenue groupings used in the consolidated financial statements, the notes to the consolidated financial statements and the Management's Discussion and Analysis ("MD&A"). The following definitions are provided for greater clarification of these groupings:

i. Revenue (per the SIR consolidated statements of operations and comprehensive loss) – this is the total consolidated revenue of all restaurants for the period. The restaurants include all SIR restaurants, except the U.S. Jack Astor's restaurant, which was sold during Q4 of fiscal 2011 and is disclosed as a discontinued operation. For the 16-week and 52-week periods ended August 26, 2012, revenue was $71.4 million and $221.6 million, respectively.

ii. Same Store Sales[(1)] – this is a sub-set of i above used for tracking comparable year-over-year sales. For Q4 fiscal 2012 and 2011, SSS[(1)] includes all SIR Restaurants, except for those restaurants that were not open for the entire comparable periods in fiscal 2012 and fiscal 2011. The U.S. restaurant was never part of SIR Restaurants. For the 16-week and 52-week periods ended August 26, 2012, this revenue was $64.7 million and $204.7 million, respectively**.**

iii. Pooled Revenue – this is the revenue subject to the License and Royalty Agreement – this includes revenue from all Royalty Pooled Restaurants. The Royalty Pooled Restaurants are adjusted on January 1st of each year for New Additional Restaurants and New Closed Restaurants. As at August 26, 2012, there are 47 Royalty Pooled Restaurants, consisting of 45 operating and two closed restaurants. For the 16-week and 52-week periods ended August 26, 2012, Pooled Revenue was $68.3 million and $214.8 million, respectively. The applicable Royalty payable to the Partnership on the Pooled Revenue for these same periods was $4.2 million and $13.1 million, respectively and includes a Make-Whole Payment with respect to the closed Alice Fazooli's location in Toronto, Ontario and the closed Jack Astor's location in Kitchener, Ontario, from their dates of closure to August 26, 2012.

Same Store Sales[(1)]

SIR had SSSG[(1)] of 3.1% and 4.3% for the 16-week and 52-week periods ended August 26, 2012. Jack Astor's, SIR's flagship Concept Restaurant brand, which generates approximately 72% of YTD Pooled Revenue, experienced a SSSG[(1)] of 4.9% and 6.4% for the 16-week and 52-week periods ended August 26, 2012. Canyon Creek had SSSG[(1)] of 0.7% and a SSS[(1)] decline of 0.1% for the 16-week and 52-week periods ended August 26, 2012. Alice Fazooli's had SSS[(1)] declines of 4.5% and 0.7% for the 16-week and 52-week periods ended August 26, 2012. Management is currently reviewing initiatives to enhance value at Canyon Creek and Alice Fazooli's. The downtown Toronto Signature Restaurants had SSS[(1)] declines of 3.9% and 0.6% for the 16-week and 52-week periods ended August 26, 2012. Part of this decline is attributed to a decline in sales at Reds. The landlord of the building, in which Reds is located, refaced the entire building and the construction work had an ongoing significant impact on the restaurant's YTD sales. In September, 2012, SIR completed a major renovation and repositioning of Reds, redefining this prime location in Toronto's financial district as Reds Wine Tavern.

The Canadian Restaurant and Foodservice Association ("CRFA") estimates that sales in the full-service category grew by 4.3% in calendar 2011. The CRFA estimates that growth in the full-service category will reduce to 4.1% in calendar 2012 and will average 4.0% over the next five years. SIR will continue monitoring the economy and consumer confidence and their effects on the full-service restaurant category.

Costs of Corporate Restaurant Operations

As a percentage of revenue, costs of corporate restaurant operations was 91.2% and 91.2% for the 16-week and 52-week periods ended August 26, 2012 compared to 93.0% and 91.6% for the 16-week and 52-week periods ended August 28, 2011.

Corporate costs

Corporate costs increased $0.6 million and $0.7 million for the 16-week and 52-week periods ended August 26, 2012 compared to the 16-week and 52-week periods ended August 28, 2011 as SIR prepares for future growth. SIR is continually managing corporate costs to obtain efficiencies while revenues grow.

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(1) See footnote (1) on page 3

Interest expense

Interest expense decreased $0.06 million and $0.3 million for the 16-week and 52-week periods ended August 26, 2012 compared to the 16-week and 52-week periods ended August 28, 2011, respectively. The decrease is due to the lower amortization of deferred financing fees and the lower interest expense on the Term Loan in fiscal 2012 compared to fiscal 2011. Both the amortization and the interest expense were lower because, under the First Amendment, the term of the Term Loan was extended, increasing the amortization period and the interest rate on the Term Loan was reduced. This is offset by the higher interest expense on the Development Loan which was fully advanced by the end of fiscal 2012.

SIR Loan &Fund's interest in the Partnership

On October 12, 2004, the Fund completed its initial public offering and used the proceeds to acquire the SIR Loan and invest in the Ordinary LP Units of the Partnership. In accordance with IAS-27, SIR has consolidated the Partnership. The Ordinary LP Units of the Partnership, which are held by the Fund, require SIR to pay distributions to the Fund when declared by the board of directors of SIR GP Inc. SIR GP Inc. is controlled by the Fund and, accordingly, SIR is unable to control the declaration of these distributions. As a result, the Ordinary LP Units of the Partnership have been classified as a liability in the consolidated statements of financial position. The Ordinary LP Units were initially recorded at fair value and subsequently at amortized cost, which requires updating the carrying amount of the financial liability to reflect actual and revised estimates in cash flows. The changes in the estimated cash flows are derived from changes in the value of the underlying Fund units adjusted for taxes and the SIR Loan. Changes in amortized cost are recognized in the consolidated statements of operations.

Interest on the SIR Loan totalled $0.9 million and $3.0 million for both the 16-week and 52-week periods ended August 26, 2012 and the 16-week and 52-week periods ended August 28, 2011, respectively.

Recovery of impairment of loans and advances

Prior to fiscal 2008, advances were made to U.S. S.I.R. L.L.C. and its subsidiaries to facilitate ongoing operations and the closure of certain restaurant operations. These advances are non-interest bearing, non-secured and due on demand. SIR has determined that these advances are impaired based on estimated future cash flows of the one remaining U.S. operation owned by U.S. S.I.R. L.L.C. Accordingly, the loans and advances receivable are written down to their estimated recoverable amount of $1.2 million at August 26, 2012 (August 28, 2011 - $1.4 million). During the 16-week and 52-week periods ended August 26, 2012, $0.03 million and $0.4 million of these advances were repaid to SIR, respectively ($0.2 million and $0.6 million for the 16-week and 52-week periods ended August 28, 2011, respectively). SIR recorded a recovery of impairment of loans and advances of $nil in both the 16-week and 52-week periods ended August 26, 2012 ($0.1 million and $0.4 million in the 16-week and 52-week periods ended August 28, 2011, respectively).While SIR has no obligation to fund the U.S. operation and is not expecting to do so, it may do so if it considers that it would be in the interest of SIR, subject to the restrictions contained in its arrangements with the Fund (see Liquidity and Capital Resources section).

EBITDA[(3)] and Adjusted EBITDA[(3)]

EBITDA[(3)] is $6.1 million and $17.1 million for the 16-week and 52-week periods ended August 26, 2012, respectively and $5.7 million and $15.9 million for the 16-week and 52-week periods ended August 28, 2011, respectively. Adjusted EBITDA[(3)] is $6.8 million and $18.6 million for the 16-week and 52-week periods ended August 26, 2012, respectively and $5.7 million and $16.9 million for the 16-week and 52-week periods ended August 28, 2011, respectively. (See Selected Consolidated Historical Financial Information - Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA[(3)] and Adjusted EBITDA[(3)]).

SIR Royalty Income Fund

The following is a summary of the accounting implications of the SIR Loan and non-controlling interest of the Partnership:

(a) *SIR Loan*

The $40.0 million SIR Loan bears interest at 7.5% per annum and is due October 12, 2044. On November 13, 2009, the Fund entered into an agreement to subordinate and postpone its claims against SIR in favour of the lender. This agreement was amended on August 26, 2011 to incorporate the Development Loan under SIR's Amended Credit Agreement. The Partnership and the Fund have not guaranteed the Amended Credit Agreement (see Liquidity and Capital Resources section).

[(1)] See footnote [(1)] on page 3
[(3)] See footnote [(3)] on page 4

The debt is "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the senior lender. This subordination, which includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR 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 Partnership and the Fund 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 senior lender is pursuing remedies). The Subordination and Postponement Agreement also contains various other typical covenants of the Fund and the Partnership.

Interest expense on the SIR Loan of $0.9 million and $3.0 million was charged to the audited consolidated statements of operations for the 16-week and 52-week periods ended August 26, 2012, respectively ($0.9 million and $3.0 million for the 16-week and 52-week periods ended August 28, 2011, respectively).

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

Financing fees of $4.8 million incurred in fiscal 2005 in respect of the issuance of the SIR Loan and Partnership Units have been deferred and are being amortized over 40 years, the term of the SIR Loan, using the effective rate method. The unamortized financing fees are netted against the SIR Loan in the audited consolidated statements of financial position.

(b) Ordinary LP Units of SIR Royalty Limited Partnership

	16-week Period Ended August 26, 2012	16-week Period Ended August 28, 2011[4]	52-week Period Ended August 26, 2012	52-week Period Ended August 28, 2011[4]
	(in thousand of dollars) (unaudited)			
Balance – Beginning of period	42,564	41,564	25,579	26,766
Change in amortized cost of Ordinary LP Units of the Partnership	16,861	(14,892)	37,641	3,505
Distributions paid to Ordinary LP unitholders	(1,097)	(1,093)	(4,892)	(4,692)
Balance – End of period	58,328	25,579	58,328	25,579
Less: Current portion of Ordinary LP Units of the Partnership	(4,696)	(4,259)	(4,696)	(4,259)
Balance – End of period	53,632	21,320	53,632	21,320
Pooled Revenue [7]	68,326	65,446	214,792	203,421
Partnership royalty income [8]	4,213	3,927	13,098	12,205
Other income	12	11	40	34
Partnership expenses	(21)	(30)	(69)	(101)
Net earnings of the Partnership	4,204	3,908	13,069	12,138
SIR's interest in the earnings of the Partnership	(2,478)	(2,313)	(7,803)	(7,252)
Fund's interest in the earnings of the Partnership	1,726	1,595	5,266	4,886
SIR's interest in the earnings of the Partnership:				
Income from Class A & B GP Units of the Partnership	(1,557)	(1,392)	(4,811)	(4,260)
Income from Class C GP Units of the Partnership	(921)	(921)	(2,992)	(2,992)
	(2,478)	(2,313)	(7,803)	(7,252)

[4] *See footnote [4] on page 5*
[7] *Includes revenue from the Royalty Pooled Restaurants. The Partnership owns the SIR Rights formerly owned or licensed by SIR or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada.*
[8] *6% of Pooled Revenue plus a Make-Whole Payment for closed locations, if applicable, included in Royalty Pooled Restaurants.*

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash consideration of $11.2 million. The holders of the Ordinary LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership. The Ordinary LP Units are accounted for as a financial liability in SIR's consolidated financial statements. The distributions on the Ordinary LP Units of the Partnership 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 amounts expected to be paid in the next fiscal year have been classified as current liabilities and the remaining balance as non-current. The Ordinary LP Units of the Partnership have been accounted for at amortized cost with changes in the carrying value recorded in the consolidated statements of operations.

SIR, as the holder of the Class A GP Units, is entitled to receive their pro rata share of all residual distributions of the Partnership and the Class A GP Units are exchangeable into Units of the Fund.

In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR 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, SIR may be required to pay a Make-Whole Payment in respect of the reduction in revenues for restaurants permanently closed during a reporting period. SIR is not required to pay any Make-Whole Payments in respect of a permanently closed restaurant following the date on which the number of Royalty Pooled Restaurants 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, SIR 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 exceeded 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Conversely, converted Class A GP Units will be returned by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the initial estimated revenues. 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 revenues 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 revenues.

On January 1, 2013, four (January 1, 2012 - one) new SIR Restaurants, were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of 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 Royalty Pooled Restaurants on January 1, 2012 (January 1, 2011 – one), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. The number of Class B GP Units that SIR converted into Class A GP Units was reduced by an adjustment for the permanent closure of two (January 1, 2012 – nil) SIR Restaurants during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR 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 $4.3 million (January 1, 2012 - $1.9 million). As at January 1, 2013, SIR's interest in the Partnership will be 34.4% (January 1, 2012 – 38.2%).

In addition, the revenues of one (January 1, 2011 – one) new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2012 exceeded 80% of the Initial Adjustment's estimated revenues and, as a result, an additional distribution of $0.02 million was declared in December 2012 (December 2011 - $0.03 million) and paid the following January.

(c) *Amounts due to the Fund* – (see Transactions with the SIR Royalty Income Fund in the Transactions with Related Parties section)

Liquidity and Capital Resources

Selected Consolidated Statement of Cash Flows Information	16-week Period Ended August 26, 2012	16-week Period Ended August 28, 2011[(4)]	52-week Period Ended August 26, 2012	52-week Period Ended August 28, 2011[(4)]
	(in thousand of dollars) (unaudited)			
Cash provided by continuing operations	6,603	5,556	12,350	10,394
Cash used in continuing investing activities	(4,515)	(3,784)	(11,104)	(7,750)
Cash provided by (used in) continuing financing activities	4,490	(2,056)	3,958	(7,182)
Increase (decrease) in cash and cash equivalents during the period	6,578	187	5,262	(4,385)
Cash and cash equivalents – Beginning of period	3,917	5,046	5,233	9,618
Cash and cash equivalents – End of period	10,495	5,233	10,495	5,233

Cash provided by continuing operations increased by $1.0 million and $2.0 million for the 16-week and the 52-week periods ended August 26, 2012 as compared to the 16-week and 52-week periods ended August 28, 2011, respectively. The increase in Q4 is primarily due to the increase in the change in working capital items of $0.7 million and this is mainly due to the timing of payments. The increase in YTD is primarily due to the increase in the change in working capital items of $1.0 million and the favourable change in earnings before interest and income taxes of $1.4 million for the 52-week period ended August 26, 2012 compared to the 52-week periods ended August 28, 2011.

Cash used in continuing investing activities was $4.5 million and $3.8 million for the 16-week periods ended August 26, 2012 and August 28, 2011, respectively. Cash used in continuing investing activities was $11.1 million and $7.8 million for the 52-week periods ended August 26, 2012 and August 28, 2011, respectively. Purchases of property and equipment and other assets - net amounted to $4.5 million and $4.0 million for the 16-week periods ended August 26, 2012 and August 28, 2011, respectively and $11.5 million and $8.3 million for the 52-week periods ended August 26, 2012 and August 28, 2011, respectively. The majority of the capital expenditures in the current year relate to the construction costs incurred for the two new Jack Astor's restaurants that opened during fiscal 2012 and the two new Jack Astor's that opened in Q1 of fiscal 2013. In addition, there were capital expenditures for the four Jack Astor's renovations that occurred during fiscal 2012, three in Q1 and one in Q4. The majority of the capital expenditures in the prior year relate to construction costs incurred for the two new Jack Astor's that opened in fiscal 2011, one in Q1 and one in Q3, and the renovation costs related to two restaurants. Management expects that the investments in new and existing restaurants and other profit enhancing initiatives (such as new patios and patio expansions) and maintenance capital expenditures, will help position SIR favourably in the market. Cash provided by investing activities for the 16-week and 52-week period ended August 28, 2011, includes proceeds from the sale of the U.S. Jack Astor's restaurant of $1.7 million.

Cash provided by continuing financing activities was $4.5 million and $4.0 million for the 16-week and 52-week periods ended August 26, 2012. Cash used in continuing financing activities was $2.1 million and $7.2 million for the 16-week and 52-week periods ended August 28, 2011, respectively. Proceeds received from the Development Loan were $6.9 million and $11.8 million for the 16-week and 52-week periods ended August 26, 2012. Principal repayments on long-term debt were $0.9 million and $2.4 million for the 16-week and 52-week periods ended August 26, 2012, respectively and $0.7 million and $1.9 million for the 16-week and 52-week periods ended August 28, 2011, respectively. Interest paid for the 16-week and 52-week periods ended August 26, 2012 was $1.4 million and $4.9 million, respectively. Interest paid for the 16-week and 52-week periods ended August 28, 2011 was $1.4 and $5.1 million, respectively. Financing fees of $0.07 million and $0.5 million relating to the new Development Loan and the First Amendment were paid during the 16-week and 52-week periods ended August 26, 2012, respectively ($0.01 million and $0.2 million for the 16-week and 52-week periods ended August 28, 2011, respectively).

The new Jack Astor's that opened in London, Ontario, on May 2, 2011, was added to the Royalty Pooled Restaurants effective January 1, 2012. The new Jack Astor's that opened in Boisbriand, Quebec, on October 25, 2010, was added to the Royalty Pooled Restaurants effective January 1, 2011. At these times, SIR received additional Class A GP Units in accordance with the formula for adjustment for New Additional Restaurants added to Royalty Pooled Restaurants. The amount of Class A GP Units received in each year was adjusted for the Second Incremental Adjustment for the one (2010 – nil) New Additional Restaurant that was added to Royalty Pooled Restaurants on January 1, 2011. Under the terms of the Exchange Agreement, SIR has the right to convert some or all of the net additional Class A GP Units into Fund Units on a one-for-one basis.

(4) *See footnote (4) on page 5*

As at August 26, 2012, SIR had current assets of $20.8 million (August 28, 2011 - $14.0 million) and current liabilities of $36.6 million related to continuing operations (August 28, 2011 - $30.6 million) resulting in a working capital deficit of $15.8 million (August 28, 2011 - $16.6 million). Revenues in the restaurant business are largely paid by cash and credit cards whereas most suppliers offer credit terms for payment. Therefore, restaurants are able to pay their suppliers from the cash received on revenues in the following months, as the supplier payables are due. Cash balances are typically used to construct new restaurants or re-invest in existing restaurants to grow the business. As a result, SIR, like many other restaurant businesses would anticipate having a negative working capital balance in the foreseeable future.

Management believes that currently there are sufficient cash resources retained in SIR from its cash generated by operations to fund its working capital requirements.

On August 26, 2011, SIR entered into an Amended Credit Agreement with its senior lender to add a $12.0 million Development Loan to its existing $26.0 million Term Loan that was negotiated on November 13, 2009. The Development Loan is a non-revolving credit facility and any repayments in whole or in part of the Development Loan may not be re-borrowed or utilized again hereunder and shall not entitle SIR to obtain further Advances in respect of such amounts repaid. The aggregate outstanding principal amount of all Advances under the Development Loan shall not exceed $12.0 million at any time. The lender has made available the Development Loan to SIR 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. As at August 26, 2012, the Development Loan was virtually fully drawn and no further advances are permitted.

On November 25, 2011, SIR entered into a First Amendment to the Amended Credit Agreement that was negotiated August 26, 2011 with its existing senior lender to extend and make coterminous the terms of the Development Loan and the Term Loan. Under the terms of the First Amendment, the term of Term Loan has been extended from November 13, 2012 to November 14, 2016 and the term of the Development Loan has been 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 6.0% per annum and three-month Canadian dollar bankers' acceptance rate plus 5.75% per annum, which on August 26, 2012 totalled 6.95%. SIR can also elect to fix the interest rate. The amortization period for the Term loan and the Development Loan remain the same at 10 years and 7 years, respectively. The remaining terms under the Amended Credit Agreement and the First Amendment remain substantially consistent with the November 13, 2009 credit agreement.

Under the Amended Credit Agreement, certain financial covenants apply to SIR, including a minimum fixed charge coverage ratio and a senior leverage ratio that SIR is in compliance with as at its last reporting date to the lender**.** The loan is secured by substantially all of the assets of SIR and most of its subsidiaries, which are also guarantors. The Partnership and the Fund have not guaranteed the Amended Credit Agreement. The Amended Credit Agreement qualifies as "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the lender. The terms of the subordination are as contemplated in the previous agreements between the Fund, the Partnership and SIR. This subordination includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use trademarks and related intellectual property in return for royalty payments based on revenues and is effected pursuant to the terms of a Subordination and Postponement Agreement, a copy of which was filed on SEDAR. In addition, the original five year restrictions on repurchases of shares by SIR contained in the agreements between the Fund, the Partnership and SIR have expired.

A Company owned by the majority shareholder of SIR has guaranteed SIR's obligations under the Amended Credit Agreement and a guarantee fee of $0.07 million and $0.2 million was charged to the consolidated statements of operations and comprehensive loss for the 16-week and 52-week periods ended August 26, 2012 ($0.07 million and $0.2 million for the 16-week and 52-week periods ended August 28, 2011). SIR also issued warrants to the majority shareholder, which would, if exercised, represent a controlling voting interest in SIR. The warrants have an exercise price of $1.00, expire on November 11, 2020 and can only be exercised upon an event of default by SIR with respect to the Amended Credit Agreement. The warrants have also been pledged to the senior lender.

Subsequent to August 26, 2012, SIR filed a notice of its intention to convert up to 0.6 million Class A GP Units into Fund units and to sell the Fund units. As at November 19, 2012, 0.5 million Class A GP Units have been converted and subsequently sold, generating net proceeds of approximately $6.6 million. The disposal was completed by November 22, 2012. Under the Fourth Amendment to the Amended Credit Agreement, the lender released the security it held on the Class A GP Units in the Partnership (and any Fund units created upon conversion of Class A GP Units in the Partnership) and provided that all sale proceeds must be used to fund the costs associated with constructing new restaurants and renovating existing restaurants.

As a result of SIR exercising its rights to convert these Class A GP Units into Fund units, the Fund issued 0.5 million Fund units to SIR in exchange for an increased interest in the Partnership. Accordingly, this transaction does not have a dilutive effect on the Fund unitholders. In addition, the number of outstanding Fund units increased by 0.5 million or 9.8%, from 5.4 million units to 5.9 million units.

Under the Subordination and Postponement Agreement, absent a default or event of default under the Amended Credit Agreement, ordinary payments to the Partnership and the Fund are permitted. However, if a default or an event of default were to occur, payments to the Fund and the Partnership are likely to cease and the related rights of the Fund and the Partnership will be subject to a "standstill" obligation for a period of up to 120 days (which may be extended if the senior lender is pursuing remedies). The Subordination and Postponement Agreement also contains various other typical covenants of the Fund and the Partnership. In addition, SIR provided an undertaking to the Fund and the Partnership to restrict the amount of additional debt that SIR can incur without the consent of the Fund and the Partnership (which consent shall not be unreasonably withheld). The Subordination and Postponement Agreement was amended on August 26, 2011 to incorporate the Development Loan under SIR's Amended Credit Agreement.

Management continues to monitor the economy and evaluate its potential impact on the Canadian business environment, particularly in relation to consumer confidence and unemployment rates.

Contractual Obligations

In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the restaurants included in Royalty Pooled Restaurants. Payment of the Royalty is secured by the Partnership General Security Agreement. On November 13, 2009 (amended on August 26, 2011), the Fund entered into an agreement to subordinate and postpone its claims against SIR in favour of the senior lender. The Partnership and the Fund have not guaranteed this credit facility (Please refer to SIR Royalty Income Fund section).

The security interest for all amounts payable by SIR to the Partnership under the License and Royalty Agreement, as set out in the Partnership General Security Agreement, is substantially the same as, and ranks equally with, the security interest granted by SIR to the Fund in respect of the SIR Loan. SIR consolidates the Partnership, and this transaction between SIR and the Partnership is eliminated in SIR's audited consolidated financial statements, however the obligation for payments remains.

Under the terms of the License and Royalty Agreement, SIR may be required to pay a Make-Whole Payment in respect of the reduction in revenue for restaurants closed during a reporting period. SIR is not required to pay any Make-Whole Payment in respect of a closed restaurant following the date on which the number of Royalty Pooled Restaurants 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, SIR will be entitled to convert its Class B GP Units to Class A GP Units based on a formula defined in the Partnership Agreement.

The Alice Fazooli's in Toronto, Ontario and the Jack Astor's in Kitchener, Ontario were closed on January 27, 2012 and February 13, 2012, respectively. Under the terms of the License and Royalty Agreement, SIR was required to pay a Make-Whole Payment for these locations from their date of closure until December 31, 2012. In accordance with the License and Royalty Agreement, on January 1, 2013, the revenue of these closed restaurants was netted against the revenue of the new SIR Restaurants, which have been open for at least 60 days prior to the Adjustment Date, when determining the number of Class B GP Units of the Partnership, held by SIR, that were converted into Class A GP Units of the Partnership.

SIR and its subsidiaries have entered into operating leases relating to its head office and restaurant locations with minimum annual payments. Subsequent to August 26, 2012, SIR completed the construction of two restaurants for which it incurred approximately $4.0 million to complete these restaurants. In addition, SIR has five commitments to lease new properties, in which it plans to build seven new restaurants. SIR has begun the early stages of construction of six of these restaurants to be built and has entered into contracts for the construction of these restaurants for $6.5 million. At the current date, SIR 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. Such items as finalization of design and final construction quotations could change the total cost of these projects. As at August 26, 2012, $21.0 million and $11.5 million was outstanding on SIR's Amended Credit Agreement for the Term Loan and the Development Loan, respectively (see Liquidity and Capital Resources section).

SIR has the following contractual obligations as of August 26, 2012 (in thousands of dollars):

	1 Year	2 – 3 Years	4 – 5 Years	Thereafter	Total
Operating leases	11,580	24,453	20,199	35,596	91,828
Long-term debt repayments	3,864	8,184	9,387	11,101	32,536
SIR Loan	-	-	-	40,000	40,000
	15,444	32,637	29,586	86,697	164,364

Off-Balance Sheet Arrangements

SIR has off-balance sheet arrangements with respect to its operating leases. (See Contractual Obligations section).

Transactions with Related Parties

SIR has entered into related party transactions with shareholders or companies controlled by shareholders of SIR and directors of SIR. The transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Significant transactions with related parties include:

- Payment of consulting fees provided by one (2011- two) shareholders and directors of SIR of $nil and $0.01 million for the 16-week and 52-week periods ended August 26, 2012, respectively ($0.02 million and $0.1 million for the 16-week and 52-week periods ended August 28, 2011).
- Payment for design and construction management fees and fixtures, charged to property and equipment, provided by one shareholder of SIR in the amount of $0.2 million and $0.7 million for the 16-week and 52-week periods ended August 26, 2012, respectively ($0.3 million and $0.7 million for the 16-week and 52-week periods ended August 28, 2011).
- Payment for construction management fees and fixtures, charged to property and equipment, provided by a company owned by a related party to a shareholder, in the amount of $0.4 million and $0.7 million for the 16-week and 52-week periods ended August 26, 2012, respectively ($nil for both the 16-week and 52-week periods ended August 28, 2011).
- Payment for occupancy costs and maintenance services, provided by a company owned by a related party to a shareholder, in the amount of $0.05 million and $0.1 million for the 16-week and 52-week periods ended August 26, 2012, respectively ($nil for both the 16-week and 52-week periods ended August 28, 2011).
- Received repayment against loans and advances from U.S. S.I.R. L.L.C. of $0.03 million and $0.4 million for the 16-week and 52-week periods ended August 26, 2012, respectively ($0.2 million and $0.6 million for the 16-week and 52-week periods ended August 28, 2011). SIR recognized interest income on those loans and advances of $0.05 million and $0.2 million for the 16-week and 52-week periods ended August 26, 2012, respectively ($0.06 million and $0.2 million for the 16-week and 52-week periods ended August 28, 2011). As at August 26, 2012, SIR has loans and advances of $1.2 million owing from U.S. S.I.R. L.L.C. (August 28, 2011 - $1.4 million).
- Net loss from two trial seasonal restaurant operations operated by SIR for companies owned by a related party to a director of SIR were $nil and $0.09 million for the 16-week and 52-week periods ended August 26, 2012, respectively ($0.1 million for both the 16-week and 52-week periods ended August 28, 2011). SIR had sales to these related companies of $nil and $0.01 million for the 16-week and 52-week periods ended August 26, 2012, respectively ($0.05 million for both 16-week and 52-week periods ended August 28, 2011). As at August 26, 2012, SIR has trade accounts receivable and advances of $0.04 (August 28, 2011 - $0.08 million) and accounts payable of $0.03 (August 28, 2011 - $0.06 million) recorded in its consolidated statements of financial position from these restaurant operations.
- During the 52-week period ended August 26, 2012, SIR entered into two lease agreements with a company that is owned by a related party to a director of SIR. Rent is payable under these lease agreements based on a percentage of the revenues of the related restaurant. Rent paid under these lease agreements for the 52-week period ended August 26, 2012 was $nil.
- During the 52-week period ended August 26, 2012, SIR acquired an investment in common shares of a company owned by a party related to a shareholder of SIR for a nominal amount. SIR does not have the ability to significantly influence the operations of this company and, accordingly, has accounted for the investment on the cost basis of accounting.

In addition, included in accounts receivable are amounts due from two related parties (one a subsidiary of U.S. S.I.R. L.L.C. and one a company owned by a party related to a shareholder) of SIR of $0.1 million (August 28, 2011 - $nil). Included in accounts payable and accrued liabilities are amounts due to two related parties (one shareholder and one company owned by a party related to a shareholder) of SIR for design and construction management fees and fixtures provided to SIR as at August 26, 2012 of $0.1 million (August 28, 2011 - $0.1 million).

Transactions with the SIR Royalty Income Fund

Amounts due from the Fund and its subsidiaries are non-interest bearing and due on demand. Advances receivable as at August 26, 2012 were $2.8 million (August 28, 2011 - $2.0 million).

During the 16-week and 52-week periods ended August 26, 2012, distributions of $1.7 million and $5.3 million were declared to the Fund by the Partnership, respectively ($1.6 million and $4.9 million for the 16-week and 52-week periods ended August 28, 2011, respectively). As at August 26, 2012, the Partnership had distributions payable of $3.8 million (August 28, 2011 - $3.4 million). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions.

The SIR Loan bears interest at 7.5% per annum. Interest expense on the SIR Loan totalled $0.9 million and $3.0 million for the 16-week and 52-week periods ended August 26, 2012, respectively ($0.9 million and $3.0 million for the 16-week and 52-week periods ended August 28, 2011, respectively). As at August 26, 2012, interest payable on the SIR Loan was $0.5 million (August 28, 2011 - $0.5 million).

SIR, 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. The Partnership provided these services to the Fund and the Trust for consideration of $0.007 million and $0.024 million for the 16-week and 52-week periods ended August 26, 2012, respectively ($0.007 million and $0.024 million for the 12-week and 52-week periods ended August 28, 2011, respectively) which was the amount of consideration agreed to by the related parties.

Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that SIR has made in the preparation of its consolidated financial statements:

Under IFRS**,** goodwill is not amortized but, is reviewed annually or at any time if an indicator of impairment exists. Management monitors goodwill for internal purposes based on its cash-generating units (CGU's), which are the restaurants. A goodwill impairment charge would be recorded if the amount of the recorded goodwill exceeds the fair value less costs to sell using a discounted cash flow model. Significant assumptions used in the model include estimated cash flows for the restaurant, the discount rate and a terminal growth rate. As a result of declining sales and earnings of one restaurant, SIR recognized an impairment of goodwill of $0.2 million during the 16-week and 52-week periods ending August 26, 2012 (16-week and 52-week periods ending August 28, 2011 - $nil)**.** A reasonable change in the estimates used would not result in a significant change to the goodwill impairment.

Under IFRS**,** property and equipment and intangible assets (other than goodwill) are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU's). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). As a result of a decline in sales and earnings from certain restaurants, SIR conducted an impairment analysis of these restaurants' non-financial assets. The analysis indicated that the estimated recoverable amounts for one restaurant (2011 – three restaurants) was less than the carrying value of the restaurant's non-financial assets (property and equipment). In 2012, certain costs incurred for two restaurants (August 28, 2011 – one) were abandoned. Accordingly, in total, an impairment loss of $0.1 million (2011 - $0.9 million) was recorded to write down these assets to their recoverable amounts. The recoverable amounts were determined based on fair value less costs to sell. A reasonable change to the estimates used would not result in a significant change to the impairment of the non-financial assets.

Under IFRS, loans and advances are recorded at cost and are reviewed for impairment on an individual basis. The assessment of impairment is based on the expected ability of the payer to make the required payments when due. At August 26, 2012, SIR evaluated its loans and advances from US SIR LLC for impairment. SIR determined that these loans and advances are impaired based on estimated future cash flows of the remaining US operations. Accordingly, the loans and advances have been recorded at their estimated recoverable amount. Based on the analysis completed, a recovery of impairment of $nil (2011 - $0.4 million) in the current year based on the expected future payments to be received from U.S. S.I.R. L.L.C. was recognized in the consolidated statements of operations and comprehensive loss.

The determination of the entity having the power to govern the financial and operating policies of the Partnership required significant judgments. Based on an evaluation of the activities of the Partnership and the Partnership Agreement, management concluded the substance of the relationships between the Partnership, SIR and the Fund indicates that the Partnership is controlled by SIR. Accordingly, SIR has consolidated the Partnership.

The classification of a financial instrument as a liability or equity requires significant judgment. Based on an evaluation of the Partnership Agreement and rights of SIR and SIR GP Inc. under this agreement, management concluded that SIR has an obligation to pay distributions. Accordingly, the Ordinary LP Units of the Partnership held by the Fund have been classified as a liability in the consolidated statements of financial position. In addition, accounting for the Ordinary LP Units of the Partnership at amortized cost requires significant estimates. Management is required to estimate the future cash flows for the distributions on the Ordinary LP Units, which are estimated using the changes in the underlying unit price of the Fund units adjusted for taxes and SIR's loan payable to the Fund. Accordingly, the adjustments and methods used to estimate the cash flows are subject to uncertainty due to the fact that the expected cash flows can only be observed indirectly. The current portion of the Ordinary LP Units is estimated based on the expected cash payments in the next fiscal year. The actual cash payments could differ from the estimates due to changes in the Fund's distribution policy, requirements of the Fund to settle its obligations, such as income taxes and the performance of the Royalty Pooled Restaurants.

Changes in Accounting Policies, Including Initial Adoption and Recently Issued Accounting Pronouncements

Effective August 29, 2011, SIR elected to adopt IFRS as issued by the International Accounting Standards Board (IASB). The following accounting policies were adopted as a result of the adoption of IFRS:

Consolidation

The financial statements consolidate the accounts of SIR and its subsidiaries. Subsidiaries are those entities (including special purpose entities) which SIR controls by having the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by SIR and are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost, less accumulated impairment losses. Impairment losses are recognized in the costs of corporate restaurant operations. Goodwill is allocated to each cash-generating unit (GCU) that is expected to benefit from the related business combination. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment of non-financial assets

Property and equipment and intangible assets (other than goodwill) are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists. Management monitors goodwill for internal purposes based on its CGUs, which are the restaurants.

SIR evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration and, accordingly, goodwill is assessed for impairment together with the assets and liabilities of the related CGU. Impairment losses are recognized in the costs of corporate restaurant operations.

Ordinary LP Units of the Partnership

The Ordinary LP Units of the Partnership, which are held by the Fund, require SIR to pay distributions to the Fund when declared by the board of directors of SIR GP Inc. SIR GP Inc. is controlled by the Fund and, accordingly, SIR is unable to control the declaration of these distributions. As a result, the Ordinary LP Units of the Partnership have been classified as a liability in the consolidated statements of financial position. The Ordinary LP Units were initially recorded at fair value and subsequently at amortized cost, which requires updating the carrying amount of the financial liability to reflect actual and revised estimates in cash flows. The change in the estimated cash flows are derived from changes in the value of the underlying Fund units adjusted for taxes and SIR's loan payable to the Fund. Changes in amortized cost are recognized in the consolidated statements of operations.

Impairment of financial assets

At each reporting date, SIR assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine if objective evidence of an impairment loss include:

i) significant financial difficulty of the obligor;

ii) delinquencies in interest or principal payments; and

iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If such evidence exists, SIR recognizes an impairment loss as follows:

i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount indirectly through the use of an allowance account.

ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the consolidated statements of operations. This amount represents the loss in accumulated other comprehensive income that is reclassified to the consolidated statements of operations.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Stock-based compensation and other stock-based payments

SIR has a stock option plan. Certain stock options vest equally over five years. Each tranche of the award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche's vesting period and a corresponding adjustment to contributed surplus equal to the fair value of the equity instruments granted using the Black-Scholes option pricing model taking into consideration estimates for forfeitures. Any consideration paid by employees or directors on exercising stock options is credited to capital stock.

Foreign currency translation

Items included in the financial statements of each consolidated entity in SIR are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of SIR is the Canadian dollar.

The financial statements of entities that have a functional currency different from that of SIR (foreign operations) are translated into Canadian dollars as follows: assets and liabilities - at the closing rate at the date of the statements of financial position, and income and expenses - at the average rate of the period (as this is considered a reasonable approximation of the actual rates prevailing at the transaction dates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments. On disposition or loss of control of the foreign operations, the amounts recognized in accumulated comprehensive income are recognized in the consolidated statements of operations.

Long-term management bonus

SIR has a long-term management bonus plan, which entitles certain employees to earn a bonus based on the cash flows of the restaurants. The long-term management bonus is payable in cash over a two year period on leaving the program. The cost of the long-term management bonus is determined using the projected unit credit method. The related liability is recognized in the consolidated statements of financial position at the present value of the obligation at the end of the reporting period.

The discount rate applied in arriving at the present value of the liability represents the equivalent yield on high quality corporate bonds denominated in Canadian dollars and have terms to maturity approximating the terms of the related liability. Current service cost and past service costs arising on the liability are included in the costs of corporate restaurant operations and corporate costs in the consolidated statements of operations and comprehensive loss. Interest costs arising on the liability are included in interest expense. Past service costs and changes in estimates are recognized immediately in the period.

Asset retirement obligations

Asset retirement obligations are the legal obligations associated with the retirement of tangible non-financial assets. SIR has determined the lease-end remediation costs based on its best estimate of the required payment to settle the obligation. Accretion of the obligation over time is based on the market rate of interest for maturity dates that coincide with the expected cash flows.

Borrowing costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statements of operations and comprehensive loss in the period in which they are incurred.

IFRS issued but not yet adopted

IFRS 9, Financial Instruments – classification and measurement, is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured using amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest; otherwise, it is at fair value through profit or loss. IFRS 9 is effective for years beginning on or after January 1, 2015. Management is evaluating the standard and has not yet determined the impact on its consolidated financial statements.

In May 2011, the IASB issued the following standards, which have not yet been adopted by SIR: IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements; IFRS 12, Disclosure of Interests in Other Entities; IAS 27, Separate Financial Statements; IFRS 13, Fair Value Measurement; and amended IAS 28, Investments in Associates and Joint Ventures. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. Management is evaluating these standards and has not yet determined the impact on its consolidated financial statements or whether to early-adopt any of the new requirements.

The following is a brief summary of the new standards:

IFRS 10, Consolidated Financial Statements: IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretations Committee (SIC) 12, Consolidation - Special Purpose Entities, and parts of IAS 27.

IFRS 11, Joint Arrangements: IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity-account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC 13, Jointly Controlled Entities - Non-monetary Contributions by Venturers.

IFRS 12, Disclosure of Interests in Other Entities: IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13, Fair Value Measurement: IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and, in many cases, does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards

In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through 13.

IAS 1, Presentation of Financial Statements: IAS 1 has been amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. The standard is effective for years beginning on or after July 1, 2012. Management has determined that this standard has no impact on its consolidated financial statements.

IAS 19, Employee Benefits: IAS 19 has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. A number of other amendments have been made to recognition, measurement and classification, including redefining short-term and other long-term benefits, guidance on the treatment taxes relating to benefit plans, guidance on risk/ cost sharing features and expanded disclosures. The standard is effective for years beginning on or after January 1, 2013. Management is evaluating this standard and has not yet determined the impact on its consolidated financial statements.

IAS 12, Income Taxes: IAS 12 was amended to introduce an exception to the existing principal for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendment, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale when considering the expected manner or recovery or settlement. SIC 21, Income Taxes - Recovery of Revalued Non-Depreciable Assets, will no longer apply to investment properties carried at fair value. The amendment also incorporates into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. Management has determined that this standard has no impact on the consolidated financial statements.

Financial Instruments

Financial assets and liabilities have been classified into categories that determine their basis of measurement and for items measured at fair value, whether changes in fair value are recognized in the consolidated statements of operations or in comprehensive loss. SIR's financial instruments consist of cash and cash equivalents, trade and other receivables, loans and advances, trade and other payables, long-term debt, loan payable to the Fund, Ordinary LP Units of the Partnership and warrants. The fair values of these instruments approximate their carrying amounts due to their short-term maturity or, in the case of the loans and advances, the carrying value approximates fair values as the effective interest rate approximates current market rates. The fair value of the long-term debt is $32.5 million and is determined based on the estimated contractual schedule of payments as the interest rate varies with the current market rates and, in the case of the finance lease obligations, the rate on the debt instrument is not materially different from current market interest rates. The warrants have a nominal fair value. The fair value of the loan payable to the Fund and the Ordinary LP Units of the Partnership could only be determined through the valuation of the financial instruments. The loan payable to the Fund is due to a related party and there is no active market for the debt. SIR intends to hold the loan payable to the Fund until its maturity on October 12, 2044. The Ordinary LP Units of the Partnership are also held by the Fund and there is no active market for the Ordinary LP Units. As a result, the determination of its fair value is not practicable within the constraints of timeliness and cost.

SIR's financial instruments exposed to credit risk include cash and cash equivalents, trade and other receivables and loans and advances. SIR minimizes the credit risk of cash and cash equivalents by depositing funds with reputable financial institutions. SIR's trade and other receivables primarily comprise amounts due from major credit card companies; therefore, management believes that the Company's trade and other receivables credit risk exposure is limited. SIR monitors the collectability of its loans and advances, predominantly due from related parties, by reviewing them for impairment on an individual basis and recording the instrument at its estimated recovered amount. SIR has determined that certain loans and advances are impaired based on estimated future cash flows. Accordingly, the carrying values of these loans and advances are recorded at their estimated recoverable amounts, which were determined by discounting the expected future cash flows.

SIR is exposed to interest rate risk with respect to its credit facility because it has a floating interest rate. The loan payable to the Fund and the capital lease obligations have fixed interest rates. Accordingly, changes in interest rates for these liabilities would not impact the consolidated statements of operations and comprehensive loss or the carrying value of these financial liabilities. However the fair value of these financial liabilities will vary with changes in the interest rates.

SIR is exposed to price risk as the expected cash flows used in the estimate of the amortized cost of the Ordinary LP Units of the Partnership are derived from the market price of the Fund units adjusted for taxes and SIR's loan payable to the Fund. Accordingly, the change in the carrying value of the Ordinary LP Units changes with changes in the market price of the Fund units.

SIR has limited exposure to exchange rate risk in respect of transactions denominated in U.S. dollars.

Management believes that there are sufficient cash resources retained in SIR from cash generated by operations to fund its working capital requirements and current commitments for estimated construction costs for new restaurants.

Risks and Uncertainties

The performance of SIR is dependent on many factors. The restaurant industry generally, and in particular, the casual and fine dining segment of this industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. Recently, competition has increased in the mid-price, full-service, casual and fine dining sectors in which many of the SIR Restaurants operate. In addition, factors such as business and economic conditions, availability of credit, inflation, increased food, labour and benefits costs, taxes, government regulations (including those governing alcoholic beverages), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants affect the restaurant industry in general and therefore SIR. Effective August 2, 2011, the Government of Ontario has passed amendments to Regulation 719 under the Liquor License Act. The amendments, among other things, remove the requirement for a licensed establishment to have the service and sale of food and liquor as their primary use. This may impact the competitive environment for the SIR Restaurants in Ontario. Please refer to the Fund's March 30, 2012 Annual Information Form for further discussion on risks and uncertainties related to SIR.

SIR is a holder of partnership interests in the Partnership. The Fund is also an indirect holder of partnership interests in the Partnership. The income of the Fund must be computed and will be taxed in accordance with Canadian tax laws. There is no assurance that Canadian federal income tax laws respecting the treatment of trusts will not be changed in a manner which adversely affects Unitholders.

As a result of certain legislative changes to the tax treatment of income trusts, commonly referred to as Specified Investment Flow Through ("SIFT") entities, effective January 1, 2011, corporate income taxes are applicable to the taxable income of the Fund. This SIFT tax applies to the Fund at the estimated prevailing corporate tax rate of approximately 26.5% (2011 - 28.25%) and, as a result, cash available for the Fund to distribute to Unitholders is effectively reduced by that amount. The Fund's distributions are subject to change based on a number of factors, including the cash reserves of the Fund, the SIR Holdings Trust and the SIR Royalty Limited Partnership. The Trustees will continue their practice of regularly reviewing the Fund's distribution levels.

Effective fiscal 2011, taxable income of the Fund allocated to Unitholders is classified as eligible dividends. Unitholders who are Canadian residents and hold their Units in a non-tax deferred account may claim the dividend tax credit for eligible dividends, which would if applicable reduce the after tax impact of the SIFT Tax. Unitholders of the Fund have been advised to consult their own tax advisors to determine the impact of this change in tax laws on the distributions from their investment in the Fund.

These rules may adversely affect SIR, as the holder of partnership interests which are convertible into units of the Fund, as well as the Fund and its Unitholders. SIR intends to continue to assess and plan for their expected impact. Changes may prove necessary to seek to adapt to any new tax laws with a view to attempting, where practicable, to minimize their overall adverse effects.

Outlook

SIR competes within the full-service category of commercial foodservice in Canada. The Canadian Restaurant and Foodservice Association ("CRFA") estimates that sales in this category grew by 4.3% in calendar 2011. The CRFA estimates that growth in the full-service category will reduce to 4.1% in calendar 2012 and will average 4.0% over the next five years. SIR will continue monitoring the economy and consumer confidence and their effects on the full-service category.

Management believes that currently there are sufficient cash resources retained in SIR from its cash generated by operations to fund its working capital requirements and scheduled debt repayments.

[(1)] See footnote [(1)] on page 3

On August 26, 2011, SIR entered into an Amended Credit Agreement that added a $12.0 million Development Loan to its existing $26.0 million Term Loan to finance the building of new restaurants and to renovate existing restaurants to increase SSS[(1)] and strengthen SIR's portfolio of restaurants. As at August 26, 2012, the Development Loan was virtually fully drawn and no further advances are permitted.

During Q2, on November 25, 2011, SIR entered into a First Amendment to extend and make coterminous the terms of the $12.0 million Development Loan and the $26.0 million Term Loan. Under the terms of the First Amendment, the term of the $26.0 million Term Loan negotiated November 13, 2009 was extended from November 13, 2012 to November 14, 2016 and the term of the Development Loan which was negotiated August 26, 2011, was 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.

Subsequent to August 26, 2012, SIR converted 0.5 million Class A GP Units into Fund units and sold these Fund units. Net proceeds received from the sale of the Fund units was $6.6 million, of which $5.1 million is held in an account that is restricted by the lender as at November 18, 2012. As a result of the conversion of the Class A GP Units into Fund units, SIR's interest in the Partnership decreased from 38.2% to 32.2%. SIR continues to maintain control of the Partnership and therefore, the transaction has been accounted for as an equity transaction. 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.

As a result of SIR exercising its rights to convert these Class A GP Units into Fund units, the Fund issued 0.5 million Fund units to SIR in exchange for an increased interest in the Partnership. Accordingly, this transaction does not have a dilutive effect on the Fund unitholders. SIR continues to focus on sustaining and growing existing restaurant sales and profits while managing costs. SIR continues to carefully monitor the current economic environment. SIR considers new restaurant growth and renovations when appropriate and subject to availability of acceptable long-term financing.

Forward Looking Information

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "would", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including: competition; changes in demographic trends; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. Given these uncertainties, readers are cautioned that forward-looking statements are not guarantees of future performance, and should not place undue reliance on them. The Fund and SIR expressly disclaim any obligation or undertaking to publicly release any updates or revisions to any forward looking statements. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and the Fund and SIR do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change, except as expressly required by applicable securities laws. This Management's Discussion and Analysis is provided as of February 19, 2013.

In formulating the forward-looking statements contained herein, Management has assumed that business and economic conditions affecting SIR's restaurants and the Fund will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, general levels of economic activity (including in downtown Toronto), regulations (including those regarding employees, food safety, tobacco and alcohol), weather, taxes, foreign exchange rates and interest rates, that there will be no pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products, and that there will be no unplanned material changes in its facilities, equipment, customer and employee relations, or credit arrangements. These assumptions, although considered reasonable by Management at the time of preparation, may prove to be incorrect. . In particular, Management has assumed the tax effects on distributions will remain consistent with current regulations or pronouncements, and also in estimating the revenue for the new Jack Astor's restaurant added to Royalty Pooled Restaurants on January 1, 2012, Management has assumed that it will operate consistent with other Jack Astor's restaurants. For more information concerning the Fund's risks and uncertainties, please refer to the March 30, 2012 Annual Information Form, all of which are available under the Fund's profile at www.sedar.com.

All of the forward-looking statements made in this report are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Fund or SIR.

Additional information related to SIR, the Partnership and the Fund can be found at www.sedar.com and on SIR's website at www.sircorp.com