SIR Corp.

Interim Consolidated Financial Statements
(Unaudited)
For the 12-week and 36-week periods ended May 4, 2014

SIR Corp.

Interim Consolidated Statements of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

	May 4, 2014 $	August 25, 2013 $
Assets		
Current assets		
Cash and cash equivalents	5,621	7,708
Restricted cash (note 4(b))	1,525	3,036
Trade and other receivables (note 4(c))	6,985	6,212
Inventories	2,815	2,831
Prepaid expenses, deposits and other assets	2,074	1,169
Current portion of loans and advances	350	350
	19,370	21,306
Non-current assets		
Loans and advances	1,020	827
Property and equipment	59,672	55,057
Goodwill and intangible assets	5,081	5,423
	85,143	82,613
Liabilities		
Current liabilities		
Trade and other payables (note 4(a))	26,633	25,222
Current portion of long-term debt (note 3)	4,626	3,950
Current portion of provisions and other long-term liabilities	4,049	3,789
Current portion of Ordinary LP Units and Class A LP Units of the Partnership (note 4(b))	8,285	7,509
	43,593	40,470
Non-current liabilities		
Long-term debt (note 3)	24,740	24,250
SIR Loan (note 4(a))	35,677	35,655
Provisions and other long-term liabilities	8,160	9,108
Deferred income taxes	33	43
Ordinary LP Units and Class A LP Units of the Partnership (note 4(b))	88,845	78,209
	201,048	187,735
Shareholders' Deficiency		
Capital stock	11,560	11,560
Contributed surplus	431	318
Deficit	(127,896)	(117,000)
	(115,905)	(105,122)
	85,143	82,613

Commitments (note 5)

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

SIR Corp.

Interim Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)

(in thousands of Canadian dollars)

	12-week period ended		36-week period ended	
	May 4, 2014 $	May 5, 2013 $	May 4, 2014 $	May 5, 2013 $
Corporate restaurant operations				
Food and beverage revenue	59,773	56,676	171,051	159,266
Costs of corporate restaurant operations	55,399	51,172	159,332	146,574
Earnings from corporate restaurant operations	4,374	5,504	11,719	12,692
Corporate costs	2,514	2,919	8,134	8,091
Earnings before interest and income taxes	1,860	2,585	3,585	4,601
Interest expense	599	601	1,766	1,813
Interest on SIR Loan (note 4(a))	697	696	2,093	2,091
Interest (income) and other expense (income) - net	104	942	(57)	1,133
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 4(b))	(295)	5,313	10,521	9,068
Earnings (loss) before income taxes	755	(4,967)	(10,738)	(9,504)
Provision for income taxes	30	36	158	273
Net earnings (loss) and comprehensive income (loss) for the period	725	(5,003)	(10,896)	(9,777)

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

SIR Corp.

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

(in thousands of Canadian dollars)

	36-week period ended May 4, 2014			
	Capital stock $	Contributed surplus $	SIR Corp.'s deficit $	Total $
Balance - Beginning of period	11,560	318	(117,000)	(105,122)
Stock-based compensation	-	113	-	113
Net loss for the period	-	-	(10,896)	(10,896)
Balance - End of period	11,560	431	(127,896)	(115,905)

	36-week period ended May 5, 2013			
	Capital stock $	Contributed surplus $	SIR Corp.'s deficit $	Total $
Balance - Beginning of period	11,560	107	(100,739)	(89,072)
Stock-based compensation	-	118	-	118
Net loss for the period	-	-	(9,777)	(9,777)
Balance - End of period	11,560	225	(110,516)	(98,731)

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

SIR Corp.

Interim Consolidated Statements of Cash Flows
(Unaudited)

(in thousands of Canadian dollars)

	12-week period ended		36-week period ended	
	May 4, 2014 $	May 5, 2013 $	May 4, 2014 $	May 5, 2013 $
Cash provided by (used in)				
Operating activities				
Net earnings (loss) for the period	725	(5,003)	(10,896)	(9,777)
Items not affecting cash				
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 4(b))	(295)	5,313	10,521	9,068
Depreciation and amortization	2,602	2,268	7,484	6,495
Deferred income taxes	(10)	(9)	(10)	(32)
Current income taxes	40	45	168	305
Recovery of loans and advances	(100)	-	(300)	-
Impairment of non-financial assets	-	130	-	130
Interest expense on long-term debt and SIR Loan	1,296	1,297	3,859	3,904
Non-cash interest income	(44)	(75)	(124)	(184)
Amortization of leasehold inducements	(124)	(130)	(375)	(366)
Stock-based compensation	37	70	113	118
Loss on disposal of property and equipment	35	70	172	206
Other	183	713	184	912
Leasehold and other inducements received	121	161	164	338
Distributions paid to Ordinary LP and Class A LP unitholders (note 4(b))	(1,749)	(1,582)	(6,085)	(4,807)
Income taxes paid	(170)	(269)	(261)	(269)
Net change in working capital items (note 6)	(790)	(798)	(1,281)	(531)
Cash provided by operations	1,757	2,201	3,333	5,510
Investing activities				
Purchase of property and equipment and other assets - net	(2,627)	(6,760)	(11,332)	(16,104)
Net cash proceeds received from restricted funds (note 4(b))	5,250	7,402	8,291	12,000
Repayment of loans and advances	54	58	231	108
Cash provided by (used in) investing activities	2,677	700	(2,810)	(3,996)
Financing activities				
Proceeds from issuance of long-term debt	-	-	4,000	-
Principal repayment of long-term debt	(1,108)	(936)	(2,738)	(2,382)
Interest paid	(1,221)	(1,285)	(3,646)	(3,726)
Financing fees	-	(16)	(226)	(170)
Cash used in financing activities	(2,329)	(2,237)	(2,610)	(6,278)
Increase (decrease) in cash and cash equivalents during the period	2,105	664	(2,087)	(4,764)
Cash and cash equivalents - Beginning of period	3,516	5,067	7,708	10,495
Cash and cash equivalents - End of period	5,621	5,731	5,621	5,731

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

(in Canadian dollars)

1 Nature of operations and fiscal year

Nature of operations

SIR Corp. (the Company) is a private company amalgamated under the Business Corporations Act of Ontario. As at May 4, 2014, the Company operated a total of 57 (May 5, 2013 - 53) Concept and Signature restaurants in Canada (in Ontario, Quebec, Alberta and Nova Scotia) (the SIR Restaurants). The Concept restaurants are Jack Astor's Bar and Grill® (Jack Astor's®), Canyon Creek Chop House® (Canyon Creek®) and Alice Fazooli's®/Scaddabush Italian Kitchen & Bar® and the Signature restaurants are Reds® Wine Tavern, Reds® Midtown Tavern, Far Niente®/FOUR®/Petit Four®, the Loose Moose Tap & Grill® and Duke's Refresher™. The Company also owns and operates two seasonal Signature restaurants: Abbey's Bakehouse® and Duke's Refresher™, which are not currently part of the Royalty Pool (note 4(b)). The Company opened a new Jack Astor's restaurant subsequent to May 4, 2014 on June 11, 2014.

On October 1, 2004, SIR Royalty Income Fund (the Fund) filed a final prospectus for a public offering of units of the Fund. The net proceeds of the offering of $51,167,000 were used by the Fund to acquire certain bank debt of the Company (the SIR Loan) (note 4(a)) and, indirectly through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of the SIR Royalty Limited Partnership (the Partnership). On October 12, 2004, the Partnership acquired from the Company the Canadian trademarks used in connection with the operation of the majority of the Company's restaurants in Canada (note 4).

The address of the Company's registered office is 5360 South Service Road, Suite 200, Burlington, Ontario. The interim consolidated financial statements were approved by the board of directors on June 18, 2014.

Fiscal year

The Company's fiscal year is made up of 52- or 53-week periods ending on the last Sunday in August. The fiscal quarters for the Company consist of accounting periods of 12, 12, 12 and 16 or 17 weeks, respectively. The fiscal years for 2014 and 2013 consist of 53 and 52 weeks, respectively.

2 Summary of significant accounting policies

Basis of presentation

The Company prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for interim financial reporting, including International Accounting Standard 34, Interim Financial Reporting. The disclosures contained in these interim consolidated financial statements do not include all requirements of IFRS for annual consolidated financial statements and should be read in conjunction with the August 25, 2013 annual consolidated financial statements and notes thereto. The accounting policies as applied in these unaudited interim consolidated financial statements are consistent with those followed in the August 25, 2013 audited annual consolidated financial statements, except for the adoption of the following new pronouncements.

(in Canadian dollars)

IFRS 10, Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements 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. IFRS 10 replaced Standing Interpretations Committee 12, Consolidation - Special Purpose Entities, and parts of IAS 27. Management has determined that the adoption of this standard has no impact on the interim consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12, Disclosure of Interests in Other Entities 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. Management has determined that the adoption of this standard has no impact on the interim consolidated financial statements. The adoption of this standard will require additional disclosures in the annual consolidated financial statements.

IFRS 13, Fair Value Measurement

IFRS 13, Fair Value Measurement 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. Management has determined that the adoption of this standard has no impact on the interim consolidated financial statements.

In addition to the IFRS standards not yet adopted as disclosed in the annual consolidated financial statements, the following IFRS have been issued but not yet effective:

IFRS 7, Financial Instruments – Disclosure

IFRS 7, Financial Instruments: Disclosure has been amended to require disclosures on transition from IAS 39 to IFRS 9. This amendment is effective on adoption of IFRS 9, which is effective for years beginning on or after January 1, 2015. Management is evaluating the amendment and has not yet determined the impact on the consolidated financial statements.

IAS 24, Related Party Transactions

IAS 24, Related party transactions has been amended to (i) revise the definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements. This amendment is effective for annual periods beginning on or after July 1, 2014. Management is evaluating this amendment and has not yet determined the impact on the consolidated financial statements.

(in Canadian dollars)

IFRS 15 – Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2017 and early adoption is permitted. Management is evaluating this amendment and has not yet determined the impact on the consolidated financial statements.

Seasonality

The financial performance of the Company for the interim period is not necessarily indicative of the results that may be expected for the full year due to the seasonality of the Company's business. The full service restaurant sector of the Canadian foodservice industry in which the Company operates experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenues during the Company's fourth quarter (ending the last Sunday in August) when patios can be open. Additionally, certain holidays and observances also affect dining patterns both favourably and unfavourably.

3 Long-term debt

On August 23, 2013, the Company entered into a Second Amended and Restated Loan Agreement (the Credit Agreement) that includes a term loan (the Term Loan), two development loans, (the Tranche A Development Loan and the Tranche B Development Loan) and uncommitted financing (Tranche C Development Loan).

All loans under the Credit Agreement, except the Tranche C Development Loan are due on November 14, 2016. The Term Loan and the Tranche A Development Loan have a variable interest rate equal to the greater of 6.0% per annum and the three-month Canadian dollar bankers' acceptance rate plus 5.75% per annum, which on May 4, 2014 totalled 6.95%. The Tranche B Development Loan has a variable rate equal to the greater of 6.0% per annum and the three-month Canadian dollar banker's acceptance rate plus 5.65% per annum, which on May 4, 2014 was 6.85%. The Company can also elect to fix the interest rate. The amortization periods for the Term Loan, the Tranche A Development Loan and the Tranche B Development Loan are ten years, seven years and seven years, respectively.

During the 36-week period ended May 4, 2014, the Company fully drew the $4,000,000 that was available under the Tranche B Development Loan. Interest only was payable on the Tranche B Development Loan until it was converted into term debt. As at May 4, 2014, the Tranche B Development Loan is repayable in blended monthly payments of principal and interest of $60,000.

The Tranche C Development Loan is not to exceed $6,000,000 and is available to use subject to approval by the lender. The Company has requested a commitment from the lender for additional funding under this loan. Terms and conditions of the Tranche C Development Loan have not yet been agreed on by the lender and the Company.

(in Canadian dollars)

The Credit Agreement is collateralized by a general security agreement and entitles the lender to a first charge on all of the Company's assets, including a pledge of all shares and the investment in the Partnership and a specific assignment of the rights under the License and Royalty Agreement. However, the lender does not have a pledge over the assets of the Partnership. The Credit Agreement contains certain financial and non-financial covenants that the Company is in compliance with as at May 4, 2014. In addition, the debt is guaranteed by a company owned by the majority shareholder of the Company (a related party), for which guarantee fees of $45,000 and $180,000 for the 12-week and 36-week periods ended May 4, 2014 (12-week and 36-week periods ended May 5, 2013 - $49,000 and $49,000, respectively) were charged to interest (income) and other expense (income) - net in the consolidated statements of operations and comprehensive income (loss). On November 13, 2009, the Company also issued 26 warrants to the majority shareholder of the Company to acquire Class S Special Shares of the Company. These warrants have been pledged to the senior lender and only exercisable in the event of default.

The Company has recorded its long-term debt at amortized cost. The Company has netted the financing fees against the respective debt and amortizes these costs over the expected life of the long-term debt using the effective interest rate method. Unamortized financing fees netted against the debt as at May 4, 2014 were $794,000 (August 25, 2013 - $698,000).

4 SIR Royalty Income Fund

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

a) SIR Loan

The $40,000,000 SIR Loan is payable to the Fund and bears interest at 7.5% per annum and is due October 12, 2044. On August 23, 2013, the Company, the Fund and the Partnership entered into an Amended and Restated Subordination and Postponement Agreement to subordinate and postpone their claims against the Company in favour of the lender. The Fund and the Partnership have not guaranteed the Amended Credit Agreement (note 3).

The long-term debt is permitted indebtedness within the meaning of the agreements between the Fund, the Partnership and the Company and, as a result, the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against the Company to the claims of the lender. This subordination, which includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and the Company, whereby the Partnership licenses to the Company the right to use the trademarks and related intellectual property in return for royalty payments based on revenues, has been effected pursuant to the terms of the Amended and Restated Subordination and Postponement Agreement.

(in Canadian dollars)

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

Interest expense charged to the consolidated statements of operations and comprehensive income (loss) for the 12-week and 36-week periods ended May 4, 2014 was $697,000 and $2,093,000, respectively (12-week and 36-week periods ended May 5, 2013 - $696,000 and $2,091,000, respectively), which includes interest on the SIR Loan of $690,000 and $2,071,000, respectively, (12-week and 36-week periods ended May 5, 2013 - $690,000 and $2,071,000, respectively) and amortization of financing fees of $7,000 and $22,000, respectively (12-week and 36-week periods ended May 5, 2013 - $6,000 and $20,000, respectively). Interest payable on the SIR Loan as at May 4, 2014 was $286,000 (August 25, 2013 - $464,000).

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

(in Canadian dollars)

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

	12-week period ended		36-week period ended	
	May 4, 2014 $	May 5, 2013 $	May 4, 2014 $	May 5, 2013 $
	(in thousands of dollars)			
Balance - Beginning of period	92,198	65,669	85,718	58,328
Conversion of Class A GP Units	6,976	11,008	6,976	17,819
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	(295)	5,313	10,521	9,068
Distributions paid to Ordinary LP and Class A LP unitholders	(1,749)	(1,582)	(6,085)	(4,807)
Balance - End of period	97,130	80,408	97,130	80,408
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(8,285)	(6,735)	(8,285)	(6,735)
Ordinary LP Units and Class A LP Units of the Partnership	88,845	73,673	88,845	73,673

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

Pooled Revenue*	58,629	55,199	163,483	153,046
Partnership royalty income*	3,518	3,312	9,809	9,308
Other income	11	9	33	26
Partnership expenses	(20)	(26)	(60)	(63)
Net earnings of the Partnership	3,509	3,295	9,782	9,271
The Company's interest in the earnings of the Partnership	(1,557)	(1,570)	(4,640)	(5,048)
Fund's interest in the earnings of the Partnership	1,952	1,725	5,142	4,223

* Includes revenue from the SIR Restaurants subject to the License and Royalty Agreement. The Partnership owns the SIR Rights formerly owned or licensed by the Company or its subsidiaries and used in connection with the operation of the majority of the Company's restaurants in Canada. Partnership royalty income is 6% of Pooled Revenue in accordance with the License and Royalty Agreement, plus a Make-Whole Payment for the closed restaurants.

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash consideration of $11,167,000. During fiscal 2014, the Fund acquired 500,000 Class A LP Units (fiscal 2013 - 1,418,900 Class A LP Units) upon SIR's conversion of its Class A GP Units into Fund units. The holders of the Ordinary LP Units and the Class A LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership. The distributions are declared by the board of directors of SIR GP Inc., which is controlled by the Fund. Accordingly, the Ordinary LP Units and Class A LP Units of the

(in Canadian dollars)

Partnership have been classified as a financial liability in the consolidated statements of financial position. The Ordinary LP Units and the Class A LP Units are accounted for at amortized cost, with changes in the carrying value of Ordinary LP Units and Class A LP Units of the Partnership recorded in the consolidated statements of operations and comprehensive income (loss).

During the 12-week and 36-week periods ended May 4, 2014, distributions of $1,952,000 and $5,142,000, respectively (12-week period and 36-week periods ended May 5, 2013 - $1,725,000 and $4,223,000, respectively) were declared to the Fund through the Partnership. Distributions paid during the 12-week and 36-week periods ended May 4, 2014 were $1,749,000 and $6,085,000, respectively (12-week and 36-week periods ended May 5, 2013 - $1,582,000 and $4,807,000, respectively). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions previously declared, but unpaid as at May 4, 2014 of $3,003,000 (August 25, 2013 - $3,946,000) are included in Ordinary LP Units and Class A LP Units of the Partnership in the consolidated statements of financial position.

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

On January 28, 2014, the lender released the security it held on 500,000 Class A GP Units of the Partnership (and any Fund units received upon conversion of Class A GP Units of the Partnership) and required that all sale proceeds be used to fund the costs associated with constructing new restaurants and renovating existing restaurants. On February 10, 2014, the Company converted 500,000 Class A GP Units to Fund units and sold these Fund units for net proceeds of $6,757,000, net of transaction costs of $219,000.

During the 12-week and 36-week periods ended May 5, 2013, the Company converted 895,000 and 1,418,900 Class A GP Units, respectively into Fund units and sold these Fund units. Net proceeds received from the sale of the Fund units were $16,551,000, net of transaction costs of $1,268,000.

The gross proceeds from the above transactions, net of certain transaction costs were deposited in an account restricted by the lender and accordingly, is classified as restricted cash in the consolidated statements of financial position. During the 12-week and 36-week periods ended May 4, 2014, $5,250,000 and $8,291,000 (12-week and 36-week periods ended May 5, 2014 - $7,402,000 and $12,000,000, respectively) has been drawn from this restricted account. The funds are released upon the Company's presenting eligible capital expenditures to the lender. As at May 4, 2014, $1,525,000 is held in this account (August 25, 2013 - $3,036,000).

The Class A LP Units of the Partnership are classified as a financial liability in the consolidated statements of financial position. Accordingly, the gross proceeds received of $6,976,000 (12-week and 36-week period ended May 5, 2013 - $11,008,000 and $17,819,000, respectively) were added to the carrying value of the Class A LP Units. As the Fund's interest in the Partnership has increased, this transaction is not dilutive to the Fund. 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.

(in Canadian dollars)

These dispositions of the Fund units are accounted for as non-cash transactions in the consolidated statements of cash flows.

As a result of the February 10, 2014 conversion of the Class A GP Units into Fund units, the Company's residual interest in the Partnership decreased 5.1% from 30.6% to 25.5%. The Company continues to maintain control of the Partnership and, therefore, continues to consolidate the Partnership.

The Partnership owns the SIR Rights formerly owned or licensed by the Company or its subsidiaries and used in connection with the operation of the majority of the Company's restaurants in Canada. In 2004, the Partnership granted the Company a 99-year licence to use the SIR Rights in most of Canada in consideration for a royalty, payable by the Company to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants (the License and Royalty Agreement).

Under the terms of the License and Royalty Agreement, the Company may be required to pay a Make-Whole Payment in respect of the reduction in revenue for restaurants closed during a reporting period. The Company is not required to pay any Make-Whole Payment in respect of a closed restaurant following the date on which the number of restaurants in the Royalty pool is equal to or greater than 68 or following October 12, 2019, whichever occurs first. On January 1 of each year (the Adjustment Date), the restaurants subject to the License and Royalty Agreement are adjusted for new SIR Restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, the Company will be entitled to convert its Class B GP Units to Class A GP Units based on the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted to Class A GP Units in respect of these new SIR Restaurants if actual revenues of the new SIR Restaurants exceed 80% of the initial estimated revenue. Conversely, converted Class A GP Units may be returned by the Company if the actual revenues are less than 80% of the initial estimated revenue. In December of each year, an additional distribution will be payable to the Class B GP unitholders based on actual revenues of the new SIR Restaurants exceeding 80% of the initial estimated revenue or there may be a reduction in the distributions to the Class A GP unitholders if revenues are less than 80% of the initial estimated revenue.

On January 1, 2014, four (January 1, 2013 - four) new SIR Restaurants were added to the Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of four new SIR Restaurants on January 1, 2014 (January 1, 2013 - four), as well as the Second Incremental Adjustment for four new SIR Restaurant added to the Royalty Pooled Restaurants on January 1, 2013 (January 1, 2012 - one), the Company converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. The number of Class B GP Units that the Company converted into Class A GP Units was reduced by an adjustment for the permanent closure of nil (January 1, 2013 - two) SIR Restaurants during the prior year. The net effect of these adjustments to the Royalty Pooled Restaurants was that the Company converted 803,000 (January 1, 2013 - 296,000) Class B GP Units into 803,000 (January 1, 2013 - 296,000) Class A GP Units on January 1, 2014 at an estimated fair value of $11,436,000 (January 1, 2013 - $4,326,000).

In addition, the revenues of four (January 1, 2012 - one) new SIR Restaurants added to the Royalty pool on January 1, 2013 exceeded 80% of the Initial Adjustment's estimated revenue and, as a result, an

(in Canadian dollars)

additional distribution of $169,000 was declared in December 2013 (December 2012 - $23,000) and paid the following January.

c) Advances receivable from SIR Royalty Income Fund

Advances receivable from SIR Royalty Income Fund as at May 4, 2014 were $2,440,000 (August 25, 2013 - $2,372,000). Advances receivable are non-interest bearing and due on demand.

The Company, through the Partnership, has entered into an arrangement with the Fund and the Trust, whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc., in its capacity as the Managing General Partner. For the 12-week and 36-week periods ended May 4, 2014, the Partnership provided these services to the Fund and the Trust for consideration of $6,000 and $17,000, respectively (12-week and 36-week periods ended May 5, 2013 - $6,000 and $17,000, respectively), which was the amount of consideration agreed to by the related parties.

5 Commitments

Subsequent to May 4, 2014, the Company completed the construction of one restaurant for which it incurred further costs of approximately $$1,100,000. The Company has three other commitments to lease properties, on which it plans to build two new restaurants and one new seasonal Signature retail outlet. The Company has begun the early stages of construction of one of these restaurants and the seasonal Signature retail outlet to be built and has further purchase commitments for the construction of these properties of $2,400,000. As at the current date, the Company has not entered into any construction contracts for the other restaurant, but expects to do so in the future. Final costs of construction are subject to uncertainties as to their amounts and timing. Items such as finalization of design and final construction quotations could change the total cost of these projects.

6 Supplemental cash flow information

The net change in working capital items is as follows:

	12-week period ended		36-week period ended	
	May 4, 2014 $	May 5, 2013 $	May 4, 2014 $	May 5, 2013 $
		(in thousands of dollars)		
Trade and other receivables	(597)	(1,062)	(921)	499
Inventories	(2)	66	16	(163)
Prepaid expenses, deposits and other assets	(342)	(337)	(905)	(1,091)
Trade and other payables	874	728	948	(78)
Provisions and other long-term liabilities	(723)	(193)	(419)	302
	(790)	(798)	(1,281)	(531)