SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
(For the 3-month period ended March 31, 2012)

Executive Summary

Highlights for the 3-month period ended March 31, 2012 ("Q1") for SIR Royalty Income Fund (the "Fund") include:

- Net earnings of the Fund were $1.4 million for Q1 2012 as compared to $1.3 million for Q1 2011. Net earnings per Fund Unit were $0.26 for Q1 2012 as compared to $0.23 for Q1 2011.
- Distributable cash(1) per Fund Unit, both on a basic and diluted basis was $0.26 for Q1 2012 as compared to $0.24 for Q1 2011. Please refer to the Distributions section on page 4.
- The payout ratio(1) decreased from 119.2% in Q1 2011 to 94.4% in Q1 2012. The payout ratio for the 3-month period ended March 31, 2011 was impacted by the effect of seasonality in SIR's business as well as the cash distributed for the period being affected by the December 2010 distribution that was declared and paid in January 2011 at a rate of $0.115 per unit, when the distributable cash was decreased by the obligation to pay income taxes. The payout ratio since the Fund's inception, up to and including Q1 2012 is 98.7%.
- Pooled Revenue increased by 8.3% in Q1 2012 to $52.1 million from $48.1 million in Q1 2011.
- SIR Corp. ("SIR") has reported to the Fund same store sales growth(2) ("SSSG") for the Royalty Pooled Restaurants of 7.5% in Q1 2012.
- Jack Astor's®, which accounts for approximately 71% of Pooled Revenue in Q1 2012, experienced SSSG(2) of 10.7% in Q1 2012. Canyon Creek® experienced SSSG(2) of 1.6% in Q1 2012; Alice Fazooli's® had SSSG(2) of 1.0% in Q1 2012; and the Signature Restaurants had a decline in SSS(2) of 1.1% for Q1 2012.
- During Q2 2011, on May 2, 2011, SIR opened a new Jack Astor's restaurant in London, Ontario. This restaurant was added to Royalty Pooled Restaurants on January 1, 2012. As a result of adding this restaurant to Royalty Pooled Restaurants on January 1, 2012 as well as the Second Incremental Adjustment for the restaurant added on January 1, 2011, SIR converted 203,878 Class B GP Units into 203,878 Class A GP Units on January 1, 2012.
- During Q4 2011, on November 14, 2011, SIR opened a new Jack Astor's restaurant on Argentia Road in Mississauga, Ontario. This restaurant will be added to Royalty Pooled Restaurants on January 1, 2013.
- During Q1 2012, SIR closed the Alice Fazooli's restaurant located on Adelaide Street in Toronto, Ontario and the Jack Astor's restaurant located in Kitchener, Ontario. SIR is required to pay a Make-Whole Payment for these locations from their date of closures until December 31, 2012. On January 1, 2013, the lost revenue of the closed restaurants will be netted against the revenue of the new SIR Restaurants opened from November 2, 2011 to November 1, 2012, to determine the number of Class B GP Units of the Partnership, held by SIR, which can be converted into Class A GP Units of the Partnership.
- SIR has secured six additional sites for seven new restaurants with expected openings for four restaurants in 2012 and the other three restaurants in 2013.
- While SIR is not owned by the Fund, the Fund is economically dependent upon SIR. SIR files its unaudited interim and audited annual consolidated financial statements and Management's Discussion and Analysis ("MD&A") on SEDAR under the Fund's listing named "Other". SIR's Q2 2012 unaudited consolidated financial statements and MD&A are listed having a filing date of March 28, 2012.

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(1) Distributable cash and payout ratio are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. However, the Fund believes that distributable cash and the payout ratio are useful measures as they provide investors with an indication of cash available for distribution. The Fund's method of calculating distributable cash and the payout ratio may differ from that of other issuers and, accordingly, distributable cash and the payout ratio may not be comparable to measures used by other issuers. Investors are cautioned that distributable cash and the payout ratio should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows of the Fund. The payout ratio is calculated as cash distributed for the period as a percentage of the distributable cash for the period. Distributable cash represents the amount of money which the Fund expects to have available for distribution to Unitholders of the Fund, and is calculated as cash provided by operating activities of the Fund, adjusted for the net change in non-cash working capital items including a reserve for income taxes payable and the net change in the distribution receivable from the SIR Royalty Limited Partnership.

(2) Same store sales ("SSS") and same store sales growth ("SSSG") are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. However, the Fund believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. The Fund'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. SSS includes revenue from all SIR Restaurants included in Pooled Revenue except for those locations that were not open for the entire comparable periods in fiscal 2012 and fiscal 2011.

Same Store Sales[(2)] ("SSS")

(unaudited)

SIR reported to the Fund that there was SSSG[(2)] of 7.5% for Q1 2012. SSSG[(2)] by operating segment are summarized in the following table.

SSSG[(2)] for the Royalty Pooled Restaurants	3-month period ended March 31, 2012	3-month period ended March 31, 2011
Jack Astor's	10.7%	(0.9%)
Canyon Creek	1.6%	2.2%
Alice Fazooli's	1.0%	(9.1%)
Signature Restaurants	(1.1%)	5.9%
Overall SSSG[(2)]	**7.5%**	**(0.6%)**

The Q1 2012 SSSG[(2)] for all concepts was affected positively by one extra day of sales due to 2012 being a leap year, as well as favourable weather. Part of the decline in Q1 2011 can be attributed to unfavourable results in two locations that were closed in Q1 2012. Jack Astor's, which accounts for approximately 71% of Pooled Revenue, reported an increase in SSS[(2)] of 10.7% for Q1 2012. Jack Astor's sales in Q1 2012 were supported by additional media advertising in Q1 2012 as compared to Q1 2011. The Signature Restaurants experienced a decline in SSS[(2)] of 1.1% in Q1 2012. Part of this decline is attributed to a decline in sales at reds®. The landlord of the building in which reds is located is refacing the entire building and this construction has had a significant impact on the restaurant's sales.

SIR competes within the full-service category of commercial foodservice in Canada. The Canadian Restaurant and Foodservice Association ("CRFA") estimates that sales in the category during 2011 grew by 4.1%. The CRFA estimates that growth in the full service category will slow to 3.0% in 2012, but will average 3.5% over the next five years. Management continues to monitor consumer confidence and discretionary spending in Canada which among many other factors, can significantly affect the results of SIR. Management remains cautious and believes that sales growth will likely be modest in the near term.

Restaurant Renovations

There were no significant restaurant renovations in Q1 2012 or Q1 2011. Two restaurants were renovated in Q2 2011, one in Q3 2011 and one in Q4 2011. SIR's Management is committed to maximizing the performance of all of its restaurants.

New and Closed Restaurants

SIR has secured sites for seven new restaurants. It is expected that, during the remainder of 2012, there will be a new Jack Astor's restaurant opening in Toronto, Ontario (on Front Street near the St. Lawrence Market), in Kingston, Ontario, in Laval, Quebec and in Pickering, Ontario. A new Jack Astor's restaurant will open in Kitchener, Ontario in fiscal 2013 and two new restaurants will be opening at the corner of Yonge and Gerrard Streets in Toronto, Ontario also in fiscal 2013.

During Q2 2011, SIR opened a Jack Astor's in London, Ontario on May 2, 2011. This restaurant was added to Royalty Pooled Restaurants on January 1, 2012 as a New Additional Restaurant. During Q4 2011, SIR opened a Jack Astor's on Argentia Road in Mississauga, Ontario on November 14, 2011. This restaurant will be added to Royalty Pooled Restaurants on January 1, 2013 as a New Additional Restaurant.

During Q1 2012, SIR closed the Alice Fazooli's restaurant located on Adelaide Street in Toronto, Ontario and the Jack Astor's restaurant located in Kitchener, Ontario. SIR is required to pay a Make-Whole Payment for these locations from their date of closures until December 31, 2012. On January 1, 2013, the lost revenue of the closed restaurants will be netted against the revenue of the new SIR Restaurants opened from November 2, 2011 to November 1, 2012, to determine the number of Class B GP Units of the Partnership, held by SIR, which can be converted into Class A GP Units of the Partnership.

SIR Management continues to monitor economic conditions and consumer confidence. Based on its assessment of these conditions, the timing of restaurant construction and opening schedules will be reviewed regularly by SIR Management and adjusted as necessary.

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(2) See footnote (2) on page 2

Distributions

Distributions to Unitholders are intended to be made monthly in arrears based on distributable cash[1] and cash redemptions of Fund Units and subject to the Fund retaining such reasonable working capital and other reserves as may be considered appropriate by the Trustees of the Fund. It is the Fund's intention to pay even distributions, and if possible, allow the Fund to maintain consistent monthly distributions to Unitholders.

The Fund intends to make monthly distributions of its available distributable cash[1] to the extent possible. During the quarter, monthly distributions of $0.4 million or $0.083 per Unit were declared and paid in the months of January, February and March 2012. Subsequent to March 31, 2012, distributions of $0.083 per Unit were declared and paid in the month of April and declared in May 2012. The annualized distribution for calendar year 2012 is $0.996. This is calculated as the distributions paid in January through April 2012 of $0.083 in each month and the estimated distributions of $0.083 for the remaining 8 months of May to December. Please refer to the chart on page 7 for a summary of monthly distributions since inception.

The payout ratio[1] of cash distributed to distributable cash[1] is intended to average 100% per annum over the longer term. Since the Fund pays even monthly distributions when its underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR), there are times during the year when the payout ratio[1] may exceed or could be lower than 100%. The payout ratio[1] for Q1 2012 was 94.4% compared to 119.2% in Q1 2011. The payout ratio since the Fund's inception up to and including Q1 2012 is 98.7%.

Overview and Business of the Fund

On October 1, 2004, the Fund filed a final prospectus for a public offering of Units of the Fund. The net proceeds of the Offering of $51.2 million were used by the Fund to acquire, directly, certain bank debt of SIR and indirectly, through SIR Holdings Trust (the "Trust"), all of the Ordinary LP Units of the Partnership. The Partnership owns the Canadian trade-marks (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. The Partnership has 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"). The Partnership also issued its own securities to SIR in return for the SIR Rights acquired. The Fund indirectly participates in the revenue generated under the License and Royalty Agreement through its investment in the Partnership. The Partnership's financial statements are provided separately at www.sedar.com under the SIR Royalty Income Fund profile "Other" category and on SIR's website at www.sircorp.com.

The Units of the Fund are publicly traded on the Toronto Stock Exchange under the symbol SRV.UN.

Overview and Business of SIR and the Partnership

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at March 31, 2012, SIR operated 46 Concept Restaurants and Signature Restaurants in Canada (in Ontario, Quebec, Alberta and Nova Scotia). The Concept Restaurants are Jack Astor's Bar and Grill®, Canyon Creek Chop House® and Alice Fazooli's. The Signature Restaurants located in downtown Toronto are *reds*, Far Niente®/Petit Four® and FOUR®, and the Loose Moose Tap & Grill®. SIR owns 100% of its Canadian restaurants. As at March 31, 2012, 47 SIR Restaurants were included in Royalty Pooled Restaurants, consisting of 45 operating and two closed restaurants.

On January 1 of each year (the "Adjustment Date"), the restaurants subject to the Partnership Agreement are adjusted for new restaurants that have been open for at least 60 days prior to the Adjustment Date and which were not previously included in Royalty Pooled Restaurants. Under the formula as defined in the Partnership Agreement, the number of Class A GP Units issued to SIR on the Initial Adjustment date is equal to 80% of the estimated value of the additional Royalty revenue. Additional Class B GP Units may be converted to Class A GP Units in respect of these new SIR Restaurants if the actual revenues of the new SIR Restaurants exceed 80% of the January 1 Initial Adjustment's estimated revenue applied to the formula defined in the Partnership Agreement. Conversely, Class A GP Units would be converted to Class B GP Units by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the January 1 Initial Adjustment's 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 adjustment's estimated revenue or there will be a reduction in the cash distributions to the Class A GP Unitholders if revenues are less than 80% of the initial adjustment's estimated revenue. The additional distribution results in an adjustment to SIR's share of the Partnership income to reflect the actual contribution of the revenues of the new SIR Restaurants for the fiscal year. As this amount is not declared until December 31st, when the actual revenues for the New Additional Restaurants are known, the effect of this adjustment is not included in the results of quarters one through three.

(1) See footnote (1) on page 2

During Q2, 2011, on May 2, 2011, SIR opened a new Jack Astor's restaurant in London, Ontario and during Q4 2011 on November 14, 2011; SIR opened a new Jack Astor's restaurant on Argentia Road in Mississauga, Ontario. The new restaurant that opened on May 2, 2011 was added to Royalty Pooled Restaurants on January 1, 2012 and the new restaurant that opened on November 14, 2011 will be added to Royalty Pooled Restaurants on January 1, 2013. During Q1 2012, SIR closed its Alice Fazooli's restaurant located on Adelaide Street in Toronto, Ontario and its Jack Astor's restaurant located in Kitchener, Ontario. SIR is required to pay a Make-Whole Payment for these locations from their date of closures until December 31, 2012. On January 1, 2013, the revenue of the closed restaurants will be netted against the revenue of the new SIR Restaurants opened from November 2, 2011 to November 1, 2012, to determine the number of Class B GP Units of the Partnership, held by SIR, which can be converted into Class A GP Units of the Partnership.

The Partnership has 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 6.0% of the revenue of the Royalty Pooled Restaurants. The Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

On January 1, 2012, one (January 1, 2011 - one) new SIR Restaurant was added to and nil (2011 – nil) SIR Restaurants were removed from the Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one (January 1, 2011 – one) new SIR Restaurant on January 1, 2012, as well as the Second Incremental Adjustment for the one (January 1, 2010 – nil) new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2011, SIR converted a portion of 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 to Class A GP Units was reduced by an adjustment for the permanent closure of nil (January 1, 2011 – nil) SIR Restaurants during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 203,878 (January 1, 2011 – 137,190) Class B GP Units into 203,878 (January 1, 2011 – 137,190) Class A GP Units on January 1, 2012 at an estimated fair value of $1.9 million (January 1, 2011 - $1.4 million).

The revenues of the new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2011 exceeded 80% of the Initial Adjustment's estimated Revenue and, as a result, an additional distribution of $0.03 million (2010 - $nil) was declared in December 2011 and paid in cash to SIR in January 2012.

As at January 1, 2012, SIR retained a 38.2% (January 1, 2011 – 36.7%) interest in the Partnership as the holder of the 3,310,392 (January 1, 2011 – 3,106,514) Class A GP Units. The Class A GP Units are entitled to receive a pro rata share of all residual distributions of the Partnership and are exchangeable into Units of the Fund on a one for one basis. SIR is obligated to pay the Partnership a "Make-Whole Payment", subject to certain terms, initially equal to the amount of the Royalty that otherwise would have been paid to the Partnership in the event of a permanent closure of a Royalty Pooled Restaurant. SIR is not required to pay a "Make-Whole Payment" in respect of a permanently closed Royalty Pooled Restaurant following the date on which the number of restaurants in Royalty Pooled Restaurants is equal to or greater than 68, or following October 12, 2019, whichever occurs first. However, other adjustments or payments may still be required in respect of permanently closed restaurants after such date by SIR, depending upon the circumstances.

SIR's fiscal year is comprised of 13 periods of four weeks each, ending on the last Sunday in August. To preserve this year-end, an additional week must be added approximately every five years. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks. SIR's fiscal 2012 and 2011 years each consist of 52 weeks.

Consolidated financial statements of SIR can be found at www.sedar.com under the SIR Royalty Income Fund profile, "Other" category and on SIR's website at www.sircorp.com.

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 the last Sunday in August) when patios have been open for an extended period. Additionally, certain holidays and observances also affect guest dining patterns both favourably and unfavourably. Accordingly, distribution income recognized by the Fund will vary in conjunction with the seasonality in revenue experienced by SIR. The Fund's intention is to pay even distributions in order to reduce the effect of seasonality, and if possible, allow the Fund to maintain consistent monthly distributions to Unitholders.

Selected Consolidated Financial Information

The consolidated financial statements of the Fund are presented in Canadian dollars, and effective January 1, 2011 are prepared in accordance with IFRS. The consolidated financial statements include the accounts of the Fund and its subsidiaries, namely the Trust and SIR GP Inc. The information in this Management's Discussion and Analysis should be read in conjunction with the interim unaudited consolidated financial statements as well as the annual audited consolidated financial statements of the Fund, including the notes thereto. The Fund has been in existence since August 23, 2004, and began operating on October 12, 2004 upon closing of the Offering.

The following table sets out selected financial information of the Fund and the Partnership:

Summary of Quarterly Financial Information

(in thousands of dollars except restaurants and per Unit amounts) (unaudited)	3-month period ended March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Royalty Pooled Restaurants	47	46	46	46	46	45	45	45
Pooled Revenue generated by SIR	52,076	54,667	52,647	53,779	48,094	51,073	49,970	51,064
6% of Pooled Revenue	3,125	3,279	3,159	3,227	2,886	3,065	2,998	3,064
Make-Whole Payment(3)	62	-	-	-	-	-	-	-
Total Royalty Income to Partnership	3,187	3,279	3,159	3,227	2,886	3,065	2,998	3,064
Partnership other income	11	13	8	8	8	9	7	6
Partnership expenses	(12)	(13)	(22)	(20)	(24)	(35)	(32)	(19)
Partnership earnings	3,186	3,279	3,145	3,215	2,870	3,039	2,973	3,051
SIR's interest (Class A, B and C GP Units)	(1,934)	(1,948)	(1,871)	(1,889)	(1,767)	(1,790)	(1,780)	(1,791)
Partnership income allocated to Fund(4)	1,252	1,331	1,274	1,326	1,103	1,249	1,193	1,260
Interest income(5)	750	750	750	750	750	750	750	750
Total income of the Fund	2,002	2,081	2,024	2,076	1,853	1,999	1,943	2,010
General & administrative expenses	(86)	(73)	(91)	(113)	(99)	(120)	(85)	(133)
Operating income	1,916	2,008	1,933	1,963	1,754	1,879	1,858	1,877
Change in amortized cost on Fund Units	-	-	-	-	-	(7,767)	(1,848)	(402)
Net earnings (loss) before income taxes of the Fund	1,916	2,008	1,933	1,963	1,754	(5,888)	10	1,475
Income tax expense	(515)	(564)	(556)	(568)	(503)	-	-	-
Net earnings (loss) for the period	1,401	1,444	1,377	1,395	1,251	(5,888)	10	1,475
Basic earnings per Fund Unit (2012 and 2011 - 5,356,667 Units)	$0.26	$0.27	$0.26	$0.26	$0.23	n/a(6)	n/a(6)	n/a(6)
Diluted earnings per Fund Unit (2012 – 8,667,059 units; 2011 – 8,463,181 Units;)(7)	$0.26	$0.27	$0.26	$0.26	$0.23	n/a(6)	n/a(6)	n/a(6)

For the 3-month period from January 1, 2012 to March 31, 2012, the Fund declared and paid distributions of $0.249 per Unit. The Fund declared and paid a distribution of $0.083 per Unit in each of the months of January to March 2012 inclusive. Subsequent to Q1 2012, the Fund also declared and paid a distribution of $0.083 per Unit in April and declared a distribution of $0.083 per Unit in May 2012.

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(3) The Alice Fazooli's restaurant in Toronto, Ontario and the Jack Astor's restaurant in Kitchener, Ontario were closed on January 27, 2012 and February 13, 2012, respectively. Under the terms of the License and Royalty Agreement, SIR is required to pay a Make-Whole Payment for these locations from the dates of their closure until December 31st of the year of closure.

(4) On October 12, 2004, the Fund, indirectly through the Trust, acquired all of the Ordinary LP Units of the Partnership. The holders of the Ordinary LP Units and Class A GP Units are entitled to receive a pro rata share of all residual distributions of the Partnership.

(5) Interest income is the interest earned during the periods from the $40.0 million SIR Loan, which bears interest at 7.5% per annum.

(6) Under IFRS, the Fund Units were classified as a liability with changes in the carrying value in the Fund Units recorded in the consolidated statement of earnings (loss). The Fund's Declaration of Trust was amended on December 20, 2010 at which time the Fund Units met the definition of a puttable instrument under IFRS and were then reclassified to equity. As a result, earnings per Fund unit have not been calculated for fiscal 2010.

(7) Diluted earnings per Fund Unit for 2012 is calculated as follows: Net earnings for the period plus the distributions related to the Class A GP Units plus (less) deferred income tax recovery (expense), which together total $2.3 million for the 3-month period ended March 31, 2012, divided by the weighted average number of Fund Units outstanding of 8,667,059 Units. The weighted average number of Fund Units outstanding represents Fund Units outstanding of 5,356,667 plus the convertible Class A GP Units of 3,310,392. Diluted earnings per Fund Unit for 2011 is calculated as follows: Net earnings for the period plus the distributions related to the Class A GP Units plus (less) deferred income tax recovery (expense), which together total $2.2 million, $2.2 million, $2.2 million and $2.0 million for the 3-month periods ended December 31, 2011, September 30, 2011, June 30, 2011 and March 31, 2011, respectively, divided by the weighted average number of Fund Units outstanding of 8,463,181 Units. The weighted average number of Fund Units outstanding represents Fund Units outstanding of 5,356,667 plus the convertible Class A GP Units of 3,106,514.

Distributions to Unitholders are intended to be made monthly in arrears based on distributable cash[1] and cash redemptions of Fund Units and subject to the Fund retaining such reasonable working capital and other reserves as may be considered appropriate by the Trustees of the Fund. The Fund's intention is to pay even distributions, and if possible, allow the Fund to maintain consistent monthly distributions to Unitholders. The Fund intends to make monthly distributions of its available distributable cash[1] to the extent possible.

Distributable Cash[1]

(in thousands of dollars except per Unit amounts and payout ratio[1]) *(unaudited)*	**3-month periods ended** March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Cash provided by (used in) operating activities	(717)	2,151	1,759	1,849	1,848	1,848	1,848	1,848
Add/(deduct): Net change in non-cash working capital items[8]	1,975	(429)	(547)	(670)	(590)	180	(85)	(133)
Net change in distribution receivable from the Partnership[8]	154	(267)	176	228	5	(149)	95	162
Distributable cash[1]	**1,412**	**1,455**	**1,388**	**1,407**	**1,263**	**1,879**	**1,858**	**1,877**
Cash distributed for the period	**1,334**	**1,334**	**1,334**	**1,334**	**1,505**	**1,848**	**1,848**	**1,848**
Surplus/(shortfall) of distributable cash[1]	**78**	**121**	**54**	**73**	**(242)**	**31**	**10**	**29**
Payout ratio[1][9]	94.4%	91.6%	96.1%	94.8%	119.2%[10]	98.4%	99.5%	98.4%
Distributable cash[1] per Fund Unit basic (5,356,667 Units)	$0.26	$0.27	$0.26	$0.26	$0.24	$0.35	$0.35	$0.35
Distributable cash[1] per Fund Unit diluted (2012 – 8,667,059 Units; 2011 – 8,463,181 Units; 2010 – 8,325,991 Units)[11]	$0.26	$0.27	$0.26	$0.26	$0.24	$0.35	$0.35	$0.35

Cash used in operating activities in Q1 2012 was $0.7 million as a result of the Fund paying the 2011 income tax liability as well as the first quarterly tax installment for 2012 in Q1 2012.

A history of monthly distributions is as follows:

Months Paid	**Monthly Distribution per Unit**
Inception to May, 2006	$0.100
June, 2006 to May, 2007	$0.105
June, 2007 to May, 2008	$0.110
June, 2008 to January 2011	$0.115
February 2011 to date	$0.083

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(1) *See footnote (1) on page 2*

(8) *Distributable cash is adjusted to exclude changes in non-cash working capital items and the change in the distribution receivable from the Partnership as the Fund's working capital requirements are not permanent and are primarily due to the timing of payments between related parties.*

(9) *It is the Fund's intention to pay even distributions to reduce the effect of seasonality. Higher payout ratios during the colder months of the year are expected with the pattern of seasonality in the business, and it is anticipated that the payout ratio will decrease on average during the warm weather months.*

(10) *The payout ratio for the 3-month period ended March 31, 2011 was impacted by the effect of seasonality in SIR's business as well as the cash distributed for the period being affected by the December 2010 distribution that was declared and paid in January 2011 at a rate of $0.115 per unit, when the distributable cash was decreased by the obligation to pay income taxes.*

(11) *Diluted distributable cash per Fund Unit is calculated as follows: Distributable cash per Fund Unit for 2012 is as follows: Distributable cash for the period plus the distributions related to the Class A GP Units, which together total $2.3 million for the 3-month period ended March 31, 2012 divided by the weighted average number of Fund Units outstanding of 8,667,059. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 3,310,392. Distributable cash per Fund Unit for 2011 is as follows: Distributable cash for the period plus the distributions related to the Class A GP Units, which together total $2.3 million, $2.2 million, $2.2 million and $2.0 million for the 3-month periods ended December 31, 2011, September 30, 2011, June 30, 2011 and March 31, 2011, respectively divided by the weighted average number of Fund Units outstanding of 8,463,181. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 3,106,514. Distributable cash per Fund Unit for 2010 is as follows: Distributable cash for the period plus the distributions related to the Class A GP Units, which together total $2.9 million, $2.9 million, and $2.9 million for the 3-month periods ended December 31, 2010, September 30, 2010, and June 30, 2010 respectively, divided by the weighted average number of Fund Units outstanding of 8,325,991 Units. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 2,969,324.*

The distributions, starting with the January 2011 distribution (declared and paid in February 2011), were reduced for the impact of income taxes, which took effect for the Fund, starting January 1, 2011. The current distribution is $0.083 per Unit per month with the estimated annualized distribution being $0.996 per Unit.

The payout ratio[(1)] of cash distributed to distributable cash[(1)] is intended to average 100% per annum. Since the Fund pays even monthly distributions when it's underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR), there are times during the year when the payout ratio may exceed or be lower than 100%. For the 3-month period ended March 31, 2012, the payout ratio[(1)] was 94.4%. For the 3-month period ended March 31, 2011, the payout ratio[(1)] was 119.2%. The payout ratio[(1)] since the Fund's inception up to and including Q1 2012 is 98.7%. The Trustees continue to review the appropriateness of distributions on an on-going basis.

The following table provides disclosure regarding the relationship between cash flows from operating activities and net income (loss), and historical distributed cash amounts:

(in thousands of dollars) *(unaudited)*	**3-month period ended March 31, 2012**	**3-month period ended March 31, 2011**
Cash provided by (used in) operating activities	(717)	1,848
Net earnings for the period	1,401	1,251
Cash distributed for the period	1,334	1,505
Excess (shortfall) of cash provided by (used in) operating activities over cash distributed for the period[(12)]	**(2,051)**	**343**
Excess (shortfall) of net earnings for the period over cash distributed for the period[(13)]	**67**	**(254)**

In Q1 2012, there is a shortfall of cash used in operating activities over cash distributed for the period of $2.1 million. This shortfall is a result of the Fund paying the 2011 income tax liability as well as the first quarterly tax installment for 2012 in Q1 2012.

The shortfall of net earnings for the period over cash distributed for the period in Q1 2011 of $0.3 million is a result of the Fund paying a distribution of $0.115 per Fund unit when the distributable cash was decreased by the obligation to pay income taxes.

Balance Sheet

The following table shows total assets and Unitholders' equity of the Fund:

(in thousands of dollars) *(unaudited)*	**March 31, 2012**	**December 31, 2011**	**September 30, 2011**	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**	**September 30, 2010**	**June 30, 2010**
Total assets	52,396	54,481	53,815	53,195	52,646	52,429	52,308	52,280
Unitholders' equity	51,030	50,962	50,852	50,809	50,748	51,002	1,154	1,144

Results of Operations - Fund

The Fund's revenue of $2.0 million for the 3-month period ended March 31, 2012 ($1.9 million for the 3-month period ended March 31, 2011) is comprised of equity income from the Partnership of $1.3 million ($1.1 million for the 3-month period ended March 31, 2011) and interest income of $0.8 million ($0.8 million for the 3-month period ended March 31, 2011). Equity income from the Partnership is the pro rata share of the residual distributions of the Partnership for the 3-month periods ended March 31, 2012 and March 31, 2011. Interest income is interest earned for the 3-month periods ended March 31, 2012 and March 31, 2011 from the $40.0 million SIR Loan which bears interest at 7.5% per annum.

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(1) See footnote (1) on page 2

(12) Excess (shortfall) of cash provided by (used in) operating activities over cash distributed for the period is calculated by subtracting the cash distributed for the period from cash provided by (used in) operating activities.

(13) Excess (shortfall) of net earnings for the period over cash distributed for the period is calculated by subtracting cash distributed for the period from net earnings for the period.

The Fund's operating expenses are limited to general and administration expenses and total $0.1 million and $0.1 million for the 3-month periods ended March 31, 2012 and March 31, 2011, respectively. These expenses include professional fees, directors' and officers' liability insurance premiums, Trustees' fees, certain public company costs and other administrative fees.

As a result of certain changes to the tax treatment of income trusts in Canada, beginning on January 1, 2011, the Fund became subject to income taxes at the prevailing corporate income tax rates. As a result, the Fund recorded an income tax expense of $0.5 million and $0.5 million for the 3-month periods ended March 31, 2012 and March 31, 2011.

Net earnings were $1.4 million and $1.3 million for the 3-month periods ended March 31, 2012 and March 31, 2011, respectively. Earnings per Fund Unit on both a basic and diluted basis were $0.26 and $0.23 for the 3-month periods ended March 31, 2012 and March 31, 2011, respectively.

Pooled Revenue

The Fund is indirectly dependent on the amount of the Royalty paid by SIR to the Partnership. The amount of this Royalty is dependent on Pooled Revenue. Pooled Revenue is the revenue of the SIR Restaurants included in Royalty Pooled Restaurants. As at March 31, 2012, there were 47 restaurants included in Pooled Revenue, consisting of 45 operating and two closed restaurants. Increases or decreases in Pooled Revenue are derived from SSS[(2)] growth or decline, and new or permanently closed SIR Restaurants subject to the SIR Rights. Pooled Revenue is affected by the risks associated with the operations and financial condition of SIR, the commercial foodservice industry generally and the casual and fine dining segment of the commercial foodservice industry in particular. The following table sets out Pooled Revenue for the 3-month periods ended March 31, 2012 and March 31, 2011:

Summary of Pooled Revenue

(in thousands of dollars except number of restaurants included in Pooled Revenue)
(unaudited)

	3-month period ended March 31, 2012		3-month period ended March 31, 2011	
	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue
Jack Astor's	36,811	31	32,505	30
Canyon Creek	7,188	8	7,073	8
Alice Fazooli's	3,747	5	4,137	5
Signature	4,330	3	4,379	3
Total included in Pooled Revenue	52,076	47	48,094	46

Liquidity and Capital Resources

The Fund has no third party debt. SIR currently has the $40.0 million SIR Loan owed to the Fund (which SIR can surrender its Class C GP Units as consideration for principal payments under the loan) and a Credit Agreement with a Commercial Financing Company, a copy of which has been filed on SEDAR. The Credit Agreement 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 Commercial Financing Company. 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 trade-marks and related intellectual property in return for royalty payments based on revenues, has been effected pursuant to the terms of the First Amendment of the Subordination and Postponement Agreement, a copy of which has also been filed on SEDAR.

SIR has a $26.0 million term loan and a $12.0 million development loan (Amended Credit Agreement) that are due on November 14, 2016. Interest on the Amended Credit Agreement is calculated as the greater of 6% per annum and the 3-month Canadian bankers' acceptance rate plus 5.75% per annum, calculated monthly, not in advance. As at February 12, 2012, SIR's Q2 2012, available drawings under the development loan totaled $7.8 million.

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(2) See footnote (2) on page 2

The Amended Credit Agreement is collateralized by a general security agreement and entitles the lender to a first charge on all of the Company's assets, including a pledge of all shares and the investment in the Partnership and a specific assignment of the rights under the Licence and Royalty Agreement. However, the lender does not have a pledge over the assets of the Partnership. The Partnership and the Fund did not guarantee the Amended Credit Agreement.

Under the First Amendment to 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, then payments to the Fund and the Partnership are likely to 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 First Amendment to the Subordination and Postponement Agreement also contains various other typical covenants of the Fund and the Partnership. In addition, SIR entered into an agreement with 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).

SIR believes and has advised the Fund that it expects to be able to comply with the covenants under the Amended Credit Agreement and service the debt, as well as meet its other obligations. However, there can of course be no assurance of this. If SIR were to be unable to do so, this could have material adverse consequences on SIR and the Fund. SIR has reported to the Fund that it is in compliance with these covenants as at March 28, 2012.

The Fund does not have bank lines of credit. The Fund therefore relies on the payments of the distributions from the Partnership and interest income from SIR to meet its obligations to pay the distributions. The Fund believes that the distributions from the Partnership and interest payments will be sufficient to meet its current distribution intentions, subject to seasonal fluctuations. However, the actual amounts distributed will depend upon numerous factors, including the payment of the distributions from the Partnership and interest by SIR, and could fluctuate based on performance. The Fund intends to maintain even distributions in order to reduce the effect of fluctuations in revenue and, if possible, allow the Fund to maintain consistent monthly distributions to Unitholders. Under the terms of the License and Royalty Agreement, SIR is required to pay the 6.0% Royalty to the Partnership 21 days after the end of the four-week period for which the Royalty is determined.

During the 3-month period ended March 31, 2012, the Fund distributed $1.3 million to Unitholders. Subsequent to March 31, 2012, a distribution of $0.4 million ($0.083 per Unit) was declared and paid in the month of April 2012 and a distribution of $0.4 million ($0.083 per Unit) was declared in the month of May 2012.

The Fund did not have any capital expenditures in Q1 2012 and by its nature is not expected to have significant capital expenditures in the future. Capital expenditures related to Royalty Pooled Restaurants are borne at the operating company (SIR) level. The Fund's operating and administrative expenses are expected to be fairly stable and predictable and are considered to be in the ordinary course of business.

Management currently believes that there are sufficient cash resources retained in the Partnership in order to meet its obligations and pay distributions to its Unitholders. The Fund intends to continue to pay monthly distributions consistent with the most recent distribution paid in April 2012 for the near future. However, should the distributions from the Partnership decline, or the expenses of the Fund increase, the Fund may have to reduce distributions.

While SIR is not owned by the Fund, the Fund's income is derived from interest income on the SIR Loan and distributions from the Partnership and accordingly, the Fund is economically dependent upon SIR. Credit risk arises from the potential default of SIR on the SIR Loan. Management monitors the SIR Loan for credit risk and to date a provision for uncollectible amounts has not been necessary. Information regarding SIR and its liquidity can be found in SIR's interim unaudited and annual audited consolidated financial statements and MD&A, which can be found on SEDAR under the Fund's listing named "Other". The most recent unaudited consolidated financial statements and MD&A for SIR's second quarter are listed having a filing date of March 28, 2012. The following table is an excerpt of the previous eight quarters of SIR's consolidated statement of cash flows information:

Selected Unaudited Consolidated Statement of Cash Flows Information[14]	2nd Quarter Ended February 12, 2012 (12 weeks)	1st Quarter Ended November 20, 2011 (12 weeks)	4th Quarter Ended August 28, 2011 (16 weeks)	3rd Quarter Ended May 8, 2011 (12 weeks)	2nd Quarter Ended February 13, 2011 (12 weeks)	1st Quarter Ended November 21, 2010 (12 weeks)	4th Quarter Ended August 29, 2010 (16 weeks)	3rd Quarter Ended May 9, 2010 (12 weeks)
				(in thousands of dollars) (unaudited)				
Cash provided by (used in) continuing operations	2,503	(313)	4,171	2,074	808	(1,765)	4,755	1,641
Cash used in continuing investing activities	(2,957)	(1,865)	(2,089)	(915)	(1,366)	(1,685)	(1,279)	(287)
Cash provided by (used in) continuing financing activities	15	2,892	(671)	(532)	(435)	(438)	(678)	(502)
Increase (decrease) in cash and cash equivalents during the period	(439)	796	207	552	(1,050)	(4,086)	2,746	786
Cash and cash equivalents – Beginning of period	6,005	5,209	5,002	4,450	5,500	9,586	6,840	6,054
Cash and cash equivalents – End of period	5,566	6,005	5,209	5,002	4,450	5,500	9,586	6,840

Controls and Procedures

As at December 31, 2011, an evaluation was carried out under the supervision of and with the participation of the SIR GP Inc. management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Fund's disclosure controls and procedures. Based on that evaluation, the CEO and the CFO concluded that, to their knowledge, the design and operation of these disclosure controls and procedures were effective as at December 31, 2011 to provide reasonable assurance that material information relating to the Fund and its consolidated subsidiaries would be made known to them by others within those entities.

An evaluation was carried out under the supervision of and with management, including the CEO and CFO, of internal controls over financial reporting as at December 31, 2011. Based on this evaluation, the CEO and the CFO have concluded that, internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS.

There have not been any material changes to disclosure controls or internal controls over financial reporting during the 3-month period ended March 31, 2012.

The Fund does not own, control or consolidate SIR and therefore, the Fund's disclosure controls and procedures and the internal controls over financial reporting do not encompass SIR or SIR's disclosure controls and procedures or SIR's internal controls over financial reporting.

Off-Balance Sheet Arrangements

The Fund does not have any off-balance sheet arrangements.

Transactions with Related Parties

During the 3-month period ended March 31, 2012, the Fund earned equity income of $1.3 million from the Partnership ($1.1 million for the 3-month period ended March 31, 2011). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's equity income is dependent upon the revenue generated by the SIR Restaurants subject to the License and Royalty Agreement.

During the 3-month period ended March 31, 2012, the Fund earned interest income of $0.8 million from the SIR Loan ($0.8 million for the 3-month period ended March 31, 2011). A description of the terms of the SIR Loan is included in the notes to the consolidated financial statements of the Fund for the 3-month periods ended March 31, 2012 and March 31, 2011.

(14) *Information presented is in accordance with Canadian accounting standards for private enterprises "ASPE" and is derived solely from documents filed with the Canadian securities regulatory authorities by SIR in its interim Q2 MD&A filed on March 28, 2012 and has not been approved by the Fund or its trustees, officers, SIR GP Inc., or SIR Holdings Trust, or their respective trustees, managing general partners, directors, or officers.*

As at March 31, 2012, the Fund had amounts receivable from SIR of $0.3 million (December 31, 2011 - $0.3 million) and amounts receivable from the Partnership of $0.9 million (December 31, 2011 - $0.9 million). The amount receivable from SIR is interest owing to the Fund on the SIR Loan for the month of March. The amounts due from the Partnership represent distributions receivable of $3.0 million (December 31, 2011 - $2.9 million) partially offset by advances payable of $2.2 million (December 31, 2011 - $1.9 million). All advances were conducted as part of the normal course of business operations.

Critical Accounting Estimates

Management believes that there have been no substantial changes in the nature of the critical accounting estimates as described in the annual MD&A for the year ended December 31, 2011.

Changes in Accounting Policies, Including Initial Adoption

IFRS 7, Financial Instruments – Disclosures, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The adoption of this standard did not have a material impact on the consolidated financial statements of the Fund.

Recently Issued IFRS not yet effective

IFRS 9, Financial Instruments, 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 International Accounting Standards Board (IASB) issued the following standards, which have not yet been adopted by the Fund: 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 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 is amended to require entities to separate items presented in other comprehensive income into two groups, based on whether or not items may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012, with earlier application permitted.

Financial Instruments

There have been no changes in the Fund's financial instruments for the 3-month period ended March 31, 2012 as described in the Fund's MD&A for the year ended December 31, 2011.

Disclosure of Outstanding Unit Data

The following summarizes the ownership structure of the Fund as at May 8, 2012 and March 31, 2012:

	Number of Fund Units	
	May 8, 2012	**March 31, 2012**
Units issued	5,356,667	5,356,667

Risks and Uncertainties

The performance of the Fund is directly dependent upon the interest payments the Fund receives from SIR under the SIR Loan and upon the Royalty received by the Partnership from SIR. The amount of the Royalty is dependent upon Pooled Revenue, which is subject to a number of factors that affect the restaurant industry generally and the casual and/or fine dining sectors of this industry in particular. The restaurant industry generally and, in particular, the casual and fine dining segment of the industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. There are many well-established competitors with greater financial and other resources than SIR. Competitors include national and regional chains, as well as individually owned restaurants. Recently, competition has increased in the mid-price, full service, casual and fine dining sectors in which many of the SIR Restaurants operate. Some of SIR's competitors have been in existence for a substantially longer period than SIR and may be better established in the markets where SIR Restaurants are or may be located. Effective August 2, 2011, the Government of Ontario has passed amendments to Regulation 719 under the Liquor Licence 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. If SIR is unable to successfully compete in the casual and fine dining sectors of the restaurant industry, Pooled Revenue may be adversely affected, the amount of the Royalty reduced and the ability of SIR to pay the Royalty or interest on the SIR Loan may be impaired. Please refer to the March 30, 2012 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

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 Trust and the 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 new rules may adversely affect the value and marketability of the Fund's Units, the ability to undertake financings, and the distributable cash of the Fund may be materially reduced. The rules may, as a result, adversely affect the Fund and its Unitholders as well as SIR, as the holder of Partnership interests and the Fund 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 the category during 2011 grew by 4.1%. The CRFA estimates that growth in the full service category will slow to 3.0% in 2012, but will average 3.5% over the next five years. Management continues to monitor consumer confidence and discretionary spending in Canada which among many other factors, can significantly affect the results of SIR. Management remains cautious and believes that sales growth will likely be modest in the near term.

SIR has a $26.0 million term loan and a $12.0 development loan that are due on November 14, 2016. Please see the Liquidity and Capital Resources section.

As at March 31, 2012, SIR had 46 restaurants open in Canada and since October 2004, the Fund's Initial Public Offering, SIR has opened 17 new restaurants (13 new Jack Astor's and four new Canyon Creek restaurants).

During Q2 2011, SIR opened a Jack Astor's restaurant in London, Ontario. This restaurant was added to Royalty Pooled Restaurants on January 1, 2012 as a New Additional Restaurant. During Q4, 2011, SIR opened a Jack Astor's restaurant on Argentia Road in Mississauga, Ontario. This restaurant will be added to Royalty Pooled Restaurants on January 1, 2013 as a New Additional Restaurant.

During Q1 2012, SIR closed its Alice Fazooli's restaurant located on Adelaide Street in Toronto, Ontario and its Jack Astor's restaurant located in Kitchener, Ontario. SIR is required to pay a Make-Whole Payment for these locations from their date of closures until December 31, 2012. On January 1, 2013, the revenues of the New Closed Restaurants will be netted against the revenue of the New Additional Restaurants opened from November 2, 2011 to November 1, 2012, to determine the number of Class B GP Units of the Partnership, held by SIR, which can be converted into Class A GP Units of the Partnership.

SIR has advised the Fund that it has also secured six sites for seven new restaurants. It is expected that, during the remainder of 2012, there will be a new Jack Astor's restaurant opening on Front Street near the St. Lawrence Market in Toronto, Ontario, in Kingston, Ontario, in Laval, Quebec, and in Pickering, Ontario. A new Jack Astor's restaurant will open in Kitchener, Ontario in fiscal 2013 and two new restaurants will be opening at the corner of Yonge and Gerrard Streets, in Toronto, Ontario also in fiscal 2013. SIR continues to carefully monitor the current economic environment and has advised the Fund that it is considering additional sites where appropriate.

On January 1, 2012, one (January 1, 2011 - one) new SIR Restaurant was added to and nil (2011 – nil) SIR Restaurants were removed from the Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one (January 1, 2011 – one) new SIR Restaurant on January 1, 2012, as well as the Second Incremental Adjustment for the one (January 1, 2010 – nil) new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2011, SIR converted a portion of 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 to Class A GP Units was reduced by an adjustment for the permanent closure of nil (January 1, 2011 – nil) SIR Restaurants during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 203,878 (January 1, 2011 – 137,190) Class B GP Units into 203,878 (January 1, 2011 – 137,190) Class A GP Units on January 1, 2012 at an estimated fair value of $1.9 million (January 1, 2011 - $1.4 million).

(2) *See footnote (2) on page 2*

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 adjustment's estimated revenue at the time that the restaurants are added to SIR's Royalty Pooled Restaurants or there will be a reduction in the cash distributions to the Class A GP Unitholders if revenues are less than 80% of the Initial Adjustment's estimated revenue. If the revenue of the new restaurant added to SIR's Royalty Pooled Restaurants on January 1, 2012 exceeds 80% of the initial adjustment's estimated revenue, there will be an additional distribution declared in December 2012 and a second incremental adjustment on January 1, 2013. The revenues of the new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2011 exceeded 80% of the Initial Adjustments estimated Revenue and, as a result, an additional distribution of $0.03 million (2010 - $nil) was declared in December 2011 and paid in cash to SIR in January 2012.

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 May 8, 2012.

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, 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, which is 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.