SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2008

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

SIR CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE 53-WEEK PERIOD ENDED AUGUST 31, 2008

TABLE OF CONTENTS

	Page
Executive Summary	3
Overview	6
Seasonality	6
Selected Consolidated Historical Financial Information	7
Results of Operations	8
SIR Royalty Income Fund	13
Liquidity and Capital Resources	15
Contractual Obligations	17
Off-Balance Sheet Arrangements	18
Transactions with Related Parties	19
Critical Accounting Estimates	19
Changes in Accounting Policies, Including Initial Adoption	20
Recently Issued Accounting Pronouncements	21
Financial Instruments and Other Instruments	21
Risks and Uncertainties	22
Outlook	22
Forward Looking Information	24

FOR THE 53-WEEK PERIOD ENDED AUGUST 31, 2008

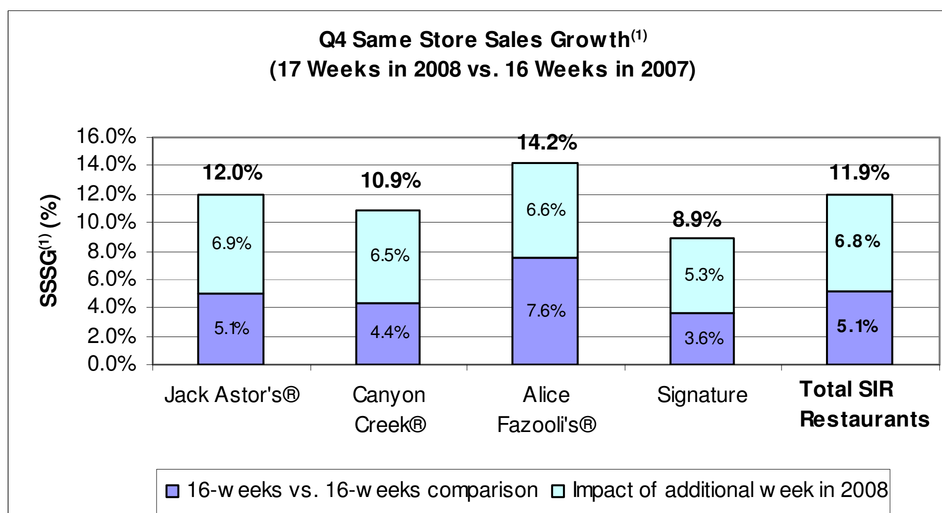
Executive Summary

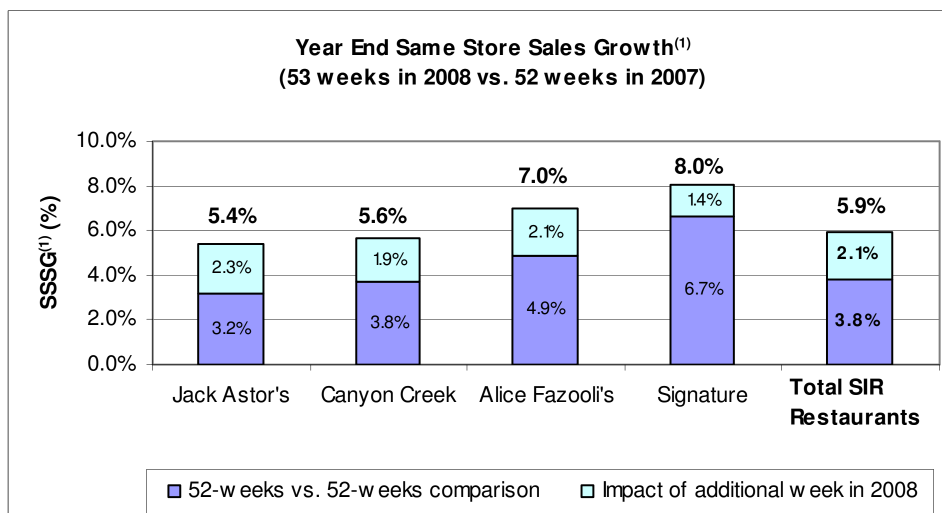
SIR Corp. ("SIR") has continued to experience total and same store sales growth[(1)] ("SSSG") during its fourth quarter of fiscal 2008 ("Q4") which was from May 5, 2008 to August 31, 2008 inclusive.

SIR's fiscal 2008 year consists of 53 weeks versus a 52 week year for fiscal 2007 and its fourth quarter consists of 17 weeks for fiscal 2008 versus a 16 week quarter in fiscal 2007. Therefore all revenue and expense information provided in this document for Q4 and year to date ("YTD") fiscal 2008, unless otherwise noted, includes an additional week of operations and should be considered when comparing to the prior year. Included in this discussion is certain financial information for fiscal 2008 on a 52-week basis in order to assist investors in making comparisons to the prior year.

Highlights for SIR's fourth quarter and year to date include:

- ***Growth in both consolidated revenue and Same Store Sales[(1)] ("SSS") (unaudited):***
  - Food and beverage revenue from corporate restaurant operations for Q4 was $65.3 million and $188.4 million year to date ("YTD"). This represents an $11.6 million or 21.7% increase over the prior year for the quarter and a $21.2 million or 12.6% increase over the prior year for the YTD. These increases are due, in part, to the additional week of operations in fiscal 2008.
  - The following graphs show SSSG[(1)] for Q4 and YTD and isolate the impact of the additional week of revenue in fiscal 2008:





[(1)] *Same store sales includes revenue from all SIR restaurants except for those restaurants that were not open for the entire comparable periods in fiscal 2008 and fiscal 2007. The U.S. restaurant is not part of SSS. Same store sales growth is the percentage increase in SSS over the prior comparable period. SSS and SSSG are non-GAAP measures that do not have standardized meanings prescribed by GAAP. However, SIR believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. SIR's method of calculating SSS and SSSG may differ from those of other issuers and accordingly, SSS and SSSG may not be comparable to measures used by other issuers. Please refer to the reconciliation of consolidated revenue to SSS on page 9 and to the definition of SSS in the Revenue section on page 10.*

- SSSG[1] for restaurants in the Royalty pool was 11.9% and 5.9% for the 17 and 53-week periods ended August 31, 2008, respectively. If the additional week of revenue is removed from revenue in fiscal 2008, SSSG[1] for restaurants in the Royalty pool would be 5.1% and 3.8% for Q4 and YTD, respectively.
- Snowfall in southern Ontario during Q2 and the first part of Q3 was significantly higher than average and Management believes that this had a negative effect on the SSSG[1] of SIR's Concept and Signature Restaurants, during these periods.
- SSSG[1] for the Concept Restaurants (Jack Astor's, Canyon Creek and Alice Fazooli's), which generate approximately 90% of YTD Pooled Revenue, was 12.1% and 5.7% for the 17 and 53-week periods ended August 31, 2008, respectively. If the additional week of revenue is removed from revenue in fiscal 2008, SSSG[1] would be 5.3% and 3.5% for Q4 and YTD, respectively.
- SSSG[1] for Jack Astor's, SIR's flagship Concept Restaurant brand that generates approximately 62% of YTD Pooled Revenue, was 12.0% and 5.4% for the 17 and 53-week periods ended August 31, 2008, respectively. Canyon Creek's SSSG[1] was 10.9% and 5.6%, Alice Fazooli's' SSSG[1] was 14.2% and 7.0% and the downtown Toronto Signature Restaurants' SSSG[1], which represent approximately 10% of YTD Pooled Revenue, was 8.9% and 8.0% for the 17 and 53-week periods ended August 31, 2008, respectively.
- If the additional week of revenue is removed from revenue in fiscal 2008, SSSG[1] for each of the Concept and Signature Restaurants would be as follows, for Q4 and YTD, respectively: Jack Astor's; 5.1% and 3.2%, Canyon Creek; 4.4% and 3.8%, Alice Fazooli's; 7.6% and 4.9% and Signature Restaurants; 3.6% and 6.7%.

- ***Investment in existing restaurants***
  - During Q1, the Armadillo Steak House®/Loose Moose Tap & Grill® underwent a renovation and now operates as the Loose Moose Tap & Grill on both floors of the premises. Subsequent to the renovation, SSSG[1] at the new Loose Moose Tap & Grill have improved.
  - During Q1, renovations at the Soul of the Vine® took place in order to introduce an innovative bakery concept, Petit Four™, which targets the lucrative catering and take-out markets in the downtown Toronto core. Management is pleased with the result and media coverage has been positive. During the latter part of Q2, renovations also began in the remaining portion of the Soul of the Vine, converting it into FOUR™ restaurant. Soul of the Vine was closed for 32 days for the renovation. FOUR opened on February 27, 2008 as a new healthy upscale restaurant focusing on guilt-free dining with each dish having less than 650 calories.
  - During Q2, the last of the existing Jack Astor's restaurants originally in the Royalty pool underwent the successful evolution process.
  - During Q4, SIR closed the Jack Astor's near the Square One shopping mall in Mississauga, Ontario for two days, to make exterior, audio visual updates and modifications to the bar and lobby area.
  - Subsequent to year end, SIR closed the Alice Fazooli's near the Square One shopping mall in Mississauga, Ontario, for 10 days to complete a repositioning and renovation. The intent of these changes was to broaden Alice Fazooli's market penetration, similar to the previously completed Evolutions of the Jack Astor's (2004 through 2007). Management will review the performance of this repositioning to assess its applicability across the rest of the Alice Fazooli's restaurants.

- ***Investment in new restaurants***
  - SIR has opened five new restaurants in fiscal 2008 and two new restaurants subsequent to year end, in October 2008. Another new site has been secured with an expected opening date in calendar year 2009 and two more sites have been secured with expected openings in the 2011 calendar year.
  - During Q1, a new Jack Astor's site opened in Burlington, Ontario, on October 15, 2007. The former Jack Astor's restaurant in Burlington was closed on September 29, 2007. SIR was required to pay a Make-Whole Payment from the date of closure to December 31, 2007, for the closed Burlington restaurant location. The closed restaurant was also removed from the Royalty Pooled Restaurants as a New Closed Restaurant, effective January 1, 2008 and the new Jack Astor's restaurant in Burlington was added to the Royalty Pooled Restaurants, effective January 1, 2008 as a New Additional Restaurant. The new site has provided higher revenues and therefore an increased Royalty stream to the SIR Royalty Limited Partnership (the "Partnership").
  - In Q3, on April 7 and 8, 2008 respectively, SIR opened a new Jack Astor's and a new Canyon Creek near the Toronto Pearson International Airport.
  - In Q4, on May 5, 2008, SIR opened a new Jack Astor's at Yonge and Dundas Streets in Toronto, Ontario.

---
(1) *See footnote (1) on page 3*

- In Q4, on July 7, 2008, SIR opened a new Jack Astor's on John Street in Toronto, Ontario, in the former Brasserie Frisco® location, which was closed on December 22, 2007. Management is encouraged by initial sales results of this new Jack Astor's. Brasserie Frisco was treated as a 2007 Closed Restaurant and SIR was required to pay a Make-Whole Payment from the date of closure to December 31, 2007.
- SIR has opened two new restaurants, subsequent to year end. On October 6, 2008, SIR opened a new Jack Astor's location near the corner of Don Mills Road and Lawrence Avenue in Toronto, Ontario, at a site in a "lifestyle mall" which was constructed in the same development where a former Jack Astor's restaurant existed. This former Jack Astor's was closed in fiscal 2006 and removed from the Royalty pool effective January 1, 2007. On October 31, 2008, SIR opened a new Jack Astor's location at Yonge and Bloor Streets, in Toronto, Ontario.
- It is expected that the six new restaurants opened in Q3, Q4 and subsequent to year end, discussed above, will be added to the Royalty Pooled Restaurants effective January 1, 2009.
- SIR has secured one new additional site for a Jack Astor's restaurant in Boisbriand, Quebec with an expected opening date in calendar year 2009 and two new additional sites, at the corner of Yonge and Gerrard Streets in Toronto, Ontario, with expected opening dates in calendar year 2011.
- SIR is not intending to proceed with one previously announced site (a Canyon Creek restaurant in Brampton, Ontario).

- ***Net Loss from Continuing Operations***
  - The net loss from continuing operations for the 17-week period ending August 31, 2008 of $0.5 million is $0.5 million favourable to the net loss from continuing operations for the 16-week period ending August 26, 2007.
  - The YTD net loss from continuing operations for the 53-week period ending August 31, 2008 of $2.4 million is $1.9 million favourable to the 52-week period ending August 26, 2008.

- ***EBITDA[(2)]***
  - EBITDA[(2)] for the fourth quarter is $5.6 million and $3.8 million in the current (17 weeks) and prior year (16 weeks), respectively**.**
  - YTD EBITDA[(2)] is $14.7 million and $11.0 million in the current (53 weeks) and prior year (52 weeks), respectively.

- ***Outlook***
  - Given the current economic environment, SIR has determined that the most prudent course of action is to reduce its growth plans and control its leverage. Prior to the economic slowdown, SIR had been following its sales building initiative it began after launching the SIR Royalty Income Fund (the "Fund") in fiscal 2005. Since then, SIR has opened ten new Jack Astor's restaurants and four new Canyon Creek restaurants. All the original Jack Astor's restaurants still in existence in the Royalty pool have undergone the sales building evolution program, with the last one completed in Q2 of fiscal 2008. The Jack Astor's location in the U.S. has also been evolved. In addition, all five Alice Fazooli's locations have been renovated, along with one Canyon Creek location, *reds*, Far Niente®, Soul of the Vine (conversion to FOUR/Petit Four) and the Armadillo Steak House/Loose Moose Tap & Grill (now the Loose Moose Tap & Grill)**.** Subsequent to year end, SIR opened a Jack Astor's location near the corner of Don Mills Road and Lawrence Avenue in Toronto, Ontario and a Jack Astor's location at Yonge and Bloor Streets in Toronto, Ontario. In addition, three new sites for restaurants have been secured with expected openings in calendar year 2009 and 2011. All of this work is being done to set in place a foundation for anticipated sales growth and improved earnings for SIR. Additional sites will be considered, however SIR intends to slow its growth from the previously stated goal of 68 restaurants by December, 2010. Management is committed to maximizing the performance of all of its restaurants.
  - SIR's restaurant expansion plans continue to be facilitated by the $16.0 million financing arrangement completed by SIR in Q4 fiscal 2007 (see Liquidity and Capital Resources section).

[(2)] References to EBITDA are to SIR's net loss from continuing operations before non-controlling interest in other subsidiary companies, provision for (recovery of) income taxes, other expense (income), provision for (recovery of) impairment of notes receivable, provision for long-lived assets and goodwill, interest expense-net, unrealized foreign exchange (gain) loss, interest on loan payable to SIR Royalty Income Fund, non-controlling interest in SIR Royalty Limited Partnership, other amortization and amortization of restaurant assets. Management believes that, in addition to net earnings or loss, EBITDA is a useful supplemental measure in evaluating SIR's performance. EBITDA is not a financial measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. Management cautions investors that EBITDA should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with GAAP), as an indicator of SIR's performance. SIR's method of calculating EBITDA may differ from the methods used by other issuers. Therefore, SIR's EBITDA may not be comparable to similar measures presented by other issuers. Please refer to the reconciliation of loss from continuing operations to EBITDA on page 7 of this document.

- Management continues to monitor the strength of the economy and evaluate its potential impact on the Canadian business environment, particularly in relation to consumer confidence.
- On October 31, 2006, the Federal Department of Finance announced a plan that proposes changes to the manner in which distributions from certain publicly listed flow-through entities ("FTE's") including income funds are taxed. However, existing Income Trusts would not be subject to this proposed taxation of distributions until the 2011 taxation year so long as the Fund meets the requirements for "normal growth". This legislation was enacted in June, 2007. The Trustees of the Fund and senior management of SIR will continue to monitor this development.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at August 31, 2008**,** SIR operates 43 Concept and Signature Restaurants in Canada (in Ontario, Quebec, Alberta and Nova Scotia). The Concept Restaurants are Jack Astor's, Canyon Creek and Alice Fazooli's. The Signature Restaurants are *reds*, Far Niente/ FOUR & Petit Four, and the Loose Moose Tap & Grill. As at August 31, 2008, 39 SIR Restaurants were included in the SIR Royalty Pooled Restaurants.

The three new Canyon Creek restaurants which opened during calendar year 2006 were added to the Royalty Pooled Restaurants on January 1, 2007. The three new Jack Astor's restaurants which opened during calendar year 2007 were added to the Royalty Pooled Restaurants on January 1, 2008. The five new Jack Astor's and one new Canyon Creek opened during calendar year 2008 are expected to be added to the Royalty Pooled Restaurants on January 1, 2009.

During calendar year 2007, SIR closed the former Jack Astor's in Burlington, Ontario and the Brasserie Frisco. These restaurants ceased to be part of the Royalty Pooled Restaurants on January 1, 2008.

SIR owns 100% of all its Canadian restaurants, except for Jack Astor's Don Mills Limited (50%). SIR closed the Jack Astor's location in Don Mills, Ontario during fiscal 2006, but opened a new Jack Astor's in the same location subsequent to fiscal 2008. SIR also has an investment in one Jack Astor's restaurant in the USA which is not included in the Royalty Pooled Restaurants.

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

SIR's fiscal year is comprised of 52 or 53-week periods ending on the last Sunday in August. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks, respectively. The fiscal years for 2008 and 2007 consist of 53 weeks and 52 weeks, respectively.

Seasonality

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

Selected Consolidated Historical Financial Information

The following tables set out selected financial information of SIR for the 17 and 53-week periods ended August 31, 2008 and the 16 and 52-week periods ended August 26, 2007. The financial statements of SIR are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars. This information should be read in conjunction with the annual audited consolidated financial statements of SIR, including the notes thereto.

Statements of Operations	17-Week Period Ended August 31, 2008	16-Week Period Ended August 26, 2007	53-Week Period Ended August 31, 2008	52-Week Period Ended August 26, 2007
	(in thousands of dollars)			
	(unaudited)	(unaudited)		
Corporate restaurant operations:				
Food and beverage revenue	65,298	53,659	188,365	167,213
Cost of corporate restaurant operations	59,009	49,394	170,689	152,999
Earnings from corporate restaurant operations	**6,289**	**4,265**	**17,676**	**14,214**
Net loss from continuing operations for the period	**(476)**	**(960)**	**(2,441)**	**(4,382)**
Net loss for the period	**(476)**	**(953)**	**(2,441)**	**(4,311)**

Balance Sheet	August 31, 2008	August 26, 2007
	(in thousands of dollars)	
Total assets	71,953	65,823
Total long-term liabilities	65,594	59,602

EBITDA[2]

EBITDA[2] is a non-GAAP measure used by SIR to supplement its reporting of net loss from continuing operations and net cash flow from continuing operations. EBITDA[2] consists of loss from continuing operations for the period excluding certain non-cash expenses and other expenses that SIR considers not to be of an operating nature. SIR believes that EBITDA[2] is a useful estimate of the core business's contribution to cash flow from continuing operations and uses this measure as a supplemental measure of SIR's performance. Similarly, SIR believes that certain investors may also find this non-GAAP measure to be a useful measure for their independent evaluation of SIR's performance.

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

The following table reconciles net loss from continuing operations for the period to EBITDA[2]:

Reconciliation of net loss from continuing operations for the period to EBITDA[2]	17-Week Period Ended August 31, 2008	16-Week Period Ended August 26, 2007	53-Week Period Ended August 31, 2008	52-Week Period Ended August 26, 2007
	(in thousands of dollars) (unaudited)			
Net loss from continuing operations for the period	(476)	(960)	(2,441)	(4,382)
Add (deduct):				
Non-controlling interest in other subsidiary companies	(9)	(38)	(27)	(54)
Provision for income taxes	10	6	15	11
Other expense (income)	(10)	43	(141)	155
Provision for (recovery of) impairment of and loans receivable	(350)	-	(350)	100
Goodwill impairment	111	-	277	-
Provision for impairment of long lived assets	225	-	225	-
Unrealized foreign exchange (gain) loss	87	(94)	16	(91)
Interest expense - net	195	78	377	162
Interest on loan payable to SIR Royalty Income Fund	978	921	3,049	2,992
Non-controlling interest in SIR Royalty Limited Partnership	1,730	1,477	5,078	4,499
Other amortization	101	79	297	282
Amortization of restaurant assets	3,003	2,328	8,343	7,303
EBITDA[2]	**5,595**	**3,840**	**14,718**	**10,977**
Income from Class A & B GP Units of the Partnership [3] (Not included in EBITDA[2] above)	781	601	2,373	1,983
6% Royalty obligations under License and Royalty Agreement [4]	3,495	3,013	10,539	9,549

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	17-Week Period Ended August 31, 2008	16-Week Period Ended August 26, 2007	53-Week Period Ended August 31, 2008	52-Week Period Ended August 26, 2007
	(in thousands of dollars)			
	(unaudited)	(unaudited)		
Revenue reported in consolidated financial statements	65,298	53,659	188,365	167,213
Less: Revenue from corporate restaurant operations excluded from the Royalty pool[4]	(7,036)	(3,427)	(13,218)	(9,075)
Revenue for restaurants in the Royalty pool	**58,262**	**50,232**	**175,147**	**158,138**

---

[2] See footnote [2] on page 5

[3] The 53-week period ended August 31, 2008 and the 52-week period ended August 26, 2007 includes the additional distribution paid to Class B GP Unitholders in December of each year, if any.

[4] See the SIR Royalty Income Fund section of this document for the Royalty calculation. Pooled Revenue includes revenue from all restaurants included in the Royalty pool. On January 1st of each year, New Additional Restaurants are added and New Closed Restaurants are removed from the Royalty pool. Royalty obligations equal 6% of Pooled Revenue plus any Make-Whole Payments. The Royalty obligations for the 53-week period ended August 31, 2008 includes a Make-Whole Payment for the closed Jack Astor's location in Burlington and the closed Brasserie Frisco and the Royalty obligations for the 52-week period ended August 26, 2007, included a Make-Whole Payment for the closed Jack Astor's location in Don Mills, Ontario.

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales[1]	17-Week Period Ended August 31, 2008	16-Week Period Ended August 26, 2007	53-Week Period Ended August 31, 2008	52-Week Period Ended August 26, 2007
	(in thousands of dollars)			
	(unaudited)	(unaudited)		
Revenue reported in consolidated financial statements	65,298	53,659	188,365	167,213
Less: Revenue from corporate restaurant operations excluded from same store sales[1]	(11,064)	(5,177)	(22,353)	(10,481)
Same store sales[1]	**54,234**	**48,482**	**166,012**	**156,732**

Same Store Sales[1] by Segment	17-Week Period Ended August 31, 2008	16-Week Period Ended August 26, 2007	% Fav. / (Unfav.)*	53-Week Period Ended August 31, 2008	52-Week Period Ended August 26, 2007	% Fav. / (Unfav.)*
	(in thousands of dollars) (unaudited)					
Jack Astor's	34,285	30,604	12.0%	99,828	94,699	5.4%
Canyon Creek	8,413	7,583	10.9%	28,005	26,509	5.6%
Alice Fazooli's	6,971	6,104	14.2%	20,784	19,424	7.0%
Signature Restaurants	4,565	4,191	8.9%	17,395	16,100	8.0%
Same store sales[1]	**54,234**	**48,482**	**11.9%**	**166,012**	**156,732**	**5.9%**

*This percentage is not adjusted to remove the impact of the additional week of revenue in fiscal 2008

Summary of Quarterly Results

Statement of Operations	4th Quarter Ended August 31, 2008 (17 weeks)	3rd Quarter Ended May 4, 2008 (12 weeks)	2nd Quarter Ended February 10, 2008 (12 weeks)	1st Quarter Ended November 18, 2007 (12 weeks)	4th Quarter Ended August 26, 2007 (16 weeks)	3rd Quarter Ended May 6, 2007 (12 weeks)	2nd Quarter Ended February 11, 2007 (12 weeks)	1st Quarter Ended November 19, 2006 (12 weeks)
Corporate Restaurant Operations	(in thousands of dollars) (unaudited)							
Food and beverage revenue	65,298	41,910	41,191	39,966	53,659	38,790	38,351	36,413
Cost of corporate restaurant operations	59,009	37,706	37,371	36,603	49,394	34,863	34,874	33,868
Earnings from corporate restaurant operations	6,289	4,204	3,820	3,363	4,265	3,927	3,477	2,545
Net loss from continuing operations for the period	(476)	(288)	(590)	(1,087)	(960)	(373)	(845)	(2,204)
Net loss for the period	(476)	(288)	(590)	(1,087)	(953)	(258)	(857)	(2,243)

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

Selected Consolidated Statement of Cash Flows Information	4th Quarter Ended August 31, 2008 (17 weeks)	3rd Quarter Ended May 4, 2008 (12 weeks)	2nd Quarter Ended February 10, 2008 (12 weeks)	1st Quarter Ended November 18, 2007 (12 weeks)	4th Quarter Ended August 26, 2007 (16 weeks)	3rd Quarter Ended May 6, 2007 (12 weeks)	2nd Quarter Ended February 11, 2007 (12 weeks)	1st Quarter Ended November 19, 2006 (12 weeks)
	(in thousands of dollars) (unaudited)							
Net cash provided by continuing operations	4,355	1,841	1,876	594	3,902	457	3,087	136
Net cash used in continuing investing activities	(10,897)	(3,391)	(2,746)	(2,722)	(3,202)	(2,765)	(2,309)	(2,847)
Net cash provided by (used in) continuing financing activities	5,005	1,890	285	2,016	(650)	39	(122)	(642)
Increase (decrease) in cash and cash equivalents during the period	(1,536)	340	(583)	(115)	(186)	(1,953)	661	(3,357)
Cash and cash equivalents – Beginning of period	3,019	2,679	3,262	3,377	3,563	5,516	4,855	8,212
Cash and cash equivalents – End of period	1,483	3,019	2,679	3,262	3,377	3,563	5,516	4,855

Revenue

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

i. Revenue (per the SIR audited consolidated statements of operations) – this is the total consolidated revenue of all restaurants for the period. The restaurants include all SIR restaurants and the revenue from the U.S. Jack Astor's. For the 17 and 53-week periods ended August 31, 2008 this revenue was $65.3 million and $188.4 million, respectively.

ii. Same Store Sales[(1)] – this is a sub-set of i above used for tracking comparable year-over-year sales. For Q4 fiscal 2008 and 2007, SSS[(1)] includes all SIR restaurants except for Jack Astor's Hamilton, Ontario, Jack Astor's Dartmouth, Nova Scotia, Jack Astor's and Canyon Creek near the Toronto Pearson International Airport, Jack Astor's at the corner of Yonge & Dundas Streets in Toronto, Ontario and Jack Astor's on John St. in Toronto, Ontario because they were not open for the entire comparable period in fiscal 2007. It also excludes revenue from both the closed and new Jack Astor's locations in Burlington, Ontario and the closed Brasserie Frisco because they were not open for the entire comparable periods in fiscal 2008 and 2007. The U.S. restaurant is not part of SIR Restaurants. For the 17 and 53-week periods ended August 31, 2008, this revenue was $54.2 million and $166.0 million, respectively**.**

iii. Pooled Revenue – this is the revenue subject to the License and Royalty Agreement – this includes revenue from all restaurants included in the Royalty pool. The restaurants in the Royalty pool are adjusted on January 1st of each year for New Additional Restaurants and New Closed Restaurants. Currently there are 39 restaurants in the Royalty pool. For the 17 and 53-week periods ended August 31, 2008, Pooled Revenue was $58.3 million and $175.1 million, respectively. The applicable Royalty payable to the Partnership on the Pooled Revenue for these periods was $3.5 million and $10.5 million, respectively. The 53-week period ended August 31, 2008 includes a Make-Whole Payment with respect to the closed Jack Astor's location in Burlington and Brasserie Frisco for the period from their date of closure to December 31, 2007.

Same Store Sales[(1)]

SSSG[(1)] was 11.9% and 5.9% for the 17 and 53-week periods ended August 31, 2008, respectively. If the additional week of revenue is removed from revenue in fiscal 2008, SSSG[(1)] for restaurants in the Royalty pool would be 5.1% and 3.8% for Q4 and YTD, respectively. The Concept Restaurants (Jack Astor's, Canyon Creek and Alice Fazooli's) generate approximately 90% of YTD Pooled Revenue, while the Signature restaurants generate the other approximate 10% of YTD Pooled Revenue.

Snowfall in southern Ontario during Q2 and the early part of Q3 of fiscal 2008 was significantly higher than average. Management believes that this had a negative effect on the SSSG[(1)] of SIR's Concept and Signature Restaurants. In particular, in the GTA (where the majority of SIR's restaurants are located), the snowfall received in Q2 and Q3 of fiscal 2008 was significantly higher than the average snowfall received in Q2 and Q3 of the preceding five years**.**

---

(1) See footnote (1) on page 3

SSSG[(1)] for Jack Astor's, SIR's flagship Concept Restaurant brand which generates approximately 62% of YTD Pooled Revenue, was 12.0% and 5.4% for the 17 and 53-week periods ended August 31, 2008 , respectively. If the additional week of revenue is removed from revenue in fiscal 2008, SSSG[(1)] for Jack Astor's would be 5.1% and 3.2% for Q4 and YTD, respectively. All the existing Jack Astor's restaurants originally in the Royalty pool have now been evolved.

Canyon Creek's SSSG[(1)] was 10.9% and 5.6% for the 17 and 53-week periods ended August 31, 2008, respectively. Removing the additional week of revenue from fiscal 2008, results in a SSSG[(1)] for Canyon Creek of 4.4% and 3.8% for Q4 and YTD, respectively. The Canyon Creek restaurant located across from Sherway Gardens in Etobicoke, Ontario was closed for 11 days for major renovations, during Q4 of fiscal 2007, which positively impacted SSSG[(1)] in fiscal 2008. Management is pleased with the results of the renovation.

The SSSG[(1)] of Alice Fazooli's was 14.2% and 7.0% for the 17 and 53-week periods ended August 31, 2008, respectively. Removing the additional week of revenue from fiscal 2008, results in a SSSG[(1)] for Alice Fazooli's of 7.6% and 4.9% for Q4 and YTD, respectively.

SSSG[(1)] of the downtown Toronto Signature Restaurants, which represent approximately 10% of YTD Pooled Revenue, performed consistently strong at 8.9% and 8.0% for the 17 and 53-week periods ended August 31, 2008, respectively. Removing the additional week of revenue from fiscal 2008, results in a SSSG[(1)] for the Signature Restaurants of 3.6% and 6.7% for Q4 and YTD, respectively. The improved SSSG[(1)] is a result of several changes in the downtown Toronto Signature Restaurants group. During Q1 of fiscal 2008, renovations were completed at Soul of the Vine in order to introduce an innovative bakery concept, Petit Four, which targets the lucrative catering and take-out markets in the downtown Toronto core. Petit Four replaced the take-out portion of Soul of the Vine. During the latter part of Q2 and into the earlier part of Q3, renovations took place in the remaining portion of the Soul of the Vine, converting it into FOUR restaurant. FOUR opened on February 27, 2008 as a new healthy upscale restaurant focusing on guilt-free dining with each dish having less than 650 calories. Management is pleased with both of these renovations and media coverage has been positive. The Armadillo Steak House/Loose Moose Tap & Grill was closed for eight days during Q1 of fiscal 2008 while it underwent a renovation. It is now operating as the Loose Moose Tap & Grill on both floors of the premises and, as a result, sales have improved. The Brasserie Frisco was closed on December 22, 2007 and is no longer included in SSS[(1)]. After evaluating a range of options, SIR determined that converting Brasserie Frisco into a new Jack Astor's would be the best use of this prime downtown Toronto location and on July 7, 2008, Jack Astor's on John Street in Toronto, Ontario was opened. Management is encouraged by the initial sales results of this new Jack Astor's. During the 12-week period ended November 19, 2006, *reds* was closed for 11 days for renovations. Management is pleased with the results of the renovations and *reds* has experienced strong sales growth since the renovation.

Cost of Corporate Restaurant Operations

As a percentage of revenue, costs of corporate restaurant operations decreased to 90.4% for the 17-week period ended August 31, 2008 compared to 92.1% for the 16-week period ended August 26, 2007 and decreased to 90.6% for the 53-week period ended August 31, 2008 from 91.5% for the 52-week period ended August 26, 2007. Revenue and costs of corporate restaurant operations, on a dollar basis, have increased due, in part, to the addition of new restaurants, the increased costs of food, beverage and labour and the additional week of operations in fiscal 2008. SIR has been able to manage the costs as a percentage of revenue through price increases and menu modifications.

Corporate costs

Corporate costs increased $0.9 million for the 17-week period ended August 31, 2008 as compared to the 16-week period ended August 26, 2007 and increased $0.8 million for the 53-week period ended August 31, 2008 as compared to the 52-week period ended August 26, 2007. This increase is due to increased salary costs to accommodate the increase in number of restaurants in fiscal 2008 and to the additional week of operations in fiscal 2008 versus fiscal 2007. SIR is continually managing corporate costs to obtain efficiencies while revenues grow.

Interest expense - net

Interest expense increased $0.1 million for the 17-week period ended August 31, 2008 compared to the 16-week period ended August 26, 2007, and increased $0.2 million for the 53-week period ended August 31, 2008 compared to the 52-week period ended August 26, 2007. The increase is mainly due to the interest expense on the new capital lease obligation and new bank debt.

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

SIR Loan & non-controlling interest in SIR Royalty Limited Partnership

On October 12, 2004, the Fund completed its initial public offering and used the proceeds to acquire the SIR Loan and invest in the Ordinary LP Units of the Partnership. In accordance with AcG-15, SIR has consolidated the Partnership and accordingly, the Fund's interest in the Partnership has been recorded as non-controlling interest.

Interest on the SIR Loan totalled $1.0 million and $3.0 million for the 17 and 53-week periods ended August 31, 2008, respectively as compared to $0.9 million and $3.0 million for the 16 and 52-week periods ended August 26, 2007, respectively.

The Fund's share of the income of the Partnership for the 17-week period ended August 31, 2008 and the 16-week period ended August 26, 2007 of $1.7 million and $1.5 million, respectively, has been recorded as non-controlling interest in the audited consolidated statements of operations. The Fund's share of income of the Partnership was $5.1 million and $4.5 million for the 52 and 53 week periods ended August 31, 2008 and August 26, 2007, respectively.

Jack Astor's (Cary & Las Colinas) Limited ("JACL") and unrealized foreign exchange gain

SIR accounts for its investment in JACL as an integrated foreign operation. Therefore, SIR uses the temporal method to translate the transactions and balances of JACL, recognizing foreign currency translation gains and losses in the consolidated statements of operations.

During the second quarter, SIR acquired the non-controlling interest's shares in JACL for cash consideration of $0.2 million and now owns 100% of this operation. The acquisition resulted in goodwill of $0.2 million. JACL has experienced operating losses and therefore Management tested this goodwill for impairment, subsequent to the acquisition. Management determined that the carrying value of the net assets exceeded the fair values of the business unit and accordingly, an impairment charge of $0.2 million was recorded for the goodwill arising upon this acquisition. Management believes that this acquisition will allow more flexibility in managing the business and expects profits to improve in the future.

There was an unrealized foreign exchange loss for the continuing operations of JACL of $0.05 million for the 17-week period ended August 31, 2008 and there was an unrealized foreign exchange gain of $0.02 million for the 53-week period ended August 31, 2008. This is compared to an unrealized foreign exchange gain for the continuing operations of JACL of $0.09 million and $0.09 million for the 16 and 52-week periods ended August 26, 2007.

Recovery of (provision for) impairment of investments, loans, advances and notes receivable

Prior to fiscal 2008, advances were made to U.S. S.I.R. L.L.C. and its subsidiaries to facilitate ongoing operations and the closure of certain restaurant operations. These advances are non-interest bearing, non-secured and due on demand. SIR has determined that these advances are impaired based on estimated future cash flows of the remaining U.S. operations. Accordingly, the loan and advances receivable are written down to their net realizable value of $0.9 million (August 26, 2007 - $0.8 million). In fiscal 2008, U.S. S.I.R. L.L.C. repaid $0.2 million of these advances to SIR. There was a $0.03 million foreign exchange loss on this repayment. The amount advanced to U.S. S.I.R. L.L.C. in fiscal 2007 was $0.3 million. The cash flows of the U.S. operations have improved, resulting in a recovery of impairment of $0.4 million for the 53-week period ended August 31, 2008. A provision of $0.1 million is included in the provision for impairment of notes receivable for the 52-week period ended August 26, 2007. While SIR has no obligation to fund the U.S. operations, it may do so if it considers that it would be in the interest of SIR; subject to the restrictions contained in its arrangements with the Fund and the bank credit facility (see Liquidity and Capital Resources section).

Other income (expense)

Other income is $0.1 million for the 53-week period ended August 31, 2008 compared to other expense of $0.2 million for the 52-week period ended August 26, 2007. There was a decrease in loss on disposal of property and equipment of $0.2 million offset by an increase in unredeemed gift certificate income of $0.1 million.

EBITDA[2]

EBITDA[2] is $5.6 million and $14.7 million for the 17 and 53-week periods ended August 31, 2008, compared to $3.8 million and $11.0 million for the 16 and 52-week periods ended August 26, 2007 (see Selected Consolidated Historical Financial Information - Reconciliation of net loss from continuing operations for the period to EBITDA[2]).

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

SIR Royalty Income Fund

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

(a) SIR Loan

The $40.0 million SIR Loan bears interest at 7.5% per annum and is due October 12, 2044. On August 9, 2007, the Fund entered into an agreement to subordinate and postpone its claims against SIR in favour of the bank. The Partnership and the Fund have not guaranteed this credit facility (see Liquidity and Capital Resources section).

The bank debt is "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the bank. This subordination, which includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use the trademarks and related intellectual property in return for Royalty payments based on revenues, has been effected pursuant to the terms of an Interlender Agreement.

Under the Interlender Agreement, absent a default or event of default under the Credit Agreement, ordinary payments to the Partnership and the Fund can continue and the Partnership can exercise any and all of its rights to preserve the trademarks and related intellectual property governed by the License and Royalty Agreement. However, if a default or an event of default were to occur, then payments to the Fund and the Partnership could cease and the related rights of the Fund and the Partnership could be subject to a "standstill" obligation for a period of up to 120 days (which may be extended if the bank is pursuing remedies). The Interlender Agreement also contains various other typical covenants of the Fund and the Partnership.

Interest expense of $1.0 million and $3.0 million was charged to the consolidated statements of operations for the 17 and 53-week periods ended August 31, 2008, respectively ($0.9 million and $3.0 million for the 16 and 52-week periods ended August 26, 2007, respectively).

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

Financing costs of $4.8 million were incurred in fiscal 2005 in respect of the issuance of the SIR Loan and Partnership Units. Due to a change in accounting policy, effective August 27, 2007, these costs have been deferred and are being amortized over 40 years, the term of the SIR Loan, using the effective interest rate method. Prior to this, the straight line method was used. Amortization of $0.006 million and $0.02 million has been recorded as interest expense in the consolidated statements of operations for the 17 and 53-week periods ended August 31, 2008, respectively ($0.04 million and $0.1 million for the 16 and 52-week periods ended August 26, 2007, respectively). In addition, the financing costs were reclassified on August 27, 2007 and are currently netted against the SIR Loan in the consolidated financial statements. Prior to fiscal 2008, these costs were recorded in intangible and other assets in the interim unaudited and annual audited consolidated financial statements (see Changes in Accounting Policies, Including Initial Adoption section).

(b) Non-controlling interest in SIR Royalty Limited Partnership

	17-week Period Ended August 31, 2008	16-week Period Ended August 26, 2007	53-week Period Ended August 31, 2008	52-week Period Ended August 26, 2007
	(in thousands of dollars) (unaudited)			
Initial investment by the Fund	11,167	11,167	11,167	11,167
Non-controlling interest in earnings of the Partnership	1,730	1,477	5,078	4,499
Distributions declared on the Partnership's Units held by non-controlling interest	(1,730)	(1,477)	(5,078)	(4,499)
Non-controlling interest in the Partnership	11,167	11,167	11,167	11,167
Pooled Revenue [5]	58,262	50,232	175,147	158,138
Partnership Royalty income [6]	3,495	3,013	10,539	9,549
Other income	20	18	63	54
Partnership expenses	(31)	(32)	(107)	(129)
Net earnings of the Partnership	3,484	2,999	10,495	9,474
SIR's interest in the earnings of the Partnership:				
Income from Class A & B GP Units of the Partnership[7]	(781)	(601)	(2,373)	(1,983)
Income from Class C GP Units of the Partnership	(973)	(921)	(3,044)	(2,992)
	(1,754)	(1,522)	(5,417)	(4,975)
Non-controlling interest in the earnings of the Partnership	1,730	1,477	5,078	4,499

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash consideration of $11.2 million. The holders of the Ordinary LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership and have the right to receive distributions in priority to the initial 595,185 Class A GP Units which are held by SIR.

The holders of the Class A GP Units are entitled to receive a pro rata share of all residual distributions of the Partnership and the Class A GP Units are exchangeable into Units of the Fund.

In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the restaurants included in the Royalty pool (the "License and Royalty Agreement").

Under the terms of the License and Royalty Agreement, SIR may be required to pay a Make-Whole Payment in respect of the reduction in revenue for restaurants closed during a reporting period. SIR is not required to pay any Make-Whole Payments in respect of a closed restaurant following the date on which the number of restaurants in the Royalty pool is equal to or greater than 68 or following October 12, 2019, whichever occurs first. On January 1 of each year (the "Adjustment Date"), following December 31, 2005, the restaurants subject to the License and Royalty Agreement are adjusted for new SIR Restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units of the Partnership to Class A GP Units of the Partnership based on the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted to Class A GP Units in respect of these new SIR Restaurants if actual revenues of the new SIR Restaurants exceeded 80% of the initial estimated revenue and the formula defined in the Partnership Agreement. Conversely, converted Class A GP Units may be returned by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the initial estimated revenue. In December of each year, an additional distribution may be payable to the Class B GP unitholders based on actual revenues of the new SIR Restaurants exceeding 80% of the initial estimated revenue or there may be a reduction in the distributions to the Class A GP unitholders if revenues are less than 80% of the initial estimated revenue.

[5] *Includes revenue from the SIR Restaurants subject to the License and Royalty Agreement and excludes revenue from JACL. Revenue from the three restaurants added to the Royalty pool on January 1, 2008 has been included in Pooled Revenue for the period from January 1, 2008 to August 31, 2008. Revenue from the three restaurants added to the Royalty pool on January 1, 2007 has been included in Pooled Revenue for the period from January 1, 2007 to August 31, 2008. The Partnership owns the SIR Rights formerly owned or licensed by SIR or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada.*
[6] *6% of Pooled Revenue plus a Make-Whole Payment for closed locations, included in the Royalty pool.*
[7] *The 53 and 52-week periods ended August 31, 2008 and August 26, 2007, respectively, include the additional distribution of $0.08 million and $0.2 million declared and paid to SIR in the second quarter of 2008 and 2007, respectively.*

On January 1, 2008, three (January 1, 2007 - three) new SIR Restaurants, were added to the Royalty pool in accordance with the License and Royalty Agreement. As consideration for the additional Royalty associated with the addition of three (January 1, 2007 – three) new restaurants on January 1, 2008, as well as the Second Incremental Adjustment for the three (January 1, 2006 – two) new SIR restaurants added to the Royalty Pooled Restaurants on January 1, 2007, SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. The number of Class B GP Units that SIR converted to Class A GP Units was reduced by an adjustment for the closure of two (2006 – one) SIR Restaurants during the prior calendar year. The net effect of these adjustments to the Royalty Pooled Restaurants was that SIR converted 194,000 (2007 - 421,000) Class B GP Units of the Partnership into 194,000 (2007 - 421,000) Class A GP Units of the Partnership on January 1, 2008 at an estimated fair value of $1.5 million (2007 - $3.5 million). As a result of this exchange, SIR's interest in the Partnership increased to 23.5% effective January 1, 2008. In addition, the revenues of three (January 1, 2006 – two) new SIR Restaurants added to the Royalty pool on January 1, 2007 exceeded 80% of the Initial Adjustment's estimated revenue and, as a result, an Additional Distribution of $0.08 million (December, 2006 - $0.2 million) was declared in December 2007 and paid in cash to SIR the following January.

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

Liquidity and Capital Resources

Selected Consolidated Statement of Cash Flows Information	*17-Week Period Ended August 31, 2008*	*16-Week Period Ended August 26, 2007*	*53-Week Period Ended August 31, 2008*	*52-Week Period Ended August 26, 2007*
	(in thousands of dollars)			
	(unaudited)	(unaudited)		
Net cash provided by continuing operations	4,355	3,902	8,666	7,582
Net cash used in investing activities	(10,897)	(3,202)	(19,756)	(11,123)
Net cash provided by (used in) financing activities	5,005	(650)	9,196	(1,375)
Decrease in cash and cash equivalents during the period	(1,536)	(186)	(1,894)	(4,835)
Cash and cash equivalents – Beginning of period	3,019	3,563	3,377	8,212
Cash and cash equivalents – End of period	1,483	3,377	1,483	3,377

Net cash provided by continuing operations increased by $0.5 million for the 17-week period ended August 31, 2008 as compared to the 16-week period ended August 26, 2007. The increase is mainly attributable to a decrease in net loss from continuing operations of $0.5 million and an increase in items not affecting cash of $0.7 million, offset by a decrease in landlord and other inducements received of $0.3 million and a decrease in net change in working capital of $0.5 million. Cash provided by continuing operations increased by $1.1 million for the 53-week period ended August 31, 2008 as compared to the 52-week period ended August 26, 2007. This is mainly attributable to the decrease in net loss from continuing operations of $1.9 million and an increase in items not affecting cash of $0.7 million offset by a decrease in leasehold and other inducements received of $0.4 million and a decrease in the net change in working capital items of $1.2 million.

During fiscal years 2005 to 2008, SIR has purchased property and equipment totalling approximately $51.9 million. This represents investments in new restaurants, (including twelve completed as at August 31, 2008 and three in progress), major renovations of 25 existing restaurants, certain other profit enhancing initiatives (such as new patios and patio expansions) and maintenance capital expenditures. Management expects that the investments in new and existing restaurants and the profit enhancing initiatives will contribute to improved earnings and cash flow from continuing operations going forward. SIR expects to continue to invest in new restaurants and restaurant renovations, although for the near future a smaller percentage of capital spending would be expected to be directed toward renovations.

Net cash used in investing activities from operations for the 17-week period ended August 31, 2008 and the 16-week period ended August 26, 2007 was $10.9 million and $3.2 million, respectively. Cash used in investing activities for the 53-week period ended August 31, 2008 and the 52-week period ended August 26, 2007 was $19.8 million and $11.1 million, respectively. Purchases of property and equipment and restaurant pre-opening costs amounted to $11.1 million and $3.3 million for the 17 and 16-week periods ended August 31, 2008 and August 26, 2007, respectively and $19.9 million and $11.6 million for the 53 and 52-week periods ended August 31, 2008 and August 26, 2007, respectively. Fiscal 2008 expenditures are mainly the result of the second and third quarter renovations of the Soul of the Vine into FOUR/Petit Four, the first quarter renovation of the Loose Moose Tap & Grill, the construction costs of the six new Jack Astor's and one new Canyon Creek restaurants opened during fiscal 2008 and subsequent to fiscal 2008. Expenditures for the 52-week period ended August 26, 2007, were mainly the result of the renovation of the fifth Alice Fazooli's location, the renovation of *reds*, the Canyon Creek renovation, the construction costs of the Jack Astor's locations in Hamilton, Ontario and Dartmouth, Nova Scotia and the construction costs related to new Jack Astor's sites under construction at the time.

During the 12-week period ended February 10, 2008, SIR acquired the non-controlling interest in JACL for $0.2 million. SIR received $0.2 million from U.S. S.I.R. L.L.C., during the 53-week period ending August 31, 2008 and advanced $0.3 million to U.S. S.I.R. L.L.C, during the 52-week period ending August 26, 2007. The advance is non-interest bearing, non-secured and due on demand. In addition, SIR received $0.7 million from the repayment of shareholder loans during the 52-week period ended August 26, 2007.

Net cash provided by financing activities was $5.0 million and $9.2 million for the 17 and 53-week periods ended August 31, 2008, respectively. Net cash used in financing activities was $0.7 million and $1.4 million for the 16 and 52-week period ended August 26, 2007. Bank indebtedness increased $0.9 million and $0.6 million during the 17-week period and 53-week period ended August 31, 2008, respectively and 0.3 million during both the 16 and 52-week periods ended August 26, 2007. SIR received $4.3 million and $9.0 million from the issuance of long-term debt during the 17 and 53-week periods ended August 31, 2008, respectively. Principal repayments on long term debt were $0.1 million and $0.4 million for the 17 and 53 week periods ended August 31, 2008, respectively and $0.1 million and $0.7 million for the 16 and 52-week periods ended August 26, 2007, respectively. In the 52-week period ended August 26, 2007, SIR made payments to non-controlling interest in subsidiary companies of $0.2 million, received proceeds from non-controlling interest in other subsidiary companies of $0.1 million and paid financing fees related to the new credit facility of $0.9 million.

The two new Jack Astor's restaurants that opened in Hamilton, Ontario and Dartmouth, Nova Scotia during fiscal 2007 and the one that opened in Burlington, Ontario in Q1 of fiscal 2008 were added to the Royalty Pooled Restaurants effective January 1, 2008. The two new Canyon Creek restaurants that opened in Scarborough and Vaughan, Ontario, during fiscal 2006 and the one that opened at the Fallsview Casino Resort in Niagara Falls, Ontario in Q1 of fiscal 2007 were added to the Royalty Pooled Restaurants effective January 1, 2007. At these times, SIR received additional Class A GP Units in accordance with the formula for adjustment for addition of restaurants added to the Royalty pool. The amount of Class A GP Units received in each year was adjusted for a reduction related to the closure of two restaurants in calendar year 2007 and one restaurant in calendar year 2006 and the Second Incremental Adjustment for the three (2006 – two) new additional restaurants that were added to the Royalty Pooled Restaurants on January 1, 2007. Under the terms of the Exchange Agreement, SIR has the right to convert some or all of the net additional Class A GP Units into Fund Units on a one-for-one basis.

As of August 31, 2008, SIR had current assets of $8.8 million (August 26, 2007 - $9.5 million) and current liabilities of $24.6 million (August 26, 2007 - $22.0 million) resulting in a working capital deficit of $15.8 million (August 26, 2007 - $12.5 million). Revenues in the restaurant business are largely paid by cash and credit card whereas most suppliers offer credit terms for payment. Therefore, restaurants are able to pay their suppliers from the cash received on revenues in the following months, as the supplier payables are due. There was increased construction activity at the end of fiscal 2008 versus fiscal 2007 resulting in higher construction accounts payable and accrued liabilities and therefore contributing to the higher working capital deficit at the end of the fiscal 2008. Cash balances are typically used to construct new restaurants or re-invest in existing restaurants to grow the business. As a result, SIR, like many other restaurant businesses would anticipate having a negative working capital balance in the foreseeable future.

Management believes that there are sufficient cash resources retained in SIR from its cash generated by operations to fund its working capital requirements and current commitments for estimated construction costs for new restaurants. During the fourth quarter of fiscal 2007, SIR entered into a $16.0 million credit facility. The credit facility consists of a two-year revolving credit facility ("Operating Line") up to $2.0 million, a two-year revolving construction credit facility ("Construction Line") for up to $13.0 million and a treasury management facility for up to $1.0 million. Outstanding balances under the Construction Line for completed restaurants convert into a five year amortizing term loan at the end of the committed period or earlier, such as semi-annual, to be determined by SIR and the lender. The Construction Line and the Operating Line are two year committed facilities, renewable annually thereafter at the lender's sole discretion for a 364-day period. The structure of the facility may be in the form of direct advances, Bankers'

Acceptances, Letters of Credit or Guarantee, and the fixed term loan (up to a five-year term). The rates of interest on the financing are Bankers' Acceptance rate plus 1.75% and Prime rate plus 0.25%. The financing arrangement is collateralized by a general security agreement and entitles the lender to a first charge on all of SIR's assets, including a pledge of all shares and the investment in the Partnership and a specific assignment of rights under the License and Royalty Agreement. However, the lender does not have a pledge over the assets of the Partnership. The financing arrangement contains certain financial and non-financial covenants. At August 31, 2008, SIR is in compliance with these covenants and expects to remain in compliance with the covenants in the next fiscal year. As at August 31, 2008, SIR had outstanding borrowings on its Operating Line of $0.9 million and outstanding borrowings on its Construction Line of $9.0 million. The unused operating line and construction line as at August 31, 2008 was $1.1 million and $4.0 million, respectively. Subsequent to Q4 of fiscal 2008, SIR drew a further $2.7 million on its Construction Line. In addition, during fiscal 2007 SIR entered into a capital lease arrangement to lease restaurant equipment for up to $0.4 million. During Q2 of fiscal 2008, SIR entered into a second capital lease arrangement to lease restaurant equipment for up to $0.6 million. Proceeds from the capital lease used to purchase equipment totalled $0.6 million for the 53-week period ended August 31, 2008 (August 26, 2007 - $0.4 million). As at August 31, 2008, SIR had an obligation of $0.8 million under these capital lease arrangements. Amounts drawn on the above mentioned credit facility and capital lease arrangements are Permitted Indebtedness as defined in the SIR General Security Agreement and the Partnership General Security Agreement.

Certain bank loans were entered into by Jack Astor's Cary, LLC, a subsidiary of JACL, in fiscal year 2001 and are guaranteed by SIR. There is one loan remaining of $1.4 million (U.S. $1.4 million) and it is currently non-compliant with respect to certain financial and non-financial covenants. As a result, this loan is presented as a current liability in SIR's audited consolidated financial statements. All payments due on this loan have been made to date and the borrowers have not received any notices of default. The loan is secured by the assets of JACL and a pledge of the shares in JACL by SIR.

Contractual Obligations

In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the restaurants included in the Royalty pool. Payment of the Royalty is secured by the Partnership General Security Agreement. On August 9, 2007, the Fund entered into an agreement to subordinate and postpone its claims against SIR in favour of the bank. The Partnership and the Fund have not guaranteed this credit facility (Please refer to SIR Royalty Income Fund section).

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

Under the terms of the License and Royalty Agreement, SIR may be required to pay a Make-Whole Payment in respect of the reduction in revenue for restaurants closed during a reporting period. SIR is not required to pay any Make-Whole Payment in respect of a closed restaurant following the date on which the number of 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"), following December 31, 2005, the restaurants subject to the License and Royalty Agreement are adjusted for new SIR restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units of the Partnership to Class A GP Units of the Partnership based on a formula defined in the Partnership Agreement.

Three Royalty Pooled Restaurants have been closed since the IPO was completed. On May 27, 2006, the Jack Astor's in Don Mills, Ontario was closed, on September 29, 2007, the Jack Astor's in Burlington, Ontario was closed and on December 22, 2007, the Brasserie Frisco was closed. The Don Mills location has been demolished by the landlord and has been redeveloped into a major "lifestyle mall". A new Jack Astor's was opened in this location on October 6, 2008. The Burlington location was replaced with a new Jack Astor's in a different location in Burlington, which opened on October 15, 2007 and this new location has started to provide higher revenues and therefore a greater Royalty stream to the Partnership. SIR has opened a new Jack Astor's on John Street, in Toronto, Ontario, in the former Brasserie Frisco location on July 7, 2008. Under the terms of the License and Royalty Agreement, SIR was required to pay a Make-Whole Payment for the Don Mills location from the date of the closure until December 31, 2006. In accordance with the License and Royalty Agreement, on January 1, 2007, the revenue of the closed restaurant was netted against the revenue of the new SIR Restaurants opened from November 2, 2005 to November 1, 2006, when determining the number of Class B GP Units of the Partnership, held by SIR, that were converted into Class A GP Units of the Partnership. Similarly, SIR was also required to pay a Make-Whole Payment for the closed Burlington location and Brasserie Frisco from their respective dates of closure to December 31, 2007. Effective January 1, 2008, these restaurants were removed from the Royalty Pooled Restaurants as New Closed Restaurants.

SIR and its subsidiaries have entered into operating leases relating to its head office and restaurant locations with minimum annual payments. As at August 31, 2008, SIR had five commitments to lease properties and it has completed the construction of two restaurants subsequent to year end and plans to build three new restaurants. SIR is committed to fulfilling its purchase obligations for the two completed restaurants and expects to spend an additional $2.3 million to complete these restaurants. At the current date, SIR has not entered into any construction contracts for the three remaining restaurants to be built, but expects to do so in the future. Final costs of construction are subject to uncertainties as to their amounts and timing. Such things as finalization of design and final construction quotes could change the total cost of these projects. SIR anticipates financing these construction costs with the Construction Line under its credit facility and through operating cash flow. SIR has entered into capital lease arrangements to lease restaurant equipment for up to $1.0 million and as at August 31, 2008, SIR had an obligation of $0.8 million. In addition, SIR was approved for a $16.0 million credit facility to help facilitate SIR's restaurant expansion plans. As at August 31, 2008, SIR had drawn $9.0 million on its Construction line and subsequent to Q4 of fiscal 2008, SIR has made a further draw of $2.7 million on its Construction Line (see Liquidity and Capital Resources section).

SIR has the following contractual obligations as of August 31, 2008 (in thousands of dollars):

	1 Year	2 – 3 Years	4 – 5 Years	Thereafter	Total
Operating leases	10,519	19,554	19,441	47,347	96,861
Long-term debt repayments [8]	428	879	416	593	2,316
SIR Loan	-	-	-	40,000	40,000
Estimated contractual commitments [9]	4,700	-	-	-	4,700
	15,647	20,433	19,857	87,940	143,877

The above table excludes obligations under SIR's new credit facilities. As at November 21, 2008. SIR has drawn $11.7 million on its construction facility. SIR intends to convert the construction facility to a five year term loan in accordance with the terms of the credit facility. SIR will be required to repay the principal amount (determined at the date of conversion to a term loan) in sixty equal monthly installments following the conversion. Accordingly, at the current date, the amount and timing of the payments under the construction facility are not known and therefore are excluded from the table above.

SIR has a Management Bonus Program that provides restaurant managers and area directors with an opportunity to earn a bonus upon leaving the organization if he/she has at least five years of service. This bonus is based upon the value of the restaurant(s) at that time, using cash flows over a three year period and percentages that range from 2% to 10%. Upon leaving the plan, the participants' bonuses are paid in three installments over a two year period. At August 31, 2008, $4.4 million has been accrued in respect of this bonus plan. The timing of the payments is uncertain and therefore this obligation has been excluded from the above table.

Off-Balance Sheet Arrangements

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

[8] *Repayments of long-term debt include the scheduled principle repayments of the loans of JACL. The loans are currently non-compliant with respect to certain financial and non-financial covenants. As a result the loans are presented as a current liability on SIR's consolidated financial statements.*
[9] *SIR has entered into five new commitments to lease properties and has or will be constructing restaurants on these properties. Final costs of construction are subject to uncertainties as to their amounts and timing. Such things as finalizing of design and final construction quotes could change the total costs of these projects.*

Transactions with Related Parties

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

- Payment for operational services provided by two shareholders of SIR (August 26, 2007 – three) in the amount of $0.5 million for the 53-week period ended August 31, 2008 (August 26, 2007 - $0.8 million).
- Payment for design fees, charged to property and equipment, provided by one shareholder of SIR in the amount of $0.5 million for the 53-week period ended August 31, 2008 (August 26, 2007 - $0.05 million).
- Up until July 4, 2008, SIR leased its head office space directly or indirectly from certain shareholders of SIR. SIR paid $0.2 million for the 53-week period ended August 31, 2008 (August 26, 2007 - $0.2 million).
- Payment for consulting fees provided by one shareholder of SIR in the amount of $0.02 million for the 53-week period ended August 31, 2008 (August 26, 2007 - $0.05 million).
- Payment for consulting fees provided indirectly by one of SIR's directors in the amount of $0.1 million for the 53-week period ended August 31, 2008 (August 26, 2007 - $0.2 million).

Transactions with the SIR Royalty Income Fund

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

	August 31, 2008	August 26, 2007
	(in thousands of dollars)	
Advances receivable	(1,573)	(1,047)
Interest payable on SIR Loan	283	483
Partnership distributions payable	2,814	1,824
Payable to the Fund and its subsidiaries – net	1,524	1,260

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

During the 17 and 53-week periods ended August 31, 2008, distributions of $1.7 million and $5.1 million, respectively ($1.5 million and $4.5 million, respectively for the 16 and 52-week periods ended August 26, 2007) were declared to the Fund by the Partnership. The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions.

Interest expense on the SIR Loan totalled $1.0 million and $3.0 million for the 17 and 53-week periods ended August 31, 2008, respectively ($0.9 million and $3.0 million for the 16 and 52-week periods ended August 26, 2007). The SIR Loan bears interest at 7.5% per annum.

SIR, through the Partnership, has entered into an arrangement with the Fund and the Trust whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc., in its capacity as the managing general partner of the Partnership. The Partnership provided these services to the Fund and the Trust for consideration of $0.006 million and $0.02 million for the 17 and 53-week periods ended August 31, 2008, respectively ($0.006 million and $0.02 million, for the 16 and 52-week periods ended August 26, 2007) which was the amount of consideration agreed to by the related parties.

Critical Accounting Estimates

The preparation of SIR's financial statements requires Management to make estimates and assumptions that affect income and expenses during the reporting periods, in addition to the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ materially from those estimates in the near term.

Under Canadian GAAP, goodwill is not amortized but is tested for impairment, at least annually. Management applies a fair-value-based test to the carrying value of each reporting unit. A goodwill impairment charge would be recorded if the amount of the recorded goodwill exceeds the difference between the fair value of the reporting unit and the carrying value of the net assets of each respective reporting unit. As a result of declining sales and earnings of two restaurants, SIR recognized an impairment of goodwill of $0.3 million.

Under Canadian GAAP, an impairment charge is recognized for long-lived assets, including intangible assets with definite lives, when an event or change in circumstances causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. As a result of a decline in sales and earnings from certain restaurants, SIR conducted an impairment analysis of these restaurants' long-lived assets. The analysis showed that the estimated future cash flows for one restaurant were not sufficient to recover the carrying value of the property and equipment and restaurant pre-opening costs and accordingly, an impairment provision of $0.2 million was recorded to write down these assets to their fair values. The fair values were determined using a depreciated replacement cost methodology. There was no impairment charge required in fiscal 2007.

SIR adopted the provisions of CICA Handbook Section 3110, Asset Retirement Obligations, effective August 30, 2004 with respect to estimated lease end remediation costs. SIR has estimated an asset retirement liability of $0.3 million (2007 - $0.3 million) and a corresponding leasehold improvement of $0.05 million (2007 - $0.06 million) as at August 31, 2008.

SIR follows the asset and liability method of accounting for income taxes. Future income tax assets are recognized only to the extent that Management determines it is more likely than not that the future income tax assets will be realized. At August 31, 2008, SIR had approximately $23.4 million in non-capital losses carried forward in Canada available to reduce taxable income in future years. At August 31, 2008, SIR has recognized $0.4 million of the benefit of these losses in the financial statements. SIR recorded a valuation allowance of $7.7 million at August 31, 2008 against the net future tax assets. Future changes in the valuation allowance are thus expected based on changes in Management's assessment of the likelihood of realizing the future tax asset, and will directly impact income tax expense and therefore net income.

In prior years, SIR has recorded a provision for impairment of loans receivable resulting from the potential risk that the loan recipient will not be able to make the required payments. Management continually monitors payment patterns and investigates past-due accounts to assess the likelihood of collections to estimate the required provisions, if any. During fiscal 2008, SIR received repayment of $0.2 million against the loans receivable and through SIR's review for impairment, SIR determined that a recovery of the provision for loans receivable of $0.4 million was required. If the financial condition of its loan recipients were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required.

SIR has established a management bonus program that provides restaurant managers and area directors with the opportunity to earn a bonus based on the cash flows of the restaurant(s). The percentage of cash flow earned depends on the years of service and ranges up to 10%. The managers and area directors also have the opportunity to earn a bonus upon leaving SIR, if he/she has at least five years of service. This bonus is based on the value of the restaurant(s) at that time using cash flows over a three-year period and a percentage that ranges from 2% to 10%. Upon leaving the plan, a participant's bonus is paid in three installments over a two-year period. Estimates made by Management in determining the amount of accrual for the bonus are dependent upon the performance of the restaurant and termination rates of managers.

Changes in Accounting Policies, Including Initial Adoption

Handbook Section 3855, Financial Instruments - Recognition and Measurement, prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet, and at what amount – in certain instances using fair value and in others using cost-based measures. It also specifies how financial instrument gains and losses are to be presented. SIR has adopted this standard effective August 27, 2007.

Effective August 27, 2007, SIR elected to classify its cash and cash equivalents as held for trading which are carried at fair value and to classify its accounts receivable and notes receivable as loans and receivables which are carried at amortized cost. SIR's trade accounts payable and accrued liabilities, construction accounts payable and accrued liabilities, amount due to related parties, long-term debt and loan payable to SIR Royalty Income Fund, are classified as other liabilities and are also carried at amortized cost.

Effective August 27, 2007, deferred financing fees of $5.3 million are recognized as an offset to the carrying value of the SIR Loan and long-term debt and are amortized using the effective interest rate method. Prior to August 27, 2007, deferred financing fees related to the SIR Loan and long-term debt are presented as a separate asset on the audited consolidated balance sheet and are amortized on a straight-line basis over the terms of the loans.

Handbook Section 1530, Comprehensive Income, introduces a new requirement to temporarily present certain gains and losses outside net income. SIR has adopted this standard effective August 27, 2007. Financial statements of prior periods are required to be restated for certain comprehensive income items. In addition, an enterprise is encouraged, but not required, to present reclassification adjustments in comparative financial statements provided for earlier periods. SIR has determined that it does not have any comprehensive income items requiring restatement or reclassification, except for the currency translation adjustment. Effective August 27, 2007, the currency translation adjustment is disclosed as an accumulated other comprehensive income item in shareholders' deficiency on the audited consolidated balance sheets.

Handbook Section 3865, Hedges, establishes standards for when and how hedge accounting may be applied. Hedge accounting is optional. Retroactive application is not permitted. SIR has adopted this standard effective August 27, 2007. SIR has no arrangements for hedging, and the adoption of this standard did not have any impact on SIR.

Recently Issued Accounting Pronouncements

Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for SIR for interim and annual financial statements beginning on September 1, 2008. Management has not yet determined the impact of the adoption of this change on the disclosure in its financial statements.

The Accounting Standards Board has recently announced that the adoption of Section 1530 – Comprehensive, Section 1651 – Foreign Currency Translation, Section 3051 – Investments, Section 3251 – Equity, Section 3855 – Financial Instruments – Recognition and Measurement, Section 3862 – Financial Instruments – Disclosures, Section 3863 – Financial Instruments – Presentation and Section 3865 – Hedges, are not required for non-publically accountable enterprises. The Company is evaluating whether it will adopt these standards for their fiscal 2009 consolidated financial statements.

Handbook Section 3862, Financial Instruments - Disclosures, increases the disclosures currently required that will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable. This standard, if adopted, is effective for SIR for interim and annual financial statements beginning on September 1, 2008. Management has not yet determined the impact of the adoption of this change on the disclosure in its financial statements.

Handbook Section 3863, Financial Instruments – Presentation, replaces the existing requirements on presentation of financial instruments which have been carried forward unchanged to this new section. This standard, if adopted, is effective for SIR for interim and annual financial statements beginning on September 1, 2008. Management does not expect the adoption of this standard to have a material impact on presentation in its financial statements.

Handbook Section 3064 Goodwill and intangible assets replaces Handbook Section 3062 – Goodwill and intangible assets and Handbook Section 3450 – Research and development costs and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of IFRS IAS 38, Intangible assets. This standard is effective for the Company for interim and annual financial statements beginning on August 31, 2009. Management has determined that the capitalization of restaurant pre-opening costs will no longer be permitted. However, Management has not yet quantified the impact of this change. Management has not yet determined the impact of the adoption of this change related to its goodwill and other intangible assets in its consolidated financial statements.

Handbook Section 3031 –Inventories replaces Handbook Section 3030 – Inventories and proves more guidance on the measurement and disclosure requirements for inventories. The new standard allows the reversal of previous write downs to net realizable value when there is a subsequent increase in the value of inventories. The standard is effective for SIR for the interim and annual consolidated financial statements beginning on September 1, 2008. Management has not yet determined the impact of the adoption of this change related to its inventories in its consolidated financial statements.

International Financial Reporting Standards: The CICA plans to converge Canadian GAAP with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. Management is evaluating whether or not SIR is required to adopt IFRS and has not yet determined the impact.

Financial Instruments and Other Instruments

SIR's financial instruments consist of cash and cash equivalents, accounts receivable, advances, loans and notes receivable, bank indebtedness, trade accounts payable and accrued liabilities, construction accounts payable and accrued liabilities, long-term debt and loan payable to the Fund. The fair values of these instruments approximate their carrying amounts due to their short-term maturity, or, in the case of the advances, loans and notes receivable, the fair values of these items do not differ significantly from their carrying values. The fair value of the long-term debt is $11.4 million. The fair value of the loan payable to the Fund could only be determined through the valuation of the debt. As a result, the determination of the fair value is not practical within the constraints of timeliness and cost.

SIR's financial instruments exposed to credit risk include cash and cash equivalents. SIR places its cash and cash equivalents with institutions of high credit worthiness. Accounts receivable primarily comprise amounts due from major credit card companies, and as such, Management believes that its accounts receivable credit risk exposure is limited. The loan payable to the Fund has a fixed interest rate of 7.5% per annum and therefore changes in interest rates would not impact interest expense on the consolidated statements of earnings and comprehensive income. However, the fair value of the loan payable to the Fund will vary with changes in interest rates. SIR is exposed to exchange rate risk in respect of transactions and certain guarantees denominated in U.S. dollars.

Risks and Uncertainties

The performance of SIR is dependent on many factors. The restaurant industry generally, and in particular, the casual and fine dining segment of this industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. Recently, competition has increased in the mid-price, full-service, casual and fine dining sectors in which many of the SIR Restaurants operate. In addition, factors such as inflation, increased food, labour and benefits costs, taxes, government regulations (including those governing alcoholic beverages), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants affect the restaurant industry in general and therefore SIR. Please refer to the Fund's March 31, 2008 Annual Information Form for further discussion on risks and uncertainties related to SIR.

SIR is the holder of partnership interests in the Partnership. The Fund is also an indirect holder of partnership interests in the Partnership. The income of the Fund must be computed and will be taxed in accordance with Canadian tax laws. There is no assurance that Canadian federal income tax laws respecting the treatment of trusts will not be changed in a manner which adversely affects Unitholders. On October 31, 2006, the Federal Department of Finance announced a plan that proposes changes to the manner in which distributions from certain publicly listed flow-through entities ("FTE's") including income funds are taxed. The proposed changes to the current legislation would have certain distributions of FTEs' income subject to tax at corporate income tax rates and investors in the FTE would be taxed as though the distributions were dividends. Existing Income Trusts would not be subject to this proposed taxation of distributions until the 2011 taxation year so long as the Fund meets the requirements for "normal growth". On December 15, 2006, the Federal Department of Finance released guidance provisioning the amount of growth that FTE's are permitted to experience without jeopardizing its deferral of these new proposed taxation rules. The 2011 date will hold for those FTE's whose equity capital growth does not exceed the greater of $50 million and the FTE's market capitalization as of the end of trading on October 31, 2006. The proposed legislation was enacted in June, 2007. As a result, the Fund recorded a future income tax expense in their interim financial statements.

SIR is considering this announcement and the possible impact of the proposed rules to it and to the Fund. The proposed rules may adversely affect the value and marketability of SIR's indirect interests in the Fund, and at such time as the proposed rules apply to the Fund, the distributable cash of the Fund may be materially reduced. As a result, the proposed rules may adversely affect SIR, as the holder of partnership interests which are convertible into units of the Fund, as well as the Fund and its Unitholders. SIR intends to continue to assess and plan for their expected impact. Changes may prove necessary to seek to adapt to any new tax laws with a view to attempting, where practicable, to minimize their overall adverse effects.

Outlook

SIR intends to continue to focus on growing existing restaurant revenues and expanding the number of SIR Restaurants subject to the SIR Rights in Canada. Since October 2004, the Fund's Initial Public Offering, SIR has opened fourteen new restaurants to date.

It is expected that six new locations will be added to the Royalty Pooled Restaurants effective January 1, 2009. These locations include the new Jack Astor's that opened on April 7, 2008 and the new Canyon Creek that opened on April 8, 2008, both near the Toronto Pearson International Airport, the new Jack Astor's that opened on May 5, 2008, at the corner of Yonge and Dundas Streets in downtown Toronto, Ontario, the new Jack Astor's in the closed Brasserie Frisco location that opened on July 7, 2008, the new Jack Astor's near the corner of Don Mills Road and Lawrence Avenue in Toronto, Ontario that opened on October 7, 2008, and the new Jack Astor's at one of Toronto's busiest and most highly-visible locations; the corner of Yonge and Bloor Streets that opened on October 31, 2008.

Three new Jack Astor's restaurants were added to the Royalty Pooled Restaurants effective January 1, 2008 (Jack Astor's in Hamilton, Ontario and Dartmouth, Nova Scotia, which both opened during fiscal 2007 and Jack Astor's in Burlington, Ontario which opened in Q1 of fiscal 2008). Two closed restaurants were removed from the Royalty Pooled Restaurants effective January 1, 2008.

SIR intends to slow its growth from its previously stated goal of reaching a total restaurant count of 68 restaurants by December 2010. SIR currently has 45 restaurants open in Canada. It has secured 3 additional sites, one with a planned opening in 2009 and two with planned openings in 2011. Given the current economic environment, SIR has determined the most prudent course of action is to reduce its growth plans and control its leverage. Additional sites will be considered, however growth is expected to be slowed for at least the next calendar year.

On one of the three secured sites mentioned above, SIR has plans to construct a Jack Astor's in Boisbriand, Quebec which is expected to open in calendar year 2009 and be added to the Royalty Pool on January 1, 2010. The remaining two new sites at the corner of Yonge and Gerrard Streets, in Toronto, Ontario are expected to open in calendar year 2011. SIR is not intending to proceed with one previously announced site (a Canyon Creek in Brampton, Ontario).

During Q1 of fiscal 2008, renovations at Soul of the Vine took place in order to introduce an innovative bakery concept, Petit Four, which targets the lucrative catering and take-out markets in the downtown Toronto core. Initial media coverage of this new concept has been positive and Management anticipates increased SSS[(1)]. During Q2 of fiscal 2008, renovations began in the remaining space of Soul of the Vine, converting it into FOUR restaurant. The restaurant was closed for 32 days for the renovation, 16 days in each of Q2 and Q3. FOUR opened on February 27, 2008 as a new healthy upscale restaurant focusing on guilt-free dining, with each dish having less than 650 calories. Petit Four and FOUR are not being treated as New Restaurants under the License and Royalty Agreement. The revenue for both restaurants have been added to Pooled Revenue from their date of opening and SIR did not and will not be converting any Class B GP Units into Class A GP Units of the Partnership in exchange for these additional revenue streams.

During Q1 of fiscal 2008, SIR renovated the Armadillo Steak House/the Loose Moose Tap & Grill and is now operating the entire space as the Loose Moose Tap & Grill. Subsequent to this renovation, SSSG[(1)] at the new Loose Moose Tap & Grill have improved.

SIR has completed its successful Jack Astor's evolution program by completing the evolution of the last of the original Jack Astor's restaurants in Q2 of fiscal 2008.

During Q4, SIR closed the Jack Astor's near the Square One shopping mall in Mississauga, Ontario for two days, to make exterior and audio visual updates and modifications to the bar and lobby area.

Subsequent to year end, SIR closed the Alice Fazooli's near the Square One shopping mall in Mississauga, Ontario, for 10 days to complete a repositioning and renovation. The intent of these changes was to broaden Alice Fazooli's market penetration, similar to the previously completed Evolutions of the Jack Astor's (2004 through 2007). Management will review the performance of this repositioning to assess its applicability across the rest of the Alice Fazooli's restaurants.

SIR's Concept Restaurants have been supported by advertising initiatives, including radio-based advertising. All three Concept Restaurants aired multiple station radio campaigns during fiscal 2008 and SIR expects to continue with the Jack Astor's radio based advertising**.**

Management believes that the weaker economic conditions during 2008 have contributed to an observed reduction in the velocity of growth in the steakhouse segment, where Canyon Creek competes. Management is not expecting an improvement in these conditions over the remainder of the year.

Management believes that there are sufficient cash resources retained in SIR from its cash generated by operations and its financing arrangements to fund its working capital requirements and current commitments for estimated construction costs for new restaurants. SIR has entered into capital lease arrangements to lease restaurant equipment for up to $1.0 million. In addition, a lender has approved a $16.0 million credit facility to help facilitate SIR's restaurant expansion plans (see Liquidity and Capital Resources section).

On October 31, 2006, the Federal Department of Finance announced a plan that proposes changes to the manner in which distributions from certain publicly listed flow-through entities ("FTE's") including income funds are taxed. However, existing Income Trusts would not be subject to this proposed taxation of distributions until the 2011 taxation year so long as the Fund meets the requirements for "normal growth". The proposed legislation was enacted in June, 2007. As a result, the Fund recorded a future income tax expense in their interim financial statements. The Trustees of the Fund and senior management of SIR will continue to monitor this development.

During the 17 and 53-week period ended August 31, 2008, the U.S. operating losses of JACL consumed cash flow of $0.1 million and $0.4 million, respectively ($0.1 million and $1.2 million for the 16 and 52-week period ended August 26, 2007). In fiscal 2007, additional cash was required to fund the renovation that occurred at the U.S. location, at the end of fiscal 2006 and to repay certain debt.

Management is carefully monitoring SIR's business to assess whether current economic conditions and consumer confidence are translating into more clearly identifiable sales trends.

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

During fiscal 2008, SIR has made significant investments in both new and existing restaurants. Going forward, it expects to continue to do so, although at a slower rate than previously anticipated. This will set in place a foundation for anticipated sales growth. SIR management is committed to maximizing the performance of all of its restaurants.

Forward Looking Information

Statements in this report, 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 securities laws. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this document, such statements may include, among other language, such words as "may", "will", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology. 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. These forward-looking statements involve a number of risks and uncertainties. The following are some of the factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition; changes in demographic trends; changing consumer preferences and discretionary spending patterns; changes in national and local business and economic conditions; 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. 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 contained herein to reflect any change in expectations, estimates and projections with regard thereto or any changes in events, conditions or circumstances on which any statement is based, except as expressly required by law. This Management Discussion and Analysis is provided as of November 21, 2008**.**

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 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, in estimating the revenues for the three new Jack Astor's restaurants, Management has assumed that they will operate consistent with other Jack Astor's restaurants. For more information concerning the Fund's risks and uncertainties, please refer to the October 2004 final prospectus, and/or its March 31, 2008 Annual Information Form, all of which are available under the Fund's profile at www.sedar.com.

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