SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

SECOND QUARTER

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2009

SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

(For the 3 and 6-month periods ended June 30, 2009)

In the Fiscal 2009 Second Quarter MD&A originally transmitted on August 13, 2009, an error occurred on page 3 in the third column of the "Same Store Sales" table, as well as in the description of the same on pages 3 and 10. The figure (0.8%) for Jack Astor's six-month year-to-date same store sales should have read (3.4%) and the figure (5.1%) for the overall six-month year-to-date same store sales should have read (6.7%). Corrected copy follows:

Executive Summary

Highlights for the 3-month period ended June 30, 2009 ("Q2") and 6-month period ended June 30, 2009 ("YTD") for SIR Royalty Income Fund (the "Fund") include:

- Net earnings of the Fund were $1.9 million and $3.6 million for Q2 and YTD 2009, respectively as compared to $2.0 million and $3.8 million for Q2 and YTD 2008, respectively. Net earnings per Fund Unit were $0.35 and $0.67 for Q2 and YTD 2009, respectively and $0.37 and $0.71 for Q2 and YTD 2008, respectively.
- Distributable cash(1) per Fund Unit, both on a basic and diluted basis decreased to $0.35 for Q2 2009 from $0.37 for Q2 2008 and to $0.67 for YTD 2009 from $0.71 for YTD 2008.
- The payout ratio(1) increased to 97.5 % in Q2 of 2009 from 90.6% in Q2 of 2008.
- Pooled Revenue increased by 9.3% in Q2 of 2009 to $49.6 million, from $45.4 million in Q2 of 2008.
- The overall decline in same store sales(2) ("SSS") for the Royalty Pooled Restaurants for Q2 2009 was 7.6%.
- Decline in SSS(2) for Q2 by operating segment were as follows: Jack Astor's® 4.0%, Canyon Creek® 14.2%, Alice Fazooli's® 9.8% and the Signature Restaurants 19.8%.
- Management believes that the recent weaker economic conditions are the primary driver of the year-over-year SSS(2) declines. Management believes that restaurants with a higher average cheque, such as Alice Fazooli's, Canyon Creek and the downtown Toronto Signature Restaurants tend to experience a greater decline in sales volumes during economic downturns. Jack Astor's, which accounts for approximately 68% of Pooled Revenue has been affected, but to a lesser extent than the other concepts and it is believed that it is due to its somewhat lower average cheque.
- On January 1, 2009, the five new Jack Astor's restaurants and one Canyon Creek restaurant that opened in 2008 were added to Royalty Pooled Restaurants.
- SIR has secured sites for three additional new restaurants: one with an expected opening in 2010 and two with expected openings in 2011.
- While SIR is not owned by the Fund, the Fund is economically dependent upon SIR. SIR files its unaudited interim and audited annual consolidated financial statements and Management's Discussion and Analysis ("MD&A") on SEDAR under the Fund's listing named "Other". SIR's Q3 unaudited consolidated financial statements and MD&A are listed having a filing date of June 24, 2009.

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

(2) Same store sales ("SSS") and same store sales growth ("SSSG") are non-GAAP financial measures that do not have standardized meanings prescribed by GAAP. However, the Fund believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. The Fund's method of calculating SSS and SSSG may differ from those of other issuers and, accordingly, SSS and SSSG may not be comparable to measures used by other issuers. SSS includes revenue from all SIR Restaurants included in Pooled Revenue except for Brasserie Frisco®, the Jack Astor's and Canyon Creek restaurants located near the Toronto Pearson International Airport, the Jack Astor's located at the corner of Yonge and Dundas Streets, on John Street, near the corner of Don Mills Road and Lawrence Avenue and at the corner of Yonge and Bloor Streets, all located in Toronto, Ontario as these locations were not open for the entire comparable periods in fiscal 2009 and fiscal 2008. The US restaurant is not part of SSS.

Same Store Sales[(2)]

(unaudited)

SIR reported to the Fund that SSS[(2)] have declined by 7.6% for Q2 2009 and 6.7% for YTD 2009 (please see the table below). Management believes that the recent weaker economic conditions are the primary driver of the decline in SSS[(2)] and that Jack Astor's somewhat lower average cheque has contributed to reducing the impact of the economy and consumer confidence on Jack Astor's revenue in 2009. Management believes that restaurants with higher average cheques such as Alice Fazooli's, Canyon Creek and the downtown Toronto Signature Restaurants tend to experience a greater decline in sales volumes during economic downturns. The Canadian Restaurant and Foodservices Association ("CRFA"), in its Long Term Foodservice Forecast, prepared in January 2009, projected that sales in the Canadian full service restaurant category will decline by 3.1% in 2009. While the YTD 2009 SSS[(2)] declines for Jack Astor's is less than this forecast, Alice Fazooli's, Canyon Creek and the downtown Toronto Signature Restaurant's have experienced YTD 2009 SSS[(2)] declines greater than this forecast. Management is not expecting an improvement in these conditions in the near future.

The decline in SSS[(2)] in Q2 2009 was 4.0% for Jack Astor's, 14.2% for Canyon Creek, 9.8% for Alice Fazooli's and 19.8% for the Signature Restaurants, which are located in downtown Toronto. The decline in SSS[(2)] for YTD 2009 was 3.4% for Jack Astor's, 12.2% for Canyon Creek, 8.3% for Alice Fazooli's and 16.7% for the Signature Restaurants.

SSSG[(2)] for the Royalty Pooled Restaurants	**3-month period ended June 30, 2009**	**3-month period ended June 30, 2008**	**6-month period ended June 30, 2009**	**6-month period ended June 30, 2008**
		(unaudited)		
Jack Astor's	(4.0%)	6.6%	(3.4%)	4.3%
Canyon Creek	(14.2%)	6.2%	(12.2%)	3.2%
Alice Fazooli's	(9.8%)	8.1%	(8.3%)	4.7%
Signature Restaurants	(19.8%)	7.6%	(16.7%)	5.8%
Overall SSSG[(2)]	**(7.6%)**	**6.8%**	**(6.7%)**	**4.3%**

Restaurant Renovations and Advertising

During the last five years, SIR has made significant investments in both new and existing restaurants. All but two of SIR's 45 restaurants have either been newly constructed or renovated within the past five years. This leaves SIR well positioned with modern and relevant concepts, which Management believes will help position SIR to work through the current economic downturn.

During Q4 of 2007, 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. In Q1 of 2008, renovations were completed in the remaining portion of Soul of the Vine, converting it into FOUR™ restaurant. FOUR opened on February 27, 2008 and is a new healthy upscale restaurant focusing on guilt-free dining with each dish having less than 650 calories. Neither FOUR nor Petit Four were being treated as New Restaurants under the License and Royalty Agreement. The revenues of Petit Four and FOUR were added to Pooled Revenue from their dates of opening and SIR did not convert any Class B GP Units into Class A GP Units of the SIR Royalty Limited Partnership (the "Partnership") in exchange for these additional revenue streams.

During Q3 2008, 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.

In Q4 2008, 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 the changes to Alice Fazooli's was to broaden its 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.

As a result of the current economic conditions, in Q1 2009, SIR shifted some of its marketing focus to individual restaurant initiatives. However, during Q2 2009, SIR launched its exciting new advertising campaign, "Get Fresh" for Jack Astor's. The campaign, which ran during and subsequent to Q2 2009, includes direct mail, radio and television banner advertisements supporting Jack Astor's key markets. Subsequent to Q2 2009, SIR launched a 4-week media campaign for Canyon Creek that includes print, television, on-line and radio advertisements.

(2) See footnote (2) on page 2

New and Closed Restaurants

In Q2 2008, a Jack Astor's and a Canyon Creek restaurant were opened on April 7 and April 8, 2008, respectively, near the Toronto Pearson International Airport and a Jack Astor's was opened at the corner of Yonge and Dundas Streets in Toronto, Ontario, on May 5, 2008. In Q3 2008, on July 7, 2008, a Jack Astor's was opened in the former Brasserie Frisco location on John Street in Toronto, Ontario, in the heart of the entertainment district. In Q4 2008, on October 6, 2008, a Jack Astor's was opened near the corner of Don Mills Road and Lawrence Ave in Toronto, Ontario in a "lifestyle mall" where a former Jack Astor's restaurant existed. This former Jack Astor's was closed in fiscal 2006 and removed from Royalty Pooled Restaurants effective January 1, 2007. Also, on October 31, 2008, a Jack Astor's was opened at the corner of Yonge and Bloor Streets in Toronto, Ontario. These six restaurants were added to Royalty Pooled Restaurants effective January 1, 2009 as New Additional Restaurants.

SIR has secured three new sites for SIR restaurants. A Jack Astor's in Boisbriand, Quebec is estimated to open in fiscal 2010. Two new restaurants at the corner of Yonge and Gerrard Streets in Toronto, Ontario are estimated to open in fiscal 2011. SIR Management continues to monitor current economic conditions and consumer confidence. Based on its assessment of these conditions, the timing of restaurant construction and opening schedules will be reviewed regularly by SIR Management and adjusted as necessary.

Distributions

Distributions to Unitholders are intended to be made monthly in arrears based on distributable cash(1) and cash redemptions of Fund Units and subject to the Fund retaining such reasonable working capital and other reserves as may be considered appropriate by the Trustees of the Fund. The Fund's intention, with the assistance of SIR, is to pay even distributions, and if possible, allow the Fund to maintain consistent monthly distributions to Unitholders. The Fund intends to make monthly distributions of its available distributable cash(1) to the extent possible and has paid its expected monthly cash distribution of $0.10 per Unit per month, or more, since inception. The estimated annualized distribution for 2009 is now $1.38 per Unit. Please refer to the chart on page 10 for a summary of monthly distributions since inception.

The payout ratio(1) of cash distributed to distributable cash(1) is intended to average 100% per annum over the longer term. Since the Fund pays even monthly distributions when its underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR), there are times during the year when the payout ratio(1) may exceed or could be lower than 100%. The payout ratio(1) in Q2 2009 was 97.5% compared to 90.6% in Q2 2008 and was 102.8% in YTD 2009 compared to 93.9% in YTD 2008.

Overview and Business of the Fund

On October 1, 2004, the Fund filed a final prospectus for a public offering of Units of the Fund. The net proceeds of the Offering of $51.2 million were used by the Fund to acquire, directly, certain bank debt of SIR and indirectly, through SIR Holdings Trust (the "Trust"), all of the Ordinary LP Units of the Partnership. The Partnership owns the Canadian trademarks (the "SIR Rights") formerly owned or licensed by SIR or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada. The Partnership has granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants (the "License and Royalty Agreement"). The Partnership also issued its own securities to SIR in return for the SIR Rights acquired. The Fund indirectly participates in the revenue generated under the License and Royalty Agreement through its investment in the Partnership. The Partnership's financial statements are provided separately at www.sedar.com under the SIR Royalty Income Fund profile "other" category and on SIR's website at www.sircorp.com.

The Fund intends to make monthly distributions of its available cash to the extent possible. During the quarter, monthly distributions of $0.6 million or $0.115 per Unit were declared and paid for each of the months of March, April, and May 2009. Subsequent to June 30, 2009, a distribution of $0.115 per Unit was declared and paid for the month of June 2009 and a distribution of $0.115 per Unit was declared for the month of July 2009.

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

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(1) See footnote (1) on page 2

Overview and Business of SIR and the Partnership

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at June 30, 2009, SIR operated 45 Concept Restaurants and Signature Restaurants in Canada (in Ontario, Quebec, Alberta and Nova Scotia). The Concept Restaurants are Jack Astor's Bar and Grill®, Canyon Creek Chop House® and Alice Fazooli's. The Signature Restaurants are *reds*®, Far Niente®/Petit Four and FOUR, and the Loose Moose Tap & Grill®. As at June 30, 2009, 45 SIR Restaurants were included in Royalty Pooled Restaurants. On January 1, 2009, the five new Jack Astor's restaurants and one new Canyon Creek restaurant that opened in 2008 were added to Royalty Pooled Restaurants. During Q2 2009, SIR acquired the non-controlling interest in Jack Astor's Don Mills Limited and therefore now owns 100% of its Canadian restaurants.

SIR also owns one Jack Astor's restaurant in the U.S., which is not included in Royalty Pooled Restaurants.

The Partnership has granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6.0% of the revenue of the Royalty Pooled Restaurants. The Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

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

The revenues of the new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2008 exceeded 80% of the Initial Adjustment's estimated revenue and, as a result, a Conversion Distribution of $0.18 million (2008 - $0.08 million) was declared in December 2008 and paid in cash to SIR in January 2009. Assuming the revenues of the six new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2009 exceed 80% of the Initial Adjustment's estimated revenue, additional Class A GP Units would be expected to be issued to SIR effective January 1, 2010 and a Conversion Distribution would be expected to be declared in December 2009, and paid in cash to SIR in January 2010.

On January 1, 2009, six (2008 - three) new SIR Restaurants were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of six (2008 – three) new restaurants on January 1, 2009, as well as the Second Incremental Adjustment for the three (2008 – three) new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2008, SIR converted a portion of its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. The number of Class B GP Units that SIR converted to Class A GP Units was reduced by an adjustment for the closure of nil (2008 – two) SIR Restaurants during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 1,076,871 (2008 – 193,535) Class B GP Units of the Partnership into 1,076,871 (2008 – 193,535) Class A GP Units of the Partnership on January 1, 2009 at an estimated fair value of $6.0 million (2008 - $1.5 million). As a result of this exchange, SIR's interest in the Partnership increased to 33.7% effective January 1, 2009 (2008 – 23.5%).

As at June 30, 2009, SIR retained a 33.7% (2008 – 23.5%) interest in the Partnership as the holder of the 2,725,415 (2008 – 1,648,544) Class A GP Units of the Partnership, representing SIR's initial retained interest as at the closing date of the Offering plus the Class A GP Units that were received as part of the conversions that took place on January 1, 2006, January 1, 2007, January 1, 2008, and January 1, 2009 when the net new restaurants were vended into Royalty Pooled Restaurants. The Class A GP Units are entitled to receive a pro rata share of all residual distributions of the Partnership and are exchangeable into Units of the Fund on a one for one basis. SIR is obligated to pay the Partnership a "Make-Whole Payment", subject to certain terms, initially equal to the amount of the Royalty that otherwise would have been paid to the Partnership in the event of a permanent closure of a Royalty Pooled Restaurant. SIR is not required to pay a "Make-Whole Payment" in respect of a closed Royalty Pooled Restaurant following the date on which the number of restaurants in Royalty Pooled Restaurants is equal to or greater than 68, or following October 12, 2019, whichever occurs first. However, other adjustments or payments may still be required in respect of closed restaurants after such date by SIR, depending upon the circumstances.

SIR's fiscal year is comprised of 13 periods of four weeks each, ending on the last Sunday in August. To preserve this year-end, an additional week must be added approximately every five years. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks. SIR's fiscal 2008 year consisted of 53 weeks while SIR's fiscal 2009 year will consist of 52 weeks.

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

Seasonality

The full service restaurant sector of the Canadian foodservice industry, in which SIR operates, experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenues during SIR's fourth quarter (ending the last Sunday in August) when patios have been open for an extended period. Additionally, certain holidays and observances also affect guest dining patterns both favourably and unfavourably. Accordingly, distribution income recognized by the Fund will vary in conjunction with the seasonality in revenue experienced by SIR. The Fund's intention, with the assistance of SIR, is to pay even distributions in order to reduce the effect of seasonality, and if possible, allow the Fund to maintain consistent monthly distributions to Unitholders.

Selected Consolidated Financial Information

The unaudited consolidated financial statements of the Fund are presented in Canadian dollars, are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Fund and its subsidiaries, namely the Trust and SIR GP Inc. The information in this Management's Discussion and Analysis should be read in conjunction with the annual consolidated financial statements of the Fund, including the notes thereto. The Fund has been in existence since August 23, 2004, and began operating on October 12, 2004 upon closing of the Offering.

The following tables set out selected financial information of the Fund and the Partnership:

Financial Highlights

(in thousands of dollars except restaurants and per Unit amounts) (unaudited)	**3-month period ended June 30, 2009**	**3-month period ended June 30, 2008**	**6-month period ended June 30, 2009**	**6-month period ended June 30, 2008**
Royalty Pooled Restaurants	45	39	45	39
Pooled Revenue generated by SIR	49,627	45,424	95,119	87,448
6% of Pooled Revenue	2,977	2,725	5,707	5,247
Partnership other income	6	15	15	32
Partnership expenses	(27)	(24)	(73)	(68)
Partnership earnings	2,956	2,716	5,649	5,211
SIR's interest (Class A, B and C GP Units)	(1,715)	(1,360)	(3,330)	(2,668)
Partnership income allocated to Fund[(3)]	1,241	1,356	2,319	2,543
Interest income[(4)]	750	750	1,500	1,500
Total income of the Fund	1,991	2,106	3,819	4,043
General & administrative expenses	(96)	(124)	(224)	(248)
Net earnings for the period	1,895	1,982	3,595	3,795
Basic earnings per Fund Unit (5,356,667 Units)	$0.35	$0.37	$0.67	$0.71
Diluted earnings per Fund Unit (2009 – 8,082,082 Units; 2008 – 7,005,211 Units)[(5)]	$0.35	$0.37	$0.67	$0.71

For the 6-month period from January 1, 2009 to June 30, 2009, the Fund declared and paid a distribution of $0.115 per Unit for each of the months from December 2008 through May 2009. Subsequent to June 30, 2009, the Fund declared and paid a distribution of $0.115 per Unit for the month of June 2009. The Fund also declared a distribution of $0.115 per Unit for the month of July 2009, payable in August 2009.

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

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

(5) Diluted earnings per Fund Unit is calculated as follows: Net earnings for the period plus the distributions related to the Class A GP Units plus (less) future income tax recovery (expense), which together total $2.9 million and $5.4 million for the 3-month and 6-month periods ended June 30, 2009, respectively, divided by the weighted average number of Fund Units outstanding of 8,082,082 Units. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 2,725,415. Diluted earnings per Fund Unit for 2008 is calculated as follows: Net earnings for the period plus the distributions related to the Class A GP Units plus (less) future income tax recovery (expense), which together total $2.6 million and $5.0 million for the 3-month and 6-month periods ended June 30, 2008, respectively, divided by the weighted average number of Fund Units outstanding of 7,005,211 Units. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 1,648,544.

Summary of Quarterly Financial Information

(in thousands of dollars except restaurants and per Unit amounts) (unaudited)	**3-month period ended** June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
Royalty Pooled Restaurants	45	45	39	39	39	39	38	38
Pooled Revenue generated by SIR	49,627	45,492	43,902	43,680	45,424	42,024	42,132	40,814
6% of Pooled Revenue	2,977	2,730	2,635	2,621	2,725	2,521	2,528	2,449
Make-Whole Payment(6)	-	-	-	-	-	-	34	-
Total Royalty income to Partnership	2,977	2,730	2,635	2,621	2,725	2,521	2,562	2,449
Partnership other income	6	9	13	15	15	17	15	15
Partnership expenses	(27)	(46)	(24)	(21)	(24)	(43)	(16)	(27)
Partnership earnings	2,956	2,693	2,624	2,615	2,716	2,495	2,561	2,437
SIR's interest (Class A, B and C GP Units)	(1,715)	(1,615)	(1,477)	(1,339)	(1,360)	(1,308)	(1,355)	(1,252)
Partnership income allocated to Fund(3)	1,241	1,078	1,147	1,276	1,356	1,187	1,206	1,185
Interest income(4)	750	750	750	750	750	750	750	750
Total income of the Fund	1,991	1,828	1,897	2,026	2,106	1,937	1,956	1,935
General & administrative expenses	(96)	(128)	(113)	(110)	(124)	(124)	(89)	(85)
Net earnings before income taxes of the Fund	1,895	1,700	1,784	1,916	1,982	1,813	1,867	1,850
Future income taxes	-	-	-	-	-	-	56	-
Net earnings for the period	1,895	1,700	1,784	1,916	1,982	1,813	1,923	1,850
Basic earnings per Fund Unit (5,356,667 Units)	$0.35	$0.32	$0.33	$0.36	$0.37	$0.34	$0.36	$0.35
Diluted earnings per Fund Unit (2009 – 8,082,082 Units; 2008 – 7,005,211 Units; 2007 – 6,811,676 Units)(7)	$0.35	$0.32	$0.33	$0.36	$0.37	$0.34	$0.36	$0.35

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(3) *See footnote (3) on page 7*

(4) *See footnote (4) on page 7*

(6) *The Jack Astor's in Burlington, Ontario and the Brasserie Frisco were closed on September 29, 2007 and December 22, 2007, respectively. Under the terms of the License and Royalty Agreement, SIR was required to pay a Make-Whole Payment for these locations from the date of the closure until December 31st of the year of closure.*

(7) *Diluted earnings per Fund Unit is calculated as follows: Net earnings for the period plus the distributions related to the Class A GP Units plus (less) future income tax recovery (expense), which together total $2.9 million and $2.6 million for the 3-month periods ended June 30, 2009 and March 31, 2009, respectively, divided by the weighted average number of Fund Units outstanding of 8,082,082 Units. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 2,725,415. Diluted earnings per Fund Unit for 2008 is calculated as follows: Net earnings for the period plus the distributions related to the Class A GP Units plus (less) future income tax recovery (expense), which together total $2.3 million, $2.5 million, $2.6 million and $2.4 million for the 3-month periods ended December 31, 2008, September 30, 2008, June 30, 2008 and March 31, 2008 respectively, divided by the weighted average number of Fund Units outstanding of 7,005,211 Units. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 1,648,544. Diluted earnings per Fund Unit for 2007 is calculated as follows: Net earnings for the period plus the distributions related to the Class A GP Units plus (less) future income tax recovery (expense), which together total $2.4 million and $2.4 million for the 3-month periods ended December 31, 2007 and September 30, 2007, respectively, divided by the weighted average number of Fund Units outstanding of 6,811,676 Units. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 1,455,009.*

Distributable Cash[1]

(in thousands of dollars except per Unit amounts and payout ratio[1]) *(unaudited)*	**3-month period ended June 30, 2009**	**3-month period ended June 30, 2008**	**6-month period ended June 30, 2009**	**6-month period ended June 30, 2008**
Cash provided by operating activities	1,848	1,794	3,696	3,562
Add/(deduct): Net change in non-cash working capital items[8]	48	188	(100)	233
Distributable cash[1]	**1,896**	**1,982**	**3,596**	**3,795**
Cash distributed for the period	**1,848**	**1,794**	**3,696**	**3,562**
Surplus/ (shortfall) of distributable cash[1]	**48**	**188**	**(100)**	**233**
Payout ratio[1][9]	97.5%	90.6%	102.8%[11]	93.9%
Distributable cash[1] per Fund Unit basic (5,356,667 Units)	$0.35	$0.37	$0.67	$0.71
Distributable cash[1] per Fund Unit diluted (2009 – 8,082,082 Units; 2008 -7,005,211 Units; 2007 – 6,811,676 Units)[10]	$0.35	$0.37	$0.67	$0.71

Distributable Cash[1]

(in thousands of dollars except per Unit amounts and payout ratio[1]) *(unaudited)*	**3-month periods ended**							
	June 30, 2009	**March 31 2009**	**December 31, 2008**	**September 30, 2008**	**June 30, 2008**	**March 31, 2008**	**December 31, 2007**	**September 30, 2007**
Cash provided by operating activities	1,848	1,848	1,848	1,848	1,794	1,768	1,768	1,768
Add/(deduct): Net change in non-cash working capital items[8]	48	(148)	(64)	68	188	45	99	82
Distributable cash[1]	**1,896**	**1,700**	**1,784**	**1,916**	**1,982**	**1,813**	**1,867**	**1,850**
Cash distributed for the period	**1,848**	**1,848**	**1,848**	**1,848**	**1,794**	**1,768**	**1,768**	**1,768**
Surplus/ (shortfall) of distributable cash[1]	**48**	**(148)**	**(64)**	**68**	**188**	**45**	**99**	**82**
Payout ratio[1][9]	97.5%	108.7%	103.6%[11]	96.4%	90.6%	97.5%	94.7%[11]	95.6%
Distributable cash[1] per Fund Unit basic (5,356,667 Units)	$0.35	$0.32	$0.33	$0.36	$0.37	$0.34	$0.35	$0.35
Distributable cash[1] per Fund Unit diluted (2009 – 8,082,082 Units; 2008 -7,005,211 Units; 2007 – 6,811,676 Units)[10]	$0.35	$0.32	$0.33	$0.36	$0.37	$0.34	$0.35	$0.35

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

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

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

(10) *Diluted distributable cash per Fund Unit is calculated as follows: Distributable cash for the period plus the distributions related to the Class A GP Units, which together total $2.9 million and $2.6 million for the 3-month periods ended June 30, 2009 and March 31, 2009 divided by the weighted average number of Fund Units outstanding of 8,082,082 Units. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 2,725,415. Diluted distributable cash per Fund Unit for 2008 is as follows: Distributable cash for the period plus the distributions related to the Class A GP Units, which together total $2.3 million, $2.5 million, $2.6 million and $2.4 million for the 3-month periods ended December 31, 2008, September 30, 2008, June 30, 2008 and March 31, 2008, respectively, divided by the weighted average number of Fund Units outstanding of 7,005,211 Units. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 1,648,544. Diluted distributable cash per Fund Unit for 2007 is as follows: Distributable cash for the period plus the distributions related to the Class A GP Units, which together total $2.4 million and $2.4 million for the 3-month periods ended December 31, 2007 and September 30, 2007, respectively, divided by the weighted average number of Fund Units outstanding of 6,811,676 Units. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 1,455,009.*

(11) *The payout ratio for the fourth quarter of 2008 was affected by the $0.18 million (2007 - $0.08 million) Priority Special Conversion Distribution paid by the Partnership. This distribution was paid on the Class B GP Units that were converted to Class A GP Units, effective January 1, 2008 (January 1, 2007) related to the Second Incremental Adjustment for the restaurants added to Royalty Pooled Restaurants effective January 1, 2008 (January 1, 2007).*

Distributions to Unitholders are intended to be made monthly in arrears based on distributable cash[(1)] and cash redemptions of Fund Units and subject to the Fund retaining such reasonable working capital and other reserves as may be considered appropriate by the Trustees of the Fund. The Fund's intention, with the assistance of SIR, is to pay even distributions, and if possible, allow the Fund to maintain consistent monthly distributions to Unitholders. The Fund intends to make monthly distributions of its available distributable cash[(1)] to the extent possible and has paid, at least, its expected minimum monthly cash distribution of $0.10 per Unit per month since inception.

A history of monthly distributions is as follows:

Months Paid	Monthly Distribution per Unit	Annualized Distribution per Unit	Increase in Monthly Distribution
Inception to May, 2006	$0.100	$1.20	-
June, 2006 to May, 2007	$0.105	$1.26	5.0%
June, 2007 to May, 2008	$0.110	$1.32	4.8%
June, 2008 to date	$0.115	$1.38	4.5%

The payout ratio[(1)] of cash distributed to distributable cash[(1)] is intended to average 100% per annum. Since the Fund pays even monthly distributions when it's underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR), there are times during the year when the payout ratio may exceed or be lower than 100%. For the 3-month and 6-month periods ended June 30, 2009 the payout ratio[(1)] was 97.5% and 102.8%, respectively. For the 3-month and 6-month periods ended June 30, 2008 the payout ratio[(1)] was 90.6% and 93.9%, respectively. The payout ratio[(1)] for the 6-month period ended June 30, 2009 exceeded 100% largely due to the 4.5% increase in distributions to Unitholders (began with the distribution paid in June 2008) and the 6.7% decline in SSS[(2)]. The Trustees continue to review the appropriateness of distributions on an on-going basis.

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

	3-month period ended June 30, 2009	3-month period ended June 30, 2008	6-month period ended June 30, 2009	6-month period ended June 30, 2008
	(in thousands of dollars) (unaudited)			
Cash provided by operating activities	1,848	1,794	3,696	3,562
Net earnings for the period	1,896	1,982	3,596	3,795
Cash distributed for the period	1,848	1,794	3,696	3,562
Excess (shortfall) of cash provided by operating activities over cash distributed for the period[(12)]	**-**	**-**	**-**	**-**
Excess (shortfall) of net earnings for the period over cash distributions paid[(13)]	**48**	**188**	**(100)**	**233**

Balance Sheet

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

(in thousands of dollars) (unaudited)	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
Total assets	52,730	52,505	52,660	52,691	52,596	52,432	52,406	52,306
Unitholders' equity	51,626	51,578	51,726	51,790	51,722	51,534	51,489	51,334

(1) See footnote (1) on page 2

(2) See footnote (2) on page 2

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

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

Results of Operations - Fund

The Fund's revenue of $2.0 million for the 3-month period ended June 30, 2009 ($2.1 million for the 3-month period ended June 30, 2008) is comprised of distribution income from the Partnership of $1.2 million ($1.4 million for the 3-month period ended June 30, 2008) and interest income of $0.8 million ($0.8 million for the 3-month period ended June 30, 2008). Revenue of $3.8 million for the 6-month period ended June 30, 2009 ($4.0 million for the 6-month period end June 30, 2008) is comprised of distribution income from the Partnership of $2.3 million ($2.5 million for the 6-month period end June 30, 2008) and interest income of $1.5 million ($1.5 million for the 6-month period end June 30, 2008). Distribution income from the Partnership is the pro rata share of the residual distributions of the Partnership for the 3-month and 6-month periods ended June 30, 2009 and June 30, 2008. The distribution income received by the Fund has decreased from 2008 primarily due to the decline in SSS(2). Interest income is interest earned for the 3-month and 6-month periods ended June 30, 2009 and June 30, 2008 from the $40.0 million SIR Loan which bears interest at 7.5% per annum.

The Fund's operating expenses are limited to general and administration expenses and total $0.1 million and $0.2 million for the 3-month and 6-month periods ended June 30, 2009, respectively ($0.1 million and $0.2 million for the 3-month and 6-month periods ended June 30, 2008, respectively). These expenses include professional fees, directors' and officers' liability insurance premium, Trustees' fees, certain public company costs and other administrative fees.

Net earnings were $1.9 million for the 3-month period ended June 30, 2009 ($2.0 million for the 3-month period ended June 30, 2008) and were $3.6 million for the 6-month period ended June 30, 2009 ($3.8 million for the 6-month period ended June 30, 2008). Earnings per Fund Unit on both a basic and diluted basis were $0.35 and $0.67 for the 3-month and 6-month periods ended June 30, 2009, respectively ($0.37 and $0.71 for the 3-month and 6-month periods ended June 30, 2008, respectively).

Pooled Revenue

The Fund is indirectly dependent on the amount of the Royalty paid by SIR to the Partnership. The amount of this Royalty is dependent on Pooled Revenue. Pooled Revenue is the revenue of the SIR Restaurants included in Royalty Pooled Restaurants. As at June 30, 2009, there were 45 restaurants included in Pooled Revenue. Increases or decreases in Pooled Revenue are derived from same store revenue growth or decline, and new or closed SIR Restaurants subject to the SIR Rights. Pooled Revenue is affected by the risks associated with the operations and financial condition of SIR, the commercial foodservice industry generally and the casual and fine dining segment of the commercial foodservice industry in particular. The following table sets out Pooled Revenue for the 3-month and 6-month periods ended June 30, 2009 and June 30, 2008:

Summary of Pooled Revenue

(in thousands of dollars except number of restaurants included in Pooled Revenue) (Unaudited)	3-month period ended June 30, 2009		3-month period ended June 30, 2008		6-month period ended June 30, 2009		6-month period ended June 30, 2008	
	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue
Jack Astor's	34,788	29	29,133	24	65,062	29	55,182	24
Canyon Creek	6,601	8	6,698	7	13,504	8	13,418	7
Alice Fazooli's	4,920	5	5,455	5	9,251	5	10,087	5
Signature	3,318	3	4,138	3	7,302	3	8,761	3
Total included in Pooled Revenue	49,627	45	45,424	39	95,119	45	87,448	39

Liquidity and Capital Resources

The Fund has no third party debt. SIR currently has the $40 million SIR Loan owed to the Fund (which SIR can surrender its Class C GP Units in the Partnership as consideration for principal payments under the loan), certain debt related to U.S. operations which is recorded on the consolidated financial statements of SIR and also a credit agreement with a Canadian Schedule 1 bank (the "Credit Agreement"), a copy which has been filed on SEDAR. 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 trademarks and related intellectual property in return for royalty payments based on revenues, has been effected pursuant to the terms of an Interlender Agreement, a copy of which has also been filed on SEDAR.

The Credit Agreement is a 7-year facility for a maximum principal amount of $16.0 million, and was designed primarily to facilitate construction of new restaurants by SIR. These new restaurants have become part of Royalty Pooled Restaurants, subject to the License and Royalty Agreement, over the next few years as they are completed, and thus benefit the Fund both as a result of diversification, increased scale and because new restaurant growth is designed to be accretive to Fund Unitholders. The loan is secured by substantially all of the assets of SIR and most of its subsidiaries, which are also guarantors. The Partnership and the Fund have not guaranteed the Credit Facility.

The Credit Agreement provides, as part of the total $16.0 million availability, for a $2.0 million revolving facility and a $1.0 million treasury management facility to hedge the construction facility, leaving $13.0 million for construction purposes. The construction component provides for interest payments only during the first two years of the facility, absent, among other things, default, asset dispositions or further equity or debt issues by SIR. The structure of the facility may be in the form of direct advances, Bankers' Acceptances, Letters of Credit or Guarantee, and a 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%. Certain financial covenants will apply to SIR, including a maximum senior cash flow leverage ratio and a minimum fixed charge coverage ratio. Annual capital expenditures by SIR are also subject to a cap. As at May 10, 2009 (SIR's most recent interim filing date), SIR reported that it had drawn an aggregate of $12.7 million under these facilities. SIR is in compliance with the covenants of the Credit Agreement.

During Q2 2009, the lender approved the extension of the credit facilities for 364 days maturing on July 30, 2010, at which time, the construction line, if not extended, would be converted into a five year term loan due in 60 equal monthly instalments. The rates of interest on the financing are banker's acceptance rate plus 3.75% and prime rate plus 2.25%. All other terms and conditions remain the same.

Under the Interlender Agreement, absent an event of default under the credit agreement, ordinary payments to the Partnership and the Fund can continue. However, if 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.

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

During the 3-month and 6-month periods ended June 30, 2009, the Fund distributed $1.8 million and $3.7 million, respectively to Unitholders. Subsequent to June 30, 2009, distributions of $0.6 million ($0.115 per Unit) were declared and paid for the month of June 2009 and a distribution of $0.6 million ($0.115 per Unit) was declared for the month of July 2009.

The Fund did not have any capital expenditures in Q2 2009 and by its nature is not expected to have significant capital expenditures in the future. Capital expenditures related to Royalty Pooled Restaurants are borne at the operating company (SIR) level. The Fund's operating and administrative expenses are expected to be fairly stable and predictable and are considered to be in the ordinary course of business.

Management believes that there are sufficient cash resources retained in the Partnership in order to meet its obligations and pay distributions to its Unitholders. The Fund intends to continue to pay monthly distributions at the current level for the near future. However, should the distributions from the Partnership decline significantly and for an extended period of time, the Fund may have to reduce distributions.

While SIR is not owned by the Fund, the Fund's income is derived from interest income on the SIR Loan and distributions from the Partnership and accordingly, the Fund is economically dependent upon SIR. Credit risk arises from the potential default of SIR on the SIR Loan. Management monitors the SIR Loan for credit risk and to date a provision for uncollectible amounts has not been necessary. Information regarding SIR and its liquidity can be found in SIR's interim unaudited and annual audited consolidated financial statements and MD&A, which can be found on SEDAR under the Fund's listing named "Other". The most recent unaudited consolidated financial statements and MD&A for SIR's second quarter are listed having a filing date of June 24, 2009. The following table is an excerpt of the previous eight quarters of SIR's consolidated statement of cash flows information:

SIR's Selected Consolidated Statement of Cash Flows Information(14) *(in thousands of dollars) (unaudited)*	3rd Quarter Ended May 10, 2009 (12 weeks)	2nd Quarter Ended February 15, 2009 (12 weeks)	1st Quarter Ended November 23, 2008 (12 weeks)	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)
Net cash provided by operations	3,398	2,496	2,816	4,355	1,841	1,876	594	3,902
Net cash used in investing activities	(1,012)	(2,004)	(4,665)	(10,897)	(3,391)	(2,746)	(2,722)	(3,202)
Net cash provided by (used in) financing activities	(177)	(13)	2,601	5,005	1,890	285	2,016	(650)
Increase (decrease) in cash and cash equivalents during the period	2,201	479	764	(1,536)	340	(583)	(115)	(186)
Cash and cash equivalents – Beginning of period	2,726	2,247	1,483	3,019	2,679	3,262	3,377	3,563
Cash and cash equivalents – End of period	4,927	2,726	2,247	1,483	3,019	2,679	3,262	3,377

Controls and Procedures

As at December 31, 2008, an evaluation was carried out under the supervision of and with the participation of the SIR GP Inc. management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Fund's disclosure controls and procedures. Based on that evaluation, the CEO and the CFO concluded that, to their knowledge, the design and operation of these disclosure controls and procedures were effective as at December 31, 2008 to provide reasonable assurance that material information relating to the Fund and its consolidated subsidiaries would be made known to them by others within those entities.

An evaluation was carried out under the supervision of and with management, including the CEO and CFO, of internal controls over financial reporting as at December 31, 2008. Based on this evaluation, the CEO and the CFO have concluded that, internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP.

There have not been any material changes to disclosure controls or internal controls over financial reporting during the 6-month period ended June 30, 2009.

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

Off-Balance Sheet Arrangements

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

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(14) Information presented is derived solely from documents filed with the Canadian securities regulatory authorities by SIR in its interim Q3 MD&A filed on June 24, 2009 and has not been approved by the Fund or its trustees, officers, SIR GP Inc., or SIR Holdings Trust, or their respective trustees, managing general partners, directors, or officers.

Transactions with Related Parties

During the 3-month and 6-month periods ended June 30, 2009, the Fund earned distribution income of $1.2 million and $2.3 million, respectively from the Partnership (for the 3-month and 6-month periods ended June 30, 2008 – $1.4 million and $2.5 million, respectively). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's distribution income is dependent upon the revenue generated by the SIR Restaurants subject to the License and Royalty Agreement.

During the 3-month and 6-month periods ended June 30, 2009, the Fund earned interest income of $0.8 million and $1.5 million respectively, from the SIR Loan (for the 3-month and 6-month periods ended June 30, 2008 – $0.8 million and $1.5 million, respectively). A description of the terms of the SIR Loan is included in the notes to the unaudited consolidated financial statements of the Fund for the 3-month and 6-month periods ended June 30, 2009 and June 30, 2008.

As at June 30, 2009, the Fund had amounts receivable from SIR of $0.2 million (December 31, 2008 - $0.2 million) and amounts receivable from the Partnership of $1.3 million (December 31, 2008 - $1.2 million). The amounts receivable from SIR consist mainly of interest owing to the Fund on the SIR Loan for the month of June. The amounts due from the Partnership represent distributions receivable of $2.6 million (December 31, 2008 - $2.4 million) partially offset by advances payable of $1.2 million (December 31, 2008 - $1.2 million). All advances were conducted as part of the normal course of business operations.

Critical Accounting Estimates

Management believes that there have been no substantial changes in the nature of the critical accounting estimates as described in the annual MD&A for the year ended December 31, 2008.

Changes in Accounting Policies, Including Initial Adoption

Effective January 1, 2009, the Fund adopted CICA Handbook Section 3064, Goodwill and intangible assets. 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 generating intangible assets, are equivalent to the corresponding provisions of IFRS IAS 38, Intangible assets. Management has determined that the adoption of this standard had no impact on the disclosures in its consolidated financial statements.

Recently Issued Accounting 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 reviewing the transition to IFRS on the Fund's financial statements and has not yet determined the impact. The Fund is in the planning phase of its IFRS conversion and has completed an IFRS diagnostic review. This review highlights the key differences between Canadian GAAP as currently applied by the Fund and IFRS as well as their estimated level of impact, without quantification of financial impact on the consolidated financial statements. Key issues identified to date will be analyzed in detail. The impacts on the Fund's consolidated financial statements, systems and internal control over financial reporting will be determined. The Fund intends to complete this analysis during fiscal 2009. In addition, the Fund will continue to invest in training and resources where necessary throughout the transition period to facilitate a timely conversion.

CICA Handbook Section 1582, "Business Combinations", CICA Handbook Section 1601, "Consolidated Financial Statements", and CICA Handbook Section 1602, "Non-Controlling Interest" replace the former CICA Handbook Section 1581, "Business Combinations" and CICA Handbook Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to IFRS 3, "Business Combinations" and IAS 27, "Consolidated and Separate Financial Statements". CICA Handbook 1582 is effective for the Fund for business combinations for which the acquisition date is on/after the reporting period beginning on or after January 1, 2011. CICA Handbook Section 1601 and CICA Handbook Section 1602 is effective for the Fund for interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. Management has not yet determined the impact of the adoption of this change in its financial statements.

Financial Instruments and Other Instruments

The Fund's financial instruments consist of cash and cash equivalents, the SIR Loan, investment in the Partnership, accounts payable and accrued liabilities, and amounts due from related parties. Management estimates that the fair values of these financial instruments approximate their carrying values due to their short-term maturity except for the SIR Loan and the investment in the Partnership. The loan receivable from SIR has a fixed interest rate of 7.5% per annum and therefore changes in interest rates would not impact interest income on the consolidated statements of earnings and comprehensive income. However, the fair value of the loan receivable from SIR will vary with changes in interest rates. The fair values of the SIR Loan and the investment in the Partnership could only be determined through a valuation of the individual assets. The aggregate fair value of the SIR Loan and the investment in the Partnership is approximately $33.8 million based on the market value of the Fund Units as of the close of business on June 30, 2009.

Disclosure of Outstanding Unit Data

The following summarizes the ownership structure of the Fund as at August 13, 2009 and June 30, 2009:

	August 13, 2009		**June 30, 2009**	
	Number of Fund Units	**Amount $**	**Number of Fund Units**	**Amount $**
Units issued	5,356,667	51,166,670	5,356,667	51,166,670

Risks and Uncertainties

The performance of the Fund is dependent upon distributions from the Partnership and indirectly the Royalty that the Partnership receives from SIR. The amount of the Royalty is dependent upon the revenue of the SIR Restaurants in Royalty Pooled Restaurants. Pooled Revenue is affected by the risks associated with the operations and financial condition of SIR, the commercial foodservice industry generally, and the casual and fine dining segment of the commercial foodservice industry in particular. The restaurant industry generally and, in particular, the casual and fine dining segment of the industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. Competition has increased in the mid-price, full service, casual and fine dining sectors in which many of the SIR restaurants operate. If SIR is unable to successfully compete in the casual and fine dining sectors of the restaurant industry, Pooled Revenue may be adversely affected, the amount of the Royalty reduced and the ability of SIR to pay the Royalty may be impaired. Please refer to the March 31, 2009 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

The income of the Fund must be computed and will be taxed in accordance with Canadian tax laws. On June 22, 2007, Bill C-52, which significantly modifies the income tax rules applicable to certain publicly traded or listed trusts and partnerships, received Royal Assent. In particular, certain income of (and distributions made by) publicly listed flow-through entities ("FTE's"), will be taxed in a manner similar to income earned by (and distributions made by) a corporation and investors in the FTE would be taxed as though the distributions would be dividends. Because the Fund was publically traded or listed prior to November 1, 2006, it is not subject to these new rules until its 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. As a result of these new rules, the Fund has a future income tax liability in their financial statements.

On March 12, 2009, Bill C-10 – Budget Implementation Act 2009, which further modifies the rules applicable to certain publically traded or listed trusts and partnerships, received Royal Assent. In particular, Bill C-10 provides rules to facilitate the conversion of an income trust into a corporation on a tax-deferred basis (the "Conversion Rules"). The Conversion Rules provide income trusts with tax efficient structuring options to convert to corporate form in advance of their 2011 taxation year – at which time most income trusts would become subject to a new entity-level tax based on corporate income tax rates. Management is reviewing the Conversion Rules to assess their implications for the Fund.

The Fund is considering the possible impact of the new rules to the Fund. The new rules may adversely affect the value and marketability of the Fund's Units and the ability to undertake financings, and at such time as the new rules apply to the Fund, the distributable cash of the Fund may be materially reduced. The new rules may, as a result, adversely affect the Fund and its Unitholders as well as SIR, as the holder of Partnership interests, and the Fund intends to continue to assess and plan for their expected impact. Changes may prove necessary to seek to adapt to any new tax laws with a view to attempting, where practicable, to minimize their overall adverse effects.

Outlook

Management believes that the weaker economic conditions during 2009 and the latter part of 2008 have contributed to the year-over-year SSS(2) declines. Management believes that restaurants with a higher average cheque such as Alice Fazooli's, Canyon Creek and the downtown Toronto Signature Restaurants tend to experience a greater decline in sales volumes during economic downturns. Jack Astor's, which accounts for approximately 68% of Pooled Revenue has been affected, but to a lesser extent than the other concepts and it is believed that it is due to its somewhat lower average cheque. The Canadian Restaurant and Foodservices Association ("CRFA"), in its Long Term Foodservice Forecast prepared in January 2009, projected that sales in the full service restaurant category will decline by 3.1% in 2009. While the YTD 2009 SSS(2) declines for Jack Astor's is less than this forecast, Alice Fazooli's, Canyon Creek and the downtown Toronto Signature Restaurant's have experienced YTD 2009 SSS(2) declines greater than this forecast. Management is not expecting an improvement in these conditions in the near future.

Management is carefully monitoring the effects on SIR's business of this recent deterioration in economic conditions and consumer confidence. SIR expects the current economic downturn could negatively affect its sales and profit prospects in the near future. In anticipation of a continuing economic downturn, SIR has taken cost savings and cash preservation strategies which include the previously announced slowing of growth plans. SIR has advised the Fund that it intends to continue to focus on sustaining and growing restaurant sales and profits while managing costs in light of the current economic conditions in Canada.

As a result of the current economic conditions, in the latter part of fiscal 2008, SIR began to shift some of its marketing focus to individual restaurant initiatives. However, during Q2 2009, SIR launched its exciting new advertising campaign, "Get Fresh" for Jack Astor's. The campaign, which ran during and subsequent to Q2 2009 includes direct mail, radio and television banner advertisements supporting Jack Astor's key markets. Subsequent to Q2 2009, SIR launched a 4-week media campaign for Canyon Creek that includes print, television, on-line and radio advertisements.

SIR has advised the Fund of its intention 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 and since October 2004, the Fund's Initial Public Offering, SIR has opened fourteen new restaurants to date. Two Jack Astor's restaurants were opened in fiscal 2005, three Canyon Creek restaurants were opened in fiscal 2006, three Jack Astor's restaurants were opened in fiscal 2007, and five new Jack Astor's restaurants and a new Canyon Creek restaurant were opened in fiscal 2008.

On January 1, 2009, six (2008 – three) new restaurants were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of six (2008 – three) new restaurants on January 1, 2009, as well as the Second Incremental Adjustment for the three (2008 – three) new SIR restaurants added to Royalty Pooled Restaurants on January 1, 2008, SIR converted its Class B GP Units into Class A GP Units based on the formula in the Partnership agreement. The number of Class B GP Units that were converted to Class A GP Units on January 1, 2009 was reduced by an adjustment for the closure of nil (2008 – two) SIR Restaurants during the prior calendar year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 1,076,871 (2008 – 193,535) Class B GP Units of the Partnership into 1,076,871 (2008- 193,535) Class A GP Units of the Partnership. The adjustments for new revenues that will be part of Royalty Pooled Restaurants are designed to be accretive for Fund Unitholders.

SIR has secured three additional sites. SIR has plans to construct a Jack Astor's in Boisbriand, Quebec with an estimated opening in fiscal 2009 or 2010. The remaining two new sites at the corner of Yonge and Gerrard Streets, in Toronto, Ontario are estimated to open 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 this calendar year.

In Q4 of 2008, the Alice Fazooli's located near Square One was closed 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). Initial guest response to the changes has been favourable. Management continues to review the performance of this repositioning to access its applicability across the rest of the Alice Fazooli's restaurants.

During the last five years, SIR has made significant investments in both new and existing restaurants. All but two of SIR's 45 restaurants have either been newly constructed or renovated within the past five years. This leaves SIR well positioned with modern and relevant concepts, which Management believes will help position SIR to work through the current economic downturn. SIR management is committed to maximizing the performance of all of its restaurants.

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(2) See footnote (2) on page 2

In December of each year, a Conversion Distribution will be payable to the Class B GP Unitholders based on actual revenues of the new SIR Restaurants exceeding 80% of the Initial Adjustment's estimated revenue at the time that the restaurants are added to SIR's Royalty Pooled Restaurants or there will be a reduction in the cash distributions to the Class A GP Unitholders if revenues are less than 80% of the Initial Adjustment's estimated revenue. The revenues of the three new restaurants added to SIR's Royalty Pooled Restaurants on January 1, 2008 exceeded the initial estimated amount and as a result, a Conversion Distribution of $0.18 million (2007 - $0.08 million) was declared in December 2008 and paid in cash to SIR in January 2009. Assuming the revenues of the six new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2009 exceed 80% of the Initial Adjustment's estimated revenue, additional Class A GP Units would be expected to be issued to SIR effective January 1, 2010 and a Conversion Distribution would be expected to be declared in December 2009, and paid in cash to SIR in January 2010.

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's Discussion and Analysis is provided as of August 10, 2009.

In formulating the forward-looking statements contained herein, Management has assumed that business conditions affecting SIR's restaurants and the Fund will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, 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. Management is not anticipating an improvement, in the near future, in economic conditions (particularly as it relates to the recent unprecedented deterioration of the economic environment and consumer confidence, which could significantly negatively affect sales and profit prospects in the near future). Management is not anticipating an improvement, in the near future, in the availability of credit (particularly as it relates to the recent disruption of world credit markets, which could significantly negatively affect sales and profit prospects in the near future). 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 five new Jack Astor's restaurants, and one new Canyon Creek restaurant added to Royalty Pooled Restaurants on January 1, 2009, Management has assumed that they will operate consistent with other Jack Astor's and Canyon Creek restaurants. For more information concerning the Fund's risks and uncertainties, please refer to the October 2004 final prospectus, and/or its March 31, 2009 Annual Information Form, all of which are available under the Fund's profile at www.sedar.com.

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