SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SECOND QUARTER FISCAL 2008

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

12 AND 24-WEEK PERIODS ENDED FEBRUARY 10, 2008

SIR CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE 12 AND 24-WEEK PERIODS ENDED FEBRUARY 10, 2008

TABLE OF CONTENTS

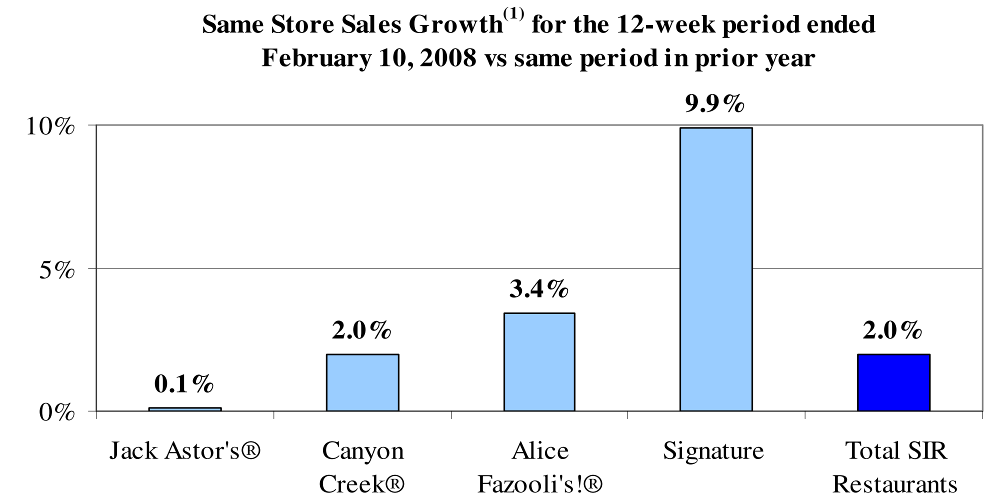
FOR THE 12 AND 24-WEEK PERIODS ENDED FEBRUARY 10, 2008

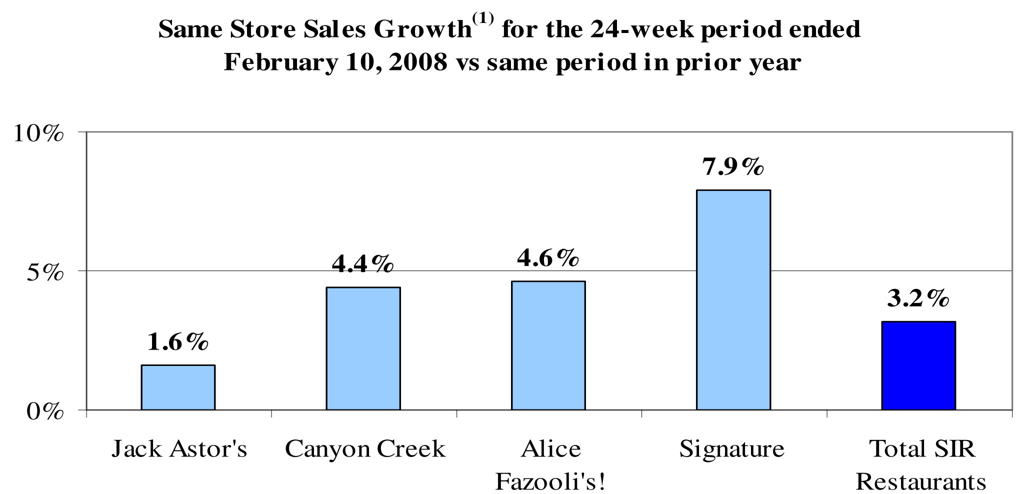
Executive Summary

SIR Corp. ("SIR") continues to follow its growth strategy and experience total and same store sales growth[(1)] ("SSSG") during its second quarter of fiscal 2008 ("Q2") which was from November 19, 2007 to February 10, 2008 inclusive.

Highlights for SIR's second quarter include:

- ***Growth in both consolidated revenue and Same Store Sales[(1)] ("SSS") (unaudited):***
  - Food and beverage revenue from corporate restaurant operations for the Q2 was $41.2 million and $81.2 million year to date ("YTD"). This represents a $2.8 million or 7.4% increase over the prior year for the quarter and a $6.4 million or 8.6% increase over the prior year for the YTD.
  - SSSG[(1)] for restaurants in the Royalty pool was 2.0% and 3.2% for the 12 and 24-week periods ended February 10, 2008, respectively.
  - Snow fall in southern Ontario during Q2 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.





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(1) Same store sales includes revenue from all SIR restaurants except for Brasserie Frisco and the Jack Astor's located in Hamilton, Ontario, Dartmouth, Nova Scotia and both the former and existing Burlington, Ontario locations because they were not open for the entire comparable periods in fiscal 2008 and fiscal 2007 (the US 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 8 and to the definition of SSS in the Revenue section on page 9.

- SSSG(1) for the Concept Restaurants (Jack Astor's, Canyon Creek and Alice Fazooli's!), which generate approximately 88% of YTD Pooled Revenue, was 1.0% and 2.6% for the 12 and 24-week periods ended February 10, 2008, respectively.
- SSSG(1) for Jack Astor's, SIR's flagship Concept Restaurant brand that generates approximately 58% of YTD Pooled Revenue, was 0.1% and 1.6% for the 12 and 24-week periods ended February 10, 2008, respectively.
- Canyon Creek continues to perform well, with SSSG(1) of 2.0% and 4.4% for the 12 and 24-week periods ended February 10, 2008, respectively.
- For the 12 and 24-week periods ended February 10, 2008, SSSG(1) of Alice Fazooli's! was 3.4% and 4.6%, respectively.
- SSSG(1) of the downtown Toronto Signature Restaurants, which represent approximately 12.0% of YTD Pooled Revenue, was 9.9% and 7.9% for the 12 and 24-week periods ended February 10, 2008, respectively.

- ***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™ Bakery, which targets the lucrative catering and take-out markets in the downtown Toronto core. Management is pleased with the result and early 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 (16 days in Q2) for the renovation. Four is a new healthy upscale restaurant focusing on guilt-free dining with each dish having less than 650 calories. Four opened on February 27, 2008, subsequent to Q2.
  - During Q2, the last of the existing Jack Astor's restaurants originally in the Royalty pool underwent the successful evolution process.
  - In Q1 of fiscal 2007, a major renovation of *reds*® was completed and reds continues to experience strong sales growth since the renovation.

- ***Investment in new restaurants***
  - 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 been providing higher revenues and therefore a greater Royalty stream to the SIR Royalty Limited Partnership (the "Partnership").
  - During Q1 of fiscal 2007, a new Canyon Creek restaurant opened at the Fallsview Casino Resort in Niagara Falls, Ontario, on August 28, 2006. This restaurant, along with the two other Canyon Creek restaurants opened during the latter half of fiscal 2006 were added to the Royalty Pooled Restaurants effective January 1, 2007.
  - During fiscal 2007, SIR opened two new Jack Astor's restaurants (in Hamilton, Ontario and Dartmouth, Nova Scotia). These restaurants were added to the Royalty Pooled Restaurants effective January 1, 2008.
  - In the first half of calendar year 2008, SIR expects to open a new Jack Astor's in the former Brasserie Frisco® location, which was closed on December 22, 2007. After evaluating a range of options, SIR determined that converting Brasserie Frisco into a new Jack Astor's is the best use of this prime downtown Toronto location. Brasserie Frisco was treated as a 2007 Closed Restaurant and it is expected that the new Jack Astor's will be added to the Royalty Pooled Restaurants effective January 1, 2009 as a New Additional Restaurant. SIR was required to pay a Make-Whole Payment from the date of closure to December 31, 2007.
  - A new Jack Astor's is expected to open in Don Mills, Ontario in the second half of calendar year 2008. SIR has secured a site in the "lifestyle mall" which is currently being developed in the same location 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.

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

- Including the two new Jack Astor's mentioned above (in the former Brasserie Frisco location and Don Mills), SIR has secured seven new sites for Jack Astor's and Canyon Creek restaurants with expected openings in calendar year 2008. These sites include two Jack Astor's in Toronto, Ontario (one at the corner of Dundas and Yonge Streets and one at the corner of Bloor and Yonge Streets). Two new sites have been secured near the Toronto Pearson International Airport for a Jack Astor's and a Canyon Creek, under one lease. Another site is for a Jack Astor's in Boisbriand, Quebec.
- SIR has also secured an eighth site which will be used for a Canyon Creek in Brampton, Ontario with an expected opening in calendar year 2009.

- ***Net Loss from Continuing Operations***
- The net loss from continuing operations for Q2 of \$0.6 million was \$0.3 million favourable to the same period in the prior year.
- The YTD net loss from continuing operations of \$1.7 million is \$1.4 million favourable to the same period in the prior year.

- ***EBITDA***[(2)]
  - EBITDA[(2)] for the second quarter is \$3.2 million and \$2.6 million in the current and prior year, respectively.
  - YTD EBITDA[(2)] is \$5.5 million and \$4.1 million in the current and prior year, respectively.

- ***Outlook***
  - SIR continues to follow its sales building initiative it began after launching the SIR Royalty Income Fund (the "Fund") in fiscal 2005. Since then SIR has opened five new Jack Astor's restaurants and three 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. 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 and Petite Four) and the Armadillo Steak House/Loose Moose Tap & Grill. SIR expects to open a new Jack Astor's restaurant in the former Brasserie Frisco location in the first half of calendar year 2008 and expects to reopen the Jack Astor's location in Don Mills, Ontario in the second half of calendar year 2008. In addition, six new sites for Jack Astor's and Canyon Creek restaurants have been secured with expected openings in calendar year 2008 and 2009. All of this work is being done to set in place a foundation for anticipated sales growth and improved earnings for SIR. Management is committed to maximizing the performance of all of its restaurants.
  - During Q4 of fiscal 2007, SIR completed a \$16.0 million financing arrangement that is expected 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". This legislation was enacted in June, 2007. The Trustees of the Fund and senior management of SIR will continue to monitor this development.

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(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), provisions for impairment of notes receivable, 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.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at February 10, 2008**,** SIR operates 39 Concept 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/Soul of the Vine, and the Loose Moose Tap & Grill. As at February 10, 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. During the 12-week period ended November 18, 2007, SIR closed the former Jack Astor's in Burlington, Ontario so it ceased to be part of the Royalty Pooled Restaurants on January 1, 2008. The Brasserie Frisco, which closed on December 22, 2007, also 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. This restaurant ceased to be part of the Royalty Pooled Restaurants on January 1, 2007. 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 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. 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 12 and 24-week periods ended February 10, 2008 and February 11, 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	12-Week Period Ended February 10, 2008	12-Week Period Ended February 11, 2007	24-Week Period Ended February 10, 2008	24-Week Period Ended February 11, 2007
	(in thousands of dollars) (unaudited)			
Corporate restaurant operations:				
Food and beverage revenue	41,191	38,351	81,157	74,764
Cost of corporate restaurant operations	37,371	34,874	73,974	68,742
Earnings from corporate restaurant operations	**3,820**	**3,477**	**7,183**	**6,022**
Net loss from continuing operations for the period	**(590)**	**(845)**	**(1,677)**	**(3,049)**
Net loss for the period	**(590)**	**(857)**	**(1,677)**	**(3,100)**

Balance Sheet	February 10, 2008	August 26, 2007
	(in thousands of dollars)	
	(unaudited)	
Total assets	64,017	65,823
Total long-term liabilities	57,030	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.

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]	12-Week Period Ended February 10, 2008	12-Week Period Ended February 11, 2007	24-Week Period Ended February 10, 2008	24-Week Period Ended February 11, 2007
	(in thousands of dollars) (unaudited)			
Net loss from continuing operations for the period	(590)	(845)	(1,677)	(3,049)
Add (deduct):				
Non-controlling interest in other subsidiary companies	-	(1)	(18)	(1)
Recovery of income taxes	(1)	(6)	(1)	(6)
Other expense (income)	(120)	60	(132)	168
Provision for impairment of investments and loans receivable	-	-	-	100
Goodwill impairment	166	-	166	-
Unrealized foreign exchange (gain) loss	53	41	(100)	93
Interest expense - net	43	28	91	43
Interest on loan payable to SIR Royalty Income Fund	691	691	1,381	1,381
Non-controlling interest in SIR Royalty Limited Partnership	1,083	884	2,171	1,927
Other amortization	60	66	122	139
Amortization of restaurant assets	1,777	1,645	3,509	3,338
EBITDA[2]	**3,162**	**2,563**	**5,512**	**4,133**
Income from Class A & B GP Units of the Partnership [3] (Not included in EBITDA[2] above)	566	600	1,027	928
6% Royalty obligations under License and Royalty Agreement [4]	2,357	2,208	4,599	4,277

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	12-Week Period Ended February 10, 2008	12-Week Period Ended February 11, 2007	24-Week Period Ended February 10, 2008	24-Week Period Ended February 11, 2007
	(in thousands of dollars) (unaudited)			
Revenue reported in consolidated financial statements	41,191	38,351	81,157	74,764
Less: Revenue from corporate restaurant operations excluded from the Royalty pool[4]	2,159	1,882	5,007	4,502
Revenue for restaurants in the Royalty pool	**39,032**	**36,469**	**76,150**	**70,262**

(2) See footnote (2) on page 5

(3) The 24-week periods ended February 10, 2008 and February 11, 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 12 and 24-week periods ended February 10, 2008 include a Make-Whole Payment for the closed Jack Astor's location in Burlington and the closed Brasserie Frisco and the Royalty obligations for the 12 and 24-week periods ended February 11, 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)]	12-Week Period Ended February 10, 2008	12-Week Period Ended February 11, 2007	24-Week Period Ended February 10, 2008	24-Week Period Ended February 11, 2007
	(in thousands of dollars) (unaudited)			
Revenue reported in consolidated financial statements	41,191	38,351	81,157	74,764
Less: Revenue from corporate restaurant operations excluded from same store sales[(1)]	3,729	1,616	7,238	3,118
Same store sales[(1)]	**37,462**	**36,735**	**73,919**	**71,646**

Same Store Sales[(1)] by Segment	12-Week Period Ended February 10, 2008	12-Week Period Ended February 11, 2007	% Fav. / (Unfav.)	24-Week Period Ended February 10, 2008	24-Week Period Ended February 11, 2007	% Fav. / (Unfav.)
			(in thousands of dollars) (unaudited)			
Jack Astor's	21,206	21,183	0.1%	42,919	42,236	1.6%
Alice Fazooli's!	4,854	4,693	3.4%	9,291	8,879	4.6%
Canyon Creek	6,839	6,706	2.0%	13,222	12,666	4.4%
Signature Restaurants	4,563	4,153	9.9%	8,487	7,865	7.9%
Same store sales[(1)]	**37,462**	**36,735**	**2.0%**	**73,919**	**71,646**	**3.2%**

Summary of Quarterly Results

Statement of Operations	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)	4th Quarter Ended August 27, 2006 (16 weeks)	3rd Quarter Ended May 7, 2006 (12 weeks)
Corporate Restaurant Operations				(in thousands of dollars) (unaudited)				
Food and beverage revenue	41,191	39,966	53,659	38,790	38,351	36,413	47,233	35,975
Cost of corporate restaurant operations	37,371	36,603	49,394	34,863	34,874	33,868	43,260	32,117
Earnings from corporate restaurant operations	3,820	3,363	4,265	3,927	3,477	2,545	3,973	3,858
Net loss from continuing operations for the period	(590)	(1,087)	(960)	(373)	(845)	(2,204)	(1,376)	(496)
Net loss for the period	(590)	(1,087)	(953)	(258)	(857)	(2,243)	(1,405)	(392)

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

Selected Consolidated Statement of Cash Flows Information	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)	4th Quarter Ended August 27, 2006 (16 weeks)	3rd Quarter Ended May 7, 2006 (12 weeks)
	(in thousands of dollars) (unaudited)							
Net cash provided by continuing operations	1,876	594	3,902	457	3,087	136	2,400	1,420
Net cash used in continuing investing activities	(2,746)	(2,722)	(3,202)	(2,765)	(2,309)	(2,847)	(3,286)	(3,897)
Net cash provided by (used in) continuing financing activities	285	2,016	(650)	39	(122)	(642)	4,924	(86)
Increase (decrease) in cash and cash equivalents during the period	(583)	(115)	(186)	(1,953)	661	(3,357)	4,060	(2,548)
Cash and cash equivalents – Beginning of period	3,262	3,377	3,563	5,516	4,855	8,212	4,152	6,700
Cash and cash equivalents – End of period	2,679	3,262	3,377	3,563	5,516	4,855	8,212	4,152

Revenue

There are a number of references to different revenue groupings used in the unaudited consolidated financial statements, the notes to the unaudited 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 unaudited 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 USA Jack Astor's. For the 12 and 24-week periods ended February 10, 2008 this revenue was $41.2 million and $81.2 million, respectively.

ii. Same Store Sales(1) – this is a sub-set of i above used for tracking comparable year-over-year sales. For Q2 fiscal 2008 and 2007, SSS(1) includes all SIR restaurants except for Jack Astor's in Hamilton, Ontario and Jack Astor's in Dartmouth, Nova Scotia 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 US restaurant is not part of SIR Restaurants). For the 12 and 24-week periods ended February 10, 2008, this revenue was $37.5 million and $73.9 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 12 and 24-week periods ended February 10, 2008, Pooled Revenue was $39.0 million and $76.2 million, respectively. The applicable Royalty payable to the Partnership on the Pooled Revenue for these periods was $2.4 million and $4.6 million, respectively and 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 2.0% and 3.2% for the 12 and 24-week periods ended February 10, 2008, respectively. The Concept Restaurants (Jack Astor's, Canyon Creek and Alice Fazooli's!) generate approximately 88.0% of YTD Pooled Revenue, while the Signature restaurants generate the other approximate 12.0% of YTD Pooled Revenue.

Snow fall in southern Ontario during Q2 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 of fiscal 2008 was nearly double the average snowfall received in Q2 of the preceding five years.

SSSG(1) for Jack Astor's, SIR's flagship Concept Restaurant brand which generates approximately 58 % of YTD Pooled Revenue was 0.1% and 1.6% for the 12 and 24-week periods ended February 10, 2008 , respectively. All the existing Jack Astor's restaurants originally in the Royalty pool have now been evolved.

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

Canyon Creek continues to perform well, with SSSG[1] of 2.0% and 4.4% for the 12 and 24-week periods ended February 10, 2008, respectively.

SSSG[1] of Alice Fazooli's! was 3.4% and 4.6% for the 12 and 24-week periods ended February 10, 2008, respectively.

SSSG[1] of the downtown Toronto Signature Restaurants, which represent approximately 12.0% of YTD Pooled Revenue, was 9.9% and 7.9% for the 12 and 24-week period ended February 10, 2008, respectively. 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. During Q1 of fiscal 2008, renovations at Soul of the Vine take out area took place in order to introduce an innovative bakery concept, Petit Four Bakery, which targets the lucrative catering and take-out markets in the downtown Toronto core. During the latter part of Q2, renovations also began in the remaining portion of the Soul of the Vine, converting it into Four™ restaurant. Four is a new healthy upscale restaurant focusing on guilt-free dining with each dish having less than 650 calories. Four opened on February 27, 2008, subsequent to Q2. Management is pleased with both of these renovations and early 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 with the expectation that a new Jack Astor's would open in the former Brasserie Frisco location in the first half of calendar year 2008. After evaluating a range of options, SIR determined that converting Brasserie Frisco into a new Jack Astor's is the best use of this prime downtown Toronto location. Brasserie Frisco is no longer included in SSS[1].

Cost of Corporate Restaurant Operations

As a percentage of revenue, costs of corporate restaurant operations decreased to 90.7% for the 12-week period ended February 10, 2008 from 90.9% for the 12-week period ended February 11, 2007 and decreased to 91.1% for the 24-week period ended February 10, 2008 from 91.9% for the 24-week period ended February 11, 2007. The improvement in earnings from corporate restaurant operations in the three Canyon Creek restaurants which were opened in calendar year 2006 has helped to improve the costs as a percentage of revenue for the 24-week period ended February 10, 2008. Management believes that the performance of all three new restaurants will continue to improve as awareness builds for these locations, in a manner similar to the build experienced for the previous four Canyon Creek openings.

Corporate costs

Corporate costs decreased $0.1 million for the 12-week period ended February 10, 2008 as compared to the 12-week period ended February 11, 2007 and remains consistent with the prior year for the 24-week period ended February 10, 2008.

Interest expense - net

Interest expense increased $0.02 million for the 12-week period ended February 10, 2008 compared to the 12-week period ended February 11, 2007, and increased $0.05 million for the 24-week period ended February 10, 2008 compared to the 24-week period ended February 11, 2007. The increase is due to the interest expense on the new capital lease obligation and new bank debt.

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 $0.7 million and $1.4 million for the 12 and 24-week periods ended February 10, 2008, respectively and the 12 and 24-week periods ended February 11, 2007, respectively.

The Fund's share of the income of the Partnership for the 12-week period ended February 10, 2008 and February 11, 2007 of $1.1 million and $0.9 million, respectively has been recorded as non-controlling interest in the unaudited consolidated statements of operations. The Fund's share of income of the Partnership was $2.2 million and $1.9 million for the 24-week periods ended February 10, 2008 and February 11, 2007, respectively.

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

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

SIR accounts for its investment in JACL as an integrated 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 12-week period ended February 10, 2008 and there was an unrealized foreign exchange gain of $0.1 million for the 24-week period ended February 10, 2008. This is compared to an unrealized foreign exchange loss for the continuing operations of JACL of $0.04 million and $0.09 million for the 12 and 24-week periods ended February 11, 2007.

Provision for impairment of investments, loans, advances and notes receivable

During the 24-week period ended February 11, 2007, SIR advanced $0.5 million to U.S. S.I.R. L.L.C. and its subsidiaries to facilitate the repayment of certain debt that became due. The advance is non-interest bearing, non-secured and due on demand. SIR determined that this advance is impaired based on estimated future cash flows of the remaining U.S. operations. Accordingly, the $0.5 million of advances and notes receivable from U.S. S.I.R. L.L.C. and its subsidiaries are written down to their net realizable value of $0.4 million. The provision of $0.1 million is included in the provision for impairment of notes receivable in the unaudited consolidated statements of operations for the 24-week period ended February 11, 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 12-week period ended February 10, 2008 compared to a loss of $0.06 million for the 12-week period ended February 10, 2008. Other income is $0.1 million for the 24-week period ended February 10, 2008 compared to a loss of $0.2 million for the 24-week period ended February 11, 2007.

EBITDA[(2)]

EBITDA[(2)] is $3.2 million and $5.5 million for the 12 and 24-week periods ended February 10, 2008 , compared to $2.6 million and $4.1 million for the 12 and 24-week periods ended February 11, 2007 (see Selected Consolidated Historical Financial Information - Reconciliation of net loss from continuing operations for the period to EBITDA[(2)]).

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 SIR Loan bears interest at 7.5% per annum, 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.

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

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 $0.7 million and $1.4 million was charged to the unaudited consolidated statements of operations for the 12 and 24-week periods ended February 10, 2008, respectively ($0.7 million and $1.4 million for the 12 and 24-week periods ended February 11, 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 $0.005 million and $0.009 million has been recorded as interest expense in the unaudited consolidated statements of operations for the 12 and 24-week periods ended February 10, 2008, respectively ($0.03 million and $0.06 million for the 12 and 24-week periods ended February 11, 2007, respectively). In addition, the financing costs were reclassified on August 27, 2007 and are currently netted against the SIR Loan in the unaudited 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

	12-Week Period Ended		**24-Week Period Ended**	
	February 10, 2008	**February 11, 2007**	**February 10, 2008**	**February 11, 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	1,083	884	2,171	1,927
Distributions declared on the Partnership's Units held by non-controlling interest	(1,083)	(884)	(2,171)	(1,927)
Non-controlling interest in the Partnership	11,167	11,167	11,167	11,167
Pooled Revenue [5]	39,032	36,469	76,150	70,262
Partnership Royalty income [6]	2,357	2,208	4,599	4,277
Other income	16	9	28	22
Partnership expenses	(33)	(42)	(48)	(63)
Net earnings of the Partnership	2,340	2,175	4,579	4,236
SIR's interest in the earnings of the Partnership:				
Income from Class A & B GP Units of the Partnership[7]	(566)	(600)	(1,027)	(928)
Income from Class C GP Units of the Partnership	(691)	(691)	(1,381)	(1,381)
	(1,257)	(1,291)	(2,408)	(2,309)
Non-controlling interest in the earnings of the Partnership	1,083	884	2,171	1,927

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.

(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 February 10, 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 February 11, 2007. 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 12 and 24-week periods ended February 10, 2008 and February 11, 2007 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.

The holders of the Class A GP Units are entitled to receive a pro rata share of all residual distributions of the Partnership and subject to the subordination provisions, the Class A GP Units are exchangeable into Units of the Fund. Distributions to SIR, as holder of the initial 595,185 Class A GP Units of the Partnership, representing the initial retained interest in the Partnership, through the exchange feature, as at the closing date of the Offering, were subordinated to distributions by the Partnership to the Trust on the Ordinary LP Units and the Class A LP Units (if any). The subordination of distributions on these Class A GP Units ended on August 26, 2007 when both the minimum revenue condition and the average monthly cash distribution per Fund Unit condition were met.

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 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.

On January 1, 2008, three (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 (2007 – three) new restaurants on January 1, 2008, as well as the Second Incremental Adjustment for the three (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 (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	*12-Week Period Ended February 10, 2008*	*12-Week Period Ended February 11, 2007*	*24-Week Period Ended February 10, 2008*	*24-Week Period Ended February 11, 2007*
	(in thousands of dollars) (unaudited)			
Net cash provided by continuing operations	1,876	3,087	2,470	3,223
Net cash used in investing activities	(2,746)	(2,309)	(5,468)	(5,156)
Net cash provided by (used in) financing activities	285	(122)	2,301	(764)
Increase (decrease) in cash and cash equivalents during the period	(583)	661	(698)	(2,696)
Cash and cash equivalents – Beginning of period	3,262	4,855	3,377	8,212
Cash and cash equivalents – End of period	2,679	5,516	2,679	5,516

Net cash provided by continuing operations decreased by $1.2 million for the 12-week period ended February 10, 2008 as compared to the 12-week period ended February 11, 2007. The decrease is mainly attributable to a decrease in net loss from continuing operations of $0.3 million offset by a decrease in the receipt of leasehold inducements of $0.6 million and a decrease in cash provided by working capital items of $0.9 million. Cash provided by continuing operations decreased by $0.8 million for the 24-week period ended February 10, 2008 as compared to the 24-week period ended February 11, 2007. This is mainly attributable to the decrease in net loss from continuing operations of $1.4 million, offset by a decrease in the amount received for leasehold inducements of $1.0 million and a decrease in the net change in working capital items of $0.8 million.

During fiscal years 2005, 2006, 2007 and 2008, SIR has purchased property and equipment totalling approximately $39.0 million. This represents investments in new restaurants, (including eight completed as at February 10, 2008 and five 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 12-week period ended February 10, 2008 and February 11, 2007 was $2.7 million and $2.3 million, respectively. Cash used in investing activities for the 24-week period ended February 10, 2008 and February 11, 2007 was $5.5 million and $5.2 million, respectively. Purchases of property and equipment and restaurant pre-opening costs amounted to $2.6 million and $2.3 million for the 12-week periods ended February 10, 2008 and February 11, 2007, respectively and $5.3 million and $4.7 million for the 24-week periods ended February 10, 2008 and February 11, 2007, respectively. Fiscal 2008 purchases are a result of the first and second quarter renovations of Soul of the Vine, the first quarter renovation of the Loose Moose Tap & Grill, the construction costs of the new Jack Astor's location in Burlington, Ontario and the continuing construction costs for the new Jack Astor's and Canyon Creek restaurants expected to open in calendar year 2008. Purchases in the 24-week period ended February 11, 2007, are a result of the renovation of the fifth Alice Fazooli's! location, the renovation of *reds* and the construction costs of the Jack Astor's locations in Hamilton Ontario and Dartmouth, Nova Scotia.

During the 12-week period ended February 10, 2008, SIR acquired the non-controlling interest in JACL for $0.2 million. During the 24-week period ended February 11, 2007, SIR advanced $0.5 million to U.S. S.I.R. L.L.C. and its subsidiaries. There were no advances made during the 24-week period ended February 10, 2008. The advance is non-interest bearing, non-secured and due on demand.

Net cash provided by financing activities was $0.3 million and $2.3 million for the 12 and 24-week periods ended February 10, 2008, respectively. Net cash used in financing activities was $0.1 million and $0.8 million for the 12 and 24-week periods ended February 11, 2007. The bank indebtedness decreased $0.4 million during the 12-week period ended February 10, 2008 and increased $0.2 million during the 24-week period ended February 10, 2007. SIR received $0.8 million and $2.3 million from the issuance of long-term debt during the 12 and 24-week periods ended February 10, 2008. In the 24-week period ended February 11, 2007, SIR made payments to non-controlling interest in subsidiary companies of $0.2 million and principal repayments on long-term debt of $0.5 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 February 10, 2008, SIR had current assets of $9.2 million (August 26, 2007 - $9.5 million) and current liabilities of $24.4 million (August 26, 2007 - $22.0 million) resulting in a working capital deficit of $15.2 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. 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. As at February 10, 2008, SIR had outstanding borrowings of $0.5 million and $2.3 million on its Operating Line and Construction Line, respectively. Subsequent to Q2 of fiscal 2008, SIR has requested a further draw of $1.8 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. As at February 10, 2008, SIR had drawn $0.6 million on these facilities and a further $0.2 million has been drawn subsequent to Q2 of fiscal 2008. 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 $1.5 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 unaudited consolidated financial statements. All payments due on this loan has 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

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 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 unaudited 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 is to be redeveloped into a major "lifestyle mall". It is expected that this project will be completed in the second half of calendar year 2008 and a new Jack Astor's would open in this location at that time. 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 plans to open a new Jack Astor's in the former Brasserie Frisco location in fiscal 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. SIR has seven commitments to lease properties on which SIR plans to build eight restaurants. Currently SIR has begun construction on five of these restaurants. SIR expects to spend an additional $8.0 million to complete the construction of these five restaurants. At the current date, SIR has not entered into any construction contracts for the remaining three restaurants, but expects to do so in the near 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 constructions costs with the Construction Line under its new credit facility.

SIR has entered into capital lease arrangements to lease restaurant equipment for up to $1.0 million and as at February 10, 2008, SIR had drawn $0.6 million. Subsequent to Q2 of fiscal 2008, SIR drew a further $0.2 million on this facility. In addition, SIR has been approved for a $16.0 million credit facility to help facilitate SIR's restaurant expansion plans. As at February 10, 2008, SIR had bank indebtedness of $0.5 million and had drawn $2.3 million on its Construction line. Subsequent to Q2 of fiscal 2008, SIR has requested a further draw of $1.8 million on its Construction Line (see Liquidity and Capital Resources section).

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

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

- Payment for operational services provided by three shareholders of SIR in the amounts of $0.3 million for the 12 week period ended February 10, 2008 (February 11, 2007 - $0.2 million) and $0.5 million for the 24-week period ended February 10, 2008 (February 11, 2007 - $0.5 million).
- SIR leases its head office space directly or indirectly from certain shareholders of SIR. SIR paid $0.04 million for the 12 week period ended February 10, 2008 (February 11, 2007 - $0.05 million) and $0.08 million for the 24-week period ended February 10, 2008 (February 11, 2007 - $0.09 million). SIR has a lease commitment to certain shareholders of SIR related to its head office premises that expires on December 31, 2010. The payments under this lease will be $0.2 million, $0.2 million and $0.1 million for fiscal years 2008, 2009 and 2010, respectively.
- Payment for consulting fees provided by one shareholder of SIR in the amount of $0.01 million for the 12 week period ended February 10, 2008 (February 11, 2007 - $0.01 million) and $0.02 million for the 24-week period ended February 10, 2008 (February 11, 2007 - $0.02 million).
- Payment for consulting fees provided indirectly by one of SIR's directors in the amount of $0.02 million for the 12 week period ended February 10, 2008 (February 11, 2007 - $0.04 million) and $0.05 million for the 24-week period ended February 10, 2008 (February 11, 2007 - $0.07 million).

Transactions with the SIR Royalty Income Fund

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

	February 10, 2008	August 26, 2007
	(in thousands of dollars)	
Advances receivable	(1,311)	(1,047)
Interest payable on SIR Loan	364	483
Partnership distributions payable	2,382	1,824
Payable to the Fund and its subsidiaries – net	1,435	1,260

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

During the 12 and 24-week periods ended February 10, 2008, distributions of $1.1 million and $2.2 million, respectively ($0.9 million and $1.9 million, respectively for the 12 and 24-week periods ended February 11, 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.

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 $0.005 million and $0.01 million for the 12 and 24-week periods ended February 10, 2008, respectively ($0.004 million and $0.01 million, for the 12 and 24-week periods ended February 11, 2007) which was the amount of consideration agreed to by the related parties.

Interest expense on the SIR Loan totalled $0.7 million and $1.4 million for the 12 and 24-week periods ended February 10, 2008, respectively ($0.7 million and $1.4 million for the 12 and 24-week periods ended February 11, 2007). The SIR Loan bears interest at 7.5% per annum.

Critical Accounting Estimates

Management believes that there have been no substantial changes in the nature of critical accounting estimates since the year ended August 26, 2007. The reader will find this information in the annual MD&A for the year ended August 26, 2007.

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 $5.2 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 unaudited 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 unaudited 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.

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 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 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 generating 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 not yet determined the impact of the adoption of this change on the disclosure 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 reviewing the transition to IFRS on SIR's financial statements 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 loans, notes receivable and long-term debt, the fair values of these items do not differ significantly from their carrying values. 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. SIR is exposed to interest rate risk arising from fluctuations 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 30, 2007 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.

During fiscal 2007, SIR started operating two new Jack Astor's restaurants located in Hamilton, Ontario and Dartmouth, Nova Scotia. On October 15, 2007, SIR started operating a new Jack Astor's located in Burlington, Ontario. These restaurants were added to the Royalty Pooled Restaurants effective January 1, 2008.

SIR closed the Brasserie Frisco on December 22, 2007. After evaluating a range of options, SIR determined that converting Brasserie Frisco into a new Jack Astor's is the best use of this prime downtown Toronto location. The new Jack Astor's is expected to open in the first half of calendar year 2008. Brasserie Frisco was treated as a 2007 Closed Restaurant and, in accordance with the License and Royalty Agreement, it was removed from the Royalty pool on January 1, 2008.

SIR expects to reopen the Jack Astor's location in Don Mills, Ontario in the second half of calendar year 2008.

Including the two new Jack Astor's mentioned above (in the former Brasserie Frisco location and Don Mills), SIR has secured seven new sites for Jack Astor's and Canyon Creek restaurants with expected openings in calendar year 2008. These sites also include two Jack Astor's in Toronto, Ontario (one at the corner of Dundas and Yonge Streets and one at the corner of Bloor and Yonge Streets) and two new sites near the Toronto Pearson International Airport for a Jack Astor's and a Canyon Creek, under one lease. Another site is for a Jack Astor's in Boisbriand, Quebec. SIR has also secured a new site for a Canyon Creek in Brampton, Ontario with an expected opening in calendar year 2009. SIR plans to continue to seek high quality new sites for Jack Astor's and Canyon Creek restaurants**.**

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. The renovation of the last Alice Fazooli's! location was completed during Q1 of fiscal 2007

During Q1 of fiscal 2008, renovations at Soul of the Vine took place in order to introduce an innovative bakery concept, Petit Four Bakery, 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 and is a new healthy upscale restaurant focusing on guilt-free dining, with each dish having less than 650 calories. Petit Four Bakery and Four are not being treated as New Restaurants under the License and Royalty Agreement. The revenue for both restaurants were and will be 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 the fourth quarter of fiscal 2007, Alice Fazooli's! and Canyon Creek launched their first major radio campaigns. The impact on revenue has been favourable and both concepts have continued to use radio advertising in fiscal 2008. Jack Astor's has also continued its radio advertising program.

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

Snow fall in southern Ontario during Q2 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 of fiscal 2008 was nearly double the average snowfall received in Q2 of the preceding five years. This pattern of higher than average snowfall in southern Ontario has also continued into the first part of the SIR's third quarter.

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 12 and 24-week period ended February 10, 2008, the U.S. operating losses of JACL consumed cash flow of $0.2 million and $0.3 million, respectively ($0.2 million and $0.9 million for the 12 and 24-week period ended February 11, 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.

During fiscal 2008, SIR expects to continue to make significant investments in both new and existing restaurants, although a smaller percentage of capital spending is expected to be directed toward renovations. This will set in place a foundation for anticipated sales growth and improved earnings. Management is committed to maximizing the performance of all of its restaurants.

Forward Looking Information

Statements in this report 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 SIR 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 are 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. SIR expressly disclaims 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. This Management's Discussion and Analysis is provided as of March 21, 2008.

In formulating the forward-looking statements contained herein, management has assumed that business and economic conditions affecting SIR's restaurants 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 regarding employees, food safety, tobacco and alcohol), weather, taxes, foreign exchange rates and interest rates, that there will be no pandemics or other 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. For more information concerning the Fund's risks and uncertainties, please refer to the October 2004 final prospectus, and/or its March 30, 2007 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

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(1) See footnote (1) on page 3