



SIR Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER FISCAL 2006

The unaudited interim consolidated financial statements of SIR Corp. for the 12-week periods ended November 20, 2005 and November 21, 2004 have been prepared by Management. The accounting policies are consistent with those used in the audited year-end consolidated financial statements, except as otherwise noted. The first quarter results have not been reviewed by SIR Corp.'s external auditors.

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FOR THE 12-WEEKS ENDED NOVEMBER 20, 2005 AND NOVEMBER 21, 2004

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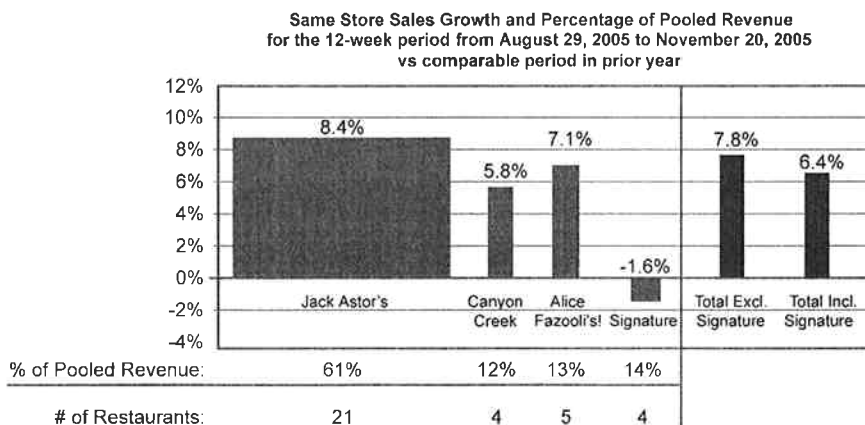
SIR CORP.
Management's Discussion and Analysis
FOR THE 12-WEEKS ENDED NOVEMBER 20, 2005 AND NOVEMBER 21, 2004

Executive Summary

SIR Corp.'s ("SIR") first quarter of fiscal 2006 ("Q1") was from August 29, 2005 to November 20, 2005 inclusive. During Q1, SIR experienced significant increases in both total and same store sales and continued with its strategy of re-investing in its existing and new restaurants to drive anticipated future increases in sales and earnings.

Highlights for SIR's first quarter of fiscal 2006 include:

- *Growth in both consolidated revenue and same store sales (unaudited):*
 - Corporate restaurant operations' food and beverage revenue from corporate restaurant operations for the quarter was \$34.6 million. This represents a \$4.8 million or 16.2% increase over prior year
 - Same store sales growth for restaurants in the Royalty pool ("SSSG") was 6.4% for the 12-week period ended November 20, 2005



- SSSG for the Concept Restaurants (Jack Astor's®, Canyon Creek™ and Alice Fazooli's!®), which generate approximately 86% of Pooled Revenue, was 7.8% for the 12-week period ended November 20, 2005 versus the corresponding period in the prior year.
- SSSG for Jack Astor's®, SIR's flagship Concept Restaurant brand which generates more than 60% of Pooled Revenue, was 8.4% for the 12-week period ended November 20, 2005 as compared to the corresponding period a year ago. During the 12-week period ended November 20, 2005, two Jack Astor's® were closed for an average of approximately five days each to undergo the evolution process. A third evolution was completed on November 24, 2005.
- Canyon Creek™ continues to perform well, with SSSG of 5.8% for the 12-week period ended November 20, 2005.
- For the 12-week period ended November 20, 2005, SSSG of Alice Fazooli's!® was 7.1%. This is driven by renovations during fiscal 2005 at three of the five locations, which are delivering revenue increases after their evolutions in excess of 10% versus the prior year. SIR intends to continue evolving its Alice Fazooli's!® locations.

Executive Summary (continued)

- Same store sales of the downtown Toronto Signature Restaurants, which represent approximately 14% of Pooled Revenue, declined 1.6% for the 12-week period ended November 20, 2005 compared to the corresponding period in the prior year. The decline in same store sales for the Signature Restaurants was due in part to the three-week shutdown of Far Niente® in the quarter for major renovations, partially offset by the return of the National Hockey League ("NHL") in October 2005. The renovation at Far Niente® is expected to result in increased guest counts and SSSG going forward.
- *Investment in existing restaurants:*
 - During the first quarter of fiscal 2006, evolutions were completed at two Jack Astor's® restaurants. A third evolution was completed just subsequent to the first quarter, on November 24, 2005. This brings the total number of evolved Jack Astor's® locations to 16 of a total of 21 currently part of the Royalty Pooled Restaurants. The first four evolutions were completed in the last half of fiscal 2004 and nine more were completed in fiscal 2005. Average revenue increases in the first full year after each evolution have been in excess of 10%, and those restaurants now in their second year have averaged a further 4% increase over and above their first-year increase.
 - Renovations were completed at three of the five Alice Fazooli's!® restaurants in fiscal 2005, with average sales increases in excess of 10% continuing in Q1. SIR plans to continue these renovations in fiscal 2006.
 - A major renovation of Far Niente® was completed on November 7, 2005. The restaurant was closed for approximately three weeks in the quarter. This investment is expected to result in increased guest counts and same store sales growth going forward.
 - Continued Jack Astor's® advertising program with a leading marketing firm.
- *Investment in new restaurants:*
 - A new Jack Astor's® restaurant was opened in Whitby, Ontario on August 31, 2005. This restaurant, along with the Jack Astor's® that opened in February 2005 in downtown Toronto, will become part of the Royalty Pooled Restaurants on January 1, 2006;
 - One additional site for a new Canyon Creek™ was secured in the quarter. This site is located in a prime location in the Niagara Fallsview Casino Resort. This site along with two other new Canyon Creek™ restaurants (Vaughan and Scarborough) are expected to open in 2006.
- EBITDA*
 - EBITDA* for the quarter of \$1.6 million was \$0.2 million unfavourable to prior year. Key factors contributing to the EBITDA* decline versus the prior year include:
 - Underperformance of two restaurants in downtown Toronto;
 - The three-week closure of Far Niente® for a major renovation;

**References to EBITDA are to SIR's net loss before non-controlling interest, income taxes, other expense, provision for impairment of notes receivable, interest, 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 earning 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.*

Executive Summary (continued)

- The closures of two Jack Astor's® restaurants for an average of five days during the quarter for renovations;
 - Increased spending on marketing compared to the same period last year;
 - Increased operating expenses, mainly driven by increased utility costs;
 - The above factors offset the favourable contribution of higher total and same store sales. The renovations and increased marketing spending are expected to improve future sales and earnings.
- *Net loss*
 - The net loss for the period of \$(2.0) million was \$1.2 million favourable to the prior period and was driven by the EBITDA* factors noted above, as well as a number of non-cash items. The non-cash items include a \$1.7 million and \$1.6 million favourable variance in income tax expense and interest expense, respectively. This was partially offset by the increase in interest on the loan payable to SIR Royalty Income Fund (the "Fund") and the non-controlling interest in the SIR Royalty Limited Partnership (the "Partnership"), as well as the difference in the unrealized foreign exchange (gain) loss between the two periods.
 - *Outlook*
 - Fiscal 2005 was an extraordinary year in that SIR completed the successful launch of the Fund, the sales building evolutions of nine Jack Astor's® and three Alice Fazooli's!®, and the opening of a Jack Astor's® on the corner of University Avenue and Front Street in downtown Toronto. This was followed in the first quarter of fiscal 2006 with the opening of a Jack Astor's® in Whitby, Ontario, two more Jack Astor's® evolutions, and a major renovation of Far Niente®. The Jack Astor's® and Alice Fazooli's!® evolutions are expected to continue in fiscal 2006. As well, three new Canyon Creek™ restaurants are expected to open in 2006, all in prime locations. 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.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at November 20, 2005, SIR operates 36 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®, Brasserie Frisco™, and the Armadillo Steak House®/the Loose Moose Tap & Grill®. Currently, 34 SIR Restaurants are included in the SIR Royalty Pooled Restaurants. The two new Jack Astor's® which opened during calendar 2005 (downtown Toronto in February and one in Whitby, Ontario in late August) will be added to the Royalty Pooled Restaurants on January 1, 2006. SIR owns 100% of all its Canadian restaurants, except for Jack Astor's® Don Mills Limited (50%). SIR also has investments in two Jack Astor's® restaurants in the USA which are 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 \$51,166,670 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. In accordance with Variable Interest Entities, Accounting Guideline-15 ("AcG-15"), SIR has consolidated the Partnership effective October 12, 2004.

Overview (continued)

Also, as a result of implementing requirements under AcG-15, SIR now consolidates certain other investments that it previously accounted for as equity accounted investments (see Changes in Accounting Policies including Initial Adoption).

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.

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-week periods ended November 20, 2005 and November 21, 2004. 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 unaudited interim consolidated financial statements of SIR, including the notes thereto.

Selected Consolidated Financial Information -

Statement of Operations	12-weeks ended November 20, 2005 \$	12-weeks ended November 21, 2004** \$
	(in thousands of dollars) (unaudited)	
Corporate restaurant operations:		
Food and beverage revenue	34,637	29,810
Cost of corporate restaurant operations	32,037	27,013
Earnings from corporate restaurant operations	2,600	2,797
Net loss for the period	(2,032)	(3,273)
 Balance Sheet	 November 20, 2005 \$	 August 28, 2005 \$
	(in thousands of dollars) (unaudited)	
Total assets	64,352	66,485
Total long-term liabilities	55,696	55,648

** Prior period balances reflect the retroactive application of AcG-15 (see Changes in Accounting Policies including Initial Adoption).

Selected Consolidated Historical Financial Information (continued)

Reconciliation of Net Loss for the period to EBITDA* (Unaudited)	12-weeks Ended November 20, 2005 \$	12-weeks Ended November 21, 2004** \$
	(in thousands of dollars)	
Net loss for the period	(2,032)	(3,273)
Add (deduct):		
Non-controlling interest in other subsidiary companies	8	187
Provision for income taxes	4	1,655
Other expense	150	11
Provision for impairment of notes receivable	124	-
Unrealized foreign exchange (gain) loss	10	(632)
Interest expense - net ⁽¹⁾	147	1,781
Interest on loan payable to SIR Royalty Income Fund	690	337
Non-controlling interest in SIR Royalty Limited Partnership	982	355
Other amortization	61	93
Amortization of restaurants assets	1,481	1,351
EBITDA*	1,625	1,865
Income from Class A Units of the Partnership ⁽²⁾ (Not included in EBITDA* above)	 135	 85
6% Royalty obligations under License and Royalty Agreement ⁽³⁾	1,818	853
6% Royalty on proforma Pooled Revenue – see footnote ⁽⁴⁾ on page 8	1,818	1,709

*References to EBITDA are to SIR's net loss before non-controlling interest, income taxes, other expense, provision for impairment of notes receivable, interest, 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 earning 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.

** Prior period balances reflect the retroactive application of AcG-15 (see Changes in Accounting Policies including Initial Adoption)

Results of Operations

As a result of implementing the requirements under AcG-15, SIR now consolidates certain investments that it previously accounted for as equity accounted investments. Details of this change are explained under Changes in Accounting Policies including Initial Adoption. Although SIR implemented this change effective August 29, 2004, SIR was not required to implement the change for its interim reporting periods during fiscal 2005 because SIR is a private company. Therefore SIR has now reflected the retroactive application of this change in accounting policy for the 12-week period ended November 21, 2004.

⁽¹⁾ Interest expense - net includes amortization of the deferred financing costs arising from SIR's share of the October 2004 SIR Royalty Income Fund initial public offering, interest on the Jack Astor's ® Cary / Las Colinas Limited loans, and interest on SIR's redeemable Class A special shares. In fiscal 2005, interest expense - net also included the write-off of deferred financing fees from the previous bank financing and interest on bank and shareholder loans prior to October 12, 2004.

⁽²⁾ Income from Class A GP Units is subordinated to the distributions to the Fund Units (refer to the SIR Royalty Income Fund section of this document).

⁽³⁾ See the SIR Royalty Income Fund section of this document for the Royalty calculation. Royalty obligations commenced on October 12, 2004, the date of closing of the Fund's public Offering.

Results of Operations (continued)

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	12-weeks Ended November 20, 2005 \$	12-weeks Ended November 21, 2004** \$
	(in thousands of dollars) (unaudited)	
Revenue reported in consolidated financial statements	34,637	29,810
Less: Revenue from corporate restaurant operations excluded from the Royalty pool ⁽⁴⁾	(4,330)	(1,325)
Proforma revenue for restaurants in the Royalty pool ⁽⁴⁾	30,307	28,485

Same Store Sales

	12-weeks Ended November 20, 2005 \$	12-weeks Ended November 21, 2004 \$	% Fav. / (Unfav.)
	(in thousands of dollars) (unaudited)		
Jack Astor's®	18,564	17,128	8.4%
Alice Fazooli's!®	3,931	3,670	7.1%
Canyon Creek™	3,556	3,362	5.8%
Signature Restaurants	4,256	4,325	(1.6%)
Same store sales	30,307	28,485	6.4%

Note: same store sales does not equal the segmented revenue information reported in note 8 of the interim consolidated financial statements due to adjustments made to exclude revenue from restaurants which are not included in the Royalty pool.

Revenue

There are a number of references to different revenue groupings used in the financial statements, the notes to the 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 Consolidated Statement of Operations) – this is the total consolidated revenue of all restaurants for the period. The restaurants include the 34 SIR restaurants included in Royalty Pooled Revenue, the USA Jack Astor's® and for fiscal 2006, the New Additional Restaurants (Jack Astor's® on Front Street and Jack Astor's® in Whitby). For Q1 fiscal 2006, this revenue was \$34.6 million.

(4) Both Jack Astor's® on Front Street (opened February 2, 2005) and Jack Astor's® in Whitby (opened August 31, 2005) are excluded from Pooled Revenue until January 1, 2006, when they will be added to the SIR Restaurants subject to the License and Royalty Agreement. Jack Astor's® Cary/Las Colinas Limited is excluded from Pooled Revenue as it is not one of the SIR Restaurants subject to the License and Royalty Agreement. The SIR Royalty Income Fund public offering closed on October 12, 2004. Therefore revenue earned prior to October 12, 2004 is not eligible for calculating Royalties payable to the SIR Royalty Limited Partnership. Proforma revenue for restaurants in the Royalty Pool is for the 34 restaurants included in the Royalty Pooled Restaurants.

Results of Operations (continued)

- ii) Same Store Sales ("SSS") – this is a sub-set of i) above used for tracking comparable year-over-year sales. For Q1 fiscal 2006 and 2005, SSS includes only the 34 restaurants included in Pooled Revenue, all of which were open in both periods that are being compared. For Q1 fiscal 2006, this revenue was \$30.3 million.
- iii) Proforma Pooled Revenue – this is a sub-set of i) above and includes those restaurants subject to the License and Royalty Agreement as if they were subject to this agreement for the entire period. It is labeled "proforma" because these restaurants were not actually subject to the License and Royalty Agreement until October 12, 2004 (still affects prior year comparative). For Q1 fiscal 2006, Proforma Pooled Revenue was the same as SSS at \$30.3 million.
- iv) Pooled Revenue - this is used for the calculation of the 6% Royalty and is a sub-set of i) above and includes those restaurants subject to the License and Royalty Agreement from October 12, 2004 to November 20, 2005 only. This is the period when the 6% Royalty was applicable. Pooled Revenue used for the calculation of the 6% Royalty is defined as: revenue (per the SIR Consolidated Statements of Operations) minus USA Jack Astor's® revenue, minus the revenue of any SIR Restaurants not included in the Royalty pool (Jack Astor's® on Front Street and Jack Astor's® in Whitby are excluded until January 1, 2006). For Q1 fiscal 2006, this revenue is \$30.3 million. The applicable Royalty payable to the Partnership on the Pooled Revenue for Q1 fiscal 2006 was calculated as follows: \$30.3 million x 6% = \$1.8 million in Partnership Royalty income.

Same Store Sales

SSSG was 6.4% for the 12-week period ended November 20, 2005 versus the comparable period in the prior year. The Signature Restaurants, which are located in downtown Toronto, benefited from the return of the NHL in October. Signature Restaurant sales in the quarter were impacted by the approximately three-week shutdown of Far Niente® for renovations. Excluding the Signature Restaurants, SSSG for the Concept Restaurants (Jack Astor's®, Canyon Creek™ and Alice Fazooli's!®), which generate approximately 86% of Pooled Revenue, was 7.8% for the 12-week period ended November 20, 2005 versus the corresponding period in the prior year.

SSSG for Jack Astor's®, SIR's flagship Concept Restaurant brand which generates more than 60% of Pooled Revenue, was 8.4% for the 12-week period ended November 20, 2005 as compared to the corresponding period a year ago. During the period from August 29, 2005 to November 20, 2005, two Jack Astor's® were closed for an average of approximately five days each to undergo the evolution process. A third evolution was completed on November 24, 2005. The evolution program started in 2004 and is intended to continue for the remainder of 2005 and into 2006. A total of 16 of the 21 Jack Astor's® currently in the Royalty pool have been evolved as at the end of November 2005. Average sales increases in evolved Jack Astor's® restaurants are in excess of 10% in the year of evolution and an average of 4% over and above their first-year increases for restaurants now in their second year following evolution.

Canyon Creek™ continues to perform well, with SSSG of 5.8% for the 12-week period ended November 20, 2005.

For the 12-week period ended November 20, 2005, SSSG of Alice Fazooli's!® was 7.1%. This is driven by renovations at three of the five locations, which are delivering revenue increases after their evolutions in excess of 10% versus the prior year. SIR intends to continue evolving its Alice Fazooli's!® locations.

SSS of the downtown Toronto Signature Restaurants, which represent approximately 14% of Pooled Revenue, declined 1.6% for the 12-week period ended November 20, 2005 compared to the corresponding period in the prior year. The decline in same store sales for the Signature Restaurants was due in part to the three-week shutdown of Far Niente® in the quarter for major renovations, partially offset by the return of the NHL in October 2005. The major renovation of Far Niente® was completed on November 7, 2005. This renovation is expected to result in increased guest counts and SSSG going forward.

Results of Operations (continued)

Cost of Corporate Restaurant Operations

As a percentage of revenue, costs of corporate restaurant operations increased to 92.5% for the 12-week period ended November 20, 2005 from 90.6% for the 12-week period ended November 21, 2004. This increase in cost of restaurant operations as a percentage of revenue is mainly due to an increase in direct cost of restaurant operations, including increased utilities and spending on marketing. The closure of Far Niente® for three weeks also affected this percentage of revenue in the first quarter of fiscal 2006.

Corporate Costs

Corporate costs increased by \$0.2 million for the 12-week period ended November 20, 2005 compared to the 12-week period ended November 21, 2004. The increase is primarily due to salaries and benefits (including increased staffing for growth).

Interest expense

Interest expense decreased by \$1.6 million for the 12-week period ended November 20, 2005 compared to the 12-week period ended November 21, 2004. During the 12-week period ended November 21, 2004, SIR used proceeds received from the issuance of the Partnership Units and the SIR Loan to repay shareholder loans and Canadian term bank debt in full, resulting in decreased interest expense. In addition, all unamortized deferred financing fees (\$1.4 million) relating to the former bank debt have been included in interest expense for the 12-week period ended November 21, 2004.

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 \$0.3 million for the 12-week period ended November 20, 2005 and the 12-week period ended November 21, 2004, respectively. Because the SIR Loan was issued part way through the first quarter of fiscal 2005, the interest amount is lower for that period compared to the same period in fiscal 2006.

The Fund's share of the income of the Partnership for the 12-week period ended November 20, 2005 of \$1.0 million has been recorded as non-controlling interest in the unaudited Consolidated Statement of Operations. It is higher than the same period in fiscal 2005 due to the timing of the completion of the initial public offering and due to increased earnings in the Partnership in fiscal 2006 (see SIR Royalty Income Fund section).

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

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 unaudited Consolidated Statement of Operations. The unrealized foreign exchange gain for the 12-week period ended November 21, 2004 was \$0.6 million because of the significant drop in U.S. exchange rates during this period. The fluctuation during the 12-week period ended November 20, 2005 was not significant, resulting in a nominal unrealized foreign exchange loss.

Provision for impairment of investment and notes receivable

During the 12-week period ended November 20, 2005, SIR advanced \$0.2 million to U.S. S.I.R. L.L.C. and its subsidiaries to facilitate repayment of debt related to certain closed U.S. restaurant operations. The advance is non-interest bearing, non-secured and due on demand. SIR does not expect to receive payment of this advance within the next year and accordingly, it has been discounted to reflect its net recoverable amount of \$0.1 million. The discount amount of \$0.1 million is included in the provision for impairment of notes receivable on the unaudited Consolidated Statement of Operations. 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.

Results of Operations (continued)

Provision for income taxes

A nominal provision for income taxes was recorded in the 12-week period ended November 20, 2005 as compared to a provision for income taxes of \$1.7 million during the 12-week period ended November 21, 2004. During the 12-week period ended November 21, 2004, SIR realized a taxable gain on the disposition of the SIR Rights. The taxable gain has been offset by capital and non-capital loss carryforwards recognized in prior years.

EBITDA*

EBITDA* decreased by \$0.2 million for the 12-week period ended November 20, 2005 as compared to the 12-week period ended November 21, 2004 (see Selected Consolidated Historical Financial Information - Reconciliation of Net Loss for the period to EBITDA*.)

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 and is collateralized by a general security agreement covering substantially all of the assets of SIR. Interest expense of \$0.7 million was charged to the unaudited Consolidated Statement of Operations for the 12-week period ended November 20, 2005 (\$0.3 million for the 12-week period ended November 21, 2004).

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. The costs have been deferred and are being amortized over 40 years, the term of the SIR Loan. These costs are recorded in other assets in the consolidated financial statements. Amortization of \$0.03 million has been recorded as interest expense in the consolidated statement of operations for the 12-week period ended November 20, 2005 (\$0.01 million for the 12-week period ended November 21, 2004).

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

	12-weeks ended November 20, 2005	12-weeks ended November 21, 2004
	(in thousands of dollars)	
	(unaudited)	
Initial investment by the Fund	11,167	11,167
Non-controlling interest in earnings of the Partnership	982	355
Distributions declared on the Partnership's Units held by the Fund	(982)	(355)
Non-controlling interest in the Partnership	11,167	11,167
 Pooled Revenue	 <u>30,307</u>	 <u>14,216</u> ⁽⁵⁾
Partnership Royalty income (6% of Pooled Revenue)	1,818	853
Other income	8	2
Partnership expenses	(19)	(78)
Net earnings of the Partnership	1,807	777
SIR's interest in the earnings of the Partnership	(825)	(422)
Non-controlling interest in the earnings of the Partnership	<u>982</u>	<u>355</u>

⁽⁵⁾ Includes revenue from October 12, 2004 to November 21, 2004 for the SIR Restaurants subject to the License and Royalty Agreement and excludes revenue for JACL. Note that Jack Astor's® on Front Street, and Jack Astor's® in Whitby were not opened during this period. 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.