



SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER FISCAL 2007

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**12-WEEK PERIODS ENDED
NOVEMBER 19, 2006 AND NOVEMBER 20, 2005**

The unaudited interim consolidated financial statements of SIR Corp. for the 12-week periods ended November 19, 2006 and November 20, 2005 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 12-WEEK PERIOD ENDED NOVEMBER 19, 2006

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FOR THE 12-WEEK PERIOD ENDED NOVEMBER 19, 2006

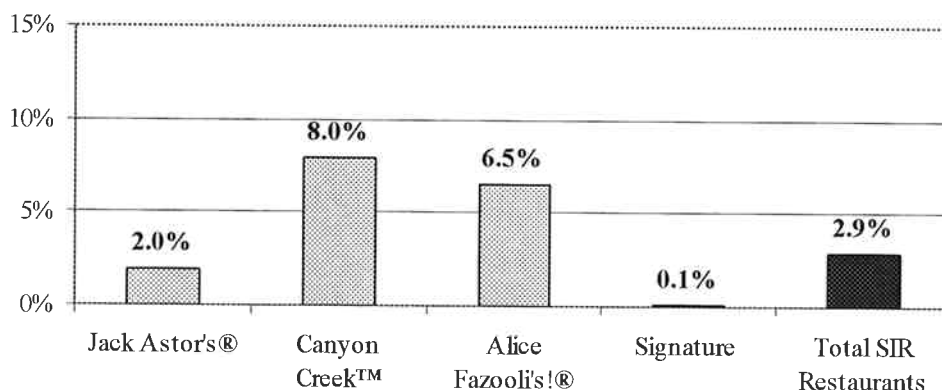
Executive Summary

SIR Corp.'s ("SIR") first quarter of fiscal 2007 ("Q1") was from August 28, 2006 to November 19, 2006 inclusive. During Q1, SIR continued with its growth strategy and continued to experience total and same stores sales growth⁽¹⁾ ("SSSG"). Same stores sales⁽¹⁾ ("SSS") and same store sales growth⁽¹⁾ are non-GAAP measures. Please refer to the reconciliation of consolidated revenue to same store sales on page 8 and to the definition of same stores sales in the Revenue section on page 9.

Highlights for SIR's first quarter include:

- **Growth in both consolidated revenue and same store sales⁽¹⁾ (unaudited):**
 - Corporate restaurant operations' food and beverage revenue from corporate restaurant operations for the quarter was \$36.4 million. This represents a \$2.3 million or 6.8% increase over the prior year for the quarter.
 - SSSG⁽¹⁾ for restaurants in the Royalty pool was 2.9% for the 12-week period ended November 19, 2006, compared to the corresponding period a year ago.

Same Store Sales Growth⁽¹⁾ for the 12-week period ended November 19, 2006 vs same period in prior year



- SSSG⁽¹⁾ for the Concept Restaurants (Jack Astor's®, Canyon Creek™ and Alice Fazooli's!®), which generate approximately 87% of YTD Pooled Revenue, was 3.3% for the 12-week period ended November 19, 2006, versus the corresponding period in the prior year.
- SSSG⁽¹⁾ for Jack Astor's®, SIR's flagship Concept Restaurant brand that generates approximately 64% of YTD Pooled Revenue, was 2.0% for the 12-week period ended November 19, 2006, versus the corresponding period in the prior year.
- Canyon Creek™ continues to perform well, with SSSG⁽¹⁾ of 8.0% for the 12-week period ended November 19, 2006, versus the corresponding period in the prior year.
- For the 12-week period ended November 19, 2006, SSSG⁽¹⁾ of Alice Fazooli's!® was 6.5%, versus the corresponding period in the prior year.
- SSSG⁽¹⁾ of the downtown Toronto Signature Restaurants, which represent approximately 13% of YTD Pooled Revenue, was essentially flat for the 12-week period ended November 19, 2006, versus the corresponding period in the prior year.

⁽¹⁾ Same store sales includes revenue from all SIR restaurants except for Canyon Creek™ in Scarborough, Canyon Creek™ in Vaughan and the Canyon Creek™ located at the Fallsview Casino Resort in Niagara Falls, Ontario because they were not open for the entire comparable period in fiscal 2006 (USA restaurants are not part of SIR restaurants). SSS also excludes revenue for the Jack Astor's® in Don Mills because it was closed during fiscal 2006. Same store sales growth is the percentage increase in SSS over the prior comparable period.

- **Investment in existing restaurants**
 - To date, all but one existing Jack Astor's® restaurant originally in the Royalty pool has undergone the evolution process. Average revenue increases in these evolved Jack Astor's® restaurants have been in excess of 10% in the year of evolution and average in excess of 4% over and above their first-year increases for restaurants now in their second year following evolution. The velocity of the Jack Astor's SSSG⁽¹⁾ slowed somewhat in Q4 of fiscal 2006 and Q1 of fiscal 2007 as 47% of the evolved locations are now in their second year following the evolution and another 21% are in their third year following the evolution.
 - The fifth of five Alice Fazooli's!® restaurants was renovated in October 2006. Average revenue increases in the first full year after each renovation has been in excess of 10%.
 - A major renovation of reds® was completed in Q1 of fiscal 2007. Management is pleased with the results of the renovations at reds®.
 - Continued Jack Astor's® advertising programs with a leading marketing firm.
- **Investment in new restaurants**
 - A new Canyon Creek™ restaurant opened at the Fallsview Casino Resort in Niagara Falls, Ontario during Q1, on August 28, 2006. Two other Canyon Creek™ restaurants opened during the latter half of fiscal 2006. Each of these three restaurants is expected to be added to the Royalty Pooled Restaurants effective January 1, 2007.
 - A new Jack Astor's® in Whitby, Ontario opened during Q1 of fiscal 2006, on August 31, 2005. This restaurant, along with the Jack Astor's® that opened on February 2, 2005 in downtown Toronto, became part of the Royalty Pooled Restaurants effective January 1, 2006.
 - SIR has secured two additional sites for Jack Astor's® restaurants which are planned to open in fiscal 2007.
- **Closed restaurant**
 - During Q4 of fiscal 2006, the Jack Astor's® in Don Mills, Ontario was closed. This 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 2008 and a new Jack Astor's® would open in this location at that time. Revenue from this restaurant has been excluded from SSS⁽¹⁾.
- **Loss from Continuing Operations**
 - The loss from continuing operations for Q1 of \$2.2 million was \$0.3 million unfavourable to the same period in the prior year.
- **EBITDA⁽²⁾**
 - EBITDA⁽²⁾ is a non-GAAP measure. Please refer to the reconciliation of loss from continuing operations to EBITDA⁽²⁾ on page 7 of this document.
 - EBITDA⁽²⁾ for the first quarter of \$1.6 million was \$0.1 million unfavourable to the prior year.
- **Discontinued Operation**
 - During the second quarter of fiscal 2006, substantially all of the assets of one of the US restaurant operations were sold. As a result, the restaurant's balances and transactions have been shown as a discontinued operation in the financial statements. This restaurant's results have been reclassified as a discontinued operation for Q1 of fiscal 2006. This restaurant is not part of the Royalty pool and therefore, its closure has no effect on Pooled Revenue (see Discontinued Operation).

⁽¹⁾ See footnote (1) on page 3

⁽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 investments and loans 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.

• **Outlook**

- Following the successful launch of the SIR Royalty Income Fund (the "Fund"), in fiscal 2005, SIR began a sales building initiative by investing in new and existing restaurants. It began in fiscal 2005 with 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 fiscal 2006 with the opening of a Jack Astor's® in Whitby, Ontario, the opening of two new Canyon Creek™ locations in Scarborough and Vaughan, Ontario, six more Jack Astor's® evolutions, an Alice Fazooli's!® renovation and a major renovation of Far Niente®. The Jack Astor's® evolution program started in 2004 and now only 1 of the Jack Astor's® currently operating remains to be evolved. The Jack Astor's® location in the U.S. was evolved in Q4 of fiscal 2006. During Q1 of fiscal 2007, the fifth of the five Alice Fazooli's® locations and reds® was renovated. In addition, a new Canyon Creek™ opened in Q1, on August 28, 2006, in a prime location at the Fallsview Casino Resort in Niagara Falls, Ontario. 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.
- On October 31, 2006, the Federal Department of Finance announced a "Tax Fairness Plan" that proposes changes to the manner in which distributions from publicly listed flow-through entities ("FTE's") including income funds are taxed. The Trustees of the Fund and senior management of SIR will continue to monitor this development.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at November 19, 2006, SIR operates 38 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®. For the 12-week period ended November 19, 2006, 36 SIR Restaurants were 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) were added to the Royalty Pooled Restaurants on January 1, 2006. Three new Canyon Creek™ restaurants have been opened, during calendar year 2006: one in Scarborough, Ontario, one in Vaughan, Ontario, and one at a location located at the Fallsview Casino Resort in Niagara Falls, Ontario. These three Canyon Creek™ locations are expected to be added to the Royalty Pooled Restaurants in January 2007. 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, on May 27, 2006. SIR also has an investment in one Jack Astor's® restaurant in the USA which is not included in the Royalty Pooled Restaurants. Substantially all the assets of SIR's other U.S. restaurant were sold on February 10, 2006 (see Discontinued Operation).

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.

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 period ended November 19, 2006 and November 20, 2005. 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 consolidated financial statements of SIR, including the notes thereto, for the 12-week period ended November 19, 2006.

Selected Consolidated Financial Information

Statements of Operations	12-Week	12-Week
	Period Ended	Period Ended
	November 19, 2006	November 20, 2005**
	(in thousands of dollars)	
	(unaudited)	(unaudited)
Corporate restaurant operations:		
Food and beverage revenue	36,413	34,083
Cost of corporate restaurant operations	33,868	31,447
Earnings from corporate restaurant operations	2,545	2,636
Loss from continuing operations	(2,204)	(1,922)
Net loss for the period	(2,243)	(2,032)

Balance Sheet	November 19,	August 27,
	2006	2006
	(in thousands of dollars)	
	(unaudited)	
Total assets	64,215	67,241
Total long-term liabilities	57,974	57,724

** Prior period balances reflect the reclassification of the discontinued operation (see Discontinued Operation).

EBITDA⁽²⁾

EBITDA⁽²⁾ is a non-GAAP measure used by SIR to supplement its reporting of 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 loss from continuing operations for the period to EBITDA⁽²⁾:

Reconciliation of loss from continuing operations for the period to EBITDA ⁽²⁾ (Unaudited)	12-Week Period Ended November 19, 2006	12-Week Period Ended November 20, 2005**
	(in thousands of dollars)	
Loss from continuing operations for the period	(2,204)	(1,922)
Add (deduct):		
Non-controlling interest in other subsidiary companies	-	8
Provision for income taxes	-	4
Other expense	109	150
Provision for impairment of investments and loans receivable	100	124
Unrealized foreign exchange (gain) loss	52	(5)
Interest expense - net ⁽³⁾	15	89
Interest on loan payable to SIR Royalty Income Fund	690	690
Non-controlling interest in SIR Royalty Limited Partnership	1,043	982
Other amortization	73	61
Amortization of restaurants assets	1,693	1,445
EBITDA⁽²⁾	1,571	1,626
Income from Class A GP Units of the Partnership ⁽⁴⁾ (Not included in EBITDA ⁽²⁾ above)	327	135
6% Royalty obligations under License and Royalty Agreement ⁽⁵⁾	2,069	1,818

** Prior period balances reflect the reclassification of the discontinued operation (see Discontinued Operation).

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	12-Week Period Ended November 19, 2006 ⁽³⁾	12-Week Period Ended November 20, 2005** ⁽³⁾
	(in thousands of dollars) (unaudited) (unaudited)	
Revenue reported in unaudited consolidated financial statements	36,413	34,083
Less: Revenue from corporate restaurant operations excluded from the Royalty pool	2,620	3,776
Revenue for restaurants in the Royalty pool	33,793	30,307

** Prior period balances reflect the reclassification of the discontinued operation (see Discontinued Operation).

⁽²⁾ See footnote (2) on page 4

⁽³⁾ 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 (excluding the discontinued operation) and interest income. In fiscal 2006, interest expense - net also included interest on SIR's redeemable Class A special shares.

⁽⁴⁾ Income from the initial 595,185 Class A GP Units is subordinated to the distributions to the Fund Units (refer to the SIR Royalty Income Fund section of this document).

⁽⁵⁾ See the SIR Royalty Income Fund section of this document for the Royalty calculation. On January 1, 2006, two restaurants were added to the Royalty pool. Therefore, revenue from these two restaurants have been included in Pooled Revenue for the 12-week period ended November 19, 2006, but are not included for the 12-week period ended November 20, 2005. The Royalty obligation for the 12-week period ended November 19, 2006 includes 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	12-Week	12-Week
	Period Ended November 19, 2006	Period Ended November 20, 2005**
	(in thousands of dollars)	
	(unaudited)	(unaudited)
Revenue reported in unaudited consolidated financial statements	36,413	34,083
Less: Revenue from corporate restaurant operations excluded from same store sales	2,620	1,247
Same store sales	33,793	32,836

Same Store Sales ⁽¹⁾ by Segment	12-Week	12-Week	%
	Period Ended November 19, 2006	Period Ended November 20, 2005	Fav. / (Unfav.)
	(in thousands of dollars)		
	(unaudited)		
Jack Astor's®	21,508	21,093	2.0
Alice Fazooli's!®	4,186	3,931	6.5
Canyon Creek™	3,839	3,556	8.0
Signature Restaurants	4,260	4,256	0.1
Same store sales	33,793	32,836	2.9

Summary of Quarterly Results

Statement of Operations	1 st Quarter	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter	4 th Quarter	3 rd Quarter	2 nd Quarter
	Ended November 19, 2006	Ended August 27, 2006	Ended May 7, 2006	Ended February 12, 2006	Ended November 20, 2005**	Ended August 28, 2005	Ended May 8, 2005**	Ended February 13, 2005**
	(12 weeks)	(16 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(16 weeks)	(12 weeks)	(12 weeks)
Corporate restaurant operations	(in thousands of dollars)							
	(unaudited)							
Food and beverage revenue	36,413	47,233	35,975	35,774	34,083	42,074	31,798	29,957
Cost of corporate restaurant operations	33,868	43,260	32,117	32,212	31,447	39,190	29,104	27,312
Earnings from corporate restaurant operations	2,545	3,973	3,858	3,562	2,636	2,884	2,694	2,645
Loss from continuing operations	(2,204)	(1,376)	(496)	(1,098)	(1,922)	(4,398)	(2,139)	(3,866)
Net loss for the period	(2,243)	(1,405)	(392)	(1,222)	(2,032)	(5,339)	(2,238)	(3,990)

** Prior period balances reflect the reclassification of the discontinued operation (see Discontinued Operation)

⁽¹⁾ See footnote (1) on page 3

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 the 38 SIR restaurants and the revenue from the continuing USA Jack Astor's®. For the 12-week period ended November 19, 2006 this revenue was \$36.4 million.
- ii) Same Store Sales ("SSS") – this is a sub-set of i) above used for tracking comparable year-over-year sales. For Q1 fiscal 2007 and 2006, SSS includes all SIR restaurants except for Canyon Creek™ in Scarborough, Canyon Creek™ in Vaughan and the Canyon Creek™ located at the Fallsview Casino Resort in Niagara Falls, Ontario because they were not open for the entire comparable period in fiscal 2006 (USA restaurants are not part of SIR restaurants). SSS also excludes revenue for the Jack Astor's® in Don Mills because it was closed during fiscal 2006. For the 12-week period ended November 19, 2006, this revenue was \$33.8 million.
- iii) Pooled Revenue - this is the revenue subject to the License and Royalty Agreement – this includes the 34 restaurants included in the Royalty pool as of October 12, 2004 and for Q1, fiscal 2007, it also includes the two new Jack Astor's® restaurants that were added to the Royalty pool on January 1, 2006. For the 12-week period ended November 19, 2006, this revenue is \$33.8 million. The applicable Royalty payable to the Partnership on the Pooled Revenue for this period was \$2.1 million and includes a Make-Whole Payment with respect to the closed Jack Astor's® location in Don Mills.

Same Store Sales⁽¹⁾

SSSG⁽¹⁾ was 2.9% for the 12-week period ended November 19, 2006, versus the comparable period in the prior year. Signature Restaurant revenue in the first quarter was impacted by the 11 day shutdown of reds® for renovations. Excluding the Signature Restaurants, SSSG⁽¹⁾ for the Concept Restaurants only (Jack Astor's®, Canyon Creek™ and Alice Fazooli's!®), which generate approximately 87% of YTD Pooled Revenue, was 3.3% for the 12-week period ended November 19, 2006, versus the corresponding period in the prior year.

SSSG⁽¹⁾ for Jack Astor's®, SIR's flagship Concept Restaurant brand which generates approximately 64% of YTD Pooled Revenue was 2.0% for the 12-week period ended November 19, 2006, as compared to the corresponding period a year ago. To date, all but one existing Jack Astor's® restaurants originally in the Royalty pool have been evolved. Average revenue increases in these evolved Jack Astor's® restaurants are in excess of 10% in the year of evolution and average in excess of 4% over and above their first-year increases for restaurants now in their second year following evolution. The velocity of the Jack Astor's SSSG⁽¹⁾ slowed somewhat in Q4 of fiscal 2006 and continued in Q1 of fiscal 2007 as 47% of the evolved locations are now in their second year following the evolution and another 21% are in their third year following the evolution.

Canyon Creek™ continues to perform well, with SSSG⁽¹⁾ of 8.0% for the 12-week period ended November 19, 2006, versus the corresponding period in the prior year.

The performance of Alice Fazooli's!® continues to improve with SSSG⁽¹⁾ of 6.5% for the 12-week period ended November 19, 2006, versus the corresponding period in the prior year. The fifth of the five Alice Fazooli's!® locations was closed for 11 days for renovations during the first quarter of fiscal 2007.

SSSG⁽¹⁾ of the downtown Toronto Signature Restaurants, which represent approximately 13% of YTD Pooled Revenue, was essentially flat for the 12-week period ended November 19, 2006, versus the corresponding periods in the prior year. 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 at reds®. The strong SSSG⁽¹⁾ at Far Niente®/Soul of the Vine® in Q1, due in part to its renovation in Q1 of the prior year, is partially offset by SSSG⁽¹⁾ declines in Q1 at Brasserie Frisco™ and the Armadillo Steak House®/the Loose Moose Tap & Grill®

Management believes that changes in smoking legislation in Ontario and Quebec are negatively affecting bar sales, particularly in those restaurants that previously benefited from Designated Smoking Rooms in their bars. Management believes that the effect of the Smoke Free Ontario Act will be mitigated over time.

⁽¹⁾ See footnote (1) on page 3

Cost of Corporate Restaurant Operations

As a percentage of revenue, costs of corporate restaurant operations increased to 93.0% for the 12-week period ended November 19, 2006 from 92.3% for the 12-week period ended November 20, 2005. The increase is due, in part, to an increase in direct cost of restaurant operations as a percentage of revenue for the 12-week period ended November 19, 2006 versus the corresponding period in the prior year. Some major repairs were required in Q1 of fiscal 2007 which is not expected to be indicative of the remainder of the fiscal year. In addition, although the three new Canyon Creek™ locations have contributed to the increase in consolidated food and beverage revenue, as a group, they have had a negative impact on earnings from corporate restaurant operations. Management believes that the performance of these three new restaurants will improve in future quarters 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 increased by \$0.2 million for the 12-week period ended November 19, 2006 compared to the 12-week period ended November 20, 2005. This increase is largely due to increases in general and administrative costs and salaries.

Interest expense - net

Interest expense decreased \$0.1 million for the 12-week period ended November 19, 2006 compared to the 12-week period ended November 20, 2005. The Class A redeemable special shares were converted to common shares during fiscal 2006, resulting in lower interest expense in Q1 of fiscal 2007.

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 \$0.7 million for the 12-week periods ended November 19, 2006 and November 20, 2005, respectively.

The Fund's share of the income of the Partnership for the 12-week period ended November 19, 2006 and November 20, 2005 of \$1.0 million each has been recorded as non-controlling interest in the unaudited consolidated statements of operations.

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 of fiscal 2006, SIR's investment in JACL was reduced when the operations of Jack Astor's Las Colinas, LLC, a subsidiary of JACL, was closed and substantially all of its assets were sold. Accordingly, the results from this operation have been classified as a discontinued operation (see Discontinued Operation).

The unrealized foreign exchange loss, for the continuing operations of JACL, is \$0.05 million for the 12-week period ended November 19, 2006. The unrealized foreign exchange gain was nominal for the 12-week period ended November 20, 2005.

Provision for impairment of investments and loans receivable

During the 12-week period ended November 19, 2006, SIR advanced \$0.4 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 has determined that this advance is impaired based on estimated future cash flows of the remaining U.S. operations. Accordingly, the loan and advances receivable are written down to their net realizable value of \$0.3 million. The provision of \$0.1 million is included in the provision for impairment of investments and loans receivable in the unaudited consolidated statements of operations. The provision for impairment was \$0.1 million for the 12-week period ended November 20, 2005. 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.

Other expense

Other expense is \$0.1 million for the 12-week period ended November 19, 2006 compared to an expense of \$0.2 million for the 12-week period ended November 20, 2005.

Provision for income taxes

A nominal provision for income taxes was recorded in both the 12-week periods ended November 19, 2006 and November 20, 2005.

EBITDA⁽²⁾

EBITDA⁽²⁾ decreased by \$0.1 million for the 12-week period ended November 19, 2006 as compared to the 12-week period ended November 20, 2005 (see Selected Consolidated Historical Financial Information - Reconciliation of 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 and is collateralized by a general security agreement covering substantially all of the assets of SIR. Interest expense of \$0.7 million and \$0.7 million was charged to the unaudited consolidated statements of operations for the 12-week periods ended November 19, 2006 and November 20, 2005, 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. 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 unaudited consolidated financial statements. Amortization of \$0.03 million and \$0.03 million has been recorded as interest expense in the unaudited consolidated statements of operations for the 12-week period ended November 19, 2006 and November 20, 2005, respectively.

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

	12-Week Period Ended	
	November 19 2006	November 20, 2005
	(in thousands of dollars)	
	(unaudited) (unaudited)	
Initial investment by the Fund	11,167	11,167
Non-controlling interest in earnings of the Partnership	1,043	982
Distributions declared on the Partnership's Units held by the Fund	(1,043)	(982)
Non-controlling interest in the Partnership	11,167	11,167
Pooled Revenue ⁽⁶⁾	33,793	30,307
Partnership Royalty income ⁽⁷⁾	2,069	1,818
Other income	13	8
Partnership expenses	(22)	(19)
Net earnings of the Partnership	2,060	1,807
SIR's interest in the earnings of the Partnership		
Income from Class A GP Units of the Partnership	(327)	(135)
Income from Class B & C GP Units of the Partnership	(690)	(690)
	(1,017)	(825)
Non-controlling interest in the earnings of the Partnership	1,043	982

⁽²⁾ See footnote (2) on page 4

⁽⁶⁾ Includes revenue from the SIR Restaurants subject to the License and Royalty Agreement and excludes revenue for JACL. On January 1, 2006, two restaurants were added to the Royalty pool. Therefore, revenue from these two restaurants have been included in Pooled Revenue for the 12-week period ended November 19, 2006, but are not included for the 12-week period ended November 20, 2005. 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.

⁽⁷⁾ 6% of Pooled Revenue plus a Make-Whole Payment for closed locations, included in the Royalty pool.