SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SECOND QUARTER FISCAL 2007

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

12 AND 24-WEEK PERIODS ENDED FEBRUARY 11, 2007 AND FEBRUARY 12, 2006

The unaudited interim consolidated financial statements of SIR Corp. for the 12 and 24-week periods ended February 11, 2007 and February 12, 2006 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 second quarter results have not been reviewed by SIR Corp.'s external auditors.

SIR CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR 12 AND 24-WEEK PERIODS ENDED FEBRUARY 11, 2007 AND FEBRUARY 12, 2006

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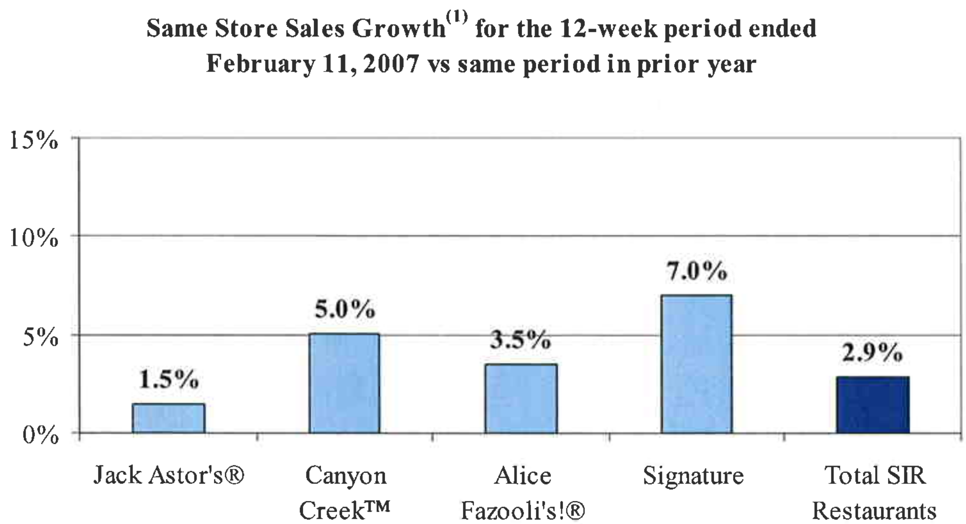
FOR THE 12 AND 24-WEEK PERIODS ENDED FEBRUARY 11, 2007 AND FEBRUARY 12, 2006

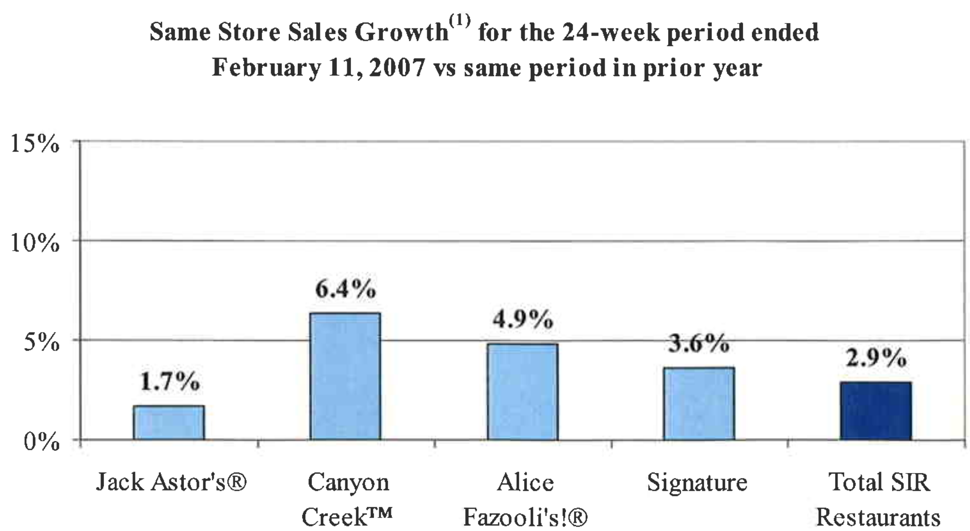
Executive Summary

SIR Corp.'s ("SIR") second quarter of fiscal 2007 ("Q2") was from November 20, 2006 to February 11, 2007 inclusive. During Q2, SIR continued with its growth strategy and continued to experience total and same store sales growth[(1)] ("SSSG"). Same store 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[(1)] on page 8 and to the definition of same stores sales[(1)] in the Revenue section on page 9.

Highlights for SIR's second 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 second quarter was \$38.4 million. This represents a \$2.6 million or 7.2% increase over the prior year for the quarter.
  - SSSG[(1)] for restaurants in the Royalty pool was 2.9% for both the 12 and 24-week periods ended February 11, 2007, compared to the corresponding period a year ago.





(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.

- SSSG[1] for the Concept Restaurants (Jack Astor's®, Canyon Creek™ and Alice Fazooli's!®), which generate approximately 87% of YTD Pooled Revenue, was 2.3% and 2.8% for the 12 and 24-week periods ended February 11, 2007, respectively, versus the corresponding periods in the prior year.
- SSSG[1] for Jack Astor's®, SIR's flagship Concept Restaurant brand that generates approximately 62% of YTD Pooled Revenue, was 1.5% and 1.7% for the 12 and 24-week periods ended February 11, 2007 respectively, versus the corresponding periods in the prior year.
- Canyon Creek™ continues to perform well, with SSSG[1] of 5.0% and 6.4% for the 12 and 24-week periods ended February 11, 2007, respectively, versus the corresponding periods in the prior year.
- For the 12 and 24-week periods ended February 11, 2007, SSSG[1] of Alice Fazooli's!® was 3.5% and 4.9% respectively, versus the corresponding periods in the prior year.
- SSSG[1] of the downtown Toronto Signature Restaurants, which represent approximately 13% of YTD Pooled Revenue, was 7.0% and 3.6% for the 12 and 24-week periods ended February 11, 2007, respectively, versus the corresponding periods in the prior year.

- ***Investment in existing restaurants***
  - To date, all but one existing Jack Astor's® restaurant originally in the Royalty pool has undergone the successful evolution process. The Jack Astor's® restaurants experienced strong SSSG[1], averaging over 10% in the first year following the year of evolution. Now that the program is near completion and most of the evolved restaurants have been evolved for more than one year, the velocity of Jack Astor's® SSSG[1] driven by the evolutions is reduced.
  - The fifth of five Alice Fazooli's!® restaurants was renovated in October 2006. Average revenue increases in the first full year after each renovation have 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 and reds® experienced strong SSSG[1] in the second quarter.
  - Continued Jack Astor's® advertising program 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 was 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 three additional sites for Jack Astor's® restaurants. One site opened subsequent to Q2 on March 26, 2007, in Hamilton, Ontario, the second site is expected to open later in fiscal 2007 in Dartmouth, Nova Scotia and the third location, at the corner of Dundas and Yonge Streets in Toronto, Ontario, is expected to open in fiscal 2008.

- ***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] and effective January 1, 2007, is no longer part of the Royalty pool.

- ***Loss from Continuing Operations***
  - The loss from continuing operations for Q2 of $0.8 million was $0.3 million favourable to the same period in the prior year.
  - The YTD loss from continuing operations is $3.0 million in both the current and prior period.

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

- ***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 second quarter of $2.6 million was $0.1 million favourable to the prior year.
  - YTD EBITDA(2) of $4.1 million was $0.04 million favourable 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 unaudited consolidated financial statements. This restaurant is not part of the Royalty pool and therefore, its closure has no effect on Pooled Revenue (see Discontinued Operation).
- ***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® (in addition to the four evolutions completed in fiscal 2004), the renovations of 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. Subsequent to Q2, SIR opened a new Jack Astor's® in Hamilton, Ontario on March 26, 2007. SIR is expected to open another Jack Astor's® location before the end of fiscal 2007. A third Jack Astor's® site has been secured with an expected opening in fiscal 2008. 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 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". On December 21, 2006, the Federal Department of Finance issued draft legislation on the proposed taxation legislation for public comment. On March 27, 2007, the Minister of Finance issued a Notice of Ways and Means Motion to implement the draft legislation. 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 February 11, 2007, 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®. As at February 11, 2007, 38 SIR Restaurants were included in the SIR Royalty Pooled Restaurants. The three new Canyon Creek™ restaurants which opened during calendar year 2006: one in Scarborough, Ontario, one in Vaughan, Ontario, and one located at the Fallsview Casino Resort in Niagara Falls, Ontario, were just added to the Royalty Pooled Restaurants on January 1, 2007. 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. Subsequent to February 11, 2007, SIR started operating a new Jack Astor's® restaurant located in Hamilton, Ontario. 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. 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. Substantially all the assets of SIR's other U.S. restaurant were sold on February 10, 2006 (see Discontinued Operation).

(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.

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 and 24-week periods ended February 11, 2007 and February 12, 2006. 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, for the 12 and 24-week periods ended February 11, 2007 and February 12, 2006.

Selected Consolidated Financial Information

Statements of Operations	12-Week Period Ended February 11, 2007	12-Week Period Ended February 12, 2006	24-Week Period Ended February 11, 2007	24-Week Period Ended February 12, 2006
	(in thousands of dollars) (unaudited)			
Corporate restaurant operations:				
Food and beverage revenue	38,351	35,774	74,764	69,857
Cost of corporate restaurant operations	34,874	32,212	68,742	63,658
Earnings from corporate restaurant operations	**3,477**	**3,562**	**6,022**	**6,199**
Loss from continuing operations	**(845)**	**(1,098)**	**(3,049)**	**(3,020)**
Net loss for the period	**(857)**	**(1,222)**	**(3,100)**	**(3,253)**

Balance Sheet	February 11, 2007	August 27, 2006
	(in thousands of dollars) (unaudited)	
Total assets	64,977	67,241
Total long-term liabilities	58,201	57,724

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 11, 2007	12-Week Period Ended February 12, 2006	24-Week Period Ended February 11, 2007	24-Week Period Ended February 12, 2006
	(in thousands of dollars) (unaudited)			
Net loss from continuing operations for the period	(845)	(1,098)	(3,049)	(3,020)
Add (deduct):				
Non-controlling interest in other subsidiary companies	(1)	15	(1)	23
Provision for (recovery of) income taxes	(6)	158	(6)	163
Other expense	59	12	168	162
Provision for impairment of investments and loans receivable	-	11	100	135
Unrealized foreign exchange (gain) loss	41	(75)	93	(81)
Interest expense - net [(3)]	28	92	43	182
Interest on loan payable to SIR Royalty Income Fund	690	690	1,381	1,381
Non-controlling interest in SIR Royalty Limited Partnership	884	1,073	1,927	2,055
Other amortization	66	87	139	149
Amortization of restaurants assets	1,645	1,495	3,338	2,940
EBITDA[(2)]	**2,561**	**2,460**	**4,133**	**4,089**
Income from Class A & B GP Units of the Partnership [(4)] (Not included in EBITDA[(2)] above)	601	248	928	383
6% Royalty obligations under License and Royalty Agreement [(5)]	2,208	2,025	4,277	3,843

Results of Operations

Reconciliation of Revenue from Unaudited Consolidated Financial Statements to Pooled Revenue	12-Week Period Ended February 11, 2007	12-Week Period Ended February 12, 2006	24-Week Period Ended February 11, 2007	24-Week Period Ended February 12, 2006
	(in thousands of dollars) (unaudited)			
Revenue reported in unaudited consolidated financial statements	38,351	35,774	74,764	69,857
Less: Revenue from corporate restaurant operations excluded from the Royalty pool[(5)]	1,882	2,024	4,502	5,800
Revenue for restaurants in the Royalty pool	36,469	33,750	70,262	64,057

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

(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) *Includes the additional distribution paid to Class B GP unitholders in December of each year, if any. 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, 2007, three restaurants were added to the Royalty pool. Revenues from these three restaurants have been included in Pooled Revenue for the period from January 1, 2007 to February 11, 2007. On January 1, 2006, two restaurants were added to the Royalty pool. Revenues from these two restaurants have been included in Pooled Revenue for the 12 and 24-week periods ended February 11, 2007, but only revenues for the period January 1, 2006 to February 12, 2006 are included in the 12 and 24-week periods ended February 12, 2006. Revenue from the U.S. restaurant is not part of Pooled Revenue. The Royalty obligation for the 12 and 24-week periods ended February 11, 2007 includes a Make-Whole Payment, up to December 31, 2006, for the closed Jack Astor's® location in Don Mills, Ontario.*

Reconciliation of Revenue from Unaudited Consolidated Financial Statements to Same Store Sales[1]	12-Week Period Ended February 11, 2007	12-Week Period Ended February 12, 2006	24-Week Period Ended February 11, 2007	24-Week Period Ended February 12, 2006
	(in thousands of dollars) (unaudited)			
Revenue reported in unaudited consolidated financial statements	38,351	35,774	74,764	69,857
Less: Revenue from corporate restaurant operations excluded from same store sales[1]	2,921	1,333	5,541	2,580
Same store sales[1]	**35,430**	**34,441**	**69,223**	**67,277**

Same Store Sales[1] by Segment	12-Week Period Ended February 11, 2007	12-Week Period Ended February 12, 2006	% Fav. / (Unfav.)	24-Week Period Ended February 11, 2007	24-Week Period Ended February 12, 2006	% Fav. / (Unfav.)
	(in thousands of dollars) (unaudited)					
Jack Astor's®	21,688	21,373	1.5%	43,196	42,466	1.7%
Alice Fazooli's!®	4,693	4,535	3.5%	8,879	8,466	4.9%
Canyon Creek ™	4,313	4,106	5.0%	8,152	7,662	6.4%
Signature Restaurants	4,736	4,427	7.0%	8,996	8,683	3.6%
Same store sales[1]	**35,430**	**34,441**	**2.9%**	**69,223**	**67,277**	**2.9%**

Summary of Quarterly Results

Statement of Operations	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)	2nd Quarter Ended February 12, 2006 (12 weeks)	1st Quarter Ended November 20, 2005** (12 weeks)	4th Quarter Ended August 28, 2005 (16 weeks)	3rd Quarter Ended May 8, 2005** (12 weeks)
	(in thousands of dollars) (unaudited)							
Corporate Restaurant Operations:								
Food and beverage revenue	38,351	36,413	47,233	35,975	35,774	34,083	42,074	31,798
Cost of corporate restaurant operations	34,874	33,868	43,260	32,117	32,212	31,447	39,190	29,104
Earnings from corporate restaurant operations	3,477	2,545	3,973	3,858	3,562	2,636	2,884	2,694
Net loss from continuing operations for the period	(845)	(2,204)	(1,376)	(496)	(1,098)	(1,922)	(4,398)	(2,139)
Net loss for the period	(857)	(2,243)	(1,405)	(392)	(1,222)	(2,032)	(5,339)	(2,238)

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

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

Selected Consolidated Statement of Cash Flows Information	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)	2nd Quarter Ended February 12, 2006 (12 weeks)	1st Quarter Ended November 20, 2005** (12 weeks)	4th Quarter Ended August 28, 2005 (16 weeks)	3rd Quarter Ended May 8, 2005** (12 weeks)
				(in thousands of dollars) (unaudited)				
Net cash from (used in) continuing operations	3,087	136	2,400	1,420	2,388	(269)	24	(2,116)
Net cash used in continuing investing activities	(2,309)	(2,847)	(3,286)	(3,897)	(3,479)	(3,610)	(3,222)	(3,876)
Net cash from (used in) continuing financing activities	(122)	(642)	4,924	(86)	(80)	(84)	(126)	(555)
Increase (decrease) in cash and cash equivalents during the period	661	(3,357)	4,060	(2,548)	(1,498)	(4,055)	(3,990)	(6,576)
Cash and cash equivalents – Beginning of period	4,855	8,212	4,152	6,700	8,198	12,253	16,243	22,819
Cash and cash equivalents – End of period	5,516	4,855	8,212	4,152	6,700	8,198	12,253	16,243

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

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 and 24-week periods ended February 11, 2007 this revenue was $38.4 million and $74.8 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 2007 and 2006, SSS[(1)] 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[(1)] also excludes revenue for the Jack Astor's® in Don Mills because it was closed during fiscal 2006. For the 12 and 24-week periods ended February 11, 2007, this revenue was $35.4 million and $69.2 million respectively.

iii) Pooled Revenue - this is the revenue subject to the License and Royalty Agreement – this includes revenue from the 34 restaurants included in the Royalty pool as of October 12, 2004. Fiscal 2007 Pooled Revenue also includes revenue from the two new Jack Astor's® restaurants that were added to the Royalty pool on January 1, 2006, and revenue for the period from January 1, 2007 to February 11, 2007 from the three new Canyon Creek™ restaurants that were added to the Royalty pool on January 1, 2007. Due to the closure of the Jack Astor's® location in Don Mills, there is no revenue from this location included in fiscal 2007. For the 12 and 24-week periods ended February 11, 2007, Pooled Revenue was $36.5 million and $70.3 million, respectively. The applicable Royalty payable to the Partnership on the Pooled Revenue for these periods was $2.2 million and $4.3 million, respectively and includes a Make-Whole Payment with respect to the closed Jack Astor's® location in Don Mills, for the period from the date of closure to December 31, 2006.

Same Store Sales[(1)]

SSSG[(1)] was 2.9% for both the 12 and 24-week periods ended February 11, 2007, versus the comparable periods in the prior year. The Concept Restaurants (Jack Astor's®, Canyon Creek™ and Alice Fazooli's!®) generate approximately 87% of YTD Pooled Revenue, while the Signature restaurants generate the other approximate 13% of YTD Pooled Revenue.

(1) See footnote (1) on page 3

SSSG[(1)] for Jack Astor's®, SIR's flagship Concept Restaurant brand which generates approximately 62% of YTD Pooled Revenue was 1.5% and 1.7% for the 12 and 24-week periods ended February 11, 2007 respectively, 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. The Jack Astor's® restaurants experienced strong SSSG[(1)], averaging over 10% in the first year following the year of evolution. Now that the program is near completion and most of the evolved restaurants have been evolved for more than one year, the velocity of Jack Astor's® SSSG[(1)] driven by the evolutions is reduced.

Canyon Creek™ continues to perform well, with SSSG[(1)] of 5.0% and 6.4% for the 12 and 24-week periods ended February 11, 2007 respectively, versus the corresponding period in the prior year.

SSSG[(1)] of Alice Fazooli's!® was 3.5% and 4.9% for the 12 and 24-week periods ended February 11, 2007 respectively, 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 7.0% and 3.6% for the 12 and 24-week period ended February 11, 2007 respectively, versus the corresponding period 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 and reds® experienced strong SSSG[(1)] in the second quarter of fiscal 2007. In addition, Far Niente®/Soul of the Vine® continues to experience strong SSSG[(1)], due in part to its renovation in Q1 of the prior year. These increases in SSSG[(1)] are partially offset by SSSG[(1)] declines 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 and anticipates that the effect will be lessoned during the summer months when patios, which allow smoking, are open.

Cost of Corporate Restaurant Operations

As a percentage of revenue, costs of corporate restaurant operations increased to 90.9% for the 12-week period ended February 11, 2007 from 90.0% for the 12-week period ended February 12, 2006 and increased to 91.9% for the 24-week period ended February 11, 2007 from 91.1% for the 24-week period ended February 12, 2006. 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, resulting in the small increase in costs as a percentage of revenue in both the 12 and 24-week periods ended February 11, 2007. The unfavourable impact these restaurants had on earnings was significantly less in Q2 than it was in Q1. 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 were fairly consistent for the 12-week period ended February 11, 2007 as compared to the 12-week period ended February 12, 2006 and increased $0.2 million for the 24-week period ended February 11, 2007 compared to the 24-week period ended February 12, 2006. This increase is largely due to increases in professional fees and salaries.

Interest expense - net

Interest expense decreased $0.1 million for the 24-week period ended February 11, 2007 compared to the 24-week period ended February 12, 2006. Interest expense decreased $0.06 million for the 12-week period ended February 11, 2007 compared to the 12-week period ended February 12, 2006. The Class A redeemable special shares were converted to common shares during fiscal 2006, resulting in lower interest expense in Q1 and Q2 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 $1.4 million for both the 12 and 24-week periods ended February 11, 2007, and the 12 and 24-week periods ended February 12, 2006, respectively.

The Fund's share of the income of the Partnership for the 12-week period ended February 11, 2007 and February 12, 2006 of $0.9 million and $1.1 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 $1.9 million and $2.1 million respectively for the 24-week periods ended February 11, 2007 and February 12, 2006, respectively.

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