SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 16-WEEK AND 52-WEEK PERIODS ENDED AUGUST 30, 2015

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TABLE OF CONTENTS

FOR THE 16-WEEK AND 52-WEEK PERIODS ENDED AUGUST 30, 2015

Executive Summary

SIR Corp.'s ("SIR's") fourth quarter of fiscal 2015 ("Q4 2015") was from May 11, 2015 to August 30, 2015 inclusive.

SIR's fiscal 2015 year consisted of 52 weeks versus 53 weeks for fiscal 2014 and its fourth quarter of fiscal 2015 consisted of 16 weeks compared to 17 weeks for the fourth quarter of fiscal 2014 ("Q4 2014"). Therefore all revenue and expense information provided in this document for Q4 2014 and fiscal 2014, unless otherwise noted, includes an additional week of operations and should be considered when comparing to both the current and prior year periods.

Highlights for SIR's 2015 fourth quarter and fiscal year include:

Consolidated revenue and Same Store Sales(1) ("SSS") (unaudited):

- Food and beverage revenue from corporate restaurant operations for Q4 2015 was $88.7 million and $269.8 million for fiscal 2015. This represents a $7.1 million decrease, or a 7.4% decline, compared to Q4 2014 and a $2.9 million increase, or 1.1% increase, over fiscal 2014. The decrease in Q4 2015 revenue is primarily due to the additional week of revenue in the same periods of the prior year. The additional week also affected the revenue variance for fiscal 2015 compared to fiscal 2014.
- The following table shows Same Store Sales Growth (Decline)(1) ("SSSG") for Q4 2015 and fiscal 2015 (Actual SSSG(1)) and compares these to SSSG(1), if the additional week of revenue is removed from revenue for the 17-week and 53-week periods ending August 31, 2014 (Adjusted SSSG(1)):

Same Store Sales Growth (Decline)(1) by Segment	Actual SSSG(1) 16-Week Period Ended August 30, 2015	Actual SSSG(1) 52-week Period Ended August 30, 2015	Adjusted SSSG(1)* 16-Week Period Ended August 30, 2015	Adjusted SSSG(1)* 52-week Period Ended August 30, 2015
	(unaudited)			
Jack Astor's	(9.3%)	(2.6%)	(3.3%)	(0.4%)
Canyon Creek	(8.6%)	(1.3%)	(2.8%)	0.6%
Alice Fazooli's/Scaddabush	(7.7%)	(0.6%)	(1.7%)	1.4%
Signature Restaurants	(7.7%)	(4.3%)	(1.3%)	(2.4%)
Total	**(9.0%)**	**(2.5%)**	**(3.0%)**	**(0.3%)**

*This percentage is adjusted to remove the impact of the additional week of revenue in fiscal 2014

- One of the Signature Restaurants, Far Niente®/FOUR®/Petit Four®, was temporarily closed for 40 days, during the third quarter of fiscal 2015 ("Q3 2015"), due to significant water damage, which contributed to the brand's decline in SSS(1). Excluding the sales of this location, the decline in SSS(1) for the Signature Restaurants would have been 0.7% for fiscal 2015. SIR maintains adequate business interruption insurance to mitigate the risk of such events.

Investment in new and existing restaurants

- During Q3 2015, SIR opened one new Jack Astor's restaurant, on March 24, 2015, in Ottawa, Ontario. Subsequent to year-end, on September 8, 2015, SIR opened another new Jack Astor's restaurant in Ottawa, Ontario. It is expected that these two restaurants will be added to Royalty Pooled Restaurants on January 1, 2016.

(1) *Same store sales ("SSS"), same store sales growth ("SSSG") and adjusted same store sales growth (decline) ("Adjusted SSSG") are non-GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). However, SIR believes that SSS, SSSG and Adjusted SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. SIR's method of calculating SSS, SSSG and Adjusted SSSG may differ from those of other issuers and accordingly, SSS, SSSG and Adjusted SSSG may not be comparable to measures used by other issuers. SSSG is the percentage increase in SSS over the prior comparable period. SSS includes revenue from all SIR Restaurants except for those locations that were not open for the entire comparable periods in fiscal 2015 and fiscal 2014 and the seasonal Duke's Refresher & Bar and Abbey's Bakehouse, which are both located in Muskoka, Ontario. SSS for Alice Fazooli's includes three Alice Fazooli's restaurants and one Scaddabush restaurant, representing the Square One location in Mississauga, Ontario. Please refer to the reconciliation of consolidated revenue to SSS on page 8 and to the definition of SSS in the Revenue section on page 10. Adjusted SSSG is SSSG after removing the additional week of revenue in fiscal 2014 which totals $4.4 million for Jack Astor's, $0.5 million for Canyon Creek, $0.3 million for Alice Fazooli's/Scaddabush and $0.4 million for the Signature restaurants. SIR believes this adjustment makes the periods more directly comparable.*

- During the first quarter of fiscal 2014 ("Q1 2014"), SIR opened Reds® Midtown Tavern, a second location of the original Reds® Signature Restaurant. This restaurant was added to Royalty Pooled Restaurants on January 1, 2014. During the remainder of fiscal 2014, SIR opened a Duke's Refresher® & Bar and a new Scaddabush restaurant both in downtown Toronto, one new Jack Astor's restaurant and a new seasonal Signature retail outlet. Please see the Overview section on page 5, where it explains that Duke's Refresher should be considered a New Concept Restaurant. The new Jack Astor's restaurant and the new Scaddabush restaurant were added to Royalty Pooled Restaurants on January 1, 2015.
- At the end of Q4 2015, SIR completed major renovations of two Jack Astor's restaurants. These locations were closed for eight and ten days, respectively, reopening on August 24, 2015 and subsequent to fiscal 2015, on September 2, 2015, respectively. During Q1 2015, SIR completed the renovation of one Canyon Creek restaurant.
- Four Jack Astor's restaurants were renovated during fiscal 2014. SIR also completed upgrades and expansions to two Jack Astor's patios during fiscal 2014.

Net Earnings (Loss) and Comprehensive Income (Loss) and Adjusted Net Earnings (Loss)(2)

- Net earnings and comprehensive loss was $4.2 million in Q4 2015, and is $2.6 million favourable compared to Q4 2014. The net loss and comprehensive loss for fiscal 2015 was $4.1 million and is $5.3 million favourable to the same period in the prior year.
- Adjusted net earnings(2) of $0.02 million and adjusted net earnings(2) of $2.5 million in Q4 2015 and fiscal 2015, respectively, is $1.2 million unfavourable and $1.7 million favourable to the same periods in the prior year.
    - For Q4 2015, the unfavourable variance is due to the decrease in earnings from corporate restaurant operations of $1.7 million offset by an increase in interest (income) and other expense (income) – net of $0.5 million. For fiscal 2015, the favourable variance is mainly due to an increase in earnings from corporate restaurant operations of $1.4 million and an increase in interest (income) and other expense (income) - net of $0.6 million offset by an increase in corporate costs of $0.5 million.

EBITDA(3)

- EBITDA(3) is $7.3 million and $7.9 million for Q4 2015 and Q4 2014, respectively.
- YTD EBITDA(3) is $21.2 million and $19.2 million for fiscal 2015 and fiscal 2014, respectively.

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(2) Adjusted Net Earnings (Loss) is calculated by removing the change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership from the net earnings (loss) for the period. Adjusted Net Earnings (Loss) is a non-GAAP financial measure and does not have a standardized meaning prescribed by IFRS. Management believes that in addition to net earnings (loss), Adjusted Net Earnings (Loss) is a useful supplemental measure to evaluate SIR's performance. Changes in the amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership is a non-cash transaction and varies with changes in the market price of the Fund units. The exclusion of the change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership eliminates this non-cash impact. Management cautions investors that Adjusted Net Earnings (Loss) should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating Adjusted Net Earnings (Loss) may differ from the methods used by other issuers. Please refer to the reconciliations of net earnings (loss) for the period to Adjusted Net Earnings (Loss) on page 7 of this document.

(3) References to EBITDA are to the net earnings (loss) for the period before provision for (recovery of) income taxes, interest (income) and other expense (income) – net, goodwill impairment, impairment of non-financial assets, loss on disposal of property and equipment, interest expense, interest on loan payable to SIR Royalty Income Fund, change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership, depreciation and amortization.

References to Adjusted EBITDA are to SIR's EBITDA plus pre-opening costs. Pre-opening costs are added back to EBITDA because Management views these costs as investments in new restaurants and not as on-going costs of operations.

Management believes that, in addition to net earnings or loss, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating SIR's performance, as these are useful estimates of the core business' contribution to cash flow from operations and approximate the funds generated by SIR which are available to meet its financing obligations and capital expenditure requirements. Management interprets trends in EBITDA and Adjusted EBITDA as indicators of relative operating performance. EBITDA and Adjusted EBITDA are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. Management cautions investors that EBITDA and Adjusted EBITDA should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating EBITDA and Adjusted EBITDA may differ from the methods used by other issuers. Therefore, SIR's EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Please refer to the reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA and Adjusted EBITDA on page 7 of this document.

Credit facility and Fund unit transaction

- On July 6, 2015, SIR entered into a new $30.0 million credit facility (New Credit Agreement) with a new senior lender to refinance its previous credit facility; and, concurrently, SIR announced a change to its shareholders (see Liquidity and Capital Resources).
- On November 19, 2014, SIR exchanged 350,000 Class A GP Units of the SIR Royalty Limited Partnership ("the Partnership") into SIR Royalty Income Fund ("the Fund") units and sold these units for total net proceeds of $4.3 million. The net proceeds were deposited into SIR's restricted account, at the time. SIR has since drawn all funds from this account to finance capital expenditures.
- The Class A GP Units received by the Fund in exchange for the Fund units issued were converted to Class A LP Units of the Partnership, which are entitled to a pro rata share of the residual income of the Partnership. Accordingly, this transaction did not have a dilutive effect on the Fund. SIR's residual interest in the Partnership was affected by the conversion of the Class A GP Units into Fund units and accordingly SIR's residual interest in the Partnership decreased by 3.6%. The Class A LP Units have been accounted for as a financial liability consistent with the Ordinary LP Units (see Liquidity and Capital Resources).

Outlook

- At the current date, SIR has two commitments to lease properties, upon which it plans to build one new Scaddabush restaurant and one new Jack Astor's restaurant. It is expected that these restaurants will open in fiscal 2016 and fiscal 2017. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.
- During fiscal 2013, SIR initiated a program to evolve its Alice Fazooli's into a new concept brand called Scaddabush. Scaddabush offers guests a new, refreshing take on Italian dining. SIR began this evolution process by renovating its Alice Fazooli's Square One location in Mississauga, Ontario in Q4 2013. During Q3 2014, on February 18, 2014, SIR opened a second Scaddabush restaurant in Toronto, Ontario. SIR plans to open a third Scaddabush in downtown Toronto, during fiscal 2016. Subsequent to year-end, a second conversion of an Alice Fazooli's into a Scaddabush was completed in Richmond Hill. In addition, SIR plans to build a new Scaddabush restaurant in the extra space that will be created after renovating the Jack Astor's restaurant in Scarborough, Ontario.
- SIR continues to focus on sustaining and growing existing restaurant sales and profits while managing costs. SIR carefully monitors economic conditions and considers new restaurant growth and renovations when appropriate and subject to acceptable long-term financing or other available funds.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at August 30, 2015, SIR operated 58 Concept and Signature Restaurants in Canada (in Ontario, Quebec, Alberta, Nova Scotia, and Newfoundland). The Concept Restaurants include Jack Astor's, Canyon Creek and Alice Fazooli's/Scaddabush. The Signature group of restaurants located in downtown Toronto include Reds® Wine Tavern, Reds® Midtown Tavern, Far Niente®/FOUR®/Petit Four® and the Loose Moose®. SIR also owns and operates a Duke's Refresher & Bar, in downtown Toronto and one seasonal restaurant: Abbey's Bakehouse®, in addition to one seasonal Abbey's Bakehouse retail outlet, which are not part of Royalty Pooled Restaurants. SIR owns 100% of all its Canadian restaurants. As at August 30, 2015, 55 SIR Restaurants were included in SIR Royalty Pooled Restaurants.

On January 1, 2015, two restaurants were added to Royalty Pooled Restaurants, including one new Jack Astor's restaurant and one Scaddabush restaurant.

SIR no longer operates the seasonal Duke's Refresher located in Muskoka, Ontario. The landlord of this location has decided that they will operate their own restaurant on the premises under its own name and with no association with SIR. While the operation of this seasonal business was instrumental for SIR in developing the Duke's Refresher brand, not operating this seasonal location in Muskoka, Ontario will not negatively impact SIR's results or cash flows. As this location was not part of Royalty Pooled Restaurants, this also has no impact on Pooled Revenue, the Partnership or the Fund.

SIR believes that Duke's Refresher has multi-unit growth potential and has advised the Fund that Duke's Refresher should be considered as a potential New Concept Restaurant brand. As such, the earliest that any Duke's Refresher would be added to the Royalty pool would be the Adjustment Date following the earlier of: (i) the date that four Duke's Refresher restaurants are open for business at the same time, and (ii) 90 days following the end of the fiscal year in which revenues from all Duke's Refresher restaurants in Canada first exceed $12.0 million (the "Trigger Event"). As neither of these events are expected to occur in calendar year 2015, Duke's Refresher is not expected to be added to the Royalty Pool on January 1, 2016. The Duke's Refresher brand is currently being managed and developed by SIR's Signature group. Accordingly, the current Duke's Refresher location in downtown Toronto is classified as a Signature restaurant for reporting purposes.

On October 1, 2004, the Fund filed a final prospectus for a public Offering of Units of the Fund (the "Offering") and the Offering closed on October 12, 2004. The net proceeds of the Offering of $51.2 million were used by the Fund to acquire the SIR Loan and indirectly, through the SIR Holdings Trust (the "Trust"), the SIR Rights owned or licensed by SIR or its subsidiaries and used in connection with the operation of SIR's restaurants in Canada. In 2004, 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 Royalty Pooled Restaurants. The Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

SIR's fiscal year is comprised of 52 or 53-week periods ending on the last Sunday in August. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks, respectively. The fiscal years for 2015 and 2014 consist of 52 weeks and 53 weeks, respectively.

Seasonality

The full-service restaurant sector of the Canadian foodservice industry, in which SIR operates, experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenues during SIR's fourth quarter (ending on the last Sunday in August) when patios can be open. Certain holidays and observances also affect dining patterns both favourably and unfavourably.

Selected Consolidated Historical Financial Information

The following tables set out selected financial information of SIR for the 16-week and 52-week periods ended August 30, 2015 and the 17-week and 53-week periods ended August 31, 2014, respectively. The annual audited consolidated financial statements of SIR are prepared in accordance with IFRS and are presented in Canadian dollars. This information should be read in conjunction with the annual audited consolidated financial statements of SIR, including the notes thereto.

Statements of Operations and Comprehensive Income (Loss)	16-Week Period Ended August 30, 2015	17-Week Period Ended August 31, 2014	52-Week Period Ended August 30, 2015	53-Week Period Ended August 31, 2014
	(in thousands of dollars) (unaudited)			
Corporate restaurant operations:				
Food and beverage revenue	88,734	95,786	269,750	266,837
Cost of corporate restaurant operations	83,651	89,031	249,846	248,363
Earnings from corporate restaurant operations	**5,083**	**6,755**	**19,904**	**18,474**
Net earnings (loss) and comprehensive income (loss)	**4,167**	**1,522**	**(4,102)**	**(9,374)**
Adjusted Net Earnings (Loss)(2)	**20**	**1,215**	**2,520**	**840**

Statement of Financial Position	August 30, 2015	August 31, 2014
	(in thousands of dollars) (unaudited)	
Total assets	78,234	79,959
Total non-current liabilities	147,730	153,881

Adjusted Net Earnings (Loss)(2), EBITDA(3) and Adjusted EBITDA(3)

Adjusted Net Earnings (Loss)(2), EBITDA(3) and Adjusted EBITDA(3) are financial measures that do not have standardized meanings prescribed by IFRS. They are used by SIR to supplement its reporting of net earnings (loss) and net cash flow. Adjusted Net Earnings (Loss)(2) consist of net earnings (loss) excluding the change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership. EBITDA(3) and Adjusted EBITDA(3) consist of net earnings (loss) excluding certain non-cash expenses and other expenses that SIR considers not to be of an operating nature. SIR believes that Adjusted Net Earnings (Loss)(2), EBITDA(3) and Adjusted EBITDA(3) are useful estimates of the core business' contribution to cash flow from operations and uses these measures as a supplemental measure of SIR's performance. Similarly, SIR believes that certain investors may also find these non-GAAP financial measures to be useful measures for their independent evaluation of SIR's performance.

The following table reconciles net earnings (loss) and comprehensive income (loss) for the period to Adjusted Net Earnings (Loss)(2):

Reconciliation of net earnings (loss) for the period to Adjusted Net Earnings (Loss)(2)	16-Week Period Ended August 30, 2015	17-Week Period Ended August 31, 2014	52-Week Period Ended August 30, 2015	53-Week Period Ended August 31, 2014
	(in thousands of dollars) (unaudited)			
Net earnings (loss)	4,167	1,522	(4,102)	(9,374)
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	(4,147)	(307)	6,622	10,214
Adjusted Net Earnings (Loss)(2)	**20**	**1,215**	**2,520**	**840**

The following table reconciles net earnings (loss) and comprehensive income (loss) for the period to EBITDA(3) and Adjusted EBITDA(3):

Reconciliation of net earnings (loss) for the period to EBITDA(3) and Adjusted EBITDA(3)	16-Week Period Ended August 30, 2015	17-Week Period Ended August 31, 2014	52-Week Period Ended August 30, 2015	53-Week Period Ended August 31, 2014
	(in thousands of dollars) (unaudited)			
Net earnings (loss) for the period	4,167	1,522	(4,102)	(9,374)
Add (deduct):				
Provision for income taxes	48	56	184	214
Interest (income) and other expense (income) – net	(493)	(43)	(710)	(100)
Loss on disposal of property and equipment	124	85	150	257
Impairment of goodwill	200	-	200	-
Impairment of non-financial assets	2,020	893	2,020	893
Interest expense	1,084	975	2,680	2,741
Interest on loan payable to SIR Royalty Income Fund	922	974	3,026	3,067
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	(4,147)	(307)	6,622	10,214
Depreciation and amortization	3,379	3,779	11,132	11,263
EBITDA(3)	**7,304**	**7,934**	**21,202**	**19,175**
Pre-opening costs	357	428	1,127	2,135
Adjusted EBITDA(3)	**7,661**	**8,362**	**22,329**	**21,310**
Income from Class A & B GP Units of the Partnership(4) (Not included in EBITDA(3) and Adjusted EBITDA(3) above)	1,243	1,343	3,735	3,912
6% Royalty obligations under License and Royalty Agreement(5)	5,197	5,422	15,716	15,231

(4) Includes the special conversion distribution paid to Class B GP Unitholders or the special conversion refund to Class A GP Unitholders declared in December of each year, if any.

(5) See the SIR Royalty Income Fund section of this document for the Royalty calculation. Pooled Revenue includes revenue from all restaurants included in the Royalty Pooled Restaurants. On January 1st of each year, New Additional Restaurants are added and New Closed Restaurants are removed from Royalty Pooled Restaurants. Royalty obligations equal 6% of Pooled Revenue plus any Make-Whole Payments.

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	16-Week Period Ended August 30, 2015	17-Week Period Ended August 31, 2014	52-Week Period Ended August 30, 2015	53-Week Period Ended August 31, 2014
	(in thousands of dollars) (unaudited)			
Revenue reported in consolidated financial statements	88,734	95,786	269,750	266,837
Less: Revenue from corporate restaurant operations excluded from the Royalty pool	(2,120)	(5,422)	(7,814)	(12,990)
Revenue for Restaurants in the Royalty pool (Pooled Revenue)	**86,614**	**90,364**	**261,936**	**253,847**

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales[(1)]	16-Week Period Ended August 30, 2015	17-Week Period Ended August 31, 2014	52-Week Period Ended August 30, 2015	53-Week Period Ended August 31, 2014
	(in thousands of dollars) (unaudited)			
Revenue reported in consolidated financial statements	88,734	95,786	269,750	266,837
Less: Revenue from corporate restaurant operations excluded from Same Store Sales[(1)]	(7,529)	(6,537)	(19,409)	(10,172)
Same Store Sales[(1)]	**81,205**	**89,249**	**250,341**	**256,665**

Same Store Sales[(1)] by Segment	16-Week Period Ended August 30, 2015	17-Week Period Ended August 31, 2014	% Fav. / (Unfav.)*	52-Week Period Ended August 30, 2015	53-Week Period Ended August 31, 2014	% Fav. / (Unfav.)*
			(in thousands of dollars) (unaudited)			
Jack Astor's	64,208	70,754	(9.3%)	191,730	196,835	(2.6%)
Canyon Creek	7,634	8,354	(8.6%)	27,141	27,486	(1.3%)
Alice Fazooli's/Scaddabush	4,341	4,701	(7.7%)	13,821	13,910	(0.6%)
Signature Restaurants	5,022	5,440	(7.7%)	17,649	18,434	(4.3%)
Same Store Sales[(1)]	**81,205**	**89,249**	**(9.0%)**	**250,341**	**256,665**	**(2.5%)**

*This percentage is not adjusted to remove the impact of the additional week of revenue in Q4 2014 and fiscal 2014

Summary of Quarterly Results

Statement of Operations	4th Quarter Ended August 30, 2015 (16 weeks)	3rd Quarter Ended May 10, 2015 (12 weeks)	2nd Quarter Ended February 15, 2015 (12 weeks)	1st Quarter Ended November 23, 2014 (12 weeks)	4th Quarter Ended August 31, 2014 (17 weeks)	3rd Quarter Ended May 4, 2014 (12 weeks)	2nd Quarter Ended February 9, 2014 (12 weeks)	1st Quarter Ended November 17, 2013 (12 weeks)
	(in thousands of dollars) (unaudited)							
Corporate Restaurant Operations								
Food and beverage revenue	88,734	62,051	58,778	60,187	95,786	59,773	55,224	56,054
Cost of corporate restaurant operations	83,651	56,973	54,253	54,969	89,031	55,399	51,497	52,436
Earnings from corporate restaurant operations	**5,083**	**5,078**	**4,525**	**5,218**	**6,755**	**4,374**	**3,727**	**3,618**
Net earnings (loss) and comprehensive income (loss)	**4,167**	**(3,664)**	**(4,645)**	**40**	**1,522**	**725**	**113**	**(11,734)**
Adjusted Net Earnings (Loss)(2)	**20**	**557**	**923**	**1,020**	**1,215**	**430**	**(208)**	**(597)**

The following table reconciles net earnings (loss) and comprehensive income (loss) for the quarters to Adjusted Net Earnings (Loss)(2):

Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to Adjusted Net Earnings (Loss)(2)	4th Quarter Ended August 30, 2015 (16 weeks)	3rd Quarter Ended May 10, 2015 (12 weeks)	2nd Quarter Ended February 15, 2015 (12 weeks)	1st Quarter Ended November 23, 2014 (12 weeks)	4th Quarter Ended August 31, 2014 (17 weeks)	3rd Quarter Ended May 4, 2014 (12 weeks)	2nd Quarter Ended February 9, 2014 (12 weeks)	1st Quarter Ended November 17, 2013 (12 weeks)
	(in thousands of dollars) (unaudited)							
Net earnings (loss) and comprehensive income (loss)	4,167	(3,664)	(4,645)	40	1,522	725	113	(11,734)
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	(4,147)	4,221	5,568	980	(307)	(295)	(321)	11,137
Adjusted Net Earnings (Loss)(2)	**20**	**557**	**923**	**1,020**	**1,215**	**430**	**(208)**	**(597)**

Selected Unaudited Consolidated Statement of Cash Flows Information:

	4th Quarter Ended August 30, 2015 (16 weeks)	3rd Quarter Ended May 10, 2015 (12 weeks)	2nd Quarter Ended February 15, 2015 (12 weeks)	1st Quarter Ended November 23, 2014 (12 weeks)	4th Quarter Ended August 31, 2014 (17 weeks)	3rd Quarter Ended May 4, 2014 (12 weeks)	2nd Quarter Ended February 9, 2014 (12 weeks)	1st Quarter Ended November 17, 2013 (12 weeks)
	(in thousands of dollars) (unaudited)							
Cash provided by operations	6,020	2,821	534	7,004	4,877	1,757	1,505	71
Cash provided by (used in) investing activities	(3,106)	(829)	740	76	(2,575)	2,677	(5,323)	(164)
Cash provided by (used in) financing activities	(3,426)	(1,950)	(2,422)	(2,235)	(3,281)	(2,329)	669	(950)
Increase (decrease) in cash and cash equivalents during the period	(512)	42	(1,148)	4,845	(979)	2,105	(3,149)	(1,043)
Cash and cash equivalents – Beginning of period	8,381	8,339	9,487	4,642	5,621	3,516	6,665	7,708
Cash and cash equivalents – End of period	7,869	8,381	8,339	9,487	4,642	5,621	3,516	6,665

Revenue

There are a number of references to different revenue groupings used in the consolidated financial statements, the notes to the 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 consolidated statements of operations and comprehensive income (loss)) – this is the total consolidated revenue of all restaurants for the period. The restaurants include all SIR Restaurants. For the 16-week and 52-week periods ended August 30, 2015, revenue was $88.7 million and $269.8 million, respectively.

ii. Same Store Sales(1) ("SSS") – this is a sub-set of (i) above used for tracking comparable year-over-year sales. For Q4 2015 and Q4 2014, SSS(1) includes all SIR Restaurants, except for those restaurants that were not open for the entire comparable periods in fiscal 2015 and fiscal 2014, the seasonal Duke's Refresher, Abbey's Bakehouse and Abbey's Bakehouse retail outlet. SSS(1) for Alice Fazooli's includes three Alice Fazooli's restaurants and one Scaddabush restaurant, representing the Square One location in Mississauga, Ontario. For the 16-week and 52-week periods ended August 30, 2015, SSS(1) were $81.2 million and $250.3 million, respectively.

iii. Pooled Revenue – this is the revenue subject to the License and Royalty Agreement – this includes revenue from all Royalty Pooled Restaurants. The Royalty Pooled Restaurants are adjusted on January 1st of each year for New Additional Restaurants and New Closed Restaurants. Currently, there are 55 Royalty Pooled Restaurants. For the 16-week and 52-week periods ended August 30, 2015, Pooled Revenue was $86.6 million and $261.9 million, respectively. The applicable Royalty payable to the Partnership on the Pooled Revenue for these periods was $5.2 million and $15.7 million, respectively.

Same Store Sales(1)

The declines in SSS(1) for the 16-week and 52-week periods ended August 30, 2015 was 9.0% and 2.5%, respectively. If the additional week of revenue is removed, the declines in SSS(1) were 3.0% and 0.3% for Q4 2015 and fiscal 2015, respectively.

Jack Astor's, SIR's flagship Concept Restaurant brand, which contributed approximately 75% of fiscal 2015 Pooled Revenue, experienced a decline in SSS(1) of 9.3% and 2.6% for the 16-week and 52-week periods ended August 30, 2015, respectively. Removing the additional week of revenue from fiscal 2014 results in SSS(1) declines of 3.3% and 0.4% for Q4 2015 and fiscal 2015, respectively. SIR management believes that Jack Astor's Q4 2015 SSS(1) decline, which contributed to an overall fiscal 2015 SSS(1) decline, was negatively impacted by the increased precipitation in June 2015 compared to June 2014, which negatively impacted patio sales, the positive impact that the 2014 FIFA World Cup (June 12 to July 13, 2014) had on Jack Astor's guest counts during Q4 2014, and the closure of two Jack Astor's restaurants for renovations during Q4 2015. These factors offset SSSG(1) in the first three quarters of fiscal 2015.

Canyon Creek experienced a decline in SSS(1) of 8.6% and 1.3% for the 16-week and 52-week periods ended August 30, 2015, respectively. Removing the additional week of revenue from fiscal 2014 results in SSS(1) decline of 2.8% for Q4 2015 and SSSG(1) of 0.6% for fiscal 2015. During Q1 2015, SIR completed a renovation of one Canyon Creek restaurant. Management is currently evaluating a comprehensive plan to improve the long-term performance of all Canyon Creek locations.

Alice Fazooli's, together with Scaddabush, experienced a decline in SSS(1) of 7.7% and 0.6% for the 16-week and 52-week periods ended August 30, 2015, respectively. Removing the additional week of revenue from fiscal 2014 results in SSS(1) decline of 1.7% for Q4 2015 and SSSG(1) of 1.4% for fiscal 2015. During fiscal 2013, SIR initiated a program to evolve the Alice Fazooli's concept into Scaddabush. To date, SIR has renovated one Alice Fazooli's restaurant, located in Mississauga, Ontario and re-opened it as Scaddabush in Q4 2013. The first Alice Fazooli's location converted to the popular Scaddabush brand continues to experience strong SSSG(1) each quarter, generating SSSG(1) of 0.3% and 9.2% for the 16-week and 52-week periods ended August 30, 2015 (7.1% and 11.8%, respectively, if the additional week of revenue is removed from fiscal 2014, respectively), but the remaining Alice Fazooli's locations that have not been converted to Scaddabush by the end of fiscal 2015 generated SSS(1) declines during Q4 2015. During Q3 2014, SIR opened one new Scaddabush restaurant which is not yet part of SSSG(1). SIR plans to open a third Scaddabush in downtown Toronto, during fiscal 2016. Subsequent to fiscal 2015, the Alice Fazooli's in Richmond Hill was closed for eight days for renovations, and reopened as Scaddabush on October 6, 2015. In addition, SIR plans to build a new Scaddabush restaurant in the extra space that will be created after renovating the Jack Astor's restaurant in Scarborough, Ontario.

The downtown Toronto Signature Restaurants experienced a decline in SSS(1) of 7.7% and 4.3% for the 16-week and 52-week periods ended August 30, 2015. Removing the additional week of revenue from fiscal 2014 results in SSS(1) declines of 1.3% and 2.4% for Q4 2015 and fiscal 2015, respectively. During Q3 2015, on February 18, 2015, one of SIR's Signature brand restaurants, Far Niente/FOUR/Petit Four was temporarily closed, for 40 days, due to significant water damage. The restoration was completed by the end of March and the restaurant reopened on March 30, 2015. SIR maintains adequate business interruption insurance to mitigate the risk of such events. Excluding the sales of this location, the decline in SSS(1) for the Signature Restaurants would have been 0.7% for fiscal 2015, or SSSG(1) of 1.5% if the additional week of revenue is removed from fiscal 2014.

Cost of Corporate Restaurant Operations

As a percentage of revenue, costs of corporate restaurant operations were 94.3% and 92.6% for the 16-week and 52-week periods ended August 30, 2015, respectively, compared to 92.9% and 93.1% for the 17-week and 53-week periods ended August 31, 2014, respectively. Higher costs as a percentage of revenue for the 16-week period ended August 30, 2015 are attributable to higher impairment of non-financial assets and goodwill, offset by lower pre-opening expenses related to new restaurant openings compared to the same period in the prior year. Pre-opening expenses are typical for new restaurant openings. The 52-week period ended August 30, 2015 also had higher impairment of non-financial assets and goodwill, offset by lower pre-opening costs. However, insurance proceeds for the business interruption caused by the water damage at Far Niente/FOUR/Petit Four also reduced costs of corporate restaurant operations in the 52-week period ended August 30, 2015, resulting in a lower cost as a percentage of sales in this period.

Corporate Costs

Corporate costs decreased $0.08 million for Q4 2015 but increased $0.5 million in fiscal 2015 compared to the same periods in fiscal 2014. The increase for fiscal 2015 is a result of higher compensation and professional fees.

SIR Loan, Fund's Interest in the Partnership & Change in Amortized Cost of Ordinary LP and Class A LP Units

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. The Fund has also acquired Class A LP Units upon SIR's conversion of its Class A GP Units into Fund units through a series of transactions taking place in fiscal years 2013, 2014 and Q1 2015 (see the Liquidity and Capital Resources section). In accordance with IFRS, SIR has consolidated the Partnership. The Ordinary LP Units and Class A LP Units of the Partnership, which are held by the Fund, require SIR to pay distributions to the Fund when declared by the board of directors of SIR GP Inc. SIR GP Inc. is controlled by the Fund and, accordingly, SIR is unable to control the declaration of these distributions. As a result, the Ordinary LP Units and Class A LP Units of the Partnership have been classified as a financial liability in the consolidated statements of financial position. The Ordinary LP Units and Class A LP Units were initially recorded at fair value and subsequently at amortized cost, which requires updating the carrying amount of the financial liability to reflect actual and revised estimates in cash flows. The changes in the estimated cash flows are derived from changes in the value of the underlying Fund units adjusted for taxes and the SIR Loan.

Changes in amortized cost are recognized in the consolidated statements of operations and comprehensive income (loss). The change in the amortized cost is a non-cash transaction and accordingly, has no impact on cash flows. For Q4 2015, the change in amortized cost is an income of $4.1 million and is due to a decrease in the underlying Fund unit price compared to Q3 2015. For fiscal 2015, the change in amortized cost is an expense of $6.6 million and is due to an increase in the number of Class A LP Units held by the Fund, partially offset by a decrease in the underlying Fund unit price. The change in amortized cost was income of $0.3 million and an expense of $10.2 million for the 17-week and 53-week periods ended August 31, 2014, respectively.

Interest on the SIR Loan totaled $0.9 million and $3.0 million for the 16-week and 52-week periods ended August 30, 2015, respectively, and $1.0 million and $3.1 million for the 17-week and 53-week periods ended August 31, 2014, respectively.

EBITDA(3) and Adjusted EBITDA(3)

EBITDA(3) was $7.3 million and $21.2 million for the 16-week and 52-week periods ended August 30, 2015, respectively, down from $7.9 million and up from $19.2 million for the 17-week and 53-week periods ended August 31, 2014, respectively. Adjusted EBITDA(3) was $7.7 million and $22.3 million for the 16-week and 52-week periods ended August 30, 2015, respectively, down from $8.4 million and up from $21.3 million for the 17-week and 53-week periods ended August 31, 2014, respectively. (See Selected Consolidated Historical Financial Information – Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA(3) and Adjusted EBITDA(3)).

Impairment of non-financial assets

During the 52-week period ended August 30, 2015, an impairment loss of $2.0 million (53-week period ended August 31, 2014 - $0.9 million) was recorded to write down SIR's non-financial assets to their recoverable amounts. In addition, a goodwill impairment of $0.2 million was recorded during the 52-week period ended August 30, 2015 (53-week period ended August 31, 2014 - $nil) (see Critical Accounting Estimates and Judgments section).

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 $40.0 million SIR Loan is payable to the Fund, bears interest at 7.5% per annum, and is due October 12, 2044. On July 6, 2015, SIR, the Fund and the Partnership entered into an Interlender Agreement to subordinate and postpone their claims against SIR in favour of the lender. The Fund and the Partnership have not guaranteed the current credit facility (see Liquidity and Capital Resources section).

The debt is "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the lender. This subordination, which includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use the trademarks and related intellectual property in return for Royalty payments based on revenues, has been effected pursuant to the terms of the Intercreditor Agreement.

Under the Intercreditor Agreement, absent a default or event of default under the New Credit Agreement, ordinary payments to the Fund and the Partnership can continue and the Partnership can exercise any and all of its rights to preserve the trademarks and related intellectual property governed by the License and Royalty Agreement. However, if a default or an event of default were to occur, the Fund and the Partnership agree not to take actions on their security until the lender has been repaid in full. However, payments by SIR, to the Fund and the Partnership, will be permitted for such amounts as are required to fund their monthly operating expenses, up to an annual limit. In addition, the Fund, the Partnership and SIR will have the right, acting cooperatively, to reduce payments of Royalties and/or interest on the SIR Loan by up to 50% without triggering a cross default under the New Credit Agreement, for a period of up to nine consecutive months. SIR and each obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Income Fund's unitholders and SIR and its shareholders in exchange for the Subordinating Parties not demanding repayment or enforcing security as a result of any such Related Party Obligation Default. The Intercreditor Agreement also contains various other typical covenants of the Fund and the Partnership.

Interest expense on the SIR Loan was charged to the consolidated statements of operations and comprehensive income (loss) in the amount of $0.9 million and $3.0 million for the 16-week and 52-week periods ended August 30, 2015, respectively and $1.0 million and $3.1 million for the 17-week and 53-week periods ended August 31, 2014, respectively.

SIR has the right to require the Fund to, indirectly, purchase their Class C GP Units and assume a portion of the SIR Loan as consideration for the acquisition of the Class C GP Units.

(b) Ordinary LP Units and Class A LP Units of SIR Royalty Limited Partnership

	16-Week Period Ended August 30, 2015	17-Week Period Ended August 31, 2014	52-Week Period Ended August 30, 2015	53-Week Period Ended August 31, 2014
	(in thousands of dollars) (unaudited)			
Balance – Beginning of the period	103,287	97,130	94,060	85,718
Conversion of Class A GP Units	-	-	4,410	6,976
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	(4,147)	(307)	6,622	10,214
Distributions paid to Ordinary LP and Class A LP unitholders	(2,944)	(2,763)	(8,896)	(8,848)
Balance – End of period	96,196	94,060	96,196	94,060
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(8,827)	(8,285)	(8,827)	(8,285)
Ordinary LP Units and Class A LP Units of the Partnership	87,369	85,775	87,369	85,775

	16-Week Period Ended August 30, 2015	17-Week Period Ended August 31, 2014	52-Week Period Ended August 30, 2015	53-Week Period Ended August 31, 2014
	(in thousands of dollars) (unaudited)			
Pooled Revenue[(6)]	86,614	90,364	261,936	253,847
Partnership royalty income[(7)]	5,197	5,422	15,716	15,231
Other income	8	9	32	42
Partnership expenses	(25)	(32)	(68)	(92)
Net earnings of the Partnership	5,180	5,399	15,680	15,181
SIR's residual interest in the earnings of the Partnership:				
Income from Class A & B GP Units of the Partnership	(1,243)	(1,343)	(3,735)	(3,912)
Income from Class C GP Units of the Partnership	(911)	(970)	(2,992)	(3,041)
	(2,154)	(2,313)	(6,727)	(6,953)
Fund's interest in the earnings of the Partnership	3,026	3,086	8,953	8,228

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash consideration of $11.2 million. During Q1 2015 and fiscal 2014, the Fund acquired 350,000 and 500,000 Class A LP Units, respectively, upon SIR's conversion of its Class A GP Units into Fund units (refer to page 17 of the Liquidity and Capital Resources section). The holders of the Ordinary LP Units and Class A LP Units are entitled to receive their pro rata share of all residual distributions of the Partnership. The distributions are declared by the board of directors of SIR GP Inc., which is controlled by the Fund. Accordingly, the Ordinary LP Units and Class A LP Units of the Partnership have been classified as a financial liability in the consolidated statements of financial position. The Ordinary LP Units and Class A LP Units of the Partnership are accounted for at amortized cost, with changes in the carrying value recorded in the consolidated statements of operations and comprehensive income (loss).

SIR, as the holder of the Class A GP Units, is entitled to receive their pro rata share of all residual distributions of the Partnership and the Class A GP Units are exchangeable into units of the Fund.

(6) Includes revenue from the SIR Restaurants subject to the License and Royalty Agreement. 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) Partnership royalty income is 6% of Pooled Revenue in accordance with the License and Royalty Agreement, plus a Make-Whole Payment for closed restaurants, if applicable.

In 2004, 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 Royalty Pooled Restaurants (the "License and Royalty Agreement").

Under the terms of the License and Royalty Agreement, SIR may be required to pay a Make-Whole Payment in respect of the reduction in revenues for restaurants permanently closed during a reporting period. SIR is not required to pay any Make-Whole Payments in respect of a permanently closed restaurant following the date on which the number of Royalty Pooled Restaurants is equal to or greater than 68 or following October 12, 2019, whichever occurs first. On January 1 of each year (the "Adjustment Date"), the restaurants subject to the License and Royalty Agreement are adjusted for new SIR Restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units to Class A GP Units based on the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted to Class A GP Units in respect of these new SIR Restaurants if actual revenues of the new SIR Restaurants exceeded 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Conversely, converted Class A GP Units will be returned by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the initial estimated revenues. In December of each year, an additional distribution will be payable to the Class B GP unitholders based on actual revenues of the new SIR Restaurants exceeding 80% of the initial estimated revenues or there will be a reduction in the distributions to the Class A GP unitholders if revenues are less than 80% of the initial estimated revenues.

On January 1, 2015, two (January 1, 2014 – four) new SIR Restaurants were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of two new SIR Restaurants on January 1, 2015 (January 1, 2014 – four), as well as the Second Incremental Adjustment for the four new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2014 (January 1, 2013 – four), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 347,000 (January 1, 2014 – 803,000) Class B GP Units into 347,000 (January 1, 2014 – 803,000) Class A GP Units on January 1, 2015 at an estimated fair value of $4.5 million (January 1, 2014 – $11.4 million).

In addition, the revenues of the four new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2014 were less than 80% of the Initial Adjustment's estimated revenue (January 1, 2013 – four new SIR Restaurants exceeded 80% of the Initial Adjustment's estimated revenue) and, as a result, the distributions on the Class A GP Units were reduced by a special conversion refund of $0.005 million in December 2014 and paid in January 2015 (a special conversion distribution of $0.2 million was declared in December 2013 and paid in January 2014).

After the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2015, SIR's residual interest in the Partnership is 24.6% (August 31, 2014 - 25.5%)

(c) *Amounts due to the Fund* – (see Transactions with the SIR Royalty Income Fund in the Transactions with Related Parties section)

Liquidity and Capital Resources

Selected Consolidated Statement of Cash Flows Information	16-Week Period Ended August 30, 2015	17-Week Period Ended August 31, 2014	52-Week Period Ended August 30, 2015	53-Week Period Ended August 31, 2014
	(in thousands of dollars) (unaudited)			
Cash provided by operations	6,020	4,877	16,379	8,210
Cash provided by (used in) investing activities	(3,106)	(2,575)	(3,119)	(5,385)
Cash provided by (used in) financing activities	(3,426)	(3,281)	(10,033)	(5,891)
Increase (decrease) in cash and cash equivalents during the period	(512)	(979)	3,227	(3,066)
Cash and cash equivalents – Beginning of period	8,381	5,621	4,642	7,708
Cash and cash equivalents – End of period	7,869	4,642	7,869	4,642

Cash provided by operations increased by $1.1 million for the 16-week period ended August 30, 2015 compared to the 17-week period ended August 31, 2014. The increase is attributable to the variance in the net change in working capital items of $3.2 million, offset by an increase in distributions paid to Ordinary LP and Class A LP unitholders of $0.2 million and a decrease in inducements received of $1.0 million. Cash provided by operations increased by $8.2 million for the 52-week period ended August 30, 2015 compared to the 53-week period ended August 31, 2014. The increase is attributable to an increase in Adjusted Net Earnings (Loss) of $1.7 million for the 52-week period ended August 30, 2015 compared to the 53-week period ended August 31, 2014 and the variance in the net change in working capital items of $7.5 million, offset by a decrease in inducements received of $1.1 million.

Investing activities used cash of $3.1 million for both the 16-week and 52-week periods ended August 30, 2015, respectively. Investing activities used cash of $2.6 million and $5.4 million for the 17-week and 53-week periods ended August 31, 2014, respectively. Purchases of property and equipment and other assets – net – amounted to $3.5 million and $7.8 million for the 16-week and 52-week periods ended August 30, 2015, respectively and $4.2 million and $15.5 million for the 17-week and 53-week periods ended August 31, 2014, respectively. The majority of the capital expenditures for the 52-week period ended August 30, 2015 related to: the renovation at the Canyon Creek restaurant, the construction of the two new Jack Astor's restaurants in Ottawa, Ontario, one that opened during Q3 2015 and the other subsequent to year-end on September 8, 2015, and major renovations at two Jack Astor's locations at the end of Q4 2015. The majority of the capital expenditures for the 53-week period ended August 31, 2014 related to the construction costs incurred for four new restaurants, including the new Reds Midtown Tavern, the new Duke's Refresher & Bar, the new Scaddabush restaurant, and one new Jack Astor's that opened during fiscal 2014, as well as the renovation costs for four Jack Astor's. Management expects that the investments in new and existing restaurants and other profit enhancing initiatives (such as new patios and patio expansions) and maintenance capital expenditures, will help position SIR favourably in the market. The proceeds from the conversion of Class A GP Units to Fund units and their subsequent sale were placed in a restricted account at the time of the transaction and have been accounted for as non-cash transactions in the consolidated statements of cash flows. Cash used in investing activities includes net cash proceeds received from restricted funds of $nil and $4.3 million for the 16-week and 52-week periods ended August 30, 2015, respectively, and $1.5 million and $9.8 million for the 17-week and 53-week periods ended August 31, 2014, respectively.

For the 16-week and 52-week periods ended August 30, 2015, cash used in financing activities was $3.4 million and $10.0 million, respectively. Cash used in financing activities was $3.3 million and $5.9 million for the 17-week and 53-week periods ended August 31, 2014, respectively. Principal repayments on long-term debt were $25.5 million and $28.7 million for the 16-week and 52-week periods ended August 30, 2015, respectively compared to $1.5 million and $4.2 million for the 17-week and 53-week periods ended August 31, 2014, respectively. This is a result of repaying SIR's previous term debt. Proceeds received from the issuance of long-term debt and the increase in bank indebtedness related to the New Credit Agreement were $18.0 million and $6.7 million, respectively, for both the 16-week and 52-week periods ended August 30, 2015. Financing fees of $0.8 million and $0.9 million, related to the New Credit Agreement, were paid during the 16-week and 52-week periods ended August 30, 2015, respectively. Interest paid was $1.6 million and $4.9 million for the 16-week and 52-week periods ended August 30, 2015, respectively and $1.8 million and $5.4 million for the 17-week and 53-week periods ended August 31, 2014, respectively. SIR issued common shares to a third party for proceeds of $14.2 million and immediately repurchased common shares for $14.2 million plus transaction costs of $0.3 million.

The new Jack Astor's restaurant and the new Scaddabush Restaurant that opened in fiscal 2014 were added to the Royalty Pooled Restaurants effective January 1, 2015. At that time, SIR received additional Class A GP Units in accordance with the formula for adjustment for New Additional Restaurants added to Royalty Pooled Restaurants. The amount of Class A GP Units received was adjusted for the Second Incremental Adjustment for the four New Additional Restaurants that were added to Royalty Pooled Restaurants on January 1, 2014. Under the terms of the Exchange Agreement, SIR has the right to convert some or all of the Class A GP Units into Fund units on a one-for-one basis. After the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2015, SIR held 2,488,421 Class A GP Units (refer to page 16).

As at August 30, 2015, SIR had current assets of $19.2 million (August 31, 2014 – $15.1 million) and current liabilities of $49.1 million (August 31, 2014 – $40.4 million) resulting in a working capital deficit of $29.9 million (August 31, 2014 – $25.3 million). Revenues in the restaurant business are largely paid by cash and credit cards whereas most suppliers offer credit terms for payment. Therefore, restaurants are able to pay their suppliers from the cash received on revenues in the following months, as the supplier payables are due. Cash balances are typically used to construct new restaurants or re-invest in existing restaurants to grow the business. As a result, SIR, like many other restaurant businesses would anticipate having a negative working capital balance in the foreseeable future.

Management believes that currently there are sufficient cash resources retained in SIR from its cash generated by operations and from its financing activities to fund its working capital requirements, scheduled debt repayments, and future construction commitments.

During Q4 2015, on July 6, 2015, SIR entered into a New Credit Agreement with a Schedule I Canadian chartered bank (the Lender) to refinance its current credit facility. A copy of the New Credit Agreement has been filed on SEDAR. The credit agreement is "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership, and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the Lender. This subordination, which includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR The right to use trade-marks and related intellectual property in return for royalty payments based on revenues, has been effected pursuant to the terms of the Intercreditor Agreement, which replaced the Amended and Restated Subordination and Postponement Agreement. A copy of the Intercreditor Agreement has also been filed on SEDAR.

The New Credit Agreement between SIR and the Lender provides for a three-year facility for a maximum principal amount of $30,000,000 consisting of a $20,000,000 revolving term credit facility (Credit Facility 1), and a $10,000,000 revolving term loan (Credit Facility 2). SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional $5,000,000. The previous term debt, consisting of a term loan and three development loans, was repaid by a full draw down of Credit Facility 2 and a partial draw down of Credit Facility 1.

Credit Facility 1 is for general corporate and operating purposes, including capital spending on new and renovated restaurants, bearing interest at the prime rate plus 2.25% and/or the bankers' acceptance rate plus 3.25%, principal repaid in one bullet repayment on July 6, 2018. A standby fee of 0.65% is charged on the undrawn balance of Credit Facility 1. Credit Facility 1 may be repaid and reborrowed at any time during the term of the New Credit Agreement. Credit Facility 2 bears interest at the prime rate plus 2.25% and/or the bankers' acceptance rate plus 3.25%. The initial advance on Credit Facility 2 is repayable in quarterly instalments of $500,000, with the remaining outstanding principal balance due on July 6, 2018. Subsequent advances on Credit Facility 2 may be requested (subject to availability and lender approval), in minimum multiples of $1,000,000, annually on the anniversary of the closing date of the New Credit Agreement (July 6), to finance capital spending on new and renovated restaurants. Each subsequent advance will be repayable in equal quarterly instalments based on a five year amortization, with the remaining outstanding principal balance due on July 6, 2018.

The New Credit Agreement is secured by substantially all of the assets of SIR and most of its subsidiaries, which are also guarantors. The Partnership and the Fund have not guaranteed the New Credit Agreement.

Under the Intercreditor Agreement, absent a default or event of default under the New Credit Agreement, ordinary payments to the Fund and the Partnership can continue and the Partnership can exercise any and all of its rights to preserve the trademarks and related intellectual property governed by the License and Royalty Agreement. However, if a default or an event of default were to occur, the Fund and the Partnership agree not to take actions on their security until the Lender has been repaid in full. However, payments by SIR, to the Fund and the Partnership, will be permitted for such amounts as are required to fund their monthly operating expenses, up to an annual limit. In addition, the Fund, the Partnership and SIR will have the right, acting cooperatively, to reduce payments of Royalties and/or interest on the SIR Loan by up to 50% without triggering a cross default under the New Credit Agreement, for a period of up to nine consecutive months. SIR and each Obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Income Fund's unitholders and SIR and its shareholders in exchange for the Subordinating Parties not demanding repayment or enforcing security as a result of any such Related Party Obligation Default. The Intercreditor Agreement also contains various other typical covenants of the Fund and the Partnership.

The New Credit Agreement has a significantly higher amount of credit available than SIR's previous term loan facilities and the interest rates and scheduled principal repayments are significantly lower. SIR believes that it expects to be able to comply with the covenants under the new credit facility and service the new credit facility, as well as meet its other obligations. However, there can of course be no assurance of this.

On July 6, 2015, a third party, Competitive Foods Canada Ltd. ("CFC") acquired 3.2 million common shares of SIR, directly and indirectly, from certain of the existing minority common shareholders and common share option holders of SIR, representing 26.46% of SIR on a fully diluted basis (29.90% of the currently issued and outstanding shares). CFC currently operates casual dining restaurants in southern Ontario and has investments in the construction services industry across Canada. Peter Fowler Enterprises Ltd. did not sell any of its holdings in SIR and remains the majority shareholder of SIR holding 56.56% of SIR on a fully diluted basis (56.96% of the currently issued and outstanding shares). Following this transaction no other shareholders of SIR hold over 10% of SIR on a fully diluted basis (or hold over 10% of the currently issued and outstanding shares). As part of this share transaction, 0.3 million options were exercised for estimated proceeds of $0.05 million. SIR also issued 2.9 million common shares to CFC for cash proceeds of $14.2 million and immediately repurchased 2.9 million common shares from certain minority common shareholders for cash proceeds of $14.2 million plus transaction costs of $0.3 million. The excess proceeds paid to repurchase the 2.9 million common shares over the weighted average company value of the common shares was charged to contributed surplus and deficit. CFC acquired 0.3 million common shares directly from certain of the existing minority common shareholders and common share option holders of the Company.

In Q3 2014, on February 10, 2014, SIR converted 500,000 Class A GP Units to Fund units and sold these Fund units for net proceeds of $6.8 million (net of transaction costs of $0.2 million).

On November 5, 2014, the previous lender agreed to release the security over 350,000 Class A GP Units and on November 19, 2014, SIR exchanged 350,000 Class A GP Units of the Partnership into Fund units and sold these Fund units for net proceeds $4.3 million (net of transaction costs of $0.1 million).

SIR's residual interest in the Partnership was affected by the conversions of the Class A GP Units into Fund units. After the February 10, 2014 transaction in Q3 2014, SIR's residual interest in the Partnership decreased by 5.1% and was 25.5% as at August 31, 2014. After the November 19, 2014 transaction, SIR's residual interest in the Partnership decreased by 3.6% to 21.9% but increased 2.7% after the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2015. Therefore, SIR's residual interest in the Partnership is currently 24.6%.

The disposition of Fund units has been accounted for as a non-cash transaction in the consolidated statements of cash flows. The proceeds net of certain transaction costs of $4.3 million for the Q1 2015 transaction and $6.8 million for the Q3 2014 transaction were deposited into an account restricted by the previous lender and, accordingly, were classified as restricted cash in the consolidated statements of financial position, at the time. During the 16-week and 52-week periods ended August 30, 2015, $nil and $4.3 million, respectively (17-week and 53-week periods ended August 31, 2014 - $1.5 and $9.8 million, respectively) of the funds held in the restricted account were released to SIR. All funds previously held in this restricted account have been drawn by SIR as at August 30, 2015 to finance capital expenditures. Under the New Credit Agreement, SIR may convert Class A GP Units without prior consent from the Lender, provided such Units are promptly sold by SIR for the purposes of financing the construction of new restaurants and renovations to existing restaurants, in each case not to exceed in any year the lower of $7.0 million and 0.4 million units.

Contractual Obligations

In 2004, 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 Royalty Pooled Restaurants. Payment of the Royalty is secured by the Partnership General Security Agreement. On July 6, 2015, SIR, the Fund and the Partnership amended the agreement to subordinate and postpone their claims against SIR in favour of the senior lender. The Partnership and the Fund have not guaranteed the new credit facility (Please refer to SIR Royalty Income Fund section).

The security interest for all amounts payable by SIR to the Partnership under the License and Royalty Agreement, as set out in the Partnership General Security Agreement, is substantially the same as, and ranks equally with, the security interest granted by SIR to the Fund in respect of the SIR Loan. SIR consolidates the Partnership, and this transaction between SIR and the Partnership is eliminated in SIR's consolidated financial statements, however the obligation for payments remains.

Under the terms of the License and Royalty Agreement, SIR may be required to pay a Make-Whole Payment in respect of the reduction in revenue for restaurants closed during a reporting period. SIR is not required to pay any Make-Whole Payment in respect of a closed restaurant following the date on which the number of Royalty Pooled Restaurants is equal to or greater than 68, or following October 12, 2019, whichever occurs first. On January 1 of each year (the "Adjustment Date"), the restaurants subject to the License and Royalty Agreement are adjusted for new SIR restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units to Class A GP Units based on a formula defined in the Partnership Agreement.

SIR and its subsidiaries have entered into operating leases relating to its head office and restaurant locations with minimum annual payments.

Subsequent to August 30, 2015, SIR completed the construction of one restaurant for which it incurred costs of approximately $0.2 million during the subsequent period. At the current date, SIR has two commitments to lease properties, on which it plans to build one new Jack Astor's restaurant and one new Scaddabush restaurant. SIR has incurred costs for the construction of the Scaddabush restaurant of $118,000, in the subsequent period. At the current date, SIR has not entered into any other construction contracts for either restaurant, but expects to do so in the future. In addition, SIR incurred costs for renovations of restaurants of approximately $1.4 million since August 30, 2015 and has approximately $2,400,000 in additional purchase commitments for renovations of restaurants. Final costs of construction are subject to uncertainties as to their amounts and timing. Items such as finalization of design and final construction quotations could change the total cost of these projects. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.

As at August 30, 2015, $14.7 million and $10.0 million were outstanding on SIR's Credit Agreement for Credit Facility 1 and Credit Facility 2, respectively.

SIR has the following contractual obligations as of August 30, 2015 (in thousands of dollars):

	1 Year	2 – 3 Years	4 – 5 Years	Thereafter	Total
Operating leases	15,218	30,160	24,905	42,363	112,646
Long-term debt principal repayments	2,000	16,000	-	-	18,000
SIR Loan principal repayment	-	-	-	40,000	40,000
	17,218	**46,160**	**24,905**	**82,363**	**170,646**

Off-Balance Sheet Arrangements

SIR has off-balance sheet arrangements with respect to its operating leases relating to its head office and restaurant locations with minimum annual payments. (See Contractual Obligations section).

Transactions with Related Parties

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

Transactions with Related Parties	16-Week Period Ended August 30, 2015	17-Week Period Ended August 31, 2014	52-week Period Ended August 30, 2015	53-week Period Ended August 31, 2014
	(in thousands of dollars) (unaudited)			
Corporate costs				
Occupancy costs and maintenance services provided by a company owned by a party related to a shareholder of SIR	22	51	69	165
Occupancy costs provided by a company owned by a director and shareholder of SIR	-	-	-	4
Maintenance services provided by a shareholder of SIR	1	14	10	14
Maintenance services provided by a company owned by a shareholder of SIR	-	-	8	-
Consulting fees provided by a company owned by a director and shareholder of SIR	-	-	56	-
Direct costs of restaurant operations				
Occupancy costs provided by a company owned by a party related to a director of SIR	17	12	17	12
Maintenance services provided by a company owned by a party related to a shareholder of SIR	20	27	126	88
Consulting fees provided by a company owned by a director and shareholder of SIR	55	-	55	-
Maintenance services provided by a shareholder of SIR	5	-	22	-
Property and equipment				
Design and construction management fees and fixtures provided by a company owned by a shareholder of SIR	38	274	145	882
Construction management fees and fixtures provided by a company owned by a party related to a shareholder of SIR	517	291	1,128	1,151
Fixtures provided by a shareholder of SIR	8	8	8	35
Capital stock				
Consulting fees provided by a company owned by a director and shareholder of SIR	83	-	83	-

Included in trade and other receivables and payables are the following amounts due from and to related parties:

	16-Week Period Ended August 30, 2015	17-Week Period Ended August 31, 2014	52-week Period Ended August 30, 2015	53-week Period Ended August 31, 2014
	(in thousands of dollars) (unaudited)			
Amounts due from related parties:				
Amounts due from U.S. S.I.R. L.L.C. and its subsidiary	7	206	7	206
Amounts due from a company owned by a party related to a director of SIR	7	180	7	180
Amounts due to related parties:				
Amounts due to companies owned by a shareholder of SIR	63	12	63	12
Amounts due to a company owned by a party related to a shareholder of SIR	223	91	223	91
Amounts due to a company owned by a party related to a director of SIR	17	174	17	174
Amounts due to U.S. S.I.R. L.L.C.	-	783	-	783

- Received repayment against loans and advances from U.S. S.I.R. L.L.C. of $0.1 million and $0.4 million for the 16-week and 52-week periods ended August 30, 2015, respectively, ($0.09 million and $0.3 million for the 17-week and 53-week periods ended August 31, 2014, respectively). In addition, certain liabilities totaling $0.7 million owed by SIR to U.S. S.I.R. L.L.C. were settled against the outstanding loans and advances during both the 16-week and 52-week periods ended August 30, 2015 ($nil for both the 17-week and 53-week periods ended August 31, 2014). SIR recognized interest income on those loans and advances of $0.07 million and $0.2 million for the 16-week and 52-week periods ended August 30, 2015, respectively, ($0.07 million and $0.2 million for the 17-week and 53-week periods ended August 31, 2014, respectively). As at August 30, 2015, SIR has loans and advances of $1.6 million owing from U.S. S.I.R. L.L.C. (August 31, 2014 – $1.3 million).
- Received proceeds on sale of assets during the 52-week period ended August 30, 2015 in the form of a loan receivable of $0.4 million (53-week period ended August 31, 2014 - $nil) from a company owned by a party related to a director of SIR.
- A company owned by the majority shareholder of SIR had guaranteed SIR's obligations under the previous Credit Agreement and a guarantee fee of $0.02 million and $0.2 million were charged to the consolidated statements of operations and comprehensive income (loss) for the 16-week and 52-week periods ended August 30, 2015, respectively ($0.05 million and $0.2 million for the 17-week and 53-week periods ended August 31, 2014, respectively). On November 13, 2009, SIR also issued 26 warrants to the majority shareholder of SIR to acquire Class S Special Shares of the SIR. These warrants were pledged to the previous senior lender and were only exercisable in the event of default. These warrants were cancelled and the Class S Special Shares were removed from authorized capital upon entering into the New Credit Agreement.
- SIR owns an investment in common shares of a company owned by a party related to a shareholder of SIR. SIR does not have the ability to significantly influence the operations of this company and, accordingly, has accounted for the investment as a financial asset (available for sale) and is carried at nominal value.

Transactions with the SIR Royalty Income Fund

Advances receivable from the Fund and its subsidiaries as at August 30, 2015 were $2.7 million (August 31, 2014 – $2.6 million). Advances receivable are non-interest bearing and due on demand.

During the 16-week and 52-week periods ended August 30, 2015, distributions of $3.0 million and $9.0 million were declared to the Fund by the Partnership, respectively ($3.1 million and $8.2 million for the 17-week and 53-week periods ended August 31, 2014, respectively). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions previously declared, but unpaid as at August 30, 2015 were $3.4 million (August 31, 2014 – $3.3 million) and are included in Ordinary LP Units and Class A LP Units of the Partnership in the consolidated statements of financial position.

The SIR Loan bears interest at 7.5% per annum. Interest expense on the SIR Loan totaled $0.9 million and $3.0 million for the 16-week and 52-week periods ended August 30, 2015, respectively, and $1.0 million and $3.1 million for the 17-week and 53-week periods ended August 31, 2014, respectively. Interest payable on the SIR Loan as at August 30, 2015 was $0.2 million (August 31, 2014 – $0.3 million).

SIR, through the Partnership, has entered into an arrangement with the Fund and the Trust whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc., in its capacity as the managing general partner of the Partnership. The Partnership provided these services to the Fund and the Trust for consideration of $0.007 million and $0.024 million for the 16-week and 52-week periods ended August 30, 2015, respectively ($0.007 million and $0.024 million for the 17-week and 53-week periods ended August 31, 2014, respectively), which was the amount of consideration agreed to by the related parties.

Critical Accounting Estimates and Judgments

The preparation of SIR's financial statements requires Management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on Management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant judgments and estimates that SIR has made in the preparation of its consolidated financial statements.

Impairment of non-financial assets

Property and equipment and intangible assets (other than goodwill) are tested for impairment when events or changes in circumstances indicated that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which they are separately identifiable cash flows (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists. Management monitors goodwill for internal purposes based on its CGUs, which are the restaurants.

SIR evaluated impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration. Goodwill is assessed for impairment together with the assets and liabilities of the related CGU. Impairment losses are recognized in the costs of corporate restaurant operations.

During the 52-week period ended August 30, 2015, a $0.2 million impairment of goodwill was recognized by SIR (53-week periods ended August 31, 2014 – $nil). The impairment is the result of declining sales and earnings of one restaurant. The recoverable amount was based on value-in-use. Significant assumptions used in the discounted cash flow model included estimated cash flows for the restaurant, the duration of the estimated cash flows, the discount rate of 13% and the estimated proceeds to dispose of the assets at the end of the lease term. Management has performed sensitivity testing and has determined that a reasonable change in the assumptions would not result in a material change to the goodwill impairment.

As a result of a decline in sales and earnings from certain restaurants, SIR conducted an impairment analysis of certain restaurants' non-financial assets. The analysis indicated that the estimated recoverable amounts for five restaurants (2014 – four restaurants) was less than the carrying value of the restaurants' non-financial assets (property and equipment). In fiscal 2015, the recoverable amount for the impairment of two restaurants (one Jack Astor's restaurant and one Signature restaurant) (2014 – two Jack Astor's and one Canyon Creek restaurants) was based on fair value, less costs to sell. The fair value less costs to sell for the Jack Astor's restaurant was estimated using a real estate appraisal and depreciated replacement cost. The fair value less costs to sell for the Signature restaurant was estimated using a depreciated replacement cost methodology. The recoverable amount for the fiscal 2015 impairment of the remaining restaurants (one Alice Fazooli's/Scaddabush and two Signature restaurants) (fiscal 2014 – one Signature restaurant) was based on value-in-use, which was estimated using a discounted cash flow model. Significant assumptions used in the model include the estimate of cash flows and a discount rate of 18% (2014 – 15%). Management has performed sensitivity testing on the estimates and determined that a reasonable change in assumptions would not result in a material change in the impairment of the property and equipment.

In fiscal 2015, certain costs for design of new restaurants were abandoned. Accordingly, these costs were written off during the 52-week period ended August 30, 2015.

Accordingly, in total, an impairment loss of non-financial assets of $2.0 million for the 52-week period ended August 30, 2015 (53-week period ended August 31, 2014 - $0.9 million) was recognized in the consolidated statements of operations and comprehensive loss.

Loans and advances

Loans and advances are recorded at amortized cost and are written down to their estimated realizable amount when there is evidence of an impairment. As at August 30, 2015, SIR evaluated its loans and advances to U.S. S.I.R. L.L.C. for impairment. SIR determined the estimated recoverable amounts by using a discounted cash flow model. Significant assumptions used in the discounted cash flow model include the expected future cash payments and a discount rate of 15%. Based on the analysis completed, a recovery of $1.2 million for the 52-week period ended August 30, 2015 (53-week period ended August 31, 2014 – recovery of $0.3 million) was recognized in the consolidated statements of operations and comprehensive loss.

Consolidation of the Partnership

The determination of the entity being exposed to or having rights to variable returns from its involvement with the Partnership and having the ability to affect these returns through its power over the Partnership required significant judgments. Based on an evaluation of the activities of the Partnership and the Partnership Agreement, management concluded the substance of the relationship between the Partnership, SIR and the Fund indicates that the Partnership is controlled by SIR. Accordingly, SIR has consolidated the Partnership.

Ordinary LP Units and Class A LP Units of the Partnership

The classification of a financial instrument as a liability or equity requires significant judgment. Based on an evaluation of the Partnership Agreement and rights of SIR and SIR GP Inc. under this agreement, management concluded that SIR has an obligation to pay distributions once declared. Accordingly, the Ordinary LP Units and Class A LP Units of the Partnership held by the Fund have been classified as a liability in the consolidated statements of financial position.

In addition, accounting for the Ordinary LP Units and Class A LP Units of the Partnership at amortized cost also requires significant estimates. Management is required to estimate the future cash flows for the distributions on the Ordinary LP Units and Class A LP Units, which are estimated using the changes in the underlying unit price of the Fund units adjusted for taxes and SIR's loan payable to the Fund. Accordingly, the adjustments and methods used to estimate the cash flows are subject to uncertainty due to the fact that the expected cash flows can only be observed indirectly.

The current portion of the Ordinary LP Units and Class A LP Units is estimated based on the expected cash payments in the next fiscal year. The actual cash payments could differ from the estimates due to changes in the Fund's distribution policy, requirements of the Fund to settle its obligations, such as income taxes, and the performance of the Royalty Pooled Restaurants.

Income Taxes

SIR has recognized certain deferred tax liabilities related to its investments in subsidiaries based on management's estimate of the amount of the deferred tax liability that may reverse in the foreseeable future. In estimating the amount of the deferred tax liability, management considered SIR's strategies and its future financing requirements. Changes in SIR's strategic plan and financing requirements could result in a change in the amount of the deferred tax liability recognized.

Changes in Accounting Policies, Including Recently Issued Accounting Pronouncements

IFRS adopted during the period

IAS 36, Impairment of Assets – Disclosures, has been amended to introduce limited scope amendments to remove certain disclosure requirements in IAS 36, Impairment of Assets. Management has determined that the adoption of this standard has no impact on the consolidated financial statements.

IFRIC 21, Accounting for Levies Imposed by Governments, clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. Management has determined that the adoption of this standard has no impact on the consolidated financial statements.

IAS 24, Related Party Transactions, has been amended to (i) revise the definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements. The new required disclosures are included in note 16 to the consolidated financial statements.

IFRS issued but not yet effective

IFRS 9, Financial Instruments – Classification and Measurement: In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9, Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is evaluating the standard and has not yet determined the impact on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers, specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018 and early adoption is permitted. Management is evaluating this amendment and has not yet determined the impact on its consolidated financial statements.

IFRS 7, Financial Instruments – Disclosure, has been amended to require disclosures on transition from IAS 39 to IFRS 9. This amendment is effective on adoption of IFRS 9. Management is evaluating the amendment and has not yet determined the impact on its consolidated financial statements.

Financial Instruments

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statements of operations or in comprehensive loss. SIR's financial instruments consist of cash and cash equivalents, restricted cash, trade and other receivables, loans and advances, bank indebtedness, trade and other payables, long-term debt, loan payable to the Fund, and Ordinary LP Units and Class A LP Units of the Partnership. The fair values of cash and cash equivalents, restricted cash, trade and other receivables, bank indebtedness, and trade and other payables approximate their carrying amounts due to their short-term maturity. The carrying value of the loans and advances approximates fair values as the effective interest rate approximates current market rates. The fair value of the long-term debt as at August 30, 2015 is $18.0 million and is determined based on the estimated contractual schedule of payments as the interest rate varies with the current market rates. The fair value of the loan payable to the Fund and the Ordinary LP Units and Class A LP Units of the Partnership could only be determined through the valuation of the financial instruments. The loan payable to the Fund is due to a related party and there is no active market for the debt. SIR intends to hold the loan payable to the Fund until its maturity on October 12, 2044. The Ordinary LP Units and Class A LP Units of the Partnership are also held by the Fund and there is no active market for the Ordinary LP Units and Class A LP Units. As a result, the determination of its fair value is not practicable within the constraints of timeliness and cost.

SIR's financial instruments exposed to credit risk include cash and cash equivalents, trade and other receivables and loans and advances. SIR minimizes the credit risk of cash and cash equivalents by depositing funds with reputable financial institutions. SIR's trade and other receivables primarily comprise amounts due from major credit card companies; therefore, management believes that SIR's trade and other receivables credit risk exposure is limited. SIR monitors the collectability of its loans and advances, predominantly due from related parties, by reviewing them for impairment on an individual basis and recording the instrument at its estimated recoverable amount. SIR has determined that the loans and advances to U.S. S.I.R. L.L.C. are impaired based on estimated future cash flows. Accordingly, the carrying values of these loans and advances are recorded at their estimated recoverable amounts, which were determined by discounting the expected future cash flows.

SIR is exposed to interest rate risk with respect to its credit facility because it has a floating interest rate. The loan payable to the Fund has a fixed interest rate. Accordingly, changes in interest rates for this financial liability would not impact the consolidated statements of operations and comprehensive loss or the carrying value of this financial liability. However the fair value of this financial liability will vary with changes in the interest rates.

SIR is exposed to price risk as the expected cash flows used in the estimate of the amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership are derived from the market price of the Fund units adjusted for taxes and SIR's loan payable to the Fund. Accordingly, the change in the carrying value of the Ordinary LP Units and Class A LP Units changes with changes in the market price of the Fund units.

Risks and Uncertainties

The performance of SIR is dependent on many factors. The restaurant industry generally, and in particular, the casual and fine dining segment of this industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. SIR Restaurants are subject to laws that prohibit or limit smoking in enclosed workplaces and/or certain outdoor public places, such as restaurant patios. There are many well-established competitors with greater financial and other resources than SIR. Competitors include national and regional chains, as well as individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual and fine dining sectors in which many of the SIR Restaurants operate. Some of SIR's competitors have been in existence for a substantially longer period than SIR and may be better established in the markets where SIR Restaurants are or may be located. In addition, factors such as business and economic conditions, changes in foreign exchange, availability of credit, inflation, increased food, labour and benefits costs, taxes, government regulations (including those governing alcoholic beverages), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants affect the restaurant industry in general and therefore SIR. Please refer to the Fund's March 18, 2015 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

SIR is a holder of partnership interests in the Partnership. The Fund is also an indirect holder of partnership interests in the Partnership. The income of the Fund must be computed and will be taxed in accordance with Canadian tax laws. There is no assurance that Canadian federal income tax laws respecting the treatment of trusts will not be changed in a manner which adversely affects Unitholders.

The Fund's distributions are subject to change based on a number of factors, including the cash reserves of the Fund, the Trust and the Partnership. The Trustees will continue their practice of regularly reviewing the Fund's distribution levels.

Outlook

Management believes that there are sufficient cash resources retained in SIR from its cash generated by operations and from its financing activities to fund its current working capital requirements, scheduled debt repayments, and future construction commitments**.**

At the current date, SIR has two commitments to lease properties, upon which it plans to build one new Jack Astor's restaurant and one new Scaddabush restaurant, the latter in downtown Toronto, Ontario. In addition, SIR plans to build a new Scaddabush restaurant in the extra space that will be created after renovating the Jack Astor's restaurant in Scarborough, Ontario. It is expected that these locations will open in fiscal 2016 and fiscal 2017. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.

SIR introduced a variant of the Alice Fazooli's concept called Scaddabush, offering guests a new, refreshing take on Italian dining and began by renovating the Alice Fazooli's Square One location in Mississauga, Ontario in Q4 2013. During Q3 2014, on February 18, 2014, SIR opened a second Scaddabush restaurant and SIR plans to open a third one in downtown Toronto, in fiscal 2016. SIR plans to continue the conversion of additional Alice Fazooli's to Scaddabush over the next two fiscal years, with a second conversion of an Alice Fazooli's into a Scaddabush completed in Richmond Hill in Q1 2016.

SIR continues to focus on sustaining and growing existing restaurant sales and profits while managing costs. SIR carefully monitors economic conditions, and considers new restaurant growth and renovations when appropriate and subject to availability of acceptable long-term financing.

Forward Looking Information

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "should", "would", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including: market conditions at the time of this filing; competition; changes in demographic trends; weather; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; changes in foreign exchange; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. There can be no assurance that SIR will remain compliant in the future with all of its financial covenants under the New Credit Agreement and imposed by the lender. Given these uncertainties, readers are cautioned that forward-looking statements are not guarantees of future performance, and should not place undue reliance on them. The Fund and SIR expressly disclaim any obligation or undertaking to publicly disclose or release any updates or revisions to any forward looking statements, except as required by securities legislation**.** Forward-looking statements are based on Management's current plans, estimates, projections, beliefs and opinions, and the Fund and SIR do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change, except as expressly required by applicable securities laws. This Management's Discussion and Analysis is provided as of November 23, 2015.

In formulating the forward-looking statements contained herein, Management has assumed that business and economic conditions affecting SIR's restaurants and the Fund will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, competition, general levels of economic activity (including in downtown Toronto), regulations (including those regarding employees, food safety, tobacco and alcohol), weather, taxes, foreign exchange rates and interest rates, that there will be no pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products, and that there will be no unplanned material changes in its facilities, equipment, customer and employee relations, or credit arrangements. These assumptions, although considered reasonable by Management at the time of preparation, may prove to be incorrect. In particular, Management has assumed that the tax effects on distributions will remain consistent with current regulations or pronouncements, and also in estimating the revenue for new restaurants, Management has assumed that they will operate consistent with other similar SIR restaurants, and has assumed that SIR will remain compliant in the future with all of its financial covenants under the New Credit Agreement and imposed by the lender. For more information concerning the Fund's risks and uncertainties, please refer to the March 18, 2015 Annual Information Form, for the period ended December 31, 2014, which is available under the Fund's profile at www.sedar.com.

All of the forward-looking statements made in this report are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Fund or SIR.

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