SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 16-WEEK AND 52-WEEK PERIODS ENDED AUGUST 27, 2017

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Executive Summary

SIR Corp.'s ("SIR's") fourth quarter of Fiscal 2017 was from May 8, 2017 to August 27, 2017 inclusive. Highlights for SIR's 16-week and 52-week periods ended August 27, 2017 ("Q4 2017" and "Fiscal 2017", respectively) include:

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

- Food and beverage revenue from corporate restaurant operations for Q4 2017 was $99.8 million, an increase of 8.5%, or $7.8 million, compared to the 16-week period ended August 28, 2016 ("Q4 2016"). Food and beverage revenue from corporate restaurant operations for Fiscal 2017 was $293.3 million, up 4.4% from $280.8 million for the 52-week period ended August 28, 2016 ("Fiscal 2016").
- SIR reported Same Store Sales Growth ("SSSG")(1) of 3.8% for Q4 2017 and 1.7% for Fiscal 2017.
- SIR's flagship Concept Restaurant brand, Jack Astor's®, which generated approximately 76% of Pooled Revenue in Q4 2017, had SSSG(1) of 2.3% and 0.6% for Q4 2017 and Fiscal 2017, respectively. Canyon Creek® had SSSG(1) of 5.7% for Q4 2017 and a SSS(1) decline of 0.9% for Fiscal 2017. Scaddabush Italian Kitchen & Bar® ("Scaddabush") had SSSG(1) of 17.0% and 14.3% for Q4 2017 and Fiscal 2017, respectively. The downtown Toronto Signature Restaurants had SSSG(1) of 6.4% and 6.6% for Q4 2017 and Fiscal 2017, respectively.

Investment in new and existing restaurants and closed restaurants

- As part of SIR's focus on strengthening its flagship Jack Astor's brand and driving SSSG(1), SIR continued with its renovation program during Q4 2017 by completing two more Jack Astor's renovations at the locations in Vaughan and Brampton, Ontario. These locations were closed for 11 days and eight days, respectively. SIR completed eight other Jack Astor's renovations in Fiscal 2017, bringing the total number of renovations completed to 10 in Fiscal 2017.
- During Q4 2017, effective June 18, 2017, SIR permanently closed the Alice Fazooli's® restaurant in Vaughan, Ontario. A new Scaddabush restaurant was opened at this location on July 5, 2017. SIR is required to pay a Make-Whole Payment to the SIR Royalty Income Fund (the "Fund"), via the SIR Royalty Limited Partnership (the "Partnership"), for this location from the date of closure until it ceases to be part of Royalty Pooled Restaurants on January 1, 2018. The new Scaddabush restaurant in Vaughan will be added to Royalty Pooled Restaurants on January 1, 2018.
- During Q3 2017, effective March 19, 2017, SIR permanently closed the Alice Fazooli's restaurant in Oakville, Ontario. A new Scaddabush restaurant was opened at this location on April 5, 2017. SIR is required to pay a Make-Whole Payment to the Fund, via the Partnership, for this location from the date of closure until it ceases to be part of Royalty Pooled Restaurants on January 1, 2018. The new Scaddabush restaurant in Oakville will be added to Royalty Pooled Restaurants on January 1, 2018.
- During Q1 2017, on November 3, 2016, SIR opened a new Scaddabush restaurant on Front Street in downtown Toronto, Ontario. This restaurant will be added to Royalty Pooled Restaurants on January 1, 2018.
- During Q1 2017, effective October 15, 2016, Far Niente®/FOUR®/Petit Four® located in downtown Toronto was permanently closed. SIR was required to pay a Make-Whole Payment to the Fund, via the Partnership, for this location from the date of closure until it ceased to be part of Royalty Pooled Restaurants on January 1, 2017.
- During Fiscal 2016, SIR opened one new Jack Astor's restaurant and one new Scaddabush restaurant. The Jack Astor's restaurant was opened on September 8, 2015 in Ottawa, Ontario and was added to Royalty Pooled Restaurants on January 1, 2016, along with another Jack Astor's restaurant that was opened in Ottawa during the 52-week period ended August 30, 2015. The new Scaddabush restaurant was opened on July 12, 2016 in Scarborough, Ontario, and was added to Royalty Pooled Restaurants on January 1, 2017.

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(1) *Same store sales ("SSS") and same store sales growth ("SSSG") are non-GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). However, SIR believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. SIR's method of calculating SSS and SSSG may differ from those of other issuers and, accordingly, SSS and SSSG may not be comparable to measures used by other issuers. 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 2017 and fiscal 2016. The seasonal Abbey's Bakehouse and Abbey's Bakehouse retail outlet are not SIR Restaurants. When a SIR Restaurant is closed, the revenue for the closed restaurant is excluded from the calculation of SSS and SSSG for both the quarter in which the restaurant is closed and the current year-to-date. Please refer to the reconciliation of consolidated revenue to SSS on page 9 and to the definition of SSS in the Revenue section on page 11.*

- During Fiscal 2016, SIR completed its second conversion of an Alice Fazooli's restaurant into a Scaddabush restaurant, in Richmond Hill, Ontario, which resulted in a temporary closure of this location for eight days. During Fiscal 2016, SIR also completed major renovations of two Jack Astor's restaurants, one in Q2 2016 (Scarborough, Ontario) and the other in Q4 2016 (Halifax, Nova Scotia). These locations were closed for 16 days and 11 days, respectively.

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

- Net earnings and comprehensive income was $4.7 million for Q4 2017, compared to net loss and comprehensive loss of $15.6 million for Q4 2016. Net loss and comprehensive loss for Fiscal 2017 was $13.4 million, compared to $23.7 million for Fiscal 2016.
- Adjusted Net Earnings(2) were $2.8 million in Q4 2017 and $3.8 million in Fiscal 2017, compared to $0.5 million and $1.6 million in Q4 2016 and Fiscal 2016, respectively.

EBITDA(3) and Adjusted EBITDA(3)

- EBITDA(3) was $7.4 million in Q4 2017, compared to $5.6 million in Q4 2016, and Adjusted EBITDA(3) was $9.2 million, up from $7.9 million in Q4 2016.
- EBITDA(3) was $18.9 million for Fiscal 2017, compared to $17.8 million in Fiscal 2016, and Adjusted EBITDA(3) was $21.9 million, up from $20.7 million in Fiscal 2016.

Outlook

- As at November 22, 2017, the date of this Management's Discussion and Analysis ("MD&A"), SIR has one commitment to lease a property upon which it plans to build one new Reds® restaurant. It is expected that the Reds restaurant will open during calendar year 2017. There can be no assurance that this restaurant will be opened or will become part of Royalty Pooled Restaurants.
- During Fiscal 2017, SIR permanently closed the last two Alice Fazooli's restaurants, opening two new Scaddabush restaurants at these locations. These closures, along with the previous conversions of two Alice Fazooli's restaurants into Scaddabush restaurants (Mississauga and Richmond Hill, Ontario), completed SIR's program to evolve the Alice Fazooli's concept brand into the newest concept brand, Scaddabush. SIR has also opened three new Scaddabush restaurants: one at the intersection of Yonge Street and Gerrard Street in downtown Toronto; one in Scarborough, Ontario; and one on Front Street in downtown Toronto. The Scaddabush in Scarborough was added to Royalty Pooled Restaurants on January 1, 2017. The new Scaddabush restaurants on Front Street in Toronto, and in Oakville and Vaughan, Ontario will be added to Royalty Pooled Restaurants on January 1, 2018.

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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 expense, interest on loan payable to SIR Royalty Income Fund, depreciation and amortization, and change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership.*

References to Adjusted EBITDA are to SIR's EBITDA plus or minus interest (income) and other expense (income) – net, goodwill impairment, impairment of non-financial assets, loss on disposal of property and equipment, and 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. The opening costs associated with the new Scaddabush restaurants in Oakville and Vaughan, Ontario are included in pre-opening costs as SIR elected to treat these restaurants as New Additional Restaurants under the License and Royalty Agreement.

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 8 of this document.

- SIR has elected, as is its option, under the License and Royalty Agreement, to treat the Alice Fazooli's restaurants in Oakville and Vaughan as New Closed Restaurants and to treat the Scaddabush restaurants in Oakville and Vaughan as a New Additional Restaurants. SIR is obligated to pay Make-Whole Payments to the Fund, via the Partnership, from the dates of closure to December 31, 2017. The Alice Fazooli's restaurants in Oakville and Vaughan will cease to be part of Royalty Pooled Restaurants on January 1, 2018.
- Subsequent to year-end, effective October 15, 2017, SIR closed the Canyon Creek restaurant in Etobicoke, Ontario, located near the Sherway Gardens shopping centre. A new Scaddabush restaurant will be opened at this location by the end of calendar year 2017.
- SIR's Management is pleased with the performance at the recently renovated Jack Astor's locations and plans to continue to implement similar renovations at additional Jack Astor's locations in the future as part of its ongoing focus on strengthening its flagship brand and driving SSSG[(1)]. Subsequent to year-end, SIR completed renovations at two additional Jack Astor's locations.
- SIR continues to focus on sustaining and growing existing restaurant sales and profits while effectively managing costs. SIR carefully monitors economic conditions, competitive actions, and consumer confidence, and considers new restaurant developments and renovations to existing restaurants where appropriate. Based on its assessment of these conditions, the timing of new restaurant construction and renovations, as well as related opening schedules, will be reviewed regularly by SIR and adjusted as necessary.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at August 27, 2017, SIR owned 60 Concept and Signature Restaurants in Canada (in Ontario, Quebec, Alberta, Nova Scotia, and Newfoundland). The Concept Restaurants include Jack Astor's, Canyon Creek and Scaddabush. The Signature group of restaurants located in downtown Toronto include Reds Wine Tavern, Reds Midtown Tavern, and the Loose Moose®. SIR also owns 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. SIR did not open either of the Abbey's locations during the 2016 season. Both Abbey's locations were open for the 2017 season. As at August 27, 2017, 57 SIR Restaurants were included in Royalty Pooled Restaurants (55 operating restaurants and two closed restaurants).

On January 1, 2017, one restaurant was added to Royalty Pooled Restaurants, the Scaddabush restaurant in Scarborough, Ontario that opened in Q4 2016, and one restaurant was removed from Royalty Pooled Restaurants.

Effective March 19, 2017, SIR closed the Alice Fazooli's restaurant in Oakville, Ontario and opened a new Scaddabush restaurant at this location on April 5, 2017. Effective June 18, 2017, SIR closed the Alice Fazooli's restaurant in Vaughan, Ontario and opened a new Scaddabush restaurant at this location on July 5, 2017. Under terms of the License and Royalty Agreement between SIR and the Partnership, SIR is obligated to indirectly pay the Fund, via the Partnership, a "Make-Whole Payment", subject to certain terms, equal to $0.2 million which is the amount of the Royalty that otherwise would have been paid to the Partnership by SIR from the date of closure until December 31, 2017. On January 1, 2018, SIR will convert the same number of Class A GP units that it received for these restaurants when they were added to the Royalty Pooled restaurants at the time of the Fund's initial public offering in October 2004, into Class B GP units. This will have the net effect of increasing the Fund's share of the Partnership's earnings. Alice Fazooli's in Oakville and Vaughan will cease to be a part of Royalty Pooled Restaurants on January 1, 2018. The new Scaddabush restaurants in Oakville and Vaughan will be added to Royalty Pooled Restaurants on January 1, 2018.

SIR expects the impact to Royalty Pool Revenue in 2018 and beyond, resulting from the closure of the two Alice Fazooli's restaurants, to be offset by the anticipated positive contributions from the addition of new Scaddabush restaurants to the Royalty Pool going forward, and from continued investments by SIR to drive future same store sales growth.

Effective October 15, 2016, Far Niente/FOUR/Petit Four located in downtown Toronto was closed. SIR was unable to negotiate a lease extension with the landlord with sufficient term to ensure a suitable return on its planned investment in the location and therefore decided to allow its lease for the site at 187 Bay Street to terminate on the expiry date of October 31, 2016. Far Niente/FOUR/Petit Four were considered as one restaurant under the Fund's Royalty Pooled Revenue accounting structure. Under terms of the License and Royalty Agreement between SIR and the Partnership, SIR was obligated to indirectly pay the Fund, via the Partnership, a Make-Whole Payment, subject to certain terms, equal to $0.08 million which is the amount of the Royalty that otherwise would have been paid to the Partnership by Far Niente/FOUR/Petit Four from the date of closure until December 31, 2016. On January 1, 2017, SIR converted the same number of Class A GP units that it received for this restaurant when it was added to the Royalty Pooled restaurants at the time of the Fund's initial public offering in October 2004 into Class B GP units. This had the net effect of increasing the Fund's share of the Partnership's earnings. Far Niente/FOUR/Petit Four ceased to be a part of Royalty Pooled Restaurants.

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 2017, Duke's Refresher is not expected to be added to the Royalty Pool on January 1, 2018. 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 2017 and 2016 both consist of 52 weeks.

Seasonality

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

Selected Consolidated Historical Financial Information

The following tables set out selected financial information of SIR for the 16-week and 52-week periods ended August 27, 2017 and August 28, 2016, respectively. The audited annual 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 27, 2017	16-Week Period Ended August 28, 2016	52-Week Period Ended August 27, 2017	52-Week Period Ended August 28, 2016
	(in thousands of dollars) (unaudited)			
Corporate restaurant operations:				
Food and beverage revenue	99,834	92,043	293,293	280,818
Cost of corporate restaurant operations	91,197	85,441	270,395	260,219
Earnings from corporate restaurant operations	**8,637**	**6,602**	**22,898**	**20,599**
Net earnings (loss) and comprehensive income (loss)	**4,666**	**(15,572)**	**(13,361)**	**(23,673)**
Adjusted Net Earnings[(2)]	**2,815**	**517**	**3,848**	**1,610**

Statement of Financial Position	August 27, 2017	August 28, 2016
	(in thousands of dollars) (unaudited)	
Total assets	73,818	71,071
Total non-current liabilities	166,036	166,287

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)]:

	16-Week Period Ended August 27, 2017	16-Week Period Ended August 28, 2016	52-Week Period Ended August 27, 2017	52-Week Period Ended August 28, 2016
	(in thousands of dollars) (unaudited)			
Net earnings (loss) and comprehensive income (loss)	4,666	(15,572)	(13,361)	(23,673)
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	(1,851)	16,089	17,209	25,283
Adjusted Net Earnings[(2)]	**2,815**	**517**	**3,848**	**1,610**

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

	16-Week Period Ended August 27, 2017	16-Week Period Ended August 28, 2016	52-Week Period Ended August 27, 2017	52-Week Period Ended August 28, 2016
	(in thousands of dollars) (unaudited)			
Net loss and comprehensive loss for the period	4,666	(15,572)	(13,361)	(23,673)
Add (deduct):				
Provision for income taxes	(136)	129	(1)	271
Interest expense	390	538	1,150	1,587
Interest on loan payable to SIR Royalty Income Fund	931	931	3,032	3,029
Depreciation and amortization	3,391	3,478	10,912	11,263
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	(1,851)	16,089	17,209	25,283
EBITDA(3)	**7,391**	**5,593**	**18,941**	**17,760**
Interest (income) and other expense (income) – net	63	277	101	612
Impairment of goodwill	-	165	-	165
Impairment of non-financial assets	1,095	1,295	1,095	1,295
Loss on disposal of property and equipment	248	31	395	97
Pre-opening costs	418	564	1,379	806
Adjusted EBITDA(3)	**9,215**	**7,925**	**21,911**	**20,735**
Income from Class A & B GP Units of the Partnership(4) (Not included in EBITDA(3) and Adjusted EBITDA(3) above)	1,062	1,408	3,207	4,275
6% Royalty obligations under License and Royalty Agreement(5)	5,700	5,443	17,077	16,537

(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 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 27, 2017	16-Week Period Ended August 28, 2016	52-Week Period Ended August 27, 2017	52-Week Period Ended August 28, 2016
	(in thousands of dollars) (unaudited)			
Revenue reported in consolidated financial statements	99,834	92,043	293,293	280,818
Less: Revenue from corporate restaurant operations excluded from the Royalty pool	(6,485)	(1,335)	(13,779)	(5,209)
Revenue for Restaurants in Royalty pool (Pooled Revenue)	**93,349**	**90,708**	**279,514**	**275,609**

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales[(1)]	16-Week Period Ended August 27, 2017	16-Week Period Ended August 28, 2016	52-Week Period Ended August 27, 2017	52-Week Period Ended August 28, 2016
	(in thousands of dollars) (unaudited)			
Revenue reported in consolidated financial statements	99,834	92,043	293,293	280,818
Less: Revenue from corporate restaurant operations excluded from Same Store Sales[(1)]	(8,670)	(4,190)	(21,215)	(13,398)
Same Store Sales[(1)]	**91,164**	**87,853**	**272,078**	**267,420**

Same Store Sales[(1)] by Segment	16-Week Period Ended August 27, 2017	16-Week Period Ended August 28, 2016	% Fav./ (Unfav.)	52-Week Period Ended August 27, 2017	52-Week Period Ended August 28, 2016	% Fav./ (Unfav.)
	(in thousands of dollars) (unaudited)					
Jack Astor's	69,956	68,410	2.3%	203,490	202,303	0.6%
Canyon Creek	7,959	7,528	5.7%	27,359	27,611	(0.9%)
Scaddabush	6,262	5,351	17.0%	18,348	16,050	14.3%
Signature Restaurants	6,987	6,564	6.4%	22,881	21,456	6.6%
Same Store Sales[(1)]	**91,164**	**87,853**	**3.8%**	**272,078**	**267,420**	**1.7%**

Summary of Quarterly Results

Statement of Operations	4th Quarter Ended August 27, 2017 (16 weeks)	3rd Quarter Ended May 7, 2017 (12 weeks)	2nd Quarter Ended February 12, 2017 (12 weeks)	1st Quarter Ended November 20, 2016 (12 weeks)	4th Quarter Ended August 28, 2016 (16 weeks)	3rd Quarter Ended May 8, 2016 (12 weeks)	2nd Quarter Ended February 14, 2016 (12 weeks)	1st Quarter Ended November 22, 2015 (12 weeks)
	(in thousands of dollars) (unaudited)							
Corporate Restaurant Operations								
Food and beverage revenue	99,834	67,536	62,364	63,559	92,043	64,438	61,198	63,139
Cost of corporate restaurant operations	91,197	61,737	57,619	59,842	85,441	58,171	57,106	59,501
Earnings from corporate restaurant operations	**8,637**	**5,799**	**4,745**	**3,717**	**6,602**	**6,267**	**4,092**	**3,638**
Net earnings (loss) and comprehensive income (loss)	**4,666**	**(6,912)**	**(9,905)**	**(1,210)**	**(15,572)**	**(13,442)**	**9,122**	**(3,781)**
Adjusted Net Earnings (Loss)(2)	**2,815**	**1,366**	**225**	**(558)**	**517**	**1,772**	**(29)**	**(650)**

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

	4th Quarter Ended August 27, 2017 (16 weeks)	3rd Quarter Ended May 7, 2017 (12 weeks)	2nd Quarter Ended February 12, 2017 (12 weeks)	1st Quarter Ended November 20, 2016 (12 weeks)	4th Quarter Ended August 28, 2016 (16 weeks)	3rd Quarter Ended May 8, 2016 (12 weeks)	2nd Quarter Ended February 14, 2016 (12 weeks)	1st Quarter Ended November 22, 2015 (12 weeks)
Net earnings (loss) and comprehensive income (loss)	4,666	(6,912)	(9,905)	(1,210)	(15,572)	(13,442)	9,122	(3,781)
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	(1,851)	8,278	10,130	652	16,089	15,214	(9,151)	3,131
Adjusted Net Earnings (Loss)(2)	**2,815**	**1,366**	**225**	**(558)**	**517**	**1,772**	**(29)**	**(650)**

Selected Unaudited Consolidated Statement of Cash Flows Information:

	4th Quarter Ended August 27, 2017 (16 weeks)	3rd Quarter Ended May 7, 2017 (12 weeks)	2nd Quarter Ended February 12, 2017 (12 weeks)	1st Quarter Ended November 20, 2016 (12 weeks)	4th Quarter Ended August 28, 2016 (16 weeks)	3rd Quarter Ended May 8, 2016 (12 weeks)	2nd Quarter Ended February 14, 2016 (12 weeks)	1st Quarter Ended November 22, 2015 (12 weeks)
	(in thousands of dollars) (unaudited)							
Cash provided by (used in) operations	10,672	4,334	(1,404)	(1,478)	8,313	3,110	3,182	(2,645)
Cash used in investing activities	(5,194)	(2,709)	(2,660)	(3,245)	(3,611)	(2,092)	(1,634)	(2,323)
Cash provided by (used in) financing activities	(3,528)	(1,928)	3,151	4,651	(3,725)	(1,463)	(1,948)	855
Decrease in cash and cash equivalents during the period	1,950	(303)	(913)	(72)	977	(445)	(400)	(4,113)
Cash and cash equivalents – Beginning of period	2,600	2,903	3,816	3,888	2,911	3,356	3,756	7,869
Cash and cash equivalents – End of period	4,550	2,600	2,903	3,816	3,888	2,911	3,356	3,756

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 MD&A. The following definitions are provided for greater clarification of these groupings:

i. Revenue (per the SIR consolidated statements of operations and comprehensive loss) – this is the total consolidated revenue of all restaurants for the period. The restaurants include all SIR Restaurants, along with the Abbey's Bakehouse and Abbey's Bakehouse retail outlet. For the 16-week and 52-week periods ended August 27, 2017, revenue was $99.8 million and $293.3 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 2017 and Q4 2016, SSS[(1)] includes all SIR Restaurants, except for those restaurants that were not open for the entire comparable periods in fiscal 2017 and fiscal 2016. The Abbey's Bakehouse and Abbey's Bakehouse retail outlet are not SIR Restaurants. SSS[(1)] for Scaddabush includes three Scaddabush restaurants. The SSS[(1)] performance for Scaddabush for the 16-week and 52-week periods ended August 27, 2017 does not include the Alice Fazooli's locations in Oakville or Vaughan, Ontario, as their respective sales are excluded, retroactively, from the calculation of SSS[(1)], similar to any permanently closed location. The new Scaddabush locations in Scarborough, Ontario and on Front Street in downtown Toronto are also excluded from the calculation of SSS[(1)] for the 16-week and 52-week periods ended August 27, 2017, since they were not open for the entire comparable periods in 2017 and 2016. For the 16-week and 52-week periods ended August 27, 2017, SSS[(1)] were $91.2 million and $272.1 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. As at August 27, 2017, there were 57 Royalty Pooled Restaurants (55 operating restaurants and two closed restaurants). For the 16-week and 52-week periods ended August 27, 2017, Pooled Revenue was $93.3 million and $279.5 million, respectively. The applicable Royalty payable to the Partnership on the Pooled Revenue for these periods was $5.6 million and $17.1 million, respectively. The Royalty payable for the 52-week period ended August 27, 2017 includes the immediate recognition of three Make-Whole Payments: i) $0.08 million with respect to the closed Far Niente/FOUR/Petit Four location in Toronto from its date of closure to December 31, 2016; ii) $0.1 million with respect to the closed Alice Fazooli's location in Oakville, Ontario from its date of closure to December 31, 2017; and iii) $0.1 million with respect to the closed Alice Fazooli's location in Vaughan, Ontario from its date of closure to December 31, 2017.

Same Store Sales[(1)]

SIR reported SSSG[(1)] of 3.8% and 1.7% for Q4 2017 and Fiscal 2017, respectively.

Jack Astor's, SIR's flagship Concept Restaurant brand, which contributed approximately 76% of Q4 2017 Pooled Revenue, had SSSG[(1)] of 2.3% and 0.6% for Q4 2017 and Fiscal 2017, respectively. Q4 2017 sales were favourably impacted by improved sales performance at certain locations that were recently renovated, including increases in beverage sales at these locations. This is partially due to enhanced beverage programs implemented with the renovation program. Q4 2017 sales were also positively impacted by a major nationwide media marketing campaign during the quarter. SIR completed renovations at two Jack Astor's locations in Q4 2017 (Vaughan and Brampton, Ontario) which resulted in the closure of these restaurants for a combined total of 19 days, compared to one location closed for 11 days in Q4 2016. Q4 2017 SSS[(1)] were impacted by these closures, and continue to be impacted by the weak local economies at two restaurants (Jack Astor's in Calgary, Alberta and Jack Astor's in St. John's, Newfoundland). Certain Jack Astor's locations near the Air Canada Centre and the Rogers Centre were also negatively impacted by an overall decrease in event attendance in Q4 2017 compared to Q4 2016. In addition to the aforementioned factors that impacted SSSG[(1)] in Q4 2017, Fiscal 2017 SSS[(1)] were negatively impacted by the closure of eight other Jack Astor's locations for renovations (Mississauga, Pickering, Etobicoke, Kingston, St. Catharines, Barrie, and Whitby, Ontario, and Front Street in downtown Toronto), for a combined total of 66 days, compared to two locations in Fiscal 2016, for a total of 27 days. The location on Front Street in Toronto, one of SIR's highest volume Jack Astor's locations, completed a renovation that was more extensive than other locations, resulting in a longer than normal closure. This location was closed for a total of 20 days in Fiscal 2017. The negative impact of the 10 Jack Astor's renovations in Fiscal 2017 was partially offset by the positive impact from the World Cup of Hockey, which took place in Toronto during September 2016, and the 2017 IIHF World Junior Hockey Championship in December 2016.

Canyon Creek had SSSG[(1)] of 5.7% and SSS[(1)] decline of 0.9% for Q4 2017 and Fiscal 2017, respectively. The Q4 2017 SSSG[(1)] is primarily the result of the downtown Toronto Canyon Creek location continuing to benefit from a local marketing campaign during Q3 2017, as well as improved sales performance at certain locations outside downtown Toronto. The SSS[(1)] decline is partially due to the impact of the significant competitive intrusion at one of the eight Canyon Creek locations, which had a SSS[(1)] decline of 8.1% in Q4 2017 and 16.0% in Fiscal 2017. Subsequent to Q4 2017, effective October

15, 2017, this particular location in Etobicoke, Ontario was permanently closed. A new Scaddabush restaurant is expected to open at this location before the end of calendar 2017.

Scaddabush SSS[1] performance for Q4 2017 includes three Scaddabush locations (Richmond Hill, Mississauga, and at the intersection of Yonge and Gerrard in Toronto, Ontario). Scaddabush generated SSSG[1] of 17.0% and 14.3% for Q4 2017 and Fiscal 2017, respectively. SIR permanently closed the Alice Fazooli's location in Oakville, Ontario and opened a new Scaddabush restaurant at this location during Q3 2017. During Q4 2017, effective June 18, 2017, SIR closed its last Alice Fazooli's restaurant, located in Vaughan, Ontario, and opened a new Scaddabush restaurant in its place on July 5, 2017. The sales from these Alice Fazooli's restaurants have been excluded from the calculation of SSS[1] for Q4 2017 and the current year-to-date, similar to any permanently closed location. The new Scaddabush restaurants in Scarborough and on Front Street in downtown Toronto are also excluded from the calculation of Q4 2017 and Fiscal 2017 SSS[1].

The downtown Toronto Signature Restaurants generated SSSG[1] of 6.4% and 6.6% for Q4 2017 and Fiscal 2017, respectively. The Loose Moose generated strong SSSG[1], despite the previously mentioned impact of decreased overall event attendance at the Air Canada Centre and Rogers Centre during Q4 2017. SSSG[1] for Fiscal 2017 was due in part to the impact of favourable guest traffic driven by the above mentioned World Cup of Hockey in September 2016 and the 2017 IIHF World Junior Hockey Championship in December 2016. In addition, Duke's Refresher & Bar continues to demonstrate improved sales performance. The Q4 2017 and Fiscal 2017 SSSG[1] for the Signature Restaurants does not include Far Niente/FOUR/Petit Four, as this location was closed effective October 15, 2016.

Cost of Corporate Restaurant Operations

Costs of corporate restaurant operations as a percentage of revenue were 91.3% and 92.2% for Q4 2017 and Fiscal 2017, respectively, compared to 92.8% and 92.7% for Q4 2016 and Fiscal 2016, respectively. Lower costs as a percentage of revenue for Q4 2017 and Fiscal 2017 are attributable to lower impairment of non-financial assets, along with lower food costs, due in part to menu engineering that occurred in the latter part of fiscal 2016, as well as decreased food and operating costs compared to Fiscal 2016, which included the higher costs associated with a system-wide launch of a new menu at Jack Astor's from Q1 2016. These lower costs were partially offset by higher promotional costs associated with local and national marketing campaigns during the latter part of Fiscal 2017, along with higher pre-opening costs in Fiscal 2017 compared to Fiscal 2016, as three new restaurants were opened during Fiscal 2017 (one in Q4 2017) compared to two new restaurants that opened in Fiscal 2016, including one that opened the first week of Q1 2016, resulting in most of those pre-opening costs being included in the prior year. Pre-opening costs are typical for new restaurant openings. In addition, the ten (two in Q4 2017) renovated Jack Astor's locations incurred higher repairs and maintenance costs.

Corporate Costs

Corporate costs were $4.6 million and $14.8 million for Q4 2017 and Fiscal 2017, respectively, compared to $4.2 million and $13.5 million for Q4 2016 and Fiscal 2016, respectively. The increases are primarily the result of higher compensation costs.

Interest Expense

Interest expense for Q4 2017 and Fiscal 2017 was $0.4 million and $1.2 million, respectively, compared to $0.5 million and $1.6 million for Q4 2016 and Fiscal 2016, respectively. The decreases are a result of lower average debt during Q4 2017 and Fiscal 2017, compared to the corresponding periods a year ago.

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 (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 2017, the change in amortized cost is income of $1.9 million and is due to a decrease in the underlying Fund unit price compared to the end of Q3 2017. For Fiscal 2017, the change in amortized cost is an expense of $17.2 million and is due to an increase in the underlying Fund unit price compared to the end of Q4 2016. The change in amortized cost was expense of $16.1 million and $25.3 million for Q4 2016 and Fiscal 2016, respectively.

Interest on the SIR Loan totaled $0.9 million and $3.0 million for Q4 2017 and Fiscal 2017, respectively, and $0.9 million and $3.0 million for Q3 2016 and YTD 2016, respectively.

EBITDA(3) and Adjusted EBITDA(3)

EBITDA(3) was $7.4 million and $18.9 million for Q4 2017 and Fiscal 2017, respectively, compared to $5.6 million and $17.8 million for Q4 2016 and Fiscal 2016, respectively. Adjusted EBITDA(3) was $9.2 million and $21.9 million for Q4 2017 and Fiscal 2017, respectively, up from $7.9 million and $20.7 million for Q4 2016 and Fiscal 2016, 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)).

SIR Royalty Income Fund

The following is a summary of the accounting implications of the SIR Loan and the Fund's interest in 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 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 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 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 27, 2017, respectively, and $0.9 million and $3.0 million for the 16-week and 52-week periods ended August 28, 2016, 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 27, 2017	16-Week Period Ended August 28, 2016	52-Week Period Ended August 27, 2017	52-Week Period Ended August 28, 2016
	(in thousands of dollars) (unaudited)			
Balance – Beginning of the period	135,157	99,327	123,821	96,196
Conversion of Class A GP Units	-	10,613	-	10,613
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	(1,851)	16,089	17,209	25,283
Distributions paid to Ordinary LP and Class A LP unitholders	(2,499)	(2,208)	(10,223)	(8,271)
Balance – End of period	130,807	123,821	130,807	123,821
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(9,991)	(9,991)	(9,991)	(9,991)
Ordinary LP Units and Class A LP Units of the Partnership	120,816	113,830	120,816	113,830

The following is a summary of the results of operations of the Partnership:

Pooled Revenue(6)	93,349	90,708	279,514	275,609
Partnership royalty income(7)	5,700	5,443	17,077	16,537
Other Income	8	7	24	24
Partnership expenses	(27)	(24)	(78)	(72)
Net earnings of the Partnership	5,681	5,426	17,023	16,489
SIR's residual interest in the earnings of the Partnership:				
Income from Class A & B GP Units of the Partnership	(1,062)	(1,408)	(3,207)	(4,275)
Income from Class C GP Units of the Partnership	(919)	(920)	(2,992)	(2,992)
	(1,981)	(2,328)	(6,199)	(7,267)
Fund's interest in the earnings of the Partnership	3,700	3,098	10,824	9,222

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash consideration of $11.2 million. The Fund has also acquired Class A LP Units upon SIR's conversion of its Class A GP Units into Fund units (refer to page 16 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, 2017, one (January 1, 2016 - two) new SIR Restaurant was added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one new SIR Restaurant on January 1, 2017 (January 1, 2016 - two), as well as the Second Incremental Adjustment for two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2016 (January 1, 2015 - two), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. The number of Class B GP Units that SIR converted into Class A GP Units was reduced by an adjustment for the permanent closure of one (January 1, 2016 - nil) SIR Restaurant during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR exchanged 79,000 Class A GP Units for 79,000 Class A GP Units (January 1, 2016 – SIR converted 323,000 Class B GP Units into 323,000 Class A GP Units) on January 1, 2017 at a value of $0.016 million (January 1, 2016 - $4.2 million).

In addition, the revenues of the two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2016 were less than 80% of the Initial Adjustment's estimated revenue (January 1, 2015 – revenues of two 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 $0.0005 million in December 2016 and paid in January 2017 (a special conversion distribution of $0.1 million was declared on the Class B GP Units in December 2015 and paid in January 2016).

As a result of the permanent closure of three SIR Restaurants during the 52-week period ended August 27, 2017, Make-Whole Payments to the Partnership of $0.1 million and $0.3 million have been recognized by SIR for the 16-week and 52-week periods ended August 27, 2017, respectively (for both the 16-week and 52-week periods ended August 28, 2016 - $nil).

SIR's residual interest in the Partnership is 19.1% as at August 27, 2017 (August 28, 2016 – 19.8%).

(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 27, 2017	16-Week Period Ended August 28, 2016	52-Week Period Ended August 27, 2017	52-Week Period Ended August 28, 2016
	(in thousands of dollars) (unaudited)			
Cash provided by operations	10,672	8,313	12,124	11,960
Cash used in investing activities	(5,194)	(3,611)	(13,808)	(9,660)
Cash provided by (used in) financing activities	(3,528)	(3,725)	2,346	(6,281)
Increase (decrease) in cash and cash equivalents during the period	1,950	977	662	(3,981)
Cash and cash equivalents – Beginning of period	2,600	2,911	3,888	7,869
Cash and cash equivalents – End of period	4,550	3,888	4,550	3,888

Cash provided by operations increased by $2.4 million for Q4 2017 compared to Q4 2016. The increase is primarily attributable to an increase in Adjusted Net Earnings(2) of $2.3 million, and a favourable variance in the net change in working capital items of $0.9 million, offset by a decrease in distributions paid of $0.3 million. Cash provided by operations increased $0.2 million for Fiscal 2017 compared to Fiscal 2016. This increase is primarily attributable an increase in Adjusted Net Earnings(2) of $2.2 million, and a favourable variance in the net change in working capital items of $1.7 million, offset by an increase in distributions paid to the Ordinary LP and Class A LP unitholders of $2.0 million.

Investing activities used cash of $5.2 million and $13.8 million for Q4 2017 and Fiscal 2017, respectively, compared to $3.6 million and $9.7 million for Q4 2016 and Fiscal 2016, respectively. Purchases of property and equipment and other assets – net amounted to $5.2 million and $14.0 million for Q4 2017 and Fiscal 2017, respectively, and $3.8 million and $10.0 million for Q4 2016 and Fiscal 2016, respectively. The majority of the capital expenditures for Q4 2017 and Fiscal 2017 relate to: i) the construction of the new Scaddabush restaurant on Front Street in downtown Toronto that opened during Q1 2017; ii) the renovations of ten Jack Astor's locations during Fiscal 2017, including two during Q4 2017; iii) the opening of two new Scaddabush locations in Oakville and Vaughan, Ontario during Q3 2017 and Q4 2017, respectively; and iv) the ongoing construction of a new Reds restaurant in Mississauga, Ontario that is expected to open before the end of calendar 2017. The majority of the capital expenditures for Q4 2016 and Fiscal 2016 relate to: i) the construction of the new Jack Astor's restaurant in Ottawa, Ontario that opened during Q1 2016; ii) the conversion of one Alice Fazooli's location into a new Scaddabush restaurant that re-opened during Q1 2016; iii) the major renovations of the Jack Astor's in Scarborough, Ontario and Halifax, Nova Scotia that were completed in Q2 2016 and Q4 2016, respectively; iv) the construction of the new Scaddabush location in Scarborough, Ontario that opened during Q4 2016; v) the construction of a new Scaddabush location in downtown Toronto, which opened in Q1 2017.

For Q4 2017, cash used in financing activities was $3.5 million. For Fiscal 2017, cash provided by financing activities was $2.3 million. Cash used in financing activities was $3.7 million and $6.3 million for Q4 2016 and Fiscal 2016, respectively. The increase in bank indebtedness was $0.1 million in Q4 2017 and $0.2 million for Fiscal 2017. Proceeds from issuance of long-term debt were $nil and $10.0 million for Q4 2017 and Fiscal 2017, respectively, and $nil for both of the corresponding periods a year ago. Principal repayments on long-term debt were $2.5 million and $4.0 million for Q4 2017 and Fiscal 2017, respectively, and $6.5 million and $8.0 million, respectively, for the comparable periods a year ago. Interest paid was $1.0 million and $3.8 million for Q4 2017 and Fiscal 2017, respectively, compared to $1.0 million and $3.7 million for Q4 2016 and Fiscal 2016, respectively.

The new Scaddabush restaurant that opened in Q1 2017 was added to the Royalty Pooled Restaurants effective January 1, 2017. 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 two New Additional Restaurants that were added to Royalty Pooled Restaurants on January 1, 2016 and was reduced by an adjustment for the permanent closure of one SIR Restaurant. 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, 2017, SIR held 1,981,616 Class A GP Units (refer to page 14).

As at August 27, 2017, SIR had current assets of $17.4 million (August 28, 2016 – $15.0 million) and current liabilities of $63.2 million (August 28, 2016 – $47.0 million) resulting in a working capital deficit of $45.8 million (August 28, 2016 – $32.0 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.

SIR has a credit agreement (Credit Agreement) with a Schedule I Canadian chartered bank (the Lender). 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.

The Credit Agreement between SIR and the Lender provides for a three-year facility for a maximum principal amount of $30.0 million consisting of a $20.0 million revolving term credit facility (Credit Facility 1), and a $10.0 million revolving term loan (Credit Facility 2). SIR and the Lender have also have a purchase card agreement providing credit of up to an additional $5.0 million.

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. Provided SIR is in compliance with the Credit Agreement, the principal amount of Credit Facility 1 may be repaid and re-borrowed at any time during the term of the 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 $0.5 million, 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 $1.0 million, annually on the anniversary of the closing date of the 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. During fiscal 2016, the Lender approved SIR's request for an advance of $2,000,000 on Credit Facility 2. SIR has not yet drawn on this advance.

The 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 Credit Agreement.

The Credit Agreement matures on July 6, 2018 and accordingly has been classified as a current liability in SIR's consolidated statement of financial position. SIR is currently in negotiations with its Lender to extend the maturity of the Credit Agreement, under substantially the same terms as its current agreement, for an additional two years. While SIR expects to be successful in negotiating an extension to the Credit Agreement under acceptable terms and conditions, there can be no assurances of this occurrence.

Under the Intercreditor Agreement, absent a default or event of default under the 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 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 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.

SIR believes that it expects to be able to comply with the covenants under the credit facility and service the credit facility, as well as meet its other obligations. However, there can of course be no assurance of this.

During Q4 2016, the lender agreed to release the security over 750,000 Class A GP Units and, on August 24, 2016, SIR exchanged 750,000 Class A GP Units of the Partnership into Fund units and sold these Fund units for proceeds of $10.3 million (net of transaction costs of $0.3 million). SIR's residual interest in the Partnership decreased by 7.1% as a result of this conversion.

Under the Credit Agreement, SIR may convert Class A GP Units into Fund 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. As mentioned above, SIR received consent from the lender to convert greater than the 0.4 million units during Q4 2016.

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 Credit Agreement (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.

Far Niente/FOUR/Petit Four was closed effective October 15, 2016. Under the terms of the License and Royalty Agreement, SIR was required to pay a Make-Whole Payment of $0.08 million for this location from its date of closure until December 31, 2016. In accordance with the License and Royalty Agreement, on January 1, 2017, the revenue of this closed restaurant was netted against the revenue of the new SIR Restaurants, which have been open for at least 60 days prior to the Adjustment Date, when determining the number of Class B GP Units of the Partnership, held by SIR, that will be converted into Class A GP Units of the Partnership.

Effective March 19, 2017, SIR permanently closed the Alice Fazooli's restaurant in Oakville, Ontario and opened a new Scaddabush restaurant at this location on April 5, 2017. Effective June 18, 2017, SIR closed its last Alice Fazooli's restaurant in Vaughan, Ontario and opened a new Scaddabush restaurant in its place on July 5, 2017. SIR has elected, as is its option, under the License and Royalty Agreement, to treat the Alice Fazooli's restaurants in Oakville and Vaughan, Ontario as New Closed Restaurants and to treat the Scaddabush restaurants in Oakville and Vaughan as New Additional Restaurants. Therefore, SIR is obligated to pay two Make-Whole Payments from the dates of closure to December 31, 2017. The Alice Fazooli's restaurants in Oakville and Vaughan will cease to be part of Royalty Pooled Restaurants on January 1, 2018 and the new Scaddabush restaurants will be added to Royalty Pooled Restaurants, as New Additional Restaurants, on January 1, 2018.

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

At the current date, SIR has one commitment to lease a property, on which it plans to build a new Reds restaurant. SIR has entered into purchasing commitments for $4.2 million for this restaurant, of which $0.7 million is included in property and equipment as at August 27, 2017. Subsequent to August 27, 2017, SIR incurred costs of approximately $1.8 million for this restaurant. SIR has terminated a previous commitment to lease a property in Calgary, Alberta. SIR has also entered into purchasing commitments for $2.1 million for one upcoming major renovation, of which $0.02 million is included in property and equipment as at August 27, 2017. 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 the new Reds restaurant will be opened or will become part of Royalty Pooled Restaurants.

As at August 27, 2017, $10.0 million and $6.0 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 27, 2017 (in thousands of dollars):

	1 Year	2 – 3 Years	4 – 5 Years	Thereafter	Total
Operating leases	16,492	29,496	24,631	35,410	106,029
Long-term debt principal repayments	16,000	-	-	-	16,000
SIR Loan principal repayment	-	-	-	40,000	40,000
	32,492	**29,496**	**24,631**	**75,410**	**162,029**

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 27, 2017	16-Week Period Ended August 28, 2016	52-Week Period Ended August 27, 2017	52-Week Period Ended August 28, 2016
	(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	-	21	48	68
Maintenance services provided by a shareholder of SIR	1	2	2	26
Consulting services provided by a company owned by a director and shareholder of SIR	-	-	4	-
Consulting services provided by a company owned by a director of SIR	161	-	161	-
Direct costs of restaurant operations				
Occupancy costs provided by a company owned by a party related to a director and shareholder of SIR	10	11	10	12
Maintenance services provided by a company owned by a party related to a shareholder of SIR	8	21	34	90
Maintenance services provided by a shareholder of SIR	7	6	11	9
Property and equipment				
Design and construction management fees and fixtures purchased from a company owned by a shareholder of SIR	-	24	5	316
Construction management fees and fixtures purchased from a company owned by a party related to a shareholder of SIR	-	55	38	521
Fixtures purchased from a shareholder of SIR	17	15	63	33
Equipment purchased from a company owned by a director and shareholder of SIR, together with a member of executive management of SIR	29	-	52	-
Prepaid deposits				
Consulting services provided by a company owned by a director of SIR	13	-	13	-
Fixtures provided by a shareholder of SIR	5	-	5	-
Design fees provided by a company owned by a shareholder of SIR	6	-	6	-

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

	As at August 27, 2017	As at August 28, 2016
	(in thousands of dollars) (unaudited)	
Amounts due from related parties:		
Amounts due from U.S. S.I.R. L.L.C. and its subsidiary	10	6
Amounts due from a company owned by a party related to a director of SIR	34	24
Amounts due to related parties:		
Amounts due to companies owned by a shareholder or director of SIR	41	150
Amounts due to a company owned by a party related to a shareholder of SIR	-	30
Amounts due to a company owned by a party related to a director of SIR	21	4

- Received repayment against loans and advances from U.S. S.I.R. L.L.C. of $0.03 million and $0.2 million for the 16-week and 52-week periods ended August 27, 2017, respectively ($0.05 million and $0.3 million for the 16-week and 52-week periods ended August 28, 2016, respectively). SIR recognized interest income on those loans and advances of $0.04 million and $0.1 million for the 16-week and 52-week periods ended August 27, 2017, respectively ($0.04 million and $0.2 million for the 16-week and 52-week periods ended August 28, 2016, respectively). As at August 27, 2017, SIR has loans and advances (net of a provision) of $0.8 million owing from U.S. S.I.R. L.L.C. (August 28, 2016 – $1.0 million).
- SIR advanced $0.01 million to a company owned by a shareholder and director, together with a member of executive management of SIR, during the 52-week period ended August 27, 2017. This advance is non-interest bearing and is payable on demand. During the 52-week period ended August 28, 2016, SIR advanced $0.1 million to one shareholder of SIR. The advance was repaid prior to the end of fiscal 2016.
- Received repayment against a loan receivable from a company owned by a party related to a director of SIR of $0.02 and $0.04 million for the 16-week and 52-week periods ended August 27, 2017, respectively ($0.03 and $0.08 million for the 16-week and 52-week periods ended August 28, 2016, respectively). SIR recognized interest income on this loan of $0.01 million and $0.02 for the 16-week and 52-week periods ended August 27, 2017, respectively ($0.01 million and $0.02 million for the 16-week and 52-week periods ended August 28, 2016, respectively). As at August 27, 2017 the balance of this loan receivable is $0.3 million (August 28, 2016 – $0.3 million).
- 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 27, 2017 were $3.3 million (August 28, 2016 – $3.2 million). Advances receivable are non-interest bearing and due on demand.

During Q4 2017 and Fiscal 2017, distributions of $3.7 million and $10.8 million were declared to the Fund by the Partnership, respectively, compared to $3.1 million and $9.2 million for Q4 2016 and Fiscal 2016, 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 27, 2017 were $4.9 million (August 28, 2016 – $4.3 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 Q4 2017 and Fiscal 2017, respectively, and $0.9 million and $3.0 million for Q3 2016 and YTD 2016, respectively. Interest payable on the SIR Loan as at August 27, 2017 was $0.5 million (August 28, 2016 – $0.5 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 Q4 2017 and Fiscal 2017, respectively ($0.007 million and $0.024 million for Q4 2016 and Fiscal 2016, respectively), which was the amount of consideration agreed to by the related parties.

Critical Accounting Estimates and Judgments

The preparation of SIR's consolidated 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 27, 2017, no impairment of goodwill was recognized by SIR (52-week period ended August 28, 2016 – $0.2). The impairment for the 52-week period ended August 28, 2016 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 three restaurants (2016 – three restaurants) was less than the carrying value of the restaurants' non-financial assets (property and equipment).

In Fiscal 2017, SIR recorded an impairment loss of $1.1 million in respect of one Signature restaurant and two Jack Astor's restaurants. The recoverable amount for the Signature restaurant and one of the Jack Astor's restaurants was based on value-in-use using a discounted cash flow model. Significant assumptions used in these models include the estimate of cash flows and a discount rate of 13%. Management has performed sensitivity testing on the estimates and determined that a reasonable change in the estimates would not result in a material change in the impairment of the property and equipment.

For the remaining Jack Astor's restaurant, the recoverable amount was estimated using a depreciated replacement cost methodology (fair value less cost to sell).

In Fiscal 2016, the company recorded an impairment loss of $1.3 million in respect of one Signature restaurant and three Jack Astor's restaurants. The recoverable amount for two Jack Astor's restaurants was based on value-in-use using a discounted cash flow model. Significant assumptions used in these models include the estimate of cash flows and a discount rate of 13%. Management has performed sensitivity testing on the estimates and determined that a reasonable change in the estimates would not result in a material change in the impairment of the property and equipment.

For the remaining Jack Astor's restaurant, the recoverable amount was estimated using a depreciated replacement cost methodology and an estimate of the real estate appraisal (fair value less cost to sell) and depreciated replacement cost methodology of the Signature restaurant.

In fiscal 2016, certain costs incurred for design of new restaurants were abandoned. Accordingly, these costs were written off during the 52-week period ended August 28, 2016.

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 27, 2017, 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. Based on the analysis completed, a provision of $0.08 million for the 52-week period ended August 27, 2017 (52-week period ended August 28, 2016 – $0.5 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 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 was amended to clarify guidance in identifying performance indicators, licences of intellectual properties and principle versus agent and to provide additional expedients on transition. 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.

IFRS 16, Leases. On January 13, 2016, the International Accounting Standards Board (IASB) issued IFRS 16, Leases which replaces the current guidance in IAS 17, Leases. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a right of use asset for virtually all lease contracts. A depreciation charge for the right of use asset will be recorded within cost of corporate restaurant operations and corporate costs and an interest expense will be recorded within interest expense. IFRS 16 must be applied to an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2019, with early adoption permitted if the entity has adopted IFRS 15. As SIR has contractual obligations in the form of operating leases under IAS 17, there may be a material increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. Management is evaluating the standard and has not yet determined the impact on its consolidated financial statements.

IAS 7, Statement of Cash Flows. The IASB issued an amendment to require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendment is effective for annual periods beginning on or after January 1, 2017. SIR will include the additional disclosures in the 2018 annual consolidated financial statements.

IAS 12, Income Taxes. The IASB issued an amendment to clarify the requirements for (a) recognizing deferred tax assets on unrealized losses, (b) deferred tax where an asset is measured at a fair value below the asset's tax base, and (c) certain other aspects of accounting for deferred tax assets. The amendment is effective for years beginning on or after January 1, 2017. The amendment will not have a material impact on the 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, 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, 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 27, 2017 is $16.0 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. Increases in minimum wage rates and other labour legislation may affect the growth and profitability of SIR, as a significant portion of its restaurant employees are paid at wage rates related to minimum wage. 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, particularly in regards to the current negotiations to extend the current Credit Agreement, 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 14, 2017 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

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**.**

Restaurants Canada estimates that the rate of growth of total sales in the full-service category, the category in which SIR competes, slowed by about 0.5% in 2017 compared to 2016. Restaurants Canada expects that while sales at full-service restaurants will continue to grow in the next five years, the rate of growth will slow by an additional 1% in 2018 compared to 2017. The Canadian full-service category has become increasingly competitive in recent years. While SIR believes it is well positioned to compete in this category, it will continue monitoring the economy and consumer confidence and their effects on the full-service category.

As at November 22, 2017, the date of this report, SIR has one commitment to lease a property, upon which it plans to build a new Reds restaurant, to be located in the Square One Shopping Centre in Mississauga, Ontario, which is expected to open in calendar year 2017. There can be no assurance that this restaurant will be opened or will become part of Royalty Pooled Restaurants.

SIR has converted its Alice Fazooli's concept brand into the more popular Scaddabush brand. Prior to Fiscal 2017, SIR converted two Alice Fazooli's locations (Mississauga and Richmond Hill, Ontario) to Scaddabush locations and opened two new (non-converted) Scaddabush locations (at the corner of Yonge Street and Gerrard Street in downtown Toronto, and in Scarborough, Ontario). In Q1 2017, a third new (non-converted) Scaddabush location was opened on Front Street in downtown Toronto. Effective March 19, 2017, SIR permanently closed the Alice Fazooli's restaurant in Oakville, Ontario and opened a new Scaddabush restaurant at this location on April 5, 2017. Effective June 18, 2017, SIR closed its last Alice Fazooli's restaurant in Vaughan, Ontario and opened a new Scaddabush restaurant at this location on July 5, 2017. The Scaddabush restaurants on Front Street in Toronto, and in Oakville and Vaughan, Ontario will be added to Royalty Pooled Restaurants on January 1, 2018. The Alice Fazooli's locations in Oakville and Vaughan, Ontario will cease to be a part of Royalty Pooled Restaurants on January 1, 2018.

SIR completed renovations of two Jack Astor's locations during Fiscal 2016, and 10 Jack Astor's locations during Fiscal 2017. Subsequent to the end of Fiscal 2017, as of the date of this report, two more Jack Astor's renovations were completed. SIR is pleased with the performance of the recently renovated Jack Astor's and intends to implement similar renovations at the other Jack Astor's locations as part of its ongoing focus on strengthening its flagship brand and driving same store sales growth.

SIR is pleased with the demonstrated strong sales performance of the Scaddabush brand and will be opening an additional new Scaddabush restaurant at the site of the former Canyon Creek restaurant in Etobicoke, Ontario, near Sherway Gardens shopping centre, before the end of calendar year 2017. SIR closed this Canyon Creek restaurant subsequent to year-end, effective October 15, 2017.

Subsequent to the end of Fiscal 2017, a dividend payable of $1.0 million was declared to the holders of the issued and outstanding common shares of SIR.

On November 22, 2017, the Ontario government passed legislation that will raise Ontario's general minimum wage on January 1, 2018, and again on January 1, 2019, followed by annual increases at the rate of inflation. These changes will materially increase the cost of hourly labour in the majority of SIR's restaurants. SIR's Management is evaluating alternatives to offset the impact of these increases in an effort to reduce the price increases that otherwise may have to be implemented to mitigate anticipated cost increases.

SIR continues to focus on sustaining and growing existing restaurant sales and profits while managing costs. SIR continues to monitor economic conditions and consumer confidence and considers new restaurant developments and renovations to existing restaurants where appropriate and subject to availability of acceptable long-term financing. Based on its assessment of these conditions, the timing of new restaurant construction and renovations as well as related opening schedules will be reviewed regularly by SIR and adjusted as necessary.

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 including the cost and/or availability of labour as it relates to changes in minimum wage rates or other changes to labour legislation; 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 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 22, 2017.

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 Credit Agreement and imposed by the lender. For more information concerning the Fund's risks and uncertainties, please refer to the March 14, 2017 Annual Information Form, for the period ended December 31, 2016, 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