SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

SECOND QUARTER

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2014

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(For the three-month and six-month periods ended June 30, 2014)

Executive Summary

Highlights for the three-month period ended June 30, 2014 ("Q2 2014") and the six-month period ended June 30, 2014 ("YTD 2014") for SIR Royalty Income Fund (the "Fund") include:

- Net earnings of the Fund were $2.2 million and $4.0 million for Q2 2014 and YTD 2014, respectively, as compared to $2.0 million and $3.5 million for the three-month period ended June 30, 2013 ("Q2 2013") and the six-month period ended June 30, 2013 ("YTD 2013"), respectively. Net earnings per Fund unit were $0.30 and $0.55 for Q2 2014 and YTD 2014, respectively, as compared to $0.30 and $0.54 for Q2 2013 and YTD 2013, respectively.
- Distributable cash(1) per Fund unit, both on a basic and diluted basis, was $0.30 and $0.56 for Q2 2014 and YTD 2014, respectively, as compared to $0.30 and $0.56 for Q2 2013 and YTD 2013, respectively. Please refer to the Distributions section on page 5 and Distributable Cash(1) on page 10.
- The payout ratio(1) increased from 90.6% in Q2 2013 to 93.9% in Q2 2014 but decreased from 104.8% in YTD 2013 to 102.5% in YTD 2014. The payout ratio(1) since the Fund's inception, up to and including Q2 2014 is 99.4%. The payout ratio(1) for YTD 2013 was significantly affected by the special 2012 year-end distribution of $0.05 per unit or $0.3 million that was declared on December 17, 2012 and was paid during the three-month period ended March 31, 2013 ("Q1 2013"), on January 11, 2013.
- Pooled Revenue increased by 10.0% in Q2 2014 to $69.2 million from $62.9 million in Q2 2013. Pooled Revenue increased by 8.3% for YTD 2014 to $127.3 million from $117.6 million in YTD 2013. The increase is a result of the four new Royalty Pooled Restaurants over the corresponding period in the prior fiscal year.
- SIR Corp. ("SIR") has reported to the Fund that Royalty Pooled Restaurants generated SSSG(2) of 1.6% and 0.4% in Q2 2014 and YTD 2014, respectively.
- Jack Astor's®, which accounts for approximately 77% of Pooled Revenue in Q2 2014, reported SSSG(2) of 1.7% and 0.1% in Q2 2014 and YTD 2014, respectively. Canyon Creek® experienced SSSG(2) of 1.7% and 1.5% in Q2 2014 and YTD 2014, respectively. Alice Fazooli's®, together with Scaddabush Italian Kitchen & Bar™ ("Scaddabush"), generated SSSG(2) of 1.9% in Q2 2014 and experienced a decline in SSS(2) of 1.7% in YTD 2014, respectively. The Scaddabush location in Mississauga, Ontario, which was introduced during the three-month period ended September 30, 2013 ("Q3 2013"), generated SSSG(2) of 25.1% and 22.5% in Q2 2014 and YTD 2014, respectively. Signature Restaurants generated SSSG(2) of 0.8% and 4.1% in Q2 2014 and YTD 2014, respectively.
- SIR has introduced a variant of the Alice Fazooli's concept called Scaddabush, offering guests a new, refreshing take on Italian dining. The Alice Fazooli's Square One location in Mississauga, Ontario was renovated and re-opened as Scaddabush in Q3 2013. During the three-month period ended March 31, 2014 ("Q1 2014"), on February 18, 2014, SIR opened one new Scaddabush restaurant in Toronto, Ontario. It is expected that this restaurant will be added to Royalty Pooled Restaurants on January 1, 2015.
- During Q2 2014, on June 11, 2014, SIR opened one new Jack Astor's restaurant in St. John's, Newfoundland. It is expected that this restaurant will be added to Royalty Pooled Restaurants on January 1, 2015. Also during Q2 2014, on June 27, 2014, SIR opened one new seasonal Abbey's Bakehouse® retail outlet in Port Carling, Ontario.

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(1) Distributable cash and payout ratio are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. However, the Fund believes that distributable cash and the payout ratio are useful measures as they provide investors with an indication of cash available for distribution. The Fund's method of calculating distributable cash and the payout ratio may differ from that of other issuers and, accordingly, distributable cash and the payout ratio may not be comparable to measures used by other issuers. Investors are cautioned that distributable cash and the payout ratio should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows of the Fund. The payout ratio is calculated as cash distributed for the period as a percentage of the distributable cash for the period. Distributable cash represents the amount of money which the Fund expects to have available for distribution to Unitholders of the Fund, and is calculated as cash provided by operating activities of the Fund, adjusted for the net change in non-cash working capital items including a reserve for income taxes payable and the net change in the distribution receivable from the SIR Royalty Limited Partnership.

(2) Same store sales ("SSS") and same store sales growth ("SSSG") are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. However, the Fund believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. The Fund'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 included in Pooled Revenue except for those locations that were not open for the entire comparable periods in fiscal 2014 and fiscal 2013 as well as the seasonal Duke's Refresher and Abbey's Bakehouse both located in Muskoka, Ontario. SSS for Alice Fazooli's includes three Alice Fazooli's restaurants and one Scaddabush restaurant, representing the Square One location in Mississauga, Ontario, which was renovated and re-opened as Scaddabush on July 23, 2013.

- Two restaurants are expected to be added to Royalty Pooled Restaurants on January 1, 2015, including the Jack Astor's that opened during Q2 2014 and the new Scaddabush that opened during Q1 2014.
- SIR has advised the Fund that Duke's Refresher™ & Bar ("Duke's Refresher") should be considered a New Concept Restaurant. Please see the Overview and Business of SIR and the Partnership section that describes how these restaurants will be added to the Royalty pool.
- Four restaurants were added to Royalty Pooled Restaurants on January 1, 2014, consisting of three new Jack Astor's restaurants and one new Signature Restaurant. The net effect of adding the four new restaurants and the Second Incremental Adjustment for the four restaurants added on January 1, 2013 resulted in SIR converting 803,393 Class B GP Units into 803,393 Class A GP Units on January 1, 2014.
- During the three-month period ended December 31, 2012 ("Q4 2012"), Q1 2013, and Q1 2014, the Fund issued 523,900, 895,000, and 500,000 Fund units, respectively. Such units were issued in exchange for Class A GP Units of the SIR Royalty Limited Partnership (the "Partnership") held by SIR. SIR sold these Fund units, generating gross proceeds of approximately $6.8 million, $11.0 million, and $7.0 million in the Q4 2012, Q1 2013, and Q1 2014 transactions, respectively. The proceeds from the sale of Fund units were used by SIR to fund the costs associated with constructing new restaurants and renovating existing restaurants. The Class A GP Units received by the Fund in exchange for the Fund units issued were converted to Class A LP Units of the Partnership, which are entitled to a pro rata share of the residual income of the Partnership. Accordingly, these transactions did not have a dilutive effect on the Fund. The Fund and the Partnership did not receive any proceeds pursuant to these transactions. SIR's interest in the Partnership was affected by the conversion of the Class A GP Units into Fund units. As at June 30, 2014, SIR retained a 25.5% interest in the residual earnings of the Partnership and the Fund retained a 74.5% interest in the residual earnings of the Partnership.
- At the current date, SIR has three commitments to lease properties, upon which it plans to build three new Jack Astor's restaurants. It is expected that these restaurants will open in 2015.
- While SIR is not owned by the Fund, the Fund is economically dependent upon SIR. SIR files its unaudited interim and audited annual consolidated financial statements and Management's Discussion and Analysis ("MD&A") on SEDAR under the Fund's listing named "Other". SIR's Q3 2014 unaudited interim consolidated financial statements and MD&A in accordance with IFRS are listed having a filing date of June 18, 2014.

Same Store Sales(2) ("SSS")

(unaudited)

SIR reported to the Fund SSSG(2) of 1.6% and 0.4% in Q2 2014 and YTD 2014, respectively. SSSG(2) by operating segment are summarized in the following table.

SSS(2) for the Royalty Pooled Restaurants	Three-month period ended June 30, 2014	Three-month period ended June 30, 2013	Six-month period ended June 30, 2014	Six-month period ended June 30, 2013
Jack Astor's	1.7%	3.9%	0.1%	1.7%
Canyon Creek	1.7%	(0.4%)	1.5%	(4.4%)
Alice Fazooli's/Scaddabush	1.9%	(10.1%)	(1.7%)	(10.3%)
Signature Restaurants	0.8%	31.8%	4.1%	15.2%
Overall SSS(2)	**1.6%**	**4.1%**	**0.4%**	**1.1%**

SSS(2) were negatively impacted in Q2 2014 as a result of the Toronto Maple Leafs missing the 2014 National Hockey League ("NHL") playoffs. The Toronto Maple Leafs were in the NHL playoffs in 2013, which resulted in increased guest counts for the eight SIR restaurants in close proximity to NHL venues (four Jack Astor's, one Canyon Creek, and three Signature Restaurants) during Q2 2013.

Jack Astor's, which accounted for approximately 77% of Pooled Revenue in Q2 2014, reported SSSG(2) of 1.7% and 0.1% in Q2 2014 and YTD 2014, respectively.

Canyon Creek reported SSSG(2) of 1.7% and 1.5%, in Q2 2014 and YTD 2014, respectively. Management continues to review initiatives to enhance value at Canyon Creek.

Alice Fazooli's, together with Scaddabush, generated SSSG(2) of 1.9% in Q2 2014 and experienced a decline in SSS(2) of 1.7% in YTD 2014. SIR has introduced a variant of the Alice Fazooli's concept called Scaddabush, offering guests a new, refreshing take on Italian dining. SIR renovated the Alice Fazooli's Square One location in Mississauga, Ontario and re-opened this location as Scaddabush in Q3 2013. This Scaddabush location experienced SSSG(2) of 25.1% and 22.5% in Q2 2014 and YTD 2014, respectively.

The downtown Toronto Signature Restaurants generated SSSG(2) of 0.8% and 4.1% in Q2 2014 and YTD 2014, respectively.

Restaurant Renovations

There have been no significant restaurant renovations during the six-month period ended June 30, 2014.

In Q1 2013, SIR completed a renovation of the Loose Moose and one Jack Astor's restaurant. During Q2 2013, SIR completed a patio renovation at Reds®. During Q3 2013, SIR renovated the Alice Fazooli's Square One location in Mississauga, Ontario; the restaurant was re-opened on July 23, 2013 as Scaddabush. During Q4 2013, SIR completed renovations at four Jack Astor's restaurants.

SIR's Management is committed to maximizing the performance of all of its restaurants. This includes the planned continuation of our Jack's renovation programs and the conversion of additional Alice Fazooli's to Scaddabush over the next two fiscal years.

New and Closed Restaurants

In Q1 2014, on February 18, 2014, SIR opened a new Scaddabush restaurant in Toronto, Ontario. In Q2 2014, SIR opened a new Jack Astor's restaurant in St. John's, Newfoundland on June 11, 2014 and a new seasonal Abbey's Bakehouse retail outlet in Port Carling, Ontario on June 27, 2014.

In Q1 2013, on March 4, 2013, SIR opened a new Jack Astor's restaurant in Kitchener, Ontario. In Q2 2013, SIR opened two new Jack Astor's restaurants, one in north Toronto, Ontario on April 1, 2013 and one in Pickering, Ontario on May 21, 2013. In Q4 2013, on October 30, 2013, SIR opened one new Signature Restaurant in Toronto, Ontario. These four restaurants were added to Royalty Pooled Restaurants on January 1, 2014. During Q4 2013, on December 4, 2013, SIR opened a second location of Duke's Refresher. As the Duke's Refresher brand is being developed, it will continue to be managed by the Signature group and accordingly has been classified as a Signature restaurant for reporting purposes. SIR has advised the Fund that Duke's Refresher should be considered a New Concept Restaurant. Please see the Overview and Business of SIR and the Partnership section that describes how these restaurants will be added to the Royalty pool.

At the current date, SIR has plans to build three new Jack Astor's restaurants, which are expected to open in 2015. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.

SIR Management continues to monitor economic conditions and consumer confidence. Based on its assessment of these conditions, the timing of restaurant construction and opening schedules will be reviewed regularly by SIR Management and adjusted as necessary.

Distributions

Distributions to unitholders are intended to be made monthly in arrears based on distributable cash(1) and cash redemptions of Fund units and subject to the Fund retaining such reasonable working capital and other reserves as may be considered appropriate by the Trustees of the Fund. It is the Fund's intention to pay even distributions, and if possible, allow the Fund to maintain consistent monthly distributions to unitholders. The Fund intends to make monthly distributions of its available distributable cash(1) to the extent possible.

During Q2 2014, monthly distributions of $0.7 million or $0.095 per unit were declared and paid in each of the months of April, May, and June 2014. Subsequent to June 30, 2014, distributions of $0.095 per unit were declared and paid in the month of July 2014 and declared in the month of August 2014.

The payout ratio(1) of cash distributed to distributable cash(1) for Q2 2014 and YTD 2014 was 93.9% and 102.5%, respectively, as compared to 90.6% and 104.8% in Q2 2013 and YTD 2013, respectively. The payout ratio(1) since the Fund's inception up to and including Q2 2014 is 99.4%.

Please refer to page 10 for distributable cash(1) and page 11 for a summary of monthly distributions since inception.

Overview and Business of the Fund

On October 1, 2004, the Fund filed a final prospectus for a public offering of units of the Fund. The net proceeds of the Offering of $51.2 million were used by the Fund to acquire, directly, certain bank debt of SIR and indirectly, through SIR Holdings Trust (the "Trust"), all of the Ordinary LP Units of the Partnership. The Partnership owns the Canadian trade-marks (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. The Partnership has 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"). The Partnership also issued its own securities to SIR in return for the SIR Rights acquired. The Fund indirectly participates in the revenue generated under the License and Royalty Agreement through its investment in the Partnership. The Partnership's financial statements are provided separately at www.sedar.com under the SIR Royalty Income Fund profile "Other" category and on SIR's website at www.sircorp.com.

The units of the Fund are publicly traded on the Toronto Stock Exchange under the symbol SRV.UN.

Overview and Business of SIR and the Partnership

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at June 30, 2014, SIR operated 58 Concept Restaurants and Signature Restaurants in Canada (in Ontario, Quebec, Alberta, Nova Scotia, and Newfoundland) and one seasonal Signature retail outlet. The Concept Restaurants are Jack Astor's Bar and Grill®, Canyon Creek Chop House®, and Alice Fazooli's/Scaddabush. The "Signature" group of restaurants located in downtown Toronto are Reds® Wine Tavern, Reds® Midtown Tavern, Far Niente®/FOUR®/Petit Four®, the Loose Moose Tap & Grill, and Duke's Refresher & Bar. SIR also owns and operates two seasonal restaurants in Muskoka, Ontario: Abbey's Bakehouse and Duke's Refresher, in addition to one seasonal Abbey's Bakehouse retail outlet, which are not part of Royalty Pooled Restaurants. SIR owns 100% of its Canadian restaurants. As at June 30, 2014, 53 SIR Restaurants were included in 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 2014, Duke's Refresher is not expected to be added to the Royalty Pool on January 1, 2015. 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 will be classified as a Signature restaurant for reporting purposes in the near term.

The Partnership has the option for a period of six months following delivery of notice of the Trigger Event by SIR to purchase, effective on the next Adjustment Date, any and all associated Canadian trade-mark rights in respect of Duke's Refresher (the "Duke's Refresher Rights"), subject to the Partnership licensing the Duke's Refresher Rights back to SIR for a period of 99 years. SIR and the Partnership have the opportunity to negotiate and agree upon the amount of the consideration to be paid to SIR for the Duke's Refresher Rights. Under circumstances that are similar to those involving the SIR Rights, it is expected that the principles underlying the valuation of the Royalty and the Determined Amount as they relate to the SIR Rights shall apply, with necessary changes, to the extent deemed appropriate under the circumstances. If the Partnership elects not to exercise its option, or if the Partnership and SIR fail to agree on the terms of the purchase of the Duke's Refresher Rights, the Partnership shall have a right of first refusal, so long as the License and Royalty Agreement concerning the SIR Rights remains in effect, and exercisable for a period of 30 days from the date the Partnership receives notice and details of the proposed terms of the third party offer, to purchase the Duke's Refresher Rights should SIR wish to sell, directly or indirectly, all or substantially all of the Duke's Refresher Rights to a third party dealing at arm's length with SIR.

If the Partnership elects not to exercise the foregoing option, then, subject to the right of first refusal, SIR shall be free to operate the business relating to Duke's Refresher and exploit the Duke's Refresher Rights on its own behalf or otherwise.

On January 1 of each year (the "Adjustment Date"), the restaurants subject to the Partnership Agreement are adjusted for new restaurants that have been open for at least 60 days prior to the Adjustment Date and which were not previously included in Royalty Pooled Restaurants. Under the formula as defined in the Partnership Agreement, the number of Class A GP Units issued to SIR on the Initial Adjustment date is equal to 80% of the estimated value of the additional Royalty revenue. Additional Class B GP Units may be converted to Class A GP Units in respect of these new SIR Restaurants if the actual revenues of the new SIR Restaurants exceed 80% of the January 1 Initial Adjustment's estimated revenue applied to the formula defined in the Partnership Agreement. Conversely, Class A GP Units would be converted to Class B GP Units by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the January 1 Initial Adjustment's estimated revenue. 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 adjustment's estimated revenue or there will be a reduction in the cash distributions to the Class A GP Unitholders if revenues are less than 80% of the initial adjustment's estimated revenue. The additional distribution results in an adjustment to SIR's share of the Partnership income to reflect the actual contribution of the revenues of the new SIR Restaurants for the fiscal year. As this amount is not declared until December 31st, when the actual revenues for the New Additional Restaurants are known, the effect of this adjustment is not included in the results of quarters one through three.

The Partnership has 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 6.0% of the revenue of the Royalty Pooled Restaurants. The Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

The Class A GP Units are entitled to receive a pro rata share of all residual distributions of the Partnership and are exchangeable into Units of the Fund on a one for one basis. SIR is obligated to pay the Partnership a "Make-Whole Payment", subject to certain terms, initially equal to the amount of the Royalty that otherwise would have been paid to the Partnership in the event of a permanent closure of a Royalty Pooled Restaurant. SIR is not required to pay a "Make-Whole Payment" in respect of a permanently closed Royalty Pooled Restaurant following the date on which the number of restaurants in Royalty Pooled Restaurants is equal to or greater than 68, or following October 12, 2019, whichever occurs first. However, other adjustments or payments may still be required in respect of permanently closed restaurants after such date by SIR, depending upon the circumstances.

On January 1, 2014, four (January 1, 2013 – four) new SIR Restaurants were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of four new SIR Restaurants on January 1, 2014 (January 1, 2013 – four), as well as the Second Incremental Adjustment for the four new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2013 (January 1, 2012 – one), 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 to Class A GP Units was reduced by an adjustment for the permanent closure of nil (January 1, 2013 – two) SIR Restaurants during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 803,393 (January 1, 2013 – 296,459) Class B GP Units into 803,393 (January 1, 2013 – 296,459) Class A GP Units on January 1, 2014 at an estimated fair value of $11.4 million (January 1, 2013 – $4.3 million).

The revenues of the four (January 1, 2012 – one) new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2013 exceeded 80% of the Initial Adjustment's estimated Revenue and, as a result, an additional distribution of $0.2 million was declared in December 2013 (December 2012 – $0.02 million) and paid the following January.

SIR's fiscal year is comprised of 13 periods of four weeks each, ending on the last Sunday in August. To preserve this year-end, an additional week must be added approximately every five years. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks. SIR's fiscal 2013 and 2014 years consist of 52 weeks and 53 weeks, respectively.

Consolidated financial statements of SIR can be found at www.sedar.com under the SIR Royalty Income Fund profile, "Other" category and on SIR's website at www.sircorp.com.

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 the last Sunday in August) when patios have been open for an extended period. Additionally, certain holidays and observances also affect guest dining patterns both favourably and unfavourably. Accordingly, distribution income recognized by the Fund will vary in conjunction with the seasonality in revenue experienced by SIR. The Fund's intention is to pay even distributions in order to reduce the effect of seasonality, and if possible, allow the Fund to maintain consistent monthly distributions to unitholders.

Selected Consolidated Financial Information

The consolidated financial statements of the Fund are presented in Canadian dollars, and are prepared in accordance with IFRS. The consolidated financial statements include the accounts of the Fund and its subsidiaries, namely the Trust and SIR GP Inc. The information in this Management's Discussion and Analysis should be read in conjunction with the unaudited interim consolidated financial statements as well as the audited annual consolidated financial statements of the Fund, including the notes thereto. The Fund has been in existence since August 23, 2004, and began operating on October 12, 2004 upon closing of the Offering.

The following table sets out selected financial information of the Fund and the Partnership:

Financial Highlights

(in thousands of dollars or units, except restaurants and per unit amounts) *(unaudited)*	**Three-month period ended June 30, 2014**	**Three-month period ended June 30, 2013**	**Six-month period ended June 30, 2014**	**Six-month period ended June 30, 2013**
Royalty Pooled Restaurants	53	49	53	49
Pooled Revenue generated by SIR	69,172	62,855	127,345	117,554
Royalty income to Partnership - 6% of Pooled Revenue	4,151	3,771	7,641	7,053
Partnership other income	7	10	19	20
Partnership expenses	(23)	(21)	(47)	(49)
Partnership earnings	4,135	3,760	7,613	7,024
SIR's interest (Class A, B and C GP Units)	(1,777)	(1,641)	(3,459)	(3,420)
Partnership income allocated to Fund[(3)]	2,358	2,119	4,154	3,604
Interest income	750	750	1,500	1,500
Total income of the Fund	3,108	2,869	5,654	5,104
General & administrative expenses	(109)	(111)	(225)	(223)
Net earnings before income taxes of the Fund	2,999	2,758	5,429	4,881
Income tax expense	(803)	(747)	(1,456)	(1,409)
Net earnings for the period	2,196	2,011	3,973	3,472
Basic earnings per Fund unit	$0.30	$0.30	$0.55	$0.54
Weighted average number of Fund units outstanding – Basic	7,276	6,776	7,165	6,403
Net earnings for the period – Diluted	2,945	2,661	5,403	4,829
Weighted average number of Class A GP Units	2,491	2,188	2,602	2,561
Weighted average number of Fund units outstanding – Diluted	9,767	8,964	9,767	8,964
Diluted earnings per Fund unit	$0.30	$0.30	$0.55	$0.54

(3) The Fund, indirectly through the Trust, holds all of the Ordinary LP Units and Class A LP Units of the Partnership. The holders of the Ordinary LP Units and Class A LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership.

Summary of Quarterly Financial Information

(in thousands of dollars or units, except restaurants and per unit amounts) (unaudited)	Three-month periods ended June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
Royalty Pooled Restaurants	53	53	49	49	49	49	47	47
Pooled Revenue generated by SIR	69,172	58,173	57,760	59,353	62,855	54,699	54,396	54,017
6% of Pooled Revenue	4,151	3,490	3,466	3,561	3,771	3,282	3,263	3,241
Make-Whole Payment[4]	-	-	-	-	-	-	93	93
Total Royalty Income to Partnership	4,151	3,490	3,466	3,561	3,771	3,282	3,356	3,334
Partnership other income	7	12	12	11	10	10	10	9
Partnership expenses	(23)	(24)	(18)	(32)	(21)	(28)	(20)	(21)
Partnership earnings	4,135	3,478	3,460	3,540	3,760	3,264	3,346	3,322
SIR's interest (Class A, B and C GP Units)	(1,777)	(1,682)	(1,698)	(1,591)	(1,641)	(1,779)	(1,911)	(1,987)
Partnership income allocated to Fund[3]	2,358	1,796	1,762	1,949	2,119	1,485	1,435	1,335
Interest income	750	750	750	750	750	750	750	750
Total income of the Fund	3,108	2,546	2,512	2,699	2,869	2,235	2,185	2,085
General & administrative expenses	(109)	(116)	(100)	(94)	(111)	(112)	(85)	(82)
Net earnings before income taxes of the Fund	2,999	2,430	2,412	2,605	2,758	2,123	2,100	2,003
Income tax expense	(803)	(653)	(675)	(693)	(747)	(662)	(585)	(531)
Net earnings for the period	2,196	1,777	1,737	1,912	2,011	1,461	1,515	1,472
Basic earnings per Fund unit	$0.30	$0.25	$0.26	$0.28	$0.30	$0.24	$0.27	$0.27
Weighted average number of Fund units outstanding – Basic	7,276	7,053	6,776	6,776	6,776	6,030	5,619	5,357
Net earnings for the period – Diluted	2,945	2,458	2,300	2,532	2,661	2,168	2,333	2,381
Weighted average number of Class A GP Units	2,491	2,714	2,188	2,188	2,188	2,934	3,048	3,310
Weighted average number of Fund units outstanding – Diluted	9,767	9,767	8,964	8,964	8,964	8,964	8,667	8,667
Diluted earnings per Fund unit	$0.30	$0.25	$0.26	$0.28	$0.30	$0.24	$0.27	$0.27

For the six-month period from January 1, 2014 to June 30, 2014, the Fund declared and paid distributions of $0.57 per unit. The Fund declared and paid a distribution of $0.095 per unit in each of the months of January to June 2014 inclusive. Subsequent to June 30, 2014, distributions of $0.095 per unit were declared and paid in the month of July 2014 and declared in August 2014.

(4) The Alice Fazooli's restaurant in Toronto and the Jack Astor's restaurant in Kitchener, Ontario were closed on January 27, 2012 and February 13, 2012, respectively. Under the terms of the License and Royalty Agreement, SIR was required to pay a Make-Whole Payment for these locations from the dates of their closure until December 31st of the year of closure.

Distributable Cash(1)

(in thousands of dollars or units, except per unit amounts and payout ratio(1)) (unaudited)	**Three-month period ended June 30, 2014**	**Three-month period ended June 30, 2013**	**Six-month period ended June 30, 2014**	**Six-month period ended June 30, 2013**
Cash provided by operating activities	2,295	1,946	4,036	3,637
Add/(deduct): Net change in non-cash working capital items(5)	(110)	(112)	(227)	(224)
Net change in income tax payable(5)	(261)	(237)	117	(262)
Net change in distribution receivable from the Partnership(5)	285	430	74	440
Distributable cash(1)	**2,209**	**2,027**	**4,000**	**3,591**
Cash distributed for the period	**2,074**	**1,836**	**4,100**	**3,761**
Surplus/(shortfall) of distributable cash(1)	**135**	**191**	**(100)**	**(170)**
Payout ratio(1), (6)	93.9%	90.6%	102.5%	104.8%(7)
Weighted average number of Fund units outstanding – Basic	7,276	6,776	7,165	6,403
Distributable cash(1) per Fund unit – Basic	$0.30	$0.30	$0.56	$0.56
Distributable cash for the period – Diluted(8)	2,963	2,673	5,440	4,994
Weighted average number of Class A GP Units(8)	2,491	2,188	2,602	2,561
Weighted average number of Fund units outstanding – Diluted(8)	9,767	8,964	9,767	8,964
Distributable cash(1) per Fund unit – Diluted(8)	$0.30	$0.30	$0.56	$0.56

Distributable Cash(1)

(in thousands of dollars or units, except per unit amounts and payout ratio(1)) (unaudited)	**Three-month periods ended**							
	June 30, 2014	**March 31, 2014**	**December 31, 2013**	**September 30, 2013**	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**
Cash provided by operating activities	2,295	1,741	1,571	2,676	1,946	1,691	1,385	1,313
Add/(deduct): Net change in non-cash working capital items(5)	(110)	(117)	149	(96)	(112)	(112)	780	(83)
Net change in income tax payable(5)	(261)	378	398	(679)	(237)	(25)	(38)	16
Net change in distribution receivable from the Partnership(5)	285	(211)	(365)	24	430	10	(601)	237
Distributable cash(1)	**2,209**	**1,791**	**1,753**	**1,925**	**2,027**	**1,564**	**1,526**	**1,483**
Cash distributed for the period	**2,074**	**2,026**	**1,931**	**1,931**	**1,836**	**1,925**	**1,506**	**1,414**
Surplus/(shortfall) of distributable cash(1)	**135**	**(235)**	**(178)**	**(6)**	**191**	**(361)**	**20**	**69**
Payout ratio(1), (6)	93.9%	113.1%	110.2%	100.3%	90.6%	123.1%(7)	98.7%	95.4%
Weighted average number of Fund units outstanding – Basic	7,276	7,053	6,776	6,776	6,776	6,030	5,619	5,357
Distributable cash(1) per Fund unit – Basic	$0.30	$0.25	$0.26	$0.28	$0.30	$0.26	$0.27	$0.28
Distributable cash for the period – Diluted(8)	2,963	2,477	2,320	2,548	2,673	2,321	2,350	2,399
Weighted average number of Class A GP Units(8)	2,491	2,714	2,188	2,188	2,188	2,934	3,048	3,310
Weighted average number of Fund units outstanding – Diluted(8)	9,767	9,767	8,964	8,964	8,964	8,964	8,667	8,667
Distributable cash(1) per Fund unit – Diluted(8)	$0.30	$0.25	$0.26	$0.28	$0.30	$0.26	$0.27	$0.28

(5) *Distributable cash is adjusted to exclude the net change in non-cash working capital items, the net change in income tax payable, and the net change in the distribution receivable from the Partnership, as the Fund's working capital requirements are not permanent and are primarily due to the timing of payments.*

(6) *It is the Fund's intention to pay even distributions to reduce the effect of seasonality. Higher payout ratios during the colder months of the year are expected with the pattern of seasonality in SIR's business, and it is anticipated that the payout ratio will decrease on average during the warm weather months.*

(7) *The payout ratios for the three-month period ended March 31, 2013 and the six-month period ended June 30, 2013 were significantly impacted by the special 2012 year-end distribution of $0.05 per unit or $0.3 million that was declared in December 2012 and paid in January 2013.*

(8) *Diluted distributable cash per Fund unit is as follows: Distributable cash for the period, plus the distributions, net of income tax expense (recovery), related to the Class A GP Units, divided by the weighted average number of Fund units outstanding. The weighted average number of Fund units outstanding represents the weighted average number of Fund units outstanding (basic) plus the weighted average number of convertible Class A GP Units.*

The $0.4 million shortfall of distributable cash[1] for the three-month period ended March 31, 2013 is a result of the special 2012 year-end distribution of $0.05 per unit or $0.3 million that was declared in December 2012, yet was paid during Q1 2013, in January 2013.

A history of distributions is as follows:

Months Paid	Distribution per Unit
Inception to May 2006	$0.100
June 2006 to May 2007	$0.105
June 2007 to May 2008	$0.110
June 2008 to January 2011	$0.115
February 2011 to May 2012	$0.083[9]
June 2012 to May 2013	$0.088
June 2013 to date	$0.095
December 2012 Special Distribution	$0.05

The special 2012 year-end distribution of $0.05 per unit declared in December 2012 and paid in January 2013 was declared because the Fund expected that the taxable income generated in 2012 would exceed the aggregate monthly distributions declared by the Fund.

Beginning with the payment in June 2013, the Fund raised its monthly unitholder distributions from $0.088 per unit to $0.095 per unit, representing an estimated annualized distribution of $1.14 per unit.

The payout ratio[1] of cash distributed to distributable cash[1] is intended to average 100% per annum over the longer term. Since the Fund pays even monthly distributions when its underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR), there are times during the year when the payout ratio[1] may exceed or could be lower than 100%. The payout ratio[1] for Q2 2014 and YTD 2014 was 93.9% and 102.5%, respectively, as compared to 90.6% and 104.8% in Q2 2013 and YTD 2013, respectively. The payout ratio[1] for YTD 2014 was impacted by relatively flat overall SSSG[2] of 0.4% for the six-month period ended June 30, 2014. The payout ratio[1] for YTD 2013 was significantly affected by the special 2012 year-end distribution of $0.05 per unit or $0.3 million that was declared in December 2012, yet was paid during Q1 2013, in January 2013.

Since the Fund's inception in October 2004 up to and including Q2 2014, the Fund has generated $66,682,000 in cumulative distributable cash[1] and has paid cumulative cash distributions of $66,284,000, representing a cumulative payout ratio[1] (the ratio of cumulative cash distributions paid since inception to cumulative distributable cash[1] generated) of 99.4%. Based on current business and economic conditions, the Fund's Trustees intend to maintain its current distribution levels at this time.

(9) As a result of certain legislative changes to the tax treatment of income trusts, corporate income taxes became applicable to the taxable income of the Fund effective January 1, 2011. Accordingly, the distributions, starting with the January 2011 distribution (declared and paid in February 2011), were reduced for the impact of income taxes.

The following table provides disclosure regarding the relationship between cash flows from operating activities and net income, and historical distributed cash amounts:

(in thousands of dollars) *(unaudited)*	**Three-month period ended June 30, 2014**	**Three-month period ended June 30, 2013**	**Six-month period ended June 30, 2014**	**Six-month period ended June 30, 2013**
Cash provided by operating activities	2,295	1,946	4,036	3,637
Net earnings for the period	2,196	2,011	3,973	3,472
Cash distributed for the period	2,074	1,836	4,100	3,761
Excess (shortfall) of cash provided by operating activities over cash distributed for the period(10)	**221**	**110**	**(64)**	**(124)**
Excess (shortfall) of net earnings for the period over cash distributed for the period(11)	**122**	**175**	**(127)**	**(289)**

The $0.1 million shortfall of net earnings for the period over cash distributed for the period over cash distributed for the six month period ended June 30, 2014 is mainly due to the relatively flat overall SSSG. The $0.1 million shortfall of cash provided by operating activities over cash distributed for the six month period ended June 30, 2014 is primarily due to the relatively flat overall SSSG as well as the Fund paying the balance of the 2013 income tax liability in Q1 2014..

The $0.1 million shortfall of net earnings for the period over cash distributed for the six-month period ended June 30, 2014 is mainly due to relatively flat overall SSSG(2) of 0.4% for the six-month period ended June 30, 2014.

The shortfall of cash provided by operating activities over cash distributed of $0.1 million for the six-month period ended June 30, 2013 and the $0.3 million shortfall of net earnings for the period over cash distributions paid for the six-month period ended June 30, 2013, are the result of the special 2012 year-end distribution of $0.05 per unit or $0.3 million that was declared in December 2012, yet was paid during Q1 2013, in January 2013.

Balance Sheet

The following table shows total assets and unitholders' equity of the Fund:

(in thousands of dollars) *(unaudited)*	**June 30, 2014**	**March 31, 2014**	**December 31, 2013**	**September 30, 2013**	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**
Total assets	77,378	76,984	70,625	71,221	70,517	70,093	59,435	52,612
Unitholders' equity	75,376	75,254	68,526	68,721	68,740	68,564	57,726	51,201

Results of Operations - Fund

The Fund's revenue of $3.1 million for the three-month period ended June 30, 2014 ($2.9 million for the three-month period ended June 30, 2013) is comprised of equity income from the Partnership of $2.4 million ($2.1 million for the three-month period ended June 30, 2013) and interest income of $0.8 million ($0.8 million for the three-month period ended June 30, 2013). Revenue of $5.7 million for the six-month period ended June 30, 2014 ($5.1 million for six-month period ended June 30, 2013) is comprised of equity income from the Partnership of $4.2 million ($3.6 million for the six-month period ended June 30, 2013) and interest income of $1.5 million ($1.5 million for the six-month period ended June 30, 2013). Equity income from the Partnership is the pro rata share of the residual distributions of the Partnership for the three-month and six-month periods ended June 30, 2014 and June 30, 2013. The increase in equity income from the Partnership is due to an increase in earnings of the Partnership and an increase in the Fund's share of the Partnership's residual earnings. Interest income is interest earned for the three-month and six-month periods ended June 30, 2014 and June 30, 2013 from the $40.0 million SIR Loan which bears interest at 7.5% per annum.

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(10) *Excess (shortfall) of cash provided by (used in) operating activities over cash distributed for the period is calculated by subtracting the cash distributed for the period from cash provided by (used in) operating activities.*

(11) *Excess (shortfall) of net earnings for the period over cash distributed for the period is calculated by subtracting cash distributed for the period from net earnings for the period.*

The Fund's operating expenses are limited to general and administration expenses and total $0.1 million and $0.2 million for the three-month and six-month periods ended June 30, 2014, respectively ($0.1 million and $0.2 million for the three-month and six-month periods ended June 30, 2013, respectively). These expenses include professional fees, directors' and officers' liability insurance premiums, Trustees' fees, certain public company costs and other administrative fees.

The Fund recorded a current income tax expense of $0.8 million and $1.4 million for the three-month and six-month periods ended June 30, 2014, respectively ($0.7 million and $1.3 million for the three-month and six-month periods ended June 30, 2013, respectively).

Net earnings were $2.2 million and $4.0 million for the three-month and six-month periods ended June 30, 2014, respectively ($2.0 million and $3.5 million for the three-month and six-month periods ended June 30, 2013, respectively). Earnings per Fund unit on both a basic and diluted basis were $0.30 and $0.55 for the three-month and six-month periods ended June 30, 2014, respectively ($0.30 and $0.54 for the three-month and six-month periods ended June 30, 2013, respectively).

Pooled Revenue

The Fund is indirectly dependent on the amount of the Royalty paid by SIR to the Partnership. The amount of this Royalty is dependent on Pooled Revenue. Pooled Revenue is the revenue of the SIR Restaurants included in Royalty Pooled Restaurants. As at June 30, 2014, there were 53 restaurants included in Pooled Revenue. Increases or decreases in Pooled Revenue are derived from SSS(2) growth or decline, and new or permanently closed SIR Restaurants subject to the SIR Rights. Pooled Revenue is affected by the risks associated with the operations and financial condition of SIR, the commercial foodservice industry generally and the casual and fine dining segment of the commercial foodservice industry in particular.

The following table sets out Pooled Revenue for the three-month and six-month periods ended June 30, 2014 and June 30, 2013:

Summary of Pooled Revenue

(in thousands of dollars except number of restaurants included in Pooled Revenue) (unaudited)	Three-month period ended June 30, 2014		Three-month period ended June 30, 2013		Six-month period ended June 30, 2014		Six-month period ended June 30, 2013	
	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurant s included in Pooled Revenue
Jack Astor's	53,365	37	48,151	34	96,199	37	88,588	34
Canyon Creek	6,685	8	6,574	8	13,370	8	13,177	8
Alice Fazooli's/Scaddabush	3,587	4	3,522	4	6,661	4	6,775	4
Signature	5,535	4	4,608	3	11,115	4	9,014	3
Total included in Pooled Revenue	69,172	53	62,855	49	127,345	53	117,554	49

Pooled Revenue for Alice Fazooli's includes three Alice Fazooli's restaurants and one Scaddabush restaurant, representing the Square One location in Mississauga, Ontario, which was renovated and re-opened as Scaddabush on July 23, 2013.

Liquidity and Capital Resources

The Fund has no third party debt. SIR currently has the $40.0 million SIR Loan owed to the Fund (which SIR can surrender its Class C GP Units as consideration for principal payments under the loan) and a Credit Agreement with a Commercial Financing Company, a copy of which has been filed on SEDAR. The Credit Agreement is "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the Commercial Financing Company. 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 Amended and Restated Subordination and Postponement Agreement, a copy of which has also been filed on SEDAR.

SIR entered into a Third Amended and Restated Loan Agreement (the Credit Agreement) on June 23, 2014, which provides for additional financing of $6.0 million (the Tranche C Development Loan) in addition to the existing term loan (the Term Loan) and two development loans (the Tranche A Development Loan and the Tranche B Development Loan) under the Second Amended and Restated Loan Agreement.

All loans under the Credit Agreement are due on November 13, 2016. Interest on the Term Loan and the Tranche A Development Loan is calculated as the greater of 6.0% per annum and the three-month Canadian bankers' acceptance rate plus 5.75% per annum, calculated monthly, not in advance. Interest on the Tranche B Development Loan is calculated as the greater of 5.9% per annum and the three-month Canadian dollar bankers' acceptance rate plus 5.65% per annum, calculated monthly, not in advance. Interest on the Tranche C Development Loan is calculated as the greater of 5.55% per annum and the three-month Canadian dollar bankers' acceptance rate plus 5.30%, calculated monthly, not in advance.

The Tranche C Development Loan is not to exceed $6.0 million and is intended to be drawn by September 19, 2014 but may be extended to March 19, 2015 at the sole discretion of the lender upon request by SIR. The Tranche C Development Loan is available to enable SIR to finance costs incurred in connection with the acquisition of furniture, fixtures, equipment and leasehold improvements relating to new locations, and renovations and capital expenditures relating to existing locations.

The Tranche A Development Loan and Tranche B Development Loan have been fully drawn and no further advances are permitted.

The Credit Agreement is collateralized by a general security agreement and entitles the lender to a first charge on all of the SIR's assets, including a pledge of all shares and the investment in the Partnership and a specific assignment of the rights under the License and Royalty Agreement. However, the lender does not have a pledge over the assets of the Partnership. The Partnership and the Fund did not guarantee the Credit Agreement.

Under the Amended and Restated Subordination and Postponement Agreement, absent a default or event of default under the Credit Agreement, ordinary payments to the Partnership and the Fund are permitted. However, if a default or an event of default were to occur, then payments to the Fund and the Partnership are likely to cease and the related rights of the Fund and the Partnership could be subject to a "standstill" obligation for a period of up to 120 days (which may be extended if the lender is pursuing remedies). The Amended and Restated Subordination and Postponement Agreement also contains various other typical covenants of the Fund and the Partnership. In addition, SIR entered into an agreement with the Fund and the Partnership to restrict the amount of additional debt that SIR can incur without the consent of the Fund and the Partnership (which consent shall not be unreasonably withheld).

On November 13, 2012, November 15, 2012, March 14, 2013, and February 10, 2014, the Fund issued 373,900, 150,000, 895,000, and 500,000 Fund units, respectively. Such units were issued in exchange for Class A GP Units of the Partnership held by SIR. SIR sold these Fund units, generating gross proceeds of approximately $6.8 million in the November 2012 transactions, $11.0 million in the March 2013 transaction, and $7.0 million in the February 2014 transaction. The Class A GP Units received by the Fund were converted to Class A LP Units, which are entitled to a pro rata share of the residual income of the Partnership. Accordingly, these transactions did not have a dilutive effect on the Fund. The Fund and the Partnership did not receive any proceeds pursuant to these transactions. SIR's interest in the Partnership was affected by the conversion of the Class A GP Units into Fund units. As at June 30, 2014, SIR retained a 25.5% interest in the residual earnings of the Partnership after the effect of the adjustments to Royalty Pooled Restaurants on January 1, 2014 and the February 10, 2014 transaction.

SIR believes, and has advised the Fund, that it expects to be able to comply with the covenants under the Credit Agreement and service the debt, as well as meet its other obligations. However, there can of course be no assurance of this. If SIR were to be unable to do so, this could have material adverse consequences on SIR and the Fund. SIR has reported to the Fund that it is in compliance with these covenants as at SIR's last reporting date to their lender.

The Fund does not have bank lines of credit. The Fund therefore relies on the payments of the distributions from the Partnership and interest income from SIR to meet its obligations to pay the distributions. The Fund believes that the distributions from the Partnership and interest payments will be sufficient to meet its current distribution intentions, subject to seasonal fluctuations. However, the actual amounts distributed will depend upon numerous factors, including the payment of the distributions from the Partnership and interest by SIR, and could fluctuate based on performance. The Fund intends to maintain even distributions in order to reduce the effect of fluctuations in revenue and, if possible, allow the Fund to maintain consistent monthly distributions to unitholders. Under the terms of the License and Royalty Agreement, SIR is required to pay the 6.0% Royalty to the Partnership 21 days after the end of the four-week or five-week period for which the Royalty is determined.

The Fund did not have any capital expenditures in YTD 2014 and by its nature is not expected to have significant capital expenditures in the future. Capital expenditures related to Royalty Pooled Restaurants are borne at the operating company (SIR) level. The Fund's operating and administrative expenses are expected to be fairly stable and predictable and are considered to be in the ordinary course of business.

Management currently believes that there are sufficient cash resources retained in the Partnership in order to meet its current obligations and pay distributions to its unitholders. The Fund intends to continue to pay monthly distributions consistent with the most recent distribution declared in August 2014 for the near future. However, should the distributions from the Partnership decline, or the expenses of the Fund increase, the Fund may have to reduce distributions.

While SIR is not owned by the Fund, the Fund's income is derived from interest income on the SIR Loan and distributions from the Partnership and accordingly, the Fund is economically dependent upon SIR. Credit risk arises from the potential default of SIR on the SIR Loan. Management monitors the SIR Loan for credit risk and to date a provision for uncollectible amounts has not been necessary. The Fund also depends on the distributions from the Partnership, which are dependent upon SIR paying the Royalty to the Partnership. Information regarding SIR and its liquidity can be found in SIR's unaudited interim and audited annual consolidated financial statements and MD&A, which can be found on SEDAR under the Fund's listing named "Other". The most recent unaudited interim consolidated financial statements and MD&A for SIR's third quarter are listed having a filing date of June 18, 2014.

The following table is an excerpt of the previous eight quarters of SIR's consolidated statement of cash flows information:

Selected Unaudited Consolidated Statement of Cash Flows Information[12]	**3rd Quarter Ended May 4, 2014 (12 weeks)**	**2nd Quarter Ended February 9, 2014 (12 weeks)**	**1st Quarter Ended November 17, 2013 (12 weeks)**	**4th Quarter Ended August 25, 2013 (16 weeks)**	**3rd Quarter Ended May 5, 2013 (12 weeks)**	**2nd Quarter Ended February 10, 2013 (12 weeks)**	**1st Quarter Ended November 18, 2012 (12 weeks)**	**4th Quarter Ended August 26, 2012 (16 weeks)**
				(in thousands of dollars) (unaudited)				
Cash provided by continuing operations	1,757	1,505	71	7,137	2,201	3,278	31	6,603
Cash provided by (used in) continuing investing activities	2,677	(5,323)	(164)	(2,513)	700	(1,202)	(3,494)	(4,515)
Cash provided by (used in) continuing financing activities	(2,329)	669	(950)	(2,647)	(2,237)	(2,011)	(2,030)	4,490
Increase (decrease) in cash and cash equivalents during the period	2,105	(3,149)	(1,043)	1,977	664	65	(5,493)	6,578
Cash and cash equivalents – Beginning of period	3,516	6,665	7,708	5,731	5,067	5,002	10,495	3,917
Cash and cash equivalents – End of period	5,621	3,516	6,665	7,708	5,731	5,067	5,002	10,495

(12) *Information presented is in accordance with International Financial Reporting Standards (IFRS) and is derived solely from documents filed with the Canadian securities regulatory authorities by SIR in its interim Q3 2014 MD&A filed on June 18, 2014 and has not been approved by the Fund or its Trustees, officers, SIR GP Inc., or SIR Holdings Trust, or their respective Trustees, managing general partners, directors, or officers.*

Controls and Procedures

As at December 31, 2013, an evaluation was carried out under the supervision of and with the participation of the SIR GP Inc. management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Fund's disclosure controls and procedures. Based on that evaluation, the CEO and CFO concluded that, to their knowledge, the design and operation of these disclosure controls and procedures were effective as at December 31, 2013 to provide reasonable assurance that material information relating to the Fund and its consolidated subsidiaries would be made known to them by others within those entities.

An evaluation of internal controls over financial reporting as at December 31, 2013 was carried out under the supervision and with the cooperation, of management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that, internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS.

There have not been any material changes to disclosure controls or internal controls over financial reporting during the six-month period ended June 30, 2014.

The Fund does not own or control SIR and therefore, the Fund's disclosure controls and procedures and the internal controls over financial reporting do not encompass SIR or SIR's disclosure controls and procedures or SIR's internal controls over financial reporting.

Off-Balance Sheet Arrangements

The Fund does not have any off-balance sheet arrangements.

Transactions with Related Parties

During the three-month and six-month periods ended June 30, 2014, the Fund earned equity income of $2.4 million and $4.2 million, respectively, from the Partnership ($2.1 million and $3.6 million for the three-month and six-month periods ended June 30, 2013, respectively). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's equity income is dependent upon the revenue generated by the SIR Restaurants subject to the License and Royalty Agreement.

During the three-month and six-month periods ended June 30, 2014, the Fund earned interest income of $0.8 million and $1.5 million, respectively, from the SIR Loan ($0.8 million and $1.5 million for the three-month and six-month periods ended June 30, 2013, respectively). A description of the terms of the SIR Loan is included in the notes to the unaudited interim consolidated financial statements of the Fund for the three-month and six-month periods ended June 30, 2014 and June 30, 2013.

As at June 30, 2014, the Fund had amounts receivable from SIR of $0.2 million (December 31, 2013 – $0.2 million) and amounts receivable from the Partnership of $0.6 million (December 31, 2013 – $0.8 million). The amount receivable from SIR relates primarily to the interest owing to the Fund on the SIR Loan for the month of June. The amounts due from the Partnership represent distributions receivable of $3.1 million (December 31, 2013 – $3.1 million), which are partially offset by advances payable of $2.5 million (December 31, 2013 – $2.3 million). All advances were conducted as part of the normal course of business operations.

Critical Accounting Estimates

Management believes that there have been no substantial changes in the nature of the critical accounting estimates as described in the annual MD&A for the year ended December 31, 2013.

Changes in Accounting Policies, Including Initial Adoption

IAS 36, Impairment of Assets: IAS 36 has been amended to include limited scope amendments to the impairment disclosures. Management has determined that the adoption of this standard has no impact on its consolidated financial statements for the three-month and six-month periods ended June 30, 2014 and June 30, 2013.

IFRS Issued But Not Yet Effective

IAS 24, Related Party Transactions: IAS 24 has been amended to (i) revise the definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements. This amendment is effective for annual periods beginning on or after July 1, 2014. 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, which is effective for years beginning on or after January 1, 2015. Management is evaluating the amendment and has not yet determined the impact on its consolidated financial statements.

IFRS 9, Financial Instruments – Classification and Measurement: IFRS 9 is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured using amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest; otherwise, it is at fair value through profit or loss. IFRS 9 was amended in November 2013 to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income, without having to adopt the remainder of IFRS 9, and (iii) remove the previous mandatory effective date of January 1, 2015, although the standard is available for early adoption. 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 some informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2017 and early adoption is permitted. Management is evaluating the standard and has not yet determined the impact on its consolidated financial statements.

Financial Instruments

There have been no changes in the Fund's financial instruments for the three-month and six-month periods ended June 30, 2014 as described in the Fund's MD&A for the year ended December 31, 2013.

Disclosure of Outstanding Unit Data

The following summarizes the ownership structure of the Fund as at August 8, 2014 and June 30, 2014:

	Number of Fund units	
	August 8, 2014	**June 30, 2014**
Units issued	7,275,567	7,275,567

Risks and Uncertainties

The performance of the Fund is directly dependent upon the interest payments the Fund receives from SIR under the SIR Loan and upon the Royalty received by the Partnership from SIR. The amount of the Royalty is dependent upon Pooled Revenue, which is subject to a number of factors that affect the restaurant industry generally and the casual and/or fine dining sectors of this industry in particular. The restaurant industry generally and, in particular, the casual and fine dining segment of the industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. 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. If SIR is unable to successfully compete in the casual and fine dining sectors of the restaurant industry, Pooled Revenue may be adversely affected, the amount of the Royalty reduced and the ability of SIR to pay the Royalty or interest on the SIR Loan may be impaired. Please refer to the March 11, 2014 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

SIR, which stands for Service Inspired Restaurants, is a privately held Canadian corporation in the business of creating, owning and operating full service restaurants in Canada. All of SIR's restaurants are corporately owned. SIR does not franchise any of its existing brands. SIR remains committed to the corporately owned restaurant model as it believes that the corporate restaurant structure gives it better control over its brands and improved agility to respond to changes in market conditions. SIR would expect its future sales growth to be driven similarly to its past unit growth through a combination of measured new unit growth and same store sales growth, over the long term.

At the current date, SIR has 58 restaurants and one seasonal retail outlet open in Canada and since October 2004, the Fund's Initial Public Offering, SIR has opened 29 new restaurants (20 new Jack Astor's, four new Canyon Creek restaurants, one new Scaddabush, one new Reds, one new Duke's Refresher, and two seasonal restaurants: Abbey's Bakehouse and Duke's Refresher) and one new seasonal retail outlet. The seasonal restaurants and retail outlet are not part of Royalty Pooled Restaurants.

During Q1 2014, on February 18, 2014, SIR opened a new Scaddabush restaurant in Toronto, Ontario. During Q2 2014, on June 11, 2014, SIR opened a new Jack Astor's restaurant in St. John's, Newfoundland. It is expected that these restaurants will be added to Royalty Pooled Restaurants on January 1, 2015.

SIR opened a Duke's Refresher just off Yonge Street on Gerrard Street in Toronto, Ontario in November 2013. SIR believes 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. As neither of these events are expected to occur in 2014, Duke's Refresher is not expected to be added to the Royalty Pool on January 1, 2015. 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 will be classified as a Signature restaurant for reporting purposes in the near term.

At the current date, SIR has three commitments to lease properties, upon which it plans to build three new Jack Astor's restaurants. It is expected that these restaurants will open in 2015. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.

SIR's Management is committed to maximizing the performance of all of its restaurants which is expected to include continuing its history of reinvesting in its existing location with innovative renovations, repositioning and rebranding. This includes the planned continuation of our Jack's renovation programs and the conversion of additional Alice Fazooli's to Scaddabush over the next two fiscal years.

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: competition; changes in demographic trends; weather; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; changes in foreign exchange; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. 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. 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 August 8, 2014.

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. For more information concerning the Fund's risks and uncertainties, please refer to the March 11, 2014 Annual Information Form, for the period ended December 31, 2013, 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