SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 17-WEEK AND 53-WEEK PERIODS ENDED AUGUST 31, 2014

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Executive Summary

SIR Corp.'s ("SIR's") fourth quarter of fiscal 2014 ("Q4 2014") was from May 5, 2014 to August 31, 2014 inclusive.

SIR's fiscal 2014 year consists of 53 weeks versus 52 weeks for fiscal 2013 and its fourth quarter of fiscal 2014 consists of 17 weeks compared to 16 weeks for the fourth quarter of fiscal 2013 ("Q4 2013"). Therefore all revenue and expense information provided in this document for Q4 2014 and fiscal 2014, unless otherwise noted, includes an additional week of operations and should be considered when comparing to the prior year periods. Included in this discussion is certain financial information for fiscal 2014 on a 52-week basis in order to assist investors in making comparisons to the prior year.

Highlights for SIR's 2014 fourth quarter and fiscal year include:

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

- Food and beverage revenue from corporate restaurant operations for Q4 2014 was $95.8 million and $266.8 million for fiscal 2014. This represents a $12.9 million increase, or 15.6%, compared to Q4 2013 and a $24.7 million increase, or 10.2%, compared to fiscal 2013.
- SIR generated Same Store Sales Growth ("SSSG")[(1)] of 10.2% and 3.0% for Q4 2014 and fiscal 2014, respectively. If the additional week of revenue is removed from revenue in fiscal 2014, SSSG[(1)] for restaurants in the Royalty pool would be 3.4% and 0.8% for Q4 2014 and fiscal 2014, respectively.
- SIR's flagship Concept Restaurant brand, Jack Astor's®, which generated approximately 75% of Pooled Revenue in fiscal 2014, had SSSG[(1)] of 9.8% and 2.8% for Q4 2014 and fiscal 2014, respectively. Canyon Creek® had SSSG[(1)] of 8.5% for Q4 2014 and 1.8% for fiscal 2014. Alice Fazooli's®/Scaddabush Italian Kitchen & Bar® ("Scaddabush") had SSSG[(1)] of 13.9% for Q4 2014 and a SSS[(1)] decline of 0.7% for fiscal 2014. The Scaddabush location in Mississauga, Ontario, which was introduced during Q4 2013, had SSSG[(1)] of 44.1% and 25.1% in Q4 2014 and fiscal 2014, respectively. The downtown Toronto Signature Restaurants had SSSG[(1)] of 14.7% and 10.0% for Q4 2014 and fiscal 2014, respectively. Unfavourable weather in the current year, especially in Q3 2014 compared to the same period in the prior year had a negative impact on SSS[(1)] for all restaurants in fiscal 2014.
- If the additional week of revenue is removed from revenue in fiscal 2014, SSSG[(1)] for each of the Concept and Signature Restaurants would be as follows, for Q4 and fiscal 2014, respectively: Jack Astor's 3.0% and 0.6%; Canyon Creek 2.0% and flat; Alice Fazooli's/Scaddabush 6.9% and a decline of 2.8%; and Signature Restaurants 7.3% and 7.9%.

Investment in new and existing restaurants

- During the first quarter of fiscal 2014 ("Q1 2014"), on October 30, 2013, SIR opened Reds® Midtown Tavern, a second location of the original Reds® Signature Restaurant. During the second quarter of fiscal 2014 ("Q2 2014"), on December 4, 2013, SIR opened a second location of Duke's Refresher™ called Duke's Refresher™ & Bar. Please see the Overview section on page 6, where it explains that Duke's Refresher should be considered a New Concept Restaurant. During the third quarter of fiscal 2014 ("Q3 2014"), on February 18, 2014, SIR opened one new Scaddabush restaurant. During Q4 2014, on June 11, 2014, SIR opened one new Jack Astor's restaurant and on June 27, 2014, a new seasonal Signature retail outlet.
- Four restaurants were added to Royalty Pooled Restaurants on January 1, 2014, consisting of the two new Jack Astor's restaurants opened during the third quarter of fiscal 2013 ("Q3 2013"), the one new Jack Astor's restaurant opened during Q4 2013, and Reds Midtown Tavern, which opened in Q1 2014.
- Four Jack Astor's restaurants were renovated during fiscal 2014 (three in Q1 2014 and one in Q2 2014). SIR also completed upgrades and expansions to two Jack Astor's patios during Q4 2014. Subsequent to Q4 2014, SIR completed a renovation of one Canyon Creek restaurant and SIR is encouraged by the initial sales growth and

(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 2014 and fiscal 2013 and the seasonal Duke's Refresher and Abbey's Bakehouse, which are both located in Muskoka, Ontario, and the seasonal Abbey's Bakehouse retail outlet. 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. 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 10.*

guest feedback. Five restaurants were renovated during fiscal 2013, including two major Signature Restaurant renovations, one major Alice Fazooli's renovation, and two Jack Astor's renovations. The Signature Restaurant renovations were at Reds® Wine Tavern in the first quarter of fiscal 2013 ("Q1 2013") and the Loose Moose ® in the second quarter of fiscal 2013 ("Q2 2013"). In Q3 2013, the patio at Reds Wine Tavern was also renovated and extended. The major Alice Fazooli's renovation was in Q4 2013, when SIR temporarily closed the Alice Fazooli's Square One location in Mississauga, Ontario, to complete a renovation and concept redirection. The restaurant was re-opened in Q4 2013 as Scaddabush, offering guests a new, refreshing take on Italian dining.

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

- Net earnings and comprehensive income was $1.5 million in Q4 2014, an $8.0 million increase compared to Q4 2013. The net loss and comprehensive loss for fiscal 2014 was $9.4 million, $6.9 million favourable to fiscal 2013.
  - The favourable variance in net earnings and comprehensive income for Q4 2014 and fiscal 2014 is primarily due to a favourable change in the amortized cost of Ordinary LP Units and Class A LP Units of the SIR Royalty Limited Partnership (the "Partnership") which was income of $0.3 million for Q4 2014 and an expense of $10.2 million for fiscal 2014, compared to an expense of $7.1 million for Q4 2013 and an expense of $16.2 million for fiscal 2013. The Q4 2014 favourable change was the result of a decrease in the underlying unit price of the SIR Royalty Income Fund (the "Fund") compared to the unit price at the end of Q3 2014. The fiscal 2014 favourable change was a result of a decrease in the underlying unit price and an increase in the number of Class A LP units held by the Fund compared to the end of Q4 2013. Additional variances are noted below in the Adjusted Net Earnings(2) discussion.
- Adjusted Net Earnings(2) of $1.2 million in Q4 2014 is $0.6 million favourable to Q4 2013. Adjusted Net Earnings(2) of $0.8 million in fiscal 2014 is $0.9 million favourable to the same period in the prior year.
  - The favourable variance for Q4 2014 is primarily the result of increased earnings from corporate restaurant operations of $0.7 million.
  - The favourable variance for fiscal 2014 is primarily the result of decreased interest (income) and other expense (income) of $1.2 million which is primarily due to higher transaction costs associated with the sale of Fund units in Q3 2013 than the transaction costs associated with the sale of Fund units during Q3 2014.

- ***EBITDA***(3)
  - EBITDA(3) was $7.9 million in Q4 2014, up from $6.2 million in Q4 2013.
  - EBITDA(3) totalled $19.2 million in fiscal 2014, up from $17.7 million in fiscal 2013.

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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) and comprehensive income (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) and comprehensive income (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. Therefore, SIR's Adjusted Net Earnings (Loss) may not be comparable to similar measures presented by other issuers. Please refer to the reconciliations of net earnings (loss) for the period to Adjusted Net Earnings (Loss) on page 7 and page 10 of this document.

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

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

Management believes that, in addition to net earnings or loss, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating SIR's performance, as these are useful estimates of the core business' contribution to cash flow from operations and approximate the funds generated by SIR which are available to meet its financing obligations and capital expenditure requirements. Management interprets trends in EBITDA and Adjusted EBITDA as indicators of relative operating performance. EBITDA and Adjusted EBITDA are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. Management cautions investors that EBITDA and Adjusted EBITDA should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating EBITDA and Adjusted EBITDA may differ from the methods used by other issuers. Therefore, SIR's EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Please refer to the reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA and Adjusted EBITDA on page 8 of this document.

Credit Facility and Fund unit Transactions

- On June 23, 2014, SIR entered into a Third Amended and Restated Loan Agreement (the "Credit Agreement"), which provided 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"). The Tranche A Development Loan and the Tranche B Development Loan have been fully drawn and no further advances are permitted. The Tranche C Development Loan is not to exceed $6.0 million and was intended to be drawn by September 19, 2014, but could be extended to March 19, 2015 at the sole discretion of the lender upon request by SIR. No amounts have been drawn on the Tranche C Development Loan.
- Instead of seeking an extension of its credit facility, at this time, on November 19, 2014, SIR exchanged 350,000 Class A GP Units of the Partnership into Fund units and sold these units for total estimated net proceeds of $4.3 million. The net proceeds were deposited into SIR's restricted account and SIR has since drawn $2.0 million from this account to finance capital expenditures.
- Other Fund unit transactions occurred in Q3 2014 and in fiscal 2013, when SIR converted 500,000 and 1,418,900 Class A GP Units, respectively, to Fund units and sold these Fund units for total net proceeds of $6.8 million in the February 10, 2014 transaction and $16.6 million in the fiscal 2013 transactions.
- In all Fund unit transactions noted above, 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. SIR's residual interest in the Partnership was affected by the conversions of the Class A GP Units into Fund units. After the net effect of the fiscal 2013 transactions and the adjustments to Royalty Pooled Restaurants on January 1, 2014, SIR retained a 30.6% residual interest in the Partnership. After the February 10, 2014 transaction, SIR's residual interest in the Partnership decreased by 5.1% and as at August 31, 2014 was 25.5%. After the November 19, 2014 transaction which occurred subsequent to year end, SIR's residual interest in the Partnership decreased by 3.6% and is currently at 21.9%. The Class A LP Units have been accounted for as a financial liability consistent with the Ordinary LP Units (Refer to page 17 of the Liquidity and Capital Resources section).

Outlook

- At the current date, SIR has three commitments to lease properties, upon which it plans to build three new Jack Astor's restaurants, which are expected to open in fiscal 2015 and fiscal 2016. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.
- SIR has initiated a program to evolve its Alice Fazooli's into a new concept brand called Scaddabush and began this process by renovating its Alice Fazooli's Square One location in Mississauga, Ontario in Q4 2013. Scaddabush offers guests a new, refreshing take on Italian dining. During Q3 2014, on February 18, 2014, SIR opened one new Scaddabush restaurant.
- SIR continues to focus on sustaining and growing existing restaurant sales and profits while managing costs. SIR carefully monitors economic conditions and considers new restaurant growth and renovations when appropriate and subject to acceptable long-term financing or other available funds.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at August 31, 2014, SIR operated 58 Concept and Signature Restaurants in Canada (in Ontario, Quebec, Alberta, Nova Scotia, and Newfoundland) and one seasonal Signature retail outlet. The Concept Restaurants include Jack Astor's, Canyon Creek and Alice Fazooli's/Scaddabush. The Signature group of restaurants located in downtown Toronto include Reds Wine Tavern, Reds Midtown Tavern, Far Niente®/FOUR®/Petit Four® and the Loose Moose. SIR also owns and operates a Duke's Refresher & Bar and two seasonal restaurants: Duke's Refresher and Abbey's Bakehouse, in addition to one seasonal Abbey's Bakehouse retail outlet, which are not part of Royalty Pooled Restaurants. SIR owns 100% of all its Canadian restaurants. As at August 31, 2014, 53 SIR Restaurants were included in SIR Royalty Pooled Restaurants.

On January 1, 2014, four restaurants were added to Royalty Pooled Restaurants, including the two new Jack Astor's restaurants opened in Q3 2013, the one new Jack Astor's restaurant opened in Q4 2013, and Reds Midtown Tavern, opened in Q1 2014. During Q2 2014, on December 4, 2013, SIR opened one new Duke's Refresher & Bar. During Q3 2014, on February 18, 2014, SIR opened one new Scaddabush restaurant. During Q4 2014, on June 11, 2014, SIR opened one new Jack Astor's restaurant and on June 27, 2014, one new Signature retail outlet. The new Scaddabush restaurant and the new Jack Astor's restaurant opened during fiscal 2014 will be added to Royalty Pooled Restaurants on January 1, 2015.

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 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 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 2014 and 2013 consist of 53 weeks and 52 weeks, respectively.

Seasonality

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

Selected Consolidated Historical Financial Information

The following tables set out selected financial information of SIR for the 17-week and 53-week periods ended August 31, 2014, respectively, and the 16-week and 52-week periods ended August 25, 2013, respectively. The annual audited consolidated financial statements of SIR are prepared in accordance with IFRS and are presented in Canadian dollars. This information should be read in conjunction with the annual audited consolidated financial statements of SIR, including the notes thereto.

Statements of Operations and Comprehensive Income (Loss)	17-Week Period Ended August 31, 2014	16-Week Period Ended August 25, 2013	53-Week Period Ended August 31, 2014	52-Week Period Ended August 25, 2013
	(in thousands of dollars) (unaudited)			
Corporate restaurant operations:				
Food and beverage revenue	95,786	82,864	266,837	242,130
Cost of corporate restaurant operations	89,031	76,837	248,363	223,411
Earnings from corporate restaurant operations	**6,755**	**6,027**	**18,474**	**18,719**
Net earnings (loss) and comprehensive income (loss)	**1,522**	**(6,484)**	**(9,374)**	**(16,261)**
Adjusted Net Earnings (Loss)(2)	**1,215**	**616**	**840**	**(93)**

Statement of Financial Position	August 31, 2014	August 25, 2013
	(in thousands of dollars) (unaudited)	
Total assets	79,959	82,613
Total non-current liabilities	153,881	147,265

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) and comprehensive income (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) and comprehensive income (loss) excluding certain non-cash expenses and other expenses that SIR considers not to be of an operating nature. SIR believes that Adjusted Net Earnings (Loss)(2), EBITDA(3) and Adjusted EBITDA(3) are useful estimates of the core business' contribution to cash flow from operations and uses these measures as a supplemental measure of SIR's performance. Similarly, SIR believes that certain investors may also find these non-GAAP financial measures to be useful measures for their independent evaluation of SIR's performance.

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

Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to Adjusted Net Earnings (Loss)(2)	17-Week Period Ended August 31, 2014	16-Week Period Ended August 25, 2013	53-Week Period Ended August 31, 2014	52-Week Period Ended August 25, 2013
	(in thousands of dollars) (unaudited)			
Net earnings (loss) and comprehensive income (loss)	1,522	(6,484)	(9,374)	(16,261)
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	(307)	7,100	10,214	16,168
Adjusted Net Earnings (Loss)(2)	**1,215**	**616**	**840**	**(93)**

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

Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA(3) and Adjusted EBITDA(3)	17-Week Period Ended August 31, 2014	16-Week Period Ended August 25, 2013	53-Week Period Ended August 31, 2014	52-Week Period Ended August 25, 2013
	(in thousands of dollars) (unaudited)			
Net earnings (loss) and comprehensive income (loss) for the period	1,522	(6,484)	(9,374)	(16,261)
Add (deduct):				
Provision for income taxes	56	151	214	424
Interest (income) and other expense (income) – net	(43)	(21)	(100)	1,112
Loss on disposal of property and equipment	85	65	257	271
Impairment of goodwill and intangible assets	-	375	-	375
Impairment of non-financial assets	893	263	893	393
Interest expense	975	682	2,741	2,495
Interest on loan payable to SIR Royalty Income Fund	974	930	3,067	3,021
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	(307)	7,100	10,214	16,168
Depreciation and amortization	3,779	3,172	11,263	9,667
EBITDA(3)	**7,934**	**6,233**	**19,175**	**17,665**
Pre-opening costs	428	1,072	2,135	2,625
Adjusted EBITDA(3)	**8,362**	**7,305**	**21,310**	**20,290**
Income from Class A & B GP Units of the Partnership(4) (Not included in EBITDA(3) and Adjusted EBITDA(3) above)	1,343	1,085	3,912	4,062
6% Royalty obligations under License and Royalty Agreement(5)	5,422	4,539	15,231	13,847

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	17-Week Period Ended August 31, 2014	16-Week Period Ended August 25, 2013	53-Week Period Ended August 31, 2014	52-Week Period Ended August 25, 2013
	(in thousands of dollars) (unaudited)			
Revenue reported in consolidated financial statements	95,786	82,864	266,837	242,130
Less: Revenue from corporate restaurant operations excluded from the Royalty pool	(5,422)	(7,215)	(12,990)	(13,435)
Revenue for Restaurants in the Royalty pool	**90,364**	**75,649**	**253,847**	**228,695**

(4) Includes the additional distribution paid to Class B GP Unitholders 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.

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales[1]	17-Week Period Ended August 31, 2014	16-Week Period Ended August 25, 2013	53-Week Period Ended August 31, 2014	52-Week Period Ended August 25, 2013
	(in thousands of dollars) (unaudited)			
Revenue reported in consolidated financial statements	95,786	82,864	266,837	242,130
Less: Revenue from corporate restaurant operations excluded from Same Store Sales[1]	(17,071)	(11,461)	(36,396)	(18,458)
Same Store Sales[1]	**78,715**	**71,403**	**230,441**	**223,672**

Same Store Sales[1] by Segment	17-Week Period Ended August 31, 2014	16-Week Period Ended August 25, 2013	% Fav. / (Unfav.)*	53-Week Period Ended August 31, 2014	52-Week Period Ended August 25, 2013	% Fav. / (Unfav.)*
	(in thousands of dollars) (unaudited)					
Jack Astor's	60,220	54,830	9.8%	170,611	165,909	2.8%
Canyon Creek	8,354	7,701	8.5%	27,486	26,993	1.8%
Alice Fazooli's/Scaddabush	4,701	4,129	13.9%	13,910	14,010	(0.7%)
Signature Restaurants	5,440	4,743	14.7%	18,434	16,760	10.0%
Same Store Sales[1]	**78,715**	**71,403**	**10.2%**	**230,441**	**223,672**	**3.0%**

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

Summary of Quarterly Results

Statement of Operations	4th Quarter Ended August 31, 2014 (17 weeks)	3rd Quarter Ended May 4, 2014 (12 weeks)	2nd Quarter Ended February 9, 2014 (12 weeks)	1st Quarter Ended November 17, 2013 (12 weeks)	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)
	(in thousands of dollars) (unaudited)							
Corporate Restaurant Operations								
Food and beverage revenue	95,786	59,773	55,224	56,054	82,864	56,676	52,210	50,380
Cost of corporate restaurant operations	89,031	55,399	51,497	52,436	76,837	51,172	47,837	47,565
Earnings from corporate restaurant operations	**6,755**	**4,374**	**3,727**	**3,618**	**6,027**	**5,504**	**4,373**	**2,815**
Net earnings (loss) and comprehensive income (loss)	**1,522**	**725**	**113**	**(11,734)**	**(6,484)**	**(5,003)**	**(2,822)**	**(1,952)**
Adjusted Net Earnings (Loss)[2]	**1,215**	**430**	**(208)**	**(597)**	**616**	**310**	**347**	**(1,366)**

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

Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to Adjusted Net Earnings (Loss)[(2)]	4th Quarter Ended August 31, 2014 (17 weeks)	3rd Quarter Ended May 4, 2014 (12 weeks)	2nd Quarter Ended February 9, 2014 (12 weeks)	1st Quarter Ended November 17, 2013 (12 weeks)	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)
				(in thousands of dollars) (unaudited)				
Net earnings (loss) and comprehensive income (loss)	1,522	725	113	(11,734)	(6,484)	(5,003)	(2,822)	(1,952)
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	(307)	(295)	(321)	11,137	7,100	5,313	3,169	586
Adjusted Net Earnings (Loss)[(2)]	**1,215**	**430**	**(208)**	**(597)**	**616**	**310**	**347**	**(1,366)**

Selected Unaudited Consolidated Statement of Cash Flows Information:

	4th Quarter Ended August 31, 2014 (17 weeks)	3rd Quarter Ended May 4, 2014 (12 weeks)	2nd Quarter Ended February 9, 2014 (12 weeks)	1st Quarter Ended November 17, 2013 (12 weeks)	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)
				(in thousands of dollars) (unaudited)				
Cash provided by continuing operations	4,877	1,757	1,505	71	7,137	2,201	3,278	31
Cash provided by (used in) continuing investing activities	(2,575)	2,677	(5,323)	(164)	(2,513)	700	(1,202)	(3,494)
Cash provided by (used in) continuing financing activities	(3,281)	(2,329)	669	(950)	(2,647)	(2,237)	(2,011)	(2,030)
Increase (decrease) in cash and cash equivalents during the period	(979)	2,105	(3,149)	(1,043)	1,977	664	65	(5,493)
Cash and cash equivalents – Beginning of period	5,621	3,516	6,665	7,708	5,731	5,067	5,002	10,495
Cash and cash equivalents – End of period	4,642	5,621	3,516	6,665	7,708	5,731	5,067	5,002

Revenue

There are a number of references to different revenue groupings used in the consolidated financial statements, the notes to the consolidated financial statements and the Management's Discussion and Analysis ("MD&A"). The following definitions are provided for greater clarification of these groupings:

i. Revenue (per the SIR consolidated statements of operations and comprehensive income (loss)) – this is the total consolidated revenue of all restaurants for the period. The restaurants include all SIR Restaurants. For the 17-week and 53-week periods ended August 31, 2014, revenue was $95.8 million and $266.8 million, respectively.

ii. Same Store Sales ("SSS")[(1)] – this is a sub-set of (i) above used for tracking comparable year-over-year sales. For Q4 2014 and Q4 2013, SSS[(1)] includes all SIR Restaurants, except for those restaurants that were not open for the entire comparable periods in fiscal 2014 and fiscal 2013 and the seasonal Duke's Refresher, Abbey's Bakehouse and Abbey's Bakehouse retail outlet. SSS[(1)] for Alice Fazooli's includes three Alice Fazooli's restaurants and one Scaddabush restaurant, representing the Square One location in Mississauga, Ontario, which was renovated and re-opened as Scaddabush in Q4 2013. For the 17-week and 53-week periods ended August 31, 2014, SSS[(1)] was $78.7 million and $230.4 million, respectively.

iii. Pooled Revenue – this is the revenue subject to the License and Royalty Agreement – this includes revenue from all Royalty Pooled Restaurants. The Royalty Pooled Restaurants are adjusted on January 1st of each year for New Additional Restaurants and New Closed Restaurants. Currently, there are 53 Royalty Pooled Restaurants. For the 17-week and 53-week periods ended August 31, 2014, Pooled Revenue was $90.4 million and $253.8 million, respectively. The applicable Royalty to the Partnership on the Pooled Revenue for the comparable periods in fiscal 2013 was $5.4 million and $15.2 million, respectively.

***Same Store Sales*[(1)]**

SIR generated SSSG[(1)] of 10.2% and 3.0% for the 17-week and 53-week periods ended August 31, 2014, respectively. If the additional week of revenue is removed from revenue in fiscal 2014, SSSG[(1)] for restaurants in the Royalty pool would be 3.4% and 0.8% for Q4 and fiscal 2014, respectively. Unfavourable weather in the current year, especially during the winter and early spring, compared to the same periods in the prior year had a negative impact on SSS[(1)] for fiscal 2014 for all concepts.

Jack Astor's, SIR's flagship Concept Restaurant brand, which contributed approximately 75% of fiscal 2014 Pooled Revenue, generated SSSG[(1)] of 9.8% and 2.8% for the 17-week and 53-week periods ended August 31, 2014, respectively. Removing the additional week of revenue from fiscal 2014, results in a SSSG[(1)] for Jack Astor's of 3.0% and 0.6% for Q4 and fiscal 2014, respectively.

Canyon Creek generated SSSG[(1)] of 8.5% and 1.8% for the 17-week and 53-week periods ended August 31, 2014, respectively. Removing the additional week of revenue from fiscal 2014, results in a SSSG[(1)] for Canyon Creek of 2.0% and nil for Q4 and fiscal 2014, respectively. Subsequent to Q4 2014, SIR completed a renovation of one Canyon Creek restaurant. SIR is encouraged by the initial sales growth and guest feedback. Management continues to review initiatives to enhance value at Canyon Creek.

Alice Fazooli's, together with Scaddabush, had SSSG[(1)] of 13.9% and a SSS[(1)] decline of 0.7% for the 17-week and 53-week periods ended August 31, 2014, respectively. Removing the additional week of revenue from fiscal 2014, results in SSSG[(1)] for Alice Fazooli's/Scaddabush of 6.9% in Q4 2014 and a SSS[(1)] decline of 2.8% in fiscal 2014. SIR has initiated a program to evolve the Alice Fazooli's concept into 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 Q4 2013. This location generated SSSG[(1)] of 44.1% and 25.1% for the 17-week and 53-week periods ended August 31, 2014.

The downtown Toronto Signature Restaurants generated SSSG[(1)] of 14.7% and 10.0% for the 17-week and 53-week periods ended August 31, 2014, respectively. Removing the additional week of revenue from fiscal 2014, results in a SSSG[(1)] for this group of restaurants of 7.3% and 7.9% for Q4 and fiscal 2014, respectively. SSSG[(1)] in the Signature Restaurants for both Q4 2014 and fiscal 2014 was positively affected by fiscal 2013 renovations. Reds was fully renovated in Q1 2013, with its patio renovated and extended in Q3 2013, and the Loose Moose was fully renovated in Q2 2013.

Cost of Corporate Restaurant Operations

As a percentage of revenue, costs of corporate restaurant operations was 92.9% and 93.1% for the 17-week and 53-week periods ended August 31, 2014, respectively, compared to 92.7% and 92.3% for the 16-week and 52-week periods ended August 25, 2013, respectively. Higher costs as a percentage of revenue include repairs and maintenance, utilities and marketing for both the 17-week and 53-week periods ended August 31, 2014 compared to the 16-week and 52-week periods ended August 25, 2013, respectively. These increases were partially offset by lower pre-opening expenses related to new restaurant openings for the 17-week and 53-week periods ended August 31, 2014 compared to the same periods in the prior year. Pre-opening expenses are typical for new restaurant openings.

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. In fiscal 2013 and Q3 2014, on February 10, 2014, the Fund acquired 1,418,900 and 500,000 Class A LP units, respectively, upon SIR's conversion of its Class A GP Units into Fund units. Subsequent to August 31, 2014, on November 19, 2014, the Fund acquired a further 350,000 Class A LP units, respectively, upon SIR's conversion of its Class A GP Units into Fund units (refer to page 17 of the Liquidity and Capital Resources section). 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 2014, the change in amortized cost was income of $0.3 million due to a decrease in the underlying Fund unit price compared to Q3 2014. For fiscal 2014, the change in amortized cost was an expense of $10.2 million and was due to a decrease in the underlying Fund unit price and an increase in the number of Class A LP Units held by the Fund. The change in amortized cost was an expense of $7.1 million and $16.2 million for the 16-week and 52-week periods ended August 25, 2013, respectively.

Interest on the SIR Loan totalled $1.0 million and $3.1 million for the 17-week and 53-week periods ended August 31, 2014, respectively, and $0.9 million and $3.0 million for the 16-week and 52-week periods ended August 25, 2013, respectively.

EBITDA(3) and Adjusted EBITDA(3)

EBITDA(3) was $7.9 million and $19.2 million for the 17-week and 53-week periods ended August 31, 2014, respectively, up from $6.2 million and $17.7 million for the 16-week and 52-week periods ended August 25, 2013, respectively. Adjusted EBITDA(3) was $8.4 million and $21.3 million for the 17-week and 53-week periods ended August 31, 2014, respectively, up from $7.3 million and $20.3 million for the 16-week and 52-week periods ended August 25, 2013, respectively (See Selected Consolidated Historical Financial Information – Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA(3) and Adjusted EBITDA(3)).

Impairment of non-financial assets

During the 53-week period ended August 31, 2014, an impairment loss of $0.9 million (52-week period ended August 25, 2013 - $0.4 million) was recorded to write down SIR's non-financial assets to their recoverable amounts (see Critical Accounting and Estimates section).

SIR Royalty Income Fund

The following is a summary of the accounting implications of the SIR Loan and non-controlling interest of the Partnership:

(a) SIR Loan

The $40.0 million SIR Loan is payable to the Fund, bears interest at 7.5% per annum, and is due October 12, 2044. On August 23, 2013, SIR, the Fund and the Partnership entered into an Amended and Restated Subordination and Postponement 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 senior 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 Amended and Restated Subordination and Postponement 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 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, then payments to the Fund and the Partnership could 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 senior lender is pursuing remedies). The Amended and Restated Subordination and Postponement Agreement also contains various other typical covenants.

Interest expense on the SIR Loan was charged to the consolidated statements of operations and comprehensive income (loss) in the amount of $1.0 million and $3.1 million for the 17-week and 53-week periods ended August 31, 2014, respectively, and $0.9 million and $3.0 million for the 16-week and 52-week periods ended August 25, 2013, 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

	17-Week Period Ended August 31, 2014	16-Week Period Ended August 25, 2013	53-Week Period Ended August 31, 2014	52-Week Period Ended August 25, 2013
	(in thousands of dollars) (unaudited)			
Balance – Beginning of the period	97,130	80,408	85,718	58,328
Conversion of Class A GP Units	-	-	6,976	17,819
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	(307)	7,100	10,214	16,168
Distributions paid to Ordinary LP and Class A LP unitholders	(2,763)	(1,790)	(8,848)	(6,597)
Balance – End of period	94,060	85,718	94,060	85,718
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(8,285)	(7,509)	(8,285)	(7,509)
Ordinary LP Units and Class A LP Units of the Partnership	85,775	78,209	85,775	78,209

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

Pooled Revenue(6)	90,364	75,649	253,847	228,695
Partnership royalty income(7)	5,422	4,539	15,231	13,847
Other income	9	13	42	39
Partnership expenses	(32)	(36)	(92)	(99)
Net earnings of the Partnership	5,399	4,516	15,181	13,787
SIR's residual interest in the earnings of the Partnership:				
Income from Class A & B GP Units of the Partnership	(1,343)	(1,085)	(3,912)	(4,062)
Income from Class C GP Units of the Partnership	(970)	(921)	(3,041)	(2,992)
	(2,313)	(2,006)	(6,953)	(7,054)
Fund's interest in the earnings of the Partnership	3,086	2,510	8,228	6,733

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash consideration of $11.2 million. During fiscal 2013 and Q3 2014, the Fund acquired 1,418,900 and 500,000 Class A LP Units, respectively, upon SIR's conversion of its Class A GP Units into Fund units (refer to page 17 of the Liquidity and Capital Resources section). The holders of the Ordinary LP Units and Class A LP Units are entitled to receive their pro rata share of all residual distributions of the Partnership. The distributions are declared by the board of directors of SIR GP Inc., which is controlled by the Fund. Accordingly, the Ordinary LP Units and Class A LP Units of the Partnership have been classified as a financial liability in the consolidated statements of financial position. The Ordinary LP Units and Class A LP Units of the Partnership are accounted for at amortized cost, with changes in the carrying value recorded in the consolidated statements of operations and comprehensive income (loss).

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

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").

(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.

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, 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 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 into 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 803,000 (January 1, 2013 – 296,000) Class B GP Units into 803,000 (January 1, 2013 – 296,000) Class A GP Units on January 1, 2014 at an estimated fair value of $11.4 million (January 1, 2013 – $4.3 million). In addition, the revenues of four new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2013 (January 1, 2012 – one) exceeded 80% of the Initial Adjustment's estimated revenues 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.

After the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2014, SIR's residual interest in the Partnership was 30.6%. After the February 10, 2014 unit transaction, SIR's residual interest in the Partnership decreased by 5.1% and as at August 31, 2014 was at 25.5% (August 25, 2013 – 24.4%). SIR's residual interest in the Partnership was further reduced by 3.6% to 21.9% after the November 19, 2014 unit transaction (refer to page 17 of the Liquidity and Capital Resources section).

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	17-Week Period Ended August 31, 2014	16-Week Period Ended August 25, 2013	53-Week Period Ended August 31, 2014	52-Week Period Ended August 25, 2013
	(in thousands of dollars) (unaudited)			
Cash provided by operations	4,877	7,137	8,210	12,647
Cash used in investing activities	(2,575)	(2,513)	(5,385)	(6,509)
Cash used in financing activities	(3,281)	(2,647)	(5,891)	(8,925)
Increase (decrease) in cash and cash equivalents during the period	(979)	1,977	(3,066)	(2,787)
Cash and cash equivalents – Beginning of period	5,621	5,731	7,708	10,495
Cash and cash equivalents – End of period	4,642	7,708	4,642	7,708

Cash provided by operations decreased by $2.3 million and $4.4 million for the 17-week and 53-week periods ended August 31, 2014, respectively, as compared to the 16-week and 52-week periods ended August 25, 2013, respectively. Although net earnings increased by $8.0 million for the 17-week period ended August 31, 2014 compared to the 16-week period ended August 25, 2013, this increase was offset by items not affecting cash, including: the fluctuation in the change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership of $7.4 million, the decrease in goodwill impairment of $0.4 million, offset by the increase in impairment of non-financial assets of $0.6 million, and the increase in depreciation and amortization of $0.6 million. The $1.1 million increase in landlord and other inducement received in Q4 2014, offset by an increase in distributions paid to Ordinary LP and Class A LP unitholders of $1.0 million, further increased cash provided by operations for Q4 2014. However, the variance in the net change in working capital items of $3.9 million contributed to the increase in cash used in operations in Q4 2014. For the 53-week period ended August 31, 2014, the net loss decreased by $6.9 million compared to the 52-week period ended August 25, 2013. This decrease in net loss was partially offset by fluctuations in items not affecting cash compared to the same period of the prior year. Decreases in items not affecting cash for fiscal 2014 included a decrease in the change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership of $6.0 million, a change in the provision for (recovery of) impairment of loans and advances of $0.4 million, a decrease in goodwill impairment of $0.4 million, a decrease in current income taxes of $0.2 million and a decrease in other of $0.9 million (which includes the lower unit sale transaction costs, compared to the prior year). Increases in items not affecting cash include an increase in amortization of $1.6 million and an increase in impairment of non-financial assets of $0.5 million. Landlord and other inducements received increased $0.9 million for the 53-week period ended August 31, 2014, but this was more than offset by an increase in distributions paid to Ordinary LP and Class A LP unitholders of $2.3 million and a change in the net change in working capital items of $4.6 million which further decreased cash provided by operations in fiscal 2014.

Investing activities used cash of $2.6 million and $5.4 million for the 17-week and 53-week periods ended August 31, 2014, respectively. Investing activities used cash of $2.5 million and $6.5 million for the 16-week and 52-week periods ended August 25, 2013, respectively. Purchases of property and equipment and other assets – net amounted to $4.2 million and $15.5 million for the 17-week and 53-week periods ended August 31, 2014, respectively, and $4.6 million and $20.7 million for the 16-week and 52-week periods ended August 25, 2013, respectively. The majority of the capital expenditures for the 53-week period ended August 31, 2014 related to: the construction costs incurred for the new Reds Midtown Tavern that opened in Q1 2014, the new Duke's Refresher & Bar that opened in Q2 2014, the new Scaddabush that opened in Q3 2014, the new Jack Astor's that opened in Q4 2014, renovation costs for four Jack Astor's restaurants during Q1 2014 and Q2 2014, and the patio upgrades and enhancements at two Jack Astor's restaurants in Q4 2014. The majority of the capital expenditures for the 52-week period ended August 25, 2013 related to the construction costs incurred for five new Jack Astor's restaurants (two in Q1 2013, two in Q3 2013, and one in Q4 2013), some of the construction costs for the new Reds Midtown Tavern that opened in early fiscal 2014 and the renovation costs for Reds Wine Tavern, the Loose Moose, and two Jack Astor's restaurants. Management expects that the investments in new and existing restaurants and other profit enhancing initiatives (such as new patios and patio expansions) and maintenance capital expenditures, will help position SIR favourably in the market. Cash used in investing activities includes net cash proceeds received from restricted funds of $1.5 million and $9.8 million for the 17-week and 53-week periods ended August 31, 2014, respectively and $2.0 million and $14.0 million for the 16-week and 52-week periods ended August 25, 2013, respectively. The proceeds from the conversion of Class A GP Units to Fund units and their subsequent sale were placed in a restricted account and have been accounted for as non-cash transactions in the consolidated statements of cash flows.

For the 17-week and 53-week periods ended August 31, 2014, cash used in financing activities was $3.3 million and $5.9 million, respectively. Cash used in financing activities was $2.6 million and $8.9 million for the 16-week and 52-week periods ended August 25, 2013, respectively. Proceeds received from the issuance of long-term debt were $nil and $4.0 million for the 17-week and 53-week periods ended August 31, 2014, which represents draws on the Tranche B Development Loan. Principal repayments on long-term debt were $1.5 million and $4.2 million for the 17-week and 53-week periods ended August 31, 2014, respectively, and $1.3 million and $3.6 million for the 16-week and 52-week periods ended August 25, 2013, respectively. Interest paid was $1.8 million and $5.4 million for the 17-week and 53-week periods ended August 31, 2014, respectively and $1.4 million and $5.2 million for the 16-week and 52-week periods ended August 25, 2013, respectively.

The two new Jack Astor's restaurants opened during Q3 2013, the one new Jack Astor's restaurant opened during Q4 2013, and the one new Signature Restaurant, Reds Midtown Tavern, which opened in Q1 2014, were added to the Royalty Pooled Restaurants effective January 1, 2014. At that time, SIR received additional Class A GP Units in accordance with the formula for adjustment for New Additional Restaurants added to Royalty Pooled Restaurants. The amount of Class A GP Units received was adjusted for the Second Incremental Adjustment for the four New Additional Restaurants that were added to Royalty Pooled Restaurants on January 1, 2013. 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, 2014, SIR held 2,991,344 Class A GP Units. After the February 10, 2014 transaction during Q3 2014 the number of SIR's Class A GP Units decreased by 500,000 units and as at August 31, 2014, SIR held 2,491,344 Class A GP Units. After the November 19, 2014 transaction, subsequent to

August 31, 2014, the number of Class A GP Units decreased by 350,000 units and, SIR now holds 2,141,344 Class A GP Units (refer to page 17).

As at August 31, 2014, SIR had current assets of $15.1 million (August 25, 2013 – $21.3 million) and current liabilities of $40.4 million (August 25, 2013 – $40.5 million) resulting in a working capital deficit of $25.3 million (August 25, 2013 – $19.2 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 to fund its working capital requirements, scheduled debt repayments, and future construction commitments.

During Q4 2014, on June 23, 2014, SIR entered into the Credit Agreement, which provided for contemplated financing of $6.0 million under the Tranche C Development Loan in addition to the existing Term Loan, the Tranche A Development Loan and the Tranche B Development Loan. The Tranche A Development Loan and the Tranche B Development Loan have been fully drawn and no further advances are permitted. The Tranche C Development Loan is not to exceed $6.0 million and was intended to be drawn by September 19, 2014, but could be extended to March 19, 2015 at the sole discretion of the lender upon request by SIR. Subsequent to August 31, 2014, SIR announced that rather than seeking an extension of its credit facility at his time, it plans to exchange a portion of the Class A GP Units of the Partnership into Fund units and sell these units (refer to page 17 of this section).

All loans under the Credit Agreement are due on November 14, 2016. The Term Loan and the Tranche A Development Loan have a variable interest rate equal to the greater of 6.0% per annum and the three-month Canadian dollar bankers' acceptance rate plus 5.75% per annum, which on August 31, 2014, totalled 6.97%. The Tranche B Development Loan has a variable interest rate equal to the greater of 5.90% per annum and the three-month Canadian dollar bankers' acceptance rate plus 5.65% per annum, which on August 31, 2014 totalled 6.87%. The Tranche C Development Loan has a variable interest rate equal to the greater of 5.55% per annum and the three-month Canadian dollar bankers' acceptance rate plus 5.30% per annum. SIR can also elect to fix the interest rate. The amortization period for the Term Loan is ten years, whereas the Tranche A Development Loan, the Tranche B Development Loan and the Tranche C Loan are seven years.

The Term Loan, Tranche A Development Loan and Tranche B Development Loan are repayable in estimated monthly blended installments of principal and interest of $0.3 million, $0.2 million and $0.6 million, respectively. Interest only was payable on the Tranche B Development Loan until it was converted into term debt in December 2013.

The Credit Agreement is collateralized by a general security agreement and entitles the lender to a first charge on all of 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. The loan is secured by substantially all of the assets of SIR and most of its subsidiaries, which are also guarantors. However, the lender does not have a pledge over the assets of the Partnership. The Credit Agreement contains certain financial and non-financial covenants that SIR is in compliance with as at its last reporting date to the lender, including a minimum fixed charge coverage ratio and a senior leverage ratio. The Partnership and the Fund have not guaranteed the Credit Agreement. The covenants were subsequently amended on November 5, 2014 (refer to page 17 of this section).

The Credit Agreement qualifies as "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. The terms of the subordination are as contemplated in the previous agreements between the Fund, the Partnership and SIR. This subordination 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 trademarks and related intellectual property in return for royalty payments based on revenues and is effected pursuant to the terms of an Amended and Restated Subordination and Postponement Agreement, a copy of which was filed on SEDAR.

A company owned by the majority shareholder of SIR has guaranteed SIR's obligations under the Credit Agreement and a guarantee fee of $0.05 million and $0.2 million were charged to the consolidated statements of operations and comprehensive income (loss) for the 17-week and 53-week periods ended August 31, 2014, respectively, ($nil and $0.05 million for the 16-week and 52-week periods ended August 25, 2013, respectively). On November 13, 2009, SIR also issued 26 warrants to the majority shareholder of SIR to acquire Class S Special Shares of SIR, which would, if exercised, represent a controlling voting interest in SIR. The warrants have an exercise price of $1.00, expire on November 11, 2020 and can only be exercised upon an event of default by SIR with respect to the Credit Agreement. The warrants have also been pledged to the senior lender.

Subsequent to August 31, 2014, the lender agreed to release the security over 350,000 Class A GP Units and on November 19, 2014, SIR exchanged 350,000 Class A GP Units of the Partnership into Fund units and sold these Fund units for estimated net proceeds $4.3 million (net of estimated transaction costs of $0.1 million).

In Q3 2014 and during fiscal 2013, SIR converted 500,000 and 1,418,900 Class A GP Units, respectively, to Fund units and sold these Fund units for net proceeds of $6.8 million (net of transaction costs of $0.2 million) in the February 10, 2014 transaction and $16.6 million (net of transaction costs of $1.3 million) in the fiscal 2013 transactions.

SIR's residual interest in the Partnership was affected by the conversions of the Class A GP Units into Fund units. After the net effect of the fiscal 2013 transactions and the adjustments to Royalty Pooled Restaurants on January 1, 2014, SIR retained a 30.6% residual interest in the Partnership. After the February 10, 2014 transaction in Q3 2014, SIR's residual interest in the Partnership decreased by 5.1% and was 25.5% as at August 31, 2014. After the November 19, 2014 transaction, subsequent to year end, SIR's residual interest in the Partnership decreased by 3.6% and is currently 21.9%.

The disposition of Fund units has been accounted for as a non-cash transaction in the consolidated statements of cash flows. The proceeds net of certain transaction costs of $6.8 million for the Q3 2014 transaction and $17.0 million for the fiscal 2013 transactions were deposited into an account restricted by the lender and, accordingly, were classified as restricted cash in the consolidated statements of financial position. During the 53-week period ended August 31, 2014, $9.8 million (52-week period ended August 25, 2013 - $14.0 million) of the funds held in the restricted account have been released to SIR. As at August 31, 2014, the balance in the restricted account was $0.001 million. The funds in the restricted account are only to be used by SIR to finance capital expenditures, including restaurant renovations, new restaurant construction and other lender-approved purposes. The proceeds net of certain transaction costs of $4.3 million for the November 19, 2014 transaction were deposited to the restricted account subsequent to August 31, 2014. SIR has since drawn $2.0 million on this restricted account and plans to draw further amounts in its second quarter of fiscal 2015, subject to SIR's compliance with the terms and conditions of the Credit Agreement, both before and after any further draws from the restricted account. SIR is currently compliant with its financial covenants.

The financial covenants applicable to SIR in the Credit Agreement have been modified such that the minimum cash available for debt service ratio will now apply commencing at the end of SIR's first quarter of fiscal 2015 (the 12-weeks ended November 23, 2014). All other financial covenants remain the same.

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 August 23, 2013, 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 this credit facility (Please refer to SIR Royalty Income Fund section).

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

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

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

At the current date, SIR has three commitments to lease properties, on which it plans to build three new Jack Astor's restaurants. SIR has begun the early stages of construction of one of the Jack Astor's restaurants and has further purchase commitments for the construction of these properties of $1.1 million. At the current date, SIR has not entered into any construction contracts for the other two Jack Astor's restaurants, but expects to do so in the future. Final costs of construction are subject to uncertainties as to their amounts and timing. Items such as finalization of design and final construction quotations could change the total cost of these projects. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.

As at August 31, 2014, $16.2 million, $8.7 million and $3.7 million were outstanding on SIR's Credit Agreement for the Term Loan, Tranche A Development Loan and Tranche B Development Loan, respectively. As at the current date, no draws have been made on the Tranche C Development Loan (see Liquidity and Capital Resources section).

SIR has the following contractual obligations as of August 31, 2014 (in thousands of dollars):

	1 Year	2 – 3 Years	4 – 5 Years	Thereafter	Total
Operating leases	14,079	28,883	24,523	44,076	111,561
Long-term debt principal repayments	4,729	23,933	-	-	28,662
SIR Loan principal repayment	-	-	-	40,000	40,000
	18,808	**52,816**	**24,523**	**84,076**	**180,223**

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 or companies controlled by shareholders of SIR 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:

- Payment for occupancy costs and maintenance services, charged to corporate costs, provided by a company owned by a party related to a shareholder of SIR, in the amount of $0.05 million and $0.2 million for the 17-week and 53-week periods ended August 31, 2014, respectively ($0.05 million and $0.2 million for the 16-week and 52-week periods ended August 25, 2013, respectively).
- Payment for occupancy costs, charged to corporate costs, provided by a company owned by a director and shareholder of SIR, in the amount of $nil and $0.004 million for the 17-week and 53-week periods ended August 31, 2014, respectively ($0.02 million for both the 16-week and 52-week periods ended August 25, 2013).
- Payment for refurbishing costs, charged to corporate costs, provided by a shareholder of SIR in the amount of $0.01 million for both the 17-week and 53-week periods ended August 31, 2014, ($nil for both the 16-week and 52-week periods ended August 25, 2013, respectively),
- Payment for maintenance services, charged to direct costs of restaurant operations, provided by a company owned by a party related to a shareholder of SIR, in the amount of $0.03 million and $0.09 million for the 17-week and 53-week periods ended August 31, 2014, respectively ($0.05 million and $0.07 million for the 16-week and 52-week periods ended August 25, 2013, respectively).
- Payment for occupancy costs, charged to direct costs of restaurant operations, provided by a company that is owned by a party related to a director of SIR, in the amount of $0.01 million for both the 17-week and 53-week periods ended August 31, 2014, ($nil for both the 16-week and 52-week periods ended August 25, 2013, respectively).
- Payment for design and construction management fees and fixtures, charged to property and equipment, provided by a company owned by a shareholder of SIR, in the amount of $0.3 million and $0.9 million for the 17-week and 53-week periods ended August 31, 2014, respectively ($0.1 million and $0.7 million for the 16-week and 52-week periods ended August 25, 2013, respectively).
- Payment for construction management fees and fixtures, charged to property and equipment, provided by a company owned by a party related to a shareholder of SIR, in the amount of $0.3 million and $1.2 million for the 17-week and 53-week periods ended August 31, 2014, respectively ($0.3 million and $1.4 million for the 16-week and 52-week periods ended August 25, 2013, respectively).
- Payment for fixtures, charged to property and equipment, provided by a shareholder of SIR, in the amount of $0.01 million and $0.04 million for the 17-week and 53-week periods ended August 31, 2014, respectively ($0.09 million for both the 16-week and 52-week periods ended August 25, 2013, respectively).

- Received repayment against loans and advances from U.S. S.I.R. L.L.C. of $0.09 million and $0.3 million for the 17-week and 53-week periods ended August 31, 2014, respectively ($0.06 million and $0.2 million for the 16-week and 52-week periods ended August 25, 2013, respectively). SIR recognized interest income on those loans and advances of $0.07 million and $0.2 million for the 17-week and 53-week periods ended August 31, 2014, respectively ($0.06 million and $0.2 million for the 16-week and 52-week periods ended August 25, 2013, respectively*).* As at August 31, 2014, SIR has loans and advances of $1.3 million owing from U.S. S.I.R. L.L.C. (August 25, 2013 – $1.2 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.

In addition, included in accounts receivable are amounts due from U.S. S.I.R. L.L.C and its subsidiary of $0.2 million (August 25, 2013 – $0.2 million). Also included in accounts receivable are amounts due from a company owned by a party related to a director of SIR of $0.2 million (August 25, 2013 – $0.2 million).

Included in accounts payable and accrued liabilities are amounts due to shareholders of SIR and companies owned by shareholders of SIR of $0.01 million (August 25, 2013 – $0.05 million). Also included in accounts payable are amounts due to a company owned by a party related to a shareholder of SIR of $0.09 million (August 25, 2013 – $0.15 million), amounts due to a company owned by a party related to a director of SIR of $0.2 million (August 25, 2013 – $0.1 million) and amounts due to U.S. S.I.R. L.L.C. of $0.8 million (August 25, 2013 – $0.8 million).

Transactions with the SIR Royalty Income Fund

Advances receivable from the Fund and its subsidiaries as at August 31, 2014 were $2.6 million (August 25, 2013 – $2.4 million). Advances receivable are non-interest bearing and due on demand.

During the 17-week and 53-week periods ended August 31, 2014, distributions of $3.1 million and $8.2 million were declared to the Fund by the Partnership, respectively ($2.5 million and $6.7 million for the 16-week and 52-week periods ended August 25, 2013, 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 31, 2014 were $3.3 million (August 25, 2013 – $3.9 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 $1.0 million and $3.1 million for the 17-week and 53-week periods ended August 31, 2014, respectively, and $0.9 million and $3.0 million for the 16-week and 53-week periods ended August 25, 2013, respectively. Interest payable on the SIR Loan as at August 31, 2014 was $0.3 million (August 25, 2013 – $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 the 17-week and 53-week periods ended August 31, 2014, respectively ($0.007 million and $0.024 million for the 16-week and 52-week periods ended August 25, 2013, respectively), which was the amount of consideration agreed to by the related parties.

Critical Accounting Estimates and Judgments

The preparation of SIR's financial statements requires Management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on Management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting 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 indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there 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 evaluates 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 53-week period ended August 31, 2014, no impairment of goodwill was recognized by SIR (52-week period ended August 25, 2013 – $0.4 million). The fiscal 2013 impairment was a 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 discount rate of 15% and the estimated proceeds to dispose of the assets at the end of the lease term. Management performed sensitivity testing on the estimates and 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 four restaurants (2013 – four restaurants) was less than the carrying value of the restaurants' non-financial assets (property and equipment). In fiscal 2014, the recoverable amount for the impairment of three restaurants (two Jack Astor's and one Canyon Creek restaurant) (2013 – one Jack Astor's and two Alice Fazooli's restaurants) was based on fair value, less costs to sell. The fair value less costs to sell these restaurants was estimated using a depreciated replacement cost methodology. The recoverable amount for the fiscal 2014 impairment of the remaining restaurant (Signature restaurant) (fiscal 2013 – one Jack Astor's restaurant) was based on value-in-use, which was estimated using a discounted cash flow model. Significant assumptions used in the model include the estimate of cash flows and a discount rate of 15% (2013 – 15%). Management has performed sensitivity testing on the estimates and determined that a reasonable change in assumptions would not result in a material change in the impairment of the property and equipment. Based on the analysis completed, an impairment of non-financial assets of $0.9 million for the 53-week period ended August 31, 2014 (52-week period ended August 25, 2013 - $0.4 million) was recognized in the consolidated statements of operations and comprehensive loss.

Loans and advances

Loans and advances are recorded at amortized cost and are written down to their estimated realizable amount when there is evidence of an impairment. As at August 31, 2014, SIR evaluated its loans and advances from U.S. S.I.R. L.L.C. for impairment. SIR determined the estimated recoverable amounts by using a discounted cash flow model. Significant assumptions used in the discounted cash flow model include the expected future cash payments and a discount rate of 15%. Based on the analysis completed, a recovery of $0.3 million for the 53-week period ended August 31, 2014 (52-week period ended August 25, 2013 – provision of $0.07 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 Pronouncement

IFRS adopted during the period

IFRS 10, Consolidated Financial Statements, requires an entity to consolidate an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaced Standing Interpretations Committee 12, Consolidation - Special Purpose Entities, and parts of IAS 27. Management has determined that the adoption of this standard had no impact on the consolidated financial statements.

IFRS 11, Joint Arrangements, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC 13, Jointly Controlled Entities - Non-monetary Contributions by Venturers. Management has determined that the adoption of this standard had no impact on its consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities, establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. Management has determined that the adoption of this standard required additional disclosures in its annual consolidated financial statements.

IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Management has determined that the adoption of this standard had no impact on its consolidated financial statements.

IAS 19, Employee Benefits, has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. A number of other amendments have been made to recognition, measurement and classification, including redefining short-term and other long-term benefits, guidance on the treatment of taxes relating to benefit plans, guidance on risk/cost sharing features and expanded disclosures. Management has determined that the adoption of this standard had no impact on its consolidated financial statements.

IFRS issued but not yet effective

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

IFRS 15, Revenue from Contracts with Customers, specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2017 and early adoption is permitted. Management is evaluating the standard and has not yet determined the impact on its consolidated financial statements.

IAS 36, Impairment of Assets – Disclosures, has been amended to introduce limited scope amendments to remove certain disclosure requirements in IAS 36, Impairment of Assets. This standard is effective for years beginning on or after January 1, 2014. Management is evaluating this standard and has not yet determined the impact on its consolidated financial statements.

IFRIC 21, Accounting for Levies Imposed by Governments, clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. This standard is effective for years beginning on or after January 1, 2014. Management is evaluating this standard and has not yet determined the impact on its consolidated financial statements.

IAS 24, Related Party Transactions, has been amended to (i) revise the definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements. 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.

Financial Instruments

Financial assets and liabilities have been classified into categories that determine their basis of measurement and for items measured at fair value, whether changes in fair value are recognized in the consolidated statements of operations or in comprehensive loss. SIR's financial instruments consist of cash and cash equivalents, restricted cash, trade and other receivables, loans and advances, trade and other payables, long-term debt, loan payable to the Fund, Ordinary LP Units and Class A LP Units of the Partnership and warrants. The fair values of cash and cash equivalents, restricted cash, trade and other receivables 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 31, 2014 is $28.7 million and is determined based on the estimated contractual schedule of payments as the interest rate varies with the current market rates and, in the case of the finance lease obligations, the rate on the debt instrument is not materially different from current market interest rates. The warrants have a nominal fair value. 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, restricted cash, trade and other receivables and loans and advances. SIR minimizes the credit risk of cash and cash equivalents and restricted cash 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 and the capital lease obligations have fixed interest rates. Accordingly, changes in interest rates for these liabilities would not impact the consolidated statements of operations and comprehensive loss or the carrying value of these financial liabilities. However the fair value of these financial liabilities 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. There are many well-established competitors with greater financial and other resources than SIR. Competitors include national and regional chains, as well as individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual and fine dining sectors in which many of the SIR Restaurants operate. Some of SIR's competitors have been in existence for a substantially longer period than SIR and may be better established in the markets where SIR Restaurants are or may be located. In addition, factors such as business and economic conditions, changes in foreign exchange, availability of credit, inflation, increased food, labour and benefits costs, taxes, government regulations (including those governing alcoholic beverages), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants affect the restaurant industry in general and therefore SIR. Please refer to the Fund's March 11, 2014 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

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

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

Outlook

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

On June 23, 2014, SIR amended its credit facility with its lender to provide for additional financing with the Tranche C Development Loan. SIR has decided not to proceed with an extension of the Tranche C Development Loan, at this time. SIR instead requested the lender to release its security over 350,000 Class A GP Units and on November 19, 2014, SIR exchanged 350,000 Class A GP Units of the Partnership into Fund units and sold these Fund units for estimated net proceeds of $4.3 million (net of estimated transaction costs of $0.1 million). The proceeds may be used by SIR to finance capital expenditures, including restaurant renovations, new restaurant construction and other lender-approved purposes

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 locations will open in fiscal 2015 and fiscal 2016. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.

SIR introduced a variant of the Alice Fazooli's concept called Scaddabush, offering guests a new, refreshing take on Italian dining and began by renovating the Alice Fazooli's Square One location in Mississauga, Ontario in Q4 2013. During Q3 2014, on February 18, 2014, SIR opened one new Scaddabush restaurant. SIR plans to continue the conversion of additional Alice Fazooli's to Scaddabush over the next two fiscal years. Subsequent to Q4 2014, SIR completed a renovation of one Canyon Creek restaurant and SIR is encouraged by its initial sales growth and guest feedback.

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

Forward Looking Information

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "should", "would", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including: market conditions at the time of this filing; competition; changes in demographic trends; weather; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; changes in foreign exchange; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. There can be no assurance that SIR will remain compliant in the future with all of its financial covenants under the Credit Agreement and imposed by the lender, or that it will be entitled to utilize any funds in the restricted account. 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 24, 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, 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 and that SIR will be entitled to utilize any funds in its restricted account. 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