SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2015

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Executive Summary

Highlights for the three-month period ended December 31, 2015 ("Q4 2015") and the year ended December 31, 2015 ("Fiscal 2015") for SIR Royalty Income Fund (the "Fund") include:

- Net earnings of the Fund were $2.1 million and $8.6 million for Q4 2015 and Fiscal 2015, respectively, as compared to $2.1 million and $8.2 million for the three-month period ended December 31, 2014 ("Q4 2014") and the year ended December 31, 2014 ("Fiscal 2014"), respectively. Net earnings per Fund unit were $0.28 and $1.13 for Q4 2015 and Fiscal 2015, respectively, as compared to $0.28 and $1.13 for Q4 2014 and Fiscal 2014, respectively.
- Distributable cash(1) per Fund unit, both on a basic and diluted basis, was $0.28 and $1.13 for Q4 2015 and Fiscal 2015, respectively, as compared to $0.28 and $1.13 for Q4 2014 and Fiscal 2014, respectively. Please refer to the Distributions section on page 5 and Distributable Cash(1) on page 10.
- The Fund's payout ratio(1) increased from 100.0% in Q4 2014 to 102.5% in Q4 2015 and remained the same at 100.5% in Fiscal 2015 as it was in Fiscal 2014. The payout ratio(1) since the Fund's inception, up to and including Q4 2015 is 99.5%.
- Pooled Revenue increased by 4.9% in Q4 2015 to $67.2 million, up from $64.1 million in Q4 2014. Pooled Revenue increased by 3.8% for Fiscal 2015 to $267.6 million, up from $257.9 million in Fiscal 2014. The increase is a result of the two new Royalty Pooled Restaurants over the corresponding period in the prior fiscal year.
- SIR Corp. ("SIR") has reported to the Fund that the Royalty Pooled Restaurants generated SSSG(2) of 0.4% in Q4 2015 and experienced a decline in SSS(2) of 0.8% in Fiscal 2015.
- Jack Astor's®, which accounted for approximately 72% of Pooled Revenue in Q4 2015, experienced a decline in SSS(2) of 0.8% and 1.1% in Q4 2015 and Fiscal 2015, respectively. During Q4 2015, one Jack Astor's location was closed for 16 days for renovations, which negatively impacted SSS(2) in both Q4 2015 and Fiscal 2015 in this brand. Canyon Creek® generated SSSG(2) of 0.8% and 0.2% in Q4 2015 and Fiscal 2015, respectively. Scaddabush Italian Kitchen & Bar™ ("Scaddabush"), together with Alice Fazooli's® ("Scaddabush/Alice Fazooli's"), experienced SSSG(2) of 7.0% in Q4 2015 and 1.9% in Fiscal 2015. SIR's Signature Restaurants generated SSSG(2) of 5.3% in Q4 2015, but experienced a decline in SSS(2) of 0.4% in Fiscal 2015. On February 18, 2015, one of SIR's Signature brand restaurants, Far Niente®/FOUR®/Petit Four®, was temporarily closed for 40 days due to significant water damage, which negatively impacted SSSG(2) in Fiscal 2015 in this brand. SIR maintains adequate business interruption insurance to mitigate the risk of such events.
- SIR opened two new Jack Astor's restaurants in Ottawa, Ontario, one on March 24, 2015 and one on September 8, 2015. These restaurants were added to Royalty Pooled Restaurants on January 1, 2016. The net effect of adding these two new restaurants and the Second Incremental Adjustment for the two restaurants added on January 1, 2015 resulted in SIR converting 322,676 Class B GP Units into 322,676 Class A GP Units on January 1, 2016.
- SIR completed a second conversion of an existing Alice Fazooli's restaurant into a Scaddabush restaurant. This location, in Richmond Hill, Ontario, was closed for 8 days and reopened on October 6, 2015. SIR also completed a major renovation of the Jack Astor's in Scarborough, Ontario. This location was closed for 16 days during the quarter,

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

(2) Same store sales ("SSS") and same store sales growth ("SSSG") are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. However, the Fund believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. The Fund's method of calculating SSS and SSSG may differ from those of other issuers and, accordingly, SSS and SSSG may not be comparable to measures used by other issuers. SSSG is the percentage increase in SSS over the prior comparable period. SSS includes revenue from all SIR Restaurants included in Pooled Revenue except for those locations that were not open for the entire comparable periods in fiscal 2015 and fiscal 2014 as well as the seasonal Abbey's Bakehouse located in Muskoka, Ontario and the retail outlet in Port Carling, Ontario. SSS for Alice Fazooli's includes two Alice Fazooli's restaurants and two Scaddabush restaurants.

reopening on December 16, 2015. In addition, SIR is currently building a new Scaddabush restaurant in the extra space that was created after renovating the Jack Astor's restaurant in Scarborough, Ontario.

- SIR currently has two commitments in place to lease properties, upon which it plans to build one new Jack Astor's restaurant and one Scaddabush restaurant. It is expected that these restaurants will open in 2016 and 2017.
- On July 6, 2015, SIR announced that it had entered into a new credit agreement (see Liquidity and Capital Resources section on page 14); and, concurrently, SIR announced a change to its shareholders (see Overview and Business of SIR and the Partnership section on page 6).
- While SIR is not owned by the Fund, the Fund is economically dependent upon SIR. SIR files its unaudited interim and audited annual consolidated financial statements and Management's Discussion and Analysis ("MD&A") on SEDAR under the Fund's listing named "Other". SIR's Q1 2016 unaudited interim consolidated financial statements and MD&A in accordance with IFRS are listed having a filing date of December 22, 2015.

Same Store Sales(2) ("SSS")

(unaudited)

SIR reported to the Fund SSSG(2) of 0.4% in Q4 2015 and a decline in SSS(2) of 0.8% for Fiscal 2015. SSSG(2) by operating segment are summarized in the following table.

SSS(2) for the Royalty Pooled Restaurants	Three-month period ended December 31, 2015	Three-month period ended December 31, 2014	12-month period ended December 31, 2015	12-month period ended December 31, 2014
Jack Astor's	(0.8%)	3.5%	(1.1%)	1.7%
Canyon Creek	0.8%	2.2%	0.2%	1.7%
Scaddabush/Alice Fazooli's	7.0%	3.0%	1.9%	1.2%
Signature Restaurants	5.3%	7.1%	(0.4%)	6.1%
Overall SSS(2)	**0.4%**	**3.6%**	**(0.8%)**	**2.0%**

Jack Astor's, which accounted for approximately 72% of Pooled Revenue in Q4 2015, reported a decline in SSS(2) of 0.8% and 1.1% in Q4 2015 and Fiscal 2015, respectively. While SIR management believes that the success of the Toronto Blue Jays during their playoff run favourably impacted SSSG(2) in October 2015, especially in the Jack Astor's restaurants located near the Rogers Centre, Jack Astor's also experienced some erosion in beverage sales during the quarter which negatively affected sales growth. SIR management has revised its beverage programs to address this issue. In addition, a major driver in the decline of SSS(2) for Jack Astor's in Q4 2015 was the temporary closure of the Jack Astor's location in Scarborough, Ontario for renovations. This location was closed for 16 days during the quarter, reopening on December 16, 2015. Excluding the sales of this location, Jack Astor's generated SSSG(2) of 0.3% in Q4 2015 and the decline in SSS(2) in Fiscal 2015 was reduced to 0.8%.

Canyon Creek reported SSSG(2) of 0.8% and 0.2% in Q4 2015 and Fiscal 2015, respectively. Management continues to evaluate a comprehensive plan to improve the long-term performance of all Canyon Creek locations.

Scaddabush/Alice Fazooli's experienced SSSG(2) of 7.0% and 1.9% in Q4 2015 and Fiscal 2015, respectively, largely due to SIR's continuation of its program to evolve the Alice Fazooli's concept into the popular Scaddabush brand. To date, SIR has converted two Alice Fazooli's restaurants, one located in Mississauga, Ontario and one in Richmond Hill, Ontario, and opened one new Scaddabush restaurant in Toronto, Ontario. The Alice Fazooli's in Richmond Hill was closed for eight days (five days during Q4 2015) for renovations and re-opened as Scaddabush during Q4 2015, on October 6, 2015. The strong Scaddabush/Alice Fazooli's SSSG(2) during Q4 2015 are offset by SSS(2) declines in the remaining Alice Fazooli's locations that have not been converted to Scaddabush. SIR plans to open a fourth Scaddabush restaurant in downtown Toronto in 2016. In addition SIR plans to build a new Scaddabush restaurant in the extra space that has been created with the above mentioned renovation of the Jack Astor's restaurant in Scarborough, Ontario. These Scaddabush restaurants will be considered New Additional Restaurant for purposes of Royalty Pooled Restaurants.

The downtown Toronto Signature Restaurants generated SSSG(2) of 5.3% in Q4 2015 and experienced a decline in SSS(2) of 0.4% in Fiscal 2015. Strong SSSG(2) during October 2015 was primarily attributable to increased guest counts at the Loose Moose due to the aforementioned Toronto Blue Jays playoff run. This, along with improved performance at Reds Midtown Tavern, contributed favourably to the SSSG(2) in Q4 2015. The Fiscal 2015 decline was largely attributable to the closure of Far Niente®/FOUR®/Petit Four® for 40 days during Q1 2015 due to significant water damage received as a result of a burst pipe. Excluding the sales of Far Niente/FOUR/Petit Four, the downtown Toronto Signature Restaurants generated SSSG(2) of 5.5% in Fiscal 2015.

Restaurant Renovations

During Fiscal 2015, SIR completed major renovations of three Jack Astor's restaurants. These locations were closed for eight, ten, and sixteen days, respectively, reopening on August 24, 2015, September 2, 2015, and December 16, 2015, respectively. During Q4 2015, SIR also completed a conversion of the Alice Fazooli's in Richmond Hill to Scaddabush. This location was closed for eight days (five days during Q4 2015) for renovations and re-opened as Scaddabush on October 6, 2015.

During Fiscal 2014, SIR completed upgrades and expansions to two Jack Astor's patios and a renovation of one Canyon Creek restaurant.

SIR's Management is committed to maximizing the performance of all of its restaurants. SIR's management is currently evaluating the recent Jack Astor's renovations and considering a system-wide evolution. SIR's management also intends to convert the two remaining Alice Fazooli's locations to Scaddabush restaurants by the end of 2016.

New and Closed Restaurants

On March 24, 2015 and September 8, 2015, SIR opened two new Jack Astor's restaurants in Ottawa, Ontario. These restaurants were added to Royalty Pooled Restaurants on January 1, 2016.

On February 18, 2014, SIR opened a new Scaddabush restaurant in Toronto, Ontario and on June 11, 2014, SIR opened a new Jack Astor's restaurant in St. John's, Newfoundland. Both of these locations were added to Royalty Pooled Restaurants on January 1, 2015.

At the current date, SIR has plans to build one new Jack Astor's restaurant, expected to open in 2017. SIR also plans to open two new Scaddabush restaurants in 2016, one in downtown Toronto and one in Scarborough, Ontario. There can be no assurance that these new additional restaurants will be opened or will become part of Royalty Pooled Restaurants.

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

Distributions

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

During Q4 2015, monthly distributions of $0.7 million or $0.095 per unit were declared and paid in each of the months of October, November and December 2015. Subsequent to December 31, 2015, distributions of $0.095 per unit were declared and paid in the months of January and February 2016, and declared in the month of March 2016.

The payout ratio(1) of cash distributed to distributable cash(1) for Q4 2015 and Fiscal 2015 was 102.5% and 100.5%, respectively, as compared to 100.0% and 100.5% in Q4 2014 and Fiscal 2014, respectively. The payout ratio(1) since the Fund's inception up to and including Q4 2015 is 99.5%.

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

Overview and Business of the Fund

On October 1, 2004, the Fund filed a final prospectus for a public offering of units of the Fund. The net proceeds of the Offering of $51.2 million were used by the Fund to acquire, directly, certain bank debt of SIR and indirectly, through SIR Holdings Trust (the "Trust"), all of the Ordinary LP Units of the Partnership. The Partnership owns the Canadian trade-marks (the "SIR Rights") formerly owned or licensed by SIR or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada. The Partnership has granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants (the "License and Royalty Agreement"). The Partnership also issued its own securities to SIR in return for the SIR Rights acquired. The Fund indirectly participates in the revenue generated under the License and Royalty Agreement through its investment in the Partnership. The Partnership's financial statements are provided separately at www.sedar.com under the SIR Royalty Income Fund profile "Other" category and on SIR's website at www.sircorp.com.

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

Overview and Business of SIR and the Partnership

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at December 31, 2015, SIR operated 59 Concept Restaurants and Signature Restaurants in Canada (in Ontario, Quebec, Alberta, Nova Scotia, and Newfoundland). The Concept Restaurants are Jack Astor's Bar and Grill®, Canyon Creek Chop House®, and Scaddabush/ Alice Fazooli's. The "Signature" group of restaurants located in downtown Toronto are Reds® Wine Tavern, Reds® Midtown Tavern, Far Niente®/FOUR®/Petit Four®, and the Loose Moose Tap & Grill®. SIR also owns and operates a Duke's Refresher™ & Bar located in downtown Toronto and one seasonal restaurant: Abbey's Bakehouse®, in addition to one seasonal Abbey's Bakehouse retail outlet, which are not part of Royalty Pooled Restaurants. SIR owns 100% of its Canadian restaurants. As at December 31, 2015, 55 SIR Restaurants were included in Royalty Pooled Restaurants.

On July 6, 2015, a third party, Competitive Foods Canada Ltd. ("CFC") acquired 3.2 million common shares of SIR, directly and indirectly, from certain of the existing minority common shareholders and common share option holders of SIR. At the time, this represented 26.46% of SIR's common shares on a fully diluted basis (29.90% of the currently issued and outstanding shares). Peter Fowler Enterprises Ltd. did not sell any of its holdings in SIR in this transaction and remains the majority shareholder of SIR.

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 2016, Duke's Refresher is not expected to be added to the Royalty pool on January 1, 2017. The Duke's Refresher brand is currently being managed and developed by SIR's Signature group. Accordingly, the current Duke's Refresher location in downtown Toronto will be classified as a Signature restaurant for reporting purposes in the near term.

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

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

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

The Partnership has granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6.0% of the revenue of the Royalty Pooled Restaurants. The Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

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

On January 1, 2016, two (January 1, 2015 – two) new SIR Restaurants were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of two new SIR Restaurants on January 1, 2016 (January 1, 2015 – two), as well as the Second Incremental Adjustment for the two new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2015 (January 1, 2014 – four), SIR converted its Class A GP Units into Class B GP Units based on the formula defined in the Partnership Agreement. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 322,676 (January 1, 2015 – 347,077) Class B GP Units into 322,676 (January 1, 2015 – 347,077) Class A GP Units on January 1, 2016 at an estimated fair value of $4.2 million (January 1, 2015 – $4.5 million).

In addition, the revenues of the two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2015 exceeded 80% of the Initial Adjustment's estimated revenue (January 1, 2014 – the revenues of the four new SIR Restaurants were less than 80% of the Initial Adjustment's estimated revenue) and, as a result, a special conversion distribution of $0.1 million was declared in December 2015 and paid in January 2016 (the distributions on the Class A GP Units were reduced by a special conversion refund of $0.005 million in December 2014 and paid in January 2015).

SIR's fiscal year is comprised of 13 periods of four weeks each, ending on the last Sunday in August. To preserve this year-end, an additional week must be added approximately every five years. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks. SIR's fiscal 2014 and 2015 years consist of 53 weeks and 52 weeks, respectively.

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

Seasonality

The full-service restaurant sector of the Canadian foodservice industry, in which SIR operates, experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenues during SIR's fourth quarter (ending the last Sunday in August) when patios have been open for an extended period. Additionally, certain holidays and observances also affect guest dining patterns both favourably and unfavourably. Accordingly, distribution income recognized by the Fund will vary in conjunction with the seasonality in revenue experienced by SIR. The Fund's intention is to pay even distributions in order to reduce the effect of seasonality, and if possible, allow the Fund to maintain consistent monthly distributions to unitholders.

Selected Consolidated Financial Information

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

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

Financial Highlights

(in thousands of dollars or units, except restaurants and per unit amounts) *(unaudited)*	**12-month period ended December 31, 2015**	**12-month period ended December 31, 2014**
Royalty Pooled Restaurants	55	53
Pooled Revenue generated by SIR	267,601	257,878
Royalty income to Partnership - 6% of Pooled Revenue	16,056	15,473
Partnership other income	27	37
Partnership expenses	(77)	(81)
Partnership earnings	16,006	15,429
SIR's interest (Class A, B and C GP Units)	(6,921)	(6,838)
Partnership income allocated to Fund(3)	9,085	8,591
Interest income	3,000	3,000
Total income of the Fund	12,085	11,591
General & administrative expenses	(402)	(409)
Net earnings before income taxes of the Fund	11,683	11,182
Income tax expense	(3,083)	(2,999)
Net earnings for the period	8,600	8,183
Basic earnings per Fund unit	$1.13	$1.13
Weighted average number of Fund units outstanding – Basic	7,626	7,261
Net earnings for the period – Diluted	11,407	11,004
Weighted average number of Class A GP Units	2,488	2,506
Weighted average number of Fund units outstanding – Diluted	10,114	9,767
Diluted earnings per Fund unit	$1.13	$1.13

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

Summary of Quarterly Financial Information

(in thousands of dollars or units, except restaurants and per unit amounts) (unaudited)	**Three-month periods ended**							
	December 31, 2015	**September 30, 2015**	**June 30, 2015**	**March 31, 2015**	**December 31, 2014**	**September 30, 2014**	**June 30, 2014**	**March 31, 2014**
Royalty Pooled Restaurants	55	55	55	55	53	53	53	53
Pooled Revenue generated by SIR	67,250	70,127	70,876	59,348	64,100	66,433	69,172	58,173
6% of Pooled Revenue	4,035	4,208	4,252	3,561	3,846	3,986	4,151	3,490
Partnership other income	6	5	8	8	9	9	7	12
Partnership expenses	(21)	(20)	(19)	(17)	(12)	(22)	(23)	(24)
Partnership earnings	4,020	4,193	4,241	3,552	3,843	3,973	4,135	3,478
SIR's interest (Class A, B and C GP Units)	(1,799)	(1,758)	(1,766)	(1,598)	(1,639)	(1,740)	(1,777)	(1,682)
Partnership income allocated to Fund[3]	2,221	2,435	2,475	1,954	2,204	2,233	2,358	1,796
Interest income	750	750	750	750	750	750	750	750
Total income of the Fund	2,971	3,185	3,225	2,704	2,954	2,983	3,108	2,546
General & administrative expenses	(93)	(94)	(112)	(103)	(94)	(90)	(109)	(116)
Net earnings before income taxes of the Fund	2,878	3,091	3,113	2,601	2,860	2,893	2,999	2,430
Income tax expense	(770)	(828)	(834)	(651)	(767)	(776)	(803)	(653)
Net earnings for the period	2,108	2,263	2,279	1,950	2,093	2,117	2,196	1,777
Basic earnings per Fund unit	$0.28	$0.30	$0.30	$0.26	$0.28	$0.29	$0.30	$0.25
Weighted average number of Fund units outstanding – Basic	7,626	7,626	7,626	7,626	7,435	7,276	7,276	7,053
Net earnings for the period – Diluted	2,796	3,002	3,023	2,586	2,756	2,842	2,945	2,458
Weighted average number of Class A GP Units	2,488	2,488	2,488	2,488	2,332	2,491	2,491	2,714
Weighted average number of Fund units outstanding – Diluted	10,114	10,114	10,114	10,114	9,767	9,767	9,767	9,767
Diluted earnings per Fund unit	$0.28	$0.30	$0.30	$0.26	$0.28	$0.29	$0.30	$0.25

The Fund declared and paid a distribution of $0.095 per unit in each of the months of January to December 2015 inclusive. Subsequent to December 31, 2015, distributions of $0.095 per unit were declared and paid in the months of January and February 2016, and declared in the month of March 2016.

Distributable Cash[1]

(in thousands of dollars or units, except per unit amounts and payout ratio[1]) *(unaudited)*	**12-month period ended December 31, 2015**	**12-month period ended December 31, 2014**
Cash provided by operating activities	8,891	8,181
Add/(deduct): Net change in non-cash working capital items[4]	(230)	(214)
Net change in income tax payable[4]	(87)	149
Net change in distribution receivable from the Partnership[4]	79	122
Distributable cash[1]	**8,653**	**8,238**
Cash distributed for the period	**8,693**	**8,280**
Surplus/(shortfall) of distributable cash[1]	**(40)**	**(42)**
Payout ratio[1],[5]	100.5%	100.5%
Weighted average number of Fund units outstanding – Basic	7,626	7,261
Distributable cash[1] per Fund unit – Basic	$1.13	$1.13
Distributable cash for the period – Diluted[6]	11,460	11,059
Weighted average number of Class A GP Units[6]	2,488	2,506
Weighted average number of Fund units outstanding – Diluted[6]	10,114	9,767
Distributable cash[1] per Fund unit – Diluted[6]	$1.13	$1.13

Distributable Cash[1]

(in thousands of dollars or units, except per unit amounts and payout ratio[1]) *(unaudited)*	**Three-month periods ended**							
	December 31, 2015	**September 30, 2015**	**June 30, 2015**	**March 31, 2015**	**December 31, 2014**	**September 30, 2014**	**June 30, 2014**	**March 31, 2014**
Cash provided by operating activities	2,307	2,308	1,968	2,308	2,095	2,050	2,295	1,741
Add/(deduct): Net change in non-cash working capital items[4]	83	(96)	227	(444)	105	(92)	(110)	(117)
Net change in income tax payable[4]	(108)	(163)	(170)	354	20	12	(261)	378
Net change in distribution receivable from the Partnership[4]	(161)	227	267	(254)	(113)	161	285	(211)
Distributable cash[1]	**2,121**	**2,276**	**2,292**	**1,964**	**2,107**	**2,131**	**2,209**	**1,791**
Cash distributed for the period	**2,174**	**2,173**	**2,173**	**2,173**	**2,106**	**2,074**	**2,074**	**2,026**
Surplus/(shortfall) of distributable cash[1]	**(53)**	**103**	**119**	**(209)**	**1**	**57**	**135**	**(235)**
Payout ratio[1], [5]	102.5%	95.5%	94.8%	110.7%	100.0%	97.3%	93.9%	113.1%
Weighted average number of Fund units outstanding – Basic	7,626	7,626	7,626	7,626	7,435	7,276	7,276	7,053
Distributable cash[1] per Fund unit – Basic	$0.28	$0.30	$0.30	$0.26	$0.28	$0.29	$0.30	$0.25
Distributable cash for the period – Diluted[6]	2,809	3,015	3,036	2,600	2,770	2,856	2,958	2,472
Weighted average number of Class A GP Units[6]	2,488	2,488	2,488	2,488	2,332	2,491	2,491	2,714
Weighted average number of Fund units outstanding – Diluted[6]	10,114	10,114	10,114	10,114	9,767	9,767	9,767	9,767
Distributable cash[1] per Fund unit – Diluted[6]	$0.28	$0.30	$0.30	$0.26	$0.28	$0.29	$0.30	$0.25

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

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

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

A history of distributions is as follows:

Months Paid	Distribution per Unit
Inception to May 2006	$0.100
June 2006 to May 2007	$0.105
June 2007 to May 2008	$0.110
June 2008 to January 2011	$0.115
February 2011 to May 2012	$0.083(7)
June 2012 to May 2013	$0.088
June 2013 to date	$0.095
December 2012 Special Distribution	$0.05(8)

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

The payout ratio(1) of cash distributed to distributable cash(1) is intended to average 100% per annum over the longer term. Since the Fund pays even monthly distributions when its underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR), there are times during the year when the payout ratio(1) may exceed or could be lower than 100%. The payout ratio(1) for Q4 2015 and Fiscal 2015 was 102.5% and 100.5%, respectively, as compared to 100.0% and 100.5% in Q4 2014 and Fiscal 2014, respectively.

Since the Fund's inception in October 2004 up to and including Q4 2015, the Fund has generated $79.6 million in cumulative distributable cash(1) and has paid cumulative cash distributions of $79.2 million, representing a cumulative payout ratio(1) (the ratio of cumulative cash distributions paid since inception to cumulative distributable cash(1) generated) of 99.5%. Based on current business and economic conditions, the Fund's Trustees intend to maintain its current distribution levels at this time. However, should the distributions from the Partnership decline, or the expenses of the Fund increase, the Fund may have to reduce distributions.

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

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

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

(in thousands of dollars) *(unaudited)*	**12-month period ended December 31, 2015**	**12-month period ended December 31, 2014**
Cash provided by operating activities	8,891	8,181
Net earnings for the period	8,600	8,183
Cash distributed for the period	8,693	8,280
Excess (shortfall) of cash provided by operating activities over cash distributed for the period(9)	**198**	**(99)**
Excess (shortfall) of net earnings for the period over cash distributed for the period(10)	**(93)**	**(97)**

The $0.1 million shortfall of net earnings for the period over cash distributed for the 12-month period ended December 31, 2015 is due to overall SSS(2) decline of 0.8%, including the negative impact that the closure of one of the Signature restaurants during Q1 2015 had on the Fiscal 2015 earnings of the Fund. The $0.2 million excess of cash provided by operating activities over cash distributed for the 12-month period ended December 31, 2015 is primarily due to increased distributions received from the Partnership.

The $0.1 million shortfall of net earnings for the period over cash distributed for the 12-month period ended December 31, 2014 is mainly due to relatively flat SSSG(2). The $0.1 million shortfall of cash provided by operating activities over cash distributed for the 12-month period ended December 31, 2014 is primarily due to the Fund paying the balance of the 2013 income tax liability in Q1 2014.

Balance Sheet

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

(in thousands of dollars) *(unaudited)*	**December 31, 2015**	**September 30, 2015**	**June 30, 2015**	**March 31, 2015**	**December 31, 2014**	**September 30, 2014**	**June 30, 2014**	**March 31, 2014**
Total assets	84,598	84,606	84,260	84,216	84,333(11)	80,011(11)	79,888(11)	79,395(11)
Unitholders' equity	79,723	79,788	79,698	79,592	79,816	75,419	75,376	75,254

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

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

(11) Prior period balances for total assets reflect a reclassification to conform to the current period's financial statement presentation.

Results of Operations - Fund

The Fund's revenue of $3.0 million for Q4 2015 ($3.0 million for Q4 2014) comprises equity income from the Partnership of $2.2 million ($2.2 million for Q4 2014) and interest income of $0.8 million ($0.8 million for Q4 2014). Revenue of $12.1 million for Fiscal 2015 ($11.6 million for Fiscal 2014) comprises equity income from the Partnership of $9.1 million ($8.6 million for Fiscal 2014) and interest income of $3.0 million ($3.0 million for Fiscal 2014). Equity income from the Partnership is the pro rata share of the residual distributions of the Partnership for the three-month and 12-month periods ended December 31, 2015 and December 31, 2014. The increase in equity income from the Partnership is due to an increase in earnings of the Partnership and an increase in the Fund's share of the Partnership's residual earnings. Interest income is interest earned for the three-month and 12-month periods ended December 31, 2015 and December 31, 2014 from the $40.0 million SIR Loan which bears interest at 7.5% per annum.

The Fund's operating expenses are limited to general and administration expenses and total $0.1 million and $0.4 million for the three-month and 12-month periods ended December 31, 2015, respectively ($0.1 million and $0.4 million for the three-month and 12-month periods ended December 31, 2014, respectively). These expenses include professional fees, directors' and officers' liability insurance premiums, Trustees' fees, certain public company costs and other administrative fees.

The Fund recorded a current income tax expense of $0.8 million and $3.0 million for the three-month and 12-month periods ended December 31, 2015, respectively ($0.7 million and $2.9 million for the three-month and 12-month periods ended December 31, 2014, respectively).

Net earnings were $2.1 million and $8.6 million for the three-month and 12-month periods ended December 31, 2015, respectively ($2.1 million and $8.2 million for the three-month and 12-month periods ended December 31, 2014, respectively). Earnings per Fund unit on both a basic and diluted basis were $0.28 million and $1.13 million for the three-month and 12-month periods ended December 31, 2015, respectively ($0.28 and $1.13 for the three-month and 12-month periods ended December 31, 2014, respectively).

Pooled Revenue

The Fund is indirectly dependent on the amount of the Royalty paid by SIR to the Partnership. The amount of this Royalty is dependent on Pooled Revenue. Pooled Revenue is the revenue of the SIR Restaurants included in Royalty Pooled Restaurants. As at December 31, 2015, there were 55 restaurants included in Pooled Revenue. Increases or decreases in Pooled Revenue are derived from SSS(2) growth or decline, and new or permanently closed SIR Restaurants subject to the SIR Rights. Pooled Revenue is affected by the risks associated with the operations and financial condition of SIR, the commercial foodservice industry generally and the casual and fine dining segment of the commercial foodservice industry in particular.

The following table sets out Pooled Revenue for the three-month and 12-month periods ended December 31, 2015 and December 31, 2014:

Summary of Pooled Revenue

(in thousands of dollars except number of restaurants included in Pooled Revenue) (unaudited)	Three-month period ended December 31, 2015		Three-month period ended December 31, 2014		12-month period ended December 31, 2015		12-month period ended December 31, 2014	
	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue
Jack Astor's	48,118	38	46,878	37	199,709	38	194,723	37
Canyon Creek	7,638	8	7,575	8	27,321	8	27,256	8
Scaddabush/Alice Fazooli's	5,168	5	3,642	4	18,540	5	13,773	4
Signature	6,326	4	6,005	4	22,031	4	22,126	4
Total included in Pooled Revenue	67,250	55	64,100	53	267,601	55	257,878	53

Scaddabush/Alice Fazooli's currently includes three Scaddabush restaurants and two Alice Fazooli's restaurants. One Scaddabush restaurant was added to Pooled Revenue on January 1, 2015 and one Alice Fazooli's restaurant was converted to a Scaddabush restaurant at the beginning of Q4 2015.

Liquidity and Capital Resources

The Fund has no third party debt. SIR currently has the $40.0 million SIR Loan owed to the Fund (which SIR can surrender its Class C GP Units as consideration for principal payments under the loan) and a credit agreement with a Schedule I Canadian chartered bank (the Lender), a copy of which has been filed on SEDAR. The credit agreement is "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the Lender. This subordination, which includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use trade-marks and related intellectual property in return for royalty payments based on revenues, has been effected pursuant to the terms of the Intercreditor Agreement, which replaced the Amended and Restated Subordination and Postponement Agreement. A copy of the Intercreditor Agreement has also been filed on SEDAR.

On July 6, 2015, SIR entered into a new credit agreement (New Credit Agreement) with a Schedule I Canadian chartered bank (the Lender) to refinance its previous term debt under the June 23, 2014 Third Amended and Restated Loan Agreement (Previous Term Debt). The New Credit Agreement between SIR and the Lender provides for a three-year facility for a maximum principal amount of $30.0 million consisting of a $20.0 million revolving term credit facility (Credit Facility 1), and a $10.0 million revolving term loan (Credit Facility 2). SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional $5.0 million. The Previous Term Debt was repaid by a full draw down of Credit Facility 2 and a partial draw down of Credit Facility 1.

Credit Facility 1 is for general corporate and operating purposes, including capital spending on new and renovated restaurants, bearing interest at the prime rate plus 2.25% and/or the bankers' acceptance rate plus 3.25%, principal repaid in one bullet repayment on July 6, 2018. A standby fee of 0.65% is charged on the undrawn balance of Credit Facility 1. Credit Facility 2 bears interest at the prime rate plus 2.25% and/or the bankers' acceptance rate plus 3.25%. The initial advance on Credit Facility 2 is repayable in quarterly instalments of $0.5 million, with the remaining outstanding principal balance due on July 6, 2018. Subsequent advances on Credit Facility 2 may be requested (subject to availability and lender approval), in minimum multiples of $1.0 million, annually on the anniversary of the closing date of the New Credit Agreement (July 6), to finance capital spending on new and renovated restaurants. Each subsequent advance will be repayable in equal quarterly instalments based on a five year amortization, with the remaining outstanding principal balance due on July 6, 2018.

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

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

While the New Credit Agreement has a significantly higher amount of credit available than SIR's previous term loan facilities, the interest rates and scheduled principal repayments are significantly lower. SIR believes and has advised the Fund that it expects to be able to comply with the covenants under the new debt and service the new debt, as well as meet its other obligations. However, there can of course be no assurance of this. If SIR were to be unable to do so, this could have material adverse consequences on SIR and the Fund, and SIR in such circumstances would seek to cooperate with the Fund to protect stakeholder interests.

During Fiscal 2014, SIR converted 850,000 of its Class A GP Units in the Partnership into 850,000 Fund units and sold these Fund units, generating gross proceeds of $11.4 million. The Class A GP Units received by the Fund were converted to Class A LP Units, which are entitled to a pro rata share of the residual income of the Partnership. Accordingly, these transactions did not have a dilutive effect on the Fund. The Fund and the Partnership did not receive any proceeds pursuant to these transactions. There were no conversions of Class A GP Units into Fund units during the year ended December 31, 2015 and as at December 31, 2015, SIR retained a 24.6% residual interest in the Partnership.

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

The Fund did not have any capital expenditures in Fiscal 2015 and by its nature is not expected to have significant capital expenditures in the future. Capital expenditures related to Royalty Pooled Restaurants are borne at the operating company (SIR) level. The Fund's operating and administrative expenses are expected to be fairly stable and predictable and are considered to be in the ordinary course of business.

Management currently believes that there are sufficient cash resources retained in the Partnership in order to meet its current obligations and pay distributions to its unitholders. The Fund intends to continue to pay monthly distributions consistent with the most recent distribution declared in March 2016 for the near future. However, should the distributions from the Partnership decline, or the expenses of the Fund increase, the Fund may have to reduce distributions.

While SIR is not owned by the Fund, the Fund's income is derived from interest income on the SIR Loan and distributions from the Partnership and accordingly, the Fund is economically dependent upon SIR. Credit risk arises from the potential default of SIR on the SIR Loan. Management monitors the SIR Loan for credit risk and to date a provision for uncollectible amounts has not been necessary. The Fund also depends on the distributions from the Partnership, which are dependent upon SIR paying the Royalty to the Partnership. Information regarding SIR and its liquidity can be found in SIR's unaudited interim and audited annual consolidated financial statements and MD&A, which can be found on SEDAR under the Fund's listing named "Other". The most recent unaudited interim consolidated financial statements and MD&A for SIR's first quarter are listed having a filing date of December 22, 2015.

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

Selected Unaudited Consolidated Statement of Cash Flows Information(12)	**1st Quarter Ended November 22, 2015 (12 weeks)**	**4th Quarter Ended August 30, 2015 (16 weeks)**	**3rd Quarter Ended May 10, 2015 (12 weeks)**	**2nd Quarter Ended February 15, 2015 (12 weeks)**	**1st Quarter Ended November 23, 2014 (12 weeks)**	**4th Quarter Ended August 31, 2014 (17 weeks)**	**3rd Quarter Ended May 4, 2014 (12 weeks)**	**2nd Quarter Ended February 9, 2014 (12 weeks)**
				(in thousands of dollars) (unaudited)				
Cash provided by operations	(2,645)	6,020	2,821	534	7,004	4,877	1,757	1,505
Cash provided by (used in) investing activities	(2,323)	(3,106)	(829)	740	76	(2,575)	2,677	(5,323)
Cash provided by (used in) financing activities	855	(3,426)	(1,950)	(2,422)	(2,235)	(3,281)	(2,329)	669
Increase (decrease) in cash and cash equivalents during the period	(4,113)	(512)	42	(1,148)	4,845	(979)	2,105	(3,149)
Cash and cash equivalents – Beginning of period	7,869	8,381	8,339	9,487	4,642	5,621	3,516	6,665
Cash and cash equivalents – End of period	3,756	7,869	8,381	8,339	9,487	4,642	5,621	3,516

(12) *Information presented is in accordance with International Financial Reporting Standards (IFRS) and is derived solely from documents filed with the Canadian securities regulatory authorities by SIR in its interim Q1 2016 MD&A filed on December 22, 2015 and has not been approved by the Fund or its Trustees, officers, SIR GP Inc., or SIR Holdings Trust, or their respective Trustees, managing general partners, directors, or officers.*

Controls and Procedures

Disclosure controls and procedures:

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and includes controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Management carried out an evaluation of the effectiveness of the design and operation of the Fund's disclosures controls and procedures, as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", as at December 31, 2015 under the supervision of and with the participation of the Fund's Chief Executive Officer and Chief Financial Officer.

Based on that evaluation, the Fund's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective as at December 31, 2015.

Internal controls over financial reporting:

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and includes those policies and procedures that:

a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;

b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and

c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management carried out an evaluation of the effectiveness of the design and operation of the Fund's internal controls over financial reporting, as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", as at December 31, 2015 and under the supervision and with the participation of the Fund's Chief Executive Officer and Chief Financial Officer. The evaluation was conducted using the framework and criteria established in Internal Control - Integrated Framework: 2013, issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013. During the year, the Fund transitioned to the updated framework to the extent that it relates to internal controls over financial reporting.

Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that internal controls over financial reporting are effective and there are no material weaknesses in the Fund's internal controls over financial reporting as at December 31, 2015. There have been no substantive changes in the Fund's internal controls over financial reporting that occurred during the most recent interim period beginning October 1, 2015 and ending December 31, 2015, that have materially affected, or are reasonably likely to materially affect the Fund's internal control over financial reporting. The Fund does not own, control or consolidate SIR and therefore, the Fund's disclosure controls and procedures and the internal controls over financial reporting do not encompass SIR or SIR's disclosure controls and procedures or SIR's internal controls over financial reporting.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

During the three-month and 12-month periods ended December 31, 2015, the Fund earned equity income of $2.2 million and $9.1 million, respectively, from the Partnership ($2.2 million and $8.6 million for the three-month and 12-month periods ended December 31, 2014, respectively). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's equity income is dependent upon the revenue generated by the SIR Restaurants subject to the License and Royalty Agreement.

During the three-month and 12-month periods ended December 31, 2015, the Fund earned interest income of $0.8 million and $3.0 million, respectively, from the SIR Loan ($0.8 million and $3.0 million for the three-month and 12-month periods ended December 31, 2014, respectively). A description of the terms of the SIR Loan is included in the notes to the consolidated financial statements of the Fund for year ended December 31, 2015.

As at December 31, 2015, the Fund had amounts receivable from SIR of $0.3 million (December 31, 2014 – $0.3 million) and distributions receivable from the Partnership of $3.3 million (December 31, 2014 – $3.2 million). The amount receivable from SIR relates primarily to the interest owing to the Fund on the SIR Loan for the month of December. As at December 31, 2015, the Fund had advances payable to the Partnership of $2.7 million (December 31, 2014 - $2.5 million). All advances were conducted as part of the normal course of business operations.

Critical Accounting Estimates

The Fund makes estimates and assumptions concerning the future that will by definition seldom equal actual results. The following are estimates and judgments that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Investment in the Partnership/consolidation of structured entities

The Partnership receives royalties on the SIR Rights, which are licensed to SIR for use in Royalty Pooled Restaurants. The Fund and SIR each hold an investment in the Partnership. Generally, the Partnership units have no voting rights, except in certain specified conditions.

The determination of the entity having the ability to affect the returns on their investment in the Partnership required significant judgment. Based on an evaluation of the activities of the Partnership and the Partnership Agreement, management concluded the substance of the relationships between the Partnership, SIR and the Fund indicates the Partnership is controlled by SIR. In addition, the evaluation of whether or not the Fund has significant influence over the Partnership is a matter of significant judgment. Based on a review of the operating and financing activities of the Partnership, management has concluded that the Fund is able to significantly influence these activities. Management has re-evaluated its policy upon the acquisition of additional investments in the Class A LP units in 2014 and has concluded that these acquisitions do not require a change in its accounting policy for the investment in the Partnership. Accordingly, the Fund's investment in the Partnership continues to be accounted for as an investment in an associate.

Valuation of the SIR Loan and investment in the Partnership

Management reviews for objective evidence whether there may be an impairment of the SIR Loan or the investment in the Partnership. The review includes a review of the earnings, cash flows and available cash of SIR on a prospective basis to assess SIR's ability to meet its obligations to the Fund for interest payments on the SIR Loan and to the Partnership for the Royalty. Based on the analysis completed during the years ended December 31, 2015 and 2014, no impairments have been recorded in the consolidated financial statements.

Changes in Accounting Policies, Including Initial Adoption

IAS 24, Related Party Transactions: IAS 24 has been amended to (i) revise the definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements. Management has determined that this amendment 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 7, Financial Instruments – Disclosure: has been amended to require additional disclosures on transition from IAS 39 to IFRS 9. This amendment is effective on adoption of IFRS 9. Management is evaluating the amendment and has not yet determined the impact on its consolidated financial statements.

Financial Instruments

The Fund's financial instruments consist of cash, distributions and interest receivable from related parties, the SIR Loan, accounts payable and accrued liabilities, and advances payable to related parties. Management estimates that the fair values of these financial instruments approximate their carrying values due to their short-term maturity except for the SIR Loan. The loan receivable from SIR has a fixed interest rate of 7.5% per annum and therefore changes in interest rates would not impact interest income on the consolidated statements of earnings and comprehensive income. However, the fair value of the SIR Loan will vary with changes in interest rates. The fair value of the SIR Loan could only be determined through a valuation of the individual assets. The aggregate fair values of the SIR Loan and the investment in the Partnership is estimated to be approximately $98.4 million based on the market value of the Fund units as of the close of business on December 31, 2015.

Disclosure of Outstanding Unit Data

The following summarizes the ownership structure of the Fund as at December 31, 2015 and March 11, 2016:

	Number of Fund units	
	December 31, 2015	**March 11, 2016**
Units issued	7,625,567	7,625,567

Risks and Uncertainties

The performance of the Fund is directly dependent upon the interest payments the Fund receives from SIR under the SIR Loan and upon the Royalty received by the Partnership from SIR. The amount of the Royalty is dependent upon Pooled Revenue, which is subject to a number of factors that affect the restaurant industry generally and the casual and/or fine dining sectors of this industry in particular. The restaurant industry generally, and in particular, the casual and fine dining segment of 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. If SIR is unable to successfully compete in the casual and fine dining sectors of the restaurant industry, Pooled Revenue may be adversely affected, the amount of the Royalty reduced and the ability of SIR to pay the Royalty or interest on the SIR Loan may be impaired. Please refer to the March 15, 2016 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

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

Outlook

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

At the current date, SIR has 59 restaurants and one seasonal retail outlet open in Canada. Since October 2004, the Fund's Initial Public Offering, SIR has opened 30 new restaurants (22 new Jack Astor's, four new Canyon Creek restaurants, one new Scaddabush, one new Reds, one new Duke's Refresher, and one seasonal restaurant (Abbey's Bakehouse) and one seasonal retail outlet. Duke's Refresher, the seasonal Abbey's Bakehouse restaurant and retail outlet are not part of Royalty Pooled Restaurants.

On January 1, 2016, two (January 1, 2015 – two) new SIR Restaurants were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of two new SIR Restaurants on January 1, 2016 (January 1, 2015 – two), as well as the Second Incremental Adjustment for the two new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2015 (January 1, 2014 – four), SIR converted its Class A GP Units into Class B GP Units based on the formula defined in the Partnership Agreement. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 322,676 (January 1, 2015 – 347,077) Class B GP Units into 322,676 (January 1, 2015 – 347,077) Class A GP Units on January 1, 2016 at an estimated fair value of $4.2 million (January 1, 2015 – $4.5 million).

In addition, the revenues of the two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2015 exceeded 80% of the Initial Adjustment's estimated revenue (January 1, 2014 – the revenues of the four new SIR Restaurants were less than 80% of the Initial Adjustment's estimated revenue) and, as a result, a special conversion distribution of $0.1 million was declared in December 2015 and paid in January 2016 (the distributions on the Class A GP Units were reduced by a special conversion refund of $0.005 million in December 2014 and paid in January 2015).

At the current date, SIR has plans to build one new Jack Astor's restaurant which is expected to open in 2017. SIR also plans to open two new Scaddabush restaurants in 2016, one in downtown Toronto and one in Scarborough, Ontario. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.

SIR continues to monitor economic conditions and consumer confidence and has advised the Fund that it is considering new store developments and renovations to existing restaurants where appropriate. Based on its assessment of these conditions, the timing of new restaurant construction and renovations as well as related opening schedules will be reviewed regularly by SIR and adjusted as necessary. SIR completed renovations of three Jack Astor's locations during Fiscal 2015, reopening these locations in August 2015, September 2015 and December 2015, and is currently evaluating a system-wide evolution of Jack Astor's. SIR converted one Alice Fazooli's to Scaddabush during Fiscal 2015 and this location reopened during Q4 2015, in October 2015. SIR has advised the Fund that it intends to convert the two remaining Alice Fazooli's to Scaddabush restaurants in 2016.

Forward-Looking Information

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "should", "would", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including: competition; changes in demographic trends; weather; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; changes in foreign exchange; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. Given these uncertainties, readers are cautioned that forward-looking statements are not guarantees of future performance, and should not place undue reliance on them. The Fund and SIR expressly disclaim any obligation or undertaking to publicly disclose or release any updates or revisions to any forward looking statements. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and the Fund and SIR do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change, except as expressly required by applicable securities laws. This Management's Discussion and Analysis is provided as of March 11, 2016.

In formulating the forward-looking statements contained herein, Management has assumed that business and economic conditions affecting SIR's restaurants and the Fund will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, competition, general levels of economic activity (including in downtown Toronto), regulations (including those regarding employees, food safety, tobacco and alcohol), weather, taxes, foreign exchange rates and interest rates, that there will be no pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products, and that there will be no unplanned material changes in its facilities, equipment, customer and employee relations, or credit arrangements. These assumptions, although considered reasonable by Management at the time of preparation, may prove to be incorrect. In particular, Management has assumed that the tax effects on distributions will remain consistent with current regulations or pronouncements, and also in estimating the revenue for new restaurants, Management has assumed that they will operate consistent with other similar SIR restaurants, and has assumed that SIR will remain compliant in the future with all of its financial covenants under the New Credit Agreement and imposed by the lender. For more information concerning the Fund's risks and uncertainties, please refer to the March 15, 2016 Annual Information Form, for the period ended December 31, 2015, 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