SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

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Executive Summary

Highlights for the three-month period ended December 31, 2014 ("Q4 2014") and the 12-month period ended December 31, 2014 ("Fiscal 2014") for SIR Royalty Income Fund (the "Fund") include:

- Net earnings of the Fund were $2.1 million and $8.2 million for Q4 2014 and Fiscal 2014, respectively, as compared to $1.7 million and $7.1 million for the three-month period ended December 31, 2013 ("Q4 2013") and the 12-month period ended December 31, 2013 ("Fiscal 2013"), respectively. Net earnings per Fund unit were $0.28 and $1.13 for Q4 2014 and Fiscal 2014, respectively, as compared to $0.26 and $1.08 for Q4 2013 and Fiscal 2013, respectively.
- Distributable cash(1) per Fund unit, both on a basic and diluted basis, was $0.28 and $1.13 for Q4 2014 and Fiscal 2014, respectively, as compared to $0.26 and $1.10 for Q4 2013 and Fiscal 2013, respectively. Please refer to the Distributions section on page 5 and Distributable Cash(1) on page 10.
- The Fund's payout ratio(1) decreased from 110.2% in Q4 2013 to 100.0% in Q4 2014 and decreased from 104.9% in Fiscal 2013 to 100.5% in Fiscal 2014. The payout ratio(1) since the Fund's inception, up to and including Q4 2014 is 99.4%.
- During Q4 2014, SIR converted 350,000 Class A GP Units of the SIR Royalty Limited Partnership (the "Partnership") into Fund units and sold these Fund units generating gross proceeds of approximately $4.4 million. During Fiscal 2014, SIR converted 850,000 (Fiscal 2013 – 895,000) Class A GP Units of the Partnership into 850,000 (Fiscal 2013 – 895,000) Fund units and sold these Fund units generating gross proceeds of approximately $11.4 million (Fiscal 2013 - $11.0 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.
- Pooled Revenue increased by 11.0% in Q4 2014 to $64.1 million, up from $57.8 million in Q4 2013. Pooled Revenue increased by 9.9% for Fiscal 2014 to $257.9 million, up from $234.7 million in Fiscal 2013. The increase is a result of the four new Royalty Pooled Restaurants over the corresponding period in the prior fiscal year and same store sales growth ("SSSG") (2).
- SIR Corp. ("SIR") has reported to the Fund that the Royalty Pooled Restaurants generated SSSG(2) of 3.6% and 2.0% in Q4 2014 and Fiscal 2014, respectively.
- Jack Astor's®, which accounted for approximately 73% of Pooled Revenue in Q4 2014, generated SSSG(2) of 3.5% and 1.7% in Q4 2014 and Fiscal 2014, respectively. Canyon Creek® generated SSSG(2) of 2.2% and 1.7% in Q4 2014 and Fiscal 2014, respectively. Alice Fazooli's®, together with Scaddabush Italian & Bar™ ("Scaddabush"), generated SSSG(2) of 3.0% in Q3 2014 and 1.2% in Fiscal 2014, respectively. The Scaddabush location in Mississauga, Ontario, which was opened during Q3 2013, generated SSSG(2) of 14.4% and 21.8% in Q4 2014 and Fiscal 2014, respectively. SIR's Signature Restaurants generated SSSG(2) of 7.1% and 6.1% in Q4 2014 and Fiscal 2014, respectively.
- 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. These restaurants were added to Royalty Pooled Restaurants on January 1, 2015. The net effect of adding these two new restaurants and the Second Incremental Adjustment for the

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

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

four restaurants added on January 1, 2014 resulted in SIR converting 347,077 Class B GP Units into 347,077 Class A GP Units on January 1, 2015.

- SIR currently has four commitments in place to lease properties, upon which it plans to build three new Jack Astor's restaurants and one Scaddabush restaurant. It is expected that these restaurants will open in 2015 and 2016.
- Subsequent to December 31, 2014, on February 18, 2014, one of SIR's Signature brand restaurants was temporarily closed due to significant water damage. The restoration is anticipated to be completed by the end of March and the restaurant will re-open thereafter. SIR maintains adequate business interruption insurance to mitigate the risk of such events.
- 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 2015 unaudited interim consolidated financial statements and MD&A in accordance with IFRS are listed having a filing date of December 23, 2014.

Same Store Sales(2) ("SSS")

(unaudited)

SIR reported to the Fund, SSSG(2) of 3.6% and 2.0% in Q4 2014 and Fiscal 2014, respectively. SSSG(2) by operating segment are summarized in the following table.

SSS(2) for the Royalty Pooled Restaurants	Three-month period ended December 31, 2014	Three-month period ended December 31, 2013	12-month period ended December 31, 2014	12-month period ended December 31, 2013
Jack Astor's	3.5%	(0.8%)	1.7%	0.6%
Canyon Creek	2.2%	(2.7%)	1.7%	(3.2%)
Alice Fazooli's/Scaddabush	3.0%	(10.1%)	1.2%	(9.6%)
Signature Restaurants	7.1%	4.8%	6.1%	14.3%
Overall SSS(2)	**3.6%**	**(1.3)%**	**2.0%**	**0.4%**

Jack Astor's, which accounted for approximately 73% of Pooled Revenue in Q4 2014, reported SSSG(2) of 3.5% and 1.7% in Q4 2014 and Fiscal 2014, respectively.

Canyon Creek reported SSSG(2) of 2.2% and 1.7%, in Q4 2014 and Fiscal 2014, respectively. During Q3 2014, SIR completed a renovation of one Canyon Creek location and has been 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, generated SSSG(2) of 3.0% in Q4 2014 and 1.2% in Fiscal 2014. SIR has introduced a variant of the Alice Fazooli's concept called Scaddabush, offering guests a new, refreshing take on Italian dining. SIR renovated the Alice Fazooli's Square One location in Mississauga, Ontario and re-opened this location as Scaddabush in Q3 2013. This Scaddabush location experienced SSSG(2) of 14.4% and 21.8% in Q4 2014 and Fiscal 2014, respectively.

The downtown Toronto Signature Restaurants generated SSSG(2) of 7.1% and 6.1% in Q4 2014 and Fiscal 2014, respectively.

Restaurant Renovations

During Q3 2014, SIR completed a renovation of one Canyon Creek restaurant. SIR is encouraged by the initial sales growth and guest feedback. SIR also completed upgrades and expansions to two Jack Astor's patios during Fiscal 2014.

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

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

New and Closed Restaurants

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

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

At the current date, SIR has plans to build three new Jack Astor's restaurants, two of which are expected to open in 2015 and the third in 2016. SIR also plans to open a new Scaddabush restaurant in Toronto, Ontario in fiscal 2016. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.

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

Distributions

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

During Q4 2014, 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 2014. Subsequent to December 31, 2014, distributions of $0.095 per unit were declared and paid in the months of January and February 2015 and declared in the month of March 2015.

The payout ratio(1) of cash distributed to distributable cash(1) for Q4 2014 and Fiscal 2014 was 100.0% and 100.5%, respectively, as compared to 110.2% and 104.9% in Q4 2013 and Fiscal 2013, respectively. The payout ratio(1) since the Fund's inception up to and including Q4 2014 is 99.4%.

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

Overview and Business of the Fund

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

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

Overview and Business of SIR and the Partnership

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at December 31, 2014, SIR operated 58 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 Alice Fazooli's/Scaddabush. The "Signature" group of restaurants located in downtown Toronto are Reds® Wine Tavern, Reds® Midtown Tavern, Far Niente®/FOUR®/Petit Four®, and the Loose Moose Tap & Grill. 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 its Canadian restaurants. As at December 31, 2014, 53 SIR Restaurants were included in Royalty Pooled Restaurants.

SIR believes that Duke's Refresher has multi-unit growth potential and has advised the Fund that Duke's Refresher should be considered as a potential New Concept Restaurant brand. As such, the earliest that any Duke's Refresher would be added to the Royalty pool would be the Adjustment Date following the earlier of: (i) the date that four Duke's Refresher restaurants are open for business at the same time, and (ii) 90 days following the end of the fiscal year in which revenues from all Duke's Refresher restaurants in Canada first exceed $12.0 million (the "Trigger Event"). As neither of these events occured in 2014, Duke's Refresher was not added to the Royalty pool on January 1, 2015. The Duke's Refresher brand is currently being managed and developed by SIR's Signature group. Accordingly, the current Duke's Refresher location in downtown Toronto will be classified as a Signature restaurant for reporting purposes.

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, 2015, two (January 1, 2014 – four) new SIR Restaurants were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of two new SIR Restaurants on January 1, 2015 (January 1, 2014 – four), as well as the Second Incremental Adjustment for the four new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2014 (January 1, 2013 – four), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. The number of Class B GP Units that SIR converted to Class A GP Units was reduced by an adjustment for the permanent closure of nil (January 1, 2014 – nil) SIR Restaurants during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 347,077 (January 1, 2014 – 803,393) Class B GP Units into 347,077 (January 1, 2014 – 803,393) Class A GP Units on January 1, 2015 at an estimated fair value of $4.5 million (January 1, 2014 – $11.4 million).

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

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 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, 2014**	**12-month period ended December 31, 2013**
Royalty Pooled Restaurants	53	49
Pooled Revenue generated by SIR	257,878	234,667
Royalty income to Partnership - 6% of Pooled Revenue	15,473	14,080
Partnership other income	37	43
Partnership expenses	(81)	(99)
Partnership earnings	15,429	14,024
SIR's interest (Class A, B and C GP Units)	(6,838)	(6,709)
Partnership income allocated to Fund[(3)]	8,591	7,315
Interest income	3,000	3,000
Total income of the Fund	11,591	10,315
General & administrative expenses	(409)	(417)
Net earnings before income taxes of the Fund	11,182	9,898
Income tax expense	(2,999)	(2,777)
Net earnings for the period	8,183	7,121
Basic earnings per Fund unit	$1.13	$1.08
Weighted average number of Fund units outstanding – Basic	7,261	6,589
Net earnings for the period – Diluted	11,004	9,661
Weighted average number of Class A GP Units	2,506	2,375
Weighted average number of Fund units outstanding – Diluted	9,767	8,964
Diluted earnings per Fund unit	$1.13	$1.08

(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, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Royalty Pooled Restaurants	53	53	53	53	49	49	49	49
Pooled Revenue generated by SIR	64,100	66,433	69,172	58,173	57,760	59,353	62,855	54,699
6% of Pooled Revenue	3,846	3,986	4,151	3,490	3,466	3,561	3,771	3,282
Partnership other income	9	9	7	12	12	11	10	10
Partnership expenses	(12)	(22)	(23)	(24)	(18)	(32)	(21)	(28)
Partnership earnings	3,843	3,973	4,135	3,478	3,460	3,540	3,760	3,264
SIR's interest (Class A, B and C GP Units)	(1,639)	(1,740)	(1,777)	(1,682)	(1,698)	(1,591)	(1,641)	(1,779)
Partnership income allocated to Fund(3)	2,204	2,233	2,358	1,796	1,762	1,949	2,119	1,485
Interest income	750	750	750	750	750	750	750	750
Total income of the Fund	2,954	2,983	3,108	2,546	2,512	2,699	2,869	2,235
General & administrative expenses	(94)	(90)	(109)	(116)	(100)	(94)	(111)	(112)
Net earnings before income taxes of the Fund	2,860	2,893	2,999	2,430	2,412	2,605	2,758	2,123
Income tax expense	(767)	(776)	(803)	(653)	(675)	(693)	(747)	(662)
Net earnings for the period	2,093	2,117	2,196	1,777	1,737	1,912	2,011	1,461
Basic earnings per Fund unit	$0.28	$0.29	$0.30	$0.25	$0.26	$0.28	$0.30	$0.24
Weighted average number of Fund units outstanding – Basic	7,435	7,276	7,276	7,053	6,776	6,776	6,776	6,030
Net earnings for the period – Diluted	2,756	2,845	2,945	2,458	2,300	2,532	2,661	2,168
Weighted average number of Class A GP Units	2,332	2,491	2,491	2,714	2,188	2,188	2,188	2,934
Weighted average number of Fund units outstanding – Diluted	9,767	9,767	9,767	9,767	8,964	8,964	8,964	8,964
Diluted earnings per Fund unit	$0.28	$0.29	$0.30	$0.25	$0.26	$0.28	$0.30	$0.24

The Fund declared and paid a distribution of $0.095 per unit in each of the months of January to December 2014 inclusive. Subsequent to December 31, 2014, distributions of $0.095 per unit were declared and paid in the months of January and February 2015 and declared in March 2015.

Distributable Cash(1)

(in thousands of dollars or units, except per unit amounts and payout ratio(1)) *(unaudited)*	**12-month period ended December 31, 2014**	**12-month period ended December 31, 2013**
Cash provided by operating activities	8,181	7,884
Add/(deduct): Net change in non-cash working capital items(4)	(214)	(171)
Net change in income tax payable(4)	149	(543)
Net change in distribution receivable from the Partnership(4)	122	99
Distributable cash(1)	**8,238**	**7,269**
Cash distributed for the period	**8,280**	**7,624**
Surplus/(shortfall) of distributable cash(1)	**(42)**	**(355)**
Payout ratio(1), (5)	100.5%	104.9%(6)
Weighted average number of Fund units outstanding – Basic	7,261	6,589
Distributable cash(1) per Fund unit – Basic	$1.13	$1.10
Distributable cash for the period – Diluted(7)	11,059	9,862
Weighted average number of Class A GP Units(7)	2,506	2,375
Weighted average number of Fund units outstanding – Diluted(7)	9,767	8,964
Distributable cash(1) per Fund unit – Diluted(7)	$1.13	$1.10

Distributable Cash(1)

(in thousands of dollars or units, except per unit amounts and payout ratio(1)) *(unaudited)*	**Three-month periods ended**							
	December 31, 2014	**September 30, 2014**	**June 30, 2014**	**March 31, 2014**	**December 31, 2013**	**September 30, 2013**	**June 30, 2013**	**March 31, 2013**
Cash provided by operating activities	2,095	2,050	2,295	1,741	1,571	2,676	1,946	1,691
Add/(deduct): Net change in non-cash working capital items(4)	105	(92)	(110)	(117)	149	(96)	(112)	(112)
Net change in income tax payable(4)	20	12	(261)	378	398	(679)	(237)	(25)
Net change in distribution receivable from the Partnership(4)	(113)	161	285	(211)	(365)	24	430	10
Distributable cash(1)	**2,107**	**2,131**	**2,209**	**1,791**	**1,753**	**1,925**	**2,027**	**1,564**
Cash distributed for the period	**2,106**	**2,074**	**2,074**	**2,026**	**1,931**	**1,931**	**1,836**	**1,925**
Surplus/(shortfall) of distributable cash(1)	**1**	**57**	**135**	**(235)**	**(178)**	**(6)**	**191**	**(361)**
Payout ratio(1), (5)	100.0%	97.3%	93.9%	113.1%	110.2%	100.3%	90.6%	123.1%(6)
Weighted average number of Fund units outstanding – Basic	7,435	7,276	7,276	7,053	6,776	6,776	6,776	6,030
Distributable cash(1) per Fund unit – Basic	$0.28	$0.29	$0.30	$0.25	$0.26	$0.28	$0.30	$0.26
Distributable cash for the period – Diluted(7)	2,760	2,859	2,963	2,477	2,320	2,548	2,673	2,321
Weighted average number of Class A GP Units(7)	2,332	2,491	2,491	2,714	2,188	2,188	2,188	2,934
Weighted average number of Fund units outstanding – Diluted(7)	9,767	9,767	9,767	9,767	8,964	8,964	8,964	8,964
Distributable cash(1) per Fund unit – Diluted(7)	$0.28	$0.29	$0.30	$0.25	$0.26	$0.28	$0.30	$0.26

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

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

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

A history of distributions is as follows:

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

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

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

The payout ratio(1) of cash distributed to distributable cash(1) is intended to average 100% per annum over the longer term. Since the Fund pays even monthly distributions when its underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR), there are times during the year when the payout ratio(1) may exceed or could be lower than 100%. The payout ratio(1) for Q4 2014 and Fiscal 2014 was 100.0% and 100.5%, respectively, as compared to 110.2% and 104.9% in Q4 2013 and Fiscal 2013, respectively. The payout ratio(1) for Fiscal 2014 was impacted by relatively flat overall SSSG(2) of 2.0%. The payout ratio(1) for Fiscal 2013 was significantly affected by the special 2012 year-end distribution of $0.05 per unit or $0.3 million that was declared in December 2012, yet was paid during Q1 2013, in January 2013.

Since the Fund's inception in October 2004 up to and including Q4 2014, the Fund has generated $70.9 million in cumulative distributable cash(1) and has paid cumulative cash distributions of $70.5 million, representing a cumulative payout ratio(1) (the ratio of cumulative cash distributions paid since inception to cumulative distributable cash(1) generated) of 99.4%. Based on current business and economic conditions, the Fund's Trustees intend to maintain its current distribution levels at this time.

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

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

(in thousands of dollars) *(unaudited)*	**12-month period ended December 31, 2014**	**12-month period ended December 31, 2013**
Cash provided by operating activities	8,181	7,884
Net earnings for the period	8,183	7,121
Cash distributed for the period	8,280	7,624
Excess (shortfall) of cash provided by operating activities over cash distributed for the period(9)	**(99)**	**260**
Excess (shortfall) of net earnings for the period over cash distributed for the period(10)	**(97)**	**(503)**

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 the relatively flat overall SSSG(2) of 2.0%. 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 relatively flat overall SSSG(2) as well as the Fund paying the balance of the 2013 income tax liability in Q1 2014.

The shortfall of $0.5 million of net earnings for the period over cash distributed for the 12-month period ended December 31, 2013, is a result of the special 2012 year-end distribution of $0.05 per unit or $0.3 million that was declared in December 2012, yet was paid during Q1 2013, in January 2013.

Balance Sheet

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

(in thousands of dollars) (unaudited)	**December 31, 2014**	**September 30, 2014**	**June 30, 2014**	**March 31, 2014**	**December 31, 2013**	**September 30, 2013**	**June 30, 2013**	**March 31, 2013**
Total assets	81,856	77,444	77,378	76,984	70,625	71,221	70,517	70,093
Unitholders' equity	79,816	75,419	75,376	75,254	68,526	68,721	68,740	68,564

Results of Operations - Fund

The Fund's revenue of $3.0 million for Q4 2014 ($2.5 million for Q4 2013) comprises equity income from the Partnership of $2.2 million ($1.8 million for Q4 2013) and interest income of $0.8 million ($0.8 million for Q4 2013). Revenue of $11.6 million for Fiscal 2014 ($10.3 million for Fiscal 2013) comprises equity income from the Partnership of $8.6 million ($7.3 million for Fiscal 2013) and interest income of $3.0 million ($3.0 million for Fiscal 2013). 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, 2014 and December 31, 2013. The increase in equity income from the Partnership is due to an increase in earnings of the Partnership and an increase in the Fund's share of the Partnership's residual earnings. Interest income is interest earned for the three-month and 12-month periods ended December 31, 2014 and December 31, 2013 from the $40.0 million SIR Loan which bears interest at 7.5% per annum.

(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.

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, 2014, respectively ($0.1 million and $0.4 million for the three-month and 12-month periods ended December 31, 2013, respectively). These expenses include professional fees, directors' and officers' liability insurance premiums, Trustees' fees, certain public company costs and other administrative fees.

The Fund recorded a current income tax expense of $0.7 million and $2.9 million for the three-month and 12-month periods ended December 31, 2014, respectively ($0.7 million and $2.6 million for the three-month and 12-month periods ended December 31, 2013, respectively).

Net earnings were $2.1 million and $8.2 million for the three-month and 12-month periods ended December 31, 2014, respectively ($1.7 million and $7.1 million for the three-month and 12-month periods ended December 31, 2013, respectively). Earnings per Fund unit on both a basic and diluted basis were $0.28 and $1.13 for the three-month and 12-month periods ended December 31, 2014, respectively ($0.26 and $1.08 for the three-month and 12-month periods ended December 31, 2013, respectively).

Pooled Revenue

The Fund is indirectly dependent on the amount of the Royalty paid by SIR to the Partnership. The amount of this Royalty is dependent on Pooled Revenue. Pooled Revenue is the revenue of the SIR Restaurants included in Royalty Pooled Restaurants. As at December 31, 2014, there were 53 restaurants included in Pooled Revenue. Increases or decreases in Pooled Revenue are derived from SSS[(2)] growth or decline, and new or permanently closed SIR Restaurants subject to the SIR Rights. Pooled Revenue is affected by the risks associated with the operations and financial condition of SIR, the commercial foodservice industry generally and the casual and fine dining segment of the commercial foodservice industry in particular.

The following table sets out Pooled Revenue for the three-month and 12-month periods ended December 31, 2014 and December 31, 2013:

Summary of Pooled Revenue

(in thousands of dollars except number of restaurants included in Pooled Revenue) (unaudited)	Three-month period ended December 31, 2014		Three-month period ended December 31, 2013		12-month period ended December 31, 2014		12-month period ended December 31, 2013	
	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	46,878	37	42,043	34	194,723	37	176,723	34
Canyon Creek	7,575	8	7,412	8	27,256	8	26,794	8
Alice Fazooli's/Scaddabush	3,642	4	3,536	4	13,773	4	13,610	4
Signature	6,005	4	4,769	3	22,126	4	17,540	3
Total included in Pooled Revenue	64,100	53	57,760	49	257,878	53	234,667	49

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

Liquidity and Capital Resources

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

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

All loans under the Credit Agreement are due on November 13, 2016. Interest on the Term Loan and the Tranche A Development Loan is calculated as the greater of 6.0% per annum and the three-month Canadian bankers' acceptance rate plus 5.75% per annum. Interest on the Tranche B Development Loan is calculated as the greater of 5.9% per annum and the three-month Canadian dollar bankers' acceptance rate plus 5.65% per annum.

The Tranche C Development Loan is not to exceed $6.0 million and was available to SIR by way of multiple advances until September 19, 2014, but could be extended to March 19, 2015 at the sole discretion of the lender upon request by SIR. The Tranche C Development Loan is available to enable SIR to finance costs incurred in connection with the acquisition of furniture, fixtures, equipment and leasehold improvements relating to new locations, and renovations and capital expenditures relating to existing locations. No draws were made on Tranche C and the draw date has not been extended.

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

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

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

During Q4 2014, SIR converted 350,000 (Q4 2013 – Nil) of its Class A GP Units in the Partnership into 350,000 (Q4 2013 – Nil) Fund units and sold these Fund units, generating gross proceeds of approximately $4.4 million (Q4 2013 – Nil). During the year ended December 31, 2014, SIR converted 850,000 (December 31, 2013 – 895,000) of its Class A GP Units in the Partnership into 850,000 (December 31, 2013 – 895,000) Fund units. SIR sold these Fund units, generating gross proceeds of approximately $11.4 million (December 31, 2013 - $11.0 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. SIR's interest in the Partnership was affected by the conversion of the Class A GP Units into Fund units. As at December 31, 2014, SIR retained a 21.9% interest in the residual earnings of the Partnership. After adding two new restaurants to the Royalty pool and the Second Incremental Adjustment for the four new restaurants added to the Royalty pool on January 1, 2014, effective January 1, 2015, SIR retained a 24.6% interest in the Partnership.

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

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

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

Management currently believes that there are sufficient cash resources retained in the Partnership in order to meet its current obligations and pay distributions to its unitholders. The Fund intends to continue to pay monthly distributions consistent with the most recent distribution declared in March 2015 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 23, 2014.

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

Selected Unaudited Consolidated Statement of Cash Flows Information(11)	**1st Quarter Ended November 23, 2014 (12 weeks)**	**4th Quarter Ended August 31, 2014 (17 weeks)**	**3rd Quarter Ended May 4, 2014 (12 weeks)**	**2nd Quarter Ended February 9, 2014 (12 weeks)**	**1st Quarter Ended November 17, 2013 (12 weeks)**	**4th Quarter Ended August 25, 2013 (16 weeks)**	**3rd Quarter Ended May 5, 2013 (12 weeks)**	**2nd Quarter Ended February 10, 2013 (12 weeks)**
				(in thousands of dollars) (unaudited)				
Cash provided by operations	7,004	4,877	1,757	1,505	71	7,137	2,201	3,278
Cash provided by (used in) investing activities	76	(2,575)	2,677	(5,323)	(164)	(2,513)	700	(1,202)
Cash provided by (used in) financing activities	(2,235)	(3,281)	(2,329)	669	(950)	(2,647)	(2,237)	(2,011)
Increase (decrease) in cash and cash equivalents during the period	4,845	(979)	2,105	(3,149)	(1,043)	1,977	664	65
Cash and cash equivalents – Beginning of period	4,642	5,621	3,516	6,665	7,708	5,731	5,067	5,002
Cash and cash equivalents – End of period	9,487	4,642	5,621	3,516	6,665	7,708	5,731	5,067

(11) 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 2015 MD&A filed on December 23, 2014 and has not been approved by the Fund or its Trustees, officers, SIR GP Inc., or SIR Holdings Trust, or their respective Trustees, managing general partners, directors, or officers.

Controls and Procedures

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, 2014 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, 2014.

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, 2014 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, issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992).

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, 2014. 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, 2014 and ending December 31, 2014, 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.

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, 2014, the Fund earned equity income of $2.2 million and $8.6 million, respectively, from the Partnership ($1.8 million and $7.3 million for the three-month and 12-month periods ended December 31, 2013, respectively). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's equity income is dependent upon the revenue generated by the SIR Restaurants subject to the License and Royalty Agreement.

During the three-month and 12-month periods ended December 31, 2014, 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, 2013, respectively). A description of the terms of the SIR Loan is included in the notes to the unaudited interim consolidated financial statements of the Fund for the three-month and 12-month periods ended December 31, 2014.

As at December 31, 2014, the Fund had amounts receivable from SIR of $0.3 million (December 31, 2013 – $0.2 million) and amounts receivable from the Partnership of $0.7 million (December 31, 2013 – $0.8 million). The amount receivable from SIR relates primarily to the interest owing to the Fund on the SIR Loan for the month of December. The amounts due from the Partnership represent distributions receivable of $3.2 million (December 31, 2013 – $3.1 million), which are partially offset by advances payable of $2.5 million (December 31, 2013 – $2.3 million). All advances were conducted as part of the normal course of business operations.

Critical Accounting Estimates

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 2013 and 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, 2014 and 2013, no impairments have been recorded in the consolidated financial statements.

Changes in Accounting Policies, Including Initial Adoption

IAS 36, Impairment of Assets: IAS 36 has been amended to include limited scope amendments to the impairment disclosures. Management has determined that the adoption of this standard has no impact on its consolidated financial statements for the three-month and 12-month periods ended December 31, 2014 and December 31, 2013.

IFRS Issued But Not Yet Effective

IAS 24, Related Party Transactions: IAS 24 has been amended to (i) revise the definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements. This amendment is effective for annual periods beginning on or after July 1, 2014. Management has determined that the adoption of this standard has no 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 has determined that the adoption of this standard has no impact on its consolidated financial statements.

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.

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 $97.2 million based on the market value of the Fund units as of the close of business on December 31, 2014.

Disclosure of Outstanding Unit Data

The following summarizes the ownership structure of the Fund as at December 31, 2014 and March 13, 2015:

	Number of Fund units	
	December 31, 2014	**March 13, 2015**
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. SIR Restaurants are subject to laws that prohibit or limit smoking in enclosed workplaces and/or certain outdoor work places, such as restaurant patios. The restaurant industry generally and, in particular, the casual and fine dining segment of the industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. There are many well-established competitors with greater financial and other resources than SIR. Competitors include national and regional chains, as well as individually owned restaurants. Recently, competition has increased in the mid-price, full service, casual and fine dining sectors in which many of the SIR Restaurants operate. Some of SIR's competitors have been in existence for a substantially longer period than SIR and may be better established in the markets where SIR Restaurants are or may be located. If SIR is unable to successfully compete in the casual and fine dining sectors of the restaurant industry, Pooled Revenue may be adversely affected, the amount of the Royalty reduced and the ability of SIR to pay the Royalty or interest on the SIR Loan may be impaired. Please refer to the March 18, 2015 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

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

Outlook

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

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

During Q4 2014, SIR converted 350,000 (Q4 2013 – Nil) of its Class A GP Units in the Partnership into 350,000 (Q4 2013 – Nil) Fund units and sold these Fund units, generating gross proceeds of approximately $4.4 million (Q4 2013 – Nil). As a result of SIR exercising its right to convert these Class A GP Units into Fund units, the Fund issued 350,000 Fund units to SIR in exchange for an increased interest in the Partnership. Accordingly, this transaction did not have a dilutive effect on the Fund.

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

On January 1, 2015, two (January 1, 2014 – four) new SIR Restaurants were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of two new SIR Restaurants on January 1, 2015 (January 1, 2014 – four), as well as the Second Incremental Adjustment for the four new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2014 (January 1, 2013 – four), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. The number of Class B GP Units that SIR converted to Class A GP Units was reduced by an adjustment for the permanent closure of nil (January 1, 2014 – nil) SIR Restaurants during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 347,077 (January 1, 2014 – 803,393) Class B GP Units into 347,077 (January 1, 2014 – 803,393) Class A GP Units on January 1, 2015 at an estimated fair value of $4.5 million (January 1, 2014 – $11.4 million).

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

SIR opened a Duke's Refresher just off Yonge Street on Gerrard Street in Toronto, Ontario in November 2013. SIR believes Duke's Refresher has multi-unit growth potential and has advised the Fund that Duke's Refresher should be considered as a potential New Concept Restaurant brand. As such, the earliest that any Duke's Refresher would be added to the Royalty pool would be the Adjustment Date following the earlier of: (i) the date that four Duke's Refresher restaurants are open for business at the same time, and (ii) 90 days following the end of the fiscal year in which revenues from all Duke's Refresher restaurants in Canada first exceed $12.0 million. As neither of these events occurred in 2014, Duke's Refresher was not added to the Royalty Pool on January 1, 2015. The Duke's Refresher brand is currently being managed and developed by SIR's Signature group. Accordingly, the current Duke's Refresher location in downtown Toronto will be classified as a Signature restaurant for reporting purposes in the near term.

At the current date, SIR has plans to build three new Jack Astor's restaurants. It is expected that two of these restaurants will open in 2015 and the third in 2016. SIR also plans to open a new Scaddabush restaurant in Toronto, Ontario in fiscal 2016. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.

Subsequent to December 31, 2014, on February 18, 2014, one of SIR's Signature brand restaurants was temporarily closed due to significant water damage. The restoration is anticipated to be completed by the end of March and the restaurant will re-open thereafter. SIR maintains adequate business interruption insurance to mitigate the risk of such events.

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

Forward-Looking Information

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "should", "would", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including: 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. 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 13, 2015.

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

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

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