SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

SECOND QUARTER

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

(For the three-month and six-month periods ended June 30, 2013)

Executive Summary

Highlights for the three-month period ended June 30, 2013 ("Q2") and the six-month period ended June 30, 2013 ("YTD") for SIR Royalty Income Fund (the "Fund") include:

- Net earnings of the Fund were $2.0 million and $3.5 million for Q2 and YTD, respectively, as compared to $1.5 million and $2.9 million for Q2 2012 and YTD 2012, respectively. Net earnings per Fund unit were $0.30 and $0.54 for Q2 and YTD, respectively, as compared to $0.28 and $0.54 for Q2 2012 and YTD 2012, respectively.

- During Q2, the Fund announced an 8.0% increase to cash distributions, raising its monthly unitholder distributions from $0.088 per unit to $0.095 per unit, beginning with the distribution paid in June 2013. On an estimated annualized basis, this represents an increase from $1.056 per unit to $1.140 per unit and is the Fund's fifth distribution increase since inception in 2004.

- Distributable cash[(1)] per Fund unit, both on a basic and diluted basis, was $0.30 and $0.56 for Q2 and YTD, respectively, as compared to $0.28 and $0.54 for Q2 2012 and YTD 2012, respectively. Please refer to the Distributions section on page 4.

- The payout ratio[(1)] was 90.6% in Q2 compared to 91.6% in Q2 2012. The payout ratio[(1)] increased from 93.0% in YTD 2012 to 104.8% in YTD 2013. The payout ratio[(1)] since the Fund's inception, up to and including Q2 is 98.8%. The payout ratio[(1)] for YTD was significantly affected by the special year-end distribution of $0.05 per unit or $0.3 million that was declared on December 17, 2012 and was paid during Q1, on January 11, 2013. The distribution was paid to unitholders of record at the close of business on December 31, 2012.

- Pooled Revenue increased by 13.6% in Q2 to $62.9 million from $55.3 million in Q2 2012. Pooled Revenue increased by 9.4% for YTD to $117.6 million from $107.4 million in YTD 2012.

- SIR has reported to the Fund that Royalty Pooled Restaurants experienced same store sales growth[(2)] ("SSSG") of 4.1% and 1.1% in Q2 and YTD, respectively.

- Jack Astor's®, which accounts for approximately 77% of Pooled Revenue in Q2, experienced SSSG[(2)] of 3.9% and 1.7% in Q2 and YTD, respectively. Canyon Creek® experienced declines in SSS[(2)] of 0.4% and 4.4% in Q2 and YTD, respectively. Alice Fazooli's® had declines in SSS[(2)] of 10.1% and 10.3% in Q2 and YTD, respectively. Signature Restaurants experienced SSSG[(2)] of 31.8% and 15.2% in Q2 and YTD, respectively.

- In Q1, on March 4, 2013, SIR opened a new Jack Astor's restaurant in Kitchener, Ontario. In Q2, SIR opened two new Jack Astor's restaurants, one in north Toronto, Ontario on April 1, 2013 and one in Pickering, Ontario on May 21, 2013. These three restaurants will be added to Royalty Pooled Restaurants on January 1, 2014.

- Subsequent to Q2, on July 23, 2013, SIR began testing a variant of the Alice Fazooli's concept called Scaddabush™ at the Alice Fazooli's Square One location in Mississauga, Ontario. Scaddabush offers guests a new, refreshing take on Italian dining.

- For the remainder of 2013, SIR is expecting to open three more restaurants, which are planned for the Aura condominium development located at Yonge and Gerrard Streets in downtown Toronto. SIR also expects to open two new Jack Astor's restaurants in Ottawa, Ontario, one in 2014 and one in 2015.

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

(2) Same store sales ("SSS") and same store sales growth ("SSSG") are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. However, the Fund believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. The Fund's method of calculating SSS and SSSG may differ from those of other issuers and, accordingly, SSS and SSSG may not be comparable to measures used by other issuers. 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 2013 and fiscal 2012.

- During 2012, SIR opened three new Jack Astor's restaurants. These restaurants, along with the Jack Astor's restaurant that opened during Q4 2011, for a total of four new SIR Restaurants, were added to Royalty Pooled Restaurants on January 1, 2013.
- During 2012, SIR also permanently closed two restaurants, one Alice Fazooli's restaurant and one Jack Astor's restaurant. SIR was required to pay a Make-Whole Payment for these locations from their date of closures until December 31, 2012.
- The net effect of adding the four new restaurants to Royalty Pooled Restaurants on January 1, 2013, the Second Incremental Adjustment for the one restaurant added on January 1, 2012, and the adjustment for the permanent closure of two SIR Restaurants during the prior year, resulted in SIR converting 296,459 Class B GP Units into 296,459 Class A GP Units on January 1, 2013.
- During Q4 2012, in November 2012, and during Q1 2013, on March 14, 2013, the Fund issued 523,900 Fund units and 895,000 Fund units, respectively. Such units were issued in exchange for Class A GP Units of the SIR Royalty Limited Partnership (the "Partnership") held by SIR. SIR sold these Fund units, generating gross proceeds of approximately $6.8 million in the November 2012 transactions and $11.0 million in the March 2013 transaction. The proceeds from the sale of Fund units must be used by SIR to fund the costs associated with constructing new restaurants and renovating existing restaurants.
- The Class A GP Units received by the Fund in exchange for the Fund units issued were converted to Class A LP Units of the Partnership, which are entitled to a pro rata share of the residual income of the Partnership. Accordingly, these transactions did not have a dilutive effect on the Fund unitholders. 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 and as at June 30, 2013, SIR retained a 24.4% interest in the Partnership.
- While SIR is not owned by the Fund, the Fund is economically dependent upon SIR. SIR files its unaudited interim and audited annual consolidated financial statements and Management's Discussion and Analysis ("MD&A") on SEDAR under the Fund's listing named "Other". SIR's Q3 unaudited interim consolidated financial statements and MD&A in accordance with IFRS are listed having a filing date of June 19, 2013.

Same Store Sales(2) ("SSS")

(unaudited)

SIR reported to the Fund that there was SSSG(2) of 4.1% and 1.1% for Q2 and YTD, respectively. SSSG(2) by operating segment are summarized in the following table.

SSSG(2) for the Royalty Pooled Restaurants	**Three-month period ended June 30, 2013**	**Three-month period ended June 30, 2012**	**Six-month period ended June 30, 2013**	**Six-month period ended June 30, 2012**
Jack Astor's	3.9%	5.0%	1.7%	7.6%
Canyon Creek	(0.4%)	(2.6%)	(4.4%)	(0.5%)
Alice Fazooli's	(10.1%)	(5.7%)	(10.3%)	(2.6%)
Signature Restaurants	31.8%	(8.2%)	15.2%	(4.4%)
Overall SSS(2)	**4.1%**	**2.2%**	**1.1%**	**4.7%**

Jack Astor's, which accounted for approximately 77% of Pooled Revenue in Q2, experienced SSSG(2) of 3.9% and 1.7% in Q2 and YTD, respectively. Canyon Creek and Alice Fazooli's reported declines in SSS(2) of 0.4% and 10.1%, respectively, in Q2. For YTD, Canyon Creek and Alice Fazooli's had SSS(2) declines of 4.4% and 10.3%, respectively. SIR has initiated a program to evolve the Alice Fazooli's concept. SIR is testing a variant of the concept called Scaddabush this summer at the Alice Fazooli's Square One location in Mississauga, Ontario. The Square One Scaddabush concept opened subsequent to Q2 on July 23, 2013. Scaddabush offers guests a new, refreshing take on Italian dining. Management continues to review initiatives to enhance value at Canyon Creek. The Signature Restaurants generated SSSG(2) of 31.8% and 15.2% in Q2 and YTD, respectively. A major portion of the Signature Restaurants' SSSG(2) in Q2 and YTD is attributed to the positive impact that the renovations at Reds® in Q3 2012 and the Loose Moose Tap & Grill® in Q1 2013 had on sales. During Q2, in May 2013, SIR also renovated the patio at Reds.

Restaurant Renovations

During Q2, SIR completed a patio renovation at Reds. Subsequent to Q2, SIR completed a renovation at the Alice Fazooli's Square One location in Mississauga Ontario in order to test a variant of the Alice Fazooli's concept called Scaddabush. In Q1, SIR completed a renovation of the Loose Moose® and one Jack Astor's restaurant.

Two Jack Astor's restaurants were renovated in fiscal 2012, one in Q2 2012 and one in Q4 2012. During Q3 2012, SIR completed a major renovation and repositioning of Reds. As a result, Reds was closed for 32 days, reopening on October 2, 2012 as Reds® Wine Tavern.

SIR's Management is committed to maximizing the performance of all of its restaurants.

New and Closed Restaurants

In Q2, SIR opened two new Jack Astor's restaurants, one in north Toronto on April 1, 2013 and one in Pickering, Ontario on May 21, 2013. In Q1, on March 4, 2013, SIR opened a new Jack Astor's restaurant in Kitchener, Ontario. These three restaurants will be added to Royalty Pooled Restaurants on January 1, 2014.

Over the remainder of 2013, SIR is expecting to open three more restaurants, which are planned for the Aura condominium development at Yonge and Gerrard Streets in downtown Toronto, one of the largest condominium projects in Canada. SIR is also expecting to open two new Jack Astor's restaurants in Ottawa, Ontario, one in 2014 and one in 2015. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.

In fiscal 2012, SIR opened three new Jack Astor's restaurants in Toronto (on Front Street near the St. Lawrence Market) on May 16, 2012, in Laval, Quebec on October 4, 2012, and in Kingston, Ontario on November 2, 2012. These three restaurants, along with the Jack Astor's restaurant that opened during Q4 2011, on Argentia Road in Mississauga, Ontario, were added to Royalty Pooled Restaurants on January 1, 2013. During Q2 2012, SIR also opened two new seasonal Signature Restaurants: Duke's Refresher™ and Abbey's Bake House™. These two restaurants, both located in Muskoka, Ontario, operate as seasonal businesses and are not part of Royalty Pooled Restaurants.

In fiscal 2012, SIR closed two restaurants, both in Q1 2012. SIR closed the Alice Fazooli's restaurant located on Adelaide Street in Toronto and the Jack Astor's restaurant located in Kitchener, Ontario. SIR was required to pay a Make-Whole Payment for these locations from their date of closures until December 31, 2012. On January 1, 2013, the lost revenue of the closed restaurants were netted against the revenue of the four new SIR Restaurants opened from November 3, 2011 to November 2, 2012, which determined the number of Class B GP Units of the Partnership held by SIR, which can be converted into Class A GP Units of the Partnership.

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 the quarter, monthly distributions of $0.6 million or $0.088 per unit were declared and paid in each of the months of April and May 2013. During the quarter, the Fund announced an 8.0% increase to cash distributions, raising 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 increase was effective for the Fund's cash distribution for the period May 1, 2013 to May 31, 2013, which was paid in June 2013. Subsequent to June 30, 2013, the Fund declared and paid a distribution of $0.095 per unit in the month of July 2013 and declared a distribution of $0.095 per unit in the month of August 2013. Please refer to the chart on page 10 for a summary of monthly distributions since inception.

The payout ratio(1) of cash distributed to distributable cash(1) is intended to average 100% per annum over the longer term. Since the Fund pays even monthly distributions when its underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR), there are times during the year when the payout ratio(1) may exceed or could be lower than 100%. The payout ratio(1) for Q2 and YTD was 90.6% and 104.8%, respectively, as compared to 91.6% and 93.0% in Q2 2012 and YTD 2012, respectively. The payout ratio(1) since the Fund's inception up to and including Q2 is 98.8%. The payout ratio(1) for YTD was significantly affected by the special 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.

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.

During Q4 2012, in November 2012, and during Q1 2013, on March 14, 2013, the Fund issued 523,900 Fund units and 895,000 Fund units, respectively. Such units were issued in exchange for Class A GP Units held by SIR. The Class A GP Units received by the Fund in exchange for the Fund units issued were converted to Class A LP Units of the Partnership, which are entitled to a pro rata share of the residual income of the Partnership. Accordingly, these transactions did not have a dilutive effect on the Fund unitholders. The Fund and the Partnership did not receive any proceeds pursuant to these transactions.

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

Overview and Business of SIR and the Partnership

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at June 30, 2013, SIR operated 54 Concept Restaurants and Signature Restaurants in Canada (in Ontario, Quebec, Alberta and Nova Scotia). The Concept Restaurants are Jack Astor's Bar and Grill®, Canyon Creek Chop House®, and Alice Fazooli's together with Scaddabush. The Signature Restaurants located in downtown Toronto are Reds Wine Tavern, Far Niente®/FOUR®/Petit Four® and the Loose Moose Tap & Grill. SIR also owns and operates two seasonal Signature restaurants: Abbey's Bake House and Duke's Refresher. These two restaurants, both located in Muskoka, Ontario, operate as seasonal businesses and are not part of Royalty Pooled Restaurants. SIR owns 100% of its Canadian restaurants. As at June 30, 2013, 49 SIR Restaurants were included in Royalty Pooled Restaurants.

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 three new Jack Astor's restaurants that opened in 2012, along with the Jack Astor's restaurant that opened during Q4 2011, were added to Royalty Pooled Restaurants on January 1, 2013. During Q1 2012, SIR closed its Alice Fazooli's restaurant located on Adelaide Street in Toronto and its Jack Astor's restaurant located in Kitchener, Ontario. SIR was required to pay a Make-Whole Payment for these locations from their date of closures until December 31, 2012. On January 1, 2013, the revenue of the closed restaurants was netted against the revenue of the new SIR Restaurants which had been open for at least 60 days prior to the Adjustment Date, which determined the number of Class B GP Units of the Partnership held by SIR, which can be converted into Class A GP Units of the Partnership.

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.

On January 1, 2013, four (January 1, 2012 – one) new SIR Restaurants were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of four new SIR Restaurants on January 1, 2013 (January 1, 2012 – one), as well as the Second Incremental Adjustment for the one new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2012 (January 1, 2011 – one), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. The number of Class B GP Units that SIR converted to Class A GP Units was reduced by an adjustment for the permanent closure of two (January 1, 2012 – nil) SIR Restaurants during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 296,459 (January 1, 2012 – 203,878) Class B GP Units into 296,459 (January 1, 2012 – 203,878) Class A GP Units on January 1, 2013 at an estimated fair value of $4.3 million (January 1, 2012 - $1.9 million).

The revenues of the one new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2012 exceeded 80% of the Initial Adjustment's estimated Revenue and, as a result, an additional distribution of $0.02 million was declared in December 2012 (December 2011 - $0.03 million) and paid the following January.

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.

During Q4 2012, in November 2012, and during Q1 2013, on March 14, 2013, the Fund issued 523,900 Fund units and 895,000 Fund units, respectively. Such units were issued in exchange for Class A GP Units held by SIR. SIR sold these Fund units, generating gross proceeds of approximately $6.8 million in the November 2012 transactions and $11.0 million in the March 2013 transaction. The Class A GP Units received by the Fund in exchange for the Fund units issued were converted to Class A LP Units of the Partnership, which are entitled to a pro rata share of the residual income of the Partnership. Accordingly, these transactions did not have a dilutive effect on the Fund unitholders. 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 and as at June 30, 2013, SIR retained a 24.4% interest in the Partnership.

The proceeds from the sale of Fund units must be used by SIR to fund the costs associated with constructing new restaurants and renovating existing restaurants. SIR has used a portion of the proceeds to fund renovation activities of select existing restaurants within the Royalty Pooled Restaurants. In addition to the three restaurants opened to date in 2013, SIR has three commitments to lease new properties, on which it plans to build five new restaurants over the next two years. SIR has begun the construction of three of these restaurants, which are expected to open in 2013. The remaining two restaurants are expected to open in 2014 and 2015. SIR intends to use the remaining net proceeds to fund a portion of the construction and development costs of the new restaurants.

SIR's fiscal year is comprised of 13 periods of four weeks each, ending on the last Sunday in August. To preserve this year-end, an additional week must be added approximately every five years. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks. SIR's fiscal 2013 and 2012 years each consist of 52 weeks.

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

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

Financial Highlights

(in thousands of dollars or units, except restaurants and per unit amounts) (unaudited)	**Three-month period ended June 30, 2013**	**Three-month period ended June 30, 2012**	**Six-month period ended June 30, 2013**	**Six-month period ended June 30, 2012**
Royalty Pooled Restaurants	49	47	49	47
Pooled Revenue generated by SIR	62,855	55,333	117,554	107,410
6% of Pooled Revenue	3,771	3,320	7,053	6,445
Make-Whole Payment(3)	-	91	-	152
Total Royalty Income to Partnership	3,771	3,411	7,053	6,597
Partnership other income	10	9	20	20
Partnership expenses	(21)	(25)	(49)	(36)
Partnership earnings	3,760	3,395	7,024	6,581
SIR's interest (Class A, B and C GP Units)	(1,641)	(2,000)	(3,420)	(3,935)
Partnership income allocated to Fund(4)	2,119	1,395	3,604	2,646
Interest income	750	750	1,500	1,500
Total income of the Fund	2,869	2,145	5,104	4,146
General & administrative expenses	(111)	(121)	(223)	(207)
Net earnings before income taxes of the Fund	2,758	2,024	4,881	3,939
Income tax expense	(747)	(550)	(1,409)	(1,064)
Net earnings (loss) for the period	2,011	1,474	3,472	2,875
Basic earnings per Fund Unit	$0.30	$0.28	$0.54	$0.54
Weighted average number of Fund units outstanding – Basic	6,776	5,357	6,403	5,357
Net earnings for the period – Diluted	2,661	2,385	4,829	4,652
Weighted average number of Class A GP Units	2,188	3,310	2,561	3,310
Weighted average number of Fund units outstanding – Diluted	8,964	8,667	8,964	8,667
Diluted earnings per Fund unit	$0.30	$0.28	$0.54	$0.54

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

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

Summary of Quarterly Financial Information

(in thousands of dollars or units, except restaurants and per unit amounts) (unaudited)	**Three-month periods ended** June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Royalty Pooled Restaurants	49	49	47	47	47	47	46	46
Pooled Revenue generated by SIR	62,855	54,699	54,396	54,017	55,333	52,076	54,667	52,647
6% of Pooled Revenue	3,771	3,282	3,263	3,241	3,320	3,125	3,279	3,159
Make-Whole Payment[(3)]	-	-	93	93	91	62	-	-
Total Royalty Income to Partnership	3,771	3,282	3,356	3,334	3,411	3,187	3,279	3,159
Partnership other income	10	10	10	9	9	11	13	8
Partnership expenses	(21)	(28)	(20)	(21)	(25)	(12)	(13)	(22)
Partnership earnings	3,760	3,264	3,346	3,322	3,395	3,186	3,279	3,145
SIR's interest (Class A, B and C GP Units)	(1,641)	(1,779)	(1,911)	(1,987)	(2,000)	(1,934)	(1,948)	(1,871)
Partnership income allocated to Fund[(4)]	2,119	1,485	1,435	1,335	1,395	1,252	1,331	1,274
Interest income	750	750	750	750	750	750	750	750
Total income of the Fund	2,869	2,235	2,185	2,085	2,145	2,002	2,081	2,024
General & administrative expenses	(111)	(112)	(85)	(82)	(121)	(86)	(73)	(91)
Net earnings before income taxes of the Fund	2,758	2,123	2,100	2,003	2,024	1,916	2,008	1,933
Income tax expense	(747)	(662)	(585)	(531)	(550)	(515)	(564)	(556)
Net earnings for the period	2,011	1,461	1,515	1,472	1,474	1,401	1,444	1,377
Basic earnings per Fund unit	$0.30	$0.24	$0.27	$0.27	$0.28	$0.26	$0.27	$0.26
Weighted average number of Fund units outstanding – Basic	6,776	6,030	5,619	5,357	5,357	5,357	5,357	5,357
Net earnings for the period – Diluted	2,661	2,168	2,333	2,381	2,385	2,267	2,281	2,175
Weighted average number of Class A GP Units	2,188	2,934	3,048	3,310	3,310	3,310	3,107	3,107
Weighted average number of Fund units outstanding – Diluted	8,964	8,964	8,667	8,667	8,667	8,667	8,463	8,463
Diluted earnings per Fund unit	$0.30	$0.24	$0.27	$0.27	$0.28	$0.26	$0.27	$0.26

For the six-month period from January 1, 2013 to June 30, 2013, the Fund declared distributions of $0.535 per unit and paid distributions of $0.585 per unit. In January 2013, the Fund paid a special year-end distribution of $0.05 per unit. The Fund declared and paid a distribution of $0.088 per unit in each of the months of January to May 2013 inclusive and a distribution of $0.095 per unit in June 2013. During Q2, the Fund announced an 8.0% increase to cash distributions, raising 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 increase was effective for the Fund's cash distribution for the period May 1, 2013 to May 31, 2013, which was paid in June 2013. Subsequent to Q2, the Fund also declared and paid a distribution of $0.095 per unit in the month of July 2013 and declared a distribution of $0.095 per unit in the month of August 2013.

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. The Fund's intention is 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.

Distributable Cash[1]

(in thousands of dollars or units, except per unit amounts and payout ratio[1]) *(unaudited)*	**Three-month period ended June 30, 2013**	**Three-month period ended June 30, 2012**	**Six-month period ended June 30, 2013**	**Six-month period ended June 30, 2012**
Cash provided by operating activities	1,946	1,850	3,637	1,133
Add/(deduct): Net change in non-cash working capital items[5]	(112)	(659)	(224)	(859)
Net change in income tax payable[5]	(237)	(2)	(262)	2,173
Net change in distribution receivable from the Partnership[5]	430	296	440	450
Distributable cash[1]	**2,027**	**1,485**	**3,591**	**2,897**
Cash distributed for the period	**1,836**	**1,361**	**3,761[8]**	**2,694**
Surplus/(shortfall) of distributable cash[1]	**191**	**124**	**(170)**	**203**
Payout ratio[1], [6]	90.6%	91.6%	104.8%[8]	93.0%
Weighted average number of Fund units outstanding – Basic	6,776	5,357	6,403	5,357
Distributable cash[1] per Fund unit – Basic	$0.30	$0.28	$0.56	$0.54
Distributable cash for the period – Diluted[7]	2,673	2,403	4,994	4,688
Weighted average number of Class A GP Units[7]	2,188	3,310	2,561	3,310
Weighted average number of Fund units outstanding – Diluted[7]	8,964	8,667	8,964	8,667
Distributable cash[1] per Fund unit – Diluted[7]	$0.30	$0.28	$0.56	$0.54

Distributable Cash[1]

(in thousands of dollars or units, except per unit amounts and payout ratio[1]) *(unaudited)*	**Three-month periods ended**							
	June 30, 2013	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**	**June 30, 2012**	**March 31, 2012**	**December 31, 2011**	**September 30, 2011**
Cash provided by (used in) operating activities	1,946	1,691	1,385	1,313	1,850	(717)	2,151	1,759
Add/(deduct): Net change in non-cash working capital items[5]	(112)	(112)	780	(83)	(659)	(200)	124	(3)
Net change in income tax payable[5]	(237)	(25)	(38)	16	(2)	2,175	(553)	(544)
Net change in distribution receivable from the Partnership[5]	430	10	(601)	237	296	154	(267)	176
Distributable cash[1]	**2,027**	**1,564**	**1,526**	**1,483**	**1,485**	**1,412**	**1,455**	**1,388**
Cash distributed for the period	**1,836**	**1,925**	**1,506**	**1,414**	**1,361**	**1,334**	**1,334**	**1,334**
Surplus/(shortfall) of distributable cash[1]	**191**	**(361)**	**20**	**69**	**124**	**78**	**121**	**54**
Payout ratio[1], [6]	90.6%	123.1%[8]	98.7%	95.4%	91.6%	94.4%	91.6%	96.1%
Weighted average number of Fund units outstanding – Basic	6,776	6,030	5,619	5,357	5,357	5,357	5,357	5,357
Distributable cash[1] per Fund unit – Basic	$0.30	$0.26	$0.27	$0.28	$0.28	$0.26	$0.27	$0.26
Distributable cash for the period – Diluted[7]	2,673	2,321	2,350	2,399	2,403	2,285	2,300	2,193
Weighted average number of Class A GP Units[7]	2,188	2,934	3,048	3,310	3,310	3,310	3,107	3,107
Weighted average number of Fund units outstanding – Diluted[7]	8,964	8,964	8,667	8,667	8,667	8,667	8,463	8,463
Distributable cash[1] per Fund unit – Diluted[7]	$0.30	$0.26	$0.27	$0.28	$0.28	$0.26	$0.27	$0.26

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

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

(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.*

(8) *The payout ratio for the three-month period ended March 31, 2013 and the six-month period ended June 30, 2013 was significantly impacted by the special 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.*

Cash used in operating activities in Q1 2012 was $0.7 million as a result of the Fund paying the 2011 income tax liability as well as the first quarterly tax installment for 2012 in Q1 2012.

The $0.2 million shortfall of distributable cash(1) for the six-month period ended June 30, 2013 is a result of the special 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*
June 2012 to May 2013	$0.088
June 2013 to date	$0.095
December 2012 Special Distribution	$0.05

**The distributions, starting with the January 2011 distribution (declared and paid in February 2011), were reduced for the impact of income taxes, which took effect for the Fund, starting January 1, 2011.*

A special year-end distribution of $0.05 per unit was declared in December 2012 and paid in January 2013. The special distribution was declared because the Fund expected that the taxable income generated in 2012 would exceed the aggregate monthly distributions declared by the Fund. During Q2, the Fund announced an 8.0% increase to cash distributions, raising 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 increase was effective for the Fund's cash distribution for the period May 1, 2013 to May 31, 2013, which was paid in June 2013.

The payout ratio(1) of cash distributed to distributable cash(1) is intended to average 100% per annum. Since the Fund pays even monthly distributions when it's 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 be lower than 100%. For the three-month and six-month periods ended June 30, 2013, the payout ratio(1) was 90.6% and 104.8%, respectively. For the three-month and six-month periods ended June 30, 2012, the payout ratio(1) was 91.6% and 93.0%, respectively. The payout ratio(1) for the six-month period ended June 30, 2013 was significantly affected by the special 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. The payout ratio(1) since the Fund's inception up to and including Q2 is 98.8%. The Trustees continue to review the appropriateness of distributions on an on-going basis.

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

(in thousands of dollars) *(unaudited)*	**Three-month period ended June 30, 2013**	**Three-month period ended June 30, 2012**	**Six-month period ended June 30, 2013**	**Six-month period ended June 30, 2012**
Cash provided by operating activities	1,946	1,850	3,637	1,133
Net earnings for the period	2,011	1,474	3,472	2,875
Cash distributed for the period	1,836	1,361	3,761	2,694
Excess (shortfall) of cash provided by operating activities over cash distributed for the period(9)	**110**	**489**	**(124)**	**(1,561)**
Excess (shortfall) of net earnings for the period over cash distributions paid(10)	**175**	**113**	**(289)**	**181**

There is a shortfall of cash provided by operating activities over cash distributed of $0.1 million for the six-month period ended June 30, 2013. This shortfall, along with the $0.3 million shortfall of net earnings for the period over cash distributions paid for the six-month period ended June 30, 2013, are the result of the special 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. The $1.6 million shortfall for the six-month period ended June 30, 2012 is a result of the Fund paying the 2011 income tax liability as well as the first and second quarterly tax installments for 2012 in the six-month period ended June 30, 2012.

Balance Sheet

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

(in thousands of dollars) *(unaudited)*	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**	**June 30, 2012**	**March 31, 2012**	**December 31, 2011**	**September 30, 2011**
Total assets	70,517	70,093	59,435	52,612	52,527	52,396	54,481	53,815
Unitholders' equity	68,740	68,564	57,726	51,201	51,143	51,030	50,962	50,852

Results of Operations - Fund

The Fund's revenue of $2.9 million for the three-month period ended June 30, 2013 ($2.1 million for the three-month period ended June 30, 2012) is comprised of equity income from the Partnership of $2.1 million ($1.4 million for the three-month period ended June 30, 2012) and interest income of $0.8 million ($0.8 million for the three-month period ended June 30, 2012). Revenue of $5.1 million for the six-month period ended June 30, 2012 ($4.1 million for six-month period ended June 30, 2012) is comprised of equity income from the Partnership of $3.6 million ($2.6 million for the six-month period ended June 30, 2012) and interest income of $1.5 million ($1.5 million for the six-month period ended June 30, 2012). Equity income from the Partnership is the pro rata share of the residual distributions of the Partnership for the three-month and six-month periods ended June 30, 2013 and June 30, 2012. Interest income is interest earned for the three-month and six-month periods ended June 30, 2013 and June 30, 2012 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 $0.2 million for the three-month and six-month periods ended June 30, 2013, respectively ($0.1 million and $0.2 million for the three-month and six-month periods ended June 30, 2012, respectively). These expenses include professional fees, directors' and officers' liability insurance premiums, Trustees' fees, certain public company costs and other administrative fees.

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(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.

As a result of certain changes to the tax treatment of income trusts in Canada, beginning on January 1, 2011, the Fund became subject to income taxes at the prevailing corporate income tax rates. As a result, the Fund recorded a current income tax expense of $0.7 million and $1.3 million for the three-month and six-month periods ended June 30, 2013, respectively ($0.5 million and $1.0 million for the three-month and six-month periods ended June 30, 2012, respectively).

Net earnings were $2.0 million and $3.5 million for the three-month and six-month periods ended June 30, 2013, respectively ($1.5 million and $2.9 million for the three-month and six-month periods ended June 30. 2012, respectively). Earnings per Fund Unit on both a basic and diluted basis were $0.30 and $0.54 for the three-month and six-month periods ended June 30, 2013, respectively ($0.28 and $0.54 for the three-month and six-month periods ended June 30, 2012, respectively).

Pooled Revenue

The Fund is indirectly dependent on the amount of the Royalty paid by SIR to the Partnership. The amount of this Royalty is dependent on Pooled Revenue. Pooled Revenue is the revenue of the SIR Restaurants included in Royalty Pooled Restaurants. As at June 30, 2013, there were 49 restaurants included in Pooled Revenue. Increases or decreases in Pooled Revenue are derived from SSS(2) growth or decline, and new or permanently closed SIR Restaurants subject to the SIR Rights. Pooled Revenue is affected by the risks associated with the operations and financial condition of SIR, the commercial foodservice industry generally and the casual and fine dining segment of the commercial foodservice industry in particular.

The following table sets out Pooled Revenue for the three-month and six-month periods ended June 30, 2013 and June 30, 2012:

Summary of Pooled Revenue

(in thousands of dollars except number of restaurants included in Pooled Revenue) (unaudited)	Three-month period ended June 30, 2013		Three-month period ended June 30, 2012		Six-month period ended June 30, 2013		Six-month period ended June 30, 2012	
	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	48,151	34	41,320	31	88,588	34	78,131	31
Canyon Creek	6,574	8	6,601	8	13,177	8	13,790	8
Alice Fazooli's	3,522	4	3,915	5	6,775	4	7,662	5
Signature	4,608	3	3,497	3	9,014	3	7,827	3
Total included in Pooled Revenue	62,855	49	55,333	47	117,554	49	107,410	47

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 First Amendment of the Subordination and Postponement Agreement, a copy of which has also been filed on SEDAR.

SIR has a term loan and a development loan (Amended Credit Agreement) that are due on November 14, 2016. Interest on the Amended Credit Agreement is calculated as the greater of 6% per annum and the three-month Canadian bankers' acceptance rate plus 5.75% per annum, calculated monthly, not in advance. As at May 5, 2013, $20.0 million and $11.0 million were outstanding on SIR's Amended Credit Agreement for the term loan and development loan, respectively.

The Amended 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 Amended Credit Agreement.

Under the First Amendment to the Subordination and Postponement Agreement, absent a default or event of default under the Amended 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 First Amendment to the 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 2012, in November 2012, and during Q1 2013, on March 14, 2013, the Fund issued 523,900 Fund units and 895,000 Fund units, respectively. Such units were issued in exchange for Class A GP Units held by SIR. SIR sold these Fund units, generating gross proceeds of approximately $6.8 million in the November 2012 transactions and $11.0 million in the March 2013 transaction. The Class A GP Units received by the Fund in exchange for the Fund units issued were converted to Class A LP Units of the Partnership, which are entitled to a pro rata share of the residual income of the Partnership. Accordingly, these transactions did not have a dilutive effect on the Fund unitholders. 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 and as at June 30, 2013, SIR retained a 24.4% interest in the Partnership.

The proceeds from the sale of Fund units must be used by SIR to fund the costs associated with constructing new restaurants and renovating existing restaurants. SIR has used a portion of the proceeds to fund renovation activities of select existing restaurants within the Royalty Pooled Restaurants. In addition to the three restaurants opened to date in 2013, SIR has three commitments to lease new properties, on which it plans to build five new restaurants over the next two years. SIR has begun the construction of three of these restaurants, which are expected to open in 2013. The remaining two restaurants are expected to open in 2014 and 2015. SIR intends to use the remaining net proceeds to fund a portion of the construction and development costs of the new restaurants.

SIR believes and has advised the Fund that it expects to be able to comply with the covenants under the Amended 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 period for which the Royalty is determined.

During the three-month and six-month periods ended June 30, 2013, the Fund distributed $1.8 million and $3.8 million, respectively, to unitholders. A special year-end distribution of $0.05 per unit was declared in December 2012 and paid in January 2013. The special distribution was declared because the Fund expected that the taxable income generated in 2012 would exceed the aggregate monthly distributions declared by the Fund. During Q2, the Fund also announced an 8.0% increase to cash distributions, raising 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 increase was effective for the Fund's cash distribution for the period May 1, 2013 to May 31, 2013, which was paid in June 2013. Subsequent to June 30, 2013, a distribution of $0.6 million ($0.095 per unit) was declared and paid in the month of July 2013 and a distribution of $0.6 million ($0.095 per unit) was declared in the month of August 2013.

The Fund did not have any capital expenditures in Q2 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 obligations and pay distributions to its unitholders. The Fund intends to continue to pay monthly distributions consistent with the most recent distribution declared in August 2013 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. Information regarding SIR and its liquidity can be found in SIR's unaudited interim and audited annual consolidated financial statements and MD&A, which can be found on SEDAR under the Fund's listing named "Other". The most recent unaudited interim consolidated financial statements and MD&A for SIR's third quarter are listed having a filing date of June 19, 2013.

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)	**3rd Quarter Ended May 5, 2013 (12 weeks)**	**2nd Quarter Ended February 10, 2013 (12 weeks)**	**1st Quarter Ended November 18, 2012 (12 weeks)**	**4th Quarter Ended August 26, 2012 (16 weeks)**	**3rd Quarter Ended May 6, 2012 (12 weeks)**	**2nd Quarter Ended February 12, 2012 (12 weeks)**	**1st Quarter Ended November 20, 2011 (12 weeks)**	**4th Quarter Ended August 28, 2011 (16 weeks)**
				(in thousands of dollars) (unaudited)				
Cash provided by continuing operations	2,201	3,278	31	6,603	1,210	3,567	970	5,556
Cash provided by (used in) continuing investing activities	700	(1,202)	(3,494)	(4,515)	(1,767)	(2,957)	(1,865)	(3,784)
Cash provided by (used in) continuing financing activities	(2,237)	(2,011)	(2,030)	4,490	(1,092)	(1,049)	1,609	(2,056)
Increase (decrease) in cash and cash equivalents during the period	664	65	(5,493)	6,578	(1,649)	(439)	772	187
Cash and cash equivalents – Beginning of period	5,067	5,002	10,495	3,917	5,566	6,005	5,233	5,046
Cash and cash equivalents – End of period	5,731	5,067	5,002	10,495	3,917	5,566	6,005	5,233

Controls and Procedures

As at December 31, 2012, an evaluation was carried out under the supervision of and with the participation of the SIR GP Inc. management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Fund's disclosure controls and procedures. Based on that evaluation, the CEO and the CFO concluded that, to their knowledge, the design and operation of these disclosure controls and procedures were effective as at December 31, 2012 to provide reasonable assurance that material information relating to the Fund and its consolidated subsidiaries would be made known to them by others within those entities.

An evaluation was carried out under the supervision of and with management, including the CEO and CFO, of internal controls over financial reporting as at December 31, 2012. Based on this evaluation, the CEO and the CFO have concluded that, internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS.

There have not been any material changes to disclosure controls or internal controls over financial reporting during the six-month period ended June 30, 2013.

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.

(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 Q3 MD&A filed on June 19, 2013 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.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

During the three-month and six-month periods ended June 30, 2013, the Fund earned equity income of $2.1 million and $3.6 million, respectively, from the Partnership ($1.4 million and $2.6 million for the three-month and six-month periods ended June 30, 2012, respectively). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's equity income is dependent upon the revenue generated by the SIR Restaurants subject to the License and Royalty Agreement.

During the three-month and six-month periods ended June 30, 2013, the Fund earned interest income of $0.8 million and $1.5 million, respectively, from the SIR Loan ($0.8 million and $1.5 million for the three-month and six-month periods ended June 30, 2012, respectively). A description of the terms of the SIR Loan is included in the notes to the unaudited interim consolidated financial statements of the Fund for the three-month and six-month periods ended June 30, 2013 and June 30, 2012.

As at June 30, 2013, the Fund had amounts receivable from SIR of $0.2 million (December 31, 2012 – $0.2 million) and amounts receivable from the Partnership of $1.1 million (December 31, 2012 – $0.9 million). The amount receivable from SIR relates primarily to the interest owing to the Fund on the SIR Loan for the month of June. The amounts due from the Partnership represent distributions receivable of $3.4 million (December 31, 2012 – $3.0 million), which are partially offset by advances payable of $2.3 million (December 31, 2012 – $2.1 million). All advances were conducted as part of the normal course of business operations.

Critical Accounting Estimates

Management believes that there have been no substantial changes in the nature of the critical accounting estimates as described in the annual MD&A for the year ended December 31, 2012.

Changes in Accounting Policies, Including Initial Adoption

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

IFRS 12, Disclosure of Interests in Other Entities: IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. Management has determined that the adoption of this standard has no impact on its interim consolidated financial statements. The adoption of this standard will require additional disclosures in the annual consolidated financial statements.

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

Recently Issued IFRS Not Yet Effective

IFRS 9, Financial Instruments - Classification and Measurement (IFRS 9), is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments - Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured using amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest; otherwise, it is measured at fair value through profit or loss. IFRS 9 is effective for years beginning on or after January 1, 2015. Management is evaluating the standard and has not yet determined the impact on its consolidated financial statements.

IFRS 36, Impairment of Assets: IAS 36 has been amended to include limited scope amendments to the impairment disclosures. The amendments are effective for annual periods beginning on or after January 1, 2014. Management is evaluating this standard and has not yet determined the impact on its consolidated financial statements.

Financial Instruments

There have been no changes in the Fund's financial instruments for the three-month and six-month periods ended June 30, 2013 as described in the Fund's MD&A for the year ended December 31, 2012.

Disclosure of Outstanding Unit Data

The following summarizes the ownership structure of the Fund as at August 18, 2013 and June 30, 2013:

	Number of Fund units	
	August 8, 2013	**June 30, 2013**
Units issued	6,775,567	6,775,567

Risks and Uncertainties

The performance of the Fund is directly dependent upon the interest payments the Fund receives from SIR under the SIR Loan and upon the Royalty received by the Partnership from SIR. The amount of the Royalty is dependent upon Pooled Revenue, which is subject to a number of factors that affect the restaurant industry generally and the casual and/or fine dining sectors of this industry in particular. The restaurant industry generally and, in particular, the casual and fine dining segment of the industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. There are many well-established competitors with greater financial and other resources than SIR. Competitors include national and regional chains, as well as individually owned restaurants. Recently, competition has increased in the mid-price, full service, casual and fine dining sectors in which many of the SIR Restaurants operate. Some of SIR's competitors have been in existence for a substantially longer period than SIR and may be better established in the markets where SIR Restaurants are or may be located. If SIR is unable to successfully compete in the casual and fine dining sectors of the restaurant industry, Pooled Revenue may be adversely affected, the amount of the Royalty reduced and the ability of SIR to pay the Royalty or interest on the SIR Loan may be impaired. Please refer to the March 28, 2013 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

As a result of certain legislative changes to the tax treatment of income trusts, commonly referred to as Specified Investment Flow Through ("SIFT") entities, effective January 1, 2011, corporate income taxes are applicable to the taxable income of the Fund. This SIFT tax applies to the Fund at the estimated prevailing corporate tax rate of approximately 26.5% (2012 – 26.5%) and, as a result, cash available for the Fund to distribute to unitholders is effectively reduced by that amount. 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.

Effective fiscal 2011, taxable income of the Fund allocated to unitholders is classified as eligible dividends. Unitholders who are Canadian residents and hold their units in a non-tax deferred account may claim the dividend tax credit for eligible dividends, which would if applicable reduce the after tax impact of the SIFT tax. Unitholders of the Fund have been advised to consult their own tax advisors to determine the impact of this change in tax laws on the distributions from their investment in the Fund.

Outlook

SIR competes within the full-service category of commercial foodservice in Canada. The CRFA estimates that growth in the full-service category will grow by 3.5% in 2013 and then average 3.8% over the next four years. Management continues to monitor the economy and consumer confidence and their effects on the full-service restaurant category.

SIR has a term loan and a development loan (Amended Credit Agreement) that are due on November 14, 2016. As at May 5, 2013, $20.0 million and $11.0 million were outstanding on SIR's Amended Credit Agreement for the term loan and development loan, respectively. Please see the Liquidity and Capital Resources section.

During Q4 2012, in November 2012, and during Q1 2013, on March 14, 2013, the Fund issued 523,900 Fund units and 895,000 Fund units, respectively. Such units were issued in exchange for Class A GP Units held by SIR. SIR sold these Fund units, generating gross proceeds of approximately $6.8 million in the November 2012 transactions and $11.0 million in the March 2013 transaction. The Class A GP Units received by the Fund in exchange for the Fund units issued were converted to Class A LP Units of the Partnership, which are entitled to a pro rata share of the residual income of the Partnership. Accordingly, these transactions did not have a dilutive effect on the Fund unitholders. 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 and as at June 30, 2013, SIR retained a 24.4% interest in the Partnership.

The proceeds from the sale of Fund units must be used by SIR to fund the costs associated with constructing new restaurants and renovating existing restaurants. SIR has used a portion of the proceeds to fund renovation activities of select existing restaurants within the Royalty Pooled Restaurants. In addition to the three restaurants opened to date in 2013, SIR has three commitments to lease new properties, on which it plans to build five new restaurants over the next two years. SIR has begun the construction of three of these restaurants, which are expected to open in 2013. The remaining two restaurants are expected to open in 2014 and 2015. SIR intends to use the remaining net proceeds to fund a portion of the construction and development costs of the new restaurants.

As at June 30, 2013, SIR had 54 restaurants open in Canada and since October 2004, the Fund's Initial Public Offering, SIR has opened 25 new restaurants (19 new Jack Astor's, four new Canyon Creek restaurants, and two seasonal Signature restaurants). The two seasonal Signature restaurants are not part of Royalty Pooled Restaurants.

Over the remainder of 2013, SIR is expecting to open three more restaurants, which are planned for the Aura condominium development at Yonge and Gerrard Streets in downtown Toronto, one of the largest condominium projects in Canada. SIR is also expecting to open two new Jack Astor's restaurants in Ottawa, Ontario, one in 2014 and one in 2015.

During Q2, SIR opened two new Jack Astor's restaurants, one in north Toronto on April 1, 2013 and one in Pickering, Ontario on May 21, 2013. In Q1 2013, on March 4, 2013, SIR opened a new Jack Astor's restaurant in Kitchener, Ontario. These three restaurants will be added to Royalty Pooled Restaurants on January 1, 2014.

During 2012, SIR opened three new Jack Astor's restaurants. These restaurants, along with the Jack Astor's restaurant that opened during Q4 2011, for a total of four new SIR Restaurants, were added to Royalty Pooled Restaurants on January 1, 2013. During 2012, SIR also permanently closed two restaurants, one Alice Fazooli's restaurant and one Jack Astor's restaurant. SIR was required to pay a Make-Whole Payment for these locations from their date of closures until December 31, 2012.

On January 1, 2013, four (January 1, 2012 – one) new SIR Restaurants were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of four new SIR Restaurants on January 1, 2013 (January 1, 2012 – one), as well as the Second Incremental Adjustment for the one new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2012 (January 1, 2011 – one), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. The number of Class B GP Units that SIR converted to Class A GP Units was reduced by an adjustment for the permanent closure of two (January 1, 2012 – nil) SIR Restaurants during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 296,459 (January 1, 2012 – 203,878) Class B GP Units into 296,459 (January 1, 2012 – 203,878) Class A GP Units on January 1, 2013 at an estimated fair value of $4.3 million (January 1, 2012 – $1.9 million).

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 at the time that the restaurants are added to SIR's Royalty Pooled Restaurants 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. If the revenue of the new restaurants added to SIR's Royalty Pooled Restaurants on January 1, 2013 exceeds 80% of the initial adjustment's estimated revenue, there will be an additional distribution declared in December 2013 and a second incremental adjustment on January 1, 2014.

The revenues of the one new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2012 exceeded 80% of the Initial Adjustment's estimated Revenue and, as a result, an additional distribution of $0.02 million was declared in December 2012 (December 2011 – $0.03 million) and paid in January 2013.

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", "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; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; 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 release any updates or revisions to any forward looking statements. Forward-looking statements are based on Management's current plans, estimates, projections, beliefs and opinions, and the Fund and SIR do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change, except as expressly required by applicable securities laws. This Management's Discussion and Analysis is provided as of August 8, 2013.

In formulating the forward-looking statements contained herein, Management has assumed that business and economic conditions affecting SIR's restaurants and the Fund will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, competition, general levels of economic activity (including in downtown Toronto), regulations (including those regarding employees, food safety, tobacco and alcohol), weather, taxes, foreign exchange rates and interest rates, that there will be no pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products, and that there will be no unplanned material changes in its facilities, equipment, customer and employee relations, or credit arrangements. These assumptions, although considered reasonable by Management at the time of preparation, may prove to be incorrect. In particular, Management has assumed that the tax effects on distributions will remain consistent with current regulations or pronouncements, and also in estimating the revenue for new restaurants, Management has assumed that they will operate consistent with other similar SIR restaurants. For more information concerning the Fund's risks and uncertainties, please refer to the March 28, 2013 Annual Information Form, for the period ended December 31, 2012, 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