SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 12-WEEK PERIOD ENDED NOVEMBER 17, 2013

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Executive Summary

SIR Corp.'s ("SIR's") first quarter of fiscal 2014 ("Q1 2014") was from August 26, 2013 to November 17, 2013 inclusive. Highlights for SIR's first quarter include:

- ***Consolidated revenue and Same Store Sales (1) ("SSS") (unaudited):***
  - Food and beverage revenue from corporate restaurant operations for Q1 2014 was $56.1 million. This represents a $5.7 million or 11.3% increase over the prior year for the quarter.
  - SIR experienced SSSG(1) of 1.2% for Q1 2014. SIR's flagship Concept Restaurant brand, Jack Astor's®, which generates approximately 75% of Pooled Revenue, had SSSG(1) of 0.5% for Q1 2014. Canyon Creek® had a SSS(1) decline of 1.8% for Q1 2014, and Alice Fazooli's®/Scaddabush Italian Kitchen & Bar™ ("Scaddabush") had a SSS(1) decline of 5.9% for Q1 2014. The downtown Toronto Signature Restaurants had SSSG(1) of 22.1% for Q1 2014. SSSG(1) for the Signature Restaurants was positively affected by the full renovation and repositioning at Reds® Wine Tavern in Q1 2013 and the Loose Moose Tap & Grill® in the second quarter of fiscal 2013 ("Q2 2013"), as well as the patio renovation and extension at Reds in the third quarter of fiscal 2013 ("Q3 2013").

- ***Investment in new and existing restaurants***
  - During Q1 2014, on October 30, 2013, SIR opened Reds® Midtown Tavern, a second location of the Reds® Signature Restaurant. Subsequent to Q1 2014, on December 4, 2013, SIR opened another new Signature Restaurant, a second location of Duke's Refresher™, called Duke's Refresher & Bar.
  - Four restaurants will be added to Royalty Pooled Restaurants on January 1, 2014, consisting of the two new Jack Astor's restaurants opened during Q3 2013, the one new Jack Astor's restaurant opened during the fourth quarter of fiscal 2013 ("Q4 2013"), and the new Signature Restaurant, Reds Midtown Tavern, which opened in Q1 2014.
  - During Q1 2014, three Jack Astor's restaurants were renovated and subsequent to Q1 2014, one Jack Astor's restaurant was renovated. Early in fiscal 2013, SIR completed two major Signature Restaurant renovations, one at Reds Wine Tavern in Q1 2013 and one at the Loose Moose in Q2 2013. SIR also completed renovations of two Jack Astor's renovations in the first half of fiscal 2013. Later in fiscal 2013, in Q3 2013, the patio at Reds Wine Tavern was renovated and extended. During Q4 2013, SIR temporarily closed the Alice Fazooli's Square One location in Mississauga, Ontario to complete a renovation and concept redirection. The restaurant was re-opened as Scaddabush, offering guests a new, refreshing take on Italian dining.

- ***Net Loss and Comprehensive Loss and Adjusted Net Earnings (Loss)(2)***
  - The net loss and comprehensive loss for Q1 2014 of $11.7 million is $9.8 million unfavourable to the same period in the prior year.
  - The unfavourable variance in net loss and comprehensive loss for Q1 2014 of $9.8 million is primarily due to the unfavourable change in the amortized cost of Ordinary LP Units and Class A LP Units of the SIR Royalty Limited Partnership (the "Partnership") of $11.1 million for Q1 2014 compared to $0.6 million for Q1 2013. This unfavourable variance was then partially offset by net favourable variances as noted below.

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(1) *Same store sales include revenue from all SIR restaurants except for those restaurants that were not open for the entire comparable periods in fiscal 2014 and fiscal 2013. Same store sales growth ("SSSG") is the percentage increase in SSS over the prior comparable period. SSS and SSSG are non-GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). However, SIR believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. SIR's method of calculating SSS and SSSG may differ from those of other issuers and accordingly, SSS and SSSG may not be comparable to measures used by other issuers. Please refer to the reconciliation of consolidated revenue to SSS on page 7 and to the definition of SSS in the Revenue section on page 8. SSS does not include the seasonal Duke's Refresher or Abbey's Bake House 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.*

(2) *Adjusted Net Earnings (Loss) is calculated by subtracting the change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership from the net earnings (loss) and comprehensive income (loss) for the period. Adjusted Net Earnings (Loss) is a non-GAAP financial measure and does not have a standardized meaning prescribed by IFRS. Management believes that in addition to net earnings (loss) and comprehensive income (loss), Adjusted Net Earnings (Loss) is a useful supplemental measure to evaluate SIR's performance. Changes in the amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership is a non-cash transaction and varies with changes in the market price of the Fund units. Management cautions investors that Adjusted Net Earnings (Loss) should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating Adjusted Net Earnings (Loss) may differ from the methods used by other issuers. Therefore, SIR's Adjusted Net Earnings (Loss) may not be comparable to similar measures presented by other issuers. Please refer to the reconciliations of net earnings (loss) for the period to Adjusted Net Earnings (Loss) on page 6 and page 8 of this document.*

- The Adjusted Net Loss(2) for Q1 2014 of $0.6 million is $0.8 million favourable to the same period in the prior year. The favourable variance is primarily the result of increased earnings from corporate restaurant operations of $0.8 million and reduced interest (income) and other expense (income) – net of $0.2 million, offset by increased corporate costs of $0.2 million.

- ***EBITDA*** ***(3)***
  - EBITDA(3) is $3.2 million and $2.3 million for Q1 2014 and Q1 2013, respectively.

- ***Other***
  - Fiscal 2014 quarters Q1, Q2, Q3, and Q4 consist of accounting periods of 12, 12, 12, and 17 weeks, respectively, compared to fiscal 2013 quarters of 12, 12, 12, and 16 weeks, respectively. Fiscal 2014 consists of 53 weeks, compared to 52 weeks in fiscal 2013.
  - On August 23, 2013, SIR entered into a Second Amended and Restated Loan Agreement (the Credit Agreement) that includes a term loan (the Term Loan) and two committed development loans (the Tranche A Development Loan and the Tranche B Development Loan) and also provided for additional uncommitted financing (Tranche C Development Loan). The Tranche B Development Loan is for a maximum principal amount of $4.0 million and is available only for the purpose of (a) costs incurred in connection with capital expenditures relating to new restaurant locations and (b) renovations and capital expenditures relating to existing restaurant locations. The Tranche C Development Loan is not to exceed $6.0 million and is available to use subject to approval by the lender. SIR has requested a commitment from the lender for additional funding under this loan. Terms and conditions of the Tranche C Development Loan have not yet been agreed on by the lender and SIR. (See Liquidity and Capital Resources section).
  - During fiscal 2013, SIR converted 1,418,900 Class A GP Units to Fund units and sold these Fund units for total net proceeds of $16.6 million (net of transaction costs of $1.3 million). 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. SIR's interest in the Partnership was affected by the conversions of the Class A GP Units into Fund units and as at November 17, 2013, SIR retained a 24.4% interest in the Partnership. The Class A LP Units have been accounted for as a financial liability consistent with the Ordinary LP Units.

- ***Outlook***
  - At the current date, SIR has four commitments to lease properties, upon which it plans to build four new restaurants over the remainder of fiscal 2014 and later in fiscal 2015. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.
  - One of the new restaurants planned for fiscal 2014 will be a Jack Astor's restaurant and will be located in St. John's, Newfoundland, a new market for SIR.
  - SIR continues to focus on sustaining and growing existing restaurant sales and profits while managing costs. SIR continues to carefully monitor the current economic environment. SIR considers new restaurant growth and renovations, when appropriate and subject to acceptable long-term financing or other available funds.

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

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

Management believes that, in addition to net earnings or loss, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating SIR's performance. EBITDA and Adjusted EBITDA are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. Management cautions investors that EBITDA and Adjusted EBITDA should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating EBITDA and Adjusted EBITDA may differ from the methods used by other issuers. Therefore, SIR's EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Please refer to the reconciliation of net earnings (loss) for the period to EBITDA and Adjusted EBITDA on page 6 of this document.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at November 17, 2013, SIR operated 55 Concept and Signature Restaurants in Canada (in Ontario, Quebec, Alberta and Nova Scotia). The Concept Restaurants are Jack Astor's, Canyon Creek and Alice Fazooli's/Scaddabush. The Signature Restaurants are Reds Wine Tavern, Reds Midtown Tavern, Far Niente®/FOUR®/Petit Four®, and the Loose Moose Tap & Grill. SIR also owns and operates two seasonal Signature Restaurants in Muskoka, Ontario: Duke's Refresher and Abbey's Bake House, which are not currently part of Royalty Pooled Restaurants. As at November 17, 2013, 49 SIR Restaurants were included in SIR Royalty Pooled Restaurants. SIR owns 100% of all its Canadian restaurants.

During Q3 2013, SIR opened two new Jack Astor's restaurants, one on March 4, 2013 and one on April 1, 2013. During Q4 2013, SIR opened a new Jack Astor's restaurant on May 21, 2013. During Q1 2014, on October 30, 2013, SIR opened a new Signature Restaurant, Reds Midtown Tavern. These four restaurants will be added to Royalty Pooled Restaurants on January 1, 2014. Subsequent to Q1 2014, a new Signature Restaurant, Duke's Refresher & Bar, opened on December 4, 2013.

On October 1, 2004, the SIR Royalty Income Fund (the "Fund") filed a final prospectus for a public Offering of Units of the Fund and the Offering closed on October 12, 2004. The net proceeds of the Offering of $51.2 million were used by the Fund to acquire the SIR Loan and indirectly, through the SIR Holdings Trust (the "Trust"), the SIR Rights owned or licensed by SIR or its subsidiaries and used in connection with the operation of SIR's restaurants in Canada. In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants. The Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

SIR's fiscal year is comprised of 52 or 53-week periods ending on the last Sunday in August. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks, respectively. The fiscal years for 2014 and 2013 consist of 53 weeks and 52 weeks, respectively.

Seasonality

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

Selected Consolidated Historical Financial Information

The following tables set out selected financial information of SIR for the 12-week periods ended November 17, 2013 and November 18, 2012, respectively. The unaudited consolidated financial statements of SIR are prepared in accordance with IFRS and are presented in Canadian dollars. This information should be read in conjunction with the annual audited consolidated financial statements of SIR, including the notes thereto.

Statements of Operations and Comprehensive Loss	12-Week Period Ended November 17, 2013	12-Week Period Ended November 18, 2012
	(in thousands of dollars) (unaudited)	
Corporate restaurant operations:		
Food and beverage revenue	56,054	50,380
Cost of corporate restaurant operations	52,436	47,565
Earnings from corporate restaurant operations	**3,618**	**2,815**
Net loss and comprehensive loss for the period	**(11,734)**	**(1,952)**
Adjusted Net Loss(2)	**(597)**	**(1,366)**

Statement of Financial Position	November 17, 2013	August 25, 2013
	(in thousands of dollars) (unaudited)	
Total assets	82,626	82,613
Total non-current liabilities	156,802	147,265

Adjusted Net Earnings (Loss)(2), EBITDA(3) and Adjusted EBITDA(3)

Adjusted Net Earnings (Loss)(2), EBITDA(3) and Adjusted EBITDA(3) are financial measures that do not have standardized meanings prescribed by IFRS. They are used by SIR to supplement its reporting of net earnings (loss) and net cash flow. Adjusted Net Earnings (Loss)(2) consist of net earnings (loss) and comprehensive income (loss) excluding the change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership. EBITDA(3) and Adjusted EBITDA(3) consist of net earnings (loss) and comprehensive income (loss) excluding certain non-cash expenses and other expenses that SIR considers not to be of an operating nature. SIR believes that Adjusted Net Earnings (Loss)(2), EBITDA(3) and Adjusted EBITDA(3) are useful estimates of the core business' contribution to cash flow from operations and uses these measures as a supplemental measure of SIR's performance. Similarly, SIR believes that certain investors may also find these non-GAAP financial measures to be useful measures for their independent evaluation of SIR's performance.

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

Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to Adjusted Net Earnings (Loss)(2)	12-Week Period Ended November 17, 2013	12-Week Period Ended November 18, 2012
	(in thousands of dollars) (unaudited)	
Net loss and comprehensive loss	(11,734)	(1,952)
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	11,137	586
Adjusted Net Loss(2)	**(597)**	**(1,366)**

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

Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA(3) and Adjusted EBITDA(3)	12-Week Period Ended November 17, 2013	12-Week Period Ended November 18, 2012
	(in thousands of dollars) (unaudited)	
Net loss and comprehensive loss for the period	(11,734)	(1,952)
Add (deduct):		
Provision for (recovery of) income taxes	35	(12)
Interest (income) and other expense (income) – net	36	244
Loss on disposal of property and equipment	115	101
Interest expense	554	576
Interest on loan payable to SIR Royalty Income Fund	698	697
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	11,137	586
Depreciation and amortization	2,375	2,055
EBITDA(3)	**3,216**	**2,295**
Pre-opening costs	747	729
Adjusted EBITDA(3)	**3,963**	**3,024**
Income from Class A & B GP Units of the Partnership(4) (Not included in EBITDA(3) and Adjusted EBITDA(3) above)	741	1,096
6% Royalty obligations under License and Royalty Agreement(5)	3,132	2,950

(4) Includes the additional distribution paid to Class B GP Unitholders in December of each year, if any.

(5) See the SIR Royalty Income Fund section of this document for the Royalty calculation. Pooled Revenue includes revenue from all restaurants included in Royalty Pooled Restaurants. On January 1st of each year, New Additional Restaurants are added and New Closed Restaurants are removed from Royalty Pooled Restaurants. Royalty obligations equal 6% of Pooled Revenue plus any Make-Whole Payments.

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	12-Week Period Ended November 17, 2013	12-Week Period Ended November 18, 2012
	(in thousands of dollars) (unaudited)	
Revenue reported in consolidated financial statements	56,054	50,380
Less: Revenue from corporate restaurant operations excluded from the Royalty pool	(3,851)	(2,624)
Revenue for Restaurants in the Royalty pool	**52,203**	**47,756**

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales(1)	12-Week Period Ended November 17, 2013	12-Week Period Ended November 18, 2012
	(in thousands of dollars) (unaudited)	
Revenue reported in consolidated financial statements	56,054	50,380
Less: Revenue from corporate restaurant operations excluded from Same Store Sales(1)	(6,031)	(953)
Same Store Sales(1)	**50,023**	**49,427**

Same Store Sales(1) by Segment	12-Week Period Ended November 17, 2013	12-Week Period Ended November 18, 2012	% Fav. / (Unfav.)
	(in thousands of dollars) (unaudited)		
Jack Astor's	36,863	36,669	0.5%
Canyon Creek	6,160	6,274	(1.8%)
Alice Fazooli's/Scaddabush	3,082	3,276	(5.9%)
Signature Restaurants	3,918	3,208	22.1%
Same Store Sales(1)	**50,023**	**49,427**	**1.2%**

Summary of Quarterly Results

Statement of Operations	1st Quarter Ended November 17, 2013 (12 weeks)	4th Quarter Ended August 25, 2013 (16 weeks)	3rd Quarter Ended May 5, 2013 (12 weeks)	2nd Quarter Ended February 10, 2013 (12 weeks)	1st Quarter Ended November 18, 2012 (12 weeks)	4th Quarter Ended August 26, 2012 (16 weeks)	3rd Quarter Ended May 6, 2012 (12 weeks)	2nd Quarter Ended February 12, 2012 (12 weeks)
Corporate Restaurant Operations				(in thousands of dollars) (unaudited)				
Food and beverage revenue	56,054	82,864	56,676	52,210	50,380	71,405	50,932	50,084
Cost of corporate restaurant operations	52,436	76,837	51,172	47,837	47,565	65,149	46,514	45,257
Earnings from corporate restaurant operations	**3,618**	**6,027**	**5,504**	**4,373**	**2,815**	**6,256**	**4,418**	**4,827**
Net loss and comprehensive loss for the period	**(11,734)**	**(6,484)**	**(5,003)**	**(2,822)**	**(1,952)**	**(15,429)**	**(4,868)**	**(6,763)**
Adjusted Net Earnings (Loss)(2)	**(597)**	**616**	**310**	**347**	**(1,366)**	**1,432**	**555**	**888**

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

Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to Adjusted Net Earnings (Loss)[(2)]	1st Quarter Ended November 17, 2013 (12 weeks)	4th Quarter Ended August 25, 2013 (16 weeks)	3rd Quarter Ended May 5, 2013 (12 weeks)	2nd Quarter Ended February 10, 2013 (12 weeks)	1st Quarter Ended November 18, 2012 (12 weeks)	4th Quarter Ended August 26, 2012 (16 weeks)	3rd Quarter Ended May 6, 2012 (12 weeks)	2nd Quarter Ended February 12, 2012 (12 weeks)
	(in thousands of dollars) (unaudited)							
Net loss and comprehensive loss	(11,734)	(6,484)	(5,003)	(2,822)	(1,952)	(15,429)	(4,868)	(6,763)
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	11,137	7,100	5,313	3,169	586	16,861	5,423	7,651
Adjusted Net Earnings (Loss)[(2)]	**(597)**	**616**	**310**	**347**	**(1,366)**	**1,432**	**555**	**888**

Selected Unaudited Consolidated Statement of Cash Flows Information:

	1st Quarter Ended November 17, 2013 (12 weeks)	4th Quarter Ended August 25, 2013 (16 weeks)	3rd Quarter Ended May 5, 2013 (12 weeks)	2nd Quarter Ended February 10, 2013 (12 weeks)	1st Quarter Ended November 18, 2012 (12 weeks)	4th Quarter Ended August 26, 2012 (16 weeks)	3rd Quarter Ended May 6, 2012 (12 weeks)	2nd Quarter Ended February 12, 2012 (12 weeks)
	(in thousands of dollars) (unaudited)							
Cash provided by continuing operations	71	7,137	2,201	3,278	31	6,603	1,210	3,567
Cash provided by (used in) continuing investing activities	(164)	(2,513)	700	(1,202)	(3,494)	(4,515)	(1,767)	(2,957)
Cash provided by (used in) continuing financing activities	(950)	(2,647)	(2,237)	(2,011)	(2,030)	4,490	(1,092)	(1,049)
Increase (decrease) in cash and cash equivalents during the period	(1,043)	1,977	664	65	(5,493)	6,578	(1,649)	(439)
Cash and cash equivalents – Beginning of period	7,708	5,731	5,067	5,002	10,495	3,917	5,566	6,005
Cash and cash equivalents – End of period	6,665	7,708	5,731	5,067	5,002	10,495	3,917	5,566

Revenue

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

i. Revenue (per the SIR consolidated statements of operations and comprehensive loss) – this is the total consolidated revenue of all restaurants for the period. The restaurants include all SIR Restaurants. For the 12-week period ended November 17, 2013, revenue was $56.1 million.

ii. Same Store Sales[(1)] – this is a sub-set of i above used for tracking comparable year-over-year sales. For Q1 2014 and Q1 2013, SSS[(1)] includes all SIR Restaurants, except for those restaurants that were not open for the entire comparable periods in fiscal 2014 and fiscal 2013. SSS[(1)] does not include the seasonal Duke's Refresher or Abbey's Bake House located in Muskoka, Ontario. SSS[(1)] for Alice Fazooli's includes three Alice Fazooli's restaurants and one Scaddabush restaurant, representing the Square One location in Mississauga, Ontario, which was renovated and re-opened as Scaddabush in Q4 2013. For the 12-week period ended November 17, 2013, SSS[(1)] was $50.0 million.

iii. Pooled Revenue – this is the revenue subject to the License and Royalty Agreement – this includes revenue from all Royalty Pooled Restaurants. The Royalty Pooled Restaurants are adjusted on January 1st of each year for New Additional Restaurants and New Closed Restaurants. Currently, there are 49 Royalty Pooled Restaurants. For the 12-week period ended November 17, 2013, Pooled Revenue was $52.2 million. The applicable Royalty payable to the Partnership on the Pooled Revenue for these same periods was $3.1 million.

Same Store Sales[1]

SIR had SSSG[1] of 1.2% for the 12-week period ended November 17, 2013. The NHL lock-out that began in Q1 2013 had a negative effect on the Q1 2013 sales of the eight SIR Restaurants located in close proximity to NHL venues (four Jack Astor's, one Canyon Creek and three Signature restaurants), which has positively impacted SSSG[1] for Q1 2014.

Jack Astor's, SIR's flagship Concept Restaurant brand, which generates approximately 75% of YTD Pooled Revenue, experienced SSSG[1] of 0.5% for the 12-week period ended November 17, 2013. The positive effect of the NHL lock-out in the prior year on SSSG[1] for Q1 2014 was partially offset by the effect of additional renovations in Q1 2014 compared to Q1 2013; three Jack Astor's restaurants were temporarily closed in Q1 2014 for renovations compared to one Jack Astor's restaurant in Q1 2013.

Canyon Creek had a SSS[1] decline of 1.8% for the 12-week period ended November 17, 2013. Management continues to review initiatives to enhance value at Canyon Creek.

Alice Fazooli's, together with Scaddabush, had a SSS[1] decline of 5.9% for the 12-week period ended November 17, 2013. SIR has initiated a program to evolve the Alice Fazooli's concept into Scaddabush and began by renovating the Alice Fazooli's Square One location in Mississauga, Ontario; the location was re-opened in Q4 2013 as Scaddabush, offering guests a new, refreshing take on Italian dining.

The downtown Toronto Signature Restaurants experienced SSSG[1] of 22.1% for the 12-week period ended November 17, 2013. SSSG[1] in the Signature Restaurants for Q1 2014 was further positively affected by the full renovations at Reds in Q1 2013 and the Loose Moose in Q2 2013, as well as the patio renovation and extension at Reds in Q3 2013.

Cost of Corporate Restaurant Operations

As a percentage of revenue, costs of corporate restaurant operations was 93.5% for the 12-week period ended November 17, 2013 compared to 94.4% for the 12-week period ended November 18, 2012. The decrease is primarily the result of costs associated with Reds during its closure for renovations in Q1 2013, which increased costs as a percentage of sales for the 12-week period ended November 18, 2012.

SIR Loan, Fund's Interest in the Partnership & Change in Amortized Cost of Ordinary LP and Class A LP Units

On October 12, 2004, the Fund completed its initial public offering and used the proceeds to acquire the SIR Loan and invest in the Ordinary LP Units of the Partnership. In November, 2012 and March, 2013, the Fund acquired 1,418,900 Class A LP units upon SIR's conversion of its Class A GP Units into Fund units. In accordance with IFRS, SIR has consolidated the Partnership. The Ordinary LP Units and Class A LP Units of the Partnership, which are held by the Fund, require SIR to pay distributions to the Fund when declared by the board of directors of SIR GP Inc. SIR GP Inc. is controlled by the Fund and, accordingly, SIR is unable to control the declaration of these distributions. As a result, the Ordinary LP Units and Class A LP Units of the Partnership have been classified as a financial liability in the consolidated statements of financial position. The Ordinary LP Units and Class A LP Units were initially recorded at fair value and subsequently at amortized cost, which requires updating the carrying amount of the financial liability to reflect actual and revised estimates in cash flows. The changes in the estimated cash flows are derived from changes in the value of the underlying Fund units adjusted for taxes and the SIR Loan.

Changes in amortized cost are recognized in the consolidated statements of operations and comprehensive loss. The change in the amortized cost is a non-cash transaction and accordingly, has no impact on cash flows. The change in amortized cost was $11.1 million and $0.6 million for the 12-week periods ended November 17, 2013 and November 18, 2012, respectively. The significant change in amortized cost for Q1 2014 is primarily due to the large increase in the underlying Fund unit price during Q1 2014.

Interest on the SIR Loan totalled $0.7 million for both the 12-week periods ended November 17, 2013 and November 18, 2012, respectively.

EBITDA[3] and Adjusted EBITDA[3]

EBITDA[3] is $3.2 million and $2.3 million for the 12-week periods ended November 17, 2013 and November 18, 2012, respectively. Adjusted EBITDA[3] is $4.0 million and $3.0 million for the 12-week periods ended November 17, 2013 and November 18, 2012, respectively. (See Selected Consolidated Historical Financial Information – Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA[3] and Adjusted EBITDA[3]).

SIR Royalty Income Fund

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

(a) *SIR Loan*

The $40.0 million SIR Loan bears interest at 7.5% per annum and is due October 12, 2044. On August 23, 2013, SIR, the Fund and the Partnership entered into an Amended and Restated Subordination and Postponement Agreement to subordinate and postpone their claims against SIR in favour of the lender. The Fund and the Partnership have not guaranteed the current credit facility (see Liquidity and Capital Resources section).

The debt is "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the senior lender. This subordination, which includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use the trademarks and related intellectual property in return for Royalty payments based on revenues, has been effected pursuant to the terms of the Amended and Restated Subordination and Postponement Agreement.

Under the Amended and Restated Subordination and Postponement Agreement, absent a default or event of default under the Credit Agreement, ordinary payments to the Partnership and the Fund can continue and the Partnership can exercise any and all of its rights to preserve the trademarks and related intellectual property governed by the License and Royalty Agreement. However, if a default or an event of default were to occur, then payments to the Fund and the Partnership could cease and the related rights of the Fund and the Partnership could be subject to a "standstill" obligation for a period of up to 120 days (which may be extended if the senior lender is pursuing remedies). The Amended and Restated Subordination and Postponement Agreement also contains various other typical covenants.

Interest expense on the SIR Loan of $0.7 million was charged to the consolidated statements of operations and comprehensive loss for both the 12-week periods ended November 17, 2013 and November 18, 2012, respectively.

SIR has the right to require the Fund to, indirectly, purchase their Class C GP Units and assume a portion of the SIR Loan as consideration for the acquisition of the Class C GP Units.

(b) Ordinary LP Units and Class A LP Units of SIR Royalty Limited Partnership

	12-Week Period Ended November 17, 2013	12-Week Period Ended November 18, 2012
	(in thousands of dollars) (unaudited)	
Balance – Beginning of the period	85,718	58,328
Conversion of Class A GP Units	-	6,811
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	11,137	586
Distributions paid to Ordinary LP and Class A LP unitholders	(1,889)	(1,099)
Balance – End of period	94,966	64,626
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(7,509)	(5,449)
Ordinary LP Units and Class A LP Units of the Partnership	87,457	59,177

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

Pooled Revenue(6)	52,203	47,756
Partnership royalty income(7)	3,132	2,950
Other income	10	8
Partnership expenses	(21)	(18)
Net earnings of the Partnership	3,121	2,940
SIR's interest in the earnings of the Partnership:		
Income from Class A & B GP Units of the Partnership	(741)	(1,096)
Income from Class C GP Units of the Partnership	(690)	(690)
	(1,431)	(1,786)
Fund's interest in the earnings of the Partnership	1,690	1,154

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

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

In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants (the "License and Royalty Agreement").

(6) Includes revenue from the SIR Restaurants subject to the License and Royalty Agreement. The Partnership owns the SIR Rights formerly owned or licensed by SIR or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada.

(7) Partnership royalty income is 6% of Pooled Revenue in accordance with the License and Royalty Agreement, plus a Make-Whole Payment for closed restaurants, if applicable.

Under the terms of the License and Royalty Agreement, SIR may be required to pay a Make-Whole Payment in respect of the reduction in revenues for restaurants permanently closed during a reporting period. SIR is not required to pay any Make-Whole Payments in respect of a permanently closed restaurant following the date on which the number of Royalty Pooled Restaurants is equal to or greater than 68 or following October 12, 2019, whichever occurs first. On January 1 of each year (the "Adjustment Date"), the restaurants subject to the License and Royalty Agreement are adjusted for new SIR Restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units to Class A GP Units based on the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted to Class A GP Units in respect of these new SIR Restaurants if actual revenues of the new SIR Restaurants exceeded 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Conversely, converted Class A GP Units will be returned by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the initial estimated revenues. In December of each year, an additional distribution will be payable to the Class B GP unitholders based on actual revenues of the new SIR Restaurants exceeding 80% of the initial estimated revenues or there will be a reduction in the distributions to the Class A GP unitholders if revenues are less than 80% of the initial estimated revenues.

On January 1, 2013, four (January 1, 2012 – one) new SIR Restaurants, were added to the 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 into 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 the Royalty Pooled Restaurants was that SIR converted 296,000 (January 1, 2012 – 204,000) Class B GP Units into 296,000 (January 1, 2012 – 204,000) Class A GP Units on January 1, 2013 at an estimated fair value of $4.3 million (January 1, 2012 – $1.9 million). In addition, the revenues of one new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2012 (January 1, 2011 – one) exceeded 80% of the Initial Adjustment's estimated revenues 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. As at November 17, 2013, SIR's interest in the Partnership is 24.4% (August 25, 2013 – 24.4%).

(c) *Amounts due to the Fund* – (see Transactions with the SIR Royalty Income Fund in the Transactions with Related Parties section)

Liquidity and Capital Resources

Selected Consolidated Statement of Cash Flows Information	12-Week Period Ended November 17, 2013	12-Week Period Ended November 18, 2012
	(in thousand of dollars) (unaudited)	
Cash provided by operations	71	31
Cash used in investing activities	(164)	(3,494)
Cash used in financing activities	(950)	(2,030)
Decrease in cash and cash equivalents during the period	(1,043)	(5,493)
Cash and cash equivalents – Beginning of period	7,708	10,495
Cash and cash equivalents – End of period	6,665	5,002

Cash provided by operations was $0.07 million and $0.03 million for the 12-week periods ended November 17, 2013 and November 18, 2012, respectively. Net loss for the 12-week period ended November 17, 2013 increased by $9.8 million. This increase was offset by fluctuations in non-cash expenses from the same period of the prior year. Additional non-cash expenses for the 12-week period ended November 17, 2013 included an increase in depreciation and amortization of $0.3 million and an increase in the change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership of $10.6 million. These increases in operating cash were offset by a decrease in other items not affecting cash of $0.2 million and an increase in distributions paid to Ordinary LP and Class A LP unitholders of $0.8 million for the 12-week period ended November 17, 2013.

Investing activities used cash of $0.2 million for the 12-week period ended November 17, 2013. Purchases of property and equipment and other assets – net amounted to $3.3 million and $5.1 million for the 12-week periods ended November 17, 2013 and November 18, 2012, respectively. The majority of the capital expenditures for the 12-week period ended November 17, 2013 relate to the construction costs incurred for the new Reds Midtown Tavern that opened during Q1 2014, on October 30, 2013, and the new Duke's Refresher & Bar that opened subsequent to Q1 2014, on December 4, 2013, as well as the renovation costs for three Jack Astor's restaurants during Q1 2014 and one subsequent to Q1 2014. The majority of the capital expenditures in Q1 2013 related to the construction costs incurred on two new Jack Astor's restaurants that opened in Q1 2013 and the renovation costs for Reds Wine Tavern and one Jack Astor's restaurant during Q1 2013. Management expects that the investments in new and existing restaurants and other profit enhancing initiatives (such as new patios and patio expansions) and maintenance capital expenditures, will help position SIR favourably in the market. Cash used in investing activities includes net cash proceeds received from restricted funds of $3.0 million for the 12-week period ended November 17, 2013. The proceeds from the conversion of Class A GP Units to Fund units and their subsequent sale was placed in a restricted account and has been accounted for as a non-cash transaction in the consolidated statements of cash flows.

Cash used in financing activities was $1.0 million and $2.0 million for the 12-week periods ended November 17, 2013 and November 18, 2012, respectively. Proceeds received from the issuance of long-term debt were $1.5 million for the 12-week period ended November 17, 2013, which represents a draw on the Tranche B Development Loan. Principal repayments on long-term debt were $1.0 million and $0.8 million for the 12-week periods ended November 17, 2013 and November 18, 2012, respectively.

The two new Jack Astor's restaurants opened during Q3 2013, the one new Jack Astor's restaurant opened during the fourth quarter of fiscal 2013 ("Q4 2013"), and the one new Signature Restaurant, Reds Midtown Tavern, which opened in Q1 2014, will be added to the Royalty Pooled Restaurants effective January 1, 2014.

The two new Jack Astor's restaurants that opened in fiscal 2012 and the two new Jack Astor's restaurants that opened in Q1 2013 were added to the Royalty Pooled Restaurants effective January 1, 2013. At this time, SIR received additional Class A GP Units in accordance with the formula for adjustment for New Additional Restaurants added to Royalty Pooled Restaurants. The amount of Class A GP Units received was adjusted for the Second Incremental Adjustment for the one New Additional Restaurant that was added to Royalty Pooled Restaurants on January 1, 2012. Under the terms of the Exchange Agreement, SIR has the right to convert some or all of the net additional Class A GP Units into Fund units on a one-for-one basis. As at November 17, 2013, SIR holds 2,187,951 Class A GP Units.

As at November 17, 2013, SIR had current assets of $17.4 million (August 25, 2013 – $21.3 million) and current liabilities of $42.6 million (August 25, 2013 – $40.5 million) resulting in a working capital deficit of $25.3 million (August 25, 2013 – $19.2 million). Revenues in the restaurant business are largely paid by cash and credit cards whereas most suppliers offer credit terms for payment. Therefore, restaurants are able to pay their suppliers from the cash received on revenues in the following months, as the supplier payables are due. Cash balances are typically used to construct new restaurants or re-invest in existing restaurants to grow the business. As a result, SIR, like many other restaurant businesses would anticipate having a negative working capital balance in the foreseeable future.

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

SIR's Credit Agreement includes the Term Loan, Tranche A Development Loan, Tranche B Development Loan, and also provides for additional uncommitted financing (Tranche C Development Loan), for which SIR has requested a commitment from the lender.

All loans under the Credit Agreement, except the Tranche C Development Loan, are due on November 14, 2016. The Term Loan and the Tranche A Development loan have a variable interest rate equal to the greater of 6.0% per annum and the three-month Canadian dollar bankers' acceptance rate plus 5.75% per annum, which on November 17, 2013, totalled 6.95%. The Tranche B Development Loan has a variable interest rate equal to the greater of 6.0% per annum and the three-month Canadian dollar bankers' acceptance rate plus 5.65% per annum, which on November 17, 2013 totalled 6.85%. SIR can also elect to fix the interest rate. The amortization period for the Term Loan, the Tranche A Development Loan and the Tranche B Development Loan are ten years, seven years, and seven years, respectively.

The Term Loan and Tranche A Development Loan are repayable in estimated monthly blended instalments of principal and interest of $0.3 million and $0.2 million, respectively.

The Tranche B Development Loan is for a maximum principal amount of $4.0 million available to SIR by way of multiple advances until April 10, 2014. As at November 17, 2013, available drawings under the Tranche B Development Loan total $2.5 million. Subsequent to November 17, 2013, SIR drew $1.4 million from the Tranche B Development Loan. Draws to date on the Tranche B Development Loan were converted to a term loan on December 4, 2013. The Tranche B Development Loan is available only for the purpose of: (a) costs incurred in connection with capital expenditures relating to new restaurant locations; and (b) renovations and capital expenditures relating to existing restaurant locations. The Tranche B Development Loan will be repayable in blended monthly payments of principal and interest subsequent to the conversion to a term loan. Interest only will be payable monthly until the Tranche B Development Loan is converted into a term loan.

The Tranche C Development Loan is not to exceed $6.0 million and is available to use subject to approval by the lender. SIR has requested a commitment from the lender for additional funding under this loan. Terms and conditions of the Tranche C Development Loan have not been agreed on by the lender and SIR.

The Credit Agreement is collateralized by a general security agreement and entitles the lender to a first charge on all of SIR's assets, including a pledge of all shares and the investment in the Partnership and a specific assignment of the rights under the License and Royalty Agreement. The loan is secured by substantially all of the assets of SIR and most of its subsidiaries, which are also guarantors. However, the lender does not have a pledge over the assets of the Partnership. The Credit Agreement contains certain financial and non-financial covenants that SIR is in compliance with as at its last reporting date to the lender, including a minimum fixed charge coverage ratio and a senior leverage ratio. The Partnership and the Fund have not guaranteed the Credit Agreement.

The Credit Agreement qualifies as "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the lender. The terms of the subordination are as contemplated in the previous agreements between the Fund, the Partnership and SIR. This subordination includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use trademarks and related intellectual property in return for royalty payments based on revenues and is effected pursuant to the terms of an Amended and Restated Subordination and Postponement Agreement, a copy of which was filed on SEDAR.

A company owned by the majority shareholder of SIR has guaranteed SIR's obligations under the Credit Agreement and a guarantee fee of $0.09 million and $0.05 million were charged to the consolidated statement of operations and comprehensive loss for the 12-week periods ended November 17, 2013 and November 18, 2012, respectively. On November 13, 2009, SIR also issued 26 warrants to the majority shareholder of SIR to acquire Class S Special Shares of SIR, which would, if exercised, represent a controlling voting interest in SIR. The warrants have an exercise price of $1.00, expire on November 11, 2020 and can only be exercised upon an event of default by SIR with respect to the Second Amended Credit Agreement. The warrants have also been pledged to the senior lender.

In Q1 2013 and Q3 2013, SIR converted 523,900 and 895,000 Class A GP Units, respectively, to Fund units and sold these Fund units for net proceeds of $6.6 million (net of transaction costs of $0.3 million) in the Q1 2013 transactions and $10.0 million (net of transaction costs of $1.0 million) in the Q3 2013 transaction. SIR's interest in the Partnership was affected by the conversions of the Class A GP Units into Fund units and as at November 17, 2013, SIR retained a 24.4% interest in the Partnership. The proceeds net of certain transaction costs of $17.0 million were deposited in an account restricted by the lender and, accordingly, have been classified as restricted cash in the consolidated statements of financial position. This disposition of the Fund units has been accounted for as a non-cash transaction in the consolidated statements of cash flows. Subsequent to the disposal of the Fund units, $17.0 million of the funds held in the restricted account has been released to SIR. As at November 17, 2013, the balance in the restricted account is $0.001 million. The funds are released upon SIR presenting eligible capital expenditures to the lender.

Contractual Obligations

In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the restaurants included in Royalty Pooled Restaurants. Payment of the Royalty is secured by the Partnership General Security Agreement. On August 23, 2013, SIR, the Fund and the Partnership amended the agreement to subordinate and postpone their claims against SIR in favour of the senior lender. The Partnership and the Fund have not guaranteed this credit facility (Please refer to SIR Royalty Income Fund section).

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

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

The Alice Fazooli's in Toronto, Ontario and the Jack Astor's 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 their date of closure until December 31, 2012. In accordance with the License and Royalty Agreement, on January 1, 2013, the revenue of these closed restaurants were netted against the revenue of the new SIR Restaurants, which have 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, that was converted into Class A GP Units of the Partnership.

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

Subsequent to November 17, 2013, SIR completed the construction of one restaurant for which it incurred further costs of approximately $0.04 million. On this same property, SIR plans to build one more restaurant, for which it has begun the early stages of construction, and expects to incur a further $0.9 million in construction costs to complete it. In addition, SIR has three other commitments to lease properties, on which it plans to build three new restaurants. As at the current date, SIR has not entered into any significant construction contracts for these restaurants to be built but expects to do so in the future. Final costs of construction are subject to uncertainties as to their amounts and timing. Items such as finalization of design and final construction quotations could change the total cost of these projects. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.

As at November 17, 2013, $18.1 million, $9.9 million, and $1.5 million were outstanding on SIR's Credit Agreement for the Term Loan, Tranche A Development Loan, and Tranche B Development Loan, respectively (see Liquidity and Capital Resources section).

Off-Balance Sheet Arrangements

There have been no substantial changes to SIR's off-balance sheet arrangements in the current fiscal year. The reader should refer to the annual MD&A for this information impacting SIR for the year ended August 25, 2013.

Transactions with Related Parties

SIR has entered into related party transactions with shareholders or companies controlled by shareholders of SIR and directors of SIR. The transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Significant transactions with related parties include:

- Payment for occupancy costs and maintenance services, charged to corporate costs, provided by a company owned by a party related to a shareholder of SIR, in the amount of $0.04 million for the 12-week period ended November 17, 2013 ($0.03 million for the 12-week period ended November 18, 2012).
- Payment for occupancy costs, charged to corporate costs, provided by a company owned by a director and shareholder of SIR, in the amount of $0.003 million for the 12-week period ended November 17, 2013 ($nil for the 12-week period ended November 18, 2012).

- Payment for maintenance services, charged to direct costs of restaurant operations, provided by a company owned by a party related to a shareholder of SIR, in the amount of $0.012 million for the 12-week period ended November 17, 2013 ($0.002 million for the 12-week period ended November 18, 2012).
- Payment for design and construction management fees and fixtures, charged to property and equipment, provided by a company owned by a shareholder of SIR, in the amount of $0.3 million for the 12-week period ended November 17, 2013 ($0.2 million for the 12-week period ended November 18, 2012).
- Payment for construction management fees and fixtures, charged to property and equipment, provided by a company owned by a party related to a shareholder of SIR, in the amount of $0.4 million for the 12-week period ended November 17, 2013 ($0.5 million for the 12-week period ended November 18, 2012).
- Payment for fixtures, charged to property and equipment, provided by a shareholder of SIR, in the amount of $0.01 million for the 12-week period ended November 17, 2013 ($nil for the 12-week period ended November 18, 2012).
- Received repayment against loans and advances from U.S. S.I.R. L.L.C. of $0.07 million for the 12-week period ended November 17, 2013 ($0.01 million for the 12-week period ended November 18, 2012). SIR recognized interest income on those loans and advances of $0.04 million for the 12-week period ended November 17, 2013 ($0.04 million for the 12-week period ended November 18, 2012*)*. As at November 17, 2013, SIR has loans and advances of $1.2 million owing from U.S. S.I.R. L.L.C. (August 25, 2013 – $1.2 million).

In addition, included in accounts receivable are amounts due from U.S. S.I.R. L.L.C and its subsidiary of $0.015 million (August 25, 2013 – $0.2 million). Also included in accounts receivable are amounts due from a company owned by a party related to a director of SIR of $0.2 million (August 25, 2013 – $0.2 million).

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

Transactions with the SIR Royalty Income Fund

Advances receivable from the Fund and its subsidiaries as at November 17, 2013 were $2.4 million (August 25, 2013 – $2.4 million). Advances receivable are non-interest bearing and due on demand.

During the 12-week period ended November 17, 2013, distributions of $1.7 million were declared to the Fund by the Partnership ($1.2 million for the 12-week period ended November 18, 2012). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions payable to the Fund as at November 17, 2013 were $3.7 million (August 25, 2013 – $3.9 million).

The SIR Loan bears interest at 7.5% per annum. Interest expense on the SIR Loan totaled $0.7 million for both the 12-week periods ended November 17, 2013 and November 18, 2012, respectively. Interest payable on the SIR Loan as at November 17, 2013 was $0.4 million (August 25, 2013 – $0.5 million).

SIR, through the Partnership, has entered into an arrangement with the Fund and the Trust whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc., in its capacity as the managing general partner of the Partnership. The Partnership provided these services to the Fund and the Trust for consideration of $0.006 million for the 12-week period ended November 17, 2013 ($0.006 million for the 12-week period ended November 18, 2012), which was the amount of consideration agreed to by the related parties.

Critical Accounting Estimates and Judgements

Management believes that there have been no substantial changes in the nature of critical accounting estimates since the year ended August 25, 2013. The reader will find this information in the annual MD&A for the year ended August 25, 2013.

Changes in Accounting Policies, Including Recently Issued Accounting Pronouncements

There have been no changes to accounting policies or any recently issued accounting pronouncements affecting SIR in the current fiscal year, except as noted below. The reader should refer to the annual consolidated financial statements and MD&A for changes in accounting policies impacting SIR for the year ended August 25, 2013.

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

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

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

IFRS issued but not yet adopted

IFRS 9, Financial Instruments, is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured using amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest; otherwise, it is at fair value through profit or loss. IFRS 9 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 interim consolidated financial statements.

In May 2011, the IASB issued the following standards, which have not yet been adopted by SIR: IFRS 11, Joint Arrangements; IAS 27, Separate Financial Statements; and amended IAS 28, Investments in Associates and Joint Ventures. Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The following is a brief summary of the new standards:

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

There have been amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through 13.

Amendments to other standards

IAS 19, Employee Benefits, has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. A number of other amendments have been made to recognition, measurement and classification, including redefining short-term and other long-term benefits, guidance on the treatment of taxes relating to benefit plans, guidance on risk/ cost sharing features and expanded disclosures. The standard is effective for years beginning on or after January 1, 2013. Management has determined that the adoption of this standard has no impact on its interim consolidated financial statements.

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

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

Financial Instruments

Management believes that there have been no substantial changes in financial instruments since the year ended August 25, 2013. The reader will find this information in the annual MD&A for the year ended August 25, 2013.

Risks and Uncertainties

The performance of SIR is dependent on many factors. The restaurant industry generally, and in particular, the casual and fine dining segment of this industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. There are many well-established competitors with greater financial and other resources than SIR. Competitors include national and regional chains, as well as individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual and fine dining sectors in which many of the SIR Restaurants operate. Some of SIR's competitors have been in existence for a substantially longer period than SIR and may be better established in the markets where SIR Restaurants are or may be located. In addition, factors such as business and economic conditions, availability of credit, inflation, increased food, labour and benefits costs, taxes, government regulations (including those governing alcoholic beverages), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants affect the restaurant industry in general and therefore SIR. Please refer to the Fund's March 28, 2013 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

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

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.

These rules may adversely affect SIR, as the holder of partnership interests which are convertible into units of the Fund, as well as the Fund and its Unitholders. SIR intends to continue to assess and plan for their expected impact. Changes may prove necessary to seek to adapt to any new tax laws with a view to attempting, where practicable, to minimize their overall adverse effects.

Outlook

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

The Canadian Restaurant and Foodservice Association estimates that total sales in the full-service category will grow by an average of 4.4% over the next four years. SIR will continue monitoring the economy and consumer confidence and their effects on the full-service category.

At the current date, SIR has four commitments to lease properties. On one of these properties, a new Reds was opened during Q1 2014 and a new Duke's Refresher & Bar was opened subsequent to Q1 2014; one other restaurant is expected to open on this same property in fiscal 2014. SIR plans to build three new Jack Astor's restaurants on the other three leased properties and expects to open these later in fiscal 2014 and fiscal 2015. One of the new Jack Astor's restaurants planned for fiscal 2014 is located in St. John's, Newfoundland, a new market for SIR. There can be no assurance that these restaurants will be opened or will become part of Royalty Pooled Restaurants.

SIR has initiated a program to evolve the Alice Fazooli's concept into Scaddabush and began by renovating the Alice Fazooli's Square One location in Mississauga, Ontario. This restaurant was temporarily closed for renovations and was re-opened in Q4 2013 as Scaddabush, offering guests a new, refreshing take on Italian dining.

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

Forward Looking Information

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "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 December 18, 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