SIR Royalty Limited Partnership

Financial Statements
December 31, 2016 and 2015

March 13, 2017

Independent Auditor's Report

To the Partners of
SIR Royalty Limited Partnership

We have audited the accompanying financial statements of SIR Royalty Limited Partnership, which comprise the statements of financial position as at December 31, 2016 and December 31, 2015 and the statements of earnings and comprehensive income, partners' interest and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of SIR Royalty Limited Partnership as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario

SIR Royalty Limited Partnership

Statements of Financial Position

As at December 31, 2016 and 2015

	December 31, 2016 $	December 31, 2015 $
Assets		
Current assets		
Cash	-	17,064
Prepaid expenses and other assets	15,094	13,119
Amounts due from related parties (note 6)	5,061,370	4,826,168
	5,076,464	4,856,351
Intangible assets (note 3)	97,569,544	93,387,824
	102,646,008	98,244,175
Liabilities		
Current liabilities		
Bank overdraft (note 2)	82,250	-
Accounts payable and accrued liabilities	189,028	185,032
Amounts due to related parties (note 6)	4,805,176	4,671,309
	5,076,454	4,856,341
Partners' Interest (note 4)	97,569,554	93,387,834
	102,646,008	98,244,175

Subsequent events (notes 3 and 4)

The accompanying notes are an integral part of these financial statements.

SIR Royalty Limited Partnership

Statements of Earnings and Comprehensive Income

For the years ended December 31, 2016 and 2015

	Year ended December 31, 2016 $	Year ended December 31, 2015 $
Revenues		
Royalty income (notes 1 and 6)	16,759,430	16,056,030
Administration fee (note 6)	24,000	24,000
Other income	-	3,284
	16,783,430	16,083,314
Expenses		
General and administrative	64,179	76,751
Net earnings and comprehensive income for the year	16,719,251	16,006,563

The accompanying notes are an integral part of these financial statements.

SIR Royalty Limited Partnership

Statements of Partners' Interest

For the years ended December 31, 2016 and 2015

	Number of units (note 4)	Balance - January 1, 2016 $	Units issued $ (note 4)	Units converted $ (note 4)	Net earnings for the year $	Distributions $	Balance - December 31, 2016 $
Ordinary LP units	5,356,667	7,633,570	-	-	5,681,578	(5,681,578)	7,633,570
Class A LP units	3,018,900	19,995,178	-	7,988,197	4,056,980	(4,056,980)	27,983,375
Ordinary GP units	100	11	-	-	60	(60)	11
Class A GP units	2,061,097	25,759,074	4,181,720	(7,988,197)	3,980,621	(3,980,621)	21,952,597
Class B GP units	95,515,188	1	-	-	12	(12)	1
Class C GP units	4,000,000	40,000,000	-	-	3,000,000	(3,000,000)	40,000,000
		93,387,834	4,181,720	-	16,719,251	(16,719,251)	97,569,554

	Number of units (note 4)	Balance - January 1, 2015 $	Units issued $ (note 4)	Units converted $	Net earnings for the year $	Distributions $	Balance - December 31, 2015 $
Ordinary LP units	5,356,667	7,633,570	-	-	5,519,007	(5,519,007)	7,633,570
Class A LP units	2,268,900	19,995,178	-	-	3,566,428	(3,566,428)	19,995,178
Ordinary GP units	100	11	-	-	60	(60)	11
Class A GP units	2,488,421	21,304,983	4,454,091	-	3,812,493	(3,812,493)	25,759,074
Class B GP units	95,837,864	1	-	-	108,575	(108,575)	1
Class C GP units	4,000,000	40,000,000	-	-	3,000,000	(3,000,000)	40,000,000
		88,933,743	4,454,091	-	16,006,563	(16,006,563)	93,387,834

The accompanying notes are an integral part of these financial statements.

SIR Royalty Limited Partnership

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

	Year ended December 31, 2016 $	Year ended December 31, 2015 $
Cash provided by (used in)		
Operating activities		
Net earnings for the year	16,719,251	16,006,563
Net change in non-cash working capital items (note 9)	(233,181)	(315,241)
	16,486,070	15,691,322
Financing activities		
Distributions paid	(16,585,384)	(15,817,621)
Change in cash during the year	(99,314)	(126,299)
Cash - Beginning of year	17,064	143,363
Cash (Bank overdraft) - End of year (Note 2)	(82,250)	17,064

The accompanying notes are an integral part of these financial statements.

1 Nature of operations and seasonality

Nature of operations

SIR Royalty Limited Partnership (the Partnership) is a limited partnership formed under the laws of the Province of Ontario, Canada.

On October 1, 2004, SIR Royalty Income Fund (the Fund) filed a final prospectus for a public offering of units of the Fund. The net proceeds of the offering to the Fund of $51,166,670 were used by the Fund to acquire, directly, certain bank debt of SIR Corp. (the SIR Loan) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of the Partnership. The Partnership owns the Canadian trademarks (the SIR Rights) formerly owned or licensed by SIR Corp. (SIR) or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada (the SIR Restaurants). The Partnership has granted SIR a 99-year licence 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 revenues of the restaurants included in the Royalty Pooled Restaurants (the Licence and Royalty Agreement).

The address of the Partnership's registered office is 5360 South Service Road, Suite 200, Burlington, Ontario. The financial statements were approved by the Board of Directors of SIR GP Inc. on March 10, 2017.

Seasonality

The full-service restaurant sector of the Canadian food-service 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 can be open. Additionally, certain holidays and observances also affect dining patterns, both favourably and unfavourably. Accordingly, royalty income recognized by the Partnership will vary in conjunction with the seasonality in revenues experienced by SIR.

2 Basis of presentation and summary of significant accounting policies

Basis of presentation

The Partnership prepares its financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

The accounting policies applied in these financial statements are as follows:

Basis of measurement

The financial statements have been prepared under the historical cost convention.

Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect income and expenses during the reporting periods, in addition to the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements. Actual results could differ materially from those estimates in the near term.

Revenue recognition

Revenues include Royalty income equal to 6% of revenue of SIR's restaurants in Canada that are subject to the Licence and Royalty Agreement and a Make-Whole payment (if applicable) and is recognized on an accrual basis.

Financial instruments

Financial assets and liabilities are recognized when the Partnership becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Partnership has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Partnership classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired:

i) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Partnership's loans and receivables comprise cash, other assets and royalties and advances receivable from related parties, which are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

ii) Financial liabilities at amortized cost: Financial liabilities at amortized cost comprise bank overdraft, accounts payable and accrued liabilities and distributions payable to related parties. Accounts payable and accrued liabilities and distributions payable to related parties are initially recognized at the amount required to be paid less, when material, a discount to reduce the financial liabilities to fair value. Subsequently, accounts payable and accrued liabilities and distributions payable to related parties are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within 12 months, otherwise, they are presented as non-current liabilities.

Bank overdraft

Bank overdraft arises when uncashed cheques issued exceed the cash balances and are an integral part of the Partnership's cash management policies. Accordingly, for the purpose of the statement of cash flows, bank overdraft is included in the movement of cash.

Distributions

Distributions to unitholders are intended to be made monthly in arrears and are recorded when declared by SIR GP Inc. Distributions to unitholders are recorded as a financing activity in the statements of cash flows.

Intangible assets

The SIR Rights are intangible assets with indefinite lives. In accordance with the requirements of International Accounting Standard (IAS) 38, Intangible Assets, the SIR Rights are an indefinite life intangible asset and are not amortized. The Partnership reviews the SIR Rights for impairment annually or whenever events or circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the asset, as determined by management). Impairment is recognized when the recoverable amount of the intangible assets is lower than carrying value.

The Partnership evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Income taxes

The Partnership is not required to pay tax on its earnings as its taxable income is allocated to the partners based on the provisions of the Partnership Agreement. The partners will be liable for income taxes, if any; accordingly, no provision for income taxes has been recorded in these financial statements.

IFRS issued but not yet effective

IFRS 9, Financial Instruments - Classification and Measurement

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

IFRS 7, Financial Instruments - Disclosure

IFRS 7, Financial Instruments: Disclosure has been amended to require additional disclosures on transition from IAS 39 to IFRS 9. This amendment is effective on adoption of IFRS 9. Management is evaluating this amendment and has not yet determined the impact on its financial statements.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018 and early adoption is permitted. Management is evaluating this standard and has not yet determined the impact on the financial statements.

3 Intangible assets

	Year ended December 31, 2016 $	Year ended December 31, 2015 $
SIR Rights - Beginning of period	93,387,824	88,933,733
Adjustment to Royalty Pooled Restaurants (note 4)	4,181,720	4,454,091
SIR Rights - End of period	97,569,544	93,387,824

In assessing the intangible assets for impairment at December 31, 2016 and 2015, the aggregate recoverable amount of the intangible assets was compared to its carrying amounts. The recoverable amount has been determined using the assistance of a third party valuator based on fair value less costs to sell using a four-year discounted cash flow considering a terminal value. The key assumptions included the following:

	As at December 31, 2016	As at December 31, 2015
Revenue growth rates	2.1% to 3.7%	0.9% to 2.1%
Terminal growth rate	2.0%	2.0%
Discount rate	12.7% to 13.9%	13.1% to 14.3%

Reasonably possible changes in key assumptions would not cause the recoverable amount to fall below the carrying value.

On January 1, 2017, one (January 1, 2016 - two) new SIR Restaurant was added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one new SIR Restaurant on January 1, 2017 (January 1, 2016 - two), as well as the Second Incremental Adjustment for two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2016 (January 1, 2015 - two), 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 one (January 1, 2016 - nil) SIR Restaurant during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR exchanged 79,481 Class A GP Units for 79,481 Class B GP Units (January 1, 2016 – SIR converted 322,676 Class B GP Units into 322,676 Class A GP Units) on January 1, 2017 at an estimated fair value of $15,828 (January 1, 2016 - $4,181,720) (note 4).

The tax basis of the intangible assets as at December 31, 2016 was $2,327,192 (2015 - $2,502,357).

4 Partners' interest

The authorized and issued capital of the Partnership consists of the following:

		As at December 31, 2016		As at December 31, 2015	
Class	**Authorized**	**Issued**	**Amount $**	**Issued**	**Amount $**
Class A LP Units	Unlimited	3,018,900	27,983,375	2,268,900	19,995,178
Class C LP Units	Unlimited	-	-	-	-
Ordinary LP Units	Unlimited	5,356,667	7,633,570	5,356,667	7,633,570
Ordinary GP Units	Unlimited	100	11	100	11
Class A GP Units (note 3)	Unlimited	2,061,097	21,952,597	2,488,421	25,759,074
Class B GP Units (note 3)	Unlimited	95,515,188	1	95,837,864	1
Class C GP Units	Unlimited	4,000,000	40,000,000	4,000,000	40,000,000
			97,569,554		93,387,834

Generally, the Partnership units have no voting rights, except in certain specified conditions.

Ordinary LP Units and Ordinary GP Units

The holders of the Ordinary LP Units are entitled to receive a pro rata share of all residual distributions.

The Ordinary GP Units have the right to receive distributions of $5 per month in aggregate.

SIR GP Inc., a direct subsidiary of the Fund, holds 99 Ordinary GP Units and is the Managing General Partner. SIR holds the remaining Ordinary GP Unit and is the General Partner. The Fund and SIR have an 80% and 20% interest in the common shares of SIR GP Inc., respectively.

SIR Holdings Trust, a direct subsidiary of the Fund, holds all of the issued Ordinary LP Units.

Class A GP Units, Class A LP Units and Class B GP Units

The holders of the Class A GP Units are entitled to receive a pro rata share of all residual distributions and the Class A GP Units are exchangeable into units of the Fund. The holders of the Class A LP Units are entitled to receive a pro rata share of all residual distributions.

Class B GP Units are convertible into Class A GP Units based on a conversion formula defined in the Partnership Agreement for each new restaurant opened in the previous fiscal year. On dissolution of the Partnership, the Class B GP Units are entitled to receive $10 in aggregate.

On January 1 of each year, Class B GP Units are converted into Class A GP Units for new SIR Restaurants added to the Royalty Pooled Restaurants based on 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted into 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 would 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 provided that actual revenues of the new SIR Restaurants exceed 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, 2017, one (January 1, 2016 - two) new SIR Restaurant was added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one new SIR Restaurant on January 1, 2017 (January 1, 2016 - two), as well as the Second Incremental Adjustment for two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2016 (January 1, 2015 - two), 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 one (January 1, 2016 - nil) SIR Restaurant during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR exchanged 79,481 Class A GP Units for 79,481 Class B GP Units (January 1, 2016 – SIR converted 322,676 Class B GP Units into 322,676 Class A GP Units) on January 1, 2017 at an estimated fair value of $15,828 (January 1, 2016 - $4,181,720) (note 4).

In addition, the revenues of the two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2016 were less than 80% of the Initial Adjustment's estimated revenue (January 1, 2016 – revenues of two new SIR Restaurants exceeded 80% of the Initial Adjustment's estimated revenue) and, as a result, the distributions on the Class A GP Units were reduced by a special conversion refund of $492 in December 2016 and paid in January 2017 (a special conversion distribution of $108,563 was declared on the Class B GP Units in December 2015 and paid in January 2016). As a result of the permanent closure of one SIR Restaurant during the year, a

Make-Whole Payment of $77,345 (year ended December 31, 2015 – nil) has been recorded in Royalty income in the statement of earnings and comprehensive income.

Effective January 1, 2017, SIR's residual interest in the Partnership is 19.13%.

Class A GP Units and Class B GP Units are held by SIR. Class A LP Units are held by SIR Holdings Trust, a direct subsidiary of the Fund.

Class C GP Units

The holders of Class C GP Units are entitled to receive a cumulative preferential monthly cash distribution equal to $0.063 per Class C GP Unit held, payable on the dates that distributions are paid on the units of the Fund.

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

Class C LP Units

The Class C LP Units have similar attributes to the Class C GP Units.

Conversion of Class A GP Units

During the year ended December 31, 2016, SIR converted 750,000 of its Class A GP Units into 750,000 Fund units and sold these Fund units. In accordance with the exchange agreement, the Fund converted the 750,000 Class A GP units received into 750,000 Class A LP Units. These newly issued Class A LP Units are recognized in the statements of partners' interest at the carrying value of the Class A GP units of $7,988,197.

As the Fund's interest in the Partnership has increased, this transaction was not dilutive to the Fund.

5 Financial instruments

Classification

As at December 31, 2016 and 2015, the classifications of the financial instruments, as well as their carrying and fair values, are as follows:

		Carrying and fair value	
	Classification	**As at December 31, 2016 $**	**As at December 31, 2015 $**
Cash	Loans and receivables	-	17,064
Royalties and advances receivable from related parties	Loans and receivables	5,061,370	4,826,168
Bank overdraft	Financial liabilities at amortized cost	82,250	-
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	189,028	185,032
Distributions payable to related parties	Financial liabilities at amortized cost	4,805,176	4,671,309

Carrying value and fair value

Cash, royalties and advances receivable from related parties, bank overdraft, accounts payable and accrued liabilities and distributions payable to related parties are short-term financial instruments whose fair value approximates the carrying amount given that they will mature in the short term.

Objectives and policy relating to financial risk management

Financial risk management is carried out by the management of the Partnership. The Partnership's main financial risk exposure, as well as its risk management policy, is detailed as follows:

Credit risk

The Partnership is exposed to credit risk in its cash and royalties and advances receivable from related parties. The maximum exposure to credit risk is the full carrying value of the financial instruments. The Partnership minimizes the credit risk of cash by depositing funds with reputable financial institutions and minimizes the credit risk of its royalties and advances receivable from related parties by managing and analyzing the cash flow of these related parties through the preparation of budgets and forecasts of these related parties. As at December 31, 2016, the royalties and advances receivable from related parties are not past due.

SIR has certain restrictions relating to its bank financing, which could affect payments to the Fund and the Partnership if a default or an event of default were to occur. Such payments could be suspended under the terms of the Intercreditor Agreement (note 8).

Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they fall due and meet expected distributions to the Fund and SIR. The Partnership currently settles these obligations out of cash. The ability to do this relies on the Partnership collecting the Royalty from SIR. Both SIR and the Partnership prepare budgets and forecasts to evaluate their ability to meet future cash obligations.

6 Related party balances and transactions

	As at December 31, 2016 $	As at December 31, 2015 $
SIR Corp.		
Royalties receivable	1,896,844	1,752,315
Advances receivable	405,258	372,770
	2,302,102	2,125,085
Advances receivable from the SIR Royalty Income Fund and its subsidiaries	2,759,268	2,701,083
Amounts due from related parties	5,061,370	4,826,168
Distributions payable to SIR Corp	1,343,548	1,403,570
Distributions payable to SIR Royalty Income Fund and its subsidiaries	3,461,628	3,267,739
Amounts due to related parties	4,805,176	4,671,309

Advances receivable from related parties are non-interest bearing and due on demand. All advances were conducted as part of the normal course of business operations.

During the year ended December 31, 2016, the Partnership earned royalty income of $16,759,430 from SIR (year ended December 31, 2015 - $16,056,030). The Partnership's royalty income is determined based on 6% of the revenues from certain SIR Restaurants subject to the Licence and Royalty Agreement between the Partnership and SIR. SIR makes 13 Royalty payments based on SIR's 13 four- or five-week period fiscal year and, as such, royalty payments can fluctuate depending on how the four- or five-week periods coincide with the Partnership's calendar fiscal year. Under the terms of the Licence 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 Payment in respect of a permanently closed restaurant following the date on which the number of restaurants in the 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 Licence and Royalty Agreement are adjusted for new restaurants opened for at least 60 days preceding such Adjustment Date in the previous fiscal year. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units into Class A GP Units based on the conversion formula defined in the Partnership Agreement (note 4).

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, or SIR as the General Partner. SIR, on behalf of SIR GP Inc., also provides services to the Partnership for its administration. For the year ended December 31, 2016, the Partnership provided these services to the Fund and the Trust for consideration of $24,000 (2015 - $24,000), which was the amount of consideration agreed to by the related parties.

7 Capital management

The Partnership's issued capital consists of Class A LP Units, Ordinary LP Units, Ordinary GP Units, Class A GP Units, Class B GP Units and Class C GP Units. The objectives in managing the capital are to safeguard the Partnership's ability to continue as a going concern and to administer the affairs of the Fund, subject to the terms of the Partnership Agreement and the Licence and Royalty Agreement. There are no restrictions in these agreements with respect to the issuance of additional units or debt. The Partnership has no third party debt or bank lines of credit. The Partnership had no capital expenditures during the year ended December 31, 2016 and, by its nature, is not expected to have significant capital expenditures in the future.

SIR has a credit agreement, which requires the Partnership and the Fund to subordinate and postpone their claims against SIR to the claims of the bank if a default or event of default were to occur (note 8).

8 Economic dependence

The Partnership earns substantially all of its revenues from SIR; accordingly, the Partnership is economically dependent on SIR.

SIR has a credit agreement (Credit Agreement) with a Schedule I Canadian chartered bank (the Lender). The Credit Agreement between SIR and the Lender provides for a three-year facility for a maximum principal amount of $30,000,000 consisting of a $20,000,000 revolving term credit facility (Credit Facility 1), and a $10,000,000 revolving term loan (Credit Facility 2). SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional $5,000,000.

Credit Facility 1 is for general corporate and operating purposes, bearing interest at the prime rate plus 2.25% and/or the bankers' acceptance rate plus 3.25%, principal repaid in one bullet repayment on July 6, 2018. A standby fee of 0.65% is charged on the undrawn balance of Credit Facility 1. Provided SIR is in compliance with the Credit Agreement, the principal amount of Credit Facility 1 can be repaid and reborrowed at any time during the term of the agreement. Credit Facility 2 bears interest at the prime rate plus 2.25% and/or the bankers' acceptance rate plus 3.25%. The initial advance on Credit Facility 2 is repayable in quarterly instalments of $500,000, with the remaining outstanding principal balance due on July 6, 2018. Subsequent advances on Credit Facility 2 may be requested (subject to availability and lender approval), in minimum multiples of $1,000,000, annually on the anniversary of the closing date of the Credit Agreement (July 6), to finance capital spending on new and renovated restaurants. Each subsequent advance is repayable in equal quarterly instalments based on a five year amortization, with the remaining outstanding principal balance due on July 6, 2018. During 2016, the Lender approved SIR's request for an advance of $2,000,000 on Credit Facility 2. As of December 31, 2016, SIR has not yet drawn on this advance.

The Credit Agreement is secured by substantially all of the assets of SIR and most of its subsidiaries, which are also guarantors. The Partnership and the Fund have not guaranteed the 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 Intercreditor Agreement which replaced the previous Amended and Restated Subordination and Postponement Agreement.

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

9 Net change in non-cash working capital items

Net change in non-cash working capital items comprises:

	Year ended December 31, 2016 $	Year ended December 31, 2015 $
Prepaid expenses and other assets	(1,975)	2,998
Amounts due from related parties	(235,202)	(321,149)
Accounts payable and accrued liabilities	3,996	2,910
	(233,181)	(315,241)