SIR Royalty Limited Partnership

Financial Statements
December 31, 2021 and December 31, 2020

This document is being filed with the Canadian securities regulatory authorities via www.sedar.com by and/or on behalf of, and with the approval of, SIR Corp. While it is located under the SIR Royalty Income Fund's issuer profile on www.sedar.com as a matter of convenience to investors in the SIR Royalty Income Fund, it is not being filed by or on behalf of, or with the approval, authorization, acquiescence or permission of, (a) the SIR Royalty Income Fund or any of its trustees or officers, and (b) the SIR Holdings Trust or any of its trustees or officers. None of them have approved, authorized, permitted or acquiesced with respect to the filing or contents hereof.

Independent auditor's report

To the Partners of SIR Royalty Limited Partnership

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SIR Royalty Limited Partnership (the Partnership) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Partnership's financial statements comprise:

- the statements of financial position as at December 31, 2021 and 2020;
- the statements of earnings (loss) and comprehensive income (loss) for the years then ended;
- the statements of changes in partners' interest for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Partnership's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5
T: +1 905 815 6300, F: +1 905 815 6499

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's

report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
March 22, 2022

SIR Royalty Limited Partnership

Statements of Financial Position

As at December 31, 2021 and 2020

	December 31, 2021 $	December 31, 2020 $
Assets		
Current assets		
Cash	40,684	2,544
Prepaid expenses and other assets	21,124	21,778
Amounts due from related parties (note 7)	6,815,708	6,872,035
	6,877,516	6,896,357
Intangible assets (note 4)	46,699,990	46,699,990
	53,577,506	53,596,347
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	305,867	115,842
Amounts due to related parties (note 7)	6,780,667	6,989,533
	7,086,534	7,105,375
Partners' Interest (note 5)	46,490,972	46,490,972
	53,577,506	53,596,347

Going concern (note 1)

Subsequent events (note 11)

Approved by the Directors of SIR GP

(Signed) Stephen Dewis	(Signed) Norm Mayr
Stephen Dewis, Director	Norm Mayr, Director

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

SIR Royalty Limited Partnership

Statements of Earnings (Loss) and Comprehensive Income (Loss)

For the years ended December 31, 2021 and 2020

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
Revenues		
Royalty income (notes 1 and 7)	8,216,223	7,200,769
Other income (notes 1 and 7)	68,463	-
Administration fee (note 7)	24,000	24,000
	8,308,686	7,224,769
Expenses		
General and administrative	172,454	128,479
(Recovery of) Impairment loss of financial and intangible assets	(99,193)	55,998,656
Net earnings (loss) and comprehensive income (loss) for the year	8,235,425	(48,902,366)

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, 2021 and 2020

	Number of units (note 5)	Balance - January 1, 2021 $	Units (returned) issued $ (note 5)	Net earnings for the year $	Distributions declared $	Balance – December 31, 2021 $
Ordinary LP units	5,356,667	-	-	1,334,655	(1,334,655)	-
Class A LP units	3,018,900	6,490,912	-	2,381,823	(2,381,823)	6,490,912
Ordinary GP units	100	50	-	60	(60)	50
Class A GP units	1,971,552	-	-	1,518,875	(1,518,875)	-
Class B GP units	95,604,733	10	-	12	(12)	10
Class C GP units	4,000,000	40,000,000	-	3,000,000	(3,000,000)	40,000,000
		46,490,972	-	8,235,425	(8,235,425)	46,490,972

	Number of units (note 5)	Balance - January 1, 2020 $	Units (returned) issued $ (note 5)	Net (loss) earnings for the year $	Distributions declared $	Balance – December 31, 2020 $
Ordinary LP units	5,356,667	7,633,570	-	(7,628,548)	(5,022)	-
Class A LP units	3,018,900	27,983,375	-	(19,851,512)	(1,640,951)	6,490,912
Ordinary GP units	100	11	-	99	(60)	50
Class A GP units	1,818,351	28,801,688	(3,493,096)	(24,422,426)	(886,166)	-
Class B GP units	95,757,934	1	-	21	(12)	10
Class C GP units	4,000,000	40,000,000	-	3,000,000	(3,000,000)	40,000,000
		104,418,645	(3,493,096)	(48,902,366)	(5,532,211)	46,490,972

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, 2021 and 2020

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
Cash provided by (used in)		
Operating activities		
Net earnings (loss) for the year	8,235,425	(48,902,366)
Net change in non-cash working capital items (note 10)	346,199	(4,059,900)
(Recovery of) Impairment loss of financial and intangible assets	(99,193)	55,998,656
	8,482,431	3,036,390
Financing activities		
Distributions paid	(8,444,291)	(3,663,103)
Change in cash during the year	38,140	(626,713)
Cash - Beginning of year	2,544	629,257
Cash - End of year	40,684	2,544

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 22, 2022.

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.

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic has had a negative impact on global economic activity and has had a significant impact on consumer spending in Canada, including restaurant sales. Due to government mandated business restrictions in response to the pandemic, effective March 16, 2020, SIR closed all of its dining rooms and bars, except for takeout and delivery services at certain of its locations. Government mandated restrictions were eased in June and July 2020, enabling varying levels of in-restaurant and outdoor dining operations at SIR restaurants by region. Government mandated restrictions were heightened again in October, November and December 2020. These restrictions continued in 2021. However, as vaccination rates continued to improve, provincial governments outlined requirements for Canadians to be fully vaccinated in order to access certain public settings including restaurants and bars and continued to lift indoor dining capacity restrictions and limits in the latter half of 2021. Proof of full vaccination (vaccine certificate or passport) along with identification was required to dine indoors at restaurants.

Ontario

Effective January 8, 2021, SIR permanently closed the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario. These locations were part of the Royalty Pool.

Effective February 9, 2021, SIR permanently closed three restaurants located at the corner of Yonge and Gerrard in downtown Toronto. The three restaurants include a Scaddabush Italian Kitchen & Bar ("Scaddabush"), Reds Midtown Tavern and a Duke's Refresher & Bar ("Duke's"). The Scaddabush and Reds locations were part of the Royalty Pool.

Effective March 31, 2021, SIR permanently closed the Canyon Creek location in Vaughan, Ontario. This location was part of the Royalty Pool.

Effective April 8, 2021, the Ontario government declared a state of emergency and a province wide stay-at-home order was issued. All regions were placed into lockdown and as a result, SIR's dining rooms, bars and patios in Ontario were closed until June 11, 2021. SIR continued to offer take-out and delivery services at certain locations.

On May 20, 2021, the Ontario government announced a province-wide "Roadmap to Reopen". The three-step plan allowed restaurants to reopen for limited capacity (four guests per table) outdoor dining in Step 1 commencing on June 11, 2021. Step 2 which allowed for a slight increase in outdoor capacity to a maximum of six guests per table commenced on June 16, 2021. Step 3, which allowed for indoor dining and outdoor patio dining with physical distancing, but no other extraordinary capacity restrictions commenced on July 16, 2021. On August 17, 2021, in response to evolving data around the Delta variant, the government, in consultation with Ontario's Chief Medical Officer of Health paused the exit from the Roadmap to Reopen.

Effective October 22, 2021, the province of Ontario's "A Plan to Safely Reopen Ontario and Manage COVID-19 for the Long-term" was put into effect. The plan outlined requirements for all Ontarians (12 years and older) to be fully vaccinated in order to access certain public settings including restaurants and bars. Proof of full vaccination (vaccine certificate or passport) along with identification was required to dine indoors at restaurants. COVID-19 employee vaccination policies were made mandatory and capacity limits for restaurants and bars, where proof of vaccination was required for patrons, was lifted. Effective December 19, 2021, in response to the Omicron variant, the province of Ontario implemented: i) 50% capacity limits for bars and restaurants, ii) restaurants required to close at 11 p.m. and the sale of alcohol restricted after 10 p.m., iii) maximum table capacity of 10 patrons, and iv) guests must remain seated at all times.

Quebec

Effective May 28, 2021, the province of Quebec, where SIR operates four restaurants, permitted outdoor dining at all restaurants across the province. Indoor dining was permitted in the second phase and introduced on a regional basis. Two SIR restaurants reopened indoor dining on May 31, 2021, while the other two reopened on June 7, 2021. Effective September 1, 2021, the province of Quebec required all patrons (13 years and older) to show vaccine certificates and effective November 1, 2021, lifted all indoor dining capacity limits (except for requiring physical distancing of one metre) at restaurants and bars (where full proof of vaccination was required). Effective December 26, 2021, the province of Quebec implemented: i) indoor dining capacity restricted at 50% for restaurants and bars, ii) operations limited between the hours of 5 a.m. and 10 p.m. and iii) maximum of six guests per table. Effective December 31, 2021, new restrictions were announced with closures of indoor dining spaces and bars, except for takeout and delivery, and a curfew until January 17, 2022.

Nova Scotia and Newfoundland

Effective June 16, 2021, the province of Nova Scotia, where SIR operates two restaurants, permitted indoor dining with limited capacity and table-size, masks and limited service hours. Effective July 14, 2021 Nova Scotia permitted restaurants to return to regular hours of operation while all other COVID-19 operational requirements, including physical distancing between tables, remained in place. Effective October 4, 2021, the province of Nova Scotia required all patrons to show vaccine certificates and lifted all indoor dining capacity limits at restaurants and bars. The province of Newfoundland, where SIR operates one restaurant, followed on October 26, 2021. Effective December 17, 2021, the province of Nova Scotia implemented: i) 50% capacity limits for bars and restaurants, ii) restaurants required to close at 11 p.m., iii) physical distancing between tables (two metres), iv) maximum table capacity of 10 patrons, and v) patrons be seated to remove their masks for eating and/or drinking; all other mask requirements for indoor public places to remain. Effective December 20, 2021, the province of Newfoundland implemented 50% capacity limits for bars and restaurants with physical distancing measures remaining in effect.

Going concern

The financial statements of the Partnership have been prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities during the normal course of operations for the foreseeable future. In the preparation of the financial statements, the Partnership's management is required to identify when events or conditions indicate that significant doubt may exist about the Partnership's ability to continue as a going concern. Significant doubt about the Partnership's ability to continue as a going concern would exist when relevant conditions and events indicate that the Partnership may not be able to meet its obligations as they become due for a period of at least, but not limited to, twelve months from the end of the reporting period. When the Partnership identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Partnership considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

Given the uncertainty surrounding the COVID-19 pandemic and the potential risk of government mandated shutdowns in the future and the related impact to SIR, which the Partnership is dependent on for cash flow, the Partnership's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. Management of SIR negotiated an extension of its Credit Agreement with its Lender until July 6, 2022. This extension is intended to address SIR's financial requirements and makes accommodations for certain financial and non-financial covenant requirements. There can be no assurance that borrowings will be available to SIR, or available on acceptable terms, in an amount sufficient to fund SIR's needs.

The Partnership's ability to meet its obligations for the next 12 to 18 months also depends on, among other factors:

- the speed at which SIR is able to return to full operating capacity in the near future,
- Canadian economic conditions affecting bars and restaurants that are able to fully re-open,

- the ability for SIR to obtain necessary financing through a renewal of its Credit Agreement which expires on July 6, 2022,
- the availability of credit under SIR's current Credit Agreement or other financing sources,
- SIR's eligibility for continued government assistance, including the now superseded Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") and the newly proposed and extended Canada Recovery Hiring Program ("CRHP") including the additional stream of the support via the Tourism and Hospitality Recovery Program ("THRP") and the COVID-19 Energy Assistance Program "CEAP"). For the 52-week period ended August 29, 2021, SIR recognized government assistance through the CEWS program of $22,171,000 (August 30, 2020 - $11,141,000), the CERS program of $4,974,000 (August 30, 2020 - $nil) and other government subsidies of $4,202,000 (August 30, 2020 - $nil). Of these amounts, $24,109,000 (August 30, 2020 - $9,893,000) was recognized as a reduction to costs of corporate restaurant operations, $3,256,000 (August 30, 2020 - $1,248,000) was recognized as a reduction to corporate costs and $3,982,000 (August 30, 2020 - $nil) was recognized as other expense (income). For the 12-week period ended November 21, 2021, SIR recognized government assistance through the CEWS and CRHP program of $2,023,000 (November 22, 2020 - the CEWS program of $6,727,000) and the CERS program of $33,000 (November 22, 2020 - nil). Of these amounts, $2,022,000 (November 22, 2020 - $6,241,000), was recognized as a reduction to costs of corporate restaurant operations and $34,000 (November 22, 2020 - $486,000) was recognized as a reduction to corporate costs.
- business interruption insurance coverage, and SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases, and
- the type and impact of continued government mandated pandemic-related operating regulations.

The potential for future reduced services and/or restaurant closures will continue to create risk of material declines in sales at SIR restaurants. These circumstances indicate the existence of a material uncertainty that may cast doubt on the Partnership's ability to continue as a going concern. These audited consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Partnership be unable to continue as a going concern. Such adjustments could be material.

2 Basis of presentation

The Partnership prepares its financial statements in accordance with IFRS.

3 Summary of critical accounting estimates and judgements

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 are 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.

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. At initial recognition, the Partnership classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired:

i) Amortized cost: A financial asset shall be measured at amortized cost if both of the following conditions are met:

   (a) The financial asset is held in order to collect contractual cash flows; and

   (b) The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Fair value through profit and loss (FVTPL): For financial assets classified as measured at FVTPL or designated at FVTPL, changes in fair value are recognized in the statement of earnings and comprehensive income as they arise.

iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost comprise bank overdraft, accounts payable and accrued liabilities and amounts due to related parties. Accounts payable and accrued liabilities and amounts due 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 amounts due 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.

Impairment of financial assets

At each reporting date, the Partnership assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Partnership recognizes an impairment loss as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

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 of disposal 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 the 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.

4 Intangible assets

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
SIR Rights - Beginning of period	46,699,990	104,418,635
Adjustment to Royalty Pooled Restaurants	-	(3,493,096)
Provision for Impairment	-	(54,225,549)
SIR Rights - End of year	46,699,990	46,699,990

No impairment was recorded in the Partnership during the year ended December 31, 2021 (year ended December 31, 2020 - $54,225,549).

In assessing the intangible assets for impairment at December 31, 2021 and December 31, 2020, the aggregate recoverable amount of the intangible assets was compared to its carrying amount. The recoverable amount has been determined by management 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, 2021	As at December 31, 2020
Revenue growth rates	0.0% to 3.0%	0.0% to 2.0%
Terminal growth rate	3.0%	2.0%
Discount rate	22.5% to 26.3%	22.5% to 26.3%

The revenue growth rates of 0.0% to 3.0% are for periods beyond the large declines due to pandemic related closures and the large offsetting growth rates as sales are projected to recover in 2022. A 22.2% change to the cash flows of the Partnership based on forecasted sales of the Royalty Pooled Restaurants and/or a discount rate of greater than 33.3% could result in an impairment.

On January 1, 2022, no new SIR Restaurants were added (January 1, 2021 – one new SIR Restaurant was added) to Royalty Pooled Restaurants in accordance with the Partnership Agreement (Note 5). The adjustment to the Royalty Pooled Restaurants whereby SIR converted 679,934 Class A GP units into 679,934 Class B GP units (January 1, 2021 – SIR converted 153,201 Class B GP units into 153,201 Class A GP units) on January 1, 2022 resulting in $nil impact to the SIR Rights value as the Class A and B GP units have a $nil value.

The tax basis of the intangible assets as at December 31, 2021 was $1,619,000 (2020 - $1,740,861).

5 Partners' interest

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

		As at December 31, 2021		As at December 31, 2020	
Class	**Authorized**	**Issued**	**Amount $**	**Issued**	**Amount $**
Class A LP Units	Unlimited	3,018,900	6,490,912	3,018,900	6,490,912
Class C LP Units	Unlimited	-	-	-	-
Ordinary LP Units	Unlimited	5,356,667	-	5,356,667	-
Ordinary GP Units	Unlimited	100	50	100	50
Class A GP Units (note 3)	Unlimited	1,971,552	-	1,818,351	-
Class B GP Units (note 3)	Unlimited	95,604,733	10	95,757,934	10
Class C GP Units	Unlimited	4,000,000	40,000,000	4,000,000	40,000,000
			46,490,972		46,490,972

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. On January 1 of each year, SIR will reconvert the Class A GP Units received to Class B GP Units for the permanent closure of a SIR Restaurant.

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, 2022, no new SIR Restaurants were added (January 1, 2021 – one new SIR Restaurant was added) to Royalty Pooled Restaurants in accordance with the Partnership Agreement. There was a Second Incremental Adjustment done for one new SIR restaurant added to the Royalty Pooled Restaurants on January 1, 2021 (January 1, 2020 – one) on January 1, 2022. As consideration for this adjustment, SIR converted its Class B GP units into Class A GP units based on the formula defined in the Partnership Agreement. In addition, there was a reconversion of Class A GP units into Class B GP units for the permanent closure of five (January 1, 2021 – one) SIR restaurants during 2021. The net effect of these adjustments to the Royalty Pooled Restaurants was that SIR converted 679,934 Class A GP units into Class B GP units (January 1, 2021 – SIR converted 153,201 Class B GP units into 153,201 Class A GP units) on January 1, 2022 resulting in a $nil impact to the SIR Rights value as the Class A and B GP units have a $nil value (January 1, 2021 – $nil impact to the value of SIR rights).

In addition, the revenues of the one (January 1, 2020 – one) new SIR Restaurant added to the Royalty Pooled Restaurants on January 1, 2021 were greater than 80% of the Initial Adjustment's estimated revenue (January 1, 2020 – revenue of one SIR Restaurant was less than 80% of the Initial Adjustment's estimated revenue) and, as a result, a special conversion distribution of $71,780 was declared on the Class B GP Units in December 2021 and paid in January 2022 (distributions of Class A GP Units were reduced by a special conversion refund of $8,858 in December 2020 and paid in January 2021).

Effective January 1, 2022, SIR's residual interest in the Partnership is 13.36%.

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's Lender has approved the resumption of current payments of royalties and interest on the SIR Loan on July 7, 2021 and a framework to enable SIR to catch up on deferred payments of royalties to the Partnership and interest on the SIR Loan to the Fund by July 6, 2022. Having met the conditions stipulated by SIR's Lender, SIR has begun its repayment of deferred royalties and interest on the SIR Loan effective September 15, 2021. Pursuant to the Eighth Amendment under SIR's Credit Agreement, these amounts will be repaid over 10 monthly installments of $530,330 and $350,000, respectively. As a result, the holders of Class C GP Units are entitled to receive an additional cumulative preferential monthly cash distribution equal to $0.087 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.

6 Financial instruments

Classification

As at December 31, 2021 and December 31, 2020, 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, 2021 $**	**As at December 31, 2020 $**
Cash	Financial assets at amortized cost	40,684	2,544
Amounts due from related parties	Financial assets at amortized cost	6,815,708	6,872,035
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	305,867	115,842
Amounts due to related parties	Financial liabilities at amortized cost	6,780,667	6,989,533

Carrying and fair value

Cash, amounts due from related parties, accounts payable and accrued liabilities and amounts due to related parties are short-term financial instruments whose fair value approximates the carrying amount given that they will mature in the short term.

7 Related party balances and transactions

	As at December 31, 2021 $	As at December 31, 2020 $
Royalties receivable from SIR Corp.	2,510,871	2,450,634
Advances receivable from SIR Corp.	632,993	741,094
	3,143,864	3,191,728
Advances receivable from the SIR Royalty Income Fund and its subsidiaries	3,671,844	3,680,307
Amounts due from related parties	6,815,708	6,872,035
Distributions payable to SIR Corp.	3,860,195	3,850,297
Distributions payable to SIR Royalty Income Fund and its subsidiaries	2,920,472	3,139,236
Amounts due to related parties	6,780,667	6,989,533

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.

The Partnership continues to defer the collection of restaurant royalties as part of the conditions required by SIR's Lender to grant SIR a series of waiver and amending agreements under its Credit Agreement and in order to provide SIR with financial support. However, pursuant to the Eighth Amendment of the Credit Agreement, SIR’s Lender approved the resumption of current payments of royalties to the Partnership on July 7, 2021 and a framework to enable SIR to catch up on deferred payments of royalties by July 6, 2022. Having met the conditions stipulated by SIR’s Lender, SIR has begun its repayment of deferred royalties commencing September 15, 2021. These amounts will be repaid over 10 monthly installments of $530,330. As at December 31, 2021, an impairment recovery of $99,193 has been recorded (December 31, 2020 – impairment loss of $1,773,107) on the royalties receivable from SIR, based on management’s assessment of the SIR-specific risk. A rate of 40% was applied to the royalties receivable.

	As at December 31, 2021 $
SIR Corp.	
Royalties receivable	4,184,785
Provision for impairment	(1,673,914)
	2,510,871

Impairment recovery on royalties receivable are presented as net impairment recovery within the net earnings (loss) and comprehensive income (loss) on the statement of earnings (loss) and comprehensive income (loss) and within net amounts due from related parties on the statement of financial position.

During the year ended December 31, 2021, the Partnership earned royalty income of $8,216,223 from SIR (year ended December 31, 2020 - $7,200,769). 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. 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).

During Fiscal 2020, SIR began testing a new takeout and delivery concept called Renegade Chicken. Renegade Chicken is a ghost kitchen concept that, while operated within certain Jack Astor's and Duke's Refresher locations, was specifically designed and marketed as distinctly different from Jack Astor's kitchens. While the Fund has no ownership interest in the Renegade Chicken trademark, SIR made a voluntary payment to the Fund in an amount equal to 6% of the revenues earned by the Renegade Chicken operation. As at May 31, 2021, the total revenues earned by the Renegade Chicken operation were $1,141,051. Accordingly, the Partnership earned other income of $68,463 during the year ended December 31, 2021 (year ended December 31, 2020 - $nil) from SIR.

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 three-month period and year ended December 31, 2021, the Partnership provided these services to the Fund and the Trust for consideration of $24,000 (year ended December 31, 2020 - $24,000, respectively), which was the amount of consideration agreed to by the related parties.

8 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, 2021 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 9).

9 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), as amended on December 8, 2017 and July 6, 2018, April 1, 2020, June 30, 2020, September 30, 2020, December 31, 2020, March 31, 2021 and May 31, 2021 with a Schedule I Canadian chartered bank (the Lender). The Credit Agreement between SIR and the Lender provides for a maximum principal amount of $50,680,000 consisting of a $20,000,000 revolving term credit facility (Credit Facility 1), a $18,180,000 revolving term loan (Credit Facility 2), a $6,250,000 guaranteed facility with Export Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") (EDC-Guaranteed Facility) and a $6,250,000 Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility"). SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional $1,500,000.

Credit Facility 1 is for general corporate and operating purposes, bearing interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%, principal repaid in one bullet repayment on July 6, 2022. A standby fee of 0.85% 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 re-borrowed at any time during the term of the Credit Agreement.

Credit Facility 2 bears interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%. Under the Credit Agreement, subsequent advances on Credit Facility 2 may be requested (subject to availability and lender approval), in minimum multiples of $1,000,000, to finance capital spending on new and renovated restaurants. Each advance under Credit Facility 2 is repayable in equal quarterly instalments based on a seven year amortization, with the remaining outstanding principal balance due on July 6, 2022.

The EDC-Guaranteed Facility bears interest at the prime rate plus 3.5%. The EDC-Guaranteed Facility is a 364-day revolving-term credit facility and can be extended at the Lender's sole discretion by a further 12 months. A standby fee of 0.90% is charged on the undrawn balance of this facility.

The BDC-Guaranteed Facility bears interest at a fixed rate of 4%. The BDC-Guaranteed Facility is a 10 year revolving-term credit facility, with a one year principal payment moratorium and can be extended at the Lender's sole discretion by a further 12 months.

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.

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 in which they are compliant.

At May 3, 2020, the end of SIR’s third quarter, SIR was in breach of the covenants in the SIR Loan Agreement and the financial covenants in its Credit Agreement. At the time of filing SIR Corp.’s fiscal 2020 third quarter results on July 30, 2020, SIR was in breach of its financial and non-financial covenants as outlined in its credit agreement with the Lender as a result of the impact of the COVID-19 pandemic on its operations. As part of the fourth amending agreement with the Lender, the two financial covenants in the Credit Agreement are replaced by a minimum quarterly EBITDA amount beginning with SIR Corp.’s results for the 13-week and 52-week periods ended August 30, 2020. At the time of filing SIR Corp.’s year ended August 30, 2020, SIR was in breach of these two new financial covenants. SIR’s Management continues to work closely with its Lender for guidance and support.

On May 27, 2020, effective April 1, 2020, SIR obtained a waiver with its senior lender on its covenants until June 30, 2020.

On June 30, 2020, SIR and its Lender entered into a fourth amending agreement to its Credit Agreement (the “Waiver and Amendment”). The Waiver and Amendment provides for the following:

- extension of the waivers of certain anticipated covenant breaches and events of default granted in the June 1, 2020 Third Amending Agreement effective April 1, 2020 until August 31, 2020 (the “Waiver Period”),
- waiving, for the Waiver Period and for the period September 1, 2020 to the Maturity Date, the financial covenants in the Credit Agreement,

- during the Waiver Period and the period September 1, 2020 until the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a minimum quarterly EBITDA amount, and
- the addition of a new $6,250,000 EDC guaranteed BCAP (the "EDC-Guaranteed Facility") to the Credit Agreement – the EDC-Guaranteed Facility is a 364 day revolving term credit facility and can be extended at the Lender's sole discretion by a further 12 months.

On June 30, 2020, the Fund and the Partnership entered into an acknowledgement and consent agreement with the Lender acknowledging, among other things:

- receipt of a copy of the Waiver and Amendment,
- that none of: entering the agreement, borrowing under the agreement, or performing any of the obligations under the agreement shall breach any of the terms or constitute an event of default under any of the Fund's or the Partnership's existing agreements with SIR,
- any debt arising under the EDC-Guaranteed Facility constitutes Permitted Debt (as such term is defined in the SIR Loan Agreement).

On June 30, 2020, the Fund, the Partnership, and SIR entered into a waiver and extension agreement that, among other things:

- extends the period of the deferral of interest on the SIR Loan to the Fund and royalties to the Partnership from June 30, 2020 to August 31, 2020,
- waives any and all existing breaches of covenants and events of default under the various agreements between SIR, the Fund, and the Partnership until August 31, 2020.

On September 30, 2020 SIR and its Lender entered into a fifth amending agreement to its Credit Agreement which, among other things, extended certain waivers from August 31, 2020 to December 31, 2020.

On September 30, 2020, the Fund and the Partnership entered into an acknowledgement consent agreement with the Lender, and the Fund, the Partnership, and SIR entered into a waiver and extension agreement. The current expiration date of certain deferrals in these agreements is December 31, 2020.

On December 31, 2020 SIR and its Lender entered into a sixth amending agreement to its Credit Agreement. The Sixth Amending Agreement provides for the following:

- an extension of the waivers of certain of the previously granted anticipated covenant breaches and events of default until March 31, 2021 (the "Waiver Period"),
- extends the period of the deferral until the maturity date of $1,000,000 in principal payments previously scheduled between December 31, 2020 to January 31, 2021, and
- allowance for the potential additions of up to an additional $375,000 in subordinated debt made available by Investissement Québec ("IQ") to SIR pursuant to IQ's Concerted Temporary Action Program for Businesses ("PACTE") on terms and conditions satisfactory to the Lender.

On December 31, 2020, the Fund and the Partnership entered into an acknowledgement, waiver and extension agreement with the Lender and SIR, acknowledging, among other things:

- receipt of a copy of the Sixth Amending Agreement,
- that none of: entering the agreement, borrowing under the agreement, or performing any of the obligations under the agreement shall breach any of the terms or constitute an event of default under any of the Fund's or the Partnership's existing agreements with SIR,

- the extension of the period of the deferral of interest on the SIR Loan to the Fund and royalties to the Partnership from December 31, 2020 to March 31, 2021,
- the recognition of a potential new PACTE Loan of up to $375,000, and
- the waiver of any and all existing breaches of covenants and events of default under the various agreements between SIR, the Fund, and the Partnership until March 31, 2021.

On March 31, 2021, SIR and its Lender entered into the Seventh Amending Agreement to its Credit Agreement. The Seventh Amending Agreement provides for the following:

- an extension of the waivers of certain of the previously granted anticipated covenant breaches and events of default until July 6, 2021 (the "Seventh Amending Agreement Waiver Period"),
- waiving, for the Seventh Amending Agreement Waiver Period which now extends to the July 6, 2021 Maturity Date, the financial covenants in the Credit Agreement,
- during the Seventh Amending Agreement Waiver Period which now extends to the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a minimum quarterly EBITDA amount,
- waiver of the minimum quarterly EBITDA covenant amount for SIR's fiscal 2021 second quarter
- the addition of a new $6,250,000 million Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility") to the Credit Agreement. The BDC-Guaranteed Facility is a 10 year term credit facility, with a one year principal payment moratorium, bearing fixed rate interest of 4%,
- consents to SIR making a distribution to the Partnership or the Fund in an amount up to $1,000,000 for previously deferred royalty payments and/or payments of interest on the SIR Loan (the "Anticipated Fund Distribution"),
- the Fund and the Partnership were required to acknowledge, consent and subordinate to the BDC-Guaranteed Facility, and
- the Fund and the Partnership were required to extend their agreement to defer payments by SIR of interest on the SIR Loan and royalty payments from April 1, 2021 until July 6, 2021.

On March 31, 2021, the Fund and the Partnership entered into a consent agreement with the Lender acknowledging, among other things:

- receipt of a copy of the Seventh Amending Agreement,
- consent to the new BDC-Guaranteed Facility of $6,250,000,
- that none of: entering the agreement, borrowing under the agreement, or performing any of the obligations under the agreement shall breach any of the terms or constitute an event of default under any of the Fund's or the Partnership's existing agreements with SIR,
- any debt arising under the BDC-Guaranteed Facility constitutes Permitted Debt (as such term is defined in the SIR Loan Agreement).

On March 31, 2021, the Fund and the Partnership entered into a waiver and extension agreement with the Lender and SIR, acknowledging, among other things:

- receipt of a copy of the Seventh Amending Agreement,
- the extension of the period of the deferral of interest on the SIR Loan to the Fund and royalties to the Partnership from March 31, 2021 to July 6, 2021, and
- the waiver of any and all existing breaches of covenants and events of default under the various agreements between SIR, the Fund, and the Partnership until July 6, 2021.

In order to provide SIR with financial support, including SIR securing necessary waivers and extension from the Lender, SIR gaining access to additional needed debt facilities, along with the additional consideration of the $1,000,000 Anticipated Fund Distribution, the Partnership deferred the collection of restaurant royalties and the

Fund deferred the collection of interest on the SIR Loan from SIR until July 6, 2021. Failure to obtain the waiver extensions from the Lender would have materially and adversely affected SIR, the Fund and the Partnership. The long-term viability of SIR is in the best interests of the Fund and the Partnership.

On May 31, 2021, SIR and its Lender entered into the Eighth Amending Agreement to its Credit Agreement. The Eighth Amending Agreement provides for the following:

- an extension of the waivers of certain of the previously granted anticipated covenant breaches and events of default until July 6, 2022 (the "Eighth Amending Agreement Waiver Period"),
- waiving, for the Eighth Amending Agreement Waiver Period which now extends to the July 6, 2022 Maturity Date, the financial covenants in the Credit Agreement,
- during the Eighth Amending Agreement Waiver Period which now extends to the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a Cumulative Minimum EBITDA Covenant,
- SIR will be allowed to miss quarterly projections by up to $3,500,000 cumulatively prior to July 6, 2022.
- waiver of the minimum quarterly EBITDA covenant amount for SIR's fiscal 2021 third quarter,
- the definition of EBITDA has been amended back to the definition in the original credit agreement.
- royalty payments on current sales to the Partnership and Interest on the SIR Loan are to recommence effective July 7, 2021,
- SIR will be entitled to begin repaying deferred royalty payments to the Partnership and interest on the SIR Loan to the Fund under the condition that at least 25 restaurants have, for six consecutive weeks, been allowed the use of at least 50 indoor dining seats and the use of their patios (with social distancing). Having met the conditions stipulated by SIR's Lender on August 27, 2021, SIR has begun its repayment of deferred royalties to the Partnership and interest on the SIR Loan to the Fund commencing September 15, 2021. The repayments of the deferred royalties, which on a net basis amount to approximately $5,303,295 as of August 31, 2021, are expected to be made in 10 equal monthly installments of $530,330 such that the deferred amounts are targeted, absent any defaults occurring, to be fully repaid by the Credit Facility maturity date of July 6, 2022. The repayments of the deferred interest on the SIR Loan, which on a net basis amount to approximately $3,500,000 as of August 31, 2021, are expected to be made in 10 equal monthly installments of $350,000 such that the deferred amounts are targeted, absent any defaults occurring, to be fully repaid by the Credit Facility maturity date of July 6, 2022.

There can be no assurance that SIR will receive additional waivers or remain in compliance in the future.

On May 31, 2021, the Fund and the Partnership entered into a consent agreement with the Lender acknowledging, among other things:

- receipt of a copy of the Eighth Amending Agreement,
- that none of: entering the agreement, borrowing under the agreement, or performing any of the obligations under the agreement shall breach any of the terms or constitute an event of default under any of the Fund's or the Partnership's existing agreements with SIR,

On May 31, 2021, the Fund and the Partnership entered into a waiver and extension agreement with the Lender and SIR, acknowledging, among other things:

- receipt of a copy of the Eighth Amending Agreement,
- the extension of the period of the deferral of interest on the SIR Loan to the Fund and royalties to the Partnership from July 6, 2021 to July 6, 2022, and
- the waiver of any and all existing breaches of covenants and events of default under the various agreements between SIR, the Fund, and the Partnership until July 6, 2022.

- as a result of the Acknowledgment Agreement, the Lender consented to the resumption of regular payments by SIR to the Fund and the Partnership.

SIR has advised the Partnership that its ability to meet its obligations for the next 12 to 18 months is dependent on:

- the potential length of any future closures of dine-in operations,
- SIR's ability to return to and/or remain operating at full capacity in the near future,
- Canadian economic conditions affecting bars and restaurants now that they are re-opened,
- the type and impact of new government mandated pandemic-related operating regulations,
- the collectability of credit under the current Credit Agreement or other financing sources,
- SIR's eligibility for future government assistance, including the THRP, the CRHP, the Ontario Business Costs Rebate Program and the CEAP,
- the collectability or utilization of business interruption or other insurance coverage,
- SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases.
- the ability for SIR to obtain necessary financing through a renewal of its Credit Agreement which expires on July 6, 2022,
- the availability of credit under SIR's current Credit Agreement or other financing sources.

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.

10 Net change in non-cash working capital items

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
Prepaid expenses and other assets	654	(5,610)
Amounts due from related parties	155,520	(3,954,558)
Accounts payable and accrued liabilities	190,025	(99,732)
	346,199	(4,059,900)

11 Subsequent events

Ontario

Effective January 5, 2022, the province of Ontario, where SIR operates 44 restaurants, announced a return to a modified version of Step Two of the "Roadmap to Reopen" until January 31, 2022 in response to an alarming increase in cases and hospitalizations due to the Omicron variant. The latest round of restrictions included: i) closure of indoor dining at restaurants, bars and other food or drink establishments, ii) restriction on the sale of alcohol after 10 p.m., iii) outdoor dining with restrictions and iv) permission for takeout, drive-through and delivery.

Effective January 31, 2022, Ontario began its reopening process and gradual easing of public health measures. Restaurants, bars and other food and drink establishments, without dance facilities, have been permitted to operate at 50% capacity.

Effective February 17, 2022, restaurants, bars and other food and drink establishments, without dance facilities, were allowed to operate at full capacity (proof of vaccination to remain in place). Effective March 1, 2022, the government of Ontario lifted capacity limits at all indoor public settings and proof of vaccination requirements. Mask mandates will be lifted on March 21, 2022.

Quebec

Effective January 31, 2022, the province of Quebec, where SIR operates 4 restaurants, allowed restaurants to reopen at 50% capacity with tables of up to four people. Alcohol service has been restricted until 11 p.m. with restaurant closures by 12 a.m. Effective February 28, 2022, bars will be allowed to operate at 50% capacity with last call for alcohol at midnight and a closing time of 1 a.m. Effective March 12, 2022, restaurants and bars are allowed to operate at full capacity and vaccine certificate requirements have been lifted. Masking will remain in place until mid-April 2022.

Nova Scotia

Effective February 14, 2022, the province of Nova Scotia, where SIR operates 2 restaurants, allowed restaurants and bars to operate at 75% capacity with public health measures like social distancing and masking remained in place. Restaurants and bars were required to close by 1 a.m. Takeout, delivery and drive-thru services were allowed beyond 1 a.m. Effective February 28, 2022, the province lifted its vaccination requirements with all other measures remaining in place for restaurants and bars. Effective March 21, 2022, all COVID-19 related restrictions will be lifted.

Newfoundland

Effective January 4, 2022, the province of Newfoundland and Labrador, where SIR operates 1 restaurant, moved to 50% indoor dining capacity with physical distancing between tables. A maximum guest capacity of 6 per table was also established. Effective February 7, 2022, Newfoundland moved to an Alert Level 3 which increased table sizes to 10 from the previous 6 for restaurants. Masking and physical distancing remained at this time. Effective February 14, 2022, the province decided to end the use of the Alert Level systems. Effective March 14, 2022, the province lifted all COVID-19 related restrictions and measures.