SIR Royalty Income Fund

2021 Annual Report

To our Unitholders,

On behalf of SIR Corp. ("SIR") and SIR Royalty Income Fund (the "Fund"), please find enclosed the Fund's 2021 Management's Discussion and Analysis and Financial Statements.

Since the onset of the pandemic in mid-March 2020, the operations of SIR have been adversely impacted by a series of government mandated restrictions and/or closures that were introduced to mitigate the spread of COVID-19. SIR's operations have been particularly impacted by these operating restrictions due to the concentration of its Royalty Pooled Restaurants in major urban areas in Canada, particularly the Greater Toronto and Montreal Areas, two metropolitan regions that faced some of the most prohibitive operating restrictions in Canada. Throughout this period, SIR has focused all of its available resources on weathering the public health crisis to ensure the long-term viability of SIR and the Fund.

From April 1, 2020 to December 31, 2020, sales from the Royalty Pooled Restaurants declined by 67.9% compared to the corresponding nine-month period in 2019, which was prior to the pandemic. In the first six months of 2021, sales from the Royalty Pooled Restaurants were down 74.4% from the comparable pre-pandemic period in 2019. This severe decline in sales resulted in SIR deferring payments of royalties and interest on the SIR Loan beginning in April 2020, which in turn necessitated the temporary suspension of unitholder distributions by the Fund.

With the easing of operating restrictions, particularly in Ontario, starting in June 2021, the Trustees of the Fund approved the resumption of monthly unitholder distributions in July 2021. The initial monthly distribution under the resumption was $0.07 per Fund unit. In September 2021, the Trustees approved a $0.02 increase in the Fund's monthly cash distribution, and distributions of $0.09 per Fund unit were paid in the months of September through December 2021. These monthly distributions include a portion of the deferred royalty payments and interest on the SIR Loan. SIR intends to complete the payment of these deferred amounts by July 6, 2022. Additionally, the Trustees also approved a special year-end distribution of $0.10 per Fund unit, which was paid at the end of December 2021. Monthly distributions of $0.09 per Fund unit have continued into 2022.

The resumption of unitholder distributions in July was supported by the expectation of increasing sales at SIR restaurants due the easing of operating restrictions. From July 1, 2021 through December 31, 2021, sales from the Royalty Pooled restaurants totaled $101.0 million, an increase of 67.9% from $60.2 million in the same period in 2020.

Operating restrictions did increase late in the fourth quarter of 2021 due to the Omicron variant, and this continued to impact SIR's operations into the first quarter of 2022. However, provincial governments across the country lifted the vast majority of remaining COVID-related restrictions throughout February and March 2022. All of SIR's restaurants can now operate at full capacity, and the remaining restrictions are not expected to cause any significant disruptions to operations. As a result, SIR is well positioned for further growth in Royalty Pooled Revenue as it moves forward in a more normalized operating environment, while continuing to prioritize the safety of guests and staff.

Throughout the pandemic, SIR continued to innovate, introducing expanded take-out and delivery offerings, including *Scaddabush Grocer*, *Jack's General Store,* various takeaway meal kits, bundled food and beverage offerings, and adult beverage off-sale programs. SIR also launched a ghost kitchen concept called Renegade Chicken in late 2020 on a trial basis, in an attempt to increase sales volume and help ensure the survival of SIR during the pandemic. While the Fund has no ownership interest in the Renegade Chicken trademark, SIR made a payment to the SIR Royalty Limited Partnership (the "Partnership") in an amount equal to 6% of the revenues earned by the initial trial operation. SIR began offering Renegade Chicken takeout and delivery services again on a trial basis earlier this year, once again paying an amount equal to 6% of the revenues earned from Renegade Chicken to the Partnership.

Prior to the pandemic, take-out and delivery sales comprised approximately 5% of SIR's food and beverage revenue. Through the development of these new product and service offerings, SIR's take-out and delivery sales have grown significantly. SIR also developed and launched *"Service-Inspired Rewards*", a new loyalty program and mobile application to further enhance the guest experience, which has proven to be very popular.

With a return to a more normalized operating environment, SIR will resume its focus on building the market share of its unique restaurant brands. SIR has also further heightened its commitment to staff training and dine-in service excellence, creating a more rewarding experience for new and returning guests.

Both SIR and the Fund Trustees extend their sincere appreciation to SIR's senior lenders and landlord partners, as well as the federal and provincial governments, for the support received during the unprecedented period of disruption caused by the pandemic. Thanks in part to their support, both SIR and the Fund have emerged from this challenging period well positioned to build value for stakeholders.

In closing, the Trustees thank William Rogers for serving as Chair from June 2021 until his resignation from the role in February 2022. Mr. Rogers remains an independent Trustee and a member of the Fund's Governance Committee. Norm Mayr was appointed the new Chair of the Board of Trustees in February 2022, and remains a member of the Fund's Audit Committee.

The Trustees of the Fund remain committed to ensuring the continued alignment of interests between SIR and the Fund, strong corporate governance, and disciplined management of the Fund's operating costs.

On behalf of the Trustees, and everyone at SIR, thank you for your continued support.

Sincerely,

Peter Fowler
Chief Executive Officer, SIR Corp.

Norm Mayr
Chair, SIR Royalty Income Fund

SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(FOR THE YEAR ENDED DECEMBER 31, 2021)

Executive Summary

Operational and financial results summary for the three-month period ("Q4 2021") and year ("Fiscal 2021") ended December 31, 2021 for SIR Royalty Income Fund (the "Fund") include:

Coronavirus ("COVID-19") Pandemic

- Since the date of the Fund's last financial report, which was filed on November 11, 2021, the COVID-19 pandemic continued to significantly impact the operations of SIR Corp. ("SIR").
- The hospitality industry continued to face significant challenges related to operating restrictions imposed by federal, provincial and municipal governments in response to the COVID-19 pandemic during Fiscal 2021. Restaurants and bars in urban areas across Canada have had to close their indoor service operations, or operate at limited capacity, for extended periods since the onset of the pandemic in March 2020. Restaurants have also incurred significant costs to implement strict safety protocols for both patio and indoor dining, including the installation of plexiglass barriers in dining rooms, expansion of patios, adding tents to patios where practical to increase usable days, adding heaters to extend patio dining season, and swift changes to operations to increase takeout and delivery offerings, particularly during periods when restaurants were 100% reliant on revenue from takeout and delivery.
- SIR's operations have been particularly impacted due to the concentration of its Royalty Pooled Restaurants in major urban areas in Canada, particularly the Greater Toronto Area (32 Royalty Pooled Restaurants) and the Greater Montreal Area (four Royalty Pooled Restaurants), two metropolitan regions that have faced the most prohibitive operating restrictions in Canada.
- For more details regarding the operating restrictions that have impacted SIR since the onset of the pandemic up until September 30, 2021, please refer to the Fund and SIR's prior interim filings, which can be found on SEDAR at www.sedar.com under the Fund's profile.
- SIR advised the Fund that as a result of government mandated closures, SIR would have to temporarily suspend royalty payments to the Partnership and interest payments on the SIR Loan to the Fund. Subsequently, on March 23, 2020, the Fund temporarily suspended unitholder distributions until further notice as a result of the impact of the pandemic on SIR's operations. On July 15, 2021, the Trustees of the Fund approved the resumption of monthly unitholder distributions effective July 30, 2021. The initial monthly distribution under the resumption was $0.07 per Fund unit and was paid in July and August 2021. On September 9, 2021, the Fund announced a $0.02 increase in the Fund's monthly cash distribution and distributions of $0.09 per Fund unit were paid in the months of September to December 2021. The Trustees also approved a special distribution of $0.10 per unit to the unitholders of record as at December 20, 2021. Subsequent to December 31, 2021, distributions of $0.09 per unit were declared and paid in the months of January and February 2022 and declared for the month of March 2022. For details on the resumption of distributions, please refer to the Distributions section on page 9.
- Per the Eighth amending agreement to SIR's Credit Agreement, the maturity date of the credit facilities as well as certain waivers was extended to July 6, 2022, among other things. SIR's Lender approved the resumption of current royalties and interest payments on the SIR Loan on July 7, 2021 and a framework to enable SIR to catch up on deferred royalties and/or interest payments by July 6, 2022. For more details on the credit agreement and related extensions, please refer to page 6.

Ontario

- 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 social distancing, but no other extraordinary capacity restrictions commenced on July 16, 2021.
- 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 were lifted. The province of Ontario planned to begin lifting vaccine certificate requirements for restaurants and bars on January 17, 2022 provided there would be no concerning health and health care trends following the holiday season and all remaining public health and workplace safety measures, including masking, were to be lifted by March 28, 2022.

- 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, reopened 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, in response to the Omicron variant, 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, 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, in response to the Omicron variant, 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) a 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, in response to the Omicron variant, the province of Newfoundland, where SIR operates one restaurant, implemented 50% capacity limits for bars and restaurants with physical distancing measures remaining in effect.
- The potential risk of future restaurant closures and/or increased capacity restrictions due to the pandemic, could further impact future sales at SIR restaurants. As a result, these ongoing government and public health recommendations and restrictions could create material uncertainties that may cast doubt on SIR's ability to continue as a going concern.
- SIR was deemed eligible for both of the Canada Emergency Rent Subsidy ("CERS") and the Canada Emergency Wage Subsidy ("CEWS") programs. Both programs ended on October 23, 2021. CEWS was replaced by two programs: the Canada Recovery Hiring Program ("CRHP") and the Tourism and Hospitality Recovery program ("THRP"), both of which commenced on October 24, 2021 and have been extended to May 7, 2022. On December 17, 2021, Bill C-2 was enacted and approved, among other things, the THRP and extension of the CHRP. SIR recognized additional government assistance through the extended CRHP of $0.6 million (increase in the subsidy rate from 20% to 50% of eligible expenditures) as at December 17, 2021. On December 22, 2021, the federal government announced its intention to temporarily expand eligibility for key support programs under Bill C-2. The announcement indicated that for claim periods between December 19, 2021 and February 12, 2022: i) the current-month revenue decline threshold requirement would be reduced to 25% (from 40%), ii) eligible employers would then receive wage and rent subsidies from 25% up to a maximum of 75%, depending on their degree of revenue loss, and iii) the 12-month revenue decline test would not be required in order to access this support.
- SIR was deemed eligible for the Ontario COVID-19 Energy Assistance Program ("CEAP") which provides support to businesses to partially offset the cost of energy bills and property taxes during certain lockdown periods. SIR received a rebate under this program beginning on January 4, 2021 of approximately $0.5 million for energy and gas and $2.1 million for property taxes.
- During SIR's 52-week period ended August 29, 2021, SIR recognized government assistance through the CEWS program of $22.1 million (August 30, 2020 - $11.1 million), the CERS program of $5.0 million (August 30, 2020 - $nil), and other government subsidies of $4.2 million (August 30, 2020 - $nil). Of these amounts, $24.1 million (August 30,

2020 - $9.9 million) was recognized as a reduction to costs of corporate restaurant operations, $3.2 million (August 30, 2020 - $1.2 million) was recognized as a reduction to corporate costs and $3.9 million (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 programs of $2.0 million (November 22, 2020 – the CEWS program of $6.7 million) and the CERS program of $0.03 million (November 22, 2020 - $nil). Of these amounts, $2.0 million (November 22, 2020 - $6.2 million) was recognized as a reduction to costs of corporate restaurant operations and $0.03 million (November 22, 2020 - $0.5 million) was recognized as a reduction to corporate costs.

- On December 22, 2021, the Ontario government announced the new Ontario Business Costs Rebate Program to support businesses that are most affected by the recent public health measures, announced on December 19, 2021, in response to the Omicron variant. Eligible businesses, within Ontario, will receive a rebate equivalent to 50% of the property tax and energy costs incurred while subject to the capacity limits. This rebate will be retroactive to December 19, 2021 on all eligible expenses incurred.

- Accordingly, given the uncertainty surrounding the pandemic and the government mandated shutdowns and the related impact to SIR, which the Fund is dependent on for cash flow, the Fund's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. See going concern disclosure in Note 1 to the Fund's consolidated financial statements for the year ended December 31, 2021, as well as page 24 of this Management Discussion & Analysis ("MD&A"). 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 Fund's ability to meet its obligations for the next 12 to 18 months depends on many factors which are further described, among other things, in the Liquidity and Capital Resources section on page 20.

- As a result of the pandemic and significant decline in sales at SIR restaurants, Pooled Revenue and royalty income in the Partnership, along with the Fund's equity income from the Partnership and cash available for distribution to unitholders of the Fund, continues to be significantly reduced compared to pre-pandemic fiscal periods.

Pooled Revenue and Same Store Sales[(1)] ("SSS")

- The Royalty Pooled Restaurants had SSS[(1)] increase of 134.9% and 16.9% in Q4 2021 and Fiscal 2021, respectively, compared to the corresponding periods a year ago. Pooled Revenue increased by 134.2% to $47.5 million in Q4 2021, compared to $20.3 million in the three-month period ended December 31, 2020 ("Q4 2020"), and increased by 14.1% to $136.9 million in Fiscal 2021, compared to $120.0 million in the year ended December 31, 2020 ("Fiscal 2020"). This growth is primarily a result of the positive impact of gradual restaurant reopenings in the second half of Fiscal 2021 until the third week of December, when provincial operating restrictions were heightened again due to Omicron.

- Jack Astor's®, which accounted for approximately 72.7% and 76.5% of Pooled Revenue in Q4 2021 and Fiscal 2021, respectively, had a SSS[(1)] increase of 112.2% in Q4 2021 and an increase of 17.9% in Fiscal 2021.

- Scaddabush Italian Kitchen & Bar ("Scaddabush")® had SSS[(1)] increase of 164.2% and 23.7% in Q4 2021 and Fiscal 2021, respectively.

- Canyon Creek® had a SSS[(1)] increase of 1703.4% and a decline of 34.7% in Q4 2021 and Fiscal 2021, respectively.

- SIR's Signature Restaurants had a SSS[(1)] increase of 1163.9% and a decline of 12.8% in Q4 2021 and Fiscal 2021, respectively.

Royalty Income and Equity Income from SIR Royalty Limited Partnership (the "Partnership")

- Royalty income in the Partnership was $2.8 million in Q4 2021 compared to $1.2 million for Q4 2020, and $8.2 million for Fiscal 2021, compared to $7.2 million for Fiscal 2020. Other income in the Partnership was $nil in Q4 2021 and $0.1 million for Fiscal 2021 (Q4 2020 and Fiscal 2020 - $nil).

- Equity income (loss) from the Partnership, which represents the Fund's pro rata share of the residual distributions of the Partnership, was $1.6 million in Q4 2021 compared to ($1.0) million in Q4 2020. Equity income from the Partnership was $3.7 million in Fiscal 2021 compared to $1.6 million in Fiscal 2020.

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(1) Same store sales ("SSS"), same store sales growth ("SSSG"), Adjusted Net Earnings (Loss), Adjusted Net Earnings per Fund Unit, Distributable cash and payout ratio are non-GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). For additional information regarding these financial measures, including full details on how these financial measures are calculated, see the "Description of Non-IFRS Measures" section of this MD&A (page 30).

- The Partnership did not recognize any further impairment losses on the SIR Rights in the current year (Fiscal 2020 - $54.2 million), as defined in the Overview and Business of the Fund section on page 10, resulting in no impairment loss on the Fund's investment in the Partnership in Fiscal 2021 (Fiscal 2020 - $29.1 million).

- The Partnership continued to defer the collection of restaurant royalties and the Fund continued to defer the collection of interest on the SIR Loan, as part of the conditions required by SIR's senior lender to grant SIR a series of waiver and amending agreements under its credit agreement. Pursuant to SIR's Credit Agreement, these amounts will be repaid over 10 monthly installments of $0.5 million and $0.4 million, respectively. Effective December 31, 2021, $3.2 million of the deferred royalties remained outstanding to the Partnership and $2.1 million of the deferred interest on the SIR Loan remained owing to the Fund. The scheduled deferral payments have been made by SIR on January 15, 2022, February 15, 2022 and March 15, 2022. During the year ended December 31, 2021, the Partnership recognized an impairment recovery of $0.1 million (Fiscal 2020 - impairment loss of $1.8 million) on the royalty payments receivable and the Fund recognized an impairment recovery of $0.1 million (Fiscal 2020 - impairment loss of $1.0 million) on the interest receivable from SIR based on management's assessment of the SIR-specific risk. A rate of 40% was applied to both the Fund's interest and distributions receivable and the Partnership's royalty and other intercompany receivables, respectively, as at December 31, 2021.

Net Earnings (Loss) and Adjusted Net Earnings (Loss)(1)

- Net earnings were $2.3 million for Q4 2021 compared to $0.6 million for Q4 2020. Adjusted net earnings(1) were $1.7 million for Q4 2021 compared to an Adjusted net loss(1) of $0.03 million for Q4 2020. Please refer to the Adjusted Net Earnings (loss)(1) section on page 15.

- Net earnings were $4.9 million for Fiscal 2021 compared to a net loss of $44.0 million for Fiscal 2020. Adjusted net earnings(1) were $4.8 million for Fiscal 2021 compared to $3.4 million for Fiscal 2020. Please refer to the Adjusted Net Earnings (loss)(1) section on page 15.

- Net earnings per Fund unit were $0.27 (basic) and $0.27 (diluted) for Q4 2021 compared to $0.07 (basic) and $0.05 (diluted) for Q4 2020. Net earnings per Fund unit were $0.59 (basic) and $0.58 (diluted) for Fiscal 2021 compared to a net loss per Fund unit of $5.25 (basic and diluted) for Fiscal 2020.

- Adjusted net earnings per Fund unit(1) were $0.21 (basic and diluted) for Q4 2021 compared to net loss per Fund unit of $(0.00) (basic) and $(0.01) (diluted) for Q4 2020. Adjusted net earnings per Fund unit(1) were $0.58 (basic) and $0.58 (diluted) for Fiscal 2021 compared to $0.40 (basic) and $0.40 (diluted) for Fiscal 2020.

Distributable Cash(1) and Payout Ratio(1)

- Distributable cash(1) per Fund unit was $0.33 (basic) and $0.31 (diluted) and $0.60 (basic) and $0.59 (diluted) for Q4 2021 and Fiscal 2021, respectively, compared to ($0.09) and $0.14 (basic and diluted) for Q4 2020 and Fiscal 2020, respectively. Please refer to the Distributions section on page 9 and Distributable Cash(1) on page 16.

- The Fund's payout ratio(1) was 111.1% in Q4 2021 compared to 0.0% in Q4 2020, and decreased to 99.9% in Fiscal 2021 from 187.4% in Fiscal 2020. The payout ratio(1) since the Fund's inception, up to and including Q4 2021, is 100.6%.

- The shortfall in distributable cash (1) in Fiscal 2020 was related to the impact of the pandemic and the related decline in Pooled Revenue and SSS(1) on the net earnings of the Fund. The Fund resumed paying cash distributions in Q3 2021 and for the remainder of Fiscal 2021, whereas no distributions were paid in the corresponding periods in Fiscal 2020, resulting in a 0.0% payout ratio for those periods.

Amendments to SIR's Credit Agreement, payment of royalties and interest on the SIR Loan

For more details regarding the summary statements on covenant breaches and credit amendments that have occurred since the onset of the pandemic, please refer to the Fund and SIR's prior interim filings, which can be found on SEDAR at www.sedar.com under the Fund's profile.

- On March 31, 2021, SIR entered into an amending agreements (the "Seventh Amending Agreement") to its Credit Agreement which, among other things, extended certain waivers from March 31, 2021 to July 6, 2021. Additionally, this amendment includes the addition of a new $6.25 million Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program (HASCAP") facility (the "BDC-Guaranteed Facility"), to the Credit Agreement.

- On May 31, 2021, SIR entered into an amending agreement (the "Eighth Amending Agreement") to its Credit Agreement, which among other things, extended the maturity date of the credit facilities as well as certain waivers to July 6, 2022. With the vaccine rollout in Canada well advanced and the improved economic outlook, SIR's Lender approved the resumption of current royalty payments and interest on the SIR Loan as well as a framework to enable SIR to catch up on deferred royalty payments and interest by July 6, 2022. SIR has resumed current royalty payments to the Partnership and current payments to the Fund for interest on the SIR Loan.

- Effective September 15, 2021, having met the conditions stipulated by SIR's senior lender (outlined in the Liquidity and Capital Resources section on page 20), SIR has begun its repayment of deferred royalties and interest on the SIR Loan. Pursuant to the eighth amendment under SIR's Credit Agreement, these amounts will be repaid over 10 monthly installments of \$0.5 million and \$0.4 million, respectively.
- Although the extended Credit Agreement permitted the resumption of current royalty payments to the Partnership and the resumption of current payments of interest on the SIR Loan to the Fund during July 2021, the conditions required, as defined in the extended Credit Agreement, for SIR to begin repaying previously deferred royalties and interest on the SIR Loan were not met until August 27, 2021. As at December 31, 2021, the Partnership continued to defer the collection of royalties and the Fund continued to defer the collection of interest on the SIR Loan as part of the conditions required by SIR's senior lender to grant SIR a series of waiver and amending agreements under its Credit Agreement in order to provide SIR with financial support during the pandemic. However, effective September 15, 2021, having met the conditions stipulated by SIR's senior lender (outlined in the Liquidity and Capital Resources section on page 20), SIR has begun its repayment of deferred royalties and interest on the SIR Loan. Pursuant to the eighth amendment under SIR's Credit Agreement, these amounts will be repaid over 10 monthly installments of \$0.5 million and \$0.4 million, respectively.
- Accordingly, given the uncertainty surrounding the pandemic and the potential of future government mandated shutdowns and the related impact to SIR, which the Fund is dependent on for cash flow, the Fund's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. See going concern disclosure in Note 1 to the Fund's consolidated financial statements for the year ended December 31, 2021, as well as page 24 of this Management Discussion & Analysis ("MD&A"). Management of SIR, and accordingly the Fund, are currently addressing its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. 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 (and in effect the Fund's) needs. The Fund's ability to meet its obligations for the next 12 to 18 months depends on many factors which are further described, among other things, in the Liquidity and Capital Resources section on page 20.
- The Third, Fourth, Fifth, Sixth, Seventh and Eighth Amending Agreements are filed on SEDAR.
- For details on all of the agreements entered into, please refer to the Liquidity and Capital Resources section on page 20.

Same Store Sales[(1)]

SIR reported to the Fund that the Royalty Pooled Restaurants had cumulative SSS[(1)] increases of 134.6% in Q4 2021 and 17.9% in Fiscal 2021, respectively. SSS[(1)] are typically impacted by changes in guest traffic, average cheque amount and other factors as identified below. Segmented SSS[(1)] performance for Q4 2021 and Fiscal 2021 is detailed in the following table.

	Three-month period ended				**Twelve-month period ended**			
(in thousands of dollars except percentage of segmented same store sales) (unaudited)	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	Segmented Same Store Sales	Segmented Same Store Sales	Change in Segmented Same Store Sales (%)	Change in Segmented Same Store Sales (%)	Segmented Same Store Sales	Segmented Same Store Sales	Change in Segmented Same Store Sales (%)	Change in Segmented Same Store Sales (%)
Jack Astor's	34,532	16,270	112.2%	(63.8%)	104,713	88,837	17.9%	(53.8%)
Scaddabush	8,821	3,339	164.2%	(70.9%)	24,232	19,588	23.7%	(55.2%)
Canyon Creek	523	29	1703.4%	(99.3%)	1,014	1,553	(34.7%)	(80.6%)
Signature	2,768	219	1163.9%	(94.1%)	4,183	4,799	(12.8%)	(73.9%)
Overall SSS[(1)]	**46,644**	**19,857**	**134.9%**	**(70.0%)**	**134,142**	**114,748**	**16.9%**	**(57.2%)**

Prior to most government restrictions related to COVID-19 on dining rooms and bars, SIR had proactively implemented socially distanced seating and other measures at all of its restaurants, resulting in a decrease of available tables for guests. SIR's pre-shutdown socially distanced seating and other measures was followed by the full closure of all SIR dining rooms and bars beginning on March 16, 2020, in accordance with the directives of public health authorities. Gradual and partial reopenings that commenced in mid-June 2020 were followed by increasing closures and restrictions starting in

October 2020, which resulted in significant SSS(1) declines in Fiscal 2020, Q1 2021 and Q2 2021. In accordance with provincial re-opening guidelines, outdoor patios and dining rooms were re-opened throughout the month of June and restaurants remained open until the third week of December 2021 before heightened restrictions were instituted again, thus, significantly improving SSS(1) in comparison to Fiscal 2020. New operating restrictions and capacity limitations, followed by further closures, were announced at the end of December 2021 due to new variants and increased case counts.

Jack Astor's, which accounted for approximately 76.5% of Pooled Revenue in Fiscal 2021, had SSS(1) growth of 112.2% and 17.9% in Q4 2021 and Fiscal 2021, respectively. After SIR suspended dine-in operations at all of its restaurants and bars on March 16, 2020 due to the COVID-19 outbreak, 23 of the 38 Jack Astor's restaurants remained open for takeout and delivery services only. These closures and other related restrictions remained in effect for the majority of the year ended December 31, 2020 and further full lockdown measures were put into effect in Ontario effective April 8, 2021. Outdoor patios and dining rooms at all Jack Astor's restaurants were reopened throughout the month of June during Q2 2021 and remained open until the third week of December 2021.

The sales from the permanently closed Jack Astor's location in Calgary has been excluded from the calculation of SSS(1) for Q4 2021 and Fiscal 2021.

Scaddabush SSS(1) performance for Q4 2021 and Fiscal 2021 includes eight Scaddabush locations, excluding the location at Burlington, Ontario. Scaddabush had SSS(1) increases of 164.2% and 23.7% for Q4 2021 and Fiscal 2021, respectively. Outdoor patios and dining rooms at all Scaddabush restaurants were reopened throughout the month of June during Q2 2021 and remained open until the third week of December 2021.

Canyon Creek had a SSS(1) increase of 1703.4% in Q4 2021 and a SSS(1) decline of 34.7% in Fiscal 2021. The Canyon Creek location near the airport in Etobicoke, Ontario was reopened during Q3 2021 and Q4 2021. SIR suspended operations at its Canyon Creek restaurant in Niagara Falls, Ontario on March 16, 2020 and officially closed this location permanently in February 2022. SIR permanently closed the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario, effective January 8, 2021, and in Vaughan, Ontario, effective March 31, 2021.

The downtown Toronto Signature Restaurants had SSS(1) growth of 1163.9% in Q4 2021 and a decline of 12.8% in Fiscal 2021. On March 16, 2020, SIR temporarily suspended all operations at the four Signature Restaurants in the Royalty Pool. SIR permanently closed the Red's Midtown Tavern at Yonge and Gerrard in Toronto effective February 9, 2021. Outdoor patios and dining rooms at three of the Signature restaurants were reopened on June 11, 2021 during Q2 2021 and remained open until the third week of December 2021.

Restaurant Renovations

SIR's Management is committed to maximizing the performance of all of its restaurants. SIR believes that investing in restaurant renovations is a key performance-enhancing initiative.

During Fiscal 2020, SIR did not undertake any restaurant renovations due to the impact of the pandemic on its cash flows and financial liquidity.

During Fiscal 2021, SIR completed one restaurant renovation including:

- At its Jack Astor's restaurant located at the Square One shopping centre in Mississauga, Ontario. This resulted in a closure for nine days to complete the renovation. The upgrades served to implement a more engaging and immersive guest facing experience for younger audiences. As at December 31, 2021, the total cost of the renovation was $0.5 million.

New and Closed Restaurants

SIR currently owns 53 restaurants, including one seasonal restaurant, in Canada. Since the Fund's Initial Public Offering in October 2004, SIR has opened 39 new restaurants (22 Jack Astor's, four Canyon Creek restaurants, eight Scaddabush restaurants, two Reds restaurants, two Duke's Refreshers, one seasonal Abbey's Bakehouse restaurant) and one seasonal Abbey's Bakehouse retail outlet. During this same period, SIR closed 20 restaurants (six Jack Astor's restaurants, six Canyon Creek restaurants, three Alice Fazooli's restaurants, four Signature restaurants, and one Scaddabush restaurant) and the seasonal Abbey's Bakehouse retail outlet.

The pandemic drastically altered SIR's operating environment and put a great deal of stress on many businesses, including SIR. As a result, during Fiscal 2021, SIR permanently closed six restaurants, including:

- Effective January 8, 2021, the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario.

- Effective February 9, 2021, the three restaurants located at the corner of Yonge and Gerrard in downtown Toronto, including a Scaddabush, Reds Midtown Tavern and a Duke's Refresher. The Scaddabush and Reds locations were part of the Royalty Pool, but the Duke's Refresher was not.
- Effective March 31, 2021, the Canyon Creek location in Vaughan, Ontario.

During Q3 2020, effective July 15, 2020, SIR permanently closed the Jack Astor's location in Calgary, Alberta. This restaurant ceased to be part of Royalty Pooled Restaurants on January 1, 2021

During the calendar year 2019, SIR closed three restaurants, including:

- the Jack Astor's location in the St. Lawrence Market area of downtown Toronto, effective February 4, 2019 (Q1 2019)
- the Jack Astor's location on John Street in downtown Toronto, effective September 23, 2019 (Q3 2019)
- the Canyon Creek restaurant in Burlington, Ontario effective, October 13, 2019 (Q4 2019)

The above noted restaurants ceased to be part of Royalty Pooled Restaurants on January 1, 2020.

SIR opened two new Scaddabush restaurants in 2019, including: one location in the Mimico neighborhood of Etobicoke, Ontario on June 2, 2019 (Q2 2019), and one location in Burlington, Ontario on November 19, 2019 (Q4 2019). The Scaddabush restaurant in the Mimico neighborhood of Etobicoke was added to Royalty Pooled Restaurants on January 1, 2020. The Scaddabush restaurant in Burlington was added to Royalty Pooled Restaurants on January 1, 2021.

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

Distributions

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

On March 23, 2020, the Fund temporarily suspended unitholder distributions until further notice as a result of the impact of the pandemic on SIR's operations. SIR advised the Fund that as a result of government mandated closures, SIR would have to temporarily suspend royalty payments to the Partnership and interest payments on the SIR Loan to the Fund. The Partnership and the Fund consented to allow SIR to defer the royalty payments and interest on the SIR Loan that were due after March 31, 2020. The original deferral agreement has been extended five times with the most recent extension continuing until July 6, 2022. Under the eighth amending agreement to SIR's Credit Agreement, on July 7, 2021, SIR's Lender has approved a framework for the resumption of distributions and current royalty payments along with a framework to enable SIR to catch up on deferred royalty payments and interest on the SIR Loan by July 6, 2022. SIR resumed current royalty payments to the Partnership and current payments to the Fund for interest on the SIR Loan during Q3 2021 and for the remainder of Fiscal 2021.

Effective July 15, 2021, the Trustees of the Fund approved the resumption of monthly unitholder distributions effective July 30, 2021. The initial monthly distribution under the resumption was $0.07 per Fund unit and was paid on July 30, 2021 to unitholders of record as at July 22, 2021. The Fund paid a distribution of $0.07 per Fund unit on August 31, 2021 to unitholders of record as at August 20, 2021. On September 9, 2021, the Fund announced a $0.02 increase in the Fund's monthly cash distribution, resulting in an increase in the Fund's monthly cash distributions from $0.07 per unit to $0.09 per unit, effective for cash distributions paid from September to December 2021. A special cash distribution of $0.10 per Fund unit was also declared on December 9, 2021 and paid in December 2021. Subsequent to December 31, 2021, distributions of $0.09 per unit were declared and paid in the months of January and February 2022 and declared for the month of March 2022.

Effective September 15, 2021, having met the conditions stipulated by SIR's senior lender (outlined in the Liquidity and Capital Resources section on page 20), SIR has begun its repayment of deferred royalties and interest on the SIR Loan. Pursuant to the eighth amendment under SIR's Credit Agreement, these amounts will be repaid over 10 monthly installments of $0.5 million and $0.4 million, respectively.

The payout ratio(1) of cash distributed to distributable cash(1) is intended to average 100% per annum over the long term. Prior to the suspension of unitholder distributions on March 23, 2020, the Fund paid even monthly distributions to unitholders, when its underlying cash flow from the Partnership was subject to seasonal fluctuations (as experienced by SIR).

As a result, there are times during the year when the Fund's payout ratio(1) exceeds or could be lower than 100%. The payout ratio(1) of cash distributed to distributable cash(1) for Q4 2021 was 111.1%, compared to 0.0% for Q4 2020, and 99.9% for Fiscal 2021 compared to 187.4% for Fiscal 2020. The payout ratio(1) since the Fund's inception in 2004 up to and including Q4 2021 is 100.6%, slightly above Fund's target payout ratio of 100%.

Please refer to page 16 for distributable cash(1) and a summary of monthly distributions since inception, and page 18 for a description of the Fund's payout ratio(1).

Overview and Business of the Fund

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

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

Overview and Business of SIR and the Partnership

SIR, which stands for Service Inspired Restaurants, is a private company amalgamated under the Business Corporations Act of Ontario. As at December 31, 2021, SIR owned 53 Concept Restaurants and Signature Restaurants in Canada (in Ontario, Quebec, Nova Scotia, and Newfoundland). The Concept Restaurants are Jack Astor's Bar and Grill®, Scaddabush Italian Kitchen & Bar®, and Canyon Creek®. The Signature Restaurants are Reds® Wine Tavern, Reds® Square One, and the Loose Moose Tap & Grill®. As at December 31, 2021, SIR also owned one Duke's Refresher® & Bar ("Duke's Refresher") restaurant located in downtown Toronto, and one seasonal restaurant, Abbey's Bakehouse®, which are considered Signature restaurants, but are not part of Royalty Pooled Restaurants. SIR owns 100% of its Canadian restaurants. As at December 31, 2021, 56 SIR Restaurants were included in Royalty Pooled Restaurants (51 operating restaurants and five closed restaurants).

SIR believes that Duke's Refresher has multi-unit growth potential and has advised the Fund that Duke's Refresher should be considered as a potential New Concept Restaurant brand. As such, the earliest that any Duke's Refresher could be added to the Royalty Pool would be the Adjustment Date following the earlier of: (i) the date that four Duke's Refresher restaurants are open for business at the same time, and (ii) 90 days following the end of SIR's fiscal year in which revenues from all Duke's Refresher restaurants in Canada first exceed $12.0 million (the "Trigger Event"). As neither of these events occurred before August 29, 2021, Duke's Refresher was not added to the Royalty Pool on January 1, 2022.

The Partnership has the option for a period of six months following delivery of notice of the Trigger Event by SIR to purchase, effective on the next Adjustment Date, any and all associated Canadian trade-mark rights in respect of Duke's Refresher (the "Duke's Refresher Rights"), subject to the Partnership licensing the Duke's Refresher Rights back to SIR for a period of 99 years. SIR and the Partnership have the opportunity to negotiate and agree upon the amount of the consideration to be paid to SIR for the Duke's Refresher Rights. Under circumstances that are similar to those involving the SIR Rights, it is expected that the principles underlying the valuation of the Royalty and the Determined Amount as they relate to the SIR Rights shall apply, with necessary changes, to the extent deemed appropriate under the circumstances. If the Partnership elects not to exercise its option, or if the Partnership and SIR fail to agree on the terms of the purchase of the Duke's Refresher Rights, the Partnership shall have a right of first refusal, so long as the License and Royalty Agreement concerning the SIR Rights remains in effect, and exercisable for a period of 30 days from the date the Partnership receives notice and details of the proposed terms of the third party offer, to purchase the Duke's Refresher Rights should SIR wish to sell, directly or indirectly, all or substantially all of the Duke's Refresher Rights to a third party dealing at arm's length with SIR.

If the Partnership elects not to exercise the foregoing option, then, subject to the right of first refusal, SIR shall be free to operate the business relating to Duke's Refresher and exploit the Duke's Refresher Rights on its own behalf or otherwise.

On January 1 of each year (the "Adjustment Date"), the restaurants subject to the Partnership Agreement are adjusted for new restaurants that have been open for at least 60 days prior to the Adjustment Date and which were not previously included in Royalty Pooled Restaurants. Under the formula as defined in the Partnership Agreement, the number of Class A GP Units issued to SIR on the Initial Adjustment date is equal to 80% of the estimated value of the additional Royalty revenue. Additional Class B GP Units may be converted to Class A GP Units in respect of these new SIR Restaurants if the actual revenues of the new SIR Restaurants exceed 80% of the Initial Adjustment Date's estimated revenue applied to the formula defined in the Partnership Agreement. Conversely, Class A GP Units would be converted to Class B GP Units by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the Initial Adjustment Date's estimated revenue. 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 based on actual revenues of the new SIR Restaurants exceeding 80% of the Initial Adjustment Date's estimated revenue or there will be a reduction in the cash distributions to the Class A GP Unitholders if revenues are less than 80% of the Initial Adjustment Date's estimated revenue. The additional distribution results in an adjustment to SIR's share of the Partnership income to reflect the actual contribution of the revenues of the new SIR Restaurants for the fiscal year. As this amount is not declared until December 31st, when the actual revenues for the New Additional Restaurants are known, the effect of this adjustment is not included in the results of quarters one through three.

The Partnership has granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6.0% of the revenue of the Royalty Pooled Restaurants. The Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

The Class A GP Units are entitled to receive a pro rata share of all residual distributions of the Partnership and are exchangeable into Units of the Fund on a one for one basis.

SIR began testing the Renegade Chicken takeout and delivery concept in late 2020 in an attempt to increase sales volume and help ensure the survival of SIR during the pandemic. It is a ghost kitchen concept that, while increasing the volume of food produced in the test locations (certain Jack Astor's and Duke's Refresher locations), was specifically designed and marketed as distinctly different from Jack Astor's. Appearing independent was a key element in its marketing strategy. The test concluded as of May 31, 2021. It is SIR's belief that, while the brand has potential, in order to be successful over the long term, it must stand on its own and apart from Jack Astor's. Further, as pandemic-related restaurant operating are reduced, it is not believed that Renegade and Jack Astor's can operate out of the same kitchen without having a negative effect on the Jack Astor's guest experience, which is critical to the long-term success of SIR and the Fund. As Jack Astor's is allowed to reopen and ramp up business, SIR's food focus and the need for flawless execution of the expanded menu conflicts with adding the complexity of Renegade Chicken. As of June 1, 2021, Renegade Chicken stopped being offered through the Jack Astor's kitchens. The pop-up Renegade Chicken operating within the Duke's Refresher St. Lawrence Market location, which is not part of the royalty pool, continued. 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 $1.1 million. Accordingly, SIR made a voluntary payment to the Fund of $0.1 million. Subsequent to Fiscal 2021, as at January 27, 2022, Renegade Chicken was approved to operate again through 21 Jack Astor's locations until March 31, 2022 at SIR's option. Two more Jack Astor's locations were added to the operation as of February 16, 2022. In exchange, SIR has agreed to pay an amount equal to 6% of the revenues earned to the SIR Royalty Limited Partnership. SIR is assessing the performance of the Renegade Chicken relaunch and will advise on future plans at a later date.

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). 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 Fiscal 2021. The net effect of these adjustments to the Royalty Pooled Restaurants was that SIR returned 679,934 Class A GP units for 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 a $nil impact to the SIR Rights value as the Class A and B GP Units have a $nil value (January 1, 2021 - $nil).

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 $0.1 million 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 $0.009 million in December 2020 and paid in January 2021).

SIR's fiscal year is comprised of 13 periods of four weeks each, ending on the last Sunday in August. To preserve this year-end, an additional week must be added approximately every five years. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks. SIR's fiscal years for 2021 and 2020 consist of 52 and 53 weeks, respectively.

Consolidated financial statements of SIR can be found at www.sedar.com under the SIR Royalty Income Fund profile, "Other" category and on SIR's website at www.sircorp.com.

Seasonality

The full-service restaurant sector of the Canadian foodservice industry, in which SIR operates, experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenues during SIR's fourth quarter (ending the last Sunday in August) when patios have been open for an extended period. Additionally, certain holidays and observances also affect guest dining patterns both favourably and unfavourably. Accordingly, equity income from the Partnership recognized by the Fund will vary in conjunction with the seasonality in revenue experienced by SIR. The Fund's intention is to pay even distributions in order to reduce the effect of seasonality, and if possible, allow the Fund to maintain consistent monthly distributions to unitholders.

Selected Consolidated Financial Information

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

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

(in thousands of dollars or units, except restaurants and per unit amounts) (audited)	**Year ended December 31, 2021**	**Year ended December 31, 2020**
Royalty Pooled Restaurants	56	56
Pooled Revenue generated by SIR[(4)]	136,937	120,013
Royalty income to Partnership - 6% of Pooled Revenue	8,216	7,201
Other Income	68	-
Total Royalty and Other income to Partnership	8,284	7,201
Partnership other income	24	24
Recovery (impairment) of financial and intangible assets	99	(55,999)
Partnership expenses	(172)	(128)
Partnership earnings (loss)	8,235	(48,902)
SIR's interest (Class A, B and C GP Units)	(4,519)	(3,886)
SIR's interest (impairment of intangible assets)	-	25,308
Partnership income (loss) allocated to Fund[(2)]	3,716	(27,480)
Recovery (impairment) of financial assets	60	(1,000)
Other Income	348	-
Change in estimated fair value of the SIR Loan[(3)]	3,000	(14,250)
	7,124	(42,730)
General & administrative expenses	(569)	(524)
Net earnings (loss) before income taxes of the Fund	6,555	(43,254)
Income tax expense	(1,645)	(748)
Net earnings (loss) for the year	4,910	(44,002)
Basic earnings (loss) per Fund unit	$0.59	($5.25)
Weighted average number of Fund units outstanding – Basic	8,376	8,376
Net earnings (loss) for the year – Diluted	6,019	(43,355)
Weighted average number of Class A GP Units	1,972	N/A
Weighted average number of Fund units outstanding – Diluted	10,347	N/A
Diluted earnings per Fund unit	$0.58	($5.25)

In Fiscal 2020, the Class A GP Units are excluded from the calculation of diluted earnings per Fund unit, as the conversion is anti-dilutive.

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

(3) *Under IFRS 9, adopted on January 1, 2018, the SIR Loan will be recognized at fair value with changes in fair value being recorded in the consolidated statement of earnings.*

(4) *Pooled revenue as at December 31, 2020 did not include the sales from Renegade Chicken during the year.*

Summary of Quarterly Financial Information

	Three-month periods ended							
(in thousands of dollars or units, except restaurants and per unit amounts) (unaudited)	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
Royalty Pooled Restaurants	56	56	56	56	56	56	56	56
Pooled Revenue generated by SIR	47,495	53,529	20,381	15,532	20,283	39,902	9,551	50,277
Royalty income to Partnership - 6% of Pooled Revenue	2,849	3,212	1,223	932	1,217	2,394	571	3,018
Other Income	-	-	68	-	-	-	-	-
Total Royalty and Other income to Partnership	2,849	3,212	1,291	932	1,217	2,394	571	3,018
Partnership other income	6	6	6	6	6	6	6	6
Recovery (impairment) of financial and intangible assets	133	-	203	(237)	(1,564)	(13,909)	-	(40,525)
Partnership expenses	3	(86)	(52)	(37)	(34)	(49)	(21)	(23)
Partnership earnings (loss)	2,991	3,132	1,448	664	(375)	(11,558)	556	(37,524)
SIR's interest (Class A, B and C GP Units)	(1,359)	(1,460)	(950)	(750)	(651)	(1,144)	(825)	(1,266)
SIR's interest (impairment of intangible assets)	-	-	-	-	-	250	-	25,058
Partnership income allocated to Fund(5)	1,632	1,672	498	(86)	(1,026)	(12,452)	(269)	(13,732)
Recovery (impairment) of financial assets	560	-	(200)	(300)	(886)	(114)	-	-
Other Income	75	273	-	-	-	-	-	-
Change in estimated fair value of the SIR Loan	750	750	1,500	-	2,250	(2,500)	2,500	(16,500)
	3,017	2,695	1,798	(386)	338	(15,066)	2,231	(30,232)
General & administrative expenses	(95)	(107)	(272)	(95)	(141)	(146)	(131)	(106)
Net earnings (loss) before income taxes of the Fund	2,922	2,588	1,526	(481)	197	(15,212)	2,100	(30,338)
Income tax recovery (expense)	(620)	(389)	(294)	(341)	385	(486)	(218)	(430)
Net earnings (loss) for the period	2,302	2,199	1,232	(822)	582	(15,698)	1,882	(30,768)
Basic earnings (loss) per Fund unit	$0.27	$0.26	$0.15	($0.10)	$0.07	($1.87)	$0.22	($3.67)
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Net earnings (loss) for the period – Diluted	2,747	2,717	1,377	(822)	509	(15,410)	1,936	(30,391)
Weighted average number of Class A GP Units	1,972	N/A	1,972	N/A	1,818	N/A	1,818	N/A
Weighted average number of Fund units outstanding – Diluted	10,347	N/A	10,347	N/A	10,193	N/A	10,194	N/A
Diluted earnings (loss) per Fund unit	$0.27	$0.26	$0.13	($0.10)	$0.05	($1.87)	$0.19	($3.67)

In Fiscal 2020, the Class A GP Units are excluded from the calculation of diluted earnings per Fund unit, as the conversion is anti-dilutive.

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

Adjusted Net Earnings(1) and Adjusted Earnings per Fund unit(1)

Adjusted Net Earnings(1) and Adjusted Earnings per Fund unit(1) are financial measures that do not have standardized meanings prescribed by IFRS. They are used by the Fund to supplement its reporting of net earnings (loss), net cash flow and earnings (loss) per Fund unit. Adjusted Net Earnings(1) consist of net earnings (loss) excluding the after-tax non-cash portion of the change in estimated fair value of the SIR Loan and including interest income on the SIR Loan. Adjusted Earnings per Fund unit(1) is the portion of Adjusted Net Earnings(1) allocated to each outstanding Fund unit. The Fund believes that Adjusted Net Earnings(1) and Adjusted Earnings per Fund unit(1) are useful estimates of the core business' contribution to cash flow from operations and uses these measures as a supplemental measure of the Fund's performance. Similarly, the Fund believes that certain investors may also find these non-GAAP financial measures to be useful measures for their independent evaluation of the Fund's performance.

The following table reconciles net earnings (loss) for the period to Adjusted Net Earnings(1) and calculates Adjusted Earnings per Fund unit(1):

(in thousands of dollars or units, except per unit amounts)	**Three-month period ended December 31, 2021**	**Three-month period ended December 31, 2020**	**12-month period ended December 31, 2021**	**12-month period ended December 31, 2020**
Net earnings (loss) for the period	2,302	582	4,910	(44,002)
(Recovery) impairment of financial and intangible assets	(560)	886	(60)	30,126
Change in estimated fair value of the SIR Loan	(750)	(2,250)	(3,000)	14,250
Interest recorded on SIR Loan	750	750	3,000	3,000
Adjusted Net Earnings (loss)(1)	**1,742**	**(32)**	**4,850**	**3,374**
Adjusted Basic Earnings per Fund unit(1)	$0.21	$0.00	$0.58	$0.40
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376

The SIR Loan is now accounted for at fair value through the statement of earnings which required management to discount the cash flows using a market interest rate. Management has estimated the discount rate by considering comparable corporate bond rates, risk-free rates and SIR's credit risk.

During Q4 2021, there was no change to the discount rate which remained consistent at 14.45% at December 31, 2021.

During the year ended December 31, 2021, management adjusted the discount rate from 14.35% at December 31, 2020 to 14.45% at December 31, 2021. The adjustment consists of an estimated decrease in the corporate bond rate of 0.78% offset by an increase of 0.88% in the Canadian risk free rate. There was no change to management's estimate for SIR's credit risk.

The fair value of the SIR Loan is sensitive to changes in the discount rate. A 0.25% increase or decrease in the discount rate will result in a $400,000 decrease or increase in the fair value of the SIR Loan.

Distributions and Distributable Cash(1)

On March 23, 2020, the Fund temporarily suspended unitholder distributions until further notice. Within the Eighth Amending Agreement to SIR's Credit Agreement, SIR's Lender approved the resumption of current royalty payments and interest on the SIR Loan, as well as a framework to enable SIR to catch up on deferred royalty payments and interest on the SIR Loan by July 6, 2022. The necessary agreements to enable the Fund to re-commence distributions have been executed.

Effective July 15, 2021, the Trustees of the Fund approved the resumption of monthly unitholder distributions effective July 30, 2021. The initial monthly distribution under the resumption was $0.07 per Fund Unit and was paid on July 30, 2021 to unitholders of record as at July 22, 2021. The Fund declared a distribution of $0.07 per Fund unit on August 31, 2021 to unitholders of record as at August 20, 2021. On September 9, 2021, the Fund announced a $0.02 increase in the Fund's monthly cash distribution to unitholders, resulting in an increase in the Fund's monthly cash distributions from $0.07 per unit to $0.09 per unit, effective for cash distributions paid from September to December 2021. The Trustees also approved a special distribution of $0.10 per Fund unit to the unitholders of record as at December 20, 2021. Subsequent to December

31, 2021, distributions of $0.09 per unit were declared and paid in the months of January and February 2022 and declared for the month of March 2022.

Effective September 15, 2021, having met the conditions stipulated by SIR's senior lender (outlined in the Liquidity and Capital Resources section on page 20), SIR has begun its repayment of deferred royalties and interest on the SIR Loan. Pursuant to the eighth amendment under SIR's Credit Agreement, these amounts will be repaid over 10 monthly installments of $0.5 million and $0.4 million, respectively.

During the fiscal year ended December 31, 2021, the Fund paid monthly distributions in arrears of $nil (twelve-month period ended December 31, 2020 – $nil per unit). No distributions were paid in the months of April through December 2020.

Distributable Cash(1)

Distributable cash represents the amount of money which the Fund expects to have available for distribution to Unitholders of the Fund, and is calculated as cash provided by operating activities of the Fund, adjusted for the net change in non-cash working capital items including a reserve for income taxes payable and the net change in the distribution receivable from the Partnership.

(in thousands of dollars or units, except per unit amounts and payout ratio(1)) *(unaudited)*	**Three-month period ended December 31, 2021**	**Three-month period ended December 31, 2020**	**12-month period ended December 31, 2021**	**12-month period ended December 31, 2020**
Cash provided by (used in) operating activities	3,430	(105)	6,300	2,200
Add/(deduct):				
Net change in non-cash working capital items(6)	191	(35)	79	(319)
Net change in income tax payable(6)	(48)	409	(1,131)	(114)
Net change in distribution receivable from the Partnership(6)	(784)	(1,026)	(218)	(594)
Distributable cash/(shortfall)(1)	**2,789**	**(757)**	**5,030**	**1,173**
Cash distributed for the period	**3,099**	**-**	**5,025**	**2,199**
(Shortfall)/surplus of distributable cash(1)	**(310)**	**(757)**	**5**	**(1,026)**
Payout ratio(1), (7)	111.1%	0.00%	99.9%	187.4%
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376
Distributable cash/(shortfall)(1) per Fund unit – Basic	$0.33	($0.09)	$0.60	$0.14
Distributable cash/(shortfall)(1) for the period – Diluted(8)	3,234	(829)	6,138	1,819
Weighted average number of Class A GP Units	1,972	N/A	1,972	N/A
Weighted average number of Fund units outstanding – Diluted	10,347	N/A	10,347	N/A
Distributable cash/(shortfall)(1) per Fund unit – Diluted	$0.31	($0.09)	$0.59	$0.14

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

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

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

Distributable Cash[(1)]	Three-month periods ended							
(in thousands of dollars or units, except per unit amounts and payout ratio[(1)]*)* *(unaudited)*	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
Cash provided (used) by operating activities	3,430	2,620	250	-	(105)	(60)	-	2,366
Add/(deduct): Net change in non-cash working capital items[(9)]	191	(255)	(272)	(95)	(35)	(46)	(131)	(106)
Net change in income tax payable[(9)]	(48)	(479)	(295)	(312)	409	(517)	(210)	203
Net change in distribution receivable from the Partnership[(9)]	(784)	152	498	(86)	(1,026)	1,207	(270)	(505)
Distributable cash/(shortfall)[(1)]	**2,789**	**2,038**	**181**	**(493)**	**(757)**	**584**	**(611)**	**1,958**
Cash distributed for the period	**3,099**	**1,926**	**-**	**-**	**-**	**-**	**-**	**2,199**
(Shortfall)/surplus of distributable cash[(1)]	**(310)**	**112**	**181**	**(493)**	**(757)**	**584**	**(611)**	**(241)**
Payout ratio[(1),(10)]	111.1%	94.5%	0.00%	0.00%	0.00%	0.00%	0.00%	112.3%
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Distributable cash/(shortfall)[(1)] per Fund unit – Basic	$0.33	$0.24	$0.02	($0.06)	($0.09)	$0.07	($0.07)	$0.23
Distributable cash/(shortfall)[(1)] for the period – Diluted[(11)]	3,234	2,038	181	(493)	(829)	870	(555)	2,335
Weighted average number of Class A GP Units	1,972	N/A	N/A	N/A	N/A	N/A	N/A	1,818
Weighted average number of Fund units outstanding – Diluted	10,347	N/A	N/A	N/A	N/A	N/A	N/A	10,194
Distributable cash/(shortfall)[(1)] per Fund unit – Diluted[(11)]	$0.31	$0.24	$0.02	($0.06)	($0.09)	$0.07	($0.07)	$0.23

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

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

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

A history of distributions is as follows:

Months Paid	Distribution per Unit
Inception to May 2006	$0.100
June 2006 to May 2007	$0.105
June 2007 to May 2008	$0.110
June 2008 to January 2011	$0.115
February 2011 to May 2012	$0.083[12]
June 2012 to May 2013	$0.088
June 2013 to March 2018	$0.095
April 2018 to August 2018	$0.100
September 2018 to October 2019	$0.105
November 2019 to February 2020	$0.0875
March 2020 to June 2021	nil
July 2021 to August 2021	$0.070
September 2021 to date	$0.090
December 2012 Special Distribution	$0.050[13]
December 2017 Special Distribution	$0.020[13]
December 2021 Special Distribution	$0.100[14]

The payout ratio[1] of cash distributed to distributable cash[1] for Q4 2021 was 111.1% compared to 0.0% in Q4 2020. The payout ratio[1] of cash distributed to distributable cash[1] for Fiscal 2021 was 99.9% compared to 187.4% in Fiscal 2020. The 111.1% payout ratio[1] for Q4 2021 is the result of the resumption of unitholder distributions starting in Q3 2021 and the special distribution declared in December 2021 of $0.10 per Fund unit. In addition to distributing cash from current royalties, additional cash was distributed from the receipt of the monthly repayments of previously deferred royalty amounts. The repayment of these deferral amounts began on September 15, 2021 and these payments, while increasing cash, do not impact distributable cash. The decreased payout ratio[1] for Fiscal 2021 is due to the significant increase in distributable cash in Fiscal 2021, relative to Fiscal 2020, as the industry and SIR recover from the effects of the pandemic.

The payout ratio[1] of cash distributed to distributable cash[1] is intended to average 100% per annum over the long term. Since the Fund pays even monthly distributions when its underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR), there are times during the year when the payout ratio[1] may exceed or could be lower than 100%. For example, the first quarter typically has lower sales volumes than the second and third quarters which include warmer summer months when patios are open.

Since the Fund's inception in October 2004 up to and including Q4 2021, the Fund has generated $124.7 million in cumulative distributable cash[1] and has paid cumulative cash distributions of $125.4 million, representing a cumulative payout ratio[1] (the ratio of cumulative cash distributions paid since inception to cumulative distributable cash[1] generated) of 100.6%.

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

(13) The special year-end distributions of $0.05 per unit declared in December 2012 (paid in January 2013) and $0.02 per unit declared and paid in December 2017 were declared because the Fund expected that the taxable income generated in these calendar years would exceed the aggregate monthly distributions declared by the Fund.

(14) The special year-end distributions of $0.10 per unit declared in December 2021 (paid in December 2021) were declared because the Fund expected that the taxable income generated in these calendar years would exceed the aggregate monthly distributions declared by the Fund.

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

(in thousands of dollars) *(unaudited)*	**Year ended December 31, 2021**	**Year ended December 31, 2020**
Cash provided by operating activities	6,300	2,200
Net earnings (loss) for the period	4,910	(44,002)
Cash distributed for the period	5,025	2,199
Excess of cash provided by operating activities over cash distributed for the period(15)	**1,275**	**1**
Shortfall of net earnings for the period over cash distributed for the period(16)	**(115)**	**(46,201)**

The $0.1 million shortfall of net earnings for the period over cash distributed for Fiscal 2021 is primarily attributable to the increased payout and the special distribution for December 2021 despite a decrease in net earnings for Q4 2021 due to the reinstatement of pandemic restrictions towards the end of Fiscal 2021.

Balance Sheet

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

(in thousands of dollars) *(audited)*	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
Total assets	49,481	50,649	49,824	48,045	48,494	48,159	63,472	61,471
Unitholders' equity	42,585	43,118	43,110	41,878	42,701	42,118	57,816	55,935

Results of Operations - Fund

The Fund's income for Q4 2021 comprises of equity income (loss) from the Partnership of $1.6 million (($1.0) million for Q4 2020), other income of $0.1 million (Q4 2020 - $nil), a recovery of previous impairment on the investment in the Partnership of $0.6 million (Q4 2020 - impairment loss of $0.9 million) and an increase in the estimated fair value of the SIR loan of $0.8 million (Q4 2020 - increase of $2.3 million).

The Fund's income for Fiscal 2021 comprises of equity income from the Partnership of $3.7 million ($1.6 million for Fiscal 2020), an increase in the estimated fair value of the SIR loan of $3.0 million (decrease in the estimated fair value of the SIR Loan of $14.3 million for Fiscal 2020), other income of $0.3 million (Fiscal 2020 - $nil) and a recovery on impairment on the investment in the partnership of $0.1 million (Fiscal 2020 - impairment of $30.1 million). Equity income from the Partnership is the pro rata share of the residual distributions of the Partnership for the three-month and 12-month periods ended December 31, 2021 and December 31, 2020. The change in estimated fair value of the SIR Loan is related to IFRS 9, which requires the Fund to recognize the SIR Loan at fair value, with changes in the fair value being recorded in the statement of earnings.

The Fund's operating expenses, which are limited to general and administrative expenses, totaled $0.1 million and $0.6 million for Q4 2021 and Fiscal 2021, respectively ($0.1 million and $0.5 million for Q4 2020 and Fiscal 2020,

(15) Excess (shortfall) of cash provided by operating activities over cash distributed for the period is calculated by subtracting the cash distributed for the period from cash provided by operating activities.

(16) Excess (shortfall) of net earnings for the period over cash distributed for the period is calculated by subtracting cash distributed for the period from net earnings for the period.

respectively). These expenses include professional fees, directors' and officers' liability insurance premiums, Trustees' fees, certain public company costs and other administrative fees.

The Fund recorded an income tax expense of $0.6 million and $1.6 million for Q4 2021 and Fiscal 2021, respectively (recovery of $0.4 million and expense of $0.7 million for Q4 2020 and Fiscal 2020, respectively).

Net earnings for Q4 2021 and Fiscal 2021 were $2.3 million and $4.9 million, respectively, compared to net earnings of $0.6 million for Q4 2020 and a net loss of $44.0 million for Fiscal 2020. Net earnings per Fund unit for Q4 2021 was $0.27 (basic) and $0.27 (diluted) and net earnings per Fund unit were $0.59 (basic) and $0.58 (diluted) for Fiscal 2021, compared to net earnings per Fund unit of $0.07 (basic) and $0.05 (diluted) for Q4 2020 and a net loss per Fund unit of $5.25 (basic and diluted) for Fiscal 2020.

Adjusted Net Earnings (Loss)(1) were $1.7 million and $4.9 million for Q4 2021 and Fiscal 2021, respectively, compared to (($0.03) million and $3.4 million for Q4 2020 and Fiscal 2020, respectively. Adjusted Net Earnings (Loss) per Fund unit(1) were $0.21 (basic and diluted) and $0.58 (basic) and $0.58 (diluted) for Q4 2021 and Fiscal 2021, respectively, compared to ($0.00) (basic) and ($0.01) (diluted) for Q4 2020 and $0.40 (basic) and $0.40 (diluted) for Fiscal 2020.

Pooled Revenue

The Fund is indirectly dependent on the amount of the Royalty paid by SIR to the Partnership. The amount of this Royalty is dependent on Pooled Revenue. Pooled Revenue is the revenue of the SIR Restaurants included in Royalty Pooled Restaurants. As at December 31, 2021, there were 56 restaurants included in Royalty Pooled Restaurants (51 operating restaurants and five closed restaurants). Increases or decreases in Pooled Revenue are derived from SSS(1) growth or declines, and new or permanently closed SIR Restaurants subject to the SIR Rights. Pooled Revenue is affected by the risks associated with the operations and financial condition of SIR, the commercial foodservice industry generally and the casual and fine dining segment of the commercial foodservice industry in particular.

The following table sets out Pooled Revenue for the three-month and 12-month periods ended December 31, 2021 and December 31, 2020:

Summary of Pooled Revenue

(in thousands of dollars except number of restaurants included in Pooled Revenue)	Three-month period ended December 31, 2021		Three-month period ended December 31, 2020		12-month period ended December 31, 2021		12-month period ended December 31, 2020	
	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue
Jack Astor's	34,532	37	16,270	40	104,713	38	89,328	40
Scaddabush	9,672	10	3,613	8	26,966	9	21,639	8
Canyon Creek	523	5	29	6	1,029	5	2,949	6
Signature	2,768	4	370	4	4,229	4	6,097	4
Total included in Pooled Revenue	47,495	56	20,282	58	136,937	56	120,013	58

Pooled Revenue increased for Q4 2021 and Fiscal 2021, compared to corresponding periods in 2020, as a result of the re-opening of in-restaurant and outdoor patio dining during Q3 2021 through to the third week of December 2021. Even with prohibitive operating restrictions in the first half of 2021 and closures of three Canyon Creek restaurants in Mississauga, Scarborough and Vaughan, Ontario and one Scaddabush and one Reds restaurant at the corner of Yonge and Gerrard in downtown Toronto) during Q1 2021, SSS(1) increased as SIR restaurants were allowed to re-open at the end of Q2 2021 and remained open until the third week of December 2021.

Liquidity and Capital Resources

The Fund has no third-party debt. SIR currently has the $40.0 million SIR Loan owed to the Fund (which SIR can surrender its Class C GP Units as consideration for principal payments under the loan) and a credit agreement ("Credit Agreement") with a Schedule I Canadian chartered bank (the Lender), a copy of which has been filed on SEDAR. The indebtedness of SIR under the original Credit Agreement is "Permitted Indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR a and the EDC-Guaranteed Facility and the BDC-Guaranteed Facility referred to below, which have been added to the Credit Agreement, were approved by the Fund and the Partnership as contemplated in greater detail below. 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. This subordination, which includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use trade-marks and related intellectual property in return for royalty payments based on revenues, has been effected pursuant to the terms of the Intercreditor Agreement. A copy of the Intercreditor Agreement has also been filed on SEDAR.

The Credit Agreement between SIR and the Lender, as amended on December 8, 2017, July 6, 2018, June 1, 2020, June 30, 2020, September 30, 2020, December 18, 2020, March 31, 2021 and May 31, 2021 provides for a maximum principal amount of $49.4 million consisting of:

- a $20.0 million revolving term credit facility (Credit Facility 1),
- a $16.9 million revolving term loan (Credit Facility 2),
- a $6.25 million guaranteed facility with Export Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") ("EDC-Guaranteed Facility"), and
- a $6.25 million 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 $1.5 million.

Credit Facility 1 is for general corporate and operating purposes, including capital spending on new and renovated restaurants, 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 reborrowed at any time during the term of the agreement. Credit Facility 2 bears interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%. 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 3.50%. 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.

As part of the Seventh Amending Agreement on March 31, 2021, $6.25 million BDC-Guaranteed Facility was added to the Credit Agreement. The BDC-Guaranteed Facility is a 10-year term credit facility, with a one year principal payment moratorium, bearing a fixed rate interest of 4%.

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.

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 will have the right, acting cooperatively, to reduce payments of Royalties and/or interest on the SIR Loan without triggering a cross default under the Credit Agreement, by up to 50% 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. For greater certainty, the preemptive deferral arrangements described above, were not used in the deferral agreements between SIR, the Fund and the Partnership deferring royalty payments and interest payments on the SIR loan between April 1, 2020 and July 6, 2021, described below beginning on page 22 as those breaches could not be avoided by a simple preemptive deferral by the Partnership and the Fund.

Given the uncertainty surrounding the pandemic, SIR's ability to continue as a going concern for the next 12 to 18 months involves significant judgement and is dependent on its ability to obtain necessary financing through a renewal of its Credit Agreement, the availability of credit under the current Credit Agreement, or other financing sources, and government assistance to aid businesses. Management has addressed SIR's financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender in the most recent Eighth Amendment to the Credit

Agreement. 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 beyond July 6, 2022.

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

For more details regarding the summary statements on covenant breaches and credit amendments that have occurred since the onset of the pandemic up until September 30, 2021, please refer to the Fund's and SIR's prior interim filings, which can be found on SEDAR at www.sedar.com under the Fund's profile.

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 $6.25 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 a 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") which is expected to be paid in April 2021,
- 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, and
- that 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.

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 $3.5 million 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 to the Fund are to recommence effective July 7, 2021,
  - SIR will be entitled to begin repaying deferred royalty payments and interest on the SIR Loan 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). The repayments, which on a net basis amount to approximately $4.8 million as of May 9, 2021, are expected to be made in equal monthly installments such that the deferred amounts are targeted, absent and defaults occurring, to be fully repaid by the Credit Facility maturity date of July 6, 2022. The aforementioned repayments on a net basis, of approximately $4.9 million as of May 9, 2021, represents Management's estimate of the net amount of pre-tax distributable cash that will attribute to the Fund Unitholders' as a result of the repayment of these deferred amounts. This estimate relates to the amounts deferred during the period of April 1, 2020 up to and including May 9, 2021. This includes royalty payments from March 9, 2020 through to and including May 9, 2021 (6% royalty on the actual pooled revenue for those 61 weeks). The amount also includes interest on the SIR Loan over the same period. Netted against these two amounts owing by SIR to the Partnership and the Fund are the amounts owing, over the same time period, from the Partnership to SIR attributable to SIR's share of the income of the Partnership for the Class A and Class C GP Units owned by SIR. Effective September 15, 2021, having met these conditions above, SIR has begun its repayment of deferred royalties and interest on the SIR Loan. These amounts will be repaid over 10 monthly installments of $0.5 million and $0.4 million, respectively.

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,
- 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.

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

The Third, Fourth, Fifth, Sixth, Seventh and Eighth Amending Agreements are filed on SEDAR.

Starting in April of 2020, the Fund and the Partnership granted SIR deferrals of interest on a loan owing by SIR to the Fund (the "SIR Loan") and royalty payments owing by SIR to the Partnership through a series of short-term deferral agreements, the latest of which is set to expire on July 6, 2022. However, 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 and interest on the SIR Loan by July 6, 2022. These deferral agreements were conditions required by SIR's senior lender for a series of waiver and amending agreements that it granted to SIR. In the absence of these waiver and amending agreements from SIR's senior lender, as a result of the impact of COVID-19 on SIR's sales and financial results, SIR would have breached a number of financial and non-financial covenants and events of default under its credit agreement. The Fund and the Partnership have security interests over the assets of SIR, but these security interests are subordinated and postponed to those of SIR's senior lender. The ongoing cooperation and support of SIR's senior lender has been necessary and will in SIR's view continue to be necessary in order for SIR to retain sufficient liquidity to operate. The Partnership's and the Fund's cooperation in the form of deferrals on royalties and on interest on the SIR Loan, as well as waivers of certain covenants and events of default, have been requirements for SIR to obtain the needed funding, waivers and deferrals that have been granted to it by its senior lender. Failure to obtain them 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. Additionally, the waiver and extension agreements approved by the Fund and the Partnership on June 30, 2020 enabled SIR to add $6.25 million in much needed liquidity through the addition of the EDC-Guaranteed Facility, to which the Fund and Partnership are also subordinated. Further, the waiver and extension agreements approved by the Fund and the Partnership on March 31, 2021 enabled SIR to add $6.25 million in much needed liquidity through the addition of the BDC-Guaranteed Facility, to which the Fund and Partnership are also subordinated. Accordingly, each of the deferral agreements was approved by the independent Trustees of the Fund. The deferral agreements and related documents have also been filed on SEDAR.

SIR has advised the Fund that its ability to meet its obligations for the next 12 to 18 months is dependent 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 the 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"),
- 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.

Going concern

Accordingly, given the uncertainty surrounding the pandemic and the government mandated shutdowns and/or capacity restrictions and the related impact to SIR which the Fund is dependent on for cash flow, the Fund's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. The consolidated financial statements of the Fund 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 financial statements, the Fund's management is required to identify when events or conditions indicate that significant doubt may exist about the Fund's ability to continue as a going concern. Significant doubt about the Fund's ability to continue as a going concern would exist when relevant conditions and events indicate that the Fund will 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 Fund identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Fund considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt. Management of SIR is currently addressing its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. See going concern disclosure in Note 1 to the Fund's consolidated financial statements for the year ended December 31, 2021, as well as page 24 of this MD&A. 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 Fund'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 the 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"),

- 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 to sales at SIR restaurants. These circumstances indicate the existence of a material uncertainty that may cast doubt on the Fund'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 Fund be unable to continue as a going concern. Such adjustments could be material.

The Fund did not have any capital expenditures in Fiscal 2021 and Fiscal 2020 and by its nature is not expected to have significant capital expenditures in the future. Capital expenditures related to Royalty Pooled Restaurants are borne at the operating company (SIR) level. The Fund's operating and administrative expenses are expected to be fairly stable and predictable and are considered to be in the ordinary course of business.

Effective September 15, 2021, having met the conditions stipulated by SIR's senior lender, SIR has begun its repayment of deferred royalties and interest on the SIR Loan. Pursuant to the Eighth Amendment under SIR's Credit Agreement, these amounts will be repaid over 10 monthly installments of $0.5 million and $0.4 million, respectively.

While SIR is not owned by the Fund, the Fund's cash flows are derived from interest received on the SIR Loan and distributions from the Partnership and accordingly, the Fund is economically dependent upon SIR. Credit risk arises from the potential default of SIR on the SIR Loan. Management monitors the SIR Loan for credit risk and to date all interest payments have been made. The Fund also depends on the distributions from the Partnership, which are dependent upon SIR paying the Royalty to the Partnership. Information regarding SIR and its liquidity can be found in SIR's unaudited interim and audited annual consolidated financial statements and MD&A, which can be found on SEDAR under the Fund's listing named "Other". The most recent unaudited interim consolidated financial statements and MD&A for SIR's first quarter are listed with a filing date of December 23, 2021.

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

Selected Unaudited Consolidated Statement of Cash Flows Information[17]	1st Quarter Ended November 21, 2021 (12 weeks)	4th Quarter Ended August 29, 2021 (16 weeks)	3rd Quarter Ended May 9, 2021 (12 weeks)	2nd Quarter Ended February 14, 2021 (12 weeks)	1st Quarter Ended November 22, 2020 (12 weeks)	4th Quarter Ended August 30, 2020 (17 weeks)	3rd Quarter Ended May 3, 2020 (12 weeks)	2nd Quarter Ended February 9, 2020 (12 weeks)
				(in thousands of dollars) (unaudited)				
Cash provided by (used in) operations	2,853	19,076	8,136	5,841	5,314	4,410	(2,284)	3,936
Cash used in investing activities	(801)	(602)	(81)	(422)	(280)	(91)	(208)	(2070)
Cash provided by (used in) financing activities	(9,391)	(9,435)	(12,873)	(1,651)	(3,883)	(3,169)	931	(5,331)
Increase (decrease) in cash and cash equivalents during the period	(7,339)	9,039	(4,818)	3,768	1,151	1,150	(1,561)	(3,465)
Cash and cash equivalents – Beginning of period	9,606	567	5,385	1,617	1,617	467	2,028	5,493
Cash and cash equivalents – End of period	2,267	9,606	567	5,385	2,768	1,617	467	2,028

Controls and Procedures

Disclosure controls and procedures:

(17) Information presented is in accordance with IFRS and is derived solely from documents filed with the Canadian securities regulatory authorities by SIR in its interim Q1 2022 MD&A filed on December 23, 2021 and has not been approved by the Fund or its Trustees, officers, SIR GP Inc., or SIR Holdings Trust, or their respective Trustees, managing general partners, directors, or officers.

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and includes controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Management carried out an evaluation of the effectiveness of the design and operation of the Fund's disclosure controls and procedures, as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", as at December 31, 2021 under the supervision of and with the participation of the Fund's Chief Executive Officer and Chief Financial Officer.

Based on that evaluation, the Fund's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective as at December 31, 2021.

Internal controls over financial reporting:

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and includes those policies and procedures that:

a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;
b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and
c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management carried out an evaluation of the effectiveness of the design and operation of the Fund's internal controls over financial reporting, as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", as at December 31, 2021 and under the supervision and with the participation of the Fund's Chief Executive Officer and Chief Financial Officer. The evaluation was conducted using the framework and criteria established in Internal Control - Integrated Framework: 2013, issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013.

Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that internal controls over financial reporting are effective and there are no material weaknesses in the Fund's internal controls over financial reporting as at December 31, 2021. There have been no substantive changes in the Fund's internal controls over financial reporting that occurred during the most recent interim period beginning October 1, 2021 and ending December 31, 2021, that have materially affected, or are reasonably likely to materially affect the Fund's internal control over financial reporting. The Fund does not own, control or consolidate SIR and therefore, the Fund's disclosure controls and procedures and the internal controls over financial reporting do not encompass SIR or SIR's disclosure controls and procedures or SIR's internal controls over financial reporting.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

During the three-month and 12-month periods ended December 31, 2021, the Fund earned equity income of $1.6 million and $3.7 million, respectively, for the three-month ended and 12-month ended December 31, 2021 from the Partnership compared to ($1.0) million and $1.6 million, respectively, for the three-month and 12-month periods ended December 31, 2020. The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's equity income is dependent upon the revenue generated by the SIR Restaurants subject to the License and Royalty Agreement.

During the three-month and 12-month periods ended December 31, 2021, the Fund recognized $0.8 and $3.0 million, respectively, of interest payments towards the value of the SIR Loan. For the three-month and 12-month periods ended December 31, 2021, the Fund received interest payments of $1.8 and $3.2 million from the SIR Loan ($nil and $0.8 million for the three-month and 12-month periods ended December 31, 2020). A description of the terms of the SIR Loan is included in the notes to the consolidated financial statements of the Fund for the 12-month period ended December 31, 2021.

As at December 31, 2021, the Fund had amounts receivable from SIR, net of a provision, of $1.5 million (December 31, 2020 – $1.5 million) and distributions receivable from the Partnership of $2.9 million (December 31, 2020 – $3.1 million). The amount receivable from SIR relates to the interest owing to the Fund on the SIR Loan for the months of September through December of Fiscal 2020 and January through September of Fiscal 2021. As at December 31, 2021, the Fund had advances payable to the Partnership of $3.7 million (December 31, 2020 - $3.7 million). All advances were conducted as part of the normal course of business operations.

Critical Accounting Estimates

The Fund makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are estimates and judgments that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Investment in the Partnership/consolidation of structured entities

The Partnership receives royalties on the SIR Rights, which are licensed to SIR for use in Royalty Pooled Restaurants. The Fund and SIR each hold an investment in the Partnership. Generally, the Partnership units have no voting rights, except in certain specified conditions.

The determination of the entity having the ability to affect the returns on their investment in the Partnership required significant judgment. Based on an evaluation of the activities of the Partnership and the Partnership Agreement, management concluded the substance of the relationships between the Partnership, SIR and the Fund indicates the Partnership is controlled by SIR. In addition, the evaluation of whether or not the Fund has significant influence over the Partnership is a matter of significant judgment. Based on a review of the operating and financing activities of the Partnership, management has concluded that the Fund is able to significantly influence these activities.

Valuation of the SIR Loan and investment in the Partnership

Management reviews for objective evidence whether there may be an impairment of the SIR Loan or the investment in the Partnership. The review includes a review of the earnings, cash flows and available cash of SIR on a prospective basis to assess SIR's ability to meet its obligations to the Fund for interest payments on the SIR Loan and to the Partnership for the Royalty. Based on the analysis completed during the year ended December 31, 2021, no impairments to the SIR Loan and the Investment in the Partnership have been recorded in the consolidated financial statements (December 31, 2020 - impairment loss on the SIR Rights of $54.2 million, resulting in an impairment loss on the Fund's investment in the Partnership of $29.1 million).

Financial Instruments

The Fund's financial instruments consist of cash, amounts due from related parties, the SIR Loan, accounts payable and accrued liabilities, and amounts due to related parties. Management estimates that the fair values of these financial instruments approximate their carrying values due to their short-term maturity except for the SIR Loan. The fair value of the SIR Loan is estimated to be $21.8 million. The fair value was estimated by discounting the expected cash flows using a current market interest rate adjusted for SIR's credit risk. The estimate of fair value is within level 3 of the fair value hierarchy.

Disclosure of Outstanding Unit Data

As at December 31, 2021 and March 22, 2022, the number of outstanding units of the Fund was 8,375,567.

Risks and Uncertainties

The performance of the Fund is directly dependent upon the interest payments the Fund receives from SIR under the SIR Loan and upon the Royalty received by the Partnership from SIR. The amount of the Royalty is dependent upon Pooled Revenue, which is subject to a number of factors that affect the restaurant industry generally and the casual and/or fine dining sectors of this industry in particular. The restaurant industry generally, and in particular, the casual and fine dining segment of this industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. Increases in minimum wage rates and other labour legislation may affect the growth and profitability of SIR, as a significant portion of its restaurant employees are paid at wage rates related to minimum wage. SIR Restaurants are subject to laws that prohibit or limit smoking in enclosed workplaces and/or certain outdoor public places, such as restaurant patios.

In addition, factors such as business and economic conditions, changes in foreign exchange, availability of credit, inflation, increased food, labour and benefits costs, taxes, government regulations (including those governing alcoholic beverages and cannabis legalization), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants, and growth in off-premise traffic due to an increase in delivery and takeout orders affect the restaurant industry in general and therefore SIR. There are many well-established competitors with greater financial and other resources than SIR. Competitors include national and regional chains, as well as individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual and fine dining sectors in which many of the SIR Restaurants operate. Some of SIR's competitors have been in existence for a substantially longer period than SIR and may be better established in the markets where SIR Restaurants are or may be located. If SIR is unable to successfully compete in the casual and fine dining sectors of the restaurant industry, Pooled Revenue may be adversely affected, the amount of the Royalty reduced and the ability of SIR to pay the Royalty or interest on the SIR Loan may be impaired. Please refer to the March 31, 2021 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

SIR and the Fund also face risks and uncertainties related to the COVID-19 Pandemic as outlined in the Outlook section below.

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

Outlook

SIR is a privately held Canadian corporation in the business of creating, owning and operating full-service restaurants in Canada. All of SIR's restaurants are corporately owned. SIR does not franchise any of its existing brands. SIR remains committed to the corporately owned restaurant model as it believes this structure gives it greater control over its brands and improved agility to proactively respond to changes in market conditions. SIR expects to drive future sales growth through a combination of measured new restaurant growth and investments in its existing restaurants over the long term.

The on-going government mandated operating restrictions have been a significant impediment to SIR's recovery from the pandemic. Increased vaccination rates, implementation of vaccine certificates along with physical distancing measures have combined to aid in the recovery, however, the potential risk of new COVID-19 variants along with reduced availability of guests due to vaccine certificate mandates in addition to the risk of future restaurant closures and/or limited capacity seating of in-restaurant and patio dining, shorter hours of alcohol service, reduction to group sizes could continue to impact future sales at SIR restaurants. The potential risk of future restaurant closures and/or increased capacity restrictions due to the pandemic, could further impact future sales at SIR restaurants. As a result, these ongoing government and public health recommendations and restrictions could create material uncertainties that may cast doubt on SIR's ability to continue as a going concern.

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 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. As of January 31, 2022, 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 (with proof of vaccination). 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 four restaurants, allowed restaurants to reopen at 50% capacity with tables of up to four people. Alcohol service was restricted until 11 p.m. with restaurant closures by midnight. Effective February 28, 2022, bars were 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 two restaurants, allowed restaurants and bars to operate at 75% capacity with public health measures like social distancing and masking remaining in place. Restaurants and bars were required to close by 1 a.m. Takeout, delivery and drive-thru 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, where SIR operates one restaurant, moved to 50% indoor dining capacity with physical distancing between tables. A maximum guest capacity of six people per table was also established. Effective February 7, 2022, Newfoundland moved to an Alert Level 3 which increased guest table sizes to 10. Bars are allowed to operate at 50% capacity. Masking and physical distancing remained in effect. 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.

On November 2, 2021, the Ontario government announced its plans to increase the general minimum wage effective January 1, 2022. The special minimum wage paid to servers who serve alcohol will also be eliminated which will affect a significant number of SIR employees. As of January 1, 2022, general minimum wage in Ontario has increased by 4.5% from $14.35 to $15.00 per hour. The minimum wage for liquor services rose by 19.5% from $12.55 to $15.00 per hour.

Effective May 1, 2021, the province of Quebec increased the minimum wage for general servers by 3.05% to $13.50 from $13.10 per hour. Liquor servers also saw an increase of 3.35% to $10.80 from $10.45 per hour.

Effective April 1, 2021, the province of Nova Scotia instituted an increase to the minimum wage of 3.19% from $12.55 to $12.95 per hour. Effective April 1, 2021, the province of Newfoundland increased their minimum wage by 2.88% from $12.15 to $12.50 per hour for all servers. Effective October 1, 2021, Newfoundland further increased the minimum wage by 2% from $12.50 to $12.75 per hour.

On February 9, 2022, SIR announced that it is converting its Canyon Creek location at the Fallsview Casino Resort in Niagara Falls, Ontario, into a new Reds®. The new Reds Fallsview is expected to open on April 1, 2022. This former Canyon Creek location was a Royalty Pooled Restaurant, but it has not been in operation since the onset of the pandemic in mid-March 2020. In accordance with the License and Royalty Agreement between SIR and the Partnership, this former Canyon Creek location will be treated as a permanently closed restaurant and the new Reds Fallsview will become a new Royalty Pooled Restaurant effective January 1, 2023.

SIR's insurer has denied any business interruption claims due to COVID-19 related operating restrictions or closures. However, SIR continues to pursue a Business Interruption claim due to Civil Authority orders against its insurer by way of Notice of Application in the Ontario Superior Court which was heard on May 19, 2021, June 2, 2021, November 25, 2021 and December 8, 2021. The courts shall render a decision within six months of the last hearing on December 8, 2021. This claim includes a rider provision to SIR's property policy which is in favour of the Fund and covers income reduction for lost royalties for a maximum of 180 days. There can be no assurance this action will be successful.

Given the uncertainty surrounding the pandemic and the government mandated shutdowns or capacity restrictions and the related impact to SIR which the Fund is dependent on for cash flow, the Fund's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. The consolidated financial statements of the Fund have been prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) 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. See going concern disclosure in Note 1 to the Fund's consolidated financial statements for the year ended December 31, 2021, as well as page 24 of this MD&A.

SIR's and the Fund's ability to meet their obligations for the next 12 to 18 months also depends on, among other factors, how long SIR is able to remain at full operating capacity in the near future, Canadian economic conditions affecting bars and restaurants now that they are fully re-open, 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 SIR's ability to negotiate a further extension to its current credit agreement with its senior lender which is scheduled to mature on July 6, 2022. Please refer to the Going Concern section on page 24 of this MD&A.

While SIR is not owned by the Fund, the Fund is economically dependent upon SIR. SIR files its unaudited interim and audited annual consolidated financial statements and Management's Discussion and Analysis ("MD&A") on SEDAR under the Fund's SEDAR profile under the heading "Other".

Description of non-IFRS measures

Management believes that disclosing certain non-IFRS financial measures provides a useful supplemental measure to evaluate the Fund's performance. By considering these measures in combination with the most closely comparable IFRS measure, management believes that investors are provided with additional and more useful information about the Fund than investors would have if they simply considered IFRS measures alone.

The non-IFRS financial measures do not have standardized meanings prescribed by IFRS. The Fund's method of calculating these non-IFRS financial measures may differ from that of other issuers and, accordingly, may not be comparable to measures used by other issuers.

Same Store Sales and Same Store Sales Growth

The Fund believes that Same Store Sales ("SSS") and Same Store Sales Growth ("SSSG") are useful measures and provide investors with an indication of the change in year-over-year sales. SSS includes revenue from all SIR Restaurants included in Pooled Revenue for the fiscal years 2021 and 2020, except for those locations that were not open for the entire comparable periods in fiscal 2021 and fiscal 2020. The seasonal Abbey's Bakehouse is not a SIR Restaurant. SSSG is the percentage increase in SSS over the prior comparable period. When a SIR Restaurant is closed, the revenue for the closed restaurant is excluded from the calculation of SSS and SSSG for both the quarter in which the restaurant is closed and the current year-to-date.

Adjusted Net Earnings (Loss)

Adjusted Net Earnings (Loss) is calculated by replacing the change in estimated fair value of the SIR Loan as reported in the statement of earnings with the interest received on the SIR Loan during the period and the corresponding deferred tax expense or recovery from the net earnings for the period, and adding back impairments of financial and intangible assets. Management believes that in addition to net earnings (loss), Adjusted Net Earnings (Loss) is a useful supplemental measure to evaluate the Fund's performance. The change in estimated fair value of the SIR Loan is a non-cash fair value adjustment resulting from the adoption of IFRS 9 on January 1, 2018 and varies with changes in a discount rate that fluctuates based on current market interest rates adjusted for SIR's credit risk. The replacement of the non-cash change in estimated fair value of the SIR Loan with the interest received, and the corresponding deferred tax amount, eliminates this non-cash impact. The impairments of financial and intangible assets are also non-cash provisions. Management cautions investors that Adjusted Net Earnings (Loss) should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of the Fund's performance. Please refer to the reconciliations of net earnings (loss) for the period to Adjusted Net Earnings (Loss) on page 15 of this document.

Adjusted Net Earnings per Fund Unit

Adjusted Earnings per Fund unit represents the portion of net earnings adjusted for any impairment adjustment on financial assets and the investment in the Partnership and the change in estimated fair value of the SIR Loan and the deferred tax expense or recovery for the period allocated to each outstanding Fund unit.

Distributable Cash and Payout Ratio

The Fund believes that distributable cash and the payout ratio are useful measures as they provide investors with an indication of cash available for distribution. Investors are cautioned that distributable cash and the payout ratio should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows of the Fund. The payout ratio is calculated as cash distributed for the period as a percentage of the distributable cash for the period. Distributable cash represents the amount of money which the Fund expects to have available for distribution to Unitholders of the Fund, and is calculated as cash provided by operating activities of the Fund, adjusted for the net change in non-cash working capital items including a reserve for income taxes payable and the net change in the distribution receivable from the Partnership.

Forward-Looking Information

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, the SIR Holdings Trust (the "Trust"), the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "should", "would", 'could", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including: the impact of the COVID-19 pandemic; market conditions at the time of this filing; competition; changes in demographic trends; weather; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products; the ability to maintain staffing levels; the impact of inflation, including on input prices and wages; the impact of the crisis in the Ukraine; changes in tariffs and international trade; changes in foreign exchange and interest rates; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation, including the cost and/or availability of labour as it relates to changes in minimum wage rates or other changes to labour legislation and forced closures of or other limits placed on restaurants and bars; laws affecting the sale and use of alcohol (including availability and enforcement); changes in cannabis laws; changes in environmental laws; privacy matters; accounting policies and practices; changes in tax laws; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. There can be no assurance that SIR will remain compliant in the future with all of its financial covenants under the Credit Agreement and imposed by the lender. Given these uncertainties, readers are cautioned that forward-looking statements are not guarantees of future performance and should not place undue reliance on them. The Fund and SIR expressly disclaim any obligation or undertaking to publicly disclose or release any updates or revisions to any forward-looking statements. Forward-looking statements are based on Management's current plans, estimates, projections, beliefs and opinions, and the Fund and SIR do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change, except as expressly required by applicable securities laws. This Management's Discussion and Analysis is provided as of March 22, 2022.

In formulating the forward-looking statements contained herein, SIR Management has assumed that it will be successful in dealing with the effects of the COVID-19 pandemic and that business and economic conditions affecting SIR's restaurants and the Fund will return to normalcy within the short to medium term. For more information concerning the Fund's risks and uncertainties, please refer to the Fund's annual information form dated March 22, 2022 for the period ended December 31, 2021, which is available under the Fund's profile at www.sedar.com.

All of the forward-looking statements made herein are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Fund or SIR. See 'Risk Factors' in the Fund's annual information form dated March 22, 2022 for the period ended December 31, 2021.

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

SIR Royalty Income Fund

Consolidated Financial Statements
December 31, 2021 and 2020

Independent auditor's report

To the Unitholders of SIR Royalty Income Fund

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SIR Royalty Income Fund and its subsidiaries (together, the Fund) 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 Fund's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of earnings (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in unitholders' equity (deficit) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated 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 consolidated 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 Fund in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Fund's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investment in SIR Royalty Limited Partnership *Refer to note 1 – Nature of operations and seasonality, note 3 – Summary of significant accounting policies and note 6 – Investment in SIR Royalty Limited Partnership to the consolidated financial statements.* The Fund owns all of the Ordinary LP Units and 99 Ordinary GP Units of the SIR Royalty Limited Partnership (the Partnership) and the Partnership owns the Canadian trademarks (the SIR Rights). The Partnership has granted SIR Corp. a 99-year licence to use the SIR Rights in most of Canada in consideration for a royalty, equal to 6% of the revenues of the restaurants included in the Royalty Pooled Restaurants. The investment in the Partnership was $21.9 million as at December 31, 2021. The Fund assesses the investment in the Partnership for impairment when there is objective evidence that the investment in the Partnership is impaired. Impairment is recognized when the recoverable amount of the investment in the Partnership is lower than the carrying value. The recoverable amount of the investment in the Partnership is based on the recoverable amount of the SIR Rights. The recoverable amount of the SIR Rights has been determined based on fair value less costs to sell (the method) using a four-	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the investment in the Partnership, which included the following: – Tested how management determined the recoverable amount of the SIR Rights, which included the following: o Evaluated the appropriateness of the method used by management and tested the mathematical accuracy of the models. o Tested the underlying data used in the models. o Evaluated the reasonableness of the revenue growth rates and terminal growth rate of the revenues of the restaurants included in the Royalty Pooled Restaurants by (i) considering the historical results of the restaurants included in the Royalty Pooled Restaurants, management's budget and strategic plans and third party published industry and economic data and (ii) assessing whether these key assumptions were consistent with evidence obtained in other areas of the audit.

Key audit matter	How our audit addressed the key audit matter
year discounted cash flow of the underlying royalty income from the SIR Rights considering a terminal value (the models). The key assumptions applied by management related to the revenue growth rates and terminal growth rate of the revenues of the restaurants included in the Royalty Pooled Restaurants and the discount rate. No impairment was recognized for the investment in the Partnership or the SIR Rights as a result of the 2021 impairment assessment. We considered this a key audit matter due to (i) the significance of the investment in the Partnership balance and (ii) the judgment made by management in determining the recoverable amount of the investment in the Partnership which is based on the recoverable amount of the SIR Rights and included the use of key assumptions. This has resulted in a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the key assumptions used by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	o Professionals with specialized skill and knowledge in the field of valuation assisted in assessing the appropriateness of the models and the reasonableness of the discount rate used within the models. • Recalculated and compared the Fund's market capitalization to its net assets as at December 31, 2021. • Tested the disclosures made in the consolidated financial statements with regards to the investment in the Partnership and the SIR Rights.
Valuation of the loan receivable from SIR Corp. *Refer to note 4 – Critical accounting estimates and judgments, note 5 – Loan receivable from SIR Corp. (SIR) and note 7 – Financial instruments to the consolidated financial statements.* As at December 31, 2021, the fair value of the loan receivable from SIR (the SIR Loan) amounted to $21.8 million. The SIR Loan is accounted for at fair value through the consolidated statements of earnings (loss) and comprehensive income (loss). The fair value of the SIR Loan is estimated by discounting the expected cash flows using a	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the fair value of the SIR Loan, which included the following: – Evaluated the appropriateness of the SIR loan model used by management and tested the mathematical accuracy thereof. – Tested underlying data used in the SIR loan model. – With the assistance of professionals with specialized skill and knowledge in the field of valuation, assessed the

Key audit matter	How our audit addressed the key audit matter
current market interest rate adjusted for SIR's credit risk (the SIR loan model). The fair value of the SIR Loan is sensitive to changes in the discount rate. We considered this a key audit matter due to (i) the significance of the SIR Loan balance and (ii) the judgment made by management when determining the discount rate which is impacted by the credit risk of SIR. This resulted in a high degree of auditor judgment, subjectivity and effort in performing audit procedures and evaluating audit evidence relating to the discount rate. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	reasonableness of the discount rate applied. • Tested the disclosures related to the sensitivity analysis made in the consolidated financial statements with regard to changes in the discount rate.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Fund'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 Fund'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 consolidated 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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Dalziel.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
March 22, 2022

SIR Royalty Income Fund

Consolidated Statements of Financial Position

As at December 31, 2021 and 2020

	December 31, 2021 $	December 31, 2020 $
Assets		
Current assets		
Cash	1,413,130	138,629
Prepaid expenses and other assets	42,259	46,362
Income taxes recoverable	-	61,771
Amounts due from related parties (note 10)	4,416,969	4,639,236
	5,872,358	4,885,998
Loan receivable from SIR Corp. (note 5)	21,750,000	21,750,000
Investment in SIR Royalty Limited Partnership (note 6)	21,858,327	21,858,327
	49,480,685	48,494,325
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	131,472	111,919
Income taxes payable	1,069,589	-
Amounts due to related parties (note 10)	3,675,995	3,692,753
	4,877,056	3,804,672
Deferred income taxes (note 14)	2,018,000	1,989,000
	6,895,056	5,793,672
Fund units (note 8)	96,169,787	96,169,787
Deficit	(53,584,158)	(53,469,134)
Total unitholders' equity	42,585,629	42,700,653
	49,480,685	48,494,325

Going concern (note 1)

Subsequent events (note 15)

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

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

SIR Royalty Income Fund

Consolidated 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 $
Equity income from SIR Royalty Limited Partnership (notes 6 and 10)	3,716,538	1,646,033
Recovery of (impairment of) Investment in SIR Royalty Limited Partnership and financial assets (notes 4 and 10)	60,000	(30,125,994)
Other Income (notes 5 and 10)	347,570	-
Change in estimated fair value of the SIR Loan (note 5)	3,000,000	(14,250,000)
	7,124,108	(42,729,961)
General and administrative expenses (note 10)	568,919	523,633
Earnings (loss) before income taxes	6,555,189	(43,253,594)
Income tax expense (note 14)	1,644,870	748,440
Net earnings (loss) and comprehensive income (loss) for the year	4,910,319	(44,002,034)
Basic earnings (loss) per Fund unit (note 9)	$ 0.59	($ 5.25)
Diluted earnings (loss) per Fund unit (note 9)	$ 0.58	($ 5.25)

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

SIR Royalty Income Fund

Consolidated Statements of Changes in Unitholders' Equity (Deficit)

For the years ended December 31, 2021 and 2020

				Year ended December 31, 2021
	Number of Fund units	Amount $	Deficit $	Total $
Balance - Beginning of year	8,375,567	96,169,787	(53,469,134)	42,700,653
Net earnings for the period	-	-	4,910,319	4,910,319
Distributions declared and paid (note 8)	-	-	(5,025,343)	(5,025,343)
Balance - End of year	8,375,567	96,169,787	(53,584,158)	42,585,629

				Year ended December 31, 2020
	Number of Fund units	Amount $	Deficit $	Total $
Balance - Beginning of year	8,375,567	96,169,787	(7,268,514)	88,901,273
Net loss for the year	-	-	(44,002,034)	(44,002,034)
Distributions declared and paid (note 8)	-	-	(2,198,586)	(2,198,586)
Balance - End of year	8,375,567	96,169,787	(53,469,134)	42,700,653

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

SIR Royalty Income Fund

Consolidated 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	4,910,319	(44,002,034)
Items not affecting cash		
(Recovery of) impairment of Investment in SIR Royalty Limited Partnership and other financial assets (note 10)	(60,000)	30,125,994
Change in estimated fair value of the SIR Loan (note 5)	(3,000,000)	14,250,000
Current income taxes (note 14)	1,615,870	699,440
Deferred income taxes (note 14)	29,000	49,000
Equity income from SIR Royalty Limited Partnership (notes 6 and 10)	(3,716,538)	(1,646,033)
Distributions received from SIR Royalty Limited Partnership (note 10)	3,935,300	2,240,077
Interest received on SIR Loan (note 5)	1,750,000	750,000
Deferred interest received on SIR Loan (note 5)	1,400,000	-
Income taxes paid	(484,510)	(585,015)
Net change in non-cash working capital items (note 12)	(79,597)	318,842
	6,299,844	2,200,271
Financing activities		
Distributions paid to unitholders	(5,025,343)	(2,198,586)
Change in cash during the year	1,274,501	1,685
Cash - Beginning of year	138,629	136,944
Cash - End of year	1,413,130	138,629

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

1 Nature of operations and seasonality

Nature of operations

SIR Royalty Income Fund (the Fund) is a trust established on August 23, 2004 under the laws of the Province of Ontario, Canada.

On October 1, 2004, the Fund filed a final prospectus for a public offering of units of the Fund. The net proceeds of the offering 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 SIR Royalty Limited Partnership (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 Fund indirectly participates in the revenues generated under the Licence and Royalty Agreement through its Investment in the Partnership (note 6).

The address of the registered office of the Fund is 5360 South Service Road, Suite 200, Burlington, Ontario. The consolidated financial statements were approved by the Board of Trustees 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, equity income from the Partnership recognized by the Fund 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 consolidated financial statements of the Fund 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 Fund's management is required to identify when events or conditions indicate that significant doubt may exist about the Fund's ability to continue as a going concern. Significant doubt about the Fund's ability to continue as a going concern would exist when relevant conditions and events indicate that the Fund 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 Fund identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Fund 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 Fund is dependent on for cash flow, the Fund'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. Refer to note 5 for more details. 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 Fund'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 to sales at SIR restaurants. These circumstances indicate the existence of a material uncertainty that may cast doubt on the Fund'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 Fund be unable to continue as a going concern. Such adjustments could be material.

2 Basis of presentation

The Fund prepares its consolidated financial statements in accordance with IFRS.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of the consolidated financial statements are as follows:

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, with the exception of the loan receivable from SIR, which is recognized at fair value.

Consolidation

The Fund prepares its consolidated financial statements in accordance with IFRS and include the accounts of the Fund and its subsidiaries, namely the Trust and SIR GP Inc. All intercompany accounts and transactions have been eliminated.

The Fund consolidates an investee when it is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are deconsolidated from the date control ceases

Use of estimates

The preparation of these consolidated 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 consolidated financial statements. Actual results could differ materially from those estimates in the near term.

Financial instruments

Financial assets and liabilities are recognized when the Fund 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 Fund has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements 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 Fund 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.

ii) Financial liabilities at amortized cost: Financial liabilities at amortized cost comprise 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 Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund 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.

Investments in associates and unconsolidated structured entities

Associates are entities over which the Fund has significant influence, but not control, and include the investment in the Partnership.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The Fund has determined that its investment in the Partnership is an investment in a structured entity.

The Partnership is a structured entity established to own the Canadian trademarks used in connection with the operations of the SIR Restaurants. SIR consolidates the Partnership, as the sale of Canadian trademarks to the Partnership had no impact on SIR's use of the Canadian trademarks. The Fund has voting control of SIR GP Inc., the managing general partner for the Partnership, with an 80% ownership of SIR GP Inc.'s common shares; however, the Fund does not have the ability to affect the returns on the investment in the Partnership through its power over the Partnership. Accordingly, since the Fund is able to significantly influence the Partnership, it is accounted for as an investment in an associate.

The financial results of the Fund's investments in associates are included in the Fund's consolidated results according to the equity method. Subsequent to the acquisition date, the Fund's share of profits or losses of associates is recognized in the consolidated statements of earnings and its share of other comprehensive income of associates is included in other comprehensive income.

Unrealized gains on transactions between the Fund and an associate are eliminated to the extent of the Fund's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the consolidated statements of earnings (loss) and comprehensive income (loss).

The Fund assesses whether there is any objective evidence that its interest in its associate is impaired. If impaired, the carrying value of the Fund's share of the underlying assets of the associate is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the consolidated statements of earnings (loss) and comprehensive income (loss). The recoverable amount of the Investment in the Partnership is based on the recoverable amount of the SIR Rights. The key assumptions applied by management related to the revenue growth rates and terminal growth rate of the revenues of the restaurants included in the Royalty Pooled Restaurants and the discount rate (see Note 6).

Earnings per Fund unit

Earnings per Fund unit are based on the weighted average number of Fund units outstanding during the period. Diluted earnings per Fund unit are calculated to reflect the dilutive effect, if any, of SIR exercising its right to exchange its Class A GP units into Fund units at the beginning of the period.

Distributions

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

Income taxes

Income taxes comprise current and deferred taxes and are recognized in the consolidated statements of earnings (loss) and comprehensive income (loss).

Current income taxes are the expected taxes payable on taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period.

In general, deferred income taxes are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income taxes are determined on a non-discounted basis using tax rates and laws that have been enacted, or substantively enacted, at the consolidated statements of financial position date and are expected to apply when the deferred income tax asset or liability is settled. Deferred income tax assets are recognized to the extent it is probable that the assets can be recovered.

4 Critical accounting estimates and judgments

The Fund makes estimates and assumptions concerning the future that will by definition seldom equal actual results. The following are estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Investment in the Partnership/consolidation of structured entities

The Partnership receives royalties on the SIR Rights, which are licensed to SIR for use in Royalty Pooled Restaurants. The Fund and SIR each hold an investment in the Partnership. Generally, the Partnership units have no voting rights, except in certain specified conditions.

The determination of the entity having the ability to affect the returns on their investment in the Partnership required significant judgment. Based on an evaluation of the activities of the Partnership and the Partnership Agreement, management concluded the substance of the relationships between the Partnership, SIR and the Fund indicates the Partnership is controlled by SIR. In addition, the evaluation of whether or not the Fund has significant influence over the Partnership is a matter of significant judgment. Based on a review of the operating and financing activities of the Partnership, management has concluded that the Fund is able to significantly influence these activities.

Valuation of the SIR Loan and investment in the Partnership

Management reviews for objective evidence whether there may be an impairment of the investment in the Partnership. The review includes a review of the earnings, cash flows and available cash of SIR on a prospective basis to assess SIR's ability to meet its obligations for payments to the Partnership for the Royalty. Based on the analysis completed during the year ended December 31, 2021, no impairments (year ended December 31, 2020 – impairment of $29,125,994) have been recorded in the consolidated financial statements. The SIR Loan is accounted for at fair value through the consolidated statement of earnings (loss) and comprehensive income (loss) which required management to discount the cash flows using the market interest rate. Management has estimated the discount rate by considering comparable corporate bond rates, risk free rates, and SIR's credit risk. A 0.25% increase or decrease in the discount rate will result in a $400,000 decrease or increase in the fair value of the SIR Loan.

Going concern assumption

The consolidated financial statements of the Fund have been prepared using 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 financial statements, management is required to identify when events or conditions indicate that significant doubt may exist about the Company's ability to continue as a going concern. Significant doubt about the Company's ability to continue as a going concern would exist when relevant conditions and events indicate that the Company will 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.

Management has identified conditions or events that raise potential for significant doubt about its ability to continue as a going concern, given the uncertainty surrounding the COVID-19 pandemic and the government mandated shutdowns. The Company'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. Reduced services and restaurant closures will continue to impact sales at SIR restaurants. These circumstances indicate the existence of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern.

5 Loan receivable from SIR Corp.

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
Balance - Beginning of period	21,750,000	39,000,000
Interest received	(1,750,000)	(750,000)
Interest deferred	(1,250,000)	(2,250,000)
Change in estimated fair value of the SIR Loan	3,000,000	(14,250,000)
Balance - End of period	21,750,000	21,750,000

The SIR Loan of $40,000,000 bears interest at 7.5% per annum, is due October 12, 2044 and is collateralized by a general security agreement covering substantially all of the assets of SIR and its subsidiaries in Canada. Interest of $1,500,000 and $250,000 related to the years ended December 31, 2021 and December 31, 2020, respectively, was received during the year ended December 31, 2021 (year ended December 31, 2020 - $500,000 and $250,000).

SIR has begun its repayment of deferred interest on the SIR Loan to the Fund commencing September 15, 2021. 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. Deferred interest of $1,400,000 was received during the year ended December 31, 2021 (year ended December 31, 2020 - $nil).

Pursuant to the SIR Loan agreement, interest owing on the SIR Loan is charged an additional penalty of 2.0% plus the base interest of 7.5%, per month, non-compounding (see note 10). Interest of $2,350,000 and additional interest on this deferred interest owing on the SIR Loan of $8,745 is outstanding and receivable from SIR Corp. at December 31, 2021 (December 31, 2020 – $2,500,000 and $nil respectively). Additional interest paid during the year ended December 31, 2021 was $338,825 (December 31, 2020 - $nil).

The fair value of the SIR Loan is estimated by discounting the expected cash flows using a current market interest rate adjusted for SIR's credit risk. Management has used a discount rate of 14.45% as at December 31, 2021 (December 31, 2020 – 14.35%) to discount the expected cash flows. In determining the appropriate discount rate, management considered available market information as well as the credit risk for SIR.

The change in the discount rate is driven by the change in the spread between similar corporate bonds and the risk free rate over the same periods, and by management's estimate of the credit risk for SIR (see note 7).

SIR has a credit agreement (Credit Agreement), as amended on December 8, 2017, 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 reborrowed 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 will be 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 will 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.

On 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 outbreak 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. 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 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 expiration date of certain deferrals in the agreements was 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 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 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. 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.

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 Fund 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.

6 Investment in SIR Royalty Limited Partnership

On October 12, 2004, the Fund, indirectly through the Trust and SIR GP Inc., respectively, acquired all of the Ordinary LP Units and 99 Ordinary GP Units. The holders of the Ordinary LP Units are entitled to receive a pro rata share of distributions and the holders of the Ordinary GP Units receive a fixed monthly distribution of $5 in aggregate.

The holders of the Class A LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership. As at December 31, 2021, the Fund's interest in the residual earnings of the Partnership was 80.9% (December 31, 2020 – 82.2%). Generally, the Partnership units have no voting rights, except in certain specified conditions.

The Partnership makes cash distributions to its partners in the following order of priority: i) First, to the holders of the Class C GP Units and the Class C LP Units, ii) second, to the holders of the Class B GP Units, iii) third, to the holders of the Ordinary GP Units, and iv) thereafter, to the holders of the Class A GP Units, the Class A LP Units, and the Ordinary LP Units.

The continuity of the Investment in the Partnership is as follows:

	Year ended December 31, 2021 $	**Year ended December 31, 2020 $**
Balance - Beginning of period	21,858,327	50,984,321
Equity income	3,716,538	1,646,033
Distributions declared	(3,716,538)	(1,646,033)
Provision for impairment	-	(29,125,994)
Balance - End of period	21,858,327	21,858,327

The summarized financial information of the Partnership is as follows:

	As at December 31, 2021 $	**As at December 31, 2020 $**
Cash	40,684	2,544
Other current assets	6,836,832	6,893,814
Intangible assets	46,699,990	46,699,989
Total assets	53,577,506	53,596,347
Current liabilities and total liabilities	7,086,534	7,105,375
Partners' Interest		
SIR Royalty Income Fund	6,490,962	6,490,962
SIR Corp.	40,000,010	40,000,010
Total partners' interest	46,490,972	46,490,972

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
Revenue	8,308,686	7,224,769
Net earnings (loss) and comprehensive income (loss) of the Partnership	8,235,425	(48,902,366)

The reconciliation of the Fund's investment in the Partnership to the Partnership's partners' interest is as follows:

	As at December 31, 2021 $	As at December 31, 2020 $
Investment in the Partnership	21,858,327	21,858,327
Transaction costs incurred by the Partnership to issue the Ordinary LP units	(3,533,090)	(3,533,090)
Difference between carrying value and fair value on the conversion of the Class A GP units to Class A LP units	(11,834,275)	(11,834,275)
SIR Royalty Income Fund's interest in the Partnership	6,490,962	6,490,962

The reconciliation of the Partnership's net earnings to the Fund's equity income is as follows:

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
Net earnings (loss) and comprehensive income (loss) of the Partnership	8,235,425	(48,902,366)
Impairment of financial and intangible assets	-	54,434,577
Priority income allocated to SIR Corp. (Class C GP and Class B GP units)	(3,000,012)	(3,000,012)
Residual earnings	5,235,413	2,532,199
SIR Corp.'s share	(1,518,875)	(886,166)
Equity income	3,716,538	1,646,033

No impairment was recorded in the Partnership during the year ended December 31, 2021 (year ended December 31, 2020 - $54,434,577).

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 SIR Rights is lower than the carrying value. In assessing the intangible assets for impairment at December 31, 2021 , the aggregate recoverable amount of the intangible assets was compared to its carrying amounts. 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.

The following table presents the carrying amounts of assets and liabilities recognized by the Fund relating to its interest in the Partnership as well as the Fund's maximum exposure to loss from those interests:

	As at December 31, 2021 $		As at December 31, 2020 $	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Distributions receivable	2,920,472	2,920,472	3,139,236	3,139,236
Advances payable	(3,671,844)	(3,671,844)	(3,471,279)	(3,471,279)
Amounts due (to) from related parties	(751,372)	(751,372)	(332,043)	(332,043)
Investment in SIR Royalty Limited Partnership	21,858,327	21,858,327	21,858,327	21,858,327
Total	21,106,955	21,106,955	21,526,284	21,526,284

The maximum exposure to loss is equal to the current carrying amounts of the assets and liabilities recognized by the Fund. The Fund does not provide financial support to the Partnership, nor has the Fund provided any guarantees or other contingent support to the Partnership.

7 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	1,413,130	138,629
Amounts due from related parties	Financial assets at amortized cost	4,416,969	4,639,236
Loan receivable from SIR Corp.	Financial assets at fair value through profit and loss	See below	See below
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	131,472	111,919
Amounts due to related parties	Financial liabilities at amortized cost	3,675,995	3,692,753

Carrying and fair values

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. The fair value of the SIR Loan, which approximates its carrying amount, is estimated to be $21,750,000 (December 31, 2020 - $21,750,000). The fair value was estimated by discounting the expected cash flows using a current market interest rate adjusted for SIR's credit risk. The estimate of fair value is within level 3 of the fair value hierarchy. Changes in the estimated fair value of the SIR Loan are recorded in the consolidated statement of earnings (loss) and comprehensive income (loss).

Management has estimated the discount rate by considering comparable corporate bond rates, risk free rates and SIR's credit risk. During the year ended December 31, 2021, management adjusted the discounted rate from 14.35% at December 31, 2020 to 14.45% at December 31, 2021. The adjustment consists of an estimated decrease in the corporate bond rate of 0.78% offset by an increase of 0.88% in the Canadian risk free rate.

The fair value of the SIR Loan is sensitive to changes in the discount rate. A 0.25% increase or decrease in the discount rate will result in a $400,000 decrease or increase in the fair value of the SIR Loan.

8 Fund units

An unlimited number of Fund units may be issued pursuant to the Declaration of Trust. Fund units are redeemable by the holder at a price equal to the lesser of 90% of the market price of a Fund unit during the ten consecutive trading day period ending on the trading day immediately prior to the date on which the Fund units were surrendered for redemption and an amount based on the closing price on the redemption date, subject to certain restrictions. Each holder of Fund units participates pro rata in any distributions from the Fund.

As at December 31, 2021, there are 8,375,567 (December 31, 2020 – 8,375,567) Fund units issued and outstanding. Each Fund unit is entitled to one vote at any meeting of unitholders.

On March 23, 2020, the Fund temporarily suspended unitholder distributions until further notice as a result of SIR temporarily suspending its dine-in restaurant operations at all of its locations. Pursuant to the Eighth Amendment to SIR's Credit Agreement, SIR's Lender has approved the resumption of current distributions on July 7, 2021.

On July 15, 2021, the Trustees of the Fund approved the resumption of monthly unitholder distributions effective July 30, 2021. The initial monthly distribution under the resumption was $0.07 per Fund Unit and was paid in July and August 2021.

On September 9, 2021, the Fund announced a $0.02 increase in the Fund's monthly cash distribution to unitholders and distributions of $0.09 were paid in the months of September to December 2021 (year ended December 31, 2020 - $0.0875 per unit). Subsequent to December 31, 2021, distributions of $0.09 per unit were declared and paid in the months of January and February 2022 and declared for the month of March 2022.

The trustees approved a Special Distribution of $0.10 per unit to the unitholders of record as at December 20, 2021. The Special Distribution was declared because the Fund expected that the taxable income generated in 2021 would exceed the aggregate monthly distributions declared by the Fund.

During the year ended December 31, 2021, the Fund paid monthly distributions in arrears of $nil.

The distribution policy of the Fund is, at the discretion of the Trustees, to make distributions of its available cash to the fullest extent possible, taking into account trends in revenues, earnings and cash flows.

9 Earnings per Fund unit

Basic earnings per Fund unit is computed by dividing net earnings by the weighted average number of Fund units outstanding during the period.

SIR has the right to convert the Class A GP Units into Fund units. Diluted earnings per Fund unit is calculated using the weighted average number of Fund units outstanding adjusted to include the effect of the conversion of the Class A GP Units into Fund units.

The following table reconciles the basic and diluted weighted average number of Fund units outstanding and basic and diluted earnings per Fund unit:

		Basic		Adjustment for conversion of Class A GP Units		Diluted
Net earnings for the year ended December 31, 2021	$	4,910,319	$	1,108,779	$	6,019,098
Net earnings per Fund unit for the year ended December 31, 2021	$	0.59			$	0.58
Weighted average number of Fund units outstanding for the year ended December 31, 2021		8,375,567		1,971,552		10,347,119
Net loss for the year ended December 31, 2020	$	(44,002,034)	$	N/A	$	(44,002,034)
Net loss per Fund unit for the year ended December 31, 2020	$	(5.25)			$	(5.25)
Weighted average number of Fund units outstanding for the year ended December 31, 2020		8,375,567		N/A		8,375,567

For the year ended December 31, 2020, the conversion of the Class A GP Units into Fund units is anti-dilutive. Therefore, the Class A GP Units are excluded from the calculation of diluted earnings per Fund unit.

10 Related party transactions and balances

During the year ended December 31, 2021, the Fund recorded equity income of $3,716,538 (year ended December 31, 2020, the Fund recorded an equity income of $1,646,033) and received distributions of $3,935,300 (year ended December 31, 2020 - $2,240,077) from the Partnership. The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's equity income is dependent upon the revenues generated by SIR for the restaurants subject to the Licence and Royalty Agreement. 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 a conversion formula defined in the Partnership Agreement.

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 will be returned by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the initial estimated revenues. In December of each year, an additional distribution will be payable to the Class B GP unitholders 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 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 with $nil impact on the value of SIR rights (January 1, 2021 – $nil impact on 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).

Class A GP Units and Class B GP Units are held by 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 year ended December 31, 2021, the Partnership provided these services to the Fund and the Trust for consideration of $24,000 respectively (year ended December 31, 2020 - $24,000 respectively), which was the amount of consideration agreed to by the related parties and has been recorded in general and administrative expenses.

Amounts due from (to) related parties consist of:

	As at December 31, 2021 $	As at December 31, 2020 $
Interest receivable from SIR Corp.	1,410,000	1,500,000
Advances receivable from SIR Corp.	86,495	-
Distributions receivable from SIR Royalty Limited Partnership	2,920,474	3,139,236
Amounts due from related parties	4,416,969	4,639,236
Advances payable to SIR Corp.	4,151	12,446
Advances payable to SIR Royalty Limited Partnership	3,671,844	3,680,307
Amounts due to related parties	3,675,995	3,692,753

Amounts due from (to) 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 and the Fund continues to defer the collection of interest on the SIR Loan in order to provide SIR with financial support. However, pursuant to the Eighth Amendment of the Credit Agreement, SIR's Lender has approved the resumption of current payments of royalties to the Partnership and interest on the SIR Loan to the Fund on July 7, 2021 and a framework to enable SIR to catch up on deferred payments of royalties and interest on the SIR Loan by July 6, 2022. Having met the conditions stipulated by SIR's Lender, SIR has begun its repayment of deferred interest on the SIR Loan commencing September 15, 2021. These amounts will be repaid over 10 monthly installments of $350,000 and as such, no further impairment loss has been recorded on the deferred interest receivable on the SIR Loan as at the year ended December 31, 2021.

Pursuant to the SIR Loan agreement, interest owing on the SIR Loan is charged an additional penalty of 2.0% plus the base interest of 7.5%, per month, non-compounding. Additional interest on the interest outstanding and receivable from SIR Corp. at December 31, 2021 is $8,745 (December 31, 2020 – $nil). The additional interest receivable from SIR Corp. is presented as other income within net earnings (loss) and comprehensive income (loss).

For the year ended December 31, 2021, the Fund has recognized a cumulative impairment recovery on the interest receivable from SIR of $60,000 (December 31, 2020 – impairment loss of $1,000,000) based on management's assessment of the SIR-specific risk. A rate of approximately 40% was applied to the interest receivable.

	As at December 31, 2021 $
Interest receivable from SIR Corp.	2,350,000
Provision for impairment	940,000
Amounts due from related parties	1,410,000

Impairment losses on interest and distributions receivable are presented as net impairment losses within net earnings (loss) and comprehensive income (loss).

Compensation of key management

The Fund does not have any employees. Compensation awarded to the Board of Trustees consists of fees of $140,925 for the year ended December 31, 2021 (2020 – $175,525) and is recorded within general and administrative expenses.

11 Capital management

The Fund's capital consists of units of the Fund, as described in note 8. The objectives in managing the capital are to safeguard the Fund's ability to continue as a going concern, to provide an adequate return to its unitholders appropriate to their level of risk and to distribute excess cash to the unitholders. The Fund has no third party debt or bank lines of credit. The Fund had no capital expenditures during the year ended December 31, 2021 and is not expected to have significant capital expenditures in the future.

SIR has a Credit Agreement, which requires the Fund and the Partnership to subordinate and postpone their claims against SIR to the claims of the Lender in the event of a default (note 5).

12 Net change in non-cash working capital items

Net change in non-cash working capital items comprises:

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
Prepaid expenses and other assets	4,103	(11,353)
Amounts due from related parties	(86,495)	-
Accounts payable and accrued liabilities	19,553	(10,026)
Amounts due to related parties	(16,758)	340,221
	(79,597)	318,842

13 Economic dependence

The Fund's income is derived from the SIR Loan and distributions from the Partnership; accordingly, the Fund is economically dependent on SIR.

14 Income taxes

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

Income tax expense is as follows:

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
Current	1,615,870	699,440
Deferred - other	29,000	49,000
	1,644,870	748,440

The Fund's income not distributed to its unitholders is taxable at a rate of 53.53% (2020 – 53.53%). Distributions to unitholders are taxable at the combined federal and provincial tax rate, which is 26.5% for the year ended December 31, 2021 (year ended December 31, 2020 – 26.5%).

The reconciliation of the Fund's effective tax rate to the combined Canadian federal and provincial tax rate is as follows:

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
Earnings (loss) before income taxes	6,555,189	(43,253,594)
Income tax provision at 53.53% (2020 – 53.53%)	3,508,993	(23,153,649)
Add (deduct):		
Change in deferred tax asset not recognized	(159,612)	23,754,470
Other	(27,883)	(41,033)
Differences in tax rates	(1,676,628)	188,652
	1,644,870	748,440

Deferred tax liabilities consist of the following:

	Investment in the Partnership $
Balance as at December 31, 2019	1,940,000
Charged to consolidated statements of earnings	49,000
Balance as at December 31, 2020	1,989,000
Charged to consolidated statement of earnings	29,000
Balance as at December 31, 2021	2,018,000

15 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.