

SIR Corp.

Condensed Interim Consolidated
Financial Statements

(Unaudited)

**For the 12-week period ended
November 17, 2024**

(in thousands of Canadian dollars)

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SIR Corp.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(in thousands of Canadian dollars)

	November 17, 2024 \$	August 25, 2024 \$
Assets		
Current assets		
Cash	2,539	6,450
Trade and other receivables (note 6(c))	9,083	9,469
Inventories	3,622	3,769
Prepaid expenses, deposits and other assets	2,675	2,784
Loans and advances	10	10
	<u>17,929</u>	<u>22,482</u>
Non-current assets		
Right-of-use assets – net (note 4)	60,177	63,873
Property and equipment	44,149	44,755
Goodwill and intangible assets	5,372	5,412
	<u>127,627</u>	<u>136,522</u>
Liabilities		
Current liabilities		
Bank indebtedness (note 5)	60	-
Trade and other payables	27,791	32,009
Current portion of long-term debt (note 5)	37,009	10,915
Current portion of lease obligation (note 4)	17,240	17,842
Current portion of Ordinary LP Units and Class A LP Units of the Partnership (note 6(b))	9,991	9,991
Current portion of provisions and other long-term liabilities	6,196	6,037
	<u>98,287</u>	<u>76,794</u>
Non-current liabilities		
Long-term debt (note 5)	-	23,723
Long-term portion of lease obligation (note 4)	61,361	63,932
Loan payable to SIR Royalty Income Fund (note 6(a))	36,214	36,195
Provisions and other long-term liabilities	727	746
Ordinary LP Units and Class A LP Units of the Partnership (note 6(b))	94,507	93,302
	<u>291,096</u>	<u>294,692</u>
Shareholders' Deficiency		
Capital stock	20,357	20,357
Contributed surplus	193	193
Deficit	<u>(184,019)</u>	<u>(178,720)</u>
	<u>(163,469)</u>	<u>(158,170)</u>
	<u>127,627</u>	<u>136,522</u>

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

SIR Corp.**Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)**

(in thousands of Canadian dollars)

	12-week period ended	
	November 17, 2024	November 19, 2023
	\$	\$
Corporate restaurant operations		
Food and beverage revenue (note 3)	58,710	59,348
Gift card revenue	127	97
	<hr/>	<hr/>
	58,837	59,445
Costs of corporate restaurant operations	<hr/>	<hr/>
	54,697	52,832
Earnings from corporate restaurant operations	4,140	6,613
Corporate costs	<hr/>	<hr/>
	3,329	4,074
Earnings before interest and income taxes	811	2,539
Interest expense	594	466
Interest on loan payable to SIR Royalty Income Fund (note 6(a))	709	709
Interest expense (income) and other expense (income) – net	110	(6)
Interest on lease obligation (note 4)	993	1,037
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 6(b))	<hr/>	<hr/>
	3,704	5,940
Net loss and comprehensive loss for the period	<hr/>	<hr/>
	(5,299)	(5,607)

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

SIR Corp.**Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
(Unaudited)**

(in thousands of Canadian dollars)

	12-week period ended November 17, 2024			
	Capital stock \$	Contributed surplus \$	Deficit \$	Total \$
Balance – Beginning of period	20,357	193	(178,720)	(158,170)
Stock-based compensation	-	1	-	1
Net loss for the period	-	-	(5,299)	(5,299)
Balance - End of period	<u>20,357</u>	<u>194</u>	<u>(184,019)</u>	<u>(163,468)</u>

	12-week period ended November 19, 2023			
	Capital stock \$	Contributed surplus \$	Deficit \$	Total \$
Balance – Beginning of period	20,401	189	(213,697)	(193,107)
Stock-based compensation	-	2	-	2
Repurchase of capital stock	(44)	-	(131)	(175)
Net loss for the period	-	-	(5,607)	(5,607)
Balance - End of period	<u>20,357</u>	<u>191</u>	<u>(219,435)</u>	<u>(198,887)</u>

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

SIR Corp.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)

	12-week period ended	
	November 17, 2024	November 19, 2023
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(5,299)	(5,607)
Items not affecting cash		
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 6(b))	3,704	5,940
Depreciation and amortization	5,200	4,733
Stock based compensation	1	2
Recovery of impairment of financial assets	(9)	(12)
Interest expense on long-term debt and SIR Loan	1,303	1,175
Interest on lease obligations (note 4)	993	1,037
Loss on disposal of property and equipment and other assets	618	18
Other	-	2
Supplier and other rebates received	50	50
Distributions paid to Ordinary LP and Class A LP unitholders (note 6(b))	(2,499)	(2,499)
Net change in working capital items (note 7)	(1,145)	(390)
Cash provided by operating activities	2,917	4,449
Investing activities		
Purchase of property and equipment and intangible assets	(3,701)	(5,627)
Financing activities		
Increase in bank indebtedness	60	2,961
Proceeds from issuance of long-term debt	6,250	-
Principal repayment of long-term debt	(3,861)	(1,211)
Payment of lease obligations (note 4)	(4,166)	(3,874)
Interest paid	(1,382)	(1,181)
Repurchase of capital stock	-	(175)
Financing fees paid	(28)	(28)
Cash used in financing activities	(3,127)	(3,508)
Decrease in cash during the period	(3,911)	(4,686)
Cash - Beginning of period	6,450	8,231
Cash - End of period	2,539	3,545

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

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

November 17, 2024

1 Nature of operations and fiscal year

Nature of operations

The Company is a private company amalgamated under the Business Corporations Act of Ontario. As at November 17, 2024, the Company owned a total of 54 (August 25, 2024 - 55) Concept and Signature restaurants in Canada (in Ontario, Quebec, Nova Scotia and Newfoundland) (the SIR Restaurants). The Concept restaurants are Jack Astor's Bar and Grill® (Jack Astor's®) and Scaddabush Italian Kitchen & Bar® (Scaddabush). The Signature restaurants are Reds® Square One and Loose Moose Tap & Grill®. The Company also owns one Italian-themed, fine dining restaurant, Edna + Vita, and two Dukes Refresher® & Bar (Duke's Refresher) in downtown Toronto and one seasonal restaurant, Abbey's Bakehouse®, which are considered Signature restaurants, and are not currently part of Royalty Pooled Restaurants (note 6 (b)).

On October 1, 2004, SIR Royalty Income Fund (the Fund) filed a final prospectus for a public offering of units of the Fund. The net proceeds of the offering of \$51,167,000 were used by the Fund to acquire certain bank debt of the Company (the SIR Loan) (note 6(a)) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of SIR Royalty Limited Partnership (the Partnership) (note 6(b)). On October 12, 2004, the Partnership acquired from the Company the Canadian trademarks used in connection with the operation of the majority of the Company's restaurants in Canada.

The address of the Company's registered office is 5360 South Service Road, Suite 200, Burlington, Ontario. The condensed interim consolidated financial statements were approved for issuance by the Board of Directors on December 19, 2024.

Fiscal year

The Company's fiscal year is made up of 52 or 53-week periods ending on the last Sunday in August. The fiscal quarters for the Company consist of sequential accounting periods of 12, 12, 12 and 16 or 17 weeks, respectively. The fiscal year for 2025 consists of 53 weeks (2024 – 52 weeks).

2 Basis of presentation

The Company prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") for interim financial reporting, including International Accounting Standard (IAS) 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the years ended August 25, 2024 and August 27, 2023, which have been prepared in accordance with IFRS Accounting Standards.

The note disclosures for these condensed interim consolidated financial statements only present material changes to the disclosure found in the Company's audited consolidated financial statements for the 52-week periods ended August 25, 2024 and August 27, 2023. Changes to the Company's accounting policies from those disclosed in its consolidated financial statements for the years ended August 25, 2024 and August 27, 2023 are described in note 2(a), recently adopted IFRS.

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

November 17, 2024

a) Recently adopted IFRS

IAS 1, Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued an amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. In October 2022, the IASB issued an amendment to IAS 1, Non-current Liabilities with Covenants, to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The 2022 amendments also introduce additional disclosure requirements to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period. The 2022 amendments changed the effective date of the 2020 amendments. The mandatory effective date would be annual periods beginning on or after January 1, 2024, with early adoption permitted. The amended standard has been implemented by the Company and did not have a material impact on the condensed interim consolidated financial statements.

IFRS 16, Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The mandatory effective date would be annual periods beginning on or after January 1, 2024, with early adoption permitted. The amended standard has been implemented by the Company and did not have a material impact on the condensed interim consolidated financial statements.

IAS 7, Disclosures on Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require specific disclosures regarding supplier finance arrangements. The mandatory effective date would be annual periods beginning on or after January 1, 2024. The amended standard has been implemented by the Company and did not have a material impact on the condensed interim consolidated financial statements.

IFRS issued but not yet effective

IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 Financial Instruments. The amendments are effective for reporting periods beginning on or after January 1, 2026.

IFRS 18 Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB issued a new standard - IFRS 18, 'Presentation and Disclosure in Financial Statements' - in response to investors' concerns about the comparability and transparency of entities' performance reporting. The new requirements introduced in IFRS 18 will help to achieve comparability of the financial performance of similar entities, especially related to how 'operating profit or loss' is defined. The new disclosures required for some management-defined performance measures will also enhance transparency. The

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

November 17, 2024

new standard will be effective for annual reporting periods beginning on or after January 1, 2027, including for interim financial statements. The Company has not yet assessed the impact of the amendment on the condensed interim consolidated financial statements.

3 Disaggregated revenue

The Company has determined that a disaggregation of revenue using Concept and Signature restaurants is adequate for its circumstances. Food and beverage revenue by segment is determined as follows:

	12-week period ended	
	November 17, 2024 \$	November 19, 2023 \$
	(in thousands of dollars)	
Jack Astor's	35,673	39,902
Scaddabush	18,020	14,420
Signature Restaurants	5,015	5,026
Corporate	2	-
	<u>58,710</u>	<u>59,348</u>

4 Right-of-use assets and lease obligations

Right-of-use assets are included as follows in the consolidated balance sheet as at November 17, 2024:

	Property \$	Equipment \$	Total \$
	(in thousands of dollars)		
At August 27, 2023	68,768	369	69,137
52-week period ended August 25, 2024			
Additions	7,350	57	7,407
Modifications	3,514	16	3,530
Disposals	(2,864)	-	(2,864)
Amortization	(12,490)	(77)	(12,567)
Lease Incentives	(1,077)	-	(1,077)
Recovery of previous impairment	307	-	307
At August 25, 2024	63,508	365	63,873
12-week period ended November 17, 2024			
Amortization	(3,114)	(18)	(3,132)
Lease Incentives	(564)	-	(564)
Right-of-use assets – net at November 17, 2024	<u>59,830</u>	<u>347</u>	<u>60,177</u>

(3)

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

November 17, 2024

For the 12-week period ended November 17, 2024, the lease obligation transactions were as follows:

	12-week period ended	
	November 17, 2024	November 19, 2023
	\$	\$
	(in thousands of dollars)	
Balance - Beginning of period	81,774	86,158
Additions	-	519
Modifications	-	5
Repayments	(4,166)	(3,874)
Interest	993	1,037
	<hr/>	<hr/>
Balance - End of period	78,601	83,845
	<hr/>	<hr/>
Less: Current portion	(17,240)	(17,163)
Long-term portion	61,361	66,682
	<hr/>	<hr/>

Expenses for leases of low-dollar value items are not significant. All extension options that were reasonably expected to be exercised have been included in the measurement of lease obligations where applicable.

5 Bank indebtedness and long-term debt

The Company has a Credit Agreement with a Schedule 1 Canadian chartered bank (the Lender). The Credit Agreement provides for a maximum principal amount of \$41,348,000 consisting of a \$20,000,000 revolving term credit facility (Credit Facility 1), a \$10,700,000 revolving term loan (Credit Facility 2), a \$6,250,000 guaranteed facility with Economic Development Canada (“EDC”) through the guaranteed Business Credit Availability Program (“BCAP”) (EDC-Guaranteed Facility) and a \$4,398,000 Business Development Bank of Canada (“BDC”) guaranteed Highly Affected Sectors Credit Availability Program (“HASCAP”) facility (the “BDC-Guaranteed Facility”). The term of the Credit Agreement matures on July 6, 2026 (“Maturity Date”) (which excludes the term of the EDC-Guaranteed Facility which matures on July 6, 2025). 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, including capital spending on new and renovated restaurants, bearing interest at the prime rate plus 2.75% and/or the CORRA advances’ rate plus 3.75%, principal repaid in one bullet repayment on the Maturity Date. 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. As at November 17, 2024, \$17,000,000 was drawn on Credit Facility 1.

Credit Facility 2 is a revolving facility that can be drawn for capital expenditures on new restaurants and renovations or remodelling of existing restaurants and bears interest at the prime rate plus 2.75% and/or the CORRA advances’ rate plus 3.75%. Each advance under Credit Facility 2 is repayable in equal quarterly instalments based on a seven year amortization, with the remaining outstanding balance due on the Maturity

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

November 17, 2024

Date. For the 12 week period ended November 17, 2024, SIR repaid \$1,037,000 on this facility. As at November 17, 2024, \$9,615,000 was drawn on Credit Facility 2.

As at November 17, 2024, the Company has drawn \$25,227,000 on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 25, 2024 - \$19,126,000).

The EDC-Guaranteed Facility is a 364-day revolving-term credit facility with a maturity date of July 6, 2025, that bears interest at the prime rate plus 3.00%. A standby fee of 0.90% is charged on the undrawn balance of this facility. As at November 17, 2024, SIR had fully drawn \$6,250,000 on this facility.

The BDC-Guaranteed Facility is a 10-year non-revolving term credit facility, with one year principal payment moratorium, bearing a fixed rate interest of 4%. The moratorium has elapsed and SIR has commenced repayment on this facility. For the 12-week period ended November 17, 2024, SIR repaid \$174,000 on this facility. As at November 17, 2024, \$4,398,000 was drawn on this facility.

As at November 17, 2024, the Company's liquidity was comprised of \$1,448,186 in cash on hand (which excludes cash on hand from the Partnership of \$1,090,623) and \$4,085,000 available to borrow under the Company's Credit Facilities 1 and 2, which currently expires on July 6, 2026. Management believes these resources, combined with cash generated by operations, provides sufficient cash resources to fund its working capital requirements, scheduled debt repayments, and current commitments for estimated construction costs for new restaurants. However, availability under the Credit Agreement is subject to certain conditions, including certain financial and non-financial covenants as determined by the Lender. As at November 17, 2024, the Company was in breach of these covenants. As a result, the carrying value of the credit facilities under the Credit Agreement were reclassified to current liabilities.

During the 12-week period ended November 17, 2024, SIR and its Lender were in negotiations on temporary amendments to the two financial covenants with in the Credit Agreement. Subsequent to November 17, 2024, on December 6, 2024, SIR and its Lender finalized the terms and entered into the Twelfth Amending Agreement ("Twelfth Amendment") to its Credit Agreement. The Agreement provides temporary amendments to the two financial covenants in the Credit Agreement, among other things, as follows:

- Increases the maximum Senior Leverage Ratio financial covenant from 2.5x to 3.0x for SIR's fiscal 2025 first and second quarters. The Senior Leverage Ratio financial covenant returns to 2.5x for SIR's fiscal 2025 third quarter,
- Excludes the \$6.25 million EDC Guaranteed Facility principal repayment in July 2025 from the calculation of fixed charges in the Fixed Charge Coverage Ratio financial covenant,
- Reverts Credit Facility 2 to a non-revolving facility, and
- Increases the applicable interest rates, with the exception of the BDC Guaranteed Facility, which remains fixed at 4% per annum.

Subsequent to November 17, 2024, on December 6, 2024, as part of the Twelfth Amendment, the Fund and the Partnership entered into an acknowledgement agreement with the Lender acknowledging, among other things:

- receipt of a copy of the Twelfth Amending Agreement, and
- that none of either: 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 the Company.

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

November 17, 2024

The Company prepares budgets and forecasts to evaluate its ability to meet future cash obligations. The Company continues to assess changes in the marketplace, including economic conditions and consumer confidence. Based on these assessments, the timing of restaurant construction and opening schedules will be reviewed regularly by SIR's Management and adjusted as necessary.

Borrowings subject to financial covenants	Financial covenant	Frequency tested	Ratios to be compliant as at November 17, 2024	Amended ratios per Twelfth Amendment	Ratios as at November 17, 2024
\$37,263,000*	Senior Leverage Ratio (a)	Quarterly	Maximum of 2.5:1	Maximum of 3.0:1	2.67:1
\$37,263,000*	Fixed Charge Coverage Ratio (b)	Quarterly	Minimum of 1.10:1	Minimum of 1.10:1	1.31:1

* The fair value of the borrowings subject to financial covenants pursuant to the Credit Agreement is \$37,263,000, which excludes deferred financing fees of \$254,000.

The Credit Agreement defines the two financial covenants, calculated on a rolling four quarter basis, with reference to SIR on a consolidated basis, as follows:

(c) Senior Leverage Ratio is the ratio of: the numerator of which is (i) Debt (excluding any liability or indebtedness of SIR arising under the "SIR Loan Agreement"); minus (ii) cash on deposit in bank accounts of the Obligors maintained with the Lender as at the last day of the relevant determination period; and the denominator which is EBITDA.

(d) Fixed Charge Coverage Ratio is defined for any period, the ratio of: the numerator of which is EBITDA, plus the aggregate amount of rental payments in respect of leased real property, for such period minus cash Taxes paid in such period, and the denominator of which is the aggregate of all Fixed Charges in such period.

For the purposes of these financial covenants, the Credit Agreement defines "EBITDA" as net income or net loss for the relevant period, calculated on a consolidated basis, plus depreciation and amortization, interest expense, income taxes (whether or not deferred), the change in amortized cost of ordinary limited partnership units of the Partnership, new restaurant or stores pre-opening or closing costs (with some limitations), less the aggregate amount of rental payments in respect of leased real property and excluding partnership royalty income and other unusual or non-recurring items (as approved by the Lender). Unless otherwise provided, EBITDA shall be calculated on a rolling four quarter basis.

The Credit Agreement is secured by substantially all of the assets of the Company and most of its subsidiaries, which are also guarantors. The Partnership and the Fund have not guaranteed the Credit Agreement.

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

November 17, 2024

6 SIR Royalty Income Fund

a) Loan payable to SIR Royalty Income Fund (the SIR Loan)

The \$40,000,000 SIR Loan bears interest at 7.5% per annum and is due on October 12, 2044. In conjunction with the Credit Agreement, on July 6, 2015, the Company, the Fund and the Partnership entered into an Intercreditor Agreement to subordinate and postpone their claims against the Company in favour of the Lender. The Fund and the Partnership have not guaranteed the Credit Agreement.

As at November 17, 2024, the Company was in compliance with the covenants stipulated by the SIR Loan Agreement.

Interest expense charged to the condensed interim consolidated statements of operations and comprehensive loss for the 12-week period ended November 17, 2024 was \$709,000 (12-week period ended November 19, 2023 - \$709,000), which includes interest on the SIR Loan of \$690,000 (12-week period ended November 19, 2023 - \$690,000) and amortization of financing fees of \$19,000 (12-week period ended November 19, 2023 - \$19,000). Interest payable on SIR Loan as at November 17, 2024 was \$2,745 (August 25, 2024 - \$19,000) and is recorded in trade and other payables.

The Company has recorded the SIR Loan at amortized cost. The Company has netted the financing fees against the SIR Loan and amortizes this cost over the term of the SIR Loan using the effective interest method. Unamortized financing fees netted against the SIR Loan as at November 17, 2024 were \$3,786,000 (August 25, 2024 - \$3,805,000).

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

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

November 17, 2024

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

	12-week period ended	
	November 17, 2024	November 19, 2023
	\$	\$
	(in thousands of dollars)	
Balance - Beginning of period	103,293	141,609
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	3,704	5,940
Distributions paid to Ordinary LP and Class A LP unitholders	(2,499)	(2,499)
Balance - End of period	104,498	145,050
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(9,991)	(9,991)
Ordinary LP Units and Class A LP Units of the Partnership	94,507	135,059

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

Pooled Revenue*	52,195	56,927
Partnership royalty income*	3,132	3,416
Other income	6	6
Partnership expenses	(24)	(78)
Net earnings of the Partnership	3,114	3,344
The Company's interest in the earnings of the Partnership	(1,002)	(1,102)
Fund's interest in the earnings of the Partnership	2,112	2,242

*Includes revenue from the Royalty Pooled Restaurants. The Partnership owns the Canadian trademarks (the SIR Rights) formerly owned or licensed by the Company or its subsidiaries and used in connection with the operation of the majority of the Company's restaurants in Canada. Partnership royalty income is 6% of pooled revenue in accordance with the Licence and Royalty Agreement.

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash of \$11,167,000. The holders of the Ordinary LP Units and the Class A LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership. The distributions are declared by the Board of Directors of SIR GP Inc., which is controlled by the Fund. Accordingly, the Ordinary LP Units and the Class A LP Units of the Partnership have been classified as a financial liability in the consolidated statements of financial position. The Ordinary LP Units and the Class A LP Units are accounted for at amortized cost, with changes in the carrying value of Ordinary LP Units and the Class A LP Units of the Partnership recorded in the consolidated statements of operations and comprehensive loss.

During the 12-week period ended November 17, 2024, distributions of \$2,102,000 (12-week period ended November 19, 2023 - \$2,229,000) were declared to the Fund through the Partnership. Distributions paid during the 12-week period ended November 17, 2024 were \$2,499,000 (12-week period ended November 19, 2023 - \$2,499,000). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

November 17, 2024

residual distributions. Distributions payable to SIR Royalty Income Fund from the Partnership as at November 17, 2024 were \$3,903,000 (August 25, 2024 - \$4,299,000).

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

The Partnership owns the SIR Rights formerly owned or licensed by the Company or its subsidiaries and used in connection with the operation of the majority of the Company's restaurants in Canada. In 2004, the Partnership granted the Company a 99-year licence to use the SIR Rights in most of Canada in consideration for a Royalty, payable by the Company to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants (the Licence and Royalty Agreement).

Under the terms of 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 SIR Restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, the Company will be entitled to convert its Class B GP Units into Class A GP Units based on 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 revenue of the new SIR Restaurants exceeds 80% of the initial estimated revenue. Conversely, converted Class A GP Units will be returned by the Company if the actual revenue is less than 80% of the initial estimated revenue. In December of each year, an additional distribution will be payable to the Class B GP unitholders based on actual revenue of the new SIR Restaurants exceeding 80% of the initial estimated revenue or there will be a reduction in the distributions to the Class A GP unitholders if revenue is less than 80% of the initial estimated revenue.

On January 1, 2024, one new SIR Restaurant was added (January 1, 2023 - two) to the Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one new SIR Restaurant on January 1, 2024 (January 1, 2023 - two) as well as the Second Incremental Adjustment for two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2023 (January 1, 2022 - nil), 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 re-conversion of Class A GP Units into Class B GP Units for the permanent closure of three (January 1, 2023 - two) SIR Restaurants during 2023. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR returned 212,825 Class A GP Units into 212,825 Class B GP Units (January 1, 2023 - SIR converted 90,958 Class A GP Units into Class B GP Units) on January 1, 2024, decreasing the value of the SIR Rights by \$1,612,625 (January 1, 2023 - increasing the value of the SIR Rights by \$1,455,725).

In addition, the revenues of the two (January 1, 2022 - nil) new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2023 were less than 80% of the Initial Adjustment's estimated revenue and, as a result, the distributions of the Class A GP Units were reduced by a special conversion refund of \$52,099 in December 2023 and paid in February 2024 (no conversion distributions effective in December 2022 as no new SIR Restaurants were added to Royalty Pooled Restaurants on January 1, 2022).

As at November 17, 2024, after the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2024, the Company's residual interest in the Partnership is 10.55% (August 25, 2024 - 10.55%). The Company continues to maintain control of the Partnership and, therefore, continues to consolidate the Partnership.

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

November 17, 2024

c) Advances receivable from SIR Royalty Income Fund

Advances receivable from SIR Royalty Income Fund as at November 17, 2024 were \$3,544,000 (August 25, 2024 - \$3,487,000). Advances receivable are non-interest bearing and due on demand. Advances receivable are recorded in trade and other receivables.

The Company, through the Partnership, has entered into an arrangement with the Fund and the Trust, whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc., in its capacity as the Managing General Partner. For the 12-week period ended November 17, 2024, the Partnership provided these services to the Fund and the Trust for consideration of \$6,000 (12-week period ended November 19, 2023 - \$6,000), which was the amount of consideration agreed to by the related parties.

7 Supplemental cash flow information to the consolidated statements of cash flows

The net change in working capital items is as follows:

	12-week period ended	
	November 17, 2024	November 19, 2023
	\$	\$
	(in thousands of dollars)	
Trade and other receivables	394	853
Inventories	147	(114)
Prepaid expenses, deposits and other assets	109	(363)
Trade and other payables	(1,776)	(858)
Provisions and other long-term liabilities	(19)	92
	<u>(1,145)</u>	<u>(390)</u>