

# **SIR Corp.**

Condensed Interim Consolidated  
Financial Statements  
(Unaudited)

**For the 12-week and 36-week periods  
ended May 4, 2025**

(in thousands of Canadian dollars)

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**SIR Corp.**
**Condensed Interim Consolidated Statements of Financial Position**  
**(Unaudited)**

(in thousands of Canadian dollars)

	<b>May 4, 2025 \$</b>	<b>August 25, 2024 \$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash	4,398	6,450
Trade and other receivables (note 6(c))	7,492	9,469
Inventories	3,457	3,769
Prepaid expenses, deposits and other assets	3,982	2,784
Loans and advances	10	10
	<u>19,339</u>	<u>22,482</u>
<b>Non-current assets</b>		
Right-of-use assets – net (note 4)	56,334	63,873
Property and equipment	42,714	44,755
Goodwill and intangible assets	5,477	5,412
	<u>123,864</u>	<u>136,522</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	27,759	32,009
Current portion of long-term debt (note 5)	11,016	10,915
Current portion of lease obligation (note 4)	17,702	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	6,667	6,037
	<u>73,135</u>	<u>76,794</u>
<b>Non-current liabilities</b>		
Long-term debt (note 5)	24,680	23,723
Long-term portion of lease obligation (note 4)	56,821	63,932
Loan Payable to Shareholder (note 5)	2,511	-
Loan payable to SIR Royalty Income Fund (note 6(a))	36,252	36,195
Provisions and other long-term liabilities	733	746
Ordinary LP Units and Class A LP Units of the Partnership (note 6(b))	95,257	93,302
	<u>289,389</u>	<u>294,692</u>
<b>Shareholders' Deficiency</b>		
<b>Capital stock</b>	20,357	20,357
<b>Contributed surplus</b>	194	193
<b>Deficit</b>	<u>(186,076)</u>	<u>(178,720)</u>
	<u>(165,525)</u>	<u>(158,170)</u>
	<u>123,864</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 Income (Loss)**  
**(Unaudited)**

(in thousands of Canadian dollars)

	<b>12-week period ended</b>		<b>36-week period ended</b>	
	<b>May 4, 2025</b>	<b>May 5, 2024</b>	<b>May 4, 2025</b>	<b>May 5, 2024</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Corporate restaurant operations</b>				
Food and beverage revenue (note 3)	64,847	62,026	189,055	180,677
Gift card revenue	195	153	566	432
	65,042	62,179	189,621	181,109
Costs of corporate restaurant operations	55,717	55,794	168,072	161,320
<b>Earnings from corporate restaurant operations</b>	9,325	6,385	21,549	19,789
Corporate costs	3,959	3,126	11,022	11,170
<b>Earnings before interest and income taxes</b>	5,366	3,259	10,527	8,619
Interest expense	890	762	2,247	1,719
Interest on loan payable to SIR Royalty Income Fund (note 6(a))	721	715	2,138	2,130
Interest expense (income) and other income expense (income) – net	230	116	551	122
Interest on lease obligation (note 4)	957	1,009	2,915	3,055
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 6(b))	2,951	(32,314)	10,002	(23,506)
<b>(Loss) earnings before income taxes</b>	(383)	32,971	(7,326)	25,099
Provision for income taxes	30	-	30	-
<b>Net (loss) income and comprehensive (loss) income for the period</b>	<b>(413)</b>	<b>32,971</b>	<b>(7,356)</b>	<b>25,099</b>

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)

	36-week period ended May 4, 2025			
	Capital stock \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance – Beginning of period</b>	20,357	193	(178,720)	(158,170)
Stock-based compensation	-	1	-	1
<b>Net loss and comprehensive loss for the period</b>	-	-	(7,356)	(7,356)
<b>Balance - End of period</b>	20,357	194	(186,076)	(165,525)

	36-week period ended May 5, 2024			
	Capital stock \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance – Beginning of period</b>	20,401	189	(213,697)	(193,107)
Stock-based compensation	-	3	-	3
Repurchase of capital stock	(44)	-	(131)	(175)
<b>Net loss and comprehensive loss for the period</b>	-	-	25,099	25,099
<b>Balance - End of period</b>	20,357	192	(188,729)	(168,180)

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)

	<b>12-week period ended</b>		<b>36-week period ended</b>	
	<b>May 4, 2025</b>	<b>May 5, 2024</b>	<b>May 4, 2025</b>	<b>May 5, 2024</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net (loss) income for the period	(413)	32,971	(7,356)	25,099
Items not affecting cash				
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 6(b))	2,951	(32,314)	10,002	(23,506)
Depreciation and amortization	5,228	4,895	15,555	14,408
Stock based compensation	-	-	1	3
(Recovery) impairment of financial assets	(19)	(18)	24	30
Interest expense on long-term debt and SIR Loan	1,611	1,477	4,385	3,849
Interest on lease obligations (note 4)	957	1,009	2,915	3,055
(Gain) loss on disposal of property and equipment and other assets	(35)	693	551	1,088
Supplier and other rebates received	30	-	80	50
Distributions paid to Ordinary LP and Class A LP unitholders (note 6(b))	(2,499)	(2,498)	(8,047)	(8,381)
Net change in working capital items (note 7)	3,153	186	(724)	(3,072)
Cash provided by operating activities	10,964	6,401	17,386	12,623
<b>Investing activities</b>				
Purchase of property and equipment and intangible assets	(1,214)	(5,986)	(5,987)	(15,952)
<b>Financing activities</b>				
(Decrease) increase in bank indebtedness	(1,131)	3,318	-	8,052
Proceeds from issuance of long-term debt	-	3,000	9,500	8,500
Principal repayment of long-term debt	(1,070)	(1,211)	(8,641)	(3,632)
Proceeds from loans payable to shareholder	-	-	2,500	-
Payment of lease obligations (note 4)	(4,241)	(4,500)	(12,587)	(12,244)
Interest paid	(1,262)	(1,359)	(4,113)	(3,803)
Repurchase of capital stock	-	-	-	(175)
Financing fees paid	(30)	(34)	(110)	(93)
Cash used in financing activities	(7,734)	(786)	(13,451)	(3,395)
<b>Increase (decrease) in cash during the period</b>	<b>2,016</b>	<b>(371)</b>	<b>(2,052)</b>	<b>(6,724)</b>
<b>Cash - Beginning of period</b>	<b>2,382</b>	<b>1,878</b>	<b>6,450</b>	<b>8,231</b>
<b>Cash - End of period</b>	<b>4,398</b>	<b>1,507</b>	<b>4,398</b>	<b>1,507</b>

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

# **SIR Corp.**

## **Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited)

**May 4, 2025**

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### **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 May 4, 2025, the Company owned a total of 53 (August 25, 2024 - 55) Concept and Signature restaurants in Canada (in Ontario, Quebec, Alberta, 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™, 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 June 17, 2025.

#### **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.

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## **Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited)

**May 4, 2025**

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### **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. The Company has not yet assessed the impact of the amendment on the condensed interim consolidated financial statements.

#### **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

# SIR Corp.

## Notes to Condensed Interim Consolidated Financial Statements

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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 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		36-week period ended	
	May 4, 2025	May 5, 2024	May 4, 2025	May 5, 2024
	\$	\$	\$	\$
	(in thousands of dollars)			
Jack Astor's	39,987	41,658	115,714	121,449
Scaddabush	19,163	15,824	56,944	44,692
Signature Restaurants	5,678	4,524	16,372	14,516
Corporate	19	20	25	20
	64,847	62,026	189,055	180,677



**SIR Corp.****Notes to Condensed Interim Consolidated Financial Statements****(Unaudited)****May 4, 2025****4 Right-of-use assets and lease obligations**

Right-of-use assets are for the following assets in the consolidated balance sheet as at May 4, 2025:

	<b>Property</b> <b>\$</b> (in thousands of dollars)	<b>Equipment</b> <b>\$</b> (in thousands of dollars)	<b>Total</b> <b>\$</b>
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
36-week period ended May 4, 2025			
Additions	2,417	4	2,421
Amortization	(9,422)	(52)	(9,474)
Lease incentives	(486)	-	(486)
Right-of-use assets – net at May 4, 2025	56,017	317	56,334

For the 12-week and 36-week periods ended May 4, 2025 and May 5, 2024, lease obligations were as follows:

	<b>12-week period ended</b>		<b>36-week period ended</b>	
	<b>May 4, 2025</b> <b>\$</b>	<b>May 5, 2024</b> <b>\$</b>	<b>May 4, 2025</b> <b>\$</b>	<b>May 5, 2024</b> <b>\$</b>
	(in thousands of dollars)			
Balance - Beginning of period	75,387	86,275	81,774	86,158
Additions	2,421	1,619	2,421	5,554
Modifications	-	1,143	-	3,023
Disposals	-	(665)	-	(665)
Repayments	(4,242)	(4,500)	(12,587)	(12,244)
Interest	957	1,009	2,915	3,055
Balance - End of period	74,523	84,881	74,523	84,881
Current portion	17,702	17,287	17,702	17,287
Long-term portion	56,821	67,594	56,821	67,594

# **SIR Corp.**

## **Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited)

**May 4, 2025**

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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 \$38,733,000 consisting of a \$20,000,000 revolving term credit facility (Credit Facility 1), a \$8,432,000 non-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 \$4,051,000 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 3.25% and/or the bankers' acceptance rate plus 4.25%, 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 May 4, 2025, \$17,000,000 was drawn Credit Facility 1.

Credit Facility 2 is a non-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 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 balance due on the Maturity Date. For the 12-week period ended May 4, 2025, SIR repaid \$1,183,000 on this facility. As at May 4, 2025, \$8,432,000 was drawn on Credit Facility 2.

As at May 4, 2025, the Company has drawn \$21,947,000 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 3.50%. A standby fee of 0.90% is charged on the undrawn balance of this facility. As at May 4, 2025, 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 4.00%. The moratorium has elapsed, and SIR has commenced repayment on this facility. For the 12-week period ended May 4, 2025, SIR repaid \$174,000 on this facility. As at May 4, 2025, \$4,051,000 was drawn on this facility.

As at May 4, 2025, the Company's liquidity was comprised of \$3,484,114 in cash on hand (which excludes cash on hand from the Partnership of \$913,425) and \$3,000,000 available to borrow under the Company's Credit Facilities 1 and 2. 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

## **SIR Corp.**

### **Notes to Condensed Interim Consolidated Financial Statements**

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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.

On February 2, 2025, the Company received a \$2,500,000 loan from a shareholder, due on July 6, 2026, bearing interest at 5.20% per annum. In conjunction with the Credit Agreement, on March 7, 2025, the Company and the shareholder entered into an Interlender Agreement to subordinate and postpone their claims against the Company in favour of the Lender. The Lender has issued a Waiver and Consent Agreement to the Company and the shareholder to allow this loan to be “permitted indebtedness” pursuant to the Credit Agreement, waiving any instances of covenant defaults, as at the effective date of February 3, 2025. Interest expense charged to the condensed interim consolidated statements of operations and comprehensive loss for the 12-week and 36-week periods ended May 4, 2025 was \$6,419 and \$11,419, respectively (12-week and 36-week periods ended May 5, 2024 - nil, respectively). Interest payable on the shareholder loan as at May 4, 2025 was \$11,419 (August 25, 2024 - nil) and is recorded in non-current liabilities.

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 by 0.50%, with the exception of the BDC Guaranteed Facility, which remains fixed at 4.00% per annum.

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.

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.

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### Notes to Condensed Interim Consolidated Financial Statements

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May 4, 2025

Borrowings subject to financial covenants	Financial covenant	Frequency tested	Ratios to be compliant as at May 4, 2025	Ratios as at May 4, 2025
\$32,248,000*	Senior Leverage Ratio (a)	Quarterly	Maximum of 2.5:1	2.07:1
\$32,248,000*	Fixed Charge Coverage Ratio (b)	Quarterly	Minimum of 1.10:1	1.18:1

\* The fair value of the borrowings subject to financial covenants pursuant to the Credit Agreement is \$32,248,000, which excludes deferred financing fees of \$36,000.

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:

(a) 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” or due to shareholder); 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.

(b) 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.

Subsequent to May 4, 2025, on May 15, 2025, the Company entered into a new credit agreement (“New Credit Agreement”) to refinance the previous credit facility (note 8).

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## **Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited)

**May 4, 2025**

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### **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 May 4, 2025, 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 income (loss) for the 12-week and 36-week periods ended May 4, 2025 was \$721,000 and \$2,138,000, respectively (12-week and 36-week periods ended May 5, 2024 - \$715,000 and \$2,130,000, respectively), which includes interest on the SIR Loan of \$702,000 and \$2,081,000, respectively (12-week and 36-week periods ended May 5, 2024 - \$695,000 and \$2,072,000, respectively), amortization of financing fees of \$19,000 and \$57,000, respectively (12-week and 36-week periods ended May 5, 2024 - \$19,000 and \$57,000, respectively). Interest payable on SIR Loan as at May 4, 2025 was \$107,000 (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 May 4, 2025 were \$3,748,000 (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.

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

	12-week period ended		36-week period ended	
	May 4, 2025 \$	May 5, 2024 \$	May 4, 2025 \$	May 5, 2024 \$
		(in thousands of dollars)		
Balance - Beginning of period	104,796	144,534	103,293	141,609
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	2,951	(32,314)	10,002	(23,506)
Distributions paid to Ordinary LP and Class A LP unitholders	(2,499)	(2,498)	(8,047)	(8,381)
Balance - End of period	105,248	109,722	105,248	109,722
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(9,991)	(9,991)	(9,991)	(9,991)
Ordinary LP Units and Class A LP Units of the Partnership	95,257	99,731	95,257	99,731

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

	12-week period ended		36-week period ended	
	May 4, 2025 \$	May 5, 2024 \$	May 4, 2025 \$	May 5, 2024 \$
		(in thousands of dollars)		
Pooled Revenue*	63,752	59,789	177,162	174,252
Partnership royalty income*	3,825	3,587	10,630	10,455
Other income	13	6	24	17
Partnership expenses	(17)	(14)	(70)	(99)
Net earnings of the Partnership	3,821	3,579	10,584	10,373
The Company's interest in the earnings of the Partnership	(1,282)	(1,058)	(3,464)	(3,193)
Fund's interest in the earnings of the Partnership	2,539	2,521	7,120	7,180

\*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.

## **SIR Corp.**

### **Notes to Condensed Interim Consolidated Financial Statements**

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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 condensed interim 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 condensed interim consolidated statements of operations and comprehensive income (loss).

During the 12-week and 36-week periods ended May 4, 2025, distributions of \$2,513,000 and \$7,137,000, respectively (12-week and 36-week periods ended May 5, 2024 - \$2,501,000 and \$7,208,000, respectively) were declared to the Fund through the Partnership. Distributions paid during the 12-week and 36-week periods ended May 4, 2025 were \$2,499,000 and \$8,047,000, respectively (12-week and 36-week periods ended May 5, 2024 - \$2,498,000 and \$8,381,000, respectively). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions payable to the Fund as at May 5, 2024 were \$3,390,000 (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, 2025, four new SIR Restaurants were added (January 1, 2024 – one) to the Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of four new SIR Restaurants on January 1, 2025 (January 1, 2024 – one) as well as the Second Incremental Adjustment for the one new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2024 (January 1, 2023 – two), 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 one (January 1, 2024 – three) SIR Restaurants during 2024. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted

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## Notes to Condensed Interim Consolidated Financial Statements

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581,312 Class B GP Units into 581,312 Class A GP Units on January 1, 2025 (January 1, 2024 – SIR converted 212,825 Class A GP Units into Class B GP Units), increasing the value of the SIR Rights by \$7,080,935 (January 1, 2024 – decreasing the value of the SIR rights by \$1,612,625).

In addition, the revenues of the one (January 1, 2023 – two) new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2024 were greater than 80% of the Initial Adjustment's estimated revenue and, as a result, the distributions of the Class A GP Units were increased by a special conversion distribution of \$36,292 in December 2024 and paid in January 2025 (January 1, 2023 the revenues of the two new SIR Restaurants 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).

As at May 4, 2025, after the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2025, the Company's residual interest in the Partnership is 15.78% (August 25, 2024 – 10.55%). The Company continues to maintain control of the Partnership and, therefore, continues to consolidate the Partnership.

### c) Advances receivable from SIR Royalty Income Fund

Advances receivable from the Fund as at May 4, 2025 were \$2,827,000 (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 and 36-week periods ended May 5, 2024, the Partnership provided these services to the Fund and the Trust for consideration of \$6,000 and \$17,000 (12-week and 36-week periods ended May 5, 2024 - \$6,000 and \$17,000), 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		36-week period ended	
	May 4, 2025	May 5, 2024	May 4, 2025	May 5, 2024
	\$	\$	\$	\$
		(in thousands of dollars)		
Trade and other receivables	(302)	49	1,953	225
Inventories	396	(496)	312	(410)
Prepaid expenses, deposits and other assets	(880)	756	(1,198)	(865)
Trade and other payables	3,957	1,612	(1,765)	(277)
Provisions and other long-term liabilities	(18)	(1,735)	(26)	(1,745)
	3,153	186	(724)	(3,072)



# **SIR Corp.**

## **Notes to Condensed Interim Consolidated Financial Statements**

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### **8 Subsequent event**

Subsequent to the 36-week period ended May 4, 2025, on May 15, 2025, the Company entered into a New Credit Agreement with a syndicate of two Schedule 1 Canadian chartered banks (the “Lenders”) to refinance the previous credit facility. The New Credit Agreement provides for a three-year facility for a maximum principal amount of \$68,000,000 consisting of a \$5,000,000 revolving term credit facility (the “Operating Facility”), a \$38,000,000 revolving term loan (the “Term Facility”) and a \$25,000,000 non-revolving term loan (the “Delayed Draw Facility”). The Company and the Lender have also entered into a purchase card agreement providing credit of up to an additional \$1,500,000. The Term Facility was fully drawn at closing and was used to extinguish SIR’s existing senior debt.

The Operating Facility is for general corporate and operating purposes, with full repayment due on May 15, 2028.

The initial advance on the Term Facility is repayable in quarterly instalments of \$792,000, with the remaining outstanding principal balance due on May 15, 2028. Subsequent advances on the Term Facility may be requested (subject to availability and lender approval), in a minimum amount of \$1,000,000 and in multiples of \$100,000, to finance capital spending on renovated restaurants. Each subsequent advance will be repayable in equal quarterly instalments based on a twelve-year amortization, with the remaining outstanding principal balance due on May 15, 2028.

The initial advance on the Delayed Draw Facility was \$912,000, repayable in quarterly instalments of \$21,000 with the first quarterly repayment to be made on August 28, 2026, and the remaining outstanding principal balance due on May 15, 2028. Subsequent advances on the Delayed Draw Facility may be requested (subject to availability and lender approval), in a minimum amount of \$250,000, to finance capital spending on new restaurants. Each subsequent advance will be subject to interest only payments for the first four quarters and interest plus principal repayable thereafter in equal quarterly instalments based on an eleven-year amortization, with the remaining outstanding principal balance due on May 15, 2028.

The Operating Facility, the Term Facility and the Delayed Draw Facility bear interest at the prime rate and/or the term CORRA rate plus an applicable margin that is dependent on the Senior Net Funded Debt to Adjusted EBITDA Ratio. A standby fee, dependent on the Senior Net Funded Debt to Adjusted EBITDA Ratio, is charged on the undrawn balance of each facility.

Under the new Intercreditor Agreement, absent any default or event of default under the New 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 Lenders have 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 New 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

## **SIR Corp.**

### **Notes to Condensed Interim Consolidated Financial Statements**

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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.

The New Credit Agreement allows for repayment of the shareholder loan, provided, among other conditions outlined in the New Credit Agreement, the entire outstanding amount, including all principal and interest, is repaid in a single payment and is made using excess cash on hand.

<b>Borrowings subject to financial covenants</b>	<b>Financial covenant</b>	<b>Frequency tested</b>	<b>Ratios to be compliant as at May 4, 2025</b>
N/A	Senior Net Funded Debt to Adjusted EBITDA Ratio (a)	Quarterly	Maximum of 3.85:1
N/A	Fixed Charge Coverage Ratio (b)	Quarterly	Minimum of 1.10:1

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

(a) Senior Net Funded Debt to Adjusted EBITDA Ratio is the ratio of: the numerator of which is Senior Net Funded Debt, and the denominator which is EBITDA.

(b) Fixed Charge Coverage Ratio is defined for any period, the ratio of: the numerator of which is EBITDA, less the aggregate amount of Maintenance Capital Expenditures, cash Distributions and cash Taxes paid in such period, and the denominator of which is Funded Debt Service.

For the purposes of these financial covenants, the New Credit Agreement defines:

“EBITDA” as net income or net loss for the relevant period, calculated on a consolidated rolling four quarter basis, plus interest expense, income tax expense, depreciation and amortization, non-cash losses and expenses, expenses incurred and paid and proforma loss of revenue due to cybersecurity events (for the fiscal year ended August 31, 2025 only and up to a maximum aggregate amount, with limitations), cash distributions received from the Partnership, less non-cash income and cash rent payments.

“Adjusted EBITDA” as EBITDA for the relevant period, calculated on a consolidated rolling four quarter basis, plus restaurant closure costs and operating losses up to a maximum aggregate amount, certain pre-opening new restaurant opening expenses, any extraordinary or non-recurring cash expenses (as approved by the Lenders), less any extraordinary or non-recurring gains for the relevant period.

“Funded Debt Service” is the aggregate amount of interest paid or payable in cash plus the aggregate amount of scheduled principal payments and Capital Lease payments paid or payable in cash, both in respect of the Funded Debt, calculated on a consolidated basis.

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“Maintenance Capital Expenditures” are Capital Expenditures that were not made for the purpose of new restaurants or for the replacement, substitution or restoration of capital assets of the Company’s office premises or existing operating restaurants.

The New Credit Agreement is secured by substantially all 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.