SIR Corp.

Consolidated Financial Statements
August 31, 2025 and August 25, 2024
(in thousands of Canadian dollars)

Independent auditor's report

To the Directors of SIR Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SIR Corp. and its subsidiaries (together, the Company) as at August 31, 2025 and August 25, 2024, and its financial performance and its cash flows for the 53-week period ended August 31, 2025 and for the 52-week period ended August 25, 2024 in accordance with IFRS Accounting Standards.

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at August 31, 2025 and August 25, 2024;
- the consolidated statements of operations and comprehensive (loss) income for the 53-week period ended August 31, 2025 and for the 52-week period ended August 25, 2024;
- the consolidated statements of changes in shareholders' deficiency for the 53-week period ended August 31, 2025 and for the 52-week period ended August 25, 2024;
- the consolidated statements of cash flows for the 53-week period ended August 31, 2025 and for the 52-week period ended August 25, 2024; and
- the notes to the consolidated financial statements, comprising material accounting policy information 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 Company 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.

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Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express 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, 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.

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 Accounting Standards, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
November 20, 2025

SIR Corp.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	August 31, 2025 $	August 25, 2024 $ (revised – note 14(b))
Assets		
Current assets		
Cash	13,429	6,450
Trade and other receivables (notes 6 and 14(c))	8,602	9,469
Inventories	3,452	3,769
Prepaid expenses, deposits and other assets	2,352	2,784
Loans and advances (note 7)	10	10
	27,845	22,482
Non-current assets		
Right-of-use assets – net (note 12)	53,949	63,873
Property and equipment (note 8)	43,528	44,755
Goodwill and intangible assets (note 9)	5,165	5,412
	130,487	136,522
Liabilities		
Current liabilities		
Trade and other payables (notes 10 and 14(a))	30,711	32,009
Current portion of long-term debt (notes 5 and 13)	3,187	10,915
Current portion of lease obligation (note 12)	17,480	17,842
Current portion of Ordinary LP Units and Class A LP Units of the Partnership (note 14(b))	10,674	9,991
Current portion of provisions and other long-term liabilities (note 15)	7,387	6,037
	69,439	76,794
Non-current liabilities		
Long-term debt (notes 5 and 13)	34,547	23,723
Long-term portion of lease obligation (note 12)	56,418	63,932
Loan payable to SIR Royalty Income Fund (notes 5 and 14(a))	36,277	36,195
Provisions and other long-term liabilities (note 15)	944	746
Ordinary LP Units and Class A LP Units of the Partnership (note 14(b))	121,295	97,031
	318,920	298,421
Shareholders' Deficiency		
Capital stock (note 16)	20,357	20,357
Contributed surplus (note 17)	280	193
Deficit	(209,070)	(182,449)
	(188,433)	(161,899)
	130,487	136,522

Approved by the Board of Directors

Director: (Signed) John Young

Director: (Signed) Peter Fowler

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

SIR Corp.

Consolidated Statements of Operations and Comprehensive (Loss) Income

(in thousands of Canadian dollars)

	53-week Period ended August 31, 2025 $	52-week Period ended August 25, 2024 $
Corporate restaurant operations		
Food and beverage revenue (note 11)	289,482	271,342
Gift card revenue	801	623
	290,283	271,965
Costs of corporate restaurant operations (notes 18 and 19)	252,672	238,501
Earnings from corporate restaurant operations	37,611	33,464
Corporate costs (notes 18 and 19)	16,906	15,618
Earnings before interest and income taxes	20,705	17,846
Interest expense (note 13)	3,213	2,807
Interest on loan payable to SIR Royalty Income Fund (notes 13 and 14(a))	3,520	3,066
Interest (income) expense and other (income) expense - net	274	259
Interest on lease obligation (note 12)	3,838	4,042
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 14(b))	36,439	(27,436)
	(26,579)	35,108
Provision for income taxes (note 22)	42	-
Net (loss) income and comprehensive (loss) income for the period	(26,621)	35,108

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

SIR Corp.

Consolidated Statements of Changes in Shareholders' Deficiency

(in thousands of Canadian dollars)

	53-week period ended August 31, 2025			
	Capital stock $	**Contributed surplus $**	**Deficit $**	**Total $**
Balance – Beginning of period as at August 25, 2024 (as revised below) (note 14b))	20,357	193	(182,449)	(161,899)
Reclassification of equity settled stock-based compensation to cash settled (note 17)	-	(193)	-	(193)
Stock-based compensation (notes 16 and 17)	-	280	-	280
Net loss and comprehensive loss for the period	-	-	(26,621)	(26,621)
Balance - End of period	20,357	280	(209,070)	(188,433)

	52-week period ended August 25, 2024			
	Capital stock $	**Contributed surplus $**	**Deficit $**	**Total $**
Balance – Beginning of period as at August 27, 2023 (as previously reported)	20,401	189	(213,697)	(193,107)
Revision (note 14(b))	-	-	(3,729)	(3,729)
Balance – Beginning of period as at August 27, 2023 revised	20,401	189	(217,426)	(196,836)
Stock-based compensation (notes 16 and 17)	-	4	-	4
Repurchase of capital stock (note 16)	(44)	-	(131)	(175)
Net income and comprehensive income for the period	-	-	35,108	35,108
Balance - End of period	20,357	193	(182,449)	(161,899)

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

SIR Corp.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	53-week period ended August 31, 2025 $	52-week period ended August 25, 2024 $
Cash provided by (used in)		
Operating activities		
Net (loss) income for the period	(26,621)	35,108
Items not affecting cash		
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 14(b))	36,439	(27,436)
Depreciation and amortization (notes 8, 9, and 12)	22,867	20,605
Stock based compensation (note 17)	2,036	4
(Recovery) impairment of financial assets (note 14(c))	(111)	(4)
(Recovery) impairment of goodwill and non-financial assets (notes 8, 9 and 12)	690	(351)
Interest expense on long-term debt and SIR Loan (notes 13 and 14(a))	6,733	5,873
Interest on lease obligations (note 12)	3,838	4,042
Loss on disposal of property and equipment and other assets (notes 8 and 12)	1,247	4,597
Supplier and other rebates received	504	30
Distributions paid to Ordinary LP and Class A LP unitholders (note 14(b))	(11,492)	(10,880)
Net change in working capital items (note 21)	1,397	65
Cash provided by operating activities	37,527	31,653
Investing activities		
Purchase of property and equipment and intangible assets (notes 8 and 9)	(10,210)	(23,995)
Financing activities		
Proceeds from issuance of long-term debt (note 13)	48,412	17,500
Principal repayment of long-term debt (note 13)	(44,374)	(4,842)
Payment of lease obligations (note 12)	(16,967)	(16,498)
Interest paid (note 13)	(6,007)	(5,248)
Repurchase of capital stock (note 16)	-	(175)
Financing fees paid (note 13)	(1,402)	(176)
Cash used in financing activities	(20,338)	(9,439)
Increase (decrease) in cash during the period	6,979	(1,781)
Cash - Beginning of period	6,450	8,231
Cash - End of period	13,429	6,450

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

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 August 31, 2025, the Company owned a total of 54 (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, Loose Moose Tap & Grill® and Edna + Vita™. The Company also owned two Dukes Refresher® & Bar (Duke's Refresher) locations 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 14(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 14(a)) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of SIR Royalty Limited Partnership (the Partnership) (note 14(a) and 14(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 consolidated financial statements were approved for issuance by the Board of Directors on November 19, 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 consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

3 Summary of material accounting policies

The material accounting policies used in the preparation of these 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 certain assets and liabilities as outlined in Financial Instruments (note 5).

Consolidation

The Company's consolidated financial statements include the accounts of the Company and its subsidiaries. The subsidiaries include one structured entity, being the Partnership, and the following wholly owned subsidiaries: Jack Astor's (Dorval) Realty Inc., Jack Astor's (Greenfield) Realty Inc., Jack Astor's (Boisbriand) Realty Inc., Jack Astor's (Laval) Realty Inc., Jack Astor's MacLeod Trail Ltd., Armadillo Burlington Limited Partnership, SIR West Inc., 1031246 Ontario Limited, and 961471 Ontario Limited.

All intercompany accounts and transactions have been eliminated.

The Company 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 Company and are deconsolidated from the date control ceases.

Revenue recognition

Revenue is derived from the sale of goods and is recognized at a point in time when the performance obligation is fulfilled. For sales to consumers, the performance obligation is deemed fulfilled when food and beverage is purchased. Revenue from full-service restaurants and third party delivery channels is recognized when services are rendered. Revenue is recorded net of discounts and delivery fees. Revenue from branded food products sold to other retail channels outside of restaurant operations are recognized when the customer takes ownership of the product and the Company has no ongoing involvement with the sold product.

Gift card revenue represents the estimated revenue that is earned on gift card sales where the gift card will never be redeemed. This breakage amount is estimated based on historical actuals as a percentage of sales. Deferred revenue represents amounts paid by customers in advance of the purchase of products which typically takes the form of pre-loaded gift cards. The amounts received are recorded as a liability within the current portion of provisions and other long-term liabilities on the consolidated statements of financial position. Once a gift card is redeemed to make a purchase, the liability is relieved, and revenue is recognized as part of food and beverage revenue.

Costs of corporate restaurant operations

Costs of corporate restaurant operations include all costs directly attributable to the operations of the restaurants, including food and beverage costs, labour, rent, depreciation and amortization, impairment losses, and other direct costs of restaurant operations, including an allocation of costs for information technology, finance and other corporate costs.

Corporate costs

Corporate costs include salaries and benefits, selling and marketing expenses, professional and other fees and other general and administrative expenses.

Cash

Cash include cash on hand, deposits with banks and other short-term, highly liquid investments with original maturities of three months or less.

Inventories

Inventories, which consist of food, beverage and merchandise, are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price less applicable selling expenses. If the carrying value exceeds the net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the consolidated statements of operations and comprehensive (loss) income during the period in which they are incurred.

The major categories of property and equipment are depreciated on a straight-line basis as follows:

Corporate furniture, fixtures and equipment	5 years straight-line
Computer equipment and software	5 years straight-line
Restaurant furniture, fixtures and equipment	5 to 10 years straight-line
Leasehold improvements	over the lease term on a straight-line basis to a maximum of 10 years

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, methods of amortization and useful lives of the assets are reviewed annually and adjusted, if appropriate.

Impairment losses and gains and losses on disposals of restaurant property and equipment are included in costs of corporate restaurant operations.

Intangible and other assets

Intangible computer software is recorded at cost, less accumulated amortization, and is amortized over three to five years on a straight-line basis.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost, less accumulated impairment losses. Impairment losses are recognized in the costs of corporate restaurant operations. Goodwill is allocated to each cash-generating unit (CGU) that is expected to benefit from the related business combination. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment of non-financial assets

Property and equipment and intangible assets (other than goodwill) are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists. Management monitors goodwill for internal purposes based on its CGUs, which are the restaurants.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration. Goodwill is assessed for impairment together with the assets and liabilities of the related CGU. Impairment losses are recognized in the costs of corporate restaurant operations.

Leases

IFRS 16 requires lessees to recognize a lease obligation reflecting future lease payments and a right-of-use asset for virtually all lease contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Company is reasonably certain it will exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease obligation.

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease obligation is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease obligation is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statements of operations if the carrying amount of the right-of-use asset has been reduced to zero.

The Company leases various restaurant properties, offices, warehouses, and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding lease obligation at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the repayment of the principal portion of the lease obligation and the interest portion. The interest expense is charged to the consolidated statement of operations and comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and obligations arising from a lease are initially measured on a present value basis. Lease obligations include the net present value of the following lease payments:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment.

Supplier rebates

Supplier rebates are upfront payments received under supplier agreements, which are recognized as a reduction of the cost of purchases over the term of the supplier agreements.

Financial instruments

At initial recognition, the Company classifies its financial instruments in the following categories:

i) Financial assets at amortized cost: Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's financial assets at amortized cost comprise cash, trade and other receivables and loans and advances, and are included in current assets due to their short-term nature, except for the portion expected to be realized beyond 12 months from the date of the consolidated statements of financial position. Financial assets at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, financial assets at amortized cost are measured at amortized cost using the effective interest method less a provision for impairment.

ii) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term.

   Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statements of operations and comprehensive (loss) income. Gains and losses arising from changes in the fair value are presented in the consolidated statements of operations and comprehensive (loss) income in interest (income) expense and other (income) expense in the period in which they arise. Non-derivative financial assets and liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realized or paid beyond 12 months of the date of the consolidated statements of financial position, which is classified as long-term.

iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade and other payables, long-term debt, loan payable to SIR Royalty Income Fund and the Ordinary LP Units and Class A LP Units of the Partnership. Trade and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Long-term debt, the loan payable to SIR Royalty Income Fund and the Ordinary LP Units and Class A LP Units of the Partnership are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

Impairment of financial assets

i) Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following:

i) significant financial difficulty of the obligor;
ii) delinquencies in interest or principal payments;
iii) restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganization; or
v) the disappearance of an active market for a security because of financial difficulties.

ii) Financial instruments and contract assets

The Company recognizes loss allowances for expected credit losses on:

i) financial assets measured at amortized cost; and
ii) contracted assets.

The Company measures loss allowances at an amount equal to lifetime expected credit losses.

Loss allowances for trade receivables are measured at an amount equal to lifetime expected credit losses. Expected credit losses are those that result from all possible default events over the expected life of a financial instrument. Expected credit losses are probability-weighted estimate of credit losses, and credit losses are measured as the present value of cash shortfalls from a financial asset.

The Company determines whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating lifetime expected credit losses, by considering reasonably available quantitative and qualitative information based on the Company’s credit risk experience, forward looking information, and other reasonable estimates.

Ordinary LP Units and Class A LP Units of the Partnership

The Ordinary LP Units and Class A LP Units of the Partnership, which are held by the Fund, require the Company to pay distributions to the Fund when declared by the Board of Directors of SIR GP Inc. SIR GP Inc. is controlled by the Fund and, accordingly, the Company is unable to control the declaration of these distributions. As a result, the Ordinary LP Units and Class A LP Units of the Partnership have been classified as a liability in the consolidated statements of financial position. The Ordinary LP Units and Class A LP Units were initially recorded at fair value and subsequently at amortized cost, which requires updating the carrying amount of the financial liability to reflect actual and revised estimates in cash flows. The changes in the estimated cash flows are derived from changes in the value of the underlying Fund units adjusted for taxes and the Company's loan payable to the Fund. Changes in amortized cost are recognized in the consolidated statements of operations and comprehensive (loss) income.

Income taxes

Income tax comprises current and deferred income taxes. Income taxes are recognized in the consolidated statements of operations and comprehensive (loss) income, except to the extent to which they relate to items recognized directly in other comprehensive income (OCI) or directly in equity, in which case the income taxes are also recognized directly in OCI or equity, respectively.

Current tax is the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to taxes payable in respect of previous years.

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. However, deferred income taxes are not recognized if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income taxes are provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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 dates and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and liabilities are presented as non-current.

Stock-based compensation and other stock-based payments

The Company has a stock option plan for certain executives, which contains certain time-based and performance-based options. Each tranche of the award is considered a separate award with its own vesting period and grant date fair value. The option holder can request to settle these awards on a cash basis. This request is at the option of the compensation committee. Settlement on a cash basis would represent the difference between the exercise price of the option and the fair value option. Compensation expense is recognized over the tranche's vesting period and a corresponding adjustment is made each reporting period to current portion of provisions and other long-term liabilities to recognize the fair value of the liability settled instruments using the Black-Scholes option pricing model, taking into consideration estimates for forfeitures. The stock compensation liability is reduced as options are settled. The stock compensation liability is reduced when options expire through a credit to the corresponding stock compensation expense.

The Company also has a stock option plan for directors. Each tranche of the award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche's vesting period and a corresponding adjustment to contributed surplus equal to the fair value of the equity instruments granted using the Black-Scholes option pricing model taking into consideration estimates for forfeitures. The contributed surplus is reduced as options are exercised through a credit to capital stock. The contributed surplus is reduced when options expire through a credit to the corresponding stock compensation expense.

Any consideration paid by employees or directors on exercising stock options is credited to capital stock.

Long-term management bonus

The Company has a long-term phantom stock option management bonus program, for corporate and area directors, with the opportunity to earn a bonus based on the overall valuation of the Company. The percentage of cash flow earned depends on the director's years of service, salary and vested "in the money" phantom options.

The discount rate applied in arriving at the present value of the liability represents the equivalent yield on high quality corporate bonds denominated in Canadian dollars and having terms to maturity approximating the terms of the related liability. Current service cost and past service costs arising on the liability are included in the costs of corporate restaurant operations and corporate costs in the consolidated statements of operations and comprehensive (loss) income. Interest costs arising on the liability are included in interest expense. Past service costs and changes in estimates are recognized immediately in the period.

Asset retirement obligations

Asset retirement obligations are the legal obligations associated with the retirement of tangible non-financial assets. The Company has determined the lease-end remediation costs based on its best estimate of the required payment to settle the obligation. Accretion of the obligation over time is based on the market rate of interest for maturity dates that coincide with the expected cash flows.

Provisions and contingent liabilities

Provisions are recognized when present (legal or constructive) obligations as a result of a past event will lead to a probable outflow of economic resources and the amounts can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered remote, no liability has been recognized.

Borrowing costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statements of operations and comprehensive (loss) income in the period in which they are incurred.

Recently adopted IFRS Accounting Standards

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 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 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 consolidated financial statements.

IFRS Accounting Standards 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 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 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 consolidated financial statements.

4 Significant accounting estimates and judgments

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of its consolidated financial statements.

Impairment of non-financial assets

The Company tests goodwill for impairment at least annually and tests other non-financial assets for impairment when there is any indication that the asset might be impaired. The Company has estimated the recoverable amounts of the CGUs to which goodwill is allocated using discounted cash flow models that required assumptions about future cash flows, margins and discount rates. Refer to note 8 and note 9 for more details about methods and assumptions used in estimating the recoverable amounts.

Loans and advances

Loans and advances are recorded at amortized cost and are written down to their estimated realizable amount when there is evidence of an impairment. As at August 31, 2025, the Company has fully provided for any loans and advances receivable from US SIR LLC.

Consolidation of the Partnership

The determination of the entity having the power to govern the financial and operating policies of the Partnership required significant judgments. Based on an evaluation of the activities of the Partnership and the Partnership Agreement, management concluded the substance of the relationships between the Partnership, the Company and the Fund indicates that the Partnership is controlled by the Company. Accordingly, the Company has consolidated the Partnership.

Ordinary LP Units and Class A LP Units of the Partnership

The classification of a financial instrument as a liability or equity requires significant judgment. Based on an evaluation of the Partnership Agreement and rights of the Company and SIR GP Inc. under this agreement, management concluded that the Company has an obligation to pay distributions once declared. Accordingly, the Ordinary LP Units and Class A LP Units of the Partnership held by the Fund have been classified as a liability in the consolidated statements of financial position.

In addition, accounting for the Ordinary LP Units and Class A LP Units at amortized cost also requires significant estimates. Management is required to estimate the future cash flows for the distributions on the Ordinary LP Units and Class A LP Units, which are estimated using the changes in the underlying unit price of the Fund units adjusted for taxes and the Company’s loan payable to the Fund. Accordingly, the adjustments and methods used to estimate the cash flows are subject to uncertainty due to the fact that the expected cash flows can only be observed indirectly.

The current portion of the Ordinary LP Units and Class A LP Units is estimated based on the expected cash payments in the next fiscal year. The actual cash payments could differ from the estimates due to changes in the Fund’s distribution policy, requirements of the Fund to settle its obligations, such as income taxes, and the performance of the Royalty Pooled Restaurants.

Income taxes

The Company has recognized certain deferred tax liabilities related to its investments in subsidiaries, based on management’s estimate of the amount of the deferred tax liability that may reverse in the foreseeable future. In estimating the amount of the deferred tax liability, management considered the Company’s strategies and its future financing requirements. Changes in the Company’s strategic plan or financing requirement could result in a change in the amount of the deferred tax liability recognized.

5 Financial instruments

Classification

The following table summarizes the carrying values, fair values and classification of the financial assets and liabilities:

	August 31, 2025		August 25, 2024	
	Carrying value $	**Fair value $**	**Carrying value $**	**Fair value $**
	(in thousands of dollars)		(in thousands of dollars)	
Amortized cost				
Cash	13,429	13,429	6,450	6,450
Trade and other receivables	8,602	8,602	9,469	9,469
Loans and advances	10	10	10	10
Liabilities				
Amortized cost				
Trade and other payables	30,711	30,711	32,009	32,009
Long-term debt	37,734	38,912	34,638	34,874
Loan payable to SIR Royalty Income Fund (a)	36,277	see below	36,195	see below
Ordinary LP Units and Class A LP Units of the Partnership (b) (note 14(b))	131,969	see below	107,022	see below

Carrying and fair values

Cash, trade and other receivables and trade and other payables are short-term financial instruments the fair values of which approximate their carrying values, given that they will mature in the short term. The carrying value of the loans and advances approximates fair value as the effective interest rate approximates current market rates. The fair value of long-term debt is determined based on the estimated contractual schedule of payments as the interest rate varies with the current market rates or, in the case of the finance lease obligations, the effect interest rate approximates current market rates.

(a) The loan payable to the Fund is due to a related party (see note 14(a)) and there is no active market for the debt. The Company intends to hold the loan payable to the Fund until its maturity on October 12, 2044. The fair value of the loan payable to the Fund as at September 30, 2025 is estimated to be $36,750,000 (January 1, 2025 - $38,500,000).

The fair value of the loan payable to the Fund is estimated by discounting the expected cash flows using a current market interest rate adjusted for the Company's credit risk. In determining the appropriate discount rate, management has estimated the discount rate by considering comparable corporate bond rates, risk free rates and the Company's credit risk.

During the nine-month period ended September 30, 2025 for the Fund, the discount rate increased to 8.35% from December 31, 2024 – 7.90%. 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.

(b) The fair value of the Ordinary LP Units and Class A LP Units of the Partnership could only be determined through the valuation of the financial instruments. The Ordinary LP Units and Class A LP Units of the Partnership are held by the Fund and there is no active market for the Ordinary LP Units and Class A LP Units. As a result, the determination of their fair values is not practicable within the constraints of timeliness and cost.

Financial risk management

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

Interest rate risk

The loan payable to the Fund has a fixed interest rate. Accordingly, changes in interest rates would not impact the consolidated statements of operations and comprehensive (loss) income or the carrying value of these financial liabilities. However, the fair value of these financial liabilities will vary with changes in interest rates.

As at August 31, 2025, the Company had $38,912,000 (August 25, 2024 - $34,638,000) in outstanding floating rate debt with an effective interest rate of 6.3% (August 25, 2024 – 6.6%). For the 53-week period ended August 31, 2025, the Company incurred interest expense on its floating rate long-term debt of $2,587,000 (52-week period ended August 25, 2024 - $2,487,000). Since the long-term debt facilities have variable interest rates, changes in market interest rates will have an impact on the Company's net earnings. An increase or decrease in the market rate of interest of 1.0% on the balances outstanding as at August 31, 2025, would result in a decrease or increase, respectively, in net earnings of $389,000 for the 53-week period ended August 31, 2025 (52-week period ended August 25, 2024 - $349,000).

The Company's policy is to invest excess cash in short-term highly liquid investments with original maturity of three months or less. It is not the Company's practice to hedge against changes in interest rates.

Market risk

The expected cash flows used in the estimate of the amortized cost of the Ordinary LP Units and Class A LP Units are derived from the market price of the Fund units adjusted for taxes and the Company's loan payable to the Fund. Accordingly, the change in the carrying value of the Ordinary LP Units and Class A LP Units changes with changes in the market price of the Fund units. An increase/decrease in the market price of the Fund units of 5% would result in an increase/decrease of the carrying value of Ordinary LP Units and Class A LP Units of the Partnership of $8,432,000 (August 25, 2024 - $7,190,000).

Credit risk

Credit risk is defined as the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in its cash, trade and other receivables and loans and advances. The Company minimizes the credit risk of cash by depositing funds with reputable financial institutions. The Company's trade and other receivables primarily comprise amounts due from major credit card companies; therefore, management believes that the Company's trade and other receivables credit risk exposure is limited.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due.

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 (note 13). 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 previous senior debt. The Company incurred $1,292,000 in financing fees under the New Credit Agreement.

As at August 31, 2025, the Company's liquidity was comprised of $12,474,000 in cash on hand (which excludes cash on hand from the Partnership of $955,000) and $29,088,000 available to borrow under the Company's Operating, Term and Delayed Draw Facilities (note 13), which currently expire on May 15, 2028. At August 31, 2025 the Term Facility was fully drawn. 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 New Credit Agreement is subject to certain conditions, including certain financial and non-financial covenants as determined by the Lender. 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 August 31, 2025	Ratios as at August 31, 2025
$38,912,000*	Senior Net Funded Debt to Adjusted EBITDA Ratio (a)	Quarterly	Maximum of 3.85:1	1.65:1
$38,912,000*	Fixed Charge Coverage Ratio (b)	Quarterly	Minimum of 1.10:1	2.01:1

* The fair value of the borrowings subject to financial covenants pursuant to the Credit Agreement is $38,912,000, which excludes deferred financing fees of $1,178,000.

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 as 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.

"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 Company consolidates its investment in the Partnership. Included in cash is $954,906 (August 25, 2024 - $1,523,375) of cash of the Partnership. These funds can only be utilized by the Partnership and are not available to the Company for other general corporate purposes. These funds are maintained in a separate bank account of the Partnership.

The estimated undiscounted contractual payments required for the financial liabilities are as follows:

	As at August 31, 2025		
	Less than 1 year $	**2 - 5 years** $	**Over 5 years** $
	(in thousands of dollars)		
Trade and other payables	30,711	-	-
Long-term debt	3,187	35,725	-
Interest on long-term debt	1,876	2,639	-
Loan payable to SIR Royalty Income Fund	-	-	40,000
Interest on loan payable to SIR Royalty Income Fund	2,992	11,968	42,419
	38,766	50,332	82,419

	As at August 25, 2024		
	Less than 1 year $	**2 - 5 years** $	**Over 5 years** $
	(in thousands of dollars)		
Trade and other payables	32,009	-	-
Long-term debt*	10,915	23,723	-
Loan payable to SIR Royalty Income Fund	-	-	40,000
Interest on load payable to SIR Royalty Income Fund	2,992	11,968	45,411
	45,916	35,691	85,411

*Includes principal repayments and an estimate of interest payable based on current market interest rates or the interest rate per the New Credit Agreement.

The above table excludes the cash flows relating to the Ordinary LP Units and Class A LP Units of the Partnership, as these are not contractual obligations until declared. The estimated amount expected to be paid, excluding the distributions on the Ordinary LP Units and Class A LP units, in the next fiscal year is $nil (August 25, 2024 - $nil).

6 Trade and other receivables

	August 31, 2025 $	August 25, 2024 $
	(in thousands of dollars)	
Trade receivables	2,280	2,932
Receivables from landlords	361	-
Receivables from SIR Royalty Income Fund and its subsidiaries (note 14(c))	2,948	3,487
Marketing receivables	1,044	762
Gift card receivables	99	76
Income taxes recoverable	325	360
Takeout & delivery partner receivables	243	388
Other	1,302	1,464
	8,602	9,469

7 Loans and advances

	August 31, 2025 $	August 25, 2024 $
	(in thousands of dollars)	
Loan receivable from U.S. S.I.R. L.L.C., with interest at 10%, interest only repayable annually, due on August 31, 2003	1,180	1,180
Advances to and receivables from U.S. S.I.R. L.L.C., non-interest bearing, due on demand	1,913	1,913
Advances to and receivables from subsidiaries of U.S. S.I.R. L.L.C., non-interest bearing, due on demand	398	398
Loan receivable from U.S. S.I.R. L.L.C., with interest at 10% and no set terms of repayment	2,284	2,284
Loan receivable from U.S. S.I.R. L.L.C., non-interest bearing, due on demand	265	265
Loan receivable from a company owned by a shareholder and director, together with a member of executive management of SIR, non-interest bearing, due on demand	10	10
	6,050	6,050
Provision for impairment	(6,040)	(6,040)
	10	10
Current portion	(10)	(10)
Long term portion	-	-

8 Property and equipment

	Corporate			Restaurants		
	Furniture, fixtures and equipment $	**Leasehold improvements $**	**Computer equipment and software $**	**Furniture, fixtures and equipment $**	**Leasehold improvements $**	**Total $**
			(in thousands of dollars)			
As at August 27, 2023						
Cost	692	582	2,630	77,424	100,657	181,985
Accumulated depreciation and impairment losses	(692)	(276)	(2,500)	(60,070)	(88,977)	(152,515)
Net book value as at August 27, 2023	-	306	130	17,354	11,680	29,470
Net book value as at August 27, 2023	-	306	130	17,354	11,680	29,470
Additions	357	-	43	9,233	14,073	23,706
Disposals (net book value)	-	(105)	-	(484)	(255)	(844)
Depreciation	(30)	(7)	(28)	(3,819)	(3,737)	(7,621)
Recovery of impairment losses	-	-	-	-	44	44
As at August 25, 2024	327	194	145	22,284	21,805	44,755
As at August 25, 2024						
Cost	1,049	477	2,673	83,763	109,549	197,511
Accumulated depreciation and impairment losses	(722)	(283)	(2,528)	(61,479)	(87,744)	(152,756)
Net book value as at August 25, 2024	327	194	145	22,284	21,805	44,755
Net book value as at August 25, 2024	327	194	145	22,284	21,805	44,755
Additions	3	83	218	2,767	4,452	7,523
Disposals (net book value)	-	-	-	(45)	(16)	(61)
Depreciation	(38)	(7)	(50)	(4,204)	(4,219)	(8,518)
Impairment losses	-	-	-	-	(171)	(171)
As at August 31, 2025	292	270	313	20,802	21,851	43,528
As at August 31, 2025						
Cost	1,052	560	2,891	79,323	111,419	195,245
Accumulated depreciation and impairment losses	(760)	(290)	(2,578)	(58,521)	(89,568)	(151,717)
Net book value as at August 31, 2025	292	270	313	20,802	21,851	43,528

Property and equipment includes $209,000 (August 25, 2024 - $198,000) of costs for restaurants under development that were not being depreciated as at August 31, 2025.

The Company conducted an (impairment) recovery analysis of these restaurants' non-financial assets (property and equipment and right-of-use). The analysis indicated that the estimated recoverable amounts for two restaurants (2024 - five) were less than the carrying value of the restaurants' non-financial assets. The 2024 analysis also indicated that the estimated recoverable amounts for two restaurants, which were previously impaired as at August 30, 2020, had significantly recovered beyond the impairment previously recorded. The analysis indicated that estimated recoverable amounts of these restaurants were significantly greater than the carrying value of the restaurants' non-financial assets by an amount that warranted a full recovery and reversal of these previously recorded impairment losses. Management performed sensitivity testing on the estimates and determined that a reasonable change in the estimates would not result in a material change in the (impairment) recovery of property and equipment.

Restaurant furniture, fixtures and equipment, leasehold improvements and non-financial assets were written up (down) to reflect their recovery (impairment) as follows:

	August 31, 2025	**August 25, 2024**
	$	**$**
	(in thousands of dollars)	
Recovery of property and equipment	-	245
Impairment of property and equipment	(171)	(201)
Net recovery (impairment)	(171)	44
Recovery of right-of-use-assets (note 12)	-	385
Impairment of right-of-use-assets (note 12)	(161)	(78)
Net recovery (impairment)	(161)	307

In the 53-week period ended August 31, 2025, the Company recorded an impairment loss of $171,000 relating to the property and equipment of one Duke's Refresher restaurant (52-week period ended August 25, 2024 – net recovery of previous impairments related to property and equipment of $44,000).

In the 53-week period ended August 31, 2025, the Company recorded an impairment loss of $161,000 relating to the right-of-use assets for two Duke's Refresher restaurants (52-week period ended August 25, 2024 – net recovery of previous impairments related to right-of-use assets of $307,000).

The recoverable amounts were based on value-in-use methodologies using a discounted cash flow model. Significant assumptions used in these models include the estimate of cash flows and a discount rate of 9% (2024 - 13%) for this methodology.

9 Goodwill and intangible assets

	Goodwill $	Computer software $	Total $
	(in thousands of dollars)		
As at August 27, 2023			
Cost	5,410	3,664	9,074
Accumulated amortization and impairment losses	(1,258)	(2,630)	(3,888)
Net book value	4,152	1,034	5,186
For the 52-week period ended August 25, 2024			
Net book value as at August 27, 2023	4,152	1,034	5,186
Additions	-	643	643
Amortization	-	(417)	(417)
As at August 27, 2023	4,152	1,260	5,412
As at August 25, 2024			
Cost	5,410	4,307	9,717
Accumulated amortization and impairment losses	(1,258)	(3,047)	(4,305)
Net book value	4,152	1,260	5,412
For the 53-week period ended August 31, 2025			
Net book value as at August 25, 2024	4,152	1,260	5,412
Additions	-	565	565
Amortization	-	(454)	(454)
Impairment loss	(358)	-	(358)
As at August 31, 2025	3,794	1,371	5,165
As at August 31, 2025			
Cost	5,410	4,872	10,227
Accumulated amortization and impairment losses	(1,616)	(3,501)	(5,062)
Net book value	3,794	1,371	5,165

Goodwill has been allocated to the following Concept restaurants:

	August 31, 2025 $	August 25, 2024 $
	(in thousands of dollars)	
Jack Astor’s	3,643	4,001
Scaddabush	151	151
	3,794	4,152

The Company conducted an impairment analysis of these restaurants' non-financial assets. The analysis indicated that the estimated recoverable amounts for all but one restaurants' with goodwill and intangible assets was greater than the carrying value of the restaurants' non-financial assets (goodwill and intangible assets). In the 53-week period ended August 31, 2025, the Company recorded an impairment loss of $358,000 relating to the goodwill of one Jack Astor's restaurant (52-week period ended August 25, 2024 - $nil).

The recoverable amount was based on value-in-use. Significant assumptions used in the discounted cash flow model included estimated cash flows for the restaurant and the discount rate of 9% (2024 - 13%). Management performed sensitivity testing and further concluded that no impairment was necessary.

10 Trade and other payables

	August 31, 2025 $	August 25, 2024 $
	(in thousands of dollars)	
Trade payables	16,568	19,872
Accrued liabilities	13,097	9,182
Construction payables	716	2,773
Interest payable	80	120
Interest payable on SIR Loan (note 14(a))	250	63
	30,711	32,009

11 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:

	53-week period ended August 31, 2025 $	52-week ended August 25, 2024 $
	(in thousands of dollars)	
Jack Astor's	176,900	180,429
Scaddabush	88,201	69,297
Signature Restaurants	24,346	21,442
Corporate	35	174
	289,482	271,342

12 Right-of-use assets and lease obligations

Right-of-use assets are included for the following assets in the consolidated balance sheet as at August 31, 2025:

	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 (note 8)	307	-	307
At August 25, 2024	63,508	365	63,873
53-week period ended August 31, 2025			
Additions	5,248	4	5,252
Amortization	(13,818)	(77)	(13,895)
Impairments (note 8)	(161)	-	(161)
Lease incentives	(1,120)	-	(1,120)
Right-of-use assets – net at August 31, 2025	53,657	292	53,949

For the 53-week period ended August 31, 2025, the lease obligation transactions were as follows:

	$ (in thousands of dollars)
At August 25, 2024	81,774
Additions	5,253
Modifications	-
Repayments	(16,967)
Interest	3,838
As at August 31, 2025	73,898
Less: current portion of lease obligations	(17,480)
Long-term portion of lease obligations	56,418

Interest expense on lease obligations for the 53-week period ended August 31, 2025 was $3,838,000 (August 25, 2024 - $4,042,000). Total repayments for the 53-week period ended August 31, 2025 for leases was $16,967,000 (August 25, 2024 - $16,498,000) which includes $13,129,000 of principal payments and $3,838,000 of interest on lease obligations (August 25, 2024 - $12,456,000 and $4,042,000, respectively).

The annual lease obligations for the next five years and thereafter are as follows:

	As at August 31, 2025 $ (in thousands of dollars)
Fiscal 2026	16,803
Fiscal 2027	14,749
Fiscal 2028	13,745
Fiscal 2029	11,327
Fiscal 2030 and thereafter	30,738
Total undiscounted lease obligations	87,362
Total discounted lease obligations	73,898

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.

13 Bank indebtedness and long-term debt

	53-week period ended August 31, 2025 (in thousands of dollars)						
	Credit Facility 1 (a) $	**Credit Facility 2 (a) $**	**EDC Guaranteed Facility 2 (a) $**	**BDC Guaranteed Facility 2 (a) $**	**Term Facility $**	**Delayed Draw Facility $**	**Total $**
Balance - Beginning of period	17,500	6,510	6,073	4,555	-	-	34,638
Issuance of long-term debt	5,400	4,100	-	-	38,000	912	48,412
Repayment of long-term debt	(22,900)	(10,652)	(6,250)	(4,572)	-	-	(44,374)
Finance fees paid	-	-	(110)	-	(1,262)	(30)	(1,402)
Amortization of finance fees	-	42	287	17	112	2	460
Balance - End of period	-	-	-	-	36,850	884	37,734
Current portion of long-term debt	-	-	-	-	(3,167)	(20)	(3,187)
Long-term debt	-	-	-	-	33,683	864	34,547

	52-week period ended August 25, 2024 (in thousands of dollars)				
	Credit Facility 1 (a) $	**Credit Facility 2 (a) $**	**EDC Guaranteed Facility 2 (a) $**	**BDC Guaranteed Facility 2 (a) $**	**Total $**
Balance - Beginning of period	-	10,560	6,100	5,247	21,907
Issuance of long-term debt	17,500	-	-	-	17,500
Repayment of long-term debt	-	(4,148)	-	(694)	(4,842)
Finance fees paid	-	(54)	(122)	-	(176)
Amortization of finance fees	-	152	95	2	249
Balance - End of period	17,500	6,510	6,073	4,555	34,638
Current portion of long-term debt	-	(4,148)	(6,073)	(694)	(10,915)
Long-term debt	17,500	2,362	-	3,861	23,723

Reconciliation of interest expense to interest paid	**53-week period ended August 31, 2025 $**	**52-week period ended August 25, 2024 $**
	(in thousands of dollars)	
Interest expense	6,733	5,873
Amortization of deferred financing fees on SIR Loan	(83)	(82)
Amortization of deferred financing fees on long-term debt	(460)	(249)
Asset retirement obligation accretion	(36)	(15)
Change in prepaid interest	-	(175)
Change in interest payable	(147)	(104)
Interest paid	6,007	5,248

On May 15, 2025, the Company entered into a New Credit Agreement with a syndicate of two Schedule 1 Canadian chartered banks to refinance the previous credit facility. Upon refinancing, the previous credit agreement was considered an extinguishment under IFRS Accounting Standards. Upon extinguishment, all remaining unamortized financing fees associated with the previous credit agreement were written off resulting in a loss on extinguishment of $346,000, which has been recorded within amortization of deferred financing fees on long-term debt above. 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, a $38,000,000 revolving term loan and a $25,000,000 non-revolving term loan. The Company and the Lenders 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. As at August 31, 2025, no funds were drawn on the Operating Facility.

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. As at August 31, 2025, $38,000,000 was drawn on the Term Facility.

The initial advance on the Delayed Draw Facility was $912,000, repayable in quarterly instalments of $20,000 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. As at August 31, 2025, $912,000 was drawn on the Term Facility.

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 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.

As at August 31, 2025, the Company has drawn $26,438,000 on the Term Facility and the Delayed Draw Facility, net of cash excluding the cash balance of the Partnership.

As at August 31, 2025, the Company’s liquidity was comprised of $12,474,000 in cash on hand (which excludes cash on hand from the Partnership of $955,000), $5,000,000 available to borrow under the Company’s Operating Facility, and $24,088,000 available to borrow under the Company’s Term and Delayed Draw Facilities. At August 31, 2025 the Term Facility was fully drawn. 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 New Credit Agreement is subject to certain conditions, including certain financial and non-financial covenants as determined by the Lenders.

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 previous 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 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 consolidated statements of operations and comprehensive (loss) income for the 53-week period ended August 31, 2025 was $40,000 (52-week period ended August 25, 2024 – nil). On July 28, 2025, SIR repaid the shareholder loan, including all accrued interest, in full.

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.

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.

The Credit Agreement contains certain financial and non-financial covenants that the Company is in compliance with as at August 31, 2025 (note 5).

	Long-term debt repayments $ (in thousands of dollars)
2026	3,187
2027	3,250
2028	32,475
	38,912

The effective interest rate on long-term debt as at August 31, 2025 is 5.15% (August 25, 2024 – 5.56%).

14 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 May 15, 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 New Credit Agreement.

The long-term debt is permitted indebtedness within the meaning of the agreements between the Fund, the Partnership and the Company and, as a result, the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against the Company to the claims of the

Lender. This subordination, which includes a subordination of the Partnership's rights under the Licence and Royalty Agreement between the Partnership and the Company, whereby the Partnership licenses to the Company the right to use the trademarks and related intellectual property in return for royalty payments based on revenue, has been effected pursuant to the terms of the Intercreditor Agreement.

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 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.

As at August 31, 2025, the Company was in compliance with the covenants stipulated by the SIR Loan Agreement.

Interest expense charged to the consolidated statements of operations and comprehensive (loss) income for the 53-week period ended August 31, 2025 was $3,520,000 (52-week period ended August 25, 2024 - $3,066,000), which includes interest on the SIR Loan of $3,437,000 (52-week period ended August 25, 2024 - $2,984,000), amortization of financing fees of $83,000 (52-week period ended August 25, 2024 - $82,000). Interest payable on the SIR Loan as at August 25, 2024 was $250,000 (August 25, 2024 - $63,000) 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 August 31, 2025 were $3,723,000 (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.

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

	53-week period ended August 31, 2025 $	52-week period ended August 25, 2024 $
	(in thousands of dollars)	
Balance - Beginning of period (as previously reported and revised)	107,022	141,609
Revision	-	3,729
Balance – Beginning of period (revised)	107,022	145,388
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	36,439	(27,436)
Distributions paid to Ordinary LP and Class A LP unitholders	(11,492)	(10,880)
Balance - End of period	131,969	107,022
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(10,674)	(9,991)
Ordinary LP Units and Class A LP Units of the Partnership	121,295	97,031
The following is a summary of the results of operations of the Partnership:		
Pooled Revenue*	273,891	257,463
Partnership royalty income*	16,433	15,448
Other income (expense)	(9)	24
Partnership expenses	(108)	(103)
Net earnings of the Partnership	16,316	15,369
The Company's interest in the earnings of the Partnership	(5,271)	(4,605)
Fund's interest in the earnings of the Partnership	11,045	10,764

*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.

The long-term portion of the Ordinary LP and the Class A LP Units of the Partnership in the comparative figures has been recalculated to be consistent with the basis used in the current year.

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) income.

During the 53-week period ended August 31, 2025, distributions of $11,070,000 (52-week period ended August 25, 2024 - $10,760,000) were declared to the Fund through the Partnership. Distributions paid during the 53-week period ended August 31, 2025 were $11,492,000 (52-week periods ended August 25, 2024 - $10,880,000). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions payable to SIR Royalty Income Fund from the Partnership as at August 31, 2025 were $3,876,000 (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 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 August 31, 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 SIR Royalty Income Fund as at August 31, 2025 were $2,948,000 (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.

During the 53-week period ended August 31, 2025, the Partnership recorded a recovery of $111,000 on previous impairments on the advances receivable from the Trust, GP and Fund for a total provision of $nil (52-week period ended August 25, 2024 - $110,000). The adjustment for the 52-week period ended August 25, 2024 was based on management's assessment of the company-specific risks and a rate of approximately 7% was applied to the advances receivable at August 25, 2024.

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 53-week period ended August 31, 2025, the Partnership provided these services to the Fund and the Trust for consideration of $24,000 (52-week period ended August 25, 2024 - $24,000), which was the amount of consideration agreed to by the related parties.

15 Provisions and other long-term liabilities

	August 31, 2025 $	August 25, 2024 $
	(in thousands of dollars)	
Gift cards (deferred revenue)	5,352	5,166
Deferred supplier rebates	211	268
Management bonus (a)	62	796
Stock compensation (note 17)	1,948	-
Asset retirement obligations (b)	758	553
	8,331	6,783
Current portion	(7,387)	(6,037)
	944	746

a) The Company has a phantom stock option management bonus program for corporate and area directors, with the opportunity to earn a bonus based on the overall valuation of the Company. The percentage of cash flow earned depends on the directors' years of service, salary and vested "in the money" phantom options.

This bonus is based on phantom stock options granted that vest over a 3-year term. The directors must remain with the organization during the 3-year vesting period to be eligible to earn the bonus payment. The options are granted on a predetermined formula based on the salaries of the directors and the annual valuation of the Company by a third-party valuation consultant. The discount rate used to estimate the current and long-term phantom stock option bonus for the 53-week period ended August 31, 2025 was 12.2% (August 25, 2024 – 14.9%). As at the 52-week period ended August 31, 2025, the bonus accrual was $62,000 (August 25, 2024 - $796,000).

Movement in the management bonus is as follows:

	$ (in thousands of dollars)
As at August 27, 2023	1,514
Current service cost and changes in estimates	318
Interest cost	(51)
Payments	(985)
As at August 25, 2024	796
Current service cost and changes in estimates	141
Interest cost	(25)
Payments	(850)
As at August 31, 2025	62

The amounts recognized in the consolidated statements of operations and comprehensive (loss) income are as follows:

	53-week period ended August 31, 2025 $	**52-week period ended August 25, 2024 $**
	(in thousands of dollars)	
Current portion of management bonus	-	796
Long-term portion of management bonus	62	-
	62	796

b) The Company has recorded an asset retirement obligation in respect of the estimated lease-end remediation costs. The asset retirement obligation was estimated based on a discounted cash flow analysis using the following key assumptions:

	August 31, 2025	August 25, 2024
Total undiscounted estimated cash flows (in thousands of dollars)	$910	$776
Expected timing of repayments	0.3 to 14.4 years	0.1 to 8.8 years
Discount rate	5.29%	8.7%

16 Capital stock

Authorized
Unlimited common shares

Issued and outstanding

	August 31, 2025		August 25, 2024	
	Number of common shares (in thousands)	$	Number of common shares (in thousands)	$
Balance - Beginning of period	11,683	20,357	11,708	20,401
Repurchase of common shares	-	-	(25)	(44)
Balance - End of period	11,683	20,357	11,683	20,357

During the 53-week period ended August 31, 2025, there were no common shares repurchased and cancelled for a total of $nil (52-week period ended August 25, 2024 - 35,000 common shares were repurchased and cancelled for a total consideration of $175,000).

17 Stock option plan

The Company has stock option plans for certain of its executives and directors.

During the 53-week period ended August 31, 2025, 9,500 stock options were granted to certain executives of the Company (52-week period ended August 25, 2024 - none). During the 53-week period ended August 31, 2025, 34,104 stock options were granted to the directors of the Company (52-week period ended August 25, 2024 - none).

During the 53-week period ended August 31, 2025, 59,998 stock options held by a director were exercised and redeemed for cash consideration of $110,000 (52-week period ended August 25, 2024 - none) and no common shares were issued (52-week period ended August 25, 2024 – none).

The stock options held by certain executives can be exercised and redeemed for cash provided they are vested. The stock option plan for options granted in 2025 also includes options that are granted with a time-based component and a performance-based component based on performance of the Company.

As at August 31, 2025, the Company has considered the terms of the stock option agreement and now considers that the cash settlement feature of the options is likely to be utilized, consistent with the cash paid to the director above. Therefore, the Company has reclassified the options to be accounted for as a current liability as they can be exercised and redeemed for cash.

In addition, the options granted in 2025 contain a time-based and performance-based component which vest annually over a 5-year period. The Company has estimated that the performance targets may be met that will trigger additional options granted to certain executives. As these options can also be exercised and redeemed for cash, the fair value of the estimated number of additional options has been recorded as a current liability.

As a result of the reclassification above and the issuance of the 2025 options, the Company has recognized $1,948,000 of stock compensation expense in the consolidated statement of operations and comprehensive loss (income) during the 53-week period ended August 31, 2025 for these options (52-week period ended August 25, 2024 - $4,000).

The options granted to directors cannot be exercised and redeemed for cash; therefore, the fair value of these options is calculated at the grant date and recognized in contributed surplus as at August 31, 2025. $280,000 of stock compensation expense was recognized in the consolidated statement of operations and comprehensive loss (income) during the 53-week period ended August 31, 2025 for these options (52-week period ended August 25, 2024 - $nil).

Key assumptions for the valuation of the stock options are as follows:

Year granted	Volatility	Risk-free rate	Exercise price $	Expiry date
2013	22.2%	2.88%	3.84	January 1, 2026
2018	22.2%	2.88%	8.08	January 1, 2026
2020	22.2%	2.88%	4.93	January 1, 2026
2025	22.2%	2.88%	6.61	January 1, 2034
2025	22.2%	2.88%	8.21	August 26, 2034

	Number of stock options outstanding (in thousands)	Weighted average exercise price per share $
Balance – August 25, 2024	585	4.61
Add:		
Options issued during the period	44	0.01
Less:		
Options exercised during the period	(60)	3.84
Balance - August 31, 2025	569	4.45

As at August 31, 2025, the outstanding and exercisable stock options to purchase common shares are as follows:

		Stock options outstanding		Stock options exercisable	
Stock option price range	Weighted average remaining life (years)	Number of stock options (in thousands)	Weighted average exercise price per share $	Number of stock options (in thousands)	Weighted average exercise price per share $
$0.01 (a)	8.99	34	8.21	34	8.21
$3.84 (b)	0.34	400	3.84	400	3.84
$4.93 (c)	1.34	25	4.93	25	4.93
$6.61 (d)	8.34	10	6.61	10	6.61
$8.08 (e)	0.34	100	8.08	100	8.08
		569		569	

As at August 25, 2024, the outstanding and exercisable stock options to purchase common shares were as follows:

		Stock options outstanding		Stock options exercisable	
Stock option price range	Weighted average remaining life (years)	Number of stock options (in thousands)	Weighted average exercise price per share $	Number of stock options (in thousands)	Weighted average exercise price per share $
$3.84 (b)	1.35	460	3.84	460	3.84
$4.93 (c)	2.35	25	4.93	20	4.93
$8.08 (e)	1.35	100	8.08	100	8.08
		585		580	

a) These stock options were granted to members of the Company's Board of Directors during the 53-week period ended August 31, 2025 with an exercise price of $0.01 and an expiry date of August 26, 2034. 34,104 options vested on August 26, 2025. If an option holder ceases to be a director after the options have become exercisable, the option holder has 90 days to exercise their options, after which time any remaining vested options will expire. On termination with cause, all unexercised options terminate immediately. These options are recognized in contributed surplus.

b) These stock options were granted to key management of the Company during the 52-week period ended August 25, 2013, with an exercise price of $3.84 and an expiry date of January 1, 2020. During the 53-week period ended August 30, 2020, the expiry date was extended to January 1, 2025. During the 53-week period ended August 31, 2025, the expiry date was extended to January 1, 2026. Of the remaining stock options, 200,000 stock options vested on January 1, 2014 and 87,000 stock options vested annually thereafter over the next three years. On termination with cause, all vested and unvested options of the participant immediately expire and are cancelled. These options are recognized in current liabilities.

c) These stock options were granted to key management of the Company during the 53-week period ended August 30, 2020, with an exercise price of $4.93 and an expiry date of January 1, 2027. Of the outstanding options, 5,000 options vested on January 1, 2021, 5,000 options vested on January 1, 2022, 5,000 options vested on January 1, 2023, 5,000 options vested on January 1, 2024, and 5,000 options vested on January 1, 2025. These options are recognized in current liabilities.

d) These stock options were granted to key management of the Company during the 53-week period ended August 31, 2025 with an exercise price of $6.61 and an expiry date of January 1, 2034. 9,500 options vested on January 1, 2025. The agreement for these stock options also includes potential options issued based on performance. Management has estimated that 20% of the performance-based options will be issued. The number of options will be trued up once performance results are known. These options are recognized in current liabilities.

e) These stock options were granted to key management of the Company on July 1, 2018 with an exercise price of $8.08 and an expiry date of January 1, 2025. During the 53-week period ended August 31, 2025, the expiry date was extended to January 1, 2026. 10,000 options vested on January 1, 2019, 15,000 options vested on January 1, 2020, 20,000 options vested on January 1, 2021, 25,000 options vested on January 1, 2022 and 30,000 options vested on January 1, 2023. These options are recognized in current liabilities.

18 Related party transactions

Transactions with U.S. S.I.R. L.L.C. and the Fund are related party transactions and are disclosed in notes 7 and 14, respectively.

In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Company entered into the following related party transactions:

	August 31, 2025 $	August 25, 2024 $
	(in thousands of dollars)	
Property and equipment		
Fixtures provided by a shareholder of the Company	25	79
Furniture and equipment provided by a company owned by a shareholder and director, together with a member of executive management of the Company	111	454

The above transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Compensation of key management:

	53-week period ended August 31, 2025 $	52-week period ended August 25, 2024 $
	(in thousands of dollars)	
Salaries, short-term employee benefits and director's fees	1,108	953
Stock-based compensation	1,755	4
Fees paid to companies for management services and director's fees	828	870
	3,691	1,827

Key management includes the Company's directors and members of executive management.

19 Expenses by nature

	53-week period ended August 31, 2025 $	52-week period ended August 25, 2024 $
	(in thousands of dollars)	
Food and beverage	75,075	70,381
Labour	99,278	94,285
Direct costs of restaurant operations	56,061	53,934
Depreciation and amortization	21,390	19,777
Loss on disposal of property and equipment	178	474
Impairment (recovery) of non-financial assets	332	(351)
Impairment of goodwill	358	-
Cost of corporate restaurant operations	252,672	238,501
Salaries and benefits	13,985	9,986
Advertising and marketing	2,619	2,197
Professional, legal and consulting fees	991	1,221
Depreciation and amortization	1,476	828
Asset retirement obligation (recovery) accretion	92	(183)
Other	(2,257)	1,569
Corporate costs	16,906	15,618

20 Contingencies

In the normal course of business, the Company is threatened from time to time with, or named as a defendant in, legal proceedings, including those relating to wrongful dismissal or personal injury. Many claims are covered by the Company's insurance policies and none of the current claims are expected to have a material adverse effect on the Company.

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

The net change in working capital items is as follows:

	53-week period ended August 31, 2025 $	52-week period ended August 25, 2024 $
	(in thousands of dollars)	
Trade and other receivables	538	(1,084)
Inventories	317	(731)
Prepaid expenses, deposits and other assets	432	(408)
Trade and other payables	813	6,434
Provisions and other long-term liabilities	(703)	(4,146)
	1,397	65

For the 53-week period ended August 31, 2025, unpaid additions to property plant and equipment and intangible assets were $716,000 (52-week period ended August 25, 2024 - $2,773,000).

22 Income taxes

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

	53-week period ended August 31, 2025 $	52-week period ended August 25, 2024 $
	(in thousands of dollars)	
Earnings (loss) before income taxes	(26,621)	35,107
Income tax (recovery) expense at Canadian statutory income tax rate of 26.5% (August 25, 2024 - 26.5%)	(7,055)	9,303
Increase (decrease) by the effect of		
Change in amortized cost of Ordinary LP Units and Class A LP Units	9,656	(7,271)
Non-deductible expenses	807	180
Partnership structure	(2,940)	(2,830)
Deferred tax assets not recognized	(479)	618
Other	53	-
Provision for (recovery of) income taxes	42	-

Deferred income tax assets not recognized are summarized as follows:

	August 31, 2025 $	August 25, 2024 $
	(in thousands of dollars)	
Property and equipment	6,382	6,050
Other non-current assets	2,571	429
Loss carry-forwards	3,852	6,026
Long-term management bonus	69	38
	12,874	12,543

Deferred income tax assets (liabilities) recognized are as follows:

	August 31, 2025 $	August 25, 2024 $
	(in thousands of dollars)	
Deferred financing fees	(799)	(895)
Loss carry-forwards	2,964	1,398
Investment in the Partnership	(1,800)	(200)
Other	(365)	(303)
	-	-

As at August 31, 2025, the deferred tax liability related to subsidiaries that has not been recognized amounted to $10,438,000 (August 25, 2024 - $12,193,000).

As at August 31, 2025, the Company and its subsidiaries have available non-capital for income tax purposes which expire as follows:

	$ (in thousands of dollars)
2026	224
2027	339
2028	657
2029	473
2030	320
2031	964
2032	428
2033	541
2034	671
2035	568
2036	590
2037	1,674
2038	523
2039	1,077
2040	1,995
2041	2,636
2042	163
2043	1,403
2044	9,966
2045	2,878
	28,090

In addition, the Company's US subsidiary has loss carry-forwards of $113,000 which expire in 2028 and 2029.

23 Capital management

The Company's capital consists of its capital stock and deficit of $20,357,000 and $179,720,000, respectively. The objectives in managing capital are to safeguard the Company's ability to continue as a going concern, to provide financial capacity and flexibility to meet its strategic objectives, to allow the Company to respond to changes in economic and/or marketplace conditions and to provide a return to its shareholders. The Company strives to maintain an optimal split between senior debt and equity with a view to balancing its flexibility while minimizing its cost of capital. The Company evaluates cash flow through its budgeting and forecasting process, to help plan and track its capital requirements to meet its strategic plans and to monitor compliance with its New Credit Agreement.

Compliance with the covenants included in the Company's New Credit Agreement is monitored by management on a quarterly basis. As at August 31, 2025, the Company was in compliance with the Senior Net Funded Debt to Adjusted EBITDA ratio and the fixed charge coverage ratio under the New Credit Agreement. If the Company were not in compliance with the covenants of the New Credit Agreement and unable to remedy this non-compliance, certain security is available to the Lenders as described in note 13.

SIR currently holds 1,569,147 Class A GP Units, representing a 15.78% residual interest in the Partnership. The Class A GP Units are exchangeable into units of the Fund on a one for one basis, and, as at August 31, 2025, have a market value of approximately $23,208,000. Under the New Credit Agreement and without prior consent from the Lenders, SIR may convert Class A GP Units into Fund Units and promptly sell such units for the purposes of financing construction projects for new and existing restaurants, provided in any year the sale of the units does not exceed the lower of $7,000,000 and 400,000 units.

The Company is required to issue common shares on the exercise of stock options by shareholders, directors and employees (note 17).