

SIR Royalty Income Fund

Consolidated Financial Statements

December 31, 2025 and December 31, 2024



Independent auditor's report

To the Unitholders of SIR Royalty Income Fund

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SIR Royalty Income Fund and its subsidiaries (together, the Fund) as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Fund's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2025 and 2024;
- the consolidated statements of earnings and comprehensive income for the years then ended;
- the consolidated statements of changes in unitholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of the loan receivable from SIR Corp.</p> <p>Refer to note 4 – Critical accounting estimates and judgments, note 5 – Loan receivable from SIR Corp. and note 7 – Financial instruments to the consolidated financial statements.</p> <p>As at December 31, 2025, the fair value of the loan receivable from SIR (the SIR Loan) amounted to \$37 million. The SIR Loan is accounted for at fair value through the consolidated statements of earnings and comprehensive income.</p> <p>The fair value of the SIR Loan is estimated by discounting the expected cash flows using a current market interest rate adjusted for SIR's credit risk (the SIR loan model). The fair value of the SIR Loan is sensitive to changes in the discount rate.</p> <p>We considered this a key audit matter due to (i) the significance of the SIR Loan balance and (ii) the judgment made by management when determining the discount rate, which is impacted by the credit risk of SIR. This resulted in a high degree of auditor judgment, subjectivity and effort in performing audit procedures and evaluating audit evidence</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Tested how management determined the fair value of the SIR Loan, which included the following:<ul style="list-style-type: none">– Evaluated the appropriateness of the SIR loan model used by management and tested the mathematical accuracy thereof.– Tested underlying data used in the SIR loan model.– With the assistance of professionals with specialized skill and knowledge in the field of valuation, assessed the reasonableness of the discount rate applied.• Tested the disclosures related to the sensitivity analysis made in the consolidated financial statements with regard to changes in the discount rate.

Key audit matter**How our audit addressed the key audit matter**

relating to the discount rate. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.

Other information

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Fund 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.

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 12, 2026

SIR Royalty Income Fund

Consolidated Statements of Financial Position

As at December 31, 2025 and 2024

	December 31, 2025 \$	December 31, 2024 \$
Assets		
Current assets		
Cash	320,614	1,044,762
Income taxes recoverable	-	273,010
Amounts due from related parties (note 10)	3,218,643	3,458,888
Prepaid expenses and other assets	40,799	2,572
	<u>3,580,056</u>	<u>4,779,232</u>
Loan receivable from SIR Corp. (note 5)	37,000,000	38,500,000
Investment in SIR Royalty Limited Partnership (note 6)	50,984,321	50,984,321
	<u>91,564,377</u>	<u>94,263,553</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	147,137	182,057
Income taxes payable	14,309	-
Amounts due to related parties (note 10)	2,899,388	3,983,008
	<u>3,060,834</u>	<u>4,165,065</u>
Deferred income taxes (note 14)	2,167,000	2,135,000
	<u>5,227,834</u>	<u>6,300,065</u>
Fund units (note 8)	96,169,787	96,169,787
Deficit	(9,833,244)	(8,206,299)
Total unitholders' equity	<u>86,336,543</u>	<u>87,963,488</u>
	<u>91,564,377</u>	<u>94,263,553</u>

(Signed) Stephen Dewis
Stephen Dewis, Director

(Signed) Norm Mayr
Norm Mayr, Director

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

SIR Royalty Income Fund

Consolidated Statements of Earnings and Comprehensive Income

For the years ended December 31, 2025 and 2024

	Year ended	
	December 31, 2025 \$	December 31, 2024 \$
Equity income from SIR Royalty Limited Partnership (notes 6 and 10)	11,095,685	10,661,634
Change in estimated fair value of the SIR Loan (note 5)	1,500,000	5,500,000
	<u>12,595,685</u>	<u>16,161,634</u>
Expenses and other income		
General and administrative expenses (note 10)	506,430	603,400
Other income	(5,434)	-
	<u>12,094,689</u>	<u>15,558,234</u>
Earnings before income taxes	12,094,689	15,558,234
Income tax expense (note 14)	3,629,076	3,529,812
	<u>8,465,613</u>	<u>12,028,422</u>
Net earnings and comprehensive income for the year	8,465,613	12,028,422
Basic earnings per Fund unit (note 9)	\$1.01	\$1.44
Diluted earnings per Fund unit (note 9)	\$1.01	\$1.40

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

SIR Royalty Income Fund

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2025 and 2024

	Year ended December 31, 2025			
	Number of Fund units	Amount \$	Deficit \$	Total \$
Balance – Beginning of year	8,375,567	96,169,787	(8,206,299)	87,963,488
Net earnings for the year	-	-	8,465,613	8,465,613
Distributions declared and paid (note 8)	-	-	(10,092,558)	(10,092,558)
Balance – End of year	8,375,567	96,169,787	(9,833,244)	86,336,543

	Year ended December 31, 2024			
	Number of Fund units	Amount \$	Deficit \$	Total \$
Balance – Beginning of year	8,375,567	96,169,787	(10,686,575)	85,483,212
Net earnings for the year	-	-	12,028,422	12,028,422
Distributions declared and paid (note 8)	-	-	(9,548,146)	(9,548,146)
Balance – End of year	8,375,567	96,169,787	(8,206,299)	87,963,488

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

SIR Royalty Income Fund

Consolidated Statements of Cash Flows

For the years ended December 31, 2025 and 2024

	Year ended	
	December 31, 2025 \$	December 31, 2024 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the year	8,465,613	12,028,422
Items not affecting cash		
Change in estimated fair value of the SIR Loan (note 5)	(1,500,000)	(5,500,000)
Income tax expense (note 14)	3,629,076	3,529,812
Equity income from SIR Royalty Limited Partnership (notes 6 and 10)	(11,095,685)	(10,661,634)
Distributions received from SIR Royalty Limited Partnership (note 10)	11,335,930	10,545,530
Interest received on SIR Loan (note 5)	3,000,000	3,000,000
Income taxes paid	(3,309,757)	(3,591,069)
Net change in non-cash working capital items (note 12)	(1,156,767)	829,666
	9,368,410	10,180,727
Financing activities		
Distributions paid to unitholders	(10,092,558)	(9,548,146)
Change in cash during the year	(724,148)	632,581
Cash - Beginning of year	1,044,762	412,181
Cash - End of year	320,614	1,044,762

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

SIR Royalty Income Fund

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

1 Nature of operations and seasonality

Nature of operations

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

On October 1, 2004, the Fund filed a final prospectus for a public offering of units of the Fund. The net proceeds of the offering to the Fund of \$51,166,670 were used by the Fund to acquire, directly, certain bank debt of SIR Corp. (the SIR Loan) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of SIR Royalty Limited Partnership (the Partnership). The Partnership owns the Canadian trademarks (the SIR Rights) formerly owned or licensed by SIR Corp. (SIR) or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada (the SIR Restaurants). The Partnership has granted SIR a 99-year licence to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenues of the restaurants included in the Royalty Pooled Restaurants (the Licence and Royalty Agreement). The Fund indirectly participates in the revenues generated under the Licence and Royalty Agreement through its Investment in the Partnership (note 6).

The address of the registered office of the Fund is 5360 South Service Road, Suite 200, Burlington, Ontario. The consolidated financial statements were approved by the Board of Trustees on March 11, 2026.

Seasonality

The full-service restaurant sector of the Canadian food-service industry, in which SIR operates, experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenues during SIR's fourth quarter (ending the last Sunday in August) when patios can be open. Additionally, certain holidays and observances also affect dining patterns both favourably and unfavourably. Accordingly, equity income from the Partnership recognized by the Fund will vary in conjunction with the seasonality in revenues experienced by SIR.

2 Basis of presentation

The Fund 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 the consolidated financial statements are as follows:

Basis of measurement

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

SIR Royalty Income Fund

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

Consolidation

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

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

Use of estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect income and expenses during the reporting periods, in addition to the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements. Actual results could differ materially from those estimates in the near term.

Financial instruments

Financial assets and liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

- i) Amortized cost: A financial asset shall be measured at amortized cost if both of the following conditions are met:
 - (a) The financial asset is held in order to collect contractual cash flows; and
 - (b) The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- ii) Fair value through profit and loss (FVTPL): For financial assets classified as measured at FVTPL or designated at FVTPL, changes in fair value are recognized in the statement of earnings and comprehensive income as they arise.
- iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost comprise accounts payable and accrued liabilities and amounts due to related parties. Accounts payable and accrued liabilities and amounts due to related parties are initially recognized at the amount required to be paid less, when

SIR Royalty Income Fund

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

material, a discount to reduce the financial liabilities to fair value. Subsequently, accounts payable and accrued liabilities and amounts due to related parties are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payments are due within 12 months, otherwise they are presented as non-current liabilities.

Impairment of financial assets

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

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

Investments in associates and unconsolidated structured entities

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

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

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

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

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

The Fund assesses whether there is any objective evidence that its interest in its associate is impaired. If impaired, the carrying value of the Fund's share of the underlying assets of the associate is written down to its estimated

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Notes to the Financial Statements

December 31, 2025 and December 31, 2024

recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the consolidated statements of earnings and comprehensive income. The recoverable amount of the Investment in the Partnership is based on the recoverable amount of the SIR Rights. The key assumptions applied by management related to the revenue growth rates and terminal growth rate of the revenues of the restaurants included in the Royalty Pooled Restaurants and the discount rate (see Note 6).

Earnings per Fund unit

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

Distributions

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

Income taxes

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

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

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

IFRS Accounting Standards issued but not yet effective

IFRS 9 and IFRS 7, Classification and Measurement of Financial Instruments

On May 30, 2024, the IASB issued targeted amendments to IFRS 9, 'Financial Instruments', and IFRS 7, 'Financial Instruments: Disclosures'. The amendments respond to recent questions arising in practice and include new requirements not only for financial institutions but also for corporate entities. These new requirements will apply from January 1, 2026. At this stage, the Fund is evaluating the impact of the amendment on the consolidated financial statements.

SIR Royalty Income Fund

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

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. At this stage, the Fund is evaluating the impact of the amendment on the consolidated financial statements.

4 Critical accounting estimates and judgements

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

Investment in the Partnership/consolidation of structured entities

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

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

Valuation of the SIR Loan and investment in the Partnership

Management reviews for objective evidence whether there may be an impairment of the investment in the Partnership. The review includes a review of the earnings, cash flows and available cash of SIR on a prospective basis to assess SIR’s ability to meet its obligations for payments to the Partnership for the Royalty. The SIR Loan is accounted for at fair value through the consolidated statement of earnings and comprehensive income which required management to discount the cash flows using the market interest rate. Management has estimated the discount rate by considering comparable corporate bond rates, risk free rates, and SIR’s credit risk. A 0.25% increase or decrease in the discount rate will result in a \$900,000 decrease or increase in the fair value of the SIR Loan.

SIR Royalty Income Fund

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

5 Loan receivable from SIR Corp.

	Year ended December 31, 2025 \$	Year ended December 31, 2024 \$
Balance - Beginning of period	38,500,000	36,000,000
Interest received	(3,000,000)	(3,000,000)
Change in estimated fair value of the SIR Loan	1,500,000	5,500,000
Balance - End of period	<u>37,000,000</u>	<u>38,500,000</u>

The SIR Loan of \$40,000,000 bears interest at 7.5% per annum, is due October 12, 2044 and is collateralized by a general security agreement covering substantially all of the assets of SIR and its subsidiaries in Canada. Interest of \$3,000,000 was recognized during the year ended December 31, 2025 (year ended December 31, 2024 – \$3,000,000). Interest of \$3,000,000 was received during the year ended December 31, 2025 (year ended December 31, 2024 – \$3,000,000). Interest of \$250,000 is outstanding and receivable from SIR Corp. at December 31, 2025 (December 31, 2024 - \$250,000).

The fair value of the SIR Loan is estimated by discounting the expected cash flows using a current market interest rate adjusted for SIR's credit risk. Management has used a discount rate of 8.30% as at December 31, 2025 (December 31, 2024 – 7.90%) to discount the expected cash flows. In determining the appropriate discount rate, management considered available market information as well as the credit risk for SIR.

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

During the year ended December 31, 2025, on May 15, 2025, SIR entered into a new Credit Agreement (Credit Agreement) with a syndicate of two Schedule 1 Canadian chartered banks (the Lenders) to refinance the previous credit facility. The 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). SIR 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 Operating Facility is for general corporate and operating purposes, with full repayment due on May 15, 2028. As at December 31, 2025, \$nil was 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 December 31, 2025, \$37,208,346 was drawn on the Term Facility.

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December 31, 2025 and December 31, 2024

The initial advance on the Delayed Draw Facility was \$912,000, repayable in quarterly instalments of \$21,000 with the first quarterly repayment to be made on August 28, 2026, and the remaining outstanding principal balance due on May 15, 2028. Subsequent advances on the Delayed Draw Facility may be requested (subject to availability and lender approval), in a minimum amount of \$250,000, to finance capital spending on new restaurants. Each subsequent advance will be subject to interest only payments for the first four quarters and interest plus principal repayable thereafter in equal quarterly instalments based on an eleven-year amortization, with the remaining outstanding principal balance due on May 15, 2028. As at December 31, 2025, \$912,000 was drawn on the Delayed Draw 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 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 action 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 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.

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

The Credit Agreement allowed for repayment of the \$2.5 million shareholder loan, received by SIR on February 2, 2025, provided, among other conditions outlined in the Credit Agreement, the entire outstanding amount, including all principal and interest, is repaid in a single payment and is made using excess cash on hand. The shareholder entered into a Subordination Agreement to subordinate the loan to the Lenders. On July 28, 2025, SIR repaid the shareholder loan, including all accrued interest, in full.

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

6 Investment in SIR Royalty Limited Partnership

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

SIR Royalty Income Fund

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

The holders of the Class A LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership. As at December 31, 2025, the Fund's interest in the residual earnings of the Partnership was 84.2% (December 31, 2024 – 89.5%). Generally, the Partnership units have no voting rights, except in certain specified conditions.

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

Class A GP Units and Class B GP Units are held by SIR.

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

	Year ended	
	December 31, 2025	December 31, 2024
	\$	\$
Balance - Beginning of period	50,984,321	50,984,321
Equity income	11,095,685	10,661,634
Distributions declared	(11,095,685)	(10,661,634)
Balance - End of period	50,984,321	50,984,321

The summarized financial information of the Partnership is as follows:

	As at December 31, 2025	As at December 31, 2024
	\$	\$
Cash	100,048	165,864
Other current assets	4,719,420	4,668,069
Intangible assets	99,075,730	91,994,795
Total assets	103,895,198	96,828,728
Current liabilities and total liabilities	4,819,458	4,833,923
Partners' Interest		
SIR Royalty Income Fund	35,616,956	35,616,956
SIR Corp.	63,458,784	56,377,849
Total partners' interest	99,075,740	91,994,805

SIR Royalty Income Fund

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

	Year ended	
	December 31, 2025 \$	December 31, 2024 \$
Revenue	16,958,635	15,321,243
Net earnings and comprehensive income of the Partnership	16,787,196	15,238,051

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

	As at December 31, 2025 \$	As at December 31, 2024 \$
Investment in the Partnership	50,984,321	50,984,321
Transaction costs incurred by the Partnership to issue the Ordinary LP units	(3,533,090)	(3,533,090)
Difference between carrying value and fair value on the conversion of the Class A GP units to Class A LP units	(11,834,275)	(11,834,275)
SIR Royalty Income Fund's interest in the Partnership	35,616,956	35,616,956

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

	Year ended	
	December 31, 2025 \$	December 31, 2024 \$
Net earnings and comprehensive income of the Partnership	16,787,196	15,238,051
Priority income distributed to SIR Corp. (Class C GP and Class B GP units)	(3,000,012)	(3,000,012)
Residual earnings SIR Corp.'s share	13,787,184 (2,691,499)	12,238,039 (1,576,405)
Equity income	11,095,685	10,661,634

SIR Royalty Income Fund

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

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

	As at December 31, 2025 \$		As at December 31, 2024 \$	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Distributions receivable	2,968,643	2,968,643	3,208,888	3,208,888
Advances payable	(2,896,388)	(2,896,388)	(3,983,008)	(3,983,008)
Amounts due from (to) related parties	72,255	72,255	(774,120)	(774,120)
Investment in SIR Royalty Limited Partnership	50,984,321	50,984,321	50,984,321	50,984,321

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

7 Financial instruments

Classification

As at December 31, 2025 and December 31, 2024 the classifications of the financial instruments, as well as their carrying and fair values, are as follows:

		Carrying and fair value	
Classification		As at December 31, 2025 \$	As at December 31, 2024 \$
Cash	Financial assets at amortized cost	320,614	1,044,762
Amounts due from related parties	Financial assets at amortized cost	3,218,643	3,458,888
Loan receivable from SIR Corp.	Financial assets at fair value through profit and loss	37,000,000	38,500,000
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	147,137	182,057
Amounts due to related parties	Financial liabilities at amortized cost	2,899,388	3,983,008

SIR Royalty Income Fund

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

Carrying and fair values

Cash, amounts due from related parties, accounts payable and accrued liabilities, and amounts due to related parties are short-term financial instruments whose fair value approximates the carrying amount given that they will mature in the short term. The SIR Loan is carried at its estimated fair value of \$37,000,000 (December 31, 2024 – \$38,500,000). The fair value was estimated by discounting the expected cash flows using a current market interest rate adjusted for SIR's credit risk. The estimate of fair value is within level 3 of the fair value hierarchy. Changes in the estimated fair value of the SIR Loan are recorded in the condensed interim consolidated statement of earnings and comprehensive income.

Management has estimated the discount rate by considering comparable corporate bond rates, risk free rates and SIR's credit risk. During the year ended December 31, 2025, management adjusted the discount rate from 7.90% at December 31, 2024 to 8.30% at December 31, 2025. 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.

The fair value of the SIR Loan is sensitive to changes in the discount rate. A 0.25% increase or decrease in the discount rate will result in a \$900,000 decrease or increase in the fair value of the SIR Loan.

8 Fund units

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

As at December 31, 2025, there are 8,375,567 (December 31, 2024 – 8,375,567) Fund units issued and outstanding. Each Fund unit is entitled to one vote at any meeting of unitholders.

During the year ended December 31, 2025, the Fund declared and paid distributions of \$0.095 per unit for the months of January to June 2025 and \$0.10 per unit for the months of July 2025 to December 2025. The Fund also declared and paid a special distribution of \$0.035 per unit for the month of December 2025.

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

SIR Royalty Income Fund

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

9 Earnings per Fund unit

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

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

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

	Year ended December 31, 2025			
	Basic	Adjustment for conversion of Class A GP Units		Diluted
Net earnings	\$ 8,465,613	\$ N/A	\$	8,465,613
Weighted average number of Fund units outstanding	8,375,567	N/A		8,375,567
Net earnings per Fund unit	\$ 1.01		\$	1.01
	Year ended December 31, 2024			
	Basic	Adjustment for conversion of Class A GP Units		Diluted
Net earnings	\$ 12,028,422	\$ 1,124,282	\$	13,152,704
Weighted average number of Fund units outstanding	8,375,567	987,835		9,363,402
Net earnings per Fund unit	\$ 1.44		\$	1.40

10 Related party transactions and balances

During the year ended December 31, 2025, the Fund recorded equity income of \$11,095,685 (year ended December 31, 2024 – \$10,661,634) and received distributions of \$11,335,930 (year ended December 31, 2024 – \$10,545,530) from the Partnership. The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's equity income is dependent upon the revenues generated by SIR for the restaurants subject to the Licence and Royalty Agreement. On January 1 of each year (the Adjustment Date), the restaurants subject to the Licence and Royalty Agreement are adjusted for new restaurants opened for at least 60 days preceding such Adjustment Date in the previous fiscal year. At each Adjustment Date, SIR will be entitled

SIR Royalty Income Fund

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December 31, 2025 and December 31, 2024

to convert its Class B GP Units into Class A GP Units based on a conversion formula defined in the Partnership Agreement.

On January 27, 2022, SIR began offering Renegade Chicken takeout and delivery services on a trial basis. Renegade Chicken offers a selection of fried chicken sandwiches, tenders, and wings, complemented by freshly cut in-house fries, and targets the growing consumer demand for fried chicken within the fast-casual dining sector. SIR has agreed to remit to the Partnership an amount equivalent to 6% of revenues earned from this trial. This program has been extended on multiple occasions, with the most recent extension covering eight Jack Astor's locations, occurring on August 7, 2024, thereby extending the trial period to August 31, 2025. SIR elected not to extend this trial.

On January 1 of each year, Class B GP Units are converted into Class A GP Units for new SIR Restaurants added to the Royalty Pooled Restaurants based on 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted into Class A GP Units in respect of these new SIR Restaurants if actual revenues of the new SIR Restaurants exceeded 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Conversely, converted Class A GP Units will be returned by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the initial estimated revenues. In December of each year, an additional distribution will be payable to the Class B GP unitholders provided that actual revenues of the new SIR Restaurants exceed 80% of the initial estimated revenues, or there will be a reduction in the distributions to the Class A GP unitholders if revenues are less than 80% of the initial estimated revenues.

On January 1, 2026, one new SIR Restaurant was added (January 1, 2025 - four) to the Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one new SIR Restaurant on January 1, 2026 (January 1, 2025 - four) as well as the Second Incremental Adjustment for the four new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2025 (January 1, 2024 - one), 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, 2025 - one) SIR Restaurant during 2025. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 124,306 Class B GP Units into 124,306 Class A GP Units on January 1, 2026 (January 1, 2025 - SIR converted 581,312 Class B GP Units into Class A GP Units), increasing the value of the SIR Rights by \$2,436,782 (January 1, 2025 - \$7,080,935).

In addition, the revenues of the four (January 1, 2024 - one) new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2025 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 \$144,584 in December 2025 and paid in January 2026 (January 1, 2024 - the revenues of the one new SIR Restaurant 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).

The Partnership has entered into an arrangement with the Fund and the Trust whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc. in its capacity as the Managing General Partner, or SIR as the General Partner. SIR, on behalf of SIR GP Inc., also provides services to the Partnership for its administration. For the year ended December 31, 2025, the Partnership provided these services to the Fund

SIR Royalty Income Fund

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

and the Trust for consideration of \$24,000 (year ended December 31, 2024 – \$24,000), which was the amount of consideration agreed to by the related parties and has been recorded in general and administrative expenses.

Amounts due from (to) related parties consist of:

	As at December 31, 2025 \$	As at December 31, 2024 \$
Interest receivable from SIR Corp.	250,000	250,000
Distributions receivable from SIR Royalty Limited Partnership	<u>2,968,643</u>	<u>3,208,888</u>
Amounts due from related parties	<u>3,218,643</u>	<u>3,458,888</u>
Advances payable to SIR Corp.	3,000	-
Advances payable to SIR Royalty Limited Partnership	<u>2,896,388</u>	<u>3,983,008</u>
Amounts due to related parties	<u>2,899,388</u>	<u>3,983,008</u>

Amounts due from (to) related parties are non-interest bearing and due on demand. All advances were conducted as part of the normal course of business operations.

Compensation of key management

The Fund does not have any employees. Compensation awarded to the Board of Trustees consists of fees of \$181,069 for the year ended December 31, 2025 (2024 - \$186,015) and is recorded within general and administrative expenses.

11 Capital management

The Fund's capital consists of units of the Fund, as described in note 8. The objectives in managing the capital are to safeguard the Fund's ability to continue as a going concern, to provide an adequate return to its unitholders appropriate to their level of risk and to distribute excess cash to the unitholders. The Fund has no third party debt or bank lines of credit. The Fund had no capital expenditures during the year ended December 31, 2025 and is not expected to have significant capital expenditures in the future.

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

SIR Royalty Income Fund

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12 Net change in non-cash working capital items

Net change in non-cash working capital items comprises:

	Year ended	
	December 31, 2025	December 31, 2024
	\$	\$
Prepaid expenses and other assets	(38,227)	39,900
Accounts payable and accrued liabilities	(34,920)	29,681
Amounts due to related parties	(1,083,620)	760,085
	<u>(1,156,767)</u>	<u>829,666</u>

13 Economic dependence

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

14 Income taxes

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

Income tax expense is as follows:

	Year ended	
	December 31, 2025	December 31, 2024
	\$	\$
Current	3,597,076	3,493,812
Deferred	32,000	36,000
	<u>3,629,076</u>	<u>3,529,812</u>

The Fund's income not distributed to its unitholders is taxable at a rate of 53.53% (2024 – 53.53%). Distributions to unitholders are taxable at the combined federal and provincial tax rate, which is 26.5% for the year ended December 31, 2025 (year ended December 31, 2024 – 26.5%).