

SIR Royalty Limited Partnership

Financial Statements

December 31, 2025 and December 31, 2024

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Independent auditor's report

To the Partners of SIR Royalty Limited Partnership

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SIR Royalty Limited Partnership (the Partnership) 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 Partnership's financial statements comprise:

- the statements of financial position as at December 31, 2025 and 2024;
- the statements of earnings and comprehensive income for the years then ended;
- the statements of partners' interest for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Partnership'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 Partnership'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 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 Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

March 12, 2026

SIR Royalty Limited Partnership

Statements of Financial Position

As at December 31, 2025 and 2024

	December 31, 2025 \$	December 31, 2024 \$
Assets		
Current assets		
Cash	100,048	165,864
Amounts due from related parties (note 7)	4,700,345	4,668,069
Prepaid expenses and other assets	19,075	-
	<u>4,819,468</u>	<u>4,833,933</u>
Intangible assets (note 4)	<u>99,075,730</u>	<u>91,994,795</u>
	<u>103,895,198</u>	<u>96,828,728</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	262,942	333,654
Amounts due to related parties (note 7)	4,556,516	4,500,269
	<u>4,819,458</u>	<u>4,833,923</u>
Partners' interest (note 5)	<u>99,075,740</u>	<u>91,994,805</u>
	<u>103,895,198</u>	<u>96,828,728</u>

Approved by the Board of Directors of SIR GP

(Signed) Stephen Dewis

Stephen Dewis, Director

(Signed) Norm Mayr

Norm Mayr, Director

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

SIR Royalty Limited Partnership
Statements of Earnings and Comprehensive Income
For the years ended December 31, 2025 and 2024

	Year ended	
	December 31, 2025	December 31, 2024
	\$	\$
Revenues		
Royalty income (notes 1 and 7)	16,934,635	15,297,243
Administration fee (note 7)	24,000	24,000
	<hr/>	<hr/>
	16,958,635	15,321,243
Expenses and other income		
General and administrative	95,014	74,112
Impairment loss on financial assets (note 7)	90,722	9,080
Other income	(14,297)	-
	<hr/>	<hr/>
	171,439	83,192
Net earnings and comprehensive income for the year	<hr/>	<hr/>
	16,787,196	15,238,051

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

SIR Royalty Limited Partnership

Statements of Partners' Interest

For the years ended December 31, 2025 and December 31, 2024

	Number of units (note 5)	Balance - January 1, 2025 \$	Units Issued \$ (note 5)	Net Earnings for the year \$	Distributions declared \$	Balance - December 31, 2025 \$
Ordinary LP units	5,356,667	7,633,570	-	6,043,477	(6,043,477)	7,633,570
Class A LP units	3,018,900	27,983,375	-	5,052,148	(5,052,148)	27,983,375
Ordinary GP units	100	11	-	60	(60)	11
Class A GP units	1,569,147	16,377,848	7,080,935	2,691,499	(2,691,499)	23,458,783
Class B GP units	96,007,138	1	-	12	(12)	1
Class C GP units	4,000,000	40,000,000	-	3,000,000	(3,000,000)	40,000,000
		<u>91,994,805</u>	<u>7,080,935</u>	<u>16,787,196</u>	<u>(16,787,196)</u>	<u>99,075,740</u>

	Number of units (note 5)	Balance - January 1, 2024 \$	Units Returned \$ (note 5)	Net Earnings for the year \$	Distributions declared \$	Balance - December 31, 2024 \$
Ordinary LP units	5,356,667	7,633,570	-	5,760,324	(5,760,324)	7,633,570
Class A LP units	3,018,900	27,983,375	-	4,901,250	(4,901,250)	27,983,375
Ordinary GP units	100	11	-	60	(60)	11
Class A GP units	987,835	17,990,473	(1,612,625)	1,576,405	(1,576,405)	16,377,848
Class B GP units	96,588,450	1	-	12	(12)	1
Class C GP units	4,000,000	40,000,000	-	3,000,000	(3,000,000)	40,000,000
		<u>93,607,430</u>	<u>(1,612,625)</u>	<u>15,238,051</u>	<u>(15,238,051)</u>	<u>91,994,805</u>

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

SIR Royalty Limited Partnership

Statements of Cash Flows

For the years ended December 31, 2025 and 2024

	Year ended December 31, 2025 \$	Year ended December 31, 2024 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the year	16,787,196	15,238,051
Adjustments for non-cash items		
Net change in non-cash working capital items (note 10)	(73,262)	(804,079)
Impairment of financial assets	90,722	9,080
	<u>16,804,656</u>	<u>14,443,052</u>
Financing activities		
Distributions paid	<u>(16,870,472)</u>	<u>(15,053,686)</u>
Change in cash during the year	(65,816)	(610,634)
Cash - Beginning of year	<u>165,864</u>	<u>776,498</u>
Cash - End of year	<u>100,048</u>	<u>165,864</u>

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

SIR Royalty Limited Partnership

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

1 Nature of operations and seasonality

Nature of operations

SIR Royalty Limited Partnership (the Partnership) is a limited partnership formed under the laws of the Province of Ontario, Canada.

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 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 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 address of the Partnership's registered office is 5360 South Service Road, Suite 200, Burlington, Ontario. The financial statements were approved by the Board of Directors of SIR GP Inc. 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, royalty income recognized by the Partnership will vary in conjunction with the seasonality in revenues experienced by SIR.

2 Basis of presentation

The Partnership prepares its 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 accounting policies applied in these financial statements are as follows:

Basis of measurement

The financial statements have been prepared under the historical cost convention.

Use of estimates

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

SIR Royalty Limited Partnership

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

Revenue recognition

Revenues include Royalty income equal to 6% of revenue of SIR's restaurants in Canada that are subject to the Licence and Royalty Agreement and are recognized on an accrual basis.

Financial instruments

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

Financial assets and liabilities are offset and the net amount is reported in the statement 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 Partnership 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 material, a discount to reduce the financial liabilities to fair value. Subsequently, accounts payable and accrued liabilities and amounts due to related parties are measured at amortized cost using the effective interest method.

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

Impairment of financial assets

At each reporting date, the 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

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Notes to the Financial Statements

December 31, 2025 and December 31, 2024

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.

Distributions

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

Intangible assets

The SIR Rights are intangible assets with indefinite lives. In accordance with the requirements of International Accounting Standard (IAS) 38, Intangible Assets, the SIR Rights are an indefinite life intangible asset and are not amortized. The Partnership reviews the SIR Rights for impairment annually or whenever events or circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the asset, as determined by management). Impairment is recognized when the recoverable amount of the intangible assets is lower than the carrying value.

The Partnership evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Income taxes

The Partnership is not required to pay tax on its earnings as its taxable income is allocated to the partners based on the provisions of the Partnership Agreement. The partners will be liable for income taxes, if any; accordingly, no provision for income taxes has been recorded in these financial statements.

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 Partnership is evaluating the impact of the amendment on the 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

SIR Royalty Limited Partnership

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December 31, 2025 and December 31, 2024

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 Partnership is evaluating the impact of the amendment on the financial statements.

4 Intangible assets

	Year ended December 31, 2025 \$	Year ended December 31, 2024 \$
SIR Rights – Beginning of year	91,994,795	93,607,420
Adjustment to Royalty Pooled Restaurants (note 5)	7,080,935	(1,612,625)
SIR Rights – End of year	<u>99,075,730</u>	<u>91,994,795</u>

In assessing the intangible assets for impairment at December 31, 2025 and December 31, 2024, the aggregate recoverable amount of the intangible assets was compared to its carrying amount. The recoverable amount has been determined by management based on the fair value less cost to sell using a four-year discounted cash flow considering a terminal value. As at December 31, 2025 and December 31, 2024, management did not note any indications of impairment.

The key assumptions included the following:

	As at December 31, 2025	As at December 31, 2024
Revenue growth rates	3.0% to 5.5%	2.0% to 5.5%
Terminal growth rate	3.0%	3.0%
Discount rate	12.1% to 12.8%	12.4% to 13.0%

The tax basis of the intangible assets as at December 31, 2025 was \$99,075,730 (December 31, 2024 - \$91,994,795).

SIR Royalty Limited Partnership

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

5 Partners' interest

The authorized and issued capital of the Partnership consists of the following:

Class	Authorized	As at December 31, 2025		As at December 31, 2024	
		Issued	Amount \$	Issued	Amount \$
Class A LP Units	Unlimited	3,018,900	27,983,375	3,018,900	27,983,375
Class C LP Units	Unlimited	-	-	-	-
Ordinary LP Units	Unlimited	5,356,667	7,633,570	5,356,667	7,633,570
Ordinary GP Units	Unlimited	100	11	100	11
Class A GP Units (note 4)	Unlimited	1,569,147	23,458,783	987,835	16,377,848
Class B GP Units (note 4)	Unlimited	96,007,138	1	96,588,450	1
Class C GP Units	Unlimited	4,000,000	40,000,000	4,000,000	40,000,000
			<u>99,075,740</u>		<u>91,994,805</u>

Generally, the Partnership units have no voting rights, except in certain specified conditions.

Ordinary LP Units and Ordinary GP Units

The holders of the Ordinary LP Units are entitled to receive a pro rata share of all residual distributions.

The Ordinary GP Units have the right to receive distributions of \$5 per month in aggregate.

SIR GP Inc., a direct subsidiary of the Fund, holds 99 Ordinary GP Units and is the Managing General Partner. SIR holds the remaining Ordinary GP Unit and is the General Partner. The Fund and SIR have an 80% and 20% interest in the common shares of SIR GP Inc., respectively.

SIR Holdings Trust, a direct subsidiary of the Fund, holds all of the issued Ordinary LP Units.

Class A GP Units, Class A LP Units and Class B GP Units

The holders of the Class A GP Units are entitled to receive a pro rata share of all residual distributions, and the Class A GP Units are exchangeable into units of the Fund. The holders of the Class A LP Units are entitled to receive a pro rata share of all residual distributions.

Class B GP Units are convertible into Class A GP Units based on a conversion formula defined in the Partnership Agreement for each new restaurant opened in the previous fiscal year. On dissolution of the Partnership, the Class B GP Units are entitled to receive \$10 in aggregate.

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

SIR Royalty Limited Partnership

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

revenues and the formula defined in the Partnership Agreement. Conversely, converted Class A GP Units would be returned by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the initial estimated revenues. On January 1 of each year, SIR will reconvert the Class A GP Units received to Class B GP Units for the permanent closure of a SIR Restaurant.

In December of each year, an additional distribution will be payable to the Class B GP unitholders 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 – increasing the value of the SIR rights by \$7,080,935).

In addition, the revenues of the four (January 1, 2024 – one) new SIR Restaurants 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).

Effective January 1, 2026, SIR's residual interest in the Partnership is 16.82%.

Class A GP Units and Class B GP Units are held by SIR. Class A LP Units are held by SIR Holdings Trust, a direct subsidiary of the Fund.

Class C GP Units

The holders of Class C GP Units are entitled to receive a cumulative preferential monthly cash distribution equal to \$0.063 per Class C GP Unit held, payable on the dates that distributions are paid on the units of the Fund.

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.

Class C LP Units

The Class C LP Units have similar attributes to the Class C GP Units.

SIR Royalty Limited Partnership

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

6 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	
		As at	As at
		December 31,	December 31,
		2025	2024
		\$	\$
	Classification		
Cash	Financial assets at amortized cost	100,048	165,864
Amounts due from related parties	Financial assets at amortized cost	4,700,345	4,668,069
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	262,942	333,654
Amounts due to related parties	Financial liabilities at amortized cost	4,556,516	4,500,269

Carrying and fair value

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.

SIR Royalty Limited Partnership

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

7 Related party balances and transactions

	As at December 31, 2025 \$	As at December 31, 2024 \$
Royalties receivable from SIR Corp.	1,803,957	685,061
Advances receivable from the SIR Royalty Income Fund and its Subsidiaries	<u>2,896,388</u>	<u>3,983,008</u>
Amounts due from related parties	<u>4,700,345</u>	<u>4,668,069</u>
Distributions payable to SIR Corp.	1,305,417	1,148,448
Advances payable to SIR Corp.	<u>282,456</u>	<u>142,933</u>
Amounts due to SIR Corp.	1,587,873	1,291,381
Distributions payable to SIR Royalty Income Fund and its subsidiaries	<u>2,968,643</u>	<u>3,208,888</u>
Amounts due to related parties	<u>4,556,516</u>	<u>4,500,269</u>

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

As at December 31, 2025, an impairment loss of \$90,722 (December 31, 2024 –\$9,080) has been recorded on the royalties receivable from SIR, based on management’s assessment of the SIR-specific risk.

A rate of 7.5% was applied to the royalties receivable to estimate an impairment provision as at December 31, 2025:

	As at December 31, 2025 \$	As at December 31, 2024 \$
SIR Corp.		
Royalties receivable	1,950,224	740,606
Less: Provision for impairment	<u>(146,267)</u>	<u>(55,545)</u>
	<u>1,803,957</u>	<u>685,061</u>

The net impairment (recovery) on royalties receivable is presented within the Statement of Earnings and Comprehensive Income and within net amounts due from related parties on the Statement of Financial Position.

SIR Royalty Limited Partnership

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

During the year ended December 31, 2025, the Partnership earned royalty income of \$16,934,635 from SIR (year ended December 31, 2024 – \$15,297,243). The Partnership's royalty income is determined based on 6% of the revenues from certain SIR Restaurants subject to the Licence and Royalty Agreement between the Partnership and SIR. SIR makes 13 Royalty payments based on SIR's 13 four- or five-week period fiscal year and, as such, royalty payments can fluctuate depending on how the four- or five-week periods coincide with the Partnership's calendar fiscal year. On January 1 of each year (the Adjustment Date), the restaurants subject to the Licence and Royalty Agreement are adjusted for new restaurants opened for at least 60 days preceding such Adjustment Date in the previous fiscal year. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units into Class A GP Units based on the conversion formula defined in the Partnership Agreement (note 4).

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.

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 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.

8 Capital management

The Partnership's issued capital consists of Class A LP Units, Ordinary LP Units, Ordinary GP Units, Class A GP Units, Class B GP Units and Class C GP Units. The objectives in managing the capital are to safeguard the Partnership's ability to continue as a going concern and to administer the affairs of the Fund, subject to the terms of the Partnership Agreement and the License and Royalty Agreement. There are no restrictions in these agreements with respect to the issuance of additional units or debt. The Partnership has no third party debt or bank lines of credit. The Partnership had no capital expenditures during the year ended December 31, 2024 and, by its nature, is not expected to have significant capital expenditures in the future.

SIR has a Credit Agreement, which requires the Partnership and the Fund to subordinate and postpone their claims against SIR to the claims of the bank if a default or event of default were to occur (Note 9).

9 Economic dependence

The partnership earns substantially all of its revenue from SIR; accordingly, the Partnership is economically dependent on SIR.

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

SIR Royalty Limited Partnership

Notes to the Financial Statements

December 31, 2025 and December 31, 2024

\$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.

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 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 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.

SIR Royalty Limited Partnership

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10 Net change in non-cash working capital items

	Year ended	
	December 31, 2025 \$	December 31, 2024 \$
Prepaid expenses and other assets	(19,075)	19,950
Amounts due from related parties	(122,998)	(881,153)
Amounts due to related parties	139,523	80,039
Accounts payable and accrued liabilities	(70,712)	(22,915)
	<u>(73,262)</u>	<u>(804,079)</u>