

# **A & W Food Services of Canada Inc.**

Interim Condensed Consolidated  
Financial Statements  
Second Quarter of Fiscal 2025

For the 12-week and 24-week periods ended  
**June 15, 2025 and June 16, 2024**

# A&W Food Services of Canada Inc.

## Interim Condensed Consolidated Balance Sheets

(Unaudited, in thousands of Canadian dollars)

	Note	June 15, 2025 \$	December 29, 2024 (Revised – Note 7) \$
<b>Assets</b>			
Cash and cash equivalents		2,707	22,534
Accounts receivable		48,479	41,934
Leases receivable	6	32,714	32,457
Inventories		6,153	12,170
Prepaid expenses		4,337	5,376
Income taxes recoverable		3,245	-
<b>Total Current Assets</b>		<b>97,635</b>	<b>114,471</b>
Other receivables		3,366	3,374
Deferred tax assets		11,131	10,567
Right-of-use assets	6	19,914	22,490
Leases receivable	6	596,849	600,616
Plant and equipment		8,372	8,953
Intangible assets	7	494,371	494,366
<b>Total assets</b>		<b>1,231,638</b>	<b>1,254,837</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities		52,769	67,126
Dividends payable		11,519	-
Lease liabilities	6	35,669	35,610
Deposits on franchise and equipment sales		13,890	14,861
Deferred revenue		2,600	2,584
Income taxes payable		-	2,866
<b>Total Current Liabilities</b>		<b>116,447</b>	<b>123,047</b>
Deferred revenue		29,722	29,848
Operating loan facility	8	246,962	257,149
Derivative financial liabilities	8	757	-
Lease liabilities	6	616,414	622,602
Supplementary retirement benefit plan		10,737	10,974
Other long-term liabilities		11	11
<b>Total Liabilities</b>		<b>1,021,050</b>	<b>1,043,631</b>
<b>Shareholders' equity</b>			
Share capital	9	417,925	417,925
Contributed surplus	10	598	-
Accumulated deficit	7	(209,027)	(207,072)
<b>Total Shareholders' equity</b>		<b>209,496</b>	<b>210,853</b>
<b>Non-controlling interest</b>		<b>1,092</b>	<b>353</b>
<b>Total equity</b>		<b>210,588</b>	<b>211,206</b>
<b>Total liabilities and equity</b>		<b>1,231,638</b>	<b>1,254,837</b>

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

# A&W Food Services of Canada Inc.

## Interim Condensed Consolidated Statements of Income

(Unaudited, in thousands of Canadian dollars)

	Note	12-week period ended June 15, 2025 \$	12-week period ended June 16, 2024 \$	24-week period ended June 15, 2025 \$	24-week period ended June 16, 2024 \$
<b>Revenue</b>					
Franchising	11	62,988	58,620	118,914	112,046
Corporate restaurants		5,789	5,701	10,996	11,056
		<b>68,777</b>	<b>64,321</b>	<b>129,910</b>	<b>123,102</b>
<b>Expenses (income)</b>					
Operating costs		36,041	32,571	69,967	62,118
General and administrative expenses		11,116	11,633	22,010	22,816
Royalty expense	17	-	12,965	-	24,518
Finance income	13	(5,968)	(5,718)	(11,928)	(11,265)
Finance expense	13	9,633	6,067	19,462	12,099
Loss in interest rate swap	8	757	-	757	-
Amortization of deferred gain		-	(881)	-	(1,761)
Share of income from associates		-	(2,869)	-	(5,444)
		<b>51,579</b>	<b>53,768</b>	<b>100,268</b>	<b>103,081</b>
<b>Income before income taxes</b>		<b>17,198</b>	<b>10,553</b>	<b>29,642</b>	<b>20,021</b>
<b>Provision for (recovery of) income taxes</b>					
Current		4,302	1,630	7,524	4,115
Deferred		370	128	335	(399)
		<b>4,672</b>	<b>1,758</b>	<b>7,859</b>	<b>3,716</b>
<b>Net income for the period</b>		<b>12,526</b>	<b>8,795</b>	<b>21,783</b>	<b>16,305</b>
<b>Net income attributable to</b>					
Shareholders of A&W Food Services of Canada Inc.		12,149	5,539	21,044	10,302
Non-controlling interest		377	3,256	739	6,003
		<b>12,526</b>	<b>8,795</b>	<b>21,783</b>	<b>16,305</b>

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

# A&W Food Services of Canada Inc.

## Interim Condensed Consolidated Statements of Comprehensive Income

(Unaudited, in thousands of Canadian dollars, except for number of shares and per share amounts)

	Note	12-week period ended June 15, 2025 \$	12-week period ended June 16, 2024 \$	24-week period ended June 15, 2025 \$	24-week period ended June 16, 2024 \$
<b>Net income for the period</b>		<b>12,526</b>	8,795	<b>21,783</b>	16,305
<b>Other comprehensive gain</b>					
Actuarial gain on supplementary retirement benefit plan – net of tax		<b>159</b>	120	<b>39</b>	285
<b>Comprehensive income</b>		<b>12,685</b>	8,915	<b>21,822</b>	16,590
<b>Comprehensive income attributable to</b>					
Shareholders of A&W Food Services of Canada Inc.		<b>12,308</b>	5,659	<b>21,083</b>	10,587
Non-controlling interest		<b>377</b>	3,256	<b>739</b>	6,003
		<b>12,685</b>	8,915	<b>21,822</b>	16,590
<b>Net income per share</b>					
Basic	15	<b>\$ 0.51</b>	\$ 0.58	<b>\$ 0.88</b>	\$ 1.08
Diluted	15	<b>\$ 0.50</b>	\$ 0.58	<b>\$ 0.88</b>	\$ 1.08
<b>Weighted average number of shares outstanding (thousands)</b>					
Basic	15	<b>23,998</b>	9,495	<b>23,998</b>	9,495
Diluted	15	<b>24,093</b>	9,495	<b>24,048</b>	9,495

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

## A&W Food Services of Canada Inc.

### Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited, in thousands of Canadian dollars)

	Note	Share capital \$	Contributed Surplus \$	Accumulated deficit \$	Total \$	Non- controlling interest \$	Total equity (deficiency) \$
<b>Balance – December 31, 2023</b>		14,043	-	(225,970)	(211,927)	89,475	(122,452)
Net income for the period		-	-	10,302	10,302	6,003	16,305
Dividends on common shares		-	-	(9,699)	(9,699)	(5,113)	(14,812)
Actuarial gain on supplementary retirement benefit plan – net of tax		-	-	285	285	-	285
<b>Balance – June 16, 2024</b>		<b>14,043</b>	<b>-</b>	<b>(225,082)</b>	<b>(211,039)</b>	<b>90,365</b>	<b>(120,674)</b>
<b>Balance – December 29, 2024</b>	7	417,925	-	(207,072)	210,853	353	211,206
Net income for the period		-	-	21,044	21,044	739	21,783
Dividends on common shares		-	-	(23,038)	(23,038)	-	(23,038)
Stock-based compensation on equity-settled plans	10	-	598	-	598	-	598
Actuarial gain on supplementary retirement benefit plan – net of tax		-	-	39	39	-	39
<b>Balance – June 15, 2025</b>		<b>417,925</b>	<b>598</b>	<b>(209,027)</b>	<b>209,496</b>	<b>1,092</b>	<b>210,588</b>

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

# A&W Food Services of Canada Inc.

## Interim Condensed Consolidated Statements of Cash Flows

(Unaudited, in thousands of Canadian dollars)

	Note	12-week period ended June 15, 2025 \$	12-week period ended June 16, 2024 \$	24-week period ended June 15, 2025 \$	24-week period ended June 16, 2024 \$
<b>Cash provided by (used in)</b>					
<b>Operating activities</b>					
Net income for the period		12,526	8,795	21,783	16,305
Adjustments for					
Depreciation of plant and equipment	12	335	415	678	817
Amortization of intangibles	12	650	363	1,219	690
Depreciation of right-of-use assets	12	639	633	1,285	1,244
Deferred income taxes		370	128	335	(399)
Stock-based compensation	10	528	-	598	-
Net loss on disposal of plant and equipment		-	-	23	-
(Decrease) increase in deposits on franchise and equipment sales		(394)	10,250	(971)	9,451
Decrease (increase) in other receivables		124	(94)	8	(295)
Supplementary retirement benefit		(205)	(203)	(410)	(406)
(Decrease) increase in deferred revenue		(195)	189	(110)	254
Amortization of deferred gain		-	(881)	-	(1,761)
Use of provision for impairment of leases receivable	6	(6)	-	(28)	-
Share of income from associates		-	(2,869)	-	(5,444)
Current income tax expense		4,302	1,630	7,524	4,115
Income tax paid		(4,457)	(2,459)	(14,548)	(4,116)
Loss on interest rate swap	8	757	-	757	-
Finance income	13	(5,968)	(5,718)	(11,928)	(11,265)
Finance expense	13	9,633	6,067	19,462	12,099
Finance interest received		24	85	97	107
Finance expense paid		(4,619)	(128)	(8,646)	(338)
Changes in items of non-cash working capital	14	(9,250)	(9,915)	(11,827)	(2,959)
		4,794	6,288	5,301	18,099
<b>Investing activities</b>					
Purchase of plant and equipment		(76)	(231)	(198)	(705)
Purchase of intangible assets	7	(549)	-	(995)	(385)
Transaction costs capitalized	7	-	-	(151)	-
Dividends and distributions received from associates		-	2,887	-	4,090
		(625)	2,656	(1,344)	3,000
<b>Financing activities</b>					
Repayment of principal on lease liabilities		(875)	(858)	(1,756)	(1,629)
Repayment of the Credit Facility		-	-	(10,509)	-
Repayment of the Former Credit Facility		-	(5,497)	-	(7,146)
Dividends paid to shareholders		(11,519)	(9,069)	(11,519)	(9,069)
Dividends paid to non-controlling interest		-	(4,449)	-	(4,781)
		(12,394)	(19,873)	(23,784)	(22,625)
<b>Decrease in cash and cash equivalents during the period</b>					
		(8,225)	(10,929)	(19,827)	(1,526)
<b>Cash and cash equivalents – beginning of period</b>					
		10,932	13,258	22,534	3,855
<b>Cash and cash equivalents – end of period</b>					
		2,707	2,329	2,707	2,329

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

# A&W Food Services of Canada Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 15, 2025

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(Unaudited, figures in tables expressed in thousands of Canadian dollars unless otherwise noted)

### 1 General information

A & W Food Services of Canada Inc. (formerly “A&W of Canada Inc.”) (the “Company” or “Food Services”) is in the business of developing and franchising quick service restaurants in Canada and owns the A&W trademarks used in the A&W quick service restaurant business in Canada. During the 24-week period ended June 15, 2025, the Company opened 11 A&W locations and closed two A&W locations, bringing the total number of A&W restaurants as at June 15, 2025 to 1,082, of which 1,072 are franchised and ten are owned and operated corporately. Food Services also holds the master franchise rights in Canada for the UK-based restaurant chain Pret A Manger (“Pret”) and owns and operates one stand-alone Pret location as of June 15, 2025. Food Services’ registered offices are located at Suite 300 – 171 West Esplanade, North Vancouver, British Columbia, Canada.

#### Fiscal 2024 Transaction

Prior to the completion of the Transaction (as defined and disclosed below), A&W of Canada Inc. (“A&W Canada”) held a 65.48% interest in AWFS Holdings Inc. (“AWFS Holdings”) and as a result, controlled AWFS Holdings, and AWFS Holdings controlled a predecessor of the Company, also named A & W Food Services of Canada Inc. (“predecessor A&W Food Services”). An equity interest of 34.52% in AWFS Holdings was owned by outside parties and was recorded as a non-controlling interest in the consolidated financial statements of A&W Canada. Subsequent to the Transaction, the outside parties became direct shareholders of Food Services and as such their respective ownership is presented within share capital and retained earnings on the consolidated balance sheet as at December 29, 2024 and June 15, 2025.

Prior to completion of the Transaction, predecessor A&W Food Services paid A&W Trade Marks Limited Partnership (“the Partnership”), a subsidiary of A&W Revenue Royalties Income Fund (the “Fund”) a royalty for use of the A&W trademarks in Canada. As a result of the Transaction, Food Services indirectly acquired the A&W trademarks by acquiring all of the outstanding units of the Fund (“Trust Units”) and since the Transaction, Food Services ceased recognizing the royalty expense in its consolidated statement of income.

A combination agreement in respect of the Transaction was entered into on July 21, 2024, whereby predecessor A&W Food Services agreed to amalgamate with certain of its direct and indirect holding companies to form a new publicly-traded company and acquire all of the issued and outstanding Trust Units not already owned by predecessor A&W Food Services (the “Transaction”).

Prior to the Transaction, predecessor A&W Food Services owned (i) 9.4% of the outstanding Trust Units on a fully diluted basis through its ownership of limited voting units of the Fund, with the remaining Trust Units being publicly traded, and (ii) 21.9% of the issued and outstanding common shares of A&W Trade Marks Inc. (“Trade Marks”), which were exchangeable for Trust Units, with the remaining common shares being owned by the Fund. Food Services accounted for its investments in the Fund and Trade Marks as investments in associates and recognized its proportionate share of the associate’s income or loss based on the associate’s net income/loss for the reporting period.

In preparation for the Transaction, a number of reorganization steps, including those set forth below, were undertaken:

- a shareholder of A&W Canada exchanged all of its shares of A&W Canada for (i) Class B Preferred Shares (the “Preferred Shares”) and (ii) Class E Common Shares of A&W Canada. Through a series of steps, the

# A&W Food Services of Canada Inc.

## Notes to Interim Condensed Consolidated Financial Statements

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(Unaudited, figures in tables expressed in thousands of Canadian dollars unless otherwise noted)

Preferred Shares were, directly or indirectly, later exchanged for non-interest bearing promissory notes of Buddy Holdings Inc., payable on demand with an aggregate principal amount of \$12,522,000; and

- in order to simplify the existing organizational structure of A&W Food Services of Canada Inc and its, direct and indirect, corporate shareholders, Buddy Holdings Inc., A&W Trademarks Holdings Inc. and AWFS Fund Holdings Canada Ltd. were incorporated.

The Transaction closed on October 17, 2024 and on that day, Buddy Holdings Inc., A&W Canada, AWFS Holdings, A&W Holdings I Inc., A&W Holdings II Inc. (collectively, the “Holding Companies”) and predecessor A&W Food Services amalgamated. The amalgamated entity retained the legal name A & W Food Services of Canada Inc.

On October 18, 2024, Food Services acquired all of the Trust Units that it did not already own in exchange for consideration of \$175,623,000 in cash and 9,839,091 common shares of Food Services less \$18,275,000 in cash and intercompany receivables assumed upon Trade Marks and the Fund becoming wholly owned subsidiaries of Food Services. This was accounted for as an asset acquisition in fiscal 2024. Additional information is disclosed in note 7. This was funded by way of a \$265,000,000 drawn down on a revolving credit facility (the “Credit Facility”) with a syndicate of banks that was entered into in conjunction with the completion of the Transaction. Proceeds from the Credit Facility were also used to repay Trade Marks’ outstanding borrowings balance, totaling \$60,167,000. Food Services incurred \$3,500,000 of borrowing costs which were capitalized against the operating loan facility. Additional information is disclosed in note 8.

In connection with the Transaction, the Trust Units were de-listed from the Toronto Stock Exchange (“TSX”) and the common shares of Food Services were listed on the TSX under the symbol AW.TO.

On October 18, 2024, Food Services repaid the non-interest bearing promissory notes payable on demand with an aggregate principal amount of \$12,522,000.

On January 3, 2025, the Fund and Trade Marks were dissolved and Food Services directly acquired the A&W trademarks.

## 2 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, - *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with Food Services’ audited annual consolidated financial statements as at December 29, 2024 which were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

### Fiscal year

To align its financial reporting with the business cycle of its operations, the Company uses a fiscal year comprising a 52- or 53-week period ending the Sunday nearest December 31. The fiscal 2025 year is 52 weeks

# **A&W Food Services of Canada Inc.**

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

**June 15, 2025**

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(Unaudited, figures in tables expressed in thousands of Canadian dollars unless otherwise noted)

and ends December 28, 2025 (fiscal 2024 – 52 weeks ended December 29, 2024). A&W Root Beer Beverages of Canada Inc. (“A&W Beverages”), Food Services’ subsidiary, uses a fiscal year ending December 31.

### **Consolidation**

These interim condensed consolidated financial statements include the accounts of Food Services and its 60% controlling interest in A&W Beverages.

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors (the “Board”) on July 23, 2025.

### **3 Material accounting policy information**

These interim condensed consolidated financial statements have been prepared using the accounting policies as outlined in note 3 of the audited consolidated financial statements for the 52-week period ended December 29, 2024.

#### **Equity incentive plan**

Food Services adopted an Omnibus Long-Term Incentive Plan (the “Equity Incentive Plan”) in 2024 to allow for a variety of equity-based awards that provide different types of incentives to be granted to certain directors, officers, employees and/or consultants providing ongoing services to Food Services and its subsidiaries, being options (“Options”), performance share units (“PSUs”), restricted share units (“RSUs”) and deferred share units (“DSUs”). Options, PSUs, RSUs and DSUs are collectively referred to herein as “Awards”. Each Award represents the right to receive the Company’s shares or, in the case of PSUs, RSUs and DSUs, shares or cash, or a combination of shares and cash, at the Board’s sole discretion.

The expense related to Options is initially recognized based on the fair value of the option at the grant date using the Black-Scholes option-pricing model, with a corresponding increase in contributed surplus. When Options are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are reclassified to share capital.

Compensation expense related to other equity-settled awards is measured based on an estimated fair value at the grant date, with a corresponding increase in contributed surplus. Upon settlement, the amount initially recognized in contributed surplus is reclassified to share capital.

For a share-based payment transaction in which the terms of the arrangement provide the Company with the choice to settle in cash or by issuing equity instruments, the Company determines whether it has a present obligation to settle in cash, including whether the Company has a past practice or stated policy of settling in cash. If the Company concludes that equity settlement is probable, it accounts for the Awards as equity-settled. If the Company concludes there is an obligation to cash-settle the Awards then the Company recognizes compensation expense that is based on the market value of the Company’s shares at grant date and a corresponding liability. The liability is subsequently remeasured at each reporting date based on the market value of the Company’s shares, with changes in fair value recognized as stock-based compensation expense over the vesting period. There is a cash or equity settlement option on part of the Board for the RSUs. In the

# A&W Food Services of Canada Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 15, 2025

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(Unaudited, figures in tables expressed in thousands of Canadian dollars unless otherwise noted)

Company's judgment it expects to settle the RSU awards through equity and accordingly the awards have been accounted for as equity-settled Awards.

The compensation expense related to the Awards is recognized in general and administration expenses in the consolidated statement of income.

### Interest rate swaps

Food Services uses interest rate swap agreements to manage risks from fluctuations in interest rates. All such instruments are used only for risk management purposes. Changes in the fair value of the interest rate swap agreements are recognized in the consolidated statement of income.

## 4 Accounting policy developments

In April 2024, the International Accounting Standards Board issued IFRS 18 - *Presentation and Disclosure in the Financial Statements* ("IFRS 18") replacing IAS 1 – *Presentation of Financial Statements*. IFRS 18 introduces a specified structure for the income statement by requiring income and expenses to be presented in three main categories, operating, investing and financing, and by specifying certain defined totals and subtotals. Where company-specific measures related to the income statement are provided ("management-defined performance measures") in a note to the financial statements, IFRS 18 requires a reconciliation to the closest IFRS Accounting Standard subtotal and an accompanying explanation related to the use of the management-defined performance measure. IFRS 18 provides additional guidance on principles of aggregation and disaggregation which apply to the primary financial statements and the notes. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Management is currently assessing the impact of future adoption of IFRS 18.

In May 2024, the International Accounting Standards Board published amendments to IFRS 9 - *Financial Instruments* ("IFRS 9") and IFRS 7 - *Financial Instruments: Disclosures* ("IFRS 7"). The amendments to IFRS 9 clarify de-recognition and classification of specific financial assets and liabilities respectively while the amendments to IFRS 7 clarify the disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and contractual terms that could change the timing or amount of contractual cash flows on the occurrence or non-occurrence of a contingent event. The amendments to IFRS 9 and IFRS 7 are effective for annual reporting beginning on or after January 1, 2026. Management is currently assessing the impact of future adoption of these amendments to IFRS 9 and IFRS 7.

## 5 Critical accounting estimates and judgments

The preparation of interim condensed consolidated financial statements in conformity with IFRS Accounting Standards requires management to make estimates and assumptions that affect the amounts reported in the interim condensed consolidated financial statements and accompanying notes. It is reasonably possible that circumstances may arise that would cause actual results to differ from management estimates; however, management does not believe it is likely that such differences will materially affect Food Services' financial position.

# A&W Food Services of Canada Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 15, 2025

(Unaudited, figures in tables expressed in thousands of Canadian dollars unless otherwise noted)

The areas of judgment that have the most significant effect on the amounts recognized in these interim condensed consolidated financial statements are disclosed in note 5 of the Company's annual consolidated financial statements for the 52-week period ended December 29, 2024.

### 6 Leases

#### Leases receivable

Food Services is considered an intermediate lessor on certain franchise locations. The following table presents the leases receivable for the Company:

	June 15, 2025 \$	December 29, 2024 \$
Current leases receivable	32,714	32,457
Non-current leases receivable	596,849	600,616
	<u>629,563</u>	<u>633,073</u>

The following table outlines the annual contractual undiscounted payments for leases receivable as at June 15, 2025:

	\$
Year 1	58,634
Year 2	57,868
Year 3	56,785
Year 4	55,410
Year 5	52,827
Thereafter	<u>643,313</u>
Total undiscounted leases receivable	924,837
Unearned interest income	(293,761)
Provision for impairment	<u>(1,513)</u>
	<u>629,563</u>

Interest income on leases receivable for the 12-week and 24-week periods ended June 15, 2025 was \$5,944,000 and \$11,831,000, respectively (12-week and 24-week periods ended June 16, 2024 - \$5,633,000 and \$11,159,000, respectively).

Leases receivable are reviewed for impairment based on expected losses at each consolidated balance sheet date in accordance with IFRS 9. An impairment loss is recorded using the simplified expected credit loss ("ECL") method. Food Services has developed a risk matrix used to assess the credit risk of leases receivable where Food Services are guarantors for head leases and has included the ongoing uncertainty in its credit risk assumptions. Factors taken into consideration include restaurant concept, payment performance and future expectations for the restaurant operations. Food Services recorded an ECL provision on leases receivable of \$1,513,000 as at June 15, 2025 (December 29, 2024 - \$1,541,000). During the 12-week and 24-week periods ended June 15, 2025 no loss or recovery on impairment of leases receivable was recognized (12-week and 24-week periods ended June 16, 2024 - \$nil).

# A&W Food Services of Canada Inc.

## Notes to Interim Condensed Consolidated Financial Statements

June 15, 2025

(Unaudited, figures in tables expressed in thousands of Canadian dollars unless otherwise noted)

The movement in the ECL on lease receivables is as follows:

	\$
Balance – December 29, 2024	1,541
Amount of provision used	(28)
Balance – June 15, 2025	<u>1,513</u>

### Right-of-use assets

Right-of-use assets comprise the Company's leases for corporate restaurant premises, head office space, and automobiles. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date, which is the possession date of the asset. The right-of-use asset is initially measured based on the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received, and excludes all sales taxes. Right-of-use assets are depreciated to the earlier of the end of the useful life of the asset or the lease term using the straight-line method. The lease term includes periods associated with options to extend or excludes periods associated with options to terminate the lease when it is reasonably certain that management will exercise these options. Additionally, right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The following table represents right-of-use assets for the Company:

	Real estate \$	Automobiles \$	Total \$
<b>Balance – December 29, 2024</b>	20,665	1,825	22,490
Additions	-	288	288
Disposals	(1,471)	(11)	(1,482)
Remeasurement of lease liabilities	(97)	-	(97)
Depreciation	(822)	(463)	(1,285)
<b>Balance – June 15, 2025</b>	<u>18,275</u>	<u>1,639</u>	<u>19,914</u>

### Lease liabilities

The Company's leases include base rent for restaurant premises and office space and automobiles. The Company is the head lessee for the majority of its franchised locations and enters into agreements whereby the Company licences the premises to the franchisee, for which the Company receives a premises licence fee. Under the licence agreement, the franchisee is responsible for the obligations under the lease. IFRS 16 - *Leases* requires Food Services, where it acts as the intermediate lessor, to recognize a lease receivable. The Company has included renewal options in the measurement of lease liability when it is reasonably certain to exercise the renewal option.

Lease liabilities are initially measured at the present value of the lease payments over the lease term. The lease term includes periods associated with options to extend or excludes periods associated with options to terminate the lease when it is reasonably certain that management will exercise these options. The lease payments are discounted using the interest rate implicit in the leases; if that cannot be readily determined, the Company uses its incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

# A&W Food Services of Canada Inc.

## Notes to Interim Condensed Consolidated Financial Statements

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(Unaudited, figures in tables expressed in thousands of Canadian dollars unless otherwise noted)

The lease liabilities are measured at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company has elected not to recognize a right-of-use asset and lease liability for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The following table presents the lease liabilities for the Company:

	<b>June 15, 2025 \$</b>	<b>December 29, 2024 \$</b>
Current lease liabilities	35,669	35,610
Non-current lease liabilities	616,414	622,602
	<u>652,083</u>	<u>658,212</u>

Costs not included in the measurement of the lease liabilities are as follows:

	<b>12-week period ended June 15, 2025 \$</b>	<b>12-week period ended June 16, 2024 \$</b>	<b>24-week period ended June 15, 2025 \$</b>	<b>24-week period ended June 16, 2024 \$</b>
Low-value lease costs	2	13	4	24
Variable lease costs	276	318	550	522
	<u>278</u>	<u>331</u>	<u>554</u>	<u>546</u>

# A&W Food Services of Canada Inc.

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### 7 Intangible assets

	Internally generated application software \$	A&W trademarks \$	Total \$
<b>Balance – December 29, 2024</b>			
Cost	9,012	488,067	497,079
Accumulated amortization	(2,713)	-	(2,713)
<b>Net book value</b>	<b>6,299</b>	<b>488,067</b>	<b>494,366</b>
<b>Opening net book value</b>	<b>6,299</b>	<b>488,067</b>	<b>494,366</b>
Additions	1,073	151	1,224
Amortization	(1,219)	-	(1,219)
<b>Net book value</b>	<b>6,153</b>	<b>488,218</b>	<b>494,371</b>
<b>Balance – June 15, 2025</b>			
Cost	10,085	488,218	498,303
Accumulated amortization	(3,932)	-	(3,932)
<b>Net book value</b>	<b>6,153</b>	<b>488,218</b>	<b>494,371</b>

On October 18, 2024, Food Services indirectly reacquired the A&W trademarks by acquiring all of the outstanding Trust Units not already owned by predecessor A&W Food Services.

The Company has revised certain financial information related to intangible assets that was previously included in the consolidated financial statements for the 52-week period ended December 29, 2024. The balance of the A&W trademarks as at December 29, 2024, has been increased from \$440,893,000 to \$488,067,000 to reflect an adjustment relating to the cost of the A&W trademarks acquisition which occurred on October 18, 2024. The impact to the consolidated balance sheet as at December 29, 2024 is noted in the 'Adjustment' column in the following table:

	December 29, 2024 (previously reported) \$	Adjustment \$	December 29, 2024 (revised) \$
Intangible assets	447,192	47,174	494,366
Total assets	1,207,663	47,174	1,254,837
Accumulated deficit	(254,246)	47,174	(207,072)
Total shareholders' equity	163,679	47,174	210,853
Total equity	164,032	47,174	211,206

The adjustment had no impact on the consolidated statements of income, consolidated statements of comprehensive income or consolidated statements of cash flows. Total assets, total shareholders equity and total equity all as at December 29, 2024 have also been updated to reflect the adjustment.

# **A&W Food Services of Canada Inc.**

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Costs incurred to complete Food Services' acquisition of the A&W trademarks totaling \$18,784,00 were capitalized in fiscal 2024 and are included in the intangible assets balance as at December 29, 2024. Additional costs related to the acquisition of the A&W trademarks, totaling \$151,000, were capitalized in the 24-week period ended June 15, 2025 and are included in the intangible assets balances at June 15, 2025. See notes 1, 8 and 9 for further details on the Transaction.

Food Services performed its annual impairment test on the indefinite life intangible asset as at December 29, 2024, using a value-in-use model to determine the recoverable amount of the indefinite life intangible asset. The calculations were based on Food Services' internal forecasts and represent management's best estimates at a specific point in time, and, as a result, are subject to estimation uncertainty. In arriving at its estimated future cash flows, Food Services considered past experience, economic trends and forecasted industry trends. Cash flows are projected for a period of five years and then cash flows beyond that are extrapolated using an estimated terminal growth rate of 2%. Food Services assumed a pre-tax discount rate of 12.0% in order to calculate the present value of its projected cash flows. As a result of this test, it was concluded that no impairment was required. There were no indicators of impairment during the 12-week or 24-week periods ended June 15, 2025; therefore, no impairment testing was performed and no impairment was required.

### **8 Operating loan facility and interest rate swap**

Prior to October 17, 2024, predecessor A&W Food Services had a \$40,000,000 demand operating loan facility ("Former Credit Facility") with a Canadian chartered bank (the "Bank"). The facility was used to fund working capital requirements and for general corporate purposes. On May 15, 2024, predecessor A&W Food Services extended the maturity date on the Former Credit Facility by one year to May 31, 2025. Under the Former Credit Facility account overdrafts bear interest at the Bank's prime rate plus 0.75% (at the Bank's prime rate plus 1% prior to the amendment). As part of the amendment, and in response to the cessation of Canadian Dollar Offered Rate which is the benchmark interest rate on bankers acceptances ("BAs"), the Former Credit Facility was also amended to transition from BAs to CORRA (as defined below) loans, in which the interest rate benchmark is Canadian Overnight Repo Rate Average ("CORRA"). The remaining terms and conditions were consistent with those of the Former Credit Facility that was in place prior to the May 15, 2024 amendment.

Amounts under the Former Credit Facility could be advanced in the form of an account overdraft or in the form of CORRA loans and were repayable on demand. The Former Credit Facility contained covenants including the requirement to meet certain debt to earnings before interest, taxes, depreciation, amortization and non-cash charges/income ("EBITDA") ratios and debt to Food Services' investment in Trade Marks ratios during each trailing four quarter period. Food Services was also required to pledge 5,000,000 Trade Marks common shares.

On October 17, 2024, Food Services replaced the Former Credit Facility with a new credit facility (the "Credit Facility"). The Credit Facility is revolving and allows for Food Services to borrow up to \$325,000,000 Canadian dollar equivalent, with a \$10,000,000 sublimit for letters of credit and letters of guarantee and a \$20,000,000 sublimit for a swingline.

The Credit Facility matures on October 17, 2029 and is available on a revolving basis by way of prime rate loans, term CORRA loans and daily compounded CORRA Loans in Canadian dollars, and U.S. base rate and term Secured Overnight Financing Rate ("SOFR") loans in U.S. dollars, and letters of credit in Canadian and U.S. dollars. The marginal rate payable on the prime rate loans and U.S. base rate loans ranges from 0.75% to 2.0%, based on Food Services' ratio of Total Debt to EBITDA, as defined in the credit agreement. The marginal rate

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payable on the term CORRA loans, daily compounded CORRA loans, term SOFR loans and letters of credit ranges from 1.75% to 3.0%, based on Food Services' ratio of Total Debt to EBITDA. The Credit Facility is secured by a first priority lien over all of the present and future undertakings and property of Food Services.

On October 17, 2024, Food Services drew down \$265,000,000 on the Credit Facility and used the proceeds to repay Trade Marks' \$60,000,000 term loan and the accrued interest, which totaled \$60,167,000, finance the \$175,623,000 purchase of 4,746,582 Trust Units and pay \$3,500,000 in financing fees associated with the Credit Facility. The Credit Facility will be used to fund working capital requirements and for general corporate purposes on an ongoing basis. Additional information on the Transaction is disclosed in notes 1, 7 and 9.

The Credit Facility contains covenants including the requirement to meet certain debt to EBITDA and interest coverage ratios during each trailing four quarter period. Food Services was in compliance with all of its financial covenants as at June 15, 2025 and December 29, 2024.

Financing fees of \$3,500,000 related to the Credit Facility are presented as a reduction to the carrying amount of the operating loan facility and are being amortized over the remainder of the five-year term of the Credit Facility.

Food Services uses interest rate swap agreements to manage risks from fluctuations in interest rates. To manage the interest rate risk associated with the Credit Facility, Food Services entered into an interest rate swap arrangement (the "Swap") on May 20, 2025. The Swap has a notional value of \$210,000,000 and a maturity of October 17, 2029. Under the Swap, as at June 15, 2025, the effective interest rate is 5.36% per annum (December 29, 2024 – n/a), comprising 3.11% per annum which is fixed under the Swap agreement until October 17, 2029 plus a 2.25% per annum marginal rate. The marginal rate ranges from 1.75% to 3.0%, depending on Food Services' ratio of Total Debt to EBITDA. The fair value of the Swap as at June 15, 2025 was \$757,000 unfavourable (December 29, 2024 - \$n/a). The \$757,000 loss on the Swap in the 12- and 24-week period ended June 15, 2025 (2024 – n/a), representing the change in the fair value of the Swap, is recorded in the interim consolidated statements of income.

The following table presents the operating loan facility for the Company:

	<b>June 15, 2025 \$</b>	<b>December 29, 2024 \$</b>
Amount of Credit Facility	325,000	325,000
Amounts drawn on Credit Facility	250,000	260,509
Less: Unamortized balance on financing fees	(3,038)	(3,360)
	<u>246,962</u>	<u>257,149</u>
Letters of guarantee issued under Credit Facility	<u>198</u>	<u>198</u>
Amount available on Credit Facility	<u>74,802</u>	<u>64,293</u>

# A&W Food Services of Canada Inc.

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### 9 Share capital

Authorized

Unlimited number of common shares

Issued

	<b>Number of Common Shares</b>	<b>Share Capital \$</b>
Balance as at December 29, 2024	<u>23,997,781</u>	<u>417,925</u>
Balance as at June 15, 2025	<u>23,997,781</u>	<u>417,925</u>

Upon completion of the Transaction Food Services issued 9,839,091 common shares to Unitholders in exchange for their Trust Units and 14,158,701 common shares of Food Services were issued to indirect shareholders of predecessor A&W Food Services as of immediately prior to closing.

Prior to the completion of the Transaction, the preferred shareholders of A&W Canada exchanged their preferred shares for non-interest bearing promissory notes payable on demand with an aggregate principal amount of \$12,522,000. On October 18, 2024, Food Services repaid the non-interest bearing promissory notes in full.

Prior to completion of the Transaction, an equity interest of 34.52% in AWFS Holdings was owned by outside parties and was recorded as a non-controlling interest in the consolidated financial statements of A&W Canada. Subsequent to the Transaction, the outside parties became direct shareholders of Food Services and as such their respective ownership is presented within share capital and retained earnings on the consolidated balance sheet as at June 15, 2025 and December 29, 2024.

Additional information on the Transaction is disclosed in notes 1, 7 and 8.

### 10 Stock-based compensation

DSUs

During the 24-week period ended June 15, 2025, the Company issued 4,174 (2024-nil) DSUs to certain directors of the Company for services performed during the 24-week period ended June 15, 2025. The DSUs vest immediately at the time of grant and are not redeemable until the director ceases to be a member of the Board. The DSUs can be settled in cash, shares of the Company, or a combination thereof at the sole discretion of the Board. The Company determined that the 4,174 DSUs granted during the 24-week period ended June 15, 2025 are equity-settled transactions as the Company expects they will be fully settled in shares of the Company. Accordingly, an expense was recognized on the grant date equal to the fair value of the DSUs at the grant date and, with a corresponding increase in contributed surplus. During the 24-week period ended June 15, 2025, the Company recognized a stock-based compensation expense of \$142,000 (June 16, 2024 - \$nil) in relation to the DSUs granted. The Company recognized a stock-based compensation expense of \$72,000 in the 12-week period ended June 15, 2025 (June 16, 2024 - \$nil).

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The following table presents the outstanding DSUs for the Company for the 12 and 24-week periods ended on the dates indicated below:

	<b>12-week period ended June 15, 2025</b>	12-week period ended June 16, 2024	<b>24-week period ended June 15, 2025</b>	24-week period ended June 16, 2024
Outstanding – beginning of period	2,211	-	-	-
Granted	1,963	-	4,174	-
Outstanding – end of period	4,174	-	4,174	-
Vested and exercisable – end of period	4,174	-	4,174	-

### RSUs

During the 24-week period ended June 15, 2025, the Company issued 93,256 (2024-nil) RSUs to certain employees of the Company. The RSUs vest over a period of one to five years and are settled in shares of the Company. The RSUs are accounted for as equity-settled transactions whereby an expense is recognized equal to the fair value of the RSUs at the grant date over the vesting period, with a corresponding increase in contributed surplus. During the 12 and 24-week period ended June 15, 2025, the Company recognized a stock-based compensation expense of \$456,000 (12 and 24-week period end June 16, 2024 - \$nil) in relation to the RSUs issued. The fair value of the RSUs issued during the during the 24-week period ended June 15, 2025 was \$3,409,000 as at June 15, 2025 (2024-\$nil). No RSUs were issued during the 12-week period ended June 15, 2025 (12-week period ended June 16, 2024 - nil).

The following table presents the outstanding RSUs for the Company for the 12 and 24-week periods ended on the dates indicated below:

	<b>12-week period ended June 15, 2025</b>	12-week period ended June 16, 2024	<b>24-week period ended June 15, 2025</b>	24-week period ended June 16, 2024
Outstanding – beginning of period	93,256	-	-	-
Granted	-	-	93,256	-
Outstanding – end of period	93,256	-	93,256	-
Vested and exercisable – end of period	-	-	-	-

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### 11 Franchising revenue

Franchising revenues disaggregated by revenue source are outlined below. The table also shows the basis on which franchising revenues are recognized.

	<b>12-week period ended June 15, 2025</b>	<b>12-week period ended June 16, 2024</b>	<b>24-week period ended June 15, 2025</b>	<b>24-week period ended June 16, 2024</b>
	\$	\$	\$	\$
<b>At a point in time</b>				
Advertising fund contributions	13,941	13,853	26,710	26,245
Distribution revenue and service fees	33,319	32,047	62,050	60,045
Equipment and turnkey fees	11,515	9,447	22,181	18,239
Other revenue	3,445	2,850	6,653	5,414
<b>Over time</b>				
Initial franchise fees and renewal fees	768	423	1,320	2,103
	<b>62,988</b>	<b>58,620</b>	<b>118,914</b>	<b>112,046</b>

Equipment and turnkey fees includes revenues related to equipment sales for both new and existing restaurants.

### 12 Expenses by nature

Included in operating costs and general and administrative expenses are the following expenses by nature:

	<b>12-week period ended June 15, 2025</b>	<b>12-week period ended June 16, 2024</b>	<b>24-week period ended June 15, 2025</b>	<b>24-week period ended June 16, 2024</b>
	\$	\$	\$	\$
Depreciation of plant and equipment	335	415	678	817
Amortization of intangible assets	650	363	1,219	690
Depreciation of right-of-use assets	639	633	1,285	1,244
<b>Employee benefit costs</b>				
Wages, salaries, bonuses and other termination benefits	8,661	9,035	17,143	17,622
Pension costs – defined contribution plan	256	260	563	550
Total employee benefit costs	<b>8,917</b>	<b>9,295</b>	<b>17,706</b>	<b>18,172</b>

# A&W Food Services of Canada Inc.

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### 13 Finance income and expense

	<b>12-week period ended June 15, 2025</b>	<b>12-week period ended June 16, 2024</b>	<b>24-week period ended June 15, 2025</b>	<b>24-week period ended June 16, 2024</b>
	\$	\$	\$	\$
Interest on cash and cash equivalents	24	85	97	106
Interest on leases receivable	5,944	5,633	11,831	11,159
Total finance income	5,968	5,718	11,928	11,265

	<b>12-week period ended June 15, 2025</b>	<b>12-week period ended June 16, 2024</b>	<b>24-week period ended June 15, 2025</b>	<b>24-week period ended June 16, 2024</b>
	\$	\$	\$	\$
Interest on operating loan facility	3,124	123	6,498	322
Standby fees	64	6	129	18
Interest on supplementary retirement benefit plan	113	113	226	226
Interest on lease liabilities	6,171	5,825	12,287	11,533
Amortization of deferred financing fees	161	-	322	-
Total finance expense	9,633	6,067	19,462	12,099

	<b>12-week period ended June 15, 2025</b>	<b>12-week period ended June 16, 2024</b>	<b>24-week period ended June 15, 2025</b>	<b>24-week period ended June 16, 2024</b>
	\$	\$	\$	\$
Finance income	(5,968)	(5,718)	(11,928)	(11,265)
Finance expense	9,633	6,067	19,462	12,099
Net finance expense	3,665	349	7,534	834

### 14 Working capital

Changes in items of non-cash working capital are as follows:

	<b>12-week period ended June 15, 2025</b>	<b>12-week period ended June 16, 2024</b>	<b>24-week period ended June 15, 2025</b>	<b>24-week period ended June 16, 2024</b>
	\$	\$	\$	\$
Accounts receivable	(13,678)	(7,965)	(6,545)	(2,815)
Inventories	2,339	(3,965)	6,017	(640)
Prepaid expenses	(558)	(864)	1,039	(273)
Accounts payable and accrued liabilities	2,647	2,437	(12,338)	393
Royalties payable	-	442	-	376
	(9,250)	(9,915)	(11,827)	(2,959)

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### 15 Net income per share

Net income per share is calculated by dividing the net income attributable to Food Services shareholders by the weighted average number of common shares outstanding during the period. In order to improve comparability of net income per share, the number of shares used to calculate the net income per share for the comparative 12 and 24-week periods ended June 16, 2024, which is prior to October 17, 2024 (the date of the Transaction), has been adjusted to reflect the equivalent number of common shares of Food Services that were outstanding after the reorganization steps described in notes 1 and 9 were undertaken, excluding the common shares issued to the outside party holding a non-controlling interest in Food Services prior to the completion of the Transaction and those issued to Unitholders as consideration for the Transaction which were incorporated into the weighted average number of shares from the date of the Transaction onwards.

	<b>12-week period ended June 15, 2025</b>	12-week period ended June 16, 2024	<b>24-week period ended June 15, 2025</b>	24-week period ended June 16, 2024
Net income attributable to shareholders of the Company and used to determine net income per share	\$12,149	\$5,539	\$21,044	\$10,302
Weighted average number of shares outstanding (thousands)	23,998	9,495	23,998	9,495
Net income per share	\$0.51	\$0.58	\$0.88	\$1.08

Diluted net income per share for the periods indicated below were calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares as follows:

	<b>12-week period ended June 15, 2025</b>	12-week period ended June 16, 2024	<b>24-week period ended June 15, 2025</b>	24-week period ended June 16, 2024
Net income attributable to shareholders of the Company and used to diluted net income per share	\$12,149	\$5,539	\$21,044	\$10,302
Weighted average number of shares outstanding (thousands)	23,998	9,495	23,998	9,495
Dilutive effect of RSUs and DSUs (note 10)	95	-	50	-
Weighted average number of shares for diluted net income per share (thousands)	24,093	9,495	24,048	9,495
Diluted net income per share	\$0.50	\$0.58	\$0.88	\$1.08

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### **16 Financial instruments and financial risk management**

Food Services' financial instruments consist of cash and cash equivalents, accounts receivable, leases receivable, other receivables, accounts payable and accrued liabilities, the operating loan facility and the interest rate swap.

#### **Fair values**

Management estimates that the fair values of cash and cash equivalents, accounts receivable, other receivables, and accounts payable and accrued liabilities and operating loan facility approximate their carrying values given the short term maturity of these instruments. The fair value of leases receivable approximates their carrying value as the implicit interest used to discount the base value is considered to be based on an appropriate credit and risk rate pertaining to Food Services. The Credit Facility is based on the floating CORRA and Prime rates which reprice regularly. There has not been a significant change in the Company's credit standing in the period between October 17, 2024 and June 15, 2025. Accordingly, it is estimated there is not a material change in fair value of the drawn portion of the Credit Facility.

The Swap is measured at fair value as Level 3 financial instruments and is measured using valuation techniques. These valuation techniques utilize significant inputs that are not based on observable market data. The fair value of the Swap as at June 15, 2025 was \$757,000 unfavourable (December 29, 2024 – n/a).

### **17 Related party transactions and balances**

During the prior year 24-week period ended June 16, 2024, Food Services recognized a royalty expense of \$24,518,000, of which \$4,470,000 was payable to the Partnership as at June 16, 2024 and paid to the Partnership on July 11, 2024, subsequent to the period end. The royalty expense for the 12-week period ended June 16, 2024 was \$12,965,000. The royalty expense ceased upon the completion of the Transaction on October 17, 2024.

During the prior year 24-week period ended June 16, 2024, Trade Marks declared five dividends payable to Food Services totaling \$3,607,000 as a result of Food Services' ownership of Trade Marks' common shares. The fifth dividend amounted to \$721,000 and was declared on May 31, 2024 but paid to Food Services on June 28, 2024, subsequent to the period end, and was therefore reported as a current asset as at June 16, 2024. During the 12-week period ended June 16, 2024 Trade Marks declared three dividends payable to Food Services totaling \$2,164,000. Trade Marks did not declare any dividends subsequent to the completion of the Transaction.

During the prior year 24-week period ended June 16, 2024, the Fund declared five distributions totalling \$1,205,000 payable to Food Services as a result of Food Services' ownership of limited voting units of the Fund. The fifth distribution amounted to \$241,000 and was declared on May 31, 2024 but paid to Food Services on June 28, 2024, subsequent to the period end, and was therefore reported as a current asset. During the 12-week period ended June 16, 2024 the Fund declared three distributions payable to Food Services totaling \$723,000. The Fund did not declare any distributions subsequent to the completion of the Transaction.

During the prior year 24-week period ended June 16, 2024, Food Services recognized \$95,000 as an offset to general and administrative expenses as a result of administrative services provided to Trade Marks and the Fund. During the 12-week period ended June 16, 2024, Food Services recognized \$48,000 as an offset to general and administrative expenses related to administrative services provided to Trade Marks. Following the

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completion of the Transaction, Food Services did not receive any further payments from Trade Marks for administrative services.

Prior to completion of the Transaction there was an expense sharing agreement (the “Expense Agreement”) in place that outlined an arrangement amongst Food Services, the Fund and Trade Marks in respect of the payment of certain costs, fees, expenses and disbursements incurred or to be incurred by the Fund and Trade Marks in connection with their consideration, evaluation and negotiation of the Transaction incurred at or prior to the public announcement of the Transaction. Pursuant to the Expense Agreement, Food Services agreed to (a) reimburse the Fund and Trade Marks for certain expenses paid by the Fund or Trade Marks, (b) advance funds to the Fund and/or Trade Marks to permit the Fund and/or Trade Marks, as applicable, to pay such expenses or (c) pay such expenses directly, in each case, subject to certain caps as set forth therein. During the prior year 24-week period ended June 16, 2024, Food Services paid a total of \$480,000 in costs incurred by the Fund related to the Transaction under the terms of the Expense Agreement.

### Key management compensation

Key management includes the Company’s directors and executive team. Compensation awarded to key management includes:

	<b>12-week period ended June 15, 2025</b>	<b>12-week period ended June 16, 2024</b>	<b>24-week period ended June 15, 2025</b>	<b>24-week period ended June 16, 2024</b>
	\$	\$	\$	\$
Salaries, bonuses and other short-term employee benefits	866	781	1,794	1,483
Pension costs – defined contribution plan	34	42	105	91
Pension costs – supplementary retirement benefit plan	113	113	226	226
Stock-based compensation	528	-	598	-
	<b>1,541</b>	<b>936</b>	<b>2,723</b>	<b>1,800</b>

During the 24-week period ended June 15, 2025, the directors of the Company earned director’s fees payable in cash totaling \$188,000 (June 16, 2024 - \$nil), of which \$94,000 was in accounts payable and accrued liabilities as at June 15, 2025 (December 29, 2024 - \$165,000). The Company also granted 4,174 DSUs to the directors of the Company and granted 93,256 RSUs to executives and recognized \$598,000 in stock-based compensation expense in the 24-week period ended June 15, 2025 (June 16, 2024 - \$nil). The Company recognized \$528,000 in stock-based compensation in the 12-week period ended June 15, 2025 (June 16, 2024 - \$nil) related to the DSUs and RSUs granted. The director fees payable in cash are reflected in salaries, bonuses and other short-term employee benefits in the table above and the stock-based compensation expense related to the RSUs and DSUs granted is included in stock-based compensation in the table above. See note 10 for further details on the RSUs and DSUs granted.

### 18 Segment information

Operating segments are components of the Company that engages in business activities from which they earn revenues and incur expenses, the operations of which can be clearly distinguished, and the operating results of which are regularly reviewed by the chief operating decision maker (“CODM”) for the purposes of resource allocation and assessing its performance. The Company’s CODM has been identified as the Chief Executive

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Officer (“CEO”). Management has determined that the Company operates in a single reportable segment, being the business of developing and franchising quick service restaurants. The Company also has one geographic segment as all assets and operations are in Canada. Accordingly, the results of the segment and assets and liabilities are disclosed in the Consolidated Statements of Income and Consolidated Statement of Balance sheets respectively.