

Consolidated Financial Statements of

BOSTON PIZZA ROYALTIES INCOME FUND

Years ended December 31, 2024 and 2023

MANAGEMENT'S STATEMENT OF RESPONSIBILITIES

The accompanying consolidated financial statements are the responsibility of management and have been reviewed and approved by the Trustees of Boston Pizza Royalties Income Fund (the "Fund"). The consolidated financial statements have been prepared by management in accordance with IFRS Accounting Standards and, where appropriate, reflect management's best estimates and judgments.

Management maintains appropriate policies, procedures and systems of internal control which provide reasonable assurance that the Fund's assets are safeguarded and the financial records are relevant, reliable, and provide a proper basis for the preparation of the consolidated financial statements and other financial information.

The Board of Directors of Boston Pizza GP Inc. and the Trustees of the Fund ensure that management fulfills its responsibilities for financial reporting and internal control through the Audit Committee. The Audit Committee meets with management and meets independently with the external auditors to satisfy itself that management's responsibilities are properly discharged. The Audit Committee also reviews the consolidated financial statements and reports to the Trustees of the Fund. The Fund's external auditors have full and direct access to the Audit Committee.

The consolidated financial statements have been independently audited by KPMG LLP in accordance with Canadian generally accepted auditing standards. Their report follows and expresses their opinion on the Fund's consolidated financial statements.



Marc Guay

Chairman, Boston Pizza Royalties Income Fund
on behalf of the Trustees

February 13, 2025



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Boston Pizza Royalties Income Fund

Opinion

We have audited the consolidated financial statements of Boston Pizza Royalties Income Fund (the "Fund"), which comprise:

- the consolidated statements of financial position as at December 31, 2024 and December 31, 2023
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in Unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Fund as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 auditor's report.

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

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the recoverable amount of Intangible assets – BP Rights

Description of the matter

We draw attention to Notes 2(c), 3(f) and 6 of the financial statements. The Intangible assets – BP Rights are measured at historical cost and have a carrying value of \$284,188 thousand. The Fund performs an impairment test over the Intangible assets - BP Rights annually or when events or changes in circumstances indicate that the carrying value exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In determining the recoverable amount of the Intangible assets - BP Rights, the Fund's significant assumptions include projected franchise sales by restaurants that are in the Royalty Pool and pre-tax discount rate.

Why the matter is a key audit matter

We identified the assessment of the recoverable amount of Intangible assets – BP Rights as a key audit matter. This matter represented an area of significant risk of misstatement given the high degree of estimation uncertainty in determining the recoverable amount. Minor changes in projected franchise sales by restaurants that are in the Royalty Pool and pre-tax discount rate had a significant effect on the recoverable amount. These factors indicated a significant risk of material misstatement. As a result, specialized skills and knowledge and significant auditor judgment were required in evaluating the results of our audit procedures.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- We evaluated the appropriateness of the Fund's projected franchise sales by restaurants that are in the Royalty Pool by comparing the projected franchise sales to historical franchise sales and external industry reports. When performing this assessment, we considered specific conditions and events affecting the franchise sales.
- We compared the Fund's historical franchise sales growth rate expectations to actual results to assess the Fund's ability to accurately predict franchise sales growth.
- We involved valuation professionals with specialized skills and knowledge, who assisted in the evaluation of the pre-tax discount rate used in the determination of the recoverable amount. The valuation professionals evaluated the pre-tax discount rate by comparing it against a pre-tax discount rate range that was independently developed using publicly available market data for comparable entities. The valuation professionals considered features and risks specific to the Intangible assets – BP Rights.



Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor’s report thereon, included in a document likely to be entitled “2024 Annual Report”.

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

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

We obtained information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor’s report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor’s report thereon, included in a document likely to be entitled “2024 Annual Report” is expected to be made available to us after the date of this auditor’s report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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 as issued by the International Accounting Standards Board, 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 Fund’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the 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 the 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Adam Schell.

Vancouver, Canada

February 13, 2025

BOSTON PIZZA ROYALTIES INCOME FUND
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

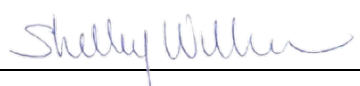
	December 31, 2024	December 31, 2023 (Restated, note 3(g))	January 1, 2023 (Restated, note 3(g))
Assets			
Current assets			
Cash and cash equivalents	\$ 4,573	\$ 4,589	\$ 5,213
Royalty receivable from Boston Pizza International Inc. (note 14)	3,378	3,361	3,330
Distributions receivable from Boston Pizza Canada Limited Partnership (note 14)	1,057	1,051	1,042
Prepaid expenses	123	131	121
Interest rate swaps (notes 7 and 9(iii))	710	1,406	1,592
	9,841	10,538	11,298
Interest rate swaps (notes 7 and 9(iii))	178	1,378	2,628
Investment in units of Boston Pizza Canada Limited Partnership (note 5)	128,681	116,951	115,587
Intangible assets – BP Rights (note 6)	284,188	284,188	284,188
Total assets	\$ 422,888	\$ 413,055	\$ 413,701
Liabilities and Unitholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	\$ 668	\$ 411	\$ 544
Distributions payable to Fund unitholders (note 11(c))	2,447	2,277	2,195
Interest payable on Class B Units (note 14)	357	323	303
Interest rate swaps (notes 7 and 9(iii))	181	-	-
Current income tax payable (note 4)	3	22	34
Class B Unit Liability (notes 3(g) and 8)	10,526	9,231	8,808
	14,182	12,264	11,884
Credit Facilities (note 7)	86,535	86,496	86,440
Interest rate swaps (notes 7 and 9(iii))	530	-	-
Deferred income taxes (note 4)	9,453	7,375	6,950
Class B Unit Liability ((notes 3(g) and 8)	31,965	28,034	27,849
Total liabilities	142,665	134,169	133,123
Unitholders' equity			
Fund Units (note 11)	321,044	321,044	325,048
Accumulated deficit (note 12)	(40,821)	(42,158)	(44,470)
	280,223	278,886	280,578
Total liabilities and unitholders' equity	\$ 422,888	\$ 413,055	\$ 413,701

Subsequent events (note 17)

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



Marc Guay



Shelley Williams

BOSTON PIZZA ROYALTIES INCOME FUND
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2024 and 2023
(Expressed in thousands of Canadian dollars, except per Fund Unit data)

	2024	2023
Revenue		
Royalty income <i>(note 13)</i>	\$ 37,266	\$ 37,026
Distribution income <i>(note 13)</i>	12,242	12,167
Total revenue	49,508	49,193
Administration charge from Boston Pizza International Inc. <i>(note 14)</i>	444	427
Professional fees	414	282
Other administrative expenses	576	500
Trustee fees and expenses	279	280
Total administrative expenses	1,713	1,489
Earnings before interest, fair value (gain) loss on financial instruments and income taxes	47,795	47,704
Interest expense on debt and financing fees	3,517	3,370
Interest expense on Class B Unit Liability <i>(note 8)</i>	4,506	3,990
Interest income	(274)	(276)
Net interest expense	7,749	7,084
Profit before fair value (gain) loss and income taxes	40,046	40,620
Fair value gain on investment in Boston Pizza Canada Limited Partnership <i>(notes 5 and 9(ii))</i>	(11,730)	(1,364)
Fair value loss on Class B Unit Liability <i>(notes 8 and 9(iv))</i>	5,226	608
Fair value loss on interest rate swaps <i>(notes 7 and 9)</i>	2,607	1,436
Total fair value (gain) loss	(3,897)	680
Earnings before income taxes	43,943	39,940
Current income tax expense <i>(note 4)</i>	9,993	9,949
Deferred income tax expense <i>(note 4)</i>	2,078	425
Total tax expense	12,071	10,374
Net and comprehensive income for the period	\$ 31,872	\$ 29,566
Net earnings per Fund Unit		
Basic <i>(note 3(d))</i>	\$ 1.50	\$ 1.38
Diluted <i>(note 3(d))</i>	\$ 1.50	\$ 1.34
Weighted average Fund Units outstanding	21,278,563	21,411,499
Weighted average fully diluted Fund Units outstanding	24,540,740	24,673,676

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

BOSTON PIZZA ROYALTIES INCOME FUND
Consolidated Statements of Changes in Unitholders' Equity
(Expressed in thousands of Canadian dollars)

	Fund Units	Accumulated deficit	Total unitholders' equity
Balance – January 1, 2024	\$ 321,044	\$ (42,158)	\$ 278,886
Net and comprehensive income for the period	-	31,872	31,872
Distributions declared (<i>note 11(c)</i>)	-	(30,535)	(30,535)
Balance – December 31, 2024	\$ 321,044	\$ (40,821)	\$ 280,223
Balance – January 1, 2023	\$ 325,048	\$ (44,470)	\$ 280,578
Acquisition of Fund Units (<i>note 11(d)</i>)	(4,004)	-	(4,004)
Net and comprehensive income for the period	-	29,566	29,566
Distributions declared (<i>note 11(c)</i>)	-	(27,254)	(27,254)
Balance – December 31, 2023	\$ 321,044	\$ (42,158)	\$ 278,886

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

BOSTON PIZZA ROYALTIES INCOME FUND
Consolidated Statements of Cash Flows
For the years ended December 31, 2024 and 2023
(Expressed in thousands of Canadian dollars)

	2024	2023
Operating activities		
Net and comprehensive income for the period	\$ 31,872	\$ 29,566
Adjustments for:		
Fair value gain on investment in Boston Pizza Canada Limited Partnership	(11,730)	(1,364)
Fair value loss on Class B Unit Liability	5,226	608
Fair value loss on interest rate swaps	2,607	1,436
Interest expense on Class B Unit Liability	4,506	3,990
Deferred income tax expense	2,078	425
Current income tax expense	9,993	9,949
Interest expense on debt and financing fees	3,517	3,370
Interest income	(274)	(276)
Changes in non-cash working capital	65	(93)
Current income tax paid	(10,012)	(9,961)
Interest received	274	276
Net cash generated from operating activities	38,122	37,926
Financing activities		
Distributions paid to Fund unitholders	(30,365)	(27,172)
Interest paid on Class B Unit Liability	(4,472)	(3,970)
Interest paid on debt	(3,277)	(3,404)
Acquisition of Fund Units (<i>note 11(d)</i>)	-	(4,004)
Payment of deferred financing fees	(24)	-
Net cash used in financing activities	(38,138)	(38,550)
Decrease in cash and cash equivalents	(16)	(624)
Cash and cash equivalents – beginning of year	4,589	5,213
Cash and cash equivalents – end of year	\$ 4,573	\$ 4,589

Supplemental cash flow information (*note 16*)

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

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

1. General Information

(a) Organization

Boston Pizza Royalties Income Fund together with its subsidiaries (*note 3(b)*) (the “**Fund**”) is an unincorporated open-ended limited purpose trust established under the laws of the Province of British Columbia, Canada, and is governed by the Declaration of Trust signed June 10, 2002, and as amended and restated on July 17, 2002, September 22, 2008, December 7, 2010, and July 3, 2024 (the “**Declaration of Trust**”). The Fund’s principal business office is located at 13571 Commerce Parkway, Richmond, BC.

The Fund was established to indirectly, through Royalties LP (*note 3(b)*), acquire the trademarks and trade names owned by Boston Pizza International Inc. (Boston Pizza International Inc. together with its wholly-owned subsidiaries, “**BPI**”) (*note 3(b)*) including “Boston Pizza” and other similar related items, logos and designs (collectively, the “**BP Rights**”) used in connection with the operation of Boston Pizza restaurants in Canada (“**Boston Pizza Restaurants**”). The BP Rights do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the *Trademarks Act* (Canada). The Fund also holds an investment indirectly, through Holdings LP (*note 3(b)*), in Boston Pizza Canada Limited Partnership (“**BP Canada LP**”). BP Canada LP is a limited partnership controlled and operated by BPI and is the exclusive franchisor of Boston Pizza Restaurants in Canada. The rights to operations outside of Canada are owned by an affiliated company.

(b) Nature of operations

The Fund, as indirect owner of the BP Rights, has granted BPI exclusive license to the use of the BP Rights for a term of 99 years beginning in July 2002 (the “**License and Royalty Agreement**”). In return, BPI pays the Fund a royalty of 4.0% (the “**Royalty**”) of franchise revenues (“**Franchise Sales**”) of Boston Pizza Restaurants in the Royalty Pool (the “**Royalty Pool**”) as those terms are defined in the License and Royalty Agreement. The Fund, through its indirect investment in BP Canada LP is entitled to receive a distribution equal to 1.5% of Franchise Sales of Boston Pizza Restaurants in the Royalty Pool less the pro rata portion payable to BPI in respect of its retained interest in the Fund (the “**Distribution**”). There are 372 Boston Pizza Restaurants in the Royalty Pool as at December 31, 2024 (December 31, 2023 – 377).

Substantially all of the Fund’s revenues are earned from certain operations of BPI and BP Canada LP, accordingly, the revenues of the Fund and its ability to pay distributions to Fund unitholders are dependent on the ongoing ability of BPI and BP Canada LP to generate and pay Royalty and Distribution to the Fund.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”).

These consolidated financial statements were authorized by the Trustees of the Fund on February 13, 2025.

(b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Fund’s functional currency.

(c) Use of estimates and judgments

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Judgment

- Consolidation

Applying the criteria outlined in IFRS 10, judgment is required in determining whether the Fund controls Royalties LP (*note 3(b)*). Making this judgement involves taking into consideration the concepts of power over Royalties LP, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of Royalties LP so as to generate economic returns. Using this criteria management has determined that the Fund ultimately controls Royalties LP through its 80% ownership of the managing general partner, Boston Pizza GP Inc.

Estimates

- Intangible Assets – the BP Rights (*note 6*)

The Fund carries the BP Rights at historical cost comprising the amount of consideration paid for the BP Rights in 2002, as well as the value of additional Boston Pizza Restaurants rolled into the Royalty Pool to date. The value of additional Boston Pizza Restaurants added to the Royalty Pool is determined on a formula basis that is designed to estimate the present value of the cash flows that would ultimately be payable to the Fund as a result of the new Boston Pizza Restaurants being added to the Royalty Pool. The calculation is dependent on a number of different variables including the estimated sales of the new Boston Pizza Restaurants for the calendar year in which they are rolled into the Royalty Pool and the tax rate. The value assigned to the new Boston Pizza Restaurants, and as a result, the value assigned to the BP Rights, could differ from actual results.

2. Basis of preparation (continued)

(c) Use of estimates and judgments (continued)

The impairment test requires that the Fund use a valuation technique to determine if impairment exists (refer to *note 3(f)*). The valuation of the intangibles is based on a value in use approach, and depends on certain significant assumptions including projected Franchise Sales by restaurants that are in the Royalty Pool and the pre-tax discount rate. This valuation technique may not represent the actual recoverable amount that the Fund expects the BP Rights to generate. The Fund concluded that the recoverable amount exceeds the carrying amount of the BP Rights therefore, no impairment was recorded for either the year ended December 31, 2024 or December 31, 2023.

- Investment in Boston Pizza Canada Limited Partnership Fair Value Adjustment (*note 5*)

The Fund records its investment in BP Canada LP at fair value. The investment consists of Class 1 limited partnership units (“**Class 1 LP Units**”) and Class 2 limited partnership units (“**Class 2 LP Units**”). This requires that the Fund use a valuation technique to determine the value of the investment in BP Canada LP at each reporting date (refer to *note 9*).

This valuation technique may not represent the actual value of the financial asset and could materially impact the Fund’s financial position and net and comprehensive income.

- Class B Unit Fair Value Adjustment (*note 8*)

The Fund records a liability in respect of Class B general partner units (“**Class B Units**”) of Royalties LP (the “**Class B Unit Liability**”) at fair value. This requires that the Fund use a valuation technique to determine the value of the Class B Unit Liability at each reporting date (refer to *note 9*).

This valuation technique may not represent the actual value of the financial liability should such units be extinguished and changes in the distribution rate on the Class B Units and the yield of the units of the Fund (“**Fund Units**”) could materially impact the Fund’s financial position and net and comprehensive income.

3. Material accounting policies

The material accounting policies used in the preparation of these consolidated financial statements are described below.

(a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- The investment in BP Canada LP (Class 1 LP Units and Class 2 LP Units) is measured at fair value with changes in value recorded through profit and loss in the consolidated statement of comprehensive income.
- Class B Unit Liability is measured at fair value with changes in value recorded through profit and loss in the consolidated statement of comprehensive income.

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(a) Basis of measurement (continued)

- The Fund holds derivative financial instruments to manage its interest rate exposure. Financial derivatives not using hedge accounting are recognized initially at fair value; attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, financial derivatives are recognized at fair value and changes therein are recorded through profit and loss in the consolidated statement of comprehensive income.

(b) Consolidation

These consolidated financial statements include the accounts of Boston Pizza Royalties Income Fund, its wholly-owned subsidiaries Boston Pizza Holdings Trust (the “**Trust**”), Boston Pizza Holdings GP Inc. and Boston Pizza Holdings Limited Partnership (“**Holdings LP**”), its 80%-owned subsidiary Boston Pizza GP Inc. (“**BPGP**”) and its interest in Boston Pizza Royalties Limited Partnership (“**Royalties LP**”). BPGP is the managing general partner of Royalties LP. The 20% residual ownership of BPGP is owned by BPI directly or indirectly. BPI is a general partner of Royalties LP.

Subsidiaries are those entities which the Fund controls by having the power to govern the financial and operating policies of such entities to obtain economic benefits from their relevant activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund directs the activities of another entity.

(c) Revenue

Royalty, Distribution, and interest income are recognized on the accrual basis and is accrued for when earned. Royalty from BPI to the Fund is 4%, and Distribution from BPI to the Fund is 1.5% less the pro rata portion payable to BPI in respect of its retained interest in the Fund, of Franchise Sales for such period reported by BPI for Boston Pizza Restaurants in the Royalty Pool. Refer to *note 1(b)* for further information.

(d) Basic and diluted earnings per Fund Unit

Basic earnings per Fund Unit is based on the weighted average number of Fund Units outstanding during the period. Diluted earnings per Fund Unit is based on the weighted average number of Fund Units, including the number of Fund Units that BPI would receive if it exchanged all of its Class B Units (*note 8*) and Class 2 general partnership units of BP Canada LP (“**Class 2 GP Units**”) (*note 5*) outstanding during the period.

For the year ended December 31, 2024, the basic and diluted earnings per Fund Unit are \$1.50. For the year ended December 31, 2023, the basic and diluted earnings per Fund Unit were \$1.38 and \$1.34 respectively. When diluted earnings are anti-dilutive, diluted earnings per Fund Unit is considered equal to basic earnings per Fund Unit.

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(d) Basic and diluted earnings per Fund Unit (continued)

The following reconciles the basic earnings to the diluted earnings:

(in thousands, except per Fund Unit data)	2024	2023
Net and comprehensive income for the period	\$ 31,872	\$ 29,566
Increase in Distribution income to the Fund	1,733	1,718
Decrease in interest expense on Class B Unit Liability	4,506	3,990
Fair value loss on Class B Unit Liability	5,226	608
Increase in Fund's current and deferred income taxes	(2,746)	(2,720)
Fund's diluted earnings	40,591	33,162
Weighted average fully diluted Fund Units outstanding	24,540,740	24,673,676
Diluted earnings per Fund Unit	\$ 1.65 (Anti-Dilutive)	\$ 1.34 (Dilutive)

(e) Financial instruments

(i) Recognition, classification and measurement

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

All financial assets are initially recorded at fair value and subsequently classified as measured at amortized cost, fair value through other comprehensive income, or fair value through profit and loss ("FVTPL").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold the asset to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial liabilities are initially recorded at fair value and subsequently classified as measured at amortized cost or FVTPL. On initial recognition, the Fund may irrevocably designate a financial liability at FVTPL when doing so results in more relevant information, because either:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed with its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

3. Material accounting policies (continued)

(e) Financial instruments (continued)

(i) Recognition, classification and measurement (continued)

For financial assets classified as measured at FVTPL or designated at FVTPL, changes in fair value are recognized in profit and loss in the consolidated statement of comprehensive income. For financial assets and other financial liabilities measured at amortized cost, interest income and interest expense are calculated using the effective interest method and is recognized in profit and loss in the consolidated statement of comprehensive income.

(ii) Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the asset is managed and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated;
- whether the assets are held for trading purposes;
- the risks that affect the performance of the financial assets held within the business model and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sale activity.

(iii) Contractual cash flow characteristics assessment

In assessing whether the contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition and 'interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The Fund considers the contractual terms of the financial asset and whether the asset contains contractual terms that could change the timing or amount of cash flows such that it would not meet the condition of principal and interest. Contractual terms considered in this assessment include contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, terms that limit the claim to cash flows from specified assets, and features that modify the consideration from time value of money.

3. Material accounting policies (continued)

(f) Impairment of non-financial assets

Long-lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized, such as the BP Rights, are also subject to an annual impairment test (*note 6*). For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses may be reversed if the fair value of the asset is determined to be greater than its carrying amount.

The Fund tested the BP Rights for impairment at December 31, 2024 and December 31, 2023 and determined no impairment exists at either date (*note 6*).

(g) Accounting standards and amendments issued and adopted

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued Presentation of Financial Statements (Amendments to IAS 1) and on October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments are effective for annual periods beginning on or after January 1, 2024. These amendments clarify the classification of liabilities as current or non-current and improve the information a company provides about long-term debt with covenants. For the purposes of non-current classification, the amendments:

- (i) remove the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period and have substance;
- (ii) clarify that covenants with which a company must comply after the reporting date do not affect the liability's classification at the reporting date; and
- (iii) clarify the classification of liabilities that will be settled by the issue of equity instruments.

The Fund performed an analysis to assess the impact of these amendments and determined that the amendments require the re-classification of a portion the Class B Unit Liability from non-current liabilities to current liabilities. The portion that is reclassified to current liabilities represents the liability associated with the Class B Units that the Fund would settle if BPI exchanged the Class B Units that it is permitted to exchange into units of the Fund at each period end (*see note 8*).

The Fund adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2024 with retrospective application of the policy to January 1, 2023. This resulted in the reclassification of \$9.2 million in Class B Unit Liability to current liabilities at both December 31, 2023 and January 1, 2024 and the re-classification of \$8.8 million in Class B Unit Liability to current liabilities at January 1, 2023. No other adjustments or re-classifications were made.

3. Material accounting policies (continued)

- (h) Accounting standards and amendments issued but not yet adopted

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments include clarifications on the derecognition of financial liabilities settled through electronic transfer and the classification of financial assets with environmental, social and governance-linked features.

The amendments are effective for annual periods beginning on or after January 1, 2026 with earlier adoption permitted. The Fund is currently assessing the impact of these amendments on its consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements (“**IFRS 18**”), which will replace IAS 1, Presentation of Financial Statements. The new standard introduces changes to the structure of the consolidated statement of comprehensive income, new guidance on the aggregation and disaggregation of financial information and new disclosure requirements for certain management-defined performance measures.

IFRS 18 is effective for annual periods beginning on or after January 1, 2027 with earlier application permitted. The Fund is currently assessing the impact of the adoption of IFRS 18 on its consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND
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4. Income taxes

The Fund has recorded current income tax expense of \$10.0 million for the year ended December 31, 2024 (December 31, 2023 – \$9.9 million). The current income tax position (receivable or payable) is the cumulative result of the Fund’s specified investment flow-through (“**SIFT**”) tax installments net of the Fund’s SIFT tax expense.

The Fund has recorded a deferred income tax expense of \$2.1 million for the year ended December 31, 2024 (December 31, 2023 – \$0.4 million). This expense had no impact on the Fund’s cash flow for the period.

The reconciliation to statutory tax rate is as follows:

(in thousands, except tax rate)	2024	2023
Earnings before income taxes	\$ 43,943	\$ 39,940
Combined Canadian federal and provincial rate	27.0%	27.0%
Computed expected tax expense	11,865	10,784
Increased (reduced) by:		
Permanent differences	26	(113)
Fair value adjustment on Class B Unit Liability	1,411	164
Fair value adjustment on interest rate swaps	704	388
Changes in valuation allowance on Investment in Units of BP Canada LP	-	(283)
Differences from non-taxable portion of capital gains	(1,931)	(558)
Other	(4)	(8)
Total tax expense per statement of comprehensive income	\$ 12,071	\$ 10,374

The tax effect of temporary differences that give rise to the deferred income tax liability is as follows:

(in thousands)	December 31, 2024	December 31, 2023
Intangible assets - BP Rights	\$ 7,240	\$ 7,110
Investment in Units of BP Canada LP	2,207	275
Other	6	(10)
Net deferred income tax liability	\$ 9,453	\$ 7,375

As at December 31, 2024, there is a recognized taxable temporary difference associated with the Fund’s investments in BP Canada LP of \$16.3 million (December 31, 2023 - \$2.0 million).

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5. Investment in Units of Boston Pizza Canada Limited Partnership

Limited partnership units

The investment in BP Canada LP is comprised of Class 1 LP Units and Class 2 LP Units. The Class 1 LP Units and Class 2 LP Units are held indirectly by the Fund and entitle the Fund to a cash distribution equal to 1.5% of Franchise Sales of Boston Pizza Restaurants in the Fund's Royalty Pool, less the pro rata portion payable to BPI in respect of its retained interest in the Fund. Refer to *note 9* for the fair value calculation of the investment in BP Canada LP.

(in thousands, except per unit data)	Issued and outstanding LP Units		Investment in BP Canada LP
Class 1 LP Units			
Class 1 LP Units at December 31, 2024 and 2023	1,000	\$	33,314
Class 2 LP Units			
Class 2 LP Units	5,455,762	\$	114,113
Fair value loss on Class 2 LP Units - cumulative			(30,476)
Class 2 LP Units Balance at December 31, 2023	5,455,762	\$	83,637
Fair value gain on Class 2 LP Units (<i>note 9(ii)</i>)			11,730
Class 2 LP Units Balance at December 31, 2024	5,455,762	\$	95,367
Total LP Units Balance at December 31, 2024		\$	128,681

General partnership units

BPI receives its proportionate share of the 1.5% of Franchise Sales of Boston Pizza Restaurants in the Royalty Pool through distributions on Class 2 GP Units of BP Canada LP that are exchangeable for Fund Units. BPI continues to pay the Fund the balance of the Fund's interest in Franchise Sales of Royalty Pool restaurants ("**Franchise Sales Participation**") in the form of royalty fees.

The number of Fund Units that BPI is entitled to receive in exchange for its Class 2 GP Units is adjusted on January 1 of each year (each, an "**Adjustment Date**") to reflect the addition of new Boston Pizza Restaurants to the Royalty Pool and the removal of any Boston Pizza Restaurants that closed since the last Adjustment Date (the number of Fund Units BPI is indirectly entitled to receive in connection therewith is the "**Class 2 Additional Entitlements**", with 80% of the Class 2 Additional Entitlements being received on the Adjustment Date with the balance (the "**Class 2 Holdback**") being received once the performance of the new restaurants and the actual effective tax rate paid by the Fund are known for certain), all in a manner similar to adjustments to the Class B Units that BPI holds (refer to *note 8*).

It is possible that on an Adjustment Date, the net additional Royalty and Distribution is negative as a result of the estimated Royalty and Distribution expected to be generated by new Boston Pizza Restaurants being less than the Royalty and Distribution that is lost from permanently closed Boston Pizza Restaurants (the amount by which it is less is the "**Deficiency**"). In such case, BPI would not receive any Class 2 Additional Entitlements, however, nor would BPI lose any of the Class 2 Additional

BOSTON PIZZA ROYALTIES INCOME FUND
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5. Investment in Units of Boston Pizza Canada Limited Partnership (continued)

Entitlements previously received by BPI. Rather, on future Adjustment Dates, BPI would be required to make-up the cumulative Deficiency by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any further Class 2 Additional Entitlements.

BPI also has the right to further increase the Fund's Franchise Sales Participation by up to an additional 1.5% of Franchise Sales (in 0.5% increments) upon meeting certain financial thresholds designed to ensure that the additional Franchise Sales Participation is accretive to the Fund and that BPI retains the financial capacity to satisfy its obligations to the Fund.

BPI has the right to receive Fund Units when it exercises its rights to exchange Class 2 GP Units into Fund Units. Should an exchange occur, BP Canada LP would issue additional Class 2 LP Units to the Fund, the Fund would issue additional Fund Units to BPI, resulting in an increase in the Fund's investment in BP Canada LP recognizing its entitlement to a larger portion of distributions.

As at December 31, 2024, BPI's Class 2 GP Units were exchangeable for 831,354 Fund Units (December 31, 2023 – 831,354).

	Issued and outstanding Class 2 GP Additional Entitlements	Issued and outstanding Class 2 GP Additional Entitlements including Class 2 GP Holdback
Balance at December 31, 2022	831,354	831,354
Class 2 Additional Entitlements granted January 1, 2023 ⁽¹⁾	-	-
Balance at December 31, 2023	831,354	831,354
Class 2 Additional Entitlements granted January 1, 2024 ⁽²⁾	-	-
Balance at December 31, 2024	831,354	831,354

⁽¹⁾ On January 1, 2023, six Boston Pizza Restaurants that closed during the period from January 1, 2022 to December 31, 2022 were removed from the Royalty Pool. The Franchise Sales from restaurants removed from the Royalty Pool on January 1, 2023 was negative \$6.8 million. This resulted in a Deficiency of \$0.4 million related to lost Royalty and Distribution. As a result of the Deficiency, BPI did not receive any Class 2 Additional Entitlements on January 1, 2023. BPI will be required to make-up the Deficiency on future adjustment dates by first adding Royalty and Distribution in an amount equal to the cumulative Deficiency before receiving any future Class 2 Additional Entitlements.

⁽²⁾ On January 1, 2024, the one new Boston Pizza Restaurants that opened between January 1, 2023 and December 31, 2023 was added to the Royalty Pool and the six restaurants that permanently closed during 2023 were removed from the Royalty Pool. The estimated net Franchise Sales from the one new Boston Pizza Restaurant less the six Boston Pizza Restaurants that permanently closed is negative \$7.5 million. This resulted in a Deficiency of \$0.4 million related to lost Royalty and Distribution. As a result of the Deficiency, BPI did not receive any Class 2 Additional Entitlements on January 1, 2024. BPI will be required to make-up the Deficiency on future Adjustment Dates by first adding Royalty and Distribution in an amount equal to the cumulative Deficiency before receiving any further Class 2 Additional Entitlements.

6. Intangible assets – BP Rights

Royalties LP and BPI entered into the License and Royalty Agreement to allow BPI the use of the BP Rights for a term of 99 years beginning in July 2002, for which BPI pays the Royalty. Since the trademarks may remain in force indefinitely, the BP Rights have an indefinite life, are recognized at cost and are not amortized but are tested for indicators of impairment at each reporting date and tested for impairment annually on December 31.

In January of each year, new Boston Pizza Restaurants that opened since the last Adjustment Date are added to the Royalty Pool and any Boston Pizza Restaurants that permanently closed since the last Adjustment Date are removed from the Royalty Pool. In exchange for adding net new Royalty to the Royalty Pool, BPI is granted Class B Additional Entitlements (*note 8*), the fair value of which is determined using the expected annual Franchise Sales of the new Boston Pizza Restaurants less the actual Franchise Sales of the permanently closed Boston Pizza Restaurants during the first year in which they were part of the Royalty Pool, discounted by the yield of the Fund Units.

The value of the Class B Additional Entitlements is adjusted in the following year once the annual Franchise Sales of the new Boston Pizza Restaurants and the actual effective tax rate of the Fund are known for certain. The fair values of the Class B Additional Entitlements are recognized as an intangible asset and are added to the carrying value of the BP Rights.

Each year on December 31, the Fund tests the carrying value of the BP Rights for impairment. Impairment exists if the carrying value of the BP Rights exceeds the recoverable amount. The recoverable amount is determined as the higher of its fair value less cost to sell or its value in use.

The Fund determined the recoverable amount of the BP Rights based on a value in use model. Management calculates the value in use by discounting the expected Royalty payment to be received by the Fund based on projected Franchise Sales by restaurants that are in the Royalty Pool to their present value using a pre-tax discount rate that reflects current markets assessments of the time value of money and risks specific to the BP Rights. The pre-tax discount rate was determined to be 10.0% (December 31, 2023 – 10.0%).

As at December 31, 2024, the Fund has tested the BP Rights for impairment in the manner described above and has determined that the recoverable amount exceeds the carrying value by approximately \$126 million (December 31, 2023 - \$126 million). The Fund has determined that no impairment exists. The Fund performed a sensitivity analysis on the significant assumptions in the value in use calculation, which are the projected Franchise Sales by restaurants in the Royalty Pool and the pre-tax discount rate. If actual Franchise Sales were 29% lower or the pre-tax discount rate was 4% higher, the recoverable amount would approximate carrying value.

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6. Intangible assets – BP Rights (continued)

(in thousands)		
Balance – December 31, 2022	\$	284,188
Class B Additional Entitlements granted January 1, 2023 ⁽¹⁾		-
Balance – December 31, 2023	\$	284,188
Class B Additional Entitlements granted January 1, 2024 ⁽²⁾		-
Balance – December 31, 2024	\$	284,188

⁽¹⁾ On January 1, 2023 six Boston Pizza Restaurants that closed during the period from January 1, 2022 to December 31, 2022 were removed from the Royalty Pool. As a result of the Deficiency (see *note 8*), BPI did not receive any Class B Additional Entitlements on January 1, 2023.

⁽²⁾ On January 1, 2024, the one new Boston Pizza Restaurants that opened between January 1, 2023 and December 31, 2023 was added to the Royalty Pool and the six restaurants that permanently closed during 2023 were removed from the Royalty Pool. As a result of the Deficiency (see *note 8*), BPI did not receive any Class B Additional Entitlements on January 1, 2024.

7. Credit facilities

The following table summarizes the Fund's debt and its fixed and variable rate swap terms as of December 31, 2024 under Facility B and Facility D (both defined below).

(in thousands)	December 31, 2024	December 31, 2023
Credit facility managed by interest rate swaps:		
Facility B bearing interest at 2.27% plus between 1.25% and 1.85% per annum, with a swap maturity date of April 1, 2024 (<i>note 7(d)</i>)	\$ -	\$ 15,000
Facility D bearing interest at 1.02% plus between 1.25% and 1.85% per annum, with a swap maturity date of August 14, 2025	17,000	17,000
Facility D bearing interest at 1.09% plus between 1.25% and 1.85% per annum, with a swap maturity date of March 1, 2026	15,000	15,000
Facility B bearing interest at 2.28% plus between 1.25% and 1.85% per annum, with a swap maturity date of February 1, 2027	15,000	15,000
Facility B bearing interest at 3.48% plus between 1.25% and 1.85% per annum, with a swap maturity date of January 4, 2028	15,000	15,000
Facility B bearing interest at 3.48% plus the applicable CSA plus between 1.25% and 1.85% per annum, with a swap maturity date of July 3, 2029 (<i>note 7(d)</i>)	15,000	-
Credit Facility at variable interest rates:		
Facility B bearing interest at short-term CORRA plus the applicable CSA plus between 1.25% and 1.85% per annum	8,323	8,323
Facility D bearing interest at short-term CORRA plus the applicable CSA plus between 1.25% and 1.85% per annum	1,314	1,314
Deferred financing fees	(102)	(141)
	\$ 86,535	\$ 86,496

(a) Original Credit Facilities

Prior to June 14, 2024, Holdings LP and Royalties LP had credit facilities with a Canadian chartered bank (the “**Bank**”) in the amount of up to \$88.6 million expiring on July 1, 2026 (the “**Original Credit Facilities**”). The Original Credit Facilities were comprised of:

7. Credit facilities (continued)

(a) Original Credit Facilities (continued)

- (i) a \$2.0 million committed operating facility issued to Royalties LP (“**Facility A**”);
- (ii) a \$53.3 million committed non-revolving credit facility issued to Royalties LP for the purpose of refinancing Royalties LP’s previous credit facilities, to facilitate the Fund repurchasing and canceling Fund Units under normal course issuer bids or substantial issuer bids, to finance the cash component of any exchange of general partner units of BP Canada LP and to repay reimbursement charges owing by Royalties LP to BPI for performing administrative services to the Fund (“**Facility B**”);
- (iii) a \$33.3 million committed non-revolving credit facility issued to Holdings LP for the purpose of subscribing for Class 1 LP Units (“**Facility D**”).

The Original Credit Facilities bore interest at variable interest rates comprised of either a combination of the Bank’s bankers’ acceptance rates or Canadian dollar offered rates (“**CDOR**”) plus between 1.25% and 1.85%, or the Bank’s prime rate plus between 0.00% and 0.65%, depending upon the Fund’s total funded net debt to EBITDA ratio.

(b) Third Supplemental Credit Agreement

In 2024, a fundamental reform of major interest rate benchmarks was undertaken globally, including the replacement of some interbank offered rates (“**IBOR**”) with alternative rates. On June 28, 2024, the administrator, Refinitiv Benchmark Services UK Limited, ceased publication of the CDOR. The Fund’s IBOR exposure was indexed to CDOR prior to June 14, 2024.

To address the cessation of CDOR being published, Holdings LP, Royalties LP and the Bank entered into a Third Supplemental Credit Agreement dated June 14, 2024 (the “**Third Supplemental Credit Agreement**”) to amend the Original Credit Facilities to replace the current rates that are based upon CDOR with corresponding rates that are based upon the Canadian Overnight Repo Rate Average (“**CORRA**”). The material modifications to the Original Credit Facilities were as follows (the Original Credit Facilities, as amended by the Third Supplemental Credit Agreement, the “**Credit Facilities**”):

- (i) The availment options were amended to eliminate the banker’s acceptance and CDOR loans and to add in daily compounded CORRA loans and term CORRA loans as availment options, in each case with either a one-month or three-month interest period. Accordingly, the Fund may now borrow funds under the Credit Facilities via Canadian prime rate loans, daily compounded CORRA loans and term CORRA loans;
- (ii) Provisions were added to stipulate how CORRA loan rates are determined, how interest is calculated when interest is payable, and other related matters;
- (iii) Provisions were added to define what happens if CORRA ceases to be published in the future and how an alternative IBOR would be selected;
- (iv) Provisions were added to clarify that any banker’s acceptance loans made prior to June 14, 2024 will continue to be governed by the provisions governing the Original Credit Agreement; and

7. Credit facilities (continued)

(b) Third Supplemental Credit Agreement (continued)

(v) Provisions were added to address how CDOR loans were transitioned to CORRA loans.

The Third Supplemental Credit Agreement did not amend the margins applicable to loans but rather clarified that the margins previously applicable to banker's acceptance and CDOR loans now apply to CORRA loans. However, it adds a credit spread adjustment ("CSA") of either 0.29547% or 0.32138% depending upon whether the CORRA loan has a one-month or three-month interest period, respectively. Accordingly, the Credit Facilities now bear interest at variable interest rates as selected by Holdings LP and Royalties LP. In the case of Canadian prime rate loans, the interest rate is equal to the Bank's prime rate plus between 0.00% and 0.65% (depending on the Fund's total funded net debt to EBITDA ratio) and, in the case of CORRA loans, the interest rate is equal to (i) CORRA; plus (ii) the applicable CSA; plus (iii) between 1.25% and 1.85% (depending on the Fund's total funded net debt to EBITDA ratio). The Fund has determined that the transition from CDOR to CORRA did not result in a material change in the Fund's cost of borrowing under the Credit Facilities.

(c) Other

The Credit Facilities are secured by a first charge on the assets of Holdings LP and Royalties LP. The Credit Facilities are guaranteed by the Fund, the Trust, Boston Pizza Holdings GP Inc., Holdings LP, Royalties LP and BPGP, each of whom granted security over all its assets in favour of the Bank in support of such guarantees. Neither BPI nor any of its subsidiaries has guaranteed or provided any security in respect of the Credit Facilities.

The expiry date, financial covenants, guarantees and security supporting the Credit Facilities remain unchanged from those existing immediately prior to the Third Supplemental Credit Agreement.

The principal amounts drawn on Facility A, Facility B and Facility D are due and payable upon expiry. As of December 31, 2024, no amount was drawn on Facility A, \$53.3 million was drawn on Facility B and \$33.3 million was drawn on Facility D.

The Fund is subject to certain financial covenants and reporting requirements arising from the Credit Facilities which are described in *note 10*. Royalties LP and Holdings LP were in compliance with all of their financial covenants and financial condition tests as of December 31, 2024.

(d) Interest Rate Swaps

On June 19, 2024, the Fund entered into a swap that commenced on June 20, 2024 to fix the interest rate at 3.48% plus the applicable CSA plus the applicable margin for a term ending on July 3, 2029 for \$15.0 million of the \$53.3 million drawn on Facility B. This replaced the \$15.0 million interest rate swap on Facility B that matured on April 1, 2024.

The Fund recorded a net financial derivative asset based on the fair value of the interest rate swaps at December 31, 2024 of \$0.2 million (December 31, 2023 – \$2.8 million) in accordance with accounting for derivatives under IFRS. The Fund intends to hold the outstanding interest rate swaps to maturity.

8. Royalties LP unit liabilities

Class B Units:

The Class B Units are presented in the Fund's consolidated financial statements as a result of the Fund consolidating the accounts of Royalties LP under IFRS. The Class B Units are classified as a financial liability and are initially and subsequently recorded at fair value. The determination of the fair value of the Class B Unit Liability is described in *note 9*. As a result of the Class B Units being classified as a financial liability, amounts paid by Royalties LP to BPI in respect of the Class B Units are classified as interest expense in the statement of comprehensive income. Interest expense on Class B Units for the year ended December 31, 2024 totaled \$4.5 million (December 31, 2023 - \$4.0 million).

BPI has the right to exchange Class B Units for a number of Fund Units based, at any time, on a defined calculation which is based in part on the net Franchise Sales from Boston Pizza Restaurants added to the Royalty Pool. On each Adjustment Date, an adjustment is made to add to the Royalty Pool new Boston Pizza Restaurants that opened and to remove any Boston Pizza Restaurants that permanently closed since the previous Adjustment Date. In return for adding net additional Royalty revenue, BPI receives the right to indirectly acquire additional Fund Units (the "**Class B Additional Entitlements**") and together with Class 2 Additional Entitlements, the "**Additional Entitlements**").

BPI receives 80% of the Class B Additional Entitlements on the Adjustment Date with the balance (the "**Class B Holdback**", and together with Class 2 Holdback, the "**Holdback**") received once the performance of the new Boston Pizza Restaurants and the actual effective tax rate paid by the Fund are known for certain. BPI receives 100% of the distributions from the Class B Additional Entitlements throughout the year. Once the new Boston Pizza Restaurants have been in the Royalty Pool for a full year, an audit of the Franchise Sales of the new Boston Pizza Restaurants is performed and the actual effective tax rate paid by the Fund is determined. At such time, an adjustment is made to reconcile the number of Class B Additional Entitlements and associated distributions to the actual performance of the new Boston Pizza Restaurants and the actual effective tax rate of the Fund.

It is possible for a Deficiency to exist on an Adjustment Date (refer to *note 5*). In such case, BPI would not receive any Additional Entitlements, however, nor would BPI lose any of the Additional Entitlements previously received by BPI. Rather, on future Adjustment Dates, BPI would be required to make-up the Deficiency by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any further Additional Entitlements. BPI is entitled to vote in an equivalent number of Fund Units into which the Class B Units are exchangeable at any time.

The Fund has no obligation to settle this financial liability in cash. If BPI were to exchange all of its Class B Units for Fund Units on December 31, 2024, the Fund would issue the required number of Fund Units and the Class B Unit Liability would be extinguished.

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8. Royalties LP unit liabilities (continued)

The following chart summarizes the Class B Additional Entitlements and Class B Unit Liability:

(in thousands, except per unit data)	Issued and outstanding Additional Entitlements	Issued and outstanding Additional Entitlements including Holdback	Class B Unit Liability
Balance at December 31, 2022	2,430,823	2,430,823	\$ 36,657
Class B Additional Entitlements granted January 1, 2023 ⁽¹⁾	-	-	-
Fair value loss	-	-	608
Balance at December 31, 2023	2,430,823	2,430,823	\$ 37,265
Class B Additional Entitlements granted January 1, 2024 ⁽²⁾	-	-	-
Fair value loss	-	-	5,226
Balance at December 31, 2024	2,430,823	2,430,823	\$ 42,491
Current portion of Class B Unit Liability ⁽³⁾			10,526
Non-current portion of Class B Unit Liability ⁽³⁾			\$ 31,965

⁽¹⁾ On January 1, 2023, six Boston Pizza Restaurants that closed during the period from January 1, 2022 to December 31, 2022 were removed from the Royalty Pool. The Franchise Sales from restaurants removed from the Royalty Pool on January 1, 2023 was negative \$6.8 million. This resulted in a Deficiency of \$0.4 million related to lost Royalty and Distribution. As a result of the Deficiency, BPI did not receive any Class B Additional Entitlements on January 1, 2023. BPI will be required to make-up the Deficiency on future adjustment dates by first adding Royalty and Distribution in an amount equal to the cumulative Deficiency before receiving any future Class B Additional Entitlements.

⁽²⁾ On January 1, 2024, the one new Boston Pizza Restaurants that opened between January 1, 2023 and December 31, 2023 was added to the Royalty Pool and the six restaurants that permanently closed during 2023 were removed from the Royalty Pool. The estimated net Franchise Sales from the one new Boston Pizza Restaurant less the six Boston Pizza Restaurants that permanently closed is negative \$7.5 million. This resulted in a Deficiency of \$0.4 million related to lost Royalty and Distribution. As a result of the Deficiency, BPI did not receive any Class B Additional Entitlements on January 1, 2024. BPI will be required to make-up the Deficiency on future adjustment dates by first adding Royalty and Distribution in an amount equal to the cumulative Deficiency before receiving any future Class B Additional Entitlements.

⁽³⁾ Under the exchange agreement that governs the exchange of the Class 2 GP Units into Fund Units, BPI is not permitted to take any active steps to reduce its interest in the Fund to below 10%. In order to meet this requirement, BPI must hold at least the number of Class B Units and Class 2 GP Units that represent not less than a 10% retained interest in the Fund (measured on the basis of its rights to receive distributions on the Class B Units and Class 2 GP Units). The Fund has split the Class B Units Liability to classify as current that portion of the liability that the Fund would settle if BPI exchanged the Class B Units that it is permitted to exchange at period end while maintaining a minimum 10% retained interest in the Fund.

9. Financial Instruments

Financial Assets and Liabilities by Categories and Fair Value Information

The following table shows the carrying values of assets and liabilities for each financial instrument category (*note 3(e)*) at December 31, 2024 and December 31, 2023. Unless otherwise noted, the fair values on the instruments approximate their carrying amount. The Fund must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements.

BOSTON PIZZA ROYALTIES INCOME FUND
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9. Financial Instruments (continued)

The Fund's fair value hierarchy comprises the following levels:

- Level 1 – quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – pricing inputs are other than quoted in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – valuations in this level are those with inputs for the asset or liability that are not based on observable data.

(in thousands)		December 31, 2024	December 31, 2023
Fair value through profit and loss			
Class 1 Limited Partnership Units of BP Canada LP ⁽ⁱ⁾	Level 2	\$ 33,314	\$ 33,314
Class 2 Limited Partnership Units of BP Canada LP ⁽ⁱⁱ⁾	Level 2	\$ 95,367	\$ 83,637
Fair value of interest rate swaps ⁽ⁱⁱⁱ⁾	Level 2	\$ 177	\$ 2,784
Class B Unit Liability ^(iv)	Level 2	\$ (42,491)	\$ (37,265)
Amortized cost			
Cash and cash equivalents		\$ 4,573	\$ 4,589
Royalty receivable from BPI		\$ 3,378	\$ 3,361
Distributions receivable from BP Canada LP		\$ 1,057	\$ 1,051
Accounts payable and accrued liabilities		\$ (668)	\$ (411)
Distributions payable to Fund unitholders		\$ (2,447)	\$ (2,277)
Interest payable on Class B Units		\$ (357)	\$ (323)
Credit facilities		\$ (86,535)	\$ (86,496)

- (i) The Class 1 LP Units are entitled to distributions determined with respect to the interest cost incurred on Facility D (*note 7*). The fair value of the Class 1 LP Units is estimated using a market-corroborated input (interest rate on the credit facility).
- (ii) The Class 2 LP Units have similar cash distribution entitlements and provisions to the Class 2 GP Units held by BPI, which are exchangeable for Fund Units. The fair value of the Class 2 LP Units is determined by multiplying the issued and outstanding Class 2 LP Units indirectly held by the Fund at the end of the period by the closing price of a Fund Unit on the last business day of the period. As at December 31, 2024, the closing price of a Fund Unit was \$17.48 (December 31, 2023 – \$15.33) while the number of issued and outstanding Class 2 LP Units held by the Fund was 5,455,762 (December 31, 2023 – 5,455,762) resulting in a Class 2 LP Units fair value of \$95.4 million (December 31, 2023 - \$83.6 million). The fair value gain on the investment in BP Canada LP for the year ending December 31, 2024 was \$11.7 million (December 31, 2023 - \$1.4 million).
- (iii) The Credit Facilities are carried at amortized cost. Royalties LP and Holdings LP use interest rate swaps to manage risks from fluctuations in interest rates on \$77.0 million (December 31, 2023 – \$77.0 million) of this balance. The Fund recorded financial derivative assets and liabilities with a combined net asset value of \$0.2 million based on the fair value of the interest rate swaps at December 31, 2024 (December 31, 2023 - \$2.8 million) in accordance to accounting for

9. Financial Instruments (continued)

derivatives under IFRS. Any changes in the fair value of the interest rate swaps are recorded in the consolidated statement of comprehensive income in the period in which they arise. Without factoring in the interest rate swaps, the fair value of the \$77.0 million of the Credit Facilities approximates its carrying amount since the debt has variable interest rates at terms that the Fund believes are reflective of currently available terms. The fair value of the remaining Credit Facilities, before deferred financing fees, approximates its carrying value of \$9.6 million (December 31, 2023 – \$9.6 million) since the debt has variable interest rates at terms that the Fund believes are reflective of currently available terms. The Credit Facilities are presented net of deferred financing fees which were \$0.1 million at December 31, 2024 (December 31, 2023 – \$0.1 million).

- (iv) The Class B Units are exchangeable for Fund Units, and therefore the fair value of the Class B Units is estimated to be equivalent to the number of Fund Units into which the Class B Units are exchangeable. The Fund estimates the fair value of the Class B Units Liability by multiplying the issued and outstanding Class B Additional Entitlements (including Class B Holdback) held by BPI at the end of the period by the closing price of the Fund Units on the last business day of the period. As at December 31, 2024, the closing price of a Fund Unit was \$17.48 (December 31, 2023 – \$15.33) while the number of Fund Units BPI would be entitled to receive if it exchanged all of its Class B Units (including Class B Holdback) was 2,430,823 (December 31, 2023 – 2,430,823) resulting in a Class B Unit Liability fair value of \$42.5 million (December 31, 2023 – \$37.3 million). For the year ended December 31, 2024, the increase of \$5.2 million is due to fair value loss (December 31, 2023 – \$0.6 million). This valuation technique may not represent the actual value of the financial asset should such Class B Units be exchanged.

Financial Instruments and Related Risks

The Fund is primarily exposed to credit risk, liquidity risk and interest rate risk as they relate to the identified financial instruments.

Credit risk

Credit risk is defined as an unexpected loss in cash and earnings if another party is unable to pay its obligations in due time. The Fund's exposure to credit risk arises from its Royalty receivable from BPI and Distribution receivable from BP Canada LP. There is some credit risk associated with the interest rate swap receivables, but it is minimal given that the counterparty is a leading Canadian financial institution. The outstanding balances in these accounts represent the Fund's maximum credit exposure. The Fund monitors this risk through its regular review of operating and financing activities of BPI and BP Canada LP.

The performance of the Fund is directly dependent upon the Royalty and Distribution payments received from BPI and BP Canada LP. The amount of Royalty and Distribution received is dependent on various factors that may affect the casual dining sector of the restaurant industry including competition and general economic conditions. In general, the restaurant industry, and in particular the casual dining sector, is intensely competitive with respect to price, service, location, and food quality. If BPI and BP Canada LP and its franchisees are unable to successfully compete in the casual dining sector or the economy is weak for an extended period of time, Franchise Sales, the basis on which Royalty and Distribution are paid, may be adversely affected. The reduction of royalties from Franchise Sales may impact BPI and BP Canada LP's ability to pay Royalty or Distribution due to the Fund.

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9. Financial Instruments (continued)

The Fund has reviewed its Royalty receivable from BPI and Distribution receivable from BP Canada LP. Based on the BPI cash balance and working capital requirements, the Fund has determined that the collection risk on the Royalty receivable and Distribution receivable is minimal and no indicators of impairment exist. As at December 31, 2024, the Fund had no provision for credit risk recorded in its financial statements (December 31, 2023 – nil).

Liquidity risk

Liquidity risk results from the Fund's potential inability to meet its financial obligations. Beyond effective net working capital and cash management, the Fund constantly monitors its operations and cash flows to ensure that current and future distributions to Fund unitholders will be met. The Fund's capital resources are comprised of its cash and cash equivalents, Royalty receivable from BPI, Distribution receivable from BP Canada LP and its undrawn Facility A (*note 7*).

(in thousands)	December 31, 2024
Cash and cash equivalents	\$ 4,573
Royalty receivable from Boston Pizza International Inc.	3,378
Distribution receivable from Boston Pizza Canada Limited Partnership	1,057
Undrawn Facility A	2,000
	\$ 11,008

The Fund's obligations under the Credit Facilities, as detailed in *note 7*, are secured by a first charge over the assets of the Fund, mature at dates specified in *note 7* and are due according to dates specified in *note 7*.

The Fund is subject to certain guarantor covenants and reporting requirements arising from the Credit Facilities that are further described in *note 10*.

The maturities of the Fund's financial liabilities are as follows:

(in thousands)	Value	Maturity
Accounts payable and accrued liabilities	\$ 668	< 1 year
Distributions payable to Fund unitholders	\$ 2,447	< 1 year
Interest payable on Class B Units	\$ 357	< 1 year
Interest rate swaps	\$ 181	< 1 year
Credit Facilities (<i>note 7</i>)	\$ 86,535	2026
Interest rate swaps	\$ 530	2026 - 2029

Interest rate risk

The Fund's exposure to interest rate risk is mainly through the Credit Facilities. The Fund has entered into interest rate swaps under the International Swap Dealers Association Master Agreements to manage interest rate risk on \$77.0 million of its Credit Facilities and these interest rate swaps are detailed in *note 7*. Therefore, the Fund's interest rate risk is mainly related to its \$9.6 million floating rate debt. A 1.0% change in short-term interest rates would result in a minimal change in interest expense based on the Fund's floating rate debt at December 31, 2024. However, when any individual swap matures, the change between the prevailing floating interest rate and the effective interest rate of the maturing swap would result in a change in interest expense for the Fund.

10. Capital Disclosures

The Fund's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide distributions to Fund unitholders and benefits for other stakeholders. The Fund includes its Credit Facilities and unitholders' equity, in its definition of capital.

The Fund seeks to maintain a balance between the higher returns that might be possible with the leverage afforded by higher borrowing levels and the security afforded by a sound capital structure. It does this by maintaining appropriate debt levels in relation to its cash flows, working capital and other assets in order to provide the maximum distributions to Fund unitholders commensurate with the level of risk. Also, the Fund utilizes its debt capabilities to buy back Fund Units, when appropriate, in order to maximize cash distribution rates for remaining Fund unitholders.

The Fund manages its capital structure and adjusts to respond to changes in economic conditions, the underlying risks inherent in its operations, and capital requirements to maintain and grow its operations. In order to maintain or adjust its capital structure, the Fund may adjust the amount of distributions paid to Fund unitholders, purchase Fund Units in the market, or issue new Fund Units.

Declarations of distributions from the Fund are at the discretion of the Trustees of the Fund. The amount of cash available to be distributed to Fund unitholders is determined with reference to the Fund's cash flow from operations adjusted for items such as BPI's entitlements in respect of its Class B Units, interest paid on debt, contractually required debt repayments, SIFT tax expense and SIFT tax paid. The Fund's policy is to distribute all available cash from operations to Fund unitholders after provisions for cash required for working capital and other reserves considered advisable by the Fund's Trustees. Distributions are recorded when declared.

The Fund had debt, net of deferred financing fees, of \$86.5 million at December 31, 2024 (December 31, 2023 – \$86.5 million). In addition, the Fund's banking covenants require (a) the Fund's total funded net debt to EBITDA ratio to not exceed 2.50:1 until December 30, 2024 and to not exceed 2.25:1 thereafter and (b) the total amount of certain permitted distributions of the Fund (including distribution to Unitholders) to not exceed the sum of the Fund's distributable cash and cash on hand by greater than \$2.0 million (tested quarterly on a trailing 12-month basis). The Fund is in compliance with its covenants as at December 31, 2024.

The Fund is not subject to any other statutory capital requirements and has no commitments to sell or otherwise issue Fund Units, other than the commitment to exchange Class B Units and Class 2 GP Units held by BPI for Fund Units, as described in *notes 5, 8 and 11*.

11. Fund Units

(a) The Fund's Declaration of Trust provides that an unlimited number of Fund Units may be issued. Each Fund Unit is transferable and represents an equal undivided beneficial interest in any distributions of the Fund and in the net assets of the Fund. All Fund Units have equal rights and privileges. Each Fund Unit entitles the holder thereof to participate equally in the allocations and distributions and to one vote at all meetings of Fund unitholders for each Fund Unit held. The Fund Units issued are not subject to future calls or assessments.

Pursuant to the Declaration of Trust, the holders, other than the Fund or its subsidiaries, of the Class A general partner units of Royalties LP ("**Class A Units**"), Class B Units, and Class 2 GP

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11. Fund Units (continued)

Units are entitled to vote in all votes of Fund unitholders as if they were holders of the number of Fund Units they would receive if Class A Units, Class B Units, and Class 2 GP Units were exchanged into Fund Units at the record date of such votes, and will be treated in all respects as Fund unitholders for the purpose of any such votes.

Fund Units are redeemable at any time at the option of the Fund unitholder at a price based on market value as defined in the Declaration of Trust, subject to a maximum of \$50,000 in cash redemptions in any one month. The limitation may be waived at the discretion of the Trustees of the Fund. Redemptions in excess of these amounts, assuming no waiving of the limitation, shall be paid by way of distribution in specie of a pro rata number of securities of the Trust held by the Fund.

(b) Fund Units outstanding:

(in thousands, except unit data)	Number of Fund Units		Fund Units as equity
Opening balance at January 1, 2023	21,521,463	\$	325,048
Acquisition of Fund Units	(242,900)		(4,004)
Balance at December 31, 2023 and December 31, 2024	21,278,563	\$	321,044

As at December 31, 2024, the Class B Units held by BPI were exchangeable into 2,430,823 Fund Units and the Class 2 GP Units held by BPI were exchangeable into 831,354 Fund Units, for a total of 13.3% of the issued and outstanding Fund Units on a fully diluted basis.

(c) Distributions declared to and paid to Fund unitholders were as follows:

(in thousands, except per unit data)	Declared		Paid	
	2024	2023	2024	2023
Monthly Distributions	\$ 28,939	\$ 27,254	\$ 28,769	\$ 27,172
Special Distribution	1,596	-	1,596	-
Total Distributions	\$ 30,535	\$ 27,254	\$ 30,365	\$ 27,172
Monthly Distributions per Fund Unit	\$ 1.36	\$ 1.27	\$ 1.35	\$ 1.27
Special Distribution per Fund Unit	0.08	-	0.08	-
Total Distributions per Fund Unit	\$ 1.44	\$ 1.27	\$ 1.43	\$ 1.27

(d) On June 15, 2023, the Fund announced that it had received Toronto Stock Exchange (“**TSX**”) approval of a Notice of Intention to make a Normal Course Issuer Bid through the facilities of the TSX, other designated exchanges and/or alternative Canadian trading systems from June 20, 2023 to June 19, 2024 (the “**NCIB**”). The NCIB permitted the Fund to repurchase for cancellation up to 400,000 Fund Units. The automatic securities purchase plan (the “**ASPP**”) in place automatically terminated by its terms on August 22, 2023 as a result of the purchase limits specified in the ASPP having been attained. From January 1, 2024 to the expiry of the NCIB on June 19, 2024, the Fund did not acquire any Fund Units under the NCIB. During the year ended December 31, 2023, the Fund acquired 242,900 Fund Units under the NCIB at an average price of \$16.49 per Fund Unit for a total of \$4.0 million. The Fund financed Fund Units purchased under the NCIB from cash on hand. The NCIB expired on June 19, 2024.

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12. Accumulated deficit

The Fund's accumulated deficit includes fair value adjustments and deferred income tax expense, which are non-cash items. Excluding the cumulative effect of fair value adjustments and deferred income tax expense, the Fund would have an accumulated surplus of \$13.7 million at December 31, 2024 (\$14.2 million at December 31, 2023).

13. Operations

(in thousands, except number of Restaurants in the Royalty Pool)	2024	2023
Restaurants in the Royalty Pool	372	377
Franchise Sales reported by Restaurants in the Royalty Pool	\$ 931,652	\$ 925,655
Royalty income – 4% of Franchise Sales	37,266	37,026
Distribution income – 1.5% of Franchise Sales (less BPI retained interest)	12,242	12,167

14. Related party transactions

BPI and BP Canada LP are considered to be related parties of the Fund by virtue of common officers and directors in BPGP, BPI, and BP Canada LP. The Fund has engaged Royalties LP, its administrator, to provide certain administrative services on behalf of the Fund. In turn, certain of the administrative services are performed by BPI as a general partner of Royalties LP. The total amount charged from BPI in respect of these out-of-pocket expenses for the year ended December 31, 2024 was \$0.4 million (December 31, 2023 – \$0.4 million). The total amount payable to BPI in respect of these services for the year ended December 31, 2024 was nominal (December 31, 2023 – nominal).

The Fund receives Royalty and Distribution from BPI and BP Canada LP, respectively, (*note 13*) and pays interest expense on the Class B Unit Liability to BPI (*note 8*). As at December 31, 2024, interest payable to BPI on Class B Units was \$0.4 million (December 31, 2023 – \$0.3 million), Royalty receivable from BPI was \$3.4 million (December 31, 2023 – \$3.4 million), and Distribution receivable from BP Canada LP was \$1.1 million (December 31, 2023 – \$1.1 million).

15. Compensation of key management

Key management personnel who receive direct remuneration from the Fund are the Trustees of the Fund. Aggregate details of their remuneration are set out in the table below with further information about the remuneration of individual Trustees provided in the Fund's Annual Information Form. Other key management personnel are compensated indirectly by the Fund through the administration charge.

(in thousands)	2024	2023
Remuneration paid to Trustees	\$ 226	\$ 240

BOSTON PIZZA ROYALTIES INCOME FUND
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16. Supplemental cash flow information

(a) Non-cash transactions

(in thousands)	2024	2023
Amortization of deferred financing fees	\$ 63	\$ 56

(b) Reconciliation of changes in non-cash working capital:

(in thousands)	2024	2023
Change in:		
Royalty receivable from BPI	\$ (17)	\$ (31)
Distribution receivable from BP Canada LP	(6)	(9)
Prepaid expenses	8	(10)
Accounts payable and accrued liabilities	257	(133)
Adjusted for:		
Interest expense	(3,454)	(3,314)
Interest paid on debt	3,277	3,404
Changes in non-cash working capital	\$ 65	\$ (93)

17. Subsequent events

- (a) On January 1, 2025, the four new Boston Pizza Restaurants that opened across Canada between January 1, 2024 and December 31, 2024 were added to the Royalty Pool and the four restaurants that permanently closed during 2024 were removed from the Royalty Pool. Accordingly, the total number of restaurants in the Royalty Pool remains unchanged at 372. The estimated net Franchise Sales from the four new Boston Pizza Restaurant less the four Boston Pizza Restaurants that permanently closed is negative \$4.0 million. This resulted in estimated negative Royalty and Distribution to the Fund of \$0.2 million. As a result of the Deficiency, BPI did not receive any Additional Entitlements on January 1, 2025. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the cumulative Deficiency for 2021 through 2024 (total of \$2.2 million) on future Adjustment Dates by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any further Additional Entitlements.
- (b) In the first quarter of 2025, adjustments were made based on the actual performance of the one new Boston Pizza Restaurant that was added to the Royalty Pool on January 1, 2024 and the six restaurants that permanently closed and were removed from the Royalty Pool on January 1, 2024. The original Franchise Sales expected to be generated from this one new restaurant less the Franchise Sales from the six Boston Pizza Restaurants that closed in 2024 was negative \$7.5 million. The actual Franchise Sales generated from this one new restaurant after subtracting the Franchise Sales from the six Boston Pizza Restaurants that closed in 2024 was \$7.9 million. As a result, the Deficiency in respect of 2023 was increased slightly.
- (c) On February 13, 2025, the Trustees of the Fund declared a distribution for January 2025 of \$0.115 per unit, which will be payable on February 28, 2025 to unitholders of record on February 21, 2025.