

Consolidated Financial Statements of

BOSTON PIZZA INTERNATIONAL INC.

Years ended December 31, 2025 and 2024



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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Boston Pizza International Inc.

Opinion

We have audited the consolidated financial statements of Boston Pizza International Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2025 and December 31, 2024
- the consolidated statements of comprehensive (loss) income for the years then ended
- the consolidated statements of changes in shareholder deficiency 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 Entity as at December 31, 2025 and December 31, 2024, 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 Entity 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.



Other Information

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

- the information included in Management's Discussion and Analysis.

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 the information included in Management's Discussion and Analysis 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.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

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

Vancouver, Canada

February 12, 2026

BOSTON PIZZA INTERNATIONAL INC.
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	December 31, 2025	December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	\$ 15,509	\$ 18,528
Accounts and other receivables (<i>notes 4 and 17</i>)	11,294	10,673
Prepaid expenses and other current assets	520	510
Income tax receivable (<i>note 13</i>)	-	36
Advertising fund restricted assets	15,724	14,577
Interest receivable from Boston Pizza Royalties Limited Partnership	377	357
	43,424	44,681
Investment in Boston Pizza Royalties Limited Partnership (<i>note 5</i>)	54,937	42,491
Property and equipment (<i>note 6</i>)	5,406	4,655
Intangible assets (<i>note 7</i>)	4,670	3,963
Deferred income taxes (<i>note 13</i>)	57,802	61,650
Total assets	\$ 166,239	\$ 157,440
Liabilities and Shareholder Deficiency		
Current liabilities		
Accounts payable and accrued liabilities (<i>note 17</i>)	\$ 9,575	\$ 10,075
Income tax payable (<i>note 13</i>)	73	-
Royalty and distributions payable to the Fund (<i>note 17</i>)	4,499	4,435
Deferred revenue	1,264	1,374
Debt (<i>note 8</i>)	3,368	1,536
Lease obligation (<i>note 9</i>)	459	470
Advertising fund restricted liabilities	15,424	13,599
	34,662	31,489
Deferred revenue	1,500	1,570
Debt (<i>note 8</i>)	-	8,368
Lease obligation (<i>note 9</i>)	3,365	2,219
Advertising fund restricted liabilities	3,967	4,054
Other long-term liabilities	1,893	1,475
Boston Pizza Canada Limited Partnership units liability (<i>note 10</i>)	156,614	128,681
Deferred gain (<i>note 11</i>)	213,539	216,366
Total liabilities	415,540	394,222
Shareholder deficiency		
Share capital	33,248	38,248
Accumulated deficit	(282,549)	(275,030)
	(249,301)	(236,782)
Total liabilities and shareholder deficiency	\$ 166,239	\$ 157,440

Subsequent events (*note 19*)

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

Approved on behalf of the Board:


James Treliving, Director

BOSTON PIZZA INTERNATIONAL INC.
Consolidated Statements of Comprehensive (Loss) Income
For the years ended December 31, 2025 and 2024
(Expressed in thousands of Canadian dollars, except per share data)

	2025	2024
Revenue		
Franchise, restaurant and other	\$ 96,120	\$ 91,108
Advertising fund revenue	30,604	28,637
	126,724	119,745
Royalty expense (<i>notes 5 and 17</i>)	39,050	37,266
Distribution expense (<i>notes 10 and 17</i>)	12,837	12,242
Restaurant operating costs	2,167	2,163
Compensation expense (<i>note 17</i>)	21,977	21,129
Advertising fund expense	31,195	27,901
Other expenses (<i>note 15</i>)	6,659	7,928
Depreciation and amortization (<i>notes 6 and 7</i>)	3,033	2,745
Management fee (<i>note 17</i>)	2,000	2,000
Amortization of deferred gain (<i>note 11</i>)	(2,827)	(2,827)
Operating expenses	116,091	110,547
Earnings before interest, fair value loss and taxes	10,633	9,198
Interest income from Boston Pizza Royalties Limited Partnership (<i>note 17</i>)	(4,773)	(4,506)
Interest income on cash and cash equivalents	(502)	(636)
Interest on debt and financing costs	432	742
Interest on lease obligations (<i>note 9</i>)	144	135
Net interest income	(4,699)	(4,265)
Fair value gain on investment in Boston Pizza Royalties Limited Partnership (<i>note 5</i>)	(12,446)	(5,226)
Fair value loss on Boston Pizza Canada Limited Partnership units liability (<i>note 10</i>)	27,933	11,730
Total fair value loss	15,487	6,504
(Loss) earnings before income taxes	(155)	6,959
Current income tax expense (<i>note 13</i>)	3,516	2,892
Deferred income tax expense (<i>note 13</i>)	3,848	1,367
Total tax expense	7,364	4,259
Net and comprehensive (loss) income	\$ (7,519)	\$ 2,700
Basic and diluted (loss) earnings per share	\$ (76.66)	\$ 27.53

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

BOSTON PIZZA INTERNATIONAL INC.
Consolidated Statements of Changes in Shareholder Deficiency
For the years ended December 31, 2025 and 2024
(Expressed in thousands of Canadian dollars)

		Share Capital	Accumulated Deficit	Total Deficiency
Balance – December 31, 2024	\$	38,248	\$ (275,030)	\$ (236,782)
Return of capital (<i>note 16</i>)		(5,000)	-	(5,000)
Net and comprehensive loss for the period		-	(7,519)	(7,519)
Balance – December 31, 2025	\$	33,248	\$ (282,549)	\$ (249,301)
Balance – December 31, 2023	\$	38,248	\$ (277,730)	\$ (239,482)
Net and comprehensive income for the period		-	2,700	2,700
Balance – December 31, 2024	\$	38,248	\$ (275,030)	\$ (236,782)

BOSTON PIZZA INTERNATIONAL INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2025 and 2024
(Expressed in thousands of Canadian dollars)

	2025	2024
Cash flows generated from (used in)		
Operating activities		
Net and comprehensive income	\$ (7,519)	\$ 2,700
Adjustments for:		
Depreciation and amortization (notes 6 and 7)	3,033	2,745
Current income tax expense (note 13)	3,516	2,892
Deferred income tax expense (note 13)	3,848	1,367
Amortization of deferred gain (note 11)	(2,827)	(2,827)
Bad debt recovery (note 15)	-	(300)
Fair value gain on investment in Boston Pizza Royalties Limited Partnership (note 5)	(12,446)	(5,226)
Fair value loss on Boston Pizza Canada Limited Partnership units liability (note 10)	27,933	11,730
Interest income from Boston Pizza Royalties Limited Partnership (note 17)	(4,773)	(4,506)
Interest on debt and financing costs	432	742
Interest on lease obligations	144	135
Interest income on cash and cash equivalents	(502)	(636)
Change in non-cash working capital (note 18(a))	(973)	(1,151)
Income tax paid	(3,445)	(2,915)
Income tax received	38	175
Interest received on cash and cash equivalents	502	636
Net cash generated from operating activities	6,961	5,561
Financing activities		
Return of capital (note 16)	(5,000)	-
Repayment of debt (note 8)	(6,600)	(1,600)
Payment of debt financing costs	-	(15)
Interest paid on debt, revolving facility and leases	(511)	(753)
Lease obligation payments, net of receipt of tenant inducement (note 9)	(455)	382
Net cash used in financing activities	(12,566)	(1,986)
Investing activities		
Interest received from investment in Boston Pizza Royalties Limited Partnership	4,753	4,472
Purchase of property and equipment, net (note 18(b))	(263)	(447)
Purchase of intangible assets, net (note 18(b))	(1,904)	(1,104)
Net cash generated from investing activities	2,586	2,921
(Decrease) increase in cash and cash equivalents	(3,019)	6,496
Cash and cash equivalents – beginning of period	18,528	12,032
Cash and cash equivalents – end of period	\$ 15,509	\$ 18,528

Supplemental cash flow information (note 18)

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

BOSTON PIZZA INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars, except where noted)

1. General information

(a) Organization

Boston Pizza International Inc. was incorporated on May 26, 1982 under the laws of British Columbia and continued under the *Canada Business Corporations Act* on August 26, 2002. The principal business office is located at 13571 Commerce Parkway, Richmond, BC.

These consolidated financial statements include the accounts of Boston Pizza International Inc., its wholly-owned subsidiaries Laval Corporate Training Centre Inc., Front & John Pizza Ltd. ("**F&J**"), Stadium District Pizza Ltd. ("**Stadium**"), Boston Pizza Canada Holdings Partnership ("**BPCHP**") and Boston Pizza Canada Holdings Inc. ("**BPCHI**"), and the accounts of Boston Pizza Canada Limited Partnership ("**BP Canada LP**"), collectively the "**Company**" or "**BPI**". James Treliving Holdings Ltd. ("**JTHL**") is the sole shareholder of the Company, owning 100% of BPI. BPI sold two corporately owned Boston Pizza restaurants in 2023. These restaurants had been operated by wholly owned subsidiaries Stadium and F&J. During the year, BPI voluntarily dissolved each of Stadium and F&J into BPI.

BPI pays Boston Pizza Royalties Income Fund (the "**Fund**") a royalty of 4.0% (the "**Royalty**") of Franchise Sales (defined in note 2(c)) of Boston Pizza restaurants in the Royalty Pool (defined in note 5). The Fund, through its indirect investment in BP Canada LP is entitled to receive a distribution (the "**Distribution**") equal to 1.5% of Franchise Sales of Boston Pizza restaurants in the Royalty Pool (the "**Franchise Sales Participation**") less the pro rata portion payable to BPI in respect of its retained interest in the Fund. BP Canada LP, a British Columbia limited partnership controlled and operated by BPI, is the exclusive franchisor of the Boston Pizza concept in Canada.

(b) Nature of operations

The Company's principal business activity is the operation and franchising of Boston Pizza restaurants in Canada. As at December 31, 2025, approximately 370 Boston Pizza restaurants were in operation.

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 approved by the Director for issue on February 12, 2026.

2. Basis of preparation (continued)

(b) Functional and presentation currency

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

(c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity 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 and in future periods affected. Significant areas requiring the use of management estimates and judgment are as follows:

Estimates

- **Investment in Boston Pizza Royalties Limited Partnership ("Royalties LP")**

The investment in Royalties LP is principally comprised of Class B general partner units ("**Class B Units**"). The value of additional Boston Pizza restaurants rolled into the Royalty Pool (defined below) is also recognized within the Company's investment in Royalties LP through the additional entitlement of Class B Units. Annually, on January 1 (each, an "**Adjustment Date**"), the number of Boston Pizza restaurants in the Royalty Pool on which the Company pays a Royalty to the Fund are adjusted to include the sales subject to royalty fees ("**Franchise Sales**") from new Boston Pizza restaurants opened on or before December 31 of the prior year, less Franchise Sales from any Boston Pizza restaurants that have permanently closed during the year. In return for adding this net Franchise Sales to the Royalty Pool, BPI receives the right to indirectly acquire additional units of the Fund ("**Fund Units**") in respect of its Class B Units (the "**Class B Additional Entitlements**"). BPI receives 80% of the estimated Class B Additional Entitlements on the Adjustment Date with the balance (the "**Class B Holdback**") received once the performance of the new Boston Pizza restaurants and actual effective tax rate of the Fund are known with certainty. As such, the calculation is dependent on a number of variables including the estimated sales of the new Boston Pizza restaurants and a tax rate. The value of the Class B Additional Entitlements as a result of adding new Boston Pizza restaurants to the Royalty Pool could differ from actual results.

- **Class B Unit Fair Value Adjustment**

The Company has elected under IFRS to measure the Class B Units as a financial asset at fair value through profit and loss. This requires that the Company use a valuation technique to determine the value of the Investment in Royalties LP at each reporting date (refer to *note 12*).

This valuation technique may not represent the actual value of the financial asset should such units be extinguished and changes in the distribution rate on the Class B Units and the yield of the Fund Units could materially impact the Company's financial position and net and comprehensive income.

2. Basis of preparation (continued)

(c) Use of estimates and judgments (continued)

Estimates (continued)

- **BP Canada LP Units Liability and Fair Value Adjustment**

The Company has elected under IFRS to measure the Class 1 limited partnership units (“**Class 1 LP Units**”) and Class 2 limited partnership units (“**Class 2 LP Units**”) of BP Canada LP as financial liabilities at fair value through profit and loss because the entitlements to distributions are considered embedded derivatives to the Class 1 LP Units and Class 2 LP Units. This requires that the Company use a valuation technique to determine the value of the BP Canada LP Units Liability at each reporting date (refer to *note 12*).

This valuation technique may not represent the actual value of the financial liability and could materially impact the Company's financial position and net and comprehensive income.

- **Accounts Receivable**

The Company provides an allowance for uncollectable trade receivables on a customer-by-customer basis using estimates for past and current performance, aging, arrears status, the level of allowance already in place, and management's interpretation of economic conditions specific to the Company's customer base. If certain estimates prove to be inaccurate, BPI's results of operations and financial position may be impacted.

Judgment

- **Consolidation**

Applying the criteria outlined in IFRS 10 Consolidated Financial Statements (“**IFRS 10**”), judgment is required in determining whether BPI controls Royalties LP. Making this judgment 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 these criteria, management has determined that BPI does not ultimately control Royalties LP.

Applying the criteria outlined in IFRS 10, judgment is required in determining whether BPI controls BP Canada LP. Making this judgment involves taking into consideration the concepts of power over BP Canada LP, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of BP Canada LP so as to generate economic returns. Using these criteria, management has determined that BPI ultimately controls BP Canada LP through its ability to direct relevant activities to generate economic returns from BP Canada LP and its governance as general partner of BP Canada LP.

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 derivative financial instruments and financial instruments which are measured at fair value with changes in value recorded through profit or loss in the statement of comprehensive income. The Company has the following items measured at fair value:

- Investment in Boston Pizza Royalties Limited Partnership relating to the Class B Units (*note 5*)
- BP Canada LP units liability (*note 10*)

(b) Consolidation

These consolidated financial statements include the accounts of the following entities:

Boston Pizza International Inc. and subsidiaries:

Laval Corporate Training Centre Inc.	100%
Front & John Pizza Ltd.	100%
Stadium District Pizza Ltd.	100%
Boston Pizza Canada Holdings Partnership	100%
Boston Pizza Canada Holdings Inc.	100%
Boston Pizza Canada Limited Partnership	100%

The parent company of BPI is JTHL.

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities (including special purpose entities) which the Company controls by having the power to govern the financial and operating policies of such entities so as to obtain economic benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

(c) Advertising Fund

The Company operates an Advertising Fund (the “**Advertising Fund**”) established to collect and administer funds contributed for use in advertising and promotional programs designed to increase sales and enhance the reputation of the Company and its franchisees. The Company collects 3% of Franchise Sales from franchisees and Company-operated restaurants for contribution to the Advertising Fund. These contributions are used for local, regional and national advertising and research, menu development, promotional and loyalty programs, brand protection, administration of the Gift Card Program (defined below), and other administration costs.

3. Material accounting policies (continued)

(c) Advertising Fund (continued)

The Company reports contributions and expenditures on a gross basis on the Company's statement of comprehensive income. Advertising Fund contributions received may not equal advertising expenditures for the period due to timing of promotions and this difference is recognized to earnings. To the extent that cumulative advertising contributions temporarily exceed Advertising Fund expenditures, the difference is recognized as an accrual owed by the Advertising Fund. The assets and liabilities held by the Advertising Fund are considered restricted and are recognized as such on the Company's statement of financial position.

(d) Gift cards

The Company operates a gift card program (the "**Gift Card Program**") which allows customers to prepay for future purchases at participating Boston Pizza restaurants by loading a dollar value onto their gift card through cash or credit card, when and as needed.

The purpose of the Gift Card Program is to expand the Boston Pizza brand through increased exposure, as well as to increase Franchise Sales. The restricted cash related to the gift cards recognized in Advertising Fund restricted assets represents the prepaid amounts not yet redeemed by customers. These cash balances as well as the outstanding customer obligations for these gift cards are recognized as part of the Advertising Fund restricted assets and liabilities on the consolidated statement of financial position.

When a customer uses a gift card to purchase product at a corporately owned and operated Boston Pizza restaurant, the restaurant recognizes the revenue from the sale of the product.

When a customer uses a gift card at a franchised restaurant, the Company recognizes revenues, in the form of franchise fees, arising from the sale of the product.

The Advertising Fund recognizes income on unredeemed gift cards ("**Gift Card Breakage**") when it can determine that the likelihood of the gift card being redeemed is remote and that there is no legal obligation to remit the unredeemed gift card value to relevant jurisdictions. The Company determines Gift Card Breakage based on historical redemption patterns. Based on historical information, the likelihood of a gift card remaining unredeemed can be determined 24 months after the gift card is issued. At that time, breakage income is recognized by the Advertising Fund.

(e) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred.

3. Material accounting policies (continued)

(e) Property and equipment (continued)

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

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as other expense in the statement of comprehensive income.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

The Company provides for depreciation of property and equipment over their estimated useful lives as follows:

Assets	Basis	Rate
Office furniture and equipment	Declining balance	20 – 30%
Right-of-use assets	Straight-line	term of lease
Leasehold improvements	Straight-line	shorter of term of the lease or useful life

(f) Intangible assets

Intangible assets include computer software costs which are amortized on a declining balance basis at a rate of 30% per year. Amortization of intangible assets is charged to depreciation and amortization on the statement of comprehensive income.

(g) Income taxes

Income tax comprises current and deferred taxes. Current tax is the expected tax payable on taxable income for the period, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustments in respect of previous periods.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is primarily provided on temporary differences arising on the investment in Royalties LP, the deferred gain, subsequent additional entitlements, unit sales and non-capital losses.

3. Material accounting policies (continued)

(g) Income taxes (continued)

Deferred income tax assets and liabilities are netted and presented as non-current.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate based on many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expenses in the period that such a determination is made.

(h) Revenue recognition and deferred revenue

(i) Franchise revenues

Monthly franchise fee

Monthly franchise fees are recognized as they are earned.

Franchise fee deposits

Franchise fee deposits are deferred and recognized net of expenses incurred relating to the sale of the franchise. When the franchise commences operations, the franchise deposits are recognized as franchise revenue and the related costs are included as an expense.

Franchisee renewal fees

Franchisee renewal fees related to the franchise agreement are deferred and recognized as revenue over the period of the renewal term.

(ii) Advertising fund revenue

Monthly advertising fees

Monthly advertising fund contributions are recognized as they are earned.

Gift card breakage income

Gift card breakage income is recognized when the likelihood of the gift card being redeemed is remote.

(iii) Corporately owned restaurant revenues

Corporately owned restaurant revenues are recognized at the time of sale.

(iv) Supplier contributions

The Company receives supplier contributions from franchisee suppliers to be used for various franchise activities. Supplier contributions are recognized as other revenue as they are earned.

3. Material accounting policies (continued)

(i) Deferred gain

The gain realized on the sale of the BP Rights is being deferred and amortized over the 99 year term of the license and royalty agreement. Amortization of the gain on BP Rights is recorded as amortization of deferred gain on the statement of comprehensive income. Annually, on January 1, the number of Boston Pizza restaurants in the Royalty Pool on which the Company pays a Royalty to the Fund are adjusted to include Franchise Sales from new Boston Pizza restaurants opened on or before December 31 of the prior year, less Franchise Sales from any Boston Pizza restaurants that have permanently closed during the year. In return for adding this net Franchise Sales to the Royalty Pool, Boston Pizza receives Class B Additional Entitlements and Class 2 Additional Entitlements (defined in *note 10*). The Class B Additional Entitlements are included in the deferred gain.

(j) Financial instruments

(i) Recognition, classification and measurement

Financial assets are initially recognized 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.

Financial liabilities are initially recognized at fair value and subsequently classified as measured at amortized cost or FVTPL. On initial recognition, the Company 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.

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.

3. Material accounting policies (continued)

(j) Financial instruments (continued)

(ii) Business model assessment

The Company 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 Company 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.

The carrying value of current financial assets and liabilities approximate their fair value due to their short-term nature. The carrying value of long-term receivables approximates fair value as there are no significant changes in credit risk associated with the receivables since recognition. The long-term debt approximates fair value based on prevailing market interest rates in effect.

(k) Impairment of financial assets

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;

3. Material accounting policies (continued)

(k) Impairment of financial assets (continued)

- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets.

Financial instruments and contract assets

The Company recognizes loss allowances for expected credit losses (“**ECL**”) on financial assets measured at amortized cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which the credit risk has not increased significantly since initial recognition.

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

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

(l) Impairment of non-financial assets

Property and equipment and intangible 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 are subject to an annual impairment test. 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. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

3. Material accounting policies (continued)

(m) Earnings per share

The Company presents basic and diluted earnings per share (“**EPS**”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to the common shareholder of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to the common shareholder and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. There are no dilutive factors affecting EPS for the Company.

(n) 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 Company has assessed these amendments and concluded that they have no impact 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 Company is currently assessing the impact of the adoption of IFRS 18 on its consolidated financial statements.

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4. Accounts and other receivables

	December 31, 2025	December 31, 2024
Trade receivables and other (net of allowance)	\$ 11,143	\$ 10,560
Receivables due from associated companies	151	113
Total receivables	\$ 11,294	\$ 10,673

The aging of accounts and other receivables (net of allowance) at the reporting dates are as follows:

	December 31, 2025	December 31, 2024
Current	\$ 10,228	\$ 9,170
Past due 1-30 days	110	463
Past due 31-60 days	289	705
Past due 61-90 days	128	255
Past due over 90 days	539	80
	\$ 11,294	\$ 10,673

Trade receivables from franchisees are classified as long-term when payment is expected to take longer than twelve months. The Company makes every effort to collect all long-term receivable balances, including establishing payment plans with existing franchisees. At December 31, 2025 the long-term receivables, net of allowance, were nil (December 31, 2024 – nil).

The allowance for doubtful accounts was \$1.8 million as at December 31, 2025 (December 31, 2024 – \$1.9 million) with \$0.8 million (December 31, 2024 – \$1.1 million) applied against short-term trade receivables and \$1.0 million against long-term trade receivables (December 31, 2024 – \$0.8 million). The Company's collections policy is to first apply cash receipts against the oldest outstanding invoices.

5. Investment in Boston Pizza Royalties Limited Partnership

Royalties LP was established to hold the trademarks and trade names used in connection with the operation of Boston Pizza restaurants in Canada (collectively, the “**BP Rights**”). Royalties LP and the Company also entered into a license and royalty agreement (the “**License and Royalty Agreement**”) to allow the Company the use of the BP Rights for a term of 99 years commencing in 2002, for which the Company pays Royalties LP a Royalty expense, being 4% of the Franchise Sales of certain restaurants located in Canada (the “**Royalty Pool**”).

The investment in Royalties LP is principally comprised of Class B Units that are exchangeable into Fund units. The value of additional Boston Pizza restaurants rolled into the Royalty Pool (as defined in the License and Royalty Agreement) is also recognized within the Company’s investment in Royalties LP through the additional entitlement of Class B Units. Annually, on the 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 to the Fund, BPI receives Class B Additional Entitlements to indirectly acquire additional Fund Units. BPI receives the Class B Holdback once the performance of the new Boston Pizza restaurants and the actual effective tax rate paid by the Fund are known for certain.

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, the Company would not receive any additional Class B Additional Entitlements, however, nor would the Company lose any of the Class B Additional Entitlements previously received. Rather, on future Adjustment Dates, the Company 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 Class B Additional Entitlements.

The investment in Royalties LP is considered an equity interest. The Fund controls the relevant activities of Royalties LP and thus consolidates its financial results. The Class B Units are accounted for as a financial asset which is measured each reporting date at fair value. The value of the investment has exposure to variability as it relates to the Company’s ownership of the Class B Units measured at fair value using the closing price of a Fund Unit. The determination of the fair value of the Investment in Royalties LP is described in *note 12(a)(i)*. The statement of comprehensive income includes interest revenue as earned, and the impact of the fair value adjustments on the Class B Units.

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5. Investment in Boston Pizza Royalties Limited Partnership (continued)

The investment in Royalties LP is comprised of:

(in thousands, except unit data)	Issued and outstanding Class B additional entitlements	Issued and outstanding Class B additional entitlements including holdback	Class B Unit Entitlement
Balance as at December 31, 2023	2,430,823	2,430,823	\$ 37,265
Class B Additional Entitlements granted January 1, 2024 ⁽¹⁾	-	-	-
Fair value gain (<i>note 12(a)(i)</i>)	-	-	5,226
Balance as at December 31, 2024	2,430,823	2,430,823	\$ 42,491
Class B Additional Entitlements granted January 1, 2025 ⁽²⁾	-	-	-
Fair value gain (<i>note 12(a)(i)</i>)	-	-	12,446
Balance as at December 31, 2025	2,430,823	2,430,823	\$ 54,937

⁽¹⁾ On January 1, 2024, the one new Boston Pizza restaurant 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 was negative \$7.9 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.

⁽²⁾ On January 1, 2025, the four new Boston Pizza restaurants that opened 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. The estimated net Franchise Sales from the four new Boston Pizza restaurants less the four Boston Pizza restaurants that permanently closed is negative \$4.0 million. This resulted in a Deficiency of \$0.2 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, 2025. 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.

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6. Property and equipment

Cost	Office furniture and equipment	Right-of-use assets	Leasehold improvements	Total
At January 1, 2024	\$ 9,947	\$ 5,553	\$ 2,854	\$ 18,354
Additions	202	-	269	471
Adjustments	-	7	-	7
At December 31, 2024	10,149	5,560	3,123	18,832
Additions	188	-	77	265
Adjustments	-	1,590	-	1,590
At December 31, 2025	\$ 10,337	\$ 7,150	\$ 3,200	\$ 20,687

Accumulated Depreciation	Office furniture and equipment	Right-of-use assets	Leasehold improvements	Total
At January 1, 2024	\$ 8,945	\$ 3,646	\$ 510	\$ 13,101
Depreciation	246	317	513	1,076
At December 31, 2024	9,191	3,963	1,023	14,177
Depreciation	245	372	487	1,104
At December 31, 2025	\$ 9,436	\$ 4,335	\$ 1,510	\$ 15,281

Net book value	Office furniture and equipment	Right-of-use assets	Leasehold improvements	Total
At December 31, 2024	\$ 958	\$ 1,597	\$ 2,100	\$ 4,655
At December 31, 2025	901	2,815	1,690	5,406

As at December 31, 2025, the right-of-use assets included a balance of \$0.7 million in lease incentives (December 31, 2024 – \$0.9 million) which are being amortized over the terms of the leases.

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7. Intangible assets

Cost	Total
At January 1, 2024	\$ 26,988
Additions	1,500
At December 31, 2024	28,488
Additions	2,636
At December 31, 2025	\$ 31,124
Accumulated Amortization	Total
At January 1, 2024	\$ 22,856
Amortization	1,669
At December 31, 2024	24,525
Amortization	1,929
At December 31, 2025	\$ 26,454
Net book value	Total
At December 31, 2024	\$ 3,963
At December 31, 2025	4,670

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8. Debt

The Company's debt consists of:

	December 31, 2025	December 31, 2024
Term Loan bearing variable interest at CORRA plus the applicable CSA, plus between 1.25% and 2.10% per annum and due in 2026	\$ 3,400	\$ 10,000
Deferred financing fees	(32)	(96)
	3,368	9,904
Current portion of debt	3,400	1,600
Current portion of deferred financing fees	(32)	(64)
	\$ -	\$ 8,368

BPI has credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to \$13.4 million expiring on July 1, 2026 (the "**Credit Facilities**"). The Credit Facilities are comprised of:

- (i) a \$10.0 million committed revolving facility to cover BPI's day-to-day operating requirements if needed (the "**Operating Line**"); and
- (ii) a \$3.4 million committed non-revolving term facility that was used to finance the reorganization of BPI and its shareholders that completed on September 30, 2017 (the "**Term Loan**").

The Credit Facilities bear interest at variable interest rates as selected by BPI. In the case of Canadian prime rate loans, the interest rate is equal to the Bank's prime rate plus between 0.00% and 0.90% (depending on BPI's total funded net debt to EBITDA ratio) and, in the case of Canadian Overnight Repo Rate Average ("**CORRA**") loans, the interest rate is equal to (i) CORRA; plus (ii) 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; plus (iii) between 1.25% and 2.10% (depending on BPI's total funded net debt to EBITDA ratio). The principal amount drawn on the Term Loan must be reduced by quarterly payments of \$0.4 million each.

The Credit Facilities are guaranteed by all of BPI's subsidiaries except BP Canada LP, and BPI and each of those subsidiaries have granted general security over their assets to secure their obligations under the Credit Facilities and such guarantees. No security has been given by BP Canada LP in respect of the Credit Facilities. Neither the Fund nor any of its subsidiaries has guaranteed or provided any security in respect of the Credit Facilities. BPI and each of BPI's subsidiaries (including BP Canada LP) have also granted Royalties LP security over their assets to secure BPI's and BP Canada LP's obligations to pay Royalty and Distribution.

The principal financial covenants of the Credit Facilities are that (a) BPI shall maintain a total funded net debt to EBITDA ratio of not greater than 3.00:1 (tested quarterly on a trailing 12-month basis) and (b) BPI shall not permit its: (i) pre-distribution debt service coverage ratio to be less than 1.25:1 (tested quarterly on a trailing 12-month basis); and (ii) post-distribution debt service coverage ratio to be less than 1.00:1 (tested quarterly on a trailing 12-month basis); and (c) the Class B Units and Class 2 GP Units that BPI has pledged to the Bank and which are exchangeable for Fund Units must have a value,

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8. Debt (continued)

at any time, equal to at least 100% of the outstanding advances under the credit facilities advanced. BPI was in compliance with all of its financial covenants and financial condition tests as at the end of the Period.

In addition to the required quarterly payments of \$0.4 million, BPI made voluntary payments totaling \$5.0 million to the Term Loan during the year ended December 31, 2025. As of December 31, 2025, no amount was drawn on the Operating Line and \$3.4 million was drawn on the Term Loan. BPI expects to refinance its Credit Facilities due in 2026 before its maturity.

BPI previously sold two corporately owned restaurants in 2023. These restaurants were operated by Stadium and F&J, which were wholly owned subsidiaries of BPI. Stadium and F&J previously guaranteed the obligations of BPI to BPI's lenders and guaranteed the obligations of BPI and BP Canada LP to Royalties LP. Both Stadium and F&J previously granted security over all of their assets in support of those guarantees. In September 2025 and with the consent of BPI's lenders and Royalties LP, BPI voluntarily dissolved each of Stadium and F&J into BPI, as neither of Stadium nor F&J had any active business operations. In conjunction with their voluntary dissolution, all remaining assets of Stadium and F&J were transferred to BPI, and BPI assumed all liabilities of Stadium and F&J.

The fair value of the Company's debt was \$3.4 million (December 31, 2024 – \$10.0 million) based on prevailing market rates that approximate the rate on the Company's debt. The impact of a 1% increase in the variable rate would result in a minimal impact on the fair market value.

9. Lease obligations

The Company's lease obligations are initially measured at the present value of the lease payments that are not paid at the commencement date using the Company's incremental borrowing rate. After initial recognition, the lease liabilities are measured at amortized cost using the effective interest method. The Company's lease obligations consist of:

	December 31, 2025	December 31, 2024
Balance, beginning of year	\$ 2,689	\$ 2,987
Adjustments	1,590	157
Principal payments	(455)	(455)
Balance, end of year	3,824	2,689
Current portion of lease obligations	459	470
Long-term portion of lease obligations	\$ 3,365	\$ 2,219

Total cash outflow for leases for the year ended December 31, 2025 was \$0.6 million (2024 – \$0.6 million) which includes \$0.5 million of principal payments (2024 – \$0.5 million) and \$0.1 million in interest for lease obligations (2024 – \$0.1 million). In addition, BPI received \$0.8 million in tenant inducements for the year ended December 31, 2024. Expenses for lease of low-dollar value items are not material. All extension options have been included in the measurement of lease obligations where applicable.

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9. Lease obligations (continued)

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

	December 31, 2025	December 31, 2024
Within 1 year	\$ 627	\$ 598
2 to 3 years	1,112	850
4 to 5 years	1,024	665
Over 5 years	1,840	1,135
Total undiscounted lease obligations	\$ 4,603	\$ 3,248

10. Boston Pizza Canada Limited Partnership units liability

Limited partnership units

The Class 1 LP Units entitle the Fund to a cash distribution equal to the interest payable on the Fund's Credit Facility D plus 0.05% to a maximum amount of 1.5% of Franchise Sales. The Class 2 LP Units entitle the Fund to a cash distribution equal to 1.5% of Franchise Sales less the Class 1 LP Units distribution amount, less BPI's proportionate share. Refer to *note 12(a)(ii) and (iii)* for the fair value calculation of the BP Canada LP Unit Liability.

The BP Canada LP units liability is comprised of:

(in thousands, except unit data)	Issued and outstanding LP Units	BP Canada LP units liability
Class 1 LP Units		
Class 1 LP Units at December 31, 2025 and 2024	1,000	\$ 33,314
Class 2 LP Units		
Class 2 LP Units	5,455,762	\$ 114,113
Fair value gain on Class 2 LP Units - cumulative		(18,746)
Class 2 LP Balance at December 31, 2024	5,455,762	95,367
Fair value loss on Class 2 LP Units (<i>note 12 (a)(iii)</i>)		27,933
Class 2 LP Units balance at December 31, 2025	5,455,762	\$ 123,300
Total LP Units balance at December 31, 2025		\$ 156,614

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 general partnership units ("**Class 2 GP Units**") of BP Canada LP that are exchangeable for Fund Units. These units are eliminated upon consolidation with BP Canada LP. The Company continues to pay the Fund the balance of the Fund's interest in Franchise Sales of Royalty Pool restaurants in the form of Royalty.

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10. Boston Pizza Canada Limited Partnership units liability (continued)

The number of Fund Units that the Company is entitled to receive in exchange for its Class 2 GP Units is adjusted on each Adjustment 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 the Company is entitled to receive in connection therewith is the “**Class 2 Additional Entitlements**”, and together with the Class B Additional Entitlements, the “**Additional Entitlements**”), with 80% of the estimated Class 2 Additional Entitlements being received on the Adjustment Date with the balance (the “**Class 2 Holdback**”, and together with the Class B Holdback, the “**Holdback**”) being received once the performance of the new restaurants and the actual effective tax rate of the Fund are known for certain, similar to adjustments to the Class B Units that the Company holds.

It is possible for a Deficiency to exist on an Adjustment Date (refer to *note 5*). In such case, the Company would not receive any Additional Entitlements, however, nor would the Company lose any of the Additional Entitlements previously received. Rather, on future Adjustments Dates, the Company 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 also has the right to further increase the Fund’s Franchise Sales Participation by up to an additional 1.5% of Franchise Sales of Royalty Pool restaurants (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.

As at December 31, 2025, the Company had the right to receive 831,354 (December 31, 2024 – 831,354) Fund Units when it exercises its rights to exchange its Class 2 GP Units into Fund Units.

(in thousands, except unit data)	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, 2023	831,354	831,354
Class 2 Additional Entitlements granted January 1, 2024 ⁽¹⁾	-	-
Balance at December 31, 2024	831,354	831,354
Class 2 Additional Entitlements granted January 1, 2025 ⁽²⁾	-	-
Balance at December 31, 2025	831,354	831,354

⁽¹⁾ On January 1, 2024, the one new Boston Pizza restaurant 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 was negative \$7.9 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.

⁽²⁾ On January 1, 2025, the four new Boston Pizza restaurants that opened 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. The estimated net Franchise Sales from the four new Boston Pizza restaurants less the four Boston Pizza restaurants that permanently closed is negative \$4.0 million. This resulted in a Deficiency of \$0.2 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, 2025. BPI will be required to make up the Deficiency on future adjustment dates by first adding Royalty and Distribution income in an amount equal to the cumulative Deficiency before receiving any further Class 2 GP Additional Entitlements.

11. Deferred gain

The gain realized on the sale of BP Rights is being deferred and amortized over the 99 years term of the License and Royalty Agreement. In return for adding net Franchise Sales to the Royalty Pool, BPI receives Class B Additional Entitlements which are included in the deferred gain. The Class B Additional Entitlements are calculated as 92.5% of the net Franchise Sales added to the Royalty Pool from the net new Boston Pizza restaurants, multiplied by 4% (being the Royalty that is payable on such net Franchise Sales), multiplied by one minus the effective average tax rate to be paid by the Fund, divided by the yield of the Fund, divided by the weighted average price of a Fund Unit over a specified period. The Company receives 80% of the estimated Class B Additional Entitlements initially with the balance received when the actual full year performance of the new restaurants and the actual effective tax rate of the Fund is known with certainty. Monthly distributions from the Fund are based on full Class B Additional Entitlements and are subject to adjustment early in the next fiscal year when full performance of the restaurants and actual effective tax rate of the Fund is known with certainty. It is possible for a Deficiency to exist where the Company would not receive any Additional entitlements (refer to *note 5*) for the year. In the case of a Deficiency, there will be no amounts added to deferred gain with respect to the year the Deficiency was generated.

	December 31, 2025	December 31, 2024
Balance, beginning of year	\$ 216,366	\$ 219,193
Class B Additional Entitlements ⁽¹⁾	-	-
Amortization of deferred gain	(2,827)	(2,827)
Balance, end of year	\$ 213,539	\$ 216,366

⁽¹⁾ No Class B Additional Entitlements were issued to BPI in 2025 since a Deficiency existed in respect of the January 1, 2025 adjustment date (see *note 5*).

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11. Deferred gain (continued)

The following table summarizes the number of Class B Additional Entitlements received by the Company in return for the net Franchise Sales added to the Royalty Pool from the net new restaurants on January 1:

	January 1, 2025	January 1, 2024
Restaurants in Royalty Pool	372 ⁽¹⁾	372
Estimated Franchise Sales from adjustments to Royalty Pool ⁽²⁾	\$ (4,005)	\$ (7,868)
Class B Units Additional Entitlement (including Holdbacks) ⁽¹⁾	0 units	0 units
Class B Holdback (20% of total entitlement) ⁽³⁾	0 units	0 units
Adjustment to prior year Class B additional entitlement ⁽⁴⁾	0 units	0 units

⁽¹⁾ 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 Boston Pizza restaurants that permanently closed during 2024 were removed from the Royalty Pool. Accordingly, the total number of restaurants in the Royalty Pool remained unchanged. The estimated net Franchise Sales from the four new Boston Pizza restaurants less the four Boston Pizza restaurants that permanently closed is negative \$4.0 million. This resulted in negative estimated 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.

⁽²⁾ In February 2025, an audit of Franchise sales of the one new Boston Pizza restaurant that was added to the Royalty Pool on January 1, 2024 was performed. The original Franchise Sales expected to be generated from this one new Boston Pizza 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 Boston Pizza restaurant after subtracting the Franchise Sales from the six Boston Pizza restaurants that closed in 2024 was \$0.4 million less.

⁽³⁾ Unissued and not eligible for exchange into Fund Units until January 1 of next year.

⁽⁴⁾ Adjusted for actual performance of new restaurants added to the Royalty Pool and actual effective tax rate of the Fund.

12. Financial Instruments

(a) Financial Assets and Liabilities by Categories and Fair Value Information

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2025 and 2024. Unless otherwise noted, the fair values on the instruments approximate their carrying amount. The Company must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements.

The fair values of the financial instruments carried at fair value have been measured by one of the following valuation methods:

- Level 1 – quoted prices (unadjusted) 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 (that is, as prices) or indirectly (that is, derived from prices) 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 market data.

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12. Financial Instruments (continued)

(a) Financial Assets and Liabilities by Categories and Fair Value Information (continued)

			December 31, 2025	December 31, 2024
Fair value through profit and loss				
Class B Units Investment in Royalties LP ⁽ⁱ⁾	Level 2	\$	54,937	\$ 42,491
Class 1 LP BP Canada LP units liability ⁽ⁱⁱ⁾	Level 2	\$	(33,314)	\$ (33,314)
Class 2 LP BP Canada LP units liability ⁽ⁱⁱⁱ⁾	Level 2	\$	(123,300)	\$ (95,367)
Amortized cost				
Cash		\$	15,509	\$ 18,528
Accounts receivable		\$	11,294	\$ 10,673
Interest receivable from Royalties LP		\$	377	\$ 357
Accounts payable and accrued liabilities		\$	(9,575)	\$ (10,075)
Royalty and distributions payable to the Fund		\$	(4,499)	\$ (4,435)
Debt		\$	(3,368)	\$ (9,904)
Lease obligations		\$	(3,824)	\$ (2,689)
Other long-term liabilities		\$	(1,893)	\$ (1,475)

- (i) 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 Class B Units are exchangeable. The Fund estimates the fair value of its 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, 2025, the closing price of a Fund Unit was \$22.60 (December 31, 2024 – \$17.48) 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, 2024 – 2,430,823) resulting in a valuation of Class B Units at a fair value of \$54.9 million (2024 – \$42.5 million). For the year ended December 31, 2025, the increase of \$12.4 million is due to a fair value gain (December 31, 2024 – \$5.2 million). This valuation technique may not represent the actual value of the financial asset should such Class B Units be exchanged.
- (ii) The Class 1 LP Units are entitled to distributions with respect to the interest cost incurred on a certain credit facility held by the Fund. Thus, the fair value of the Class 1 LP Units is estimated using a market-corroborated input (interest rate on the credit facility). The Company estimates the fair value of Class 1 LP Units at carrying value adjusted for interest rate risk.
- (iii) 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 using a market approach, which involves using observable market prices for similar instruments. The fair value of the Class 2 LP Units is determined by multiplying the issued

12. Financial Instruments (continued)

(a) Financial Assets and Liabilities by Categories and Fair Value Information (continued)

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, 2025, the closing price of a Fund Unit was \$22.60 (December 31, 2024 – \$17.48) while the number of issued and outstanding Class 2 LP Units held by the Fund was 5,455,762 (December 31, 2024 – 5,455,762) resulting in a Class 2 LP Units fair value of \$123.3 million (December 31, 2024 – \$95.4 million). The fair value loss on the Class 2 LP units liability for the year ending December 31, 2025 was \$27.9 million (December 31, 2024 – \$11.7 million).

(b) Financial Instruments and Related Risks

The Company primarily has exposure to interest rate risk, liquidity risk and credit risk as they relate to the Company's identified financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company's financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate cash flow risk primarily on its bank indebtedness, long-term debt subject to floating rates of interest and lease obligations. The Company is exposed to interest rate fair value risk on its lease obligations subject to fixed rate of interest. The Company monitors its exposure to interest rates by monitoring the fluctuation in the bankers' acceptance rates, prime interest rate and evaluates interest rate swaps when necessary. The Company had \$3.4 million (December 31, 2024 – \$10.0 million) in floating rate debt and \$3.8 million in lease obligations (December 31, 2024 – \$2.7 million) as at December 31, 2025. The annual impact for every 1% increase in the variable rate would result in an additional interest expense of \$0.1 million.

Liquidity risk

Liquidity risk results from the Company's potential liability to meet its financial obligations. The Company constantly monitors its operations and cash flows to ensure that its current and future obligations will be met. The Company believes that its current sources of liquidity are sufficient to cover its currently known short and long-term cash obligations.

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

	December 31, 2025	Maturity	December 31, 2024	Maturity
Accounts payable and accrued liabilities	\$ 9,575	< 1 year	\$ 10,075	< 1 year
Royalty and distributions payable to the Fund	\$ 4,499	< 1 year	\$ 4,435	< 1 year
Current portion of debt	\$ 3,368	< 1 year	\$ 1,536	< 1 year
Debt	\$ -	n/a	\$ 8,368	2026
Lease obligations	\$ 3,824	2026-2035	\$ 2,689	2025-2033
Other long-term liabilities	\$ 1,893	2027	\$ 1,475	2026

BPI expects to refinance its Credit Facilities due in 2026 before its maturity.

12. Financial Instruments (continued)

(b) Financial Instruments and Related Risks (continued)

Credit risk

Credit risk is defined as the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade accounts receivable. The Company's maximum exposure to credit risk is the value of its current and non-current accounts receivable of \$13.1 million (December 31, 2024 – \$12.6 million). The allowance for doubtful accounts was \$1.8 million at December 31, 2025 (December 31, 2024 – \$1.9 million).

(c) Capital disclosures

The Company's objectives in managing its liquidity and capital are:

- To safeguard the Company's ability to continue as a going concern
- Provide financial capacity and flexibility to meet its strategic objectives
- To provide an adequate return to shareholders commensurate with the level of risk
- Return excess cash through dividends and returns of capital

The capital of the Company consists of items included in shareholder deficiency, deferred gain, and debt, net of cash and cash equivalents and undrawn credit facilities as follows:

	December 31, 2025	December 31, 2024
Liquidity:		
Cash	\$ 15,509	\$ 18,528
Undrawn credit facilities (<i>note 8</i>)	10,000	10,000
Total liquidity	\$ 25,509	\$ 28,528
Capitalization:		
Debt (<i>note 8</i>)	\$ 3,368	\$ 9,904
Total debt	\$ 3,368	\$ 9,904
Deferred gain (<i>note 11</i>)	\$ 213,539	\$ 216,366
Shareholder deficiency	(249,301)	(236,782)
	\$ (35,762)	\$ (20,416)

The Company manages its capital mainly through the periodic sales of Class B Units and Class 2 GP Units, accumulated deficit, capital contributions from JTHL, as well as through the use of short-term financing. The Company maintains formal policies to manage capital. Liquidity and capital structure are managed by adjusting for changes to economic conditions, understanding the underlying risks inherent in its operations and managing the capital requirements to maintain and grow its operations.

The Company is not subject to any statutory capital requirements and has no commitments to sell or otherwise issue common shares.

The Company's credit facility includes a \$10.0 million secured line of credit which is subject to certain financial covenants.

The Company's debt includes credit facility agreements that are subject to certain financial covenants (*note 8*).

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13. Income taxes

Income tax expense as reported differs from the amount that would be computed by applying the combined Federal and Provincial statutory income tax rates to earnings before income taxes. The reasons for the differences are as follows:

	2025	2024
(Loss) earnings before income taxes	\$ (155)	\$ 6,959
Combined Canadian federal and provincial tax rates	26.8%	26.8%
Computed expected tax (recovery) expense	(42)	1,865
Increased (reduced) by:		
Permanent differences	110	3
Fair value adjustment on BP Canada LP units liability	7,492	3,146
Valuation allowance on investment in Royalties LP	-	(667)
Differences from changes in statutory rates and other	(197)	(84)
Other	1	(4)
Income tax expense	\$ 7,364	\$ 4,259

BPI's deferred income tax expense is primarily comprised of temporary differences related to the following:

	2025	2024
Fair value adjustment on investment in Royalties LP	\$ 3,184	\$ 698
Deferred gain	756	770
Deferred revenue	97	102
Non-capital loss carryforwards	(39)	(95)
Other	(150)	(108)
Deferred income tax expense	\$ 3,848	\$ 1,367

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities are:

	December 31, 2025	December 31, 2024
Deferred gain	\$ 57,270	\$ 58,026
Investment in Royalties LP	(3,882)	(698)
Deferred revenue	590	687
Non-capital loss carryforwards	2,245	2,206
Other	1,579	1,429
Deferred income tax asset	\$ 57,802	\$ 61,650

The Company believes that it is probable that the results of future operations will generate sufficient taxable income to realize the above noted deferred income tax assets.

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14. Share capital

The Company has an unlimited number of Common Shares without par value authorized of which 98,087 were issued and outstanding as at December 31, 2025 and 2024.

15. Other expenses

The following are the components of other expenses:

	December 31, 2025	December 31, 2024
Marketing and advertising	\$ 2,380	\$ 3,680
Travel	1,585	1,770
Office, rent and utilities	702	615
Research and development	632	818
Professional fees	553	603
Bad debt recovery	-	(300)
Other	807	742
	\$ 6,659	\$ 7,928

16. Return of Capital

On February 18, 2025, the Company paid a return of capital of \$5.0 million on the issued and outstanding Common shares held by its sole shareholder, JTHL.

17. Related party and subsidiary transactions

The following are components of related party and subsidiary transactions:

	December 31, 2025	December 31, 2024
Accounts receivables due from associated companies	\$ 151	\$ 113
Interest receivable from Royalties LP	377	357
Accounts payable due to associated companies	233	440
Royalty payable to Royalties LP	3,424	3,378
Distributions payable to Holdings LP	1,075	1,057
	2025	2024
Fees charged to the Fund in respect of administrative services ⁽¹⁾	\$ 455	\$ 444
Royalty expense to the Fund	39,050	37,266
Distribution expense to the Fund	12,837	12,242
Management fees paid to a company under common control	2,000	2,000
Interest income from Royalties LP	(4,773)	(4,506)
Key management personnel compensation	5,994	5,624

⁽¹⁾ 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 included in Franchise, restaurant and other revenue.

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18. Supplemental cash flow information

(a) Change in non-cash operating items:

	2025	2024
Accounts receivable	\$ (621)	\$ (918)
Prepaid expenses and other current assets	(10)	1,913
Advertising fund restricted assets	(1,147)	1,895
Accounts payable and accrued liabilities	(817)	(1,052)
Royalty and distributions payable to Fund	64	23
Advertising fund restricted liabilities	1,738	(2,631)
Deferred revenue	(180)	(381)
	\$ (973)	\$ (1,151)

(b) Supplementary information:

	2025	2024
Non-cash transactions:		
Changes in property & equipment additions included in accounts payable	\$ (2)	\$ (23)
Changes intangible asset additions included in accounts payable	(732)	(396)
Amortization of deferred financing fees, net against debt	(64)	(61)
Lease obligation non-cash adjustments	(1,590)	(7)

19. Subsequent events

- (a) On January 1, 2026, no adjustments were made to the Royalty Pool as there were no new Boston Pizza restaurants that opened or closed between January 1, 2025 and December 31, 2025, resulting in the total number of restaurants in the Royalty Pool remaining at 372. Accordingly, BPI did not receive any Additional Entitlements on January 1, 2026 and no changes were made to the total outstanding Deficiency. BPI will be required to make up the cumulative Deficiency for 2020, 2021, 2022, 2023 and 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 2026, adjustments were made to the Deficiency based on the actual performance of the four new Boston Pizza restaurants that were added to the Royalty Pool on January 1, 2025. The original Franchise Sales expected to be generated from the four new restaurants less the Franchise Sales from the four Boston Pizza restaurants that closed in 2024 was negative \$4.0 million. The actual Franchise Sales generated from the four new restaurants after subtracting the Franchise Sales from the four Boston Pizza restaurants that closed in 2024 was negative \$2.1 million. As a result, the Deficiency in respect of 2024 was reduced from \$0.2 million to \$0.1 million.