



CELEBRATING 60 YEARS
OF BOSTON PIZZA

BOSTON PIZZA

ROYALTIES INCOME FUND

ANNUAL REPORT 2023





CELEBRATING 60 YEARS OF BOSTON PIZZA

In 2024, Boston Pizza is celebrating its remarkable 60th anniversary, marking six decades of culinary innovations, warm hospitality, and unforgettable dining experiences.

Originating in Edmonton, Alberta in 1964, when Greek immigrant Gus Agioritis established Boston Pizza and Spaghetti House, the concept swiftly gained popularity, paving the way for a franchise. The first franchisee was former R.C.M.P. officer, Jim Treliving, who opened his initial restaurant in Penticton, British Columbia in 1968. This venture brought him into contact with chartered accountant George Melville, who became Jim Treliving’s eventual business partner. Over the following decade, the duo cultivated a network of 16 restaurants in British Columbia, gaining invaluable experience that would later propel them into their roles as franchisors of Boston Pizza International Inc. (“BPI”). In 1983, Jim Treliving and George Melville acquired BPI along with its 44 restaurants from the then owner Ron Coyle. Promptly divesting their own restaurants to franchisees, they instituted systems and standards conducive to sustained national growth. The expansion into Eastern Canada became a reality in September 1998, with the opening of the first location in Ottawa, Ontario. In 2017, as part of a meticulously planned succession, Jim Treliving and George Melville restructured their jointly-owned assets, resulting in Jim Treliving assuming full ownership of BPI.

There are currently over 370 Boston Pizza restaurants in Canada, stretching from Victoria to St. John’s, with all but one of these restaurants being owned and operated by independent franchisees.

From its humble beginnings to becoming a beloved institution, Boston Pizza has been a gathering place for communities across Canada for 60 years, providing guests with much needed opportunities to share food, share life and connect. In every Boston Pizza location, guests enjoy a comfortable atmosphere, professional service and an appealing and diverse menu. Whether it’s a business lunch, family dinner or watching the game with friends, Boston Pizza provides its guests the opportunity to enjoy great food in a relaxed and inviting setting. It is this combination of key ingredients that has enabled Boston Pizza to serve more guests in more locations than any other full-service restaurant brand in Canada.

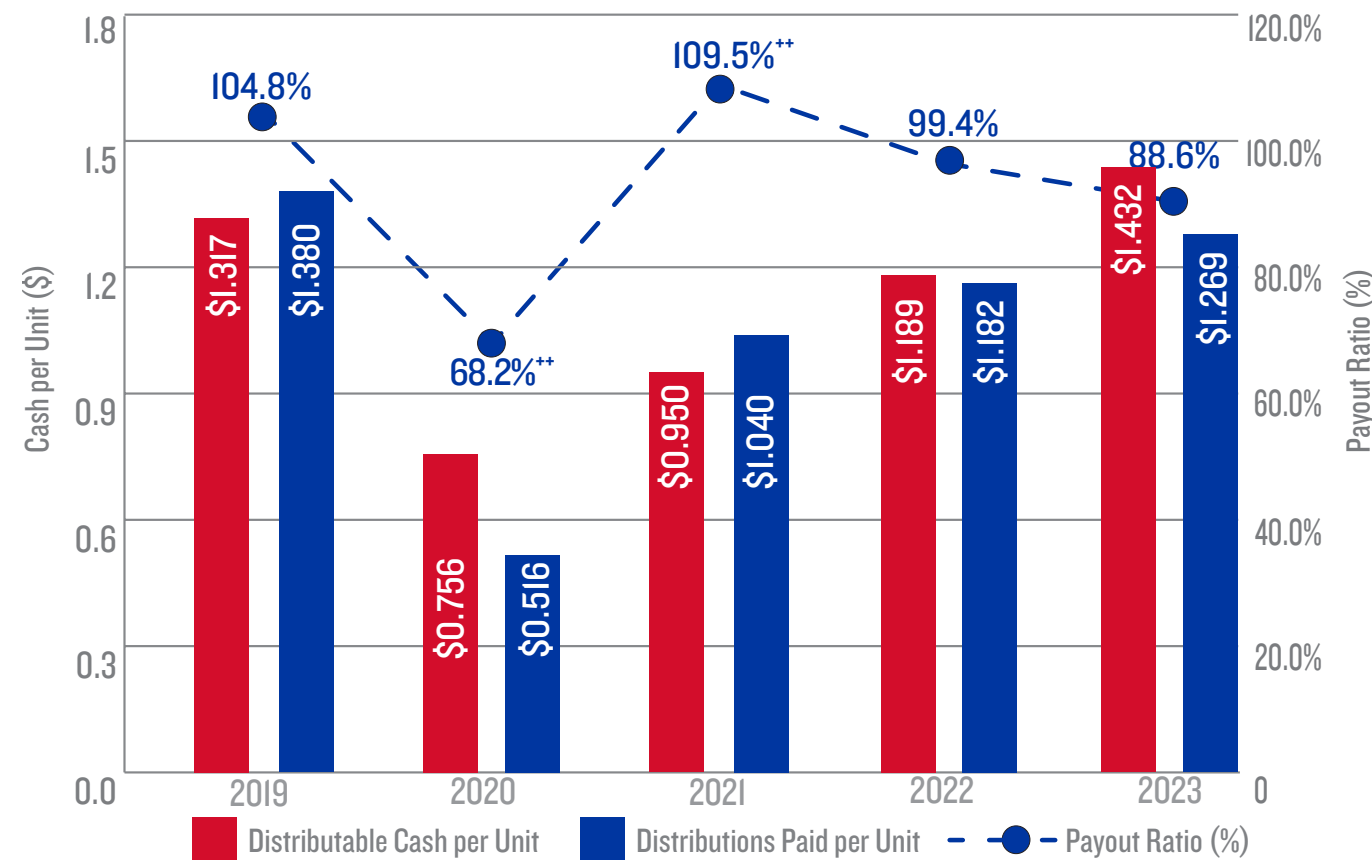
Sixty years from the opening of the inaugural Edmonton location, Jim Treliving remains at the helm, his unwavering vision, ambition, and drive ensuring the perpetual advancement and innovation of Boston Pizza.

2023 HIGHLIGHTS

- 2023 was a record year for Franchise Sales* (see page 13). Strong Franchise Sales in the first quarter of 2023 carried on throughout 2023 despite ongoing economic uncertainty, inflationary pressures and high interest rates.
- System-Wide Gross Sales* (see page 82) of \$1.2 billion, representing an increase of 8.4% compared to one year ago.
- Franchise Sales of \$925.7 million for the Year representing an increase of 8.3% versus the same period one year ago.
- Same Restaurant Sales* (see page 10) of 8.7% for the Year.
- Cash flows generated from operating activities of \$37.9 million for the Year representing an increase of 10.4% versus the same period one year ago.
- Distributable Cash* (see page 9) increased 19.8% for the Year, and Distributable Cash per Unit* (see page 9) increased 20.4% for the Year.
- Payout Ratio* (see page 9) of 88.6% for the Year. Cash balance at the end of the Year was \$4.6 million.
- The Fund increased its monthly distribution rate with the March 2023 distribution from \$0.102 to \$0.107 per unit of the Fund (“Unit”). Since then, the Fund has increased its monthly distribution rate with the January 2024 distribution from \$0.107 to \$0.113 per Unit.
- In December 2023, the first new Boston Pizza restaurant opened since 2020.

* Non-GAAP Financial Measure, Non-GAAP Ratio or Supplementary Financial Measure under National Instrument 52-112. See page reference for details.

DISTRIBUTIONS PER UNIT AND PAYOUT RATIO



**A special distribution of \$0.20 per unit was declared in December 2020 and paid in January 2021. The Payout Ratio is calculated by dividing the amount of distributions paid during the applicable period by the Distributable Cash for that period. Accordingly, the Payout Ratio for 2020 does not factor in the special distribution that was paid on January 29, 2021 even though the cash generated to fund the special distribution was generated during 2020 as a result of monthly distributions on Units being temporarily suspended in respect of March through August of 2020. If the special distribution was included in the calculation of Payout Ratio in the year it was declared, the Payout Ratio would be 94.6% for 2020 and 88.4% for 2021.



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**MESSAGE FROM THE CHAIRMAN OF
BOSTON PIZZA ROYALTIES INCOME FUND**

On behalf of the trustees, I am pleased to present the 2023 annual report for Boston Pizza Royalties Income Fund (the “Fund”).

As we reflect on the past year, it is evident that we have navigated through headwinds and experienced success, further solidifying our commitment to delivering sustainable growth and value to our unitholders. The restaurant industry, like many others, faced significant challenges during 2023, marked by uncertainties stemming from impacts of inflation, increases in interest rates, consumer confidence, supply chain disruption, labour availability and other disruptive events. Despite these obstacles, Boston Pizza’s restaurant operations demonstrated resilience and adaptability in navigating these dynamics.

We were pleased to report strong sales results for the first quarter of 2023 that continued for the balance of the year, resulting in the highest annual revenue in the history of the Fund. This, in turn, enabled the trustees to distribute more cash to unitholders. On April 5, 2023, the trustees increased the monthly distribution to \$0.107 per Unit for March 2023 from the previous monthly rate of \$0.102 per Unit, being an increase of \$0.005 per Unit or 4.9% and bringing distribution levels above those in effect prior to COVID-19. On February 13, 2024, the trustees further increased monthly distributions to \$0.113 per Unit for January 2024 from the previous monthly rate of \$0.107 per Unit, being an increase of \$0.006 per Unit or 5.6%. While the trustees are pleased with the growth in distribution rate, we remain cautious and will continue to closely monitor the Fund’s available cash balances and distribution levels, based on our goal of stable and sustainable distribution flow to unitholders.

After nine years of dedicated service to the Fund, David L. Merrell officially retired as Trustee of the Fund and Chair of the Audit Committee on June 15, 2023, leaving behind a legacy of effective leadership and strategic guidance. Also in June 2023, Shelley Williams has seamlessly taken over the reins as Chair of the Audit Committee. Ms. Williams, with her extensive experience and proven track record, has ensured a smooth and successful transition. Her vision, dedication, and collaborative approach have already begun to make a positive impact for the Fund.

We ended 2023 with the first opening of a new Boston Pizza restaurant since 2020. This significant landmark shows the strength and continued future growth of the Boston Pizza brand.

On behalf of the trustees, I would like to thank unitholders for their trust and continued support and express appreciation to BPI, Boston Pizza franchisees and their respective employees for their hard work and commitment.

Marc Guay
Chairman, Boston Pizza Royalties Income Fund



**MESSAGE FROM THE PRESIDENT OF
BOSTON PIZZA INTERNATIONAL INC.**

On behalf of Boston Pizza International Inc. (“**BPI**”), its board of directors, management team and employees, I am pleased to present our 2023 Annual Report. This report covers the fiscal year-ended December 31, 2023 (the “**Year**”).

HIGHLIGHTS

- Annual System-Wide Gross Sales of \$1.2 billion for the Year, representing an increase of 8.4%, versus the same period one year ago.
- Same Restaurant Sales of 8.7% for the Year.
- One new Boston Pizza restaurant opened during the Year being the first new Boston Pizza restaurant opening since 2020.
- Raised just over \$1.8 million in 2023 for Boston Pizza Foundation, bringing the aggregate total to over \$37.0 million raised and donated since the inception of the Boston Pizza Foundation in 1990.
- Boston Pizza restaurants achieved the highest total annual sales ever recorded in 2023, solidifying Boston Pizza as Canada’s number one full-service restaurant company.

Readers are cautioned that they should refer to the annual audited consolidated financial statements and Management’s Discussion and Analysis of BPI for the fiscal year-ended December 31, 2023, available on SEDAR+ at www.sedarplus.ca and on the Boston Pizza Royalties Income Fund’s website at www.bpincomefund.com, for a full description of BPI’s financial results.

OPERATIONAL HIGHLIGHTS

The restaurant industry underwent a transformation in 2023, and Boston Pizza restaurants adapted to these changes. We responded swiftly to shifting consumer behaviors, leveraging technology to enhance the customer experience and streamline operations. We continued to work with our delivery service partners to increase sales in the off-premise segment of our business. We also met challenges in 2023 as Boston Pizza successfully managed through supply chain disruptions, rising interest rates, increasing input costs and labour shortage challenges experienced in Canada and around the world. Our team worked hard to maintain a stable supply chain and mitigate cost increases for our franchisees. We also provided systems and tools to help our franchisees attract and retain staff. On the restaurant development front, 2023 saw the first opening of a new Boston Pizza restaurant since 2020. As the economy continues to recover in 2024, we will continue to work diligently on new and existing restaurant development opportunities that were delayed due to the pandemic.

We were pleased to report strong sales results for the first quarter of 2023, which exceeded expectations and demonstrated the resilience of Boston Pizza restaurant operations despite macroeconomic conditions and other challenges facing the restaurant industry. The first quarter of 2023 began with a Pasta Tuesday All Month Long promotion and a new winter feature menu. These promotions paired perfectly with the lineup of sporting events during the first quarter. February saw Boston Pizza’s popular Valentine’s Day promotion where paper hearts and \$1 from each heart-shaped pizza sold went to help local charities. 2023 marked the 30th anniversary of our paper hearts campaign. This campaign along with \$1 from each heart-shaped pizza sold resulted in the Boston Pizza Foundation raising over \$500,000 to help local charities in communities across Canada.

The positive sales momentum from the first quarter of 2023 continued in the second quarter despite macroeconomic conditions and industry challenges. During the second quarter, we launched Boston Pizza’s “Fanalytics” campaign optimizing every aspect of the Boston Pizza Sports Bar experience to maximize enjoyment for our guests, and a new menu introducing several new and enhanced menu offerings. We ended the second quarter by announcing an exclusive partnership with Skip the Dishes in select regions, in a continued effort to maximize off-premise sales by leveraging digital platforms.

Positive sales performance carried on into the third quarter of 2023. During the third quarter, Boston Pizza continued to drive improved performance and guest traffic. We extended our summer patio campaign into the quarter which highlighted new food and drink innovations, and introduced a fall feature menu which featured new food and beverage creations. Boston Pizza’s Kids Cards promotion started towards the end of the third quarter where, for a \$5 donation, a guest received a card for five free kids’ meals. The Kids Cards promotion raised over \$875,000 for the Boston Pizza Foundation. The third quarter ended with a Kids Eat Free promotion for the entire month of September. This promotion resulted in an increase in guest traffic and an increase in overall sales.

The strong sales momentum from the third quarter of 2023 pushed into the fourth quarter. We began the fourth quarter with our Hockey Night in Canada partnership which was supported by significant TV, digital, and social media channels along with in-restaurant promotions at participating Boston Pizza restaurants across Canada. In addition to this, we launched a 2023 holiday menu which featured a selection of innovative food and beverage items along with a promotion card bonus offer. Guests also received a free Ferrero Rocher 3-pack with the purchase of any qualifying holiday menu item. We had the highest gift card sales in 2023 compared to any previous year, helped by a successful year-end Holiday Gift Card promotion. The fourth quarter concluded with the first opening of a new Boston Pizza restaurant since 2020.

We continue to be extremely pleased with the efforts of our team and franchisees. However, with supply chain challenges, rising interest rates and increasing input costs impacting most of the restaurant industry, BPI’s management remains cautious. BPI’s management continues to adapt the business to mitigate these challenges and work diligently to support our franchisees and maintain the positive sales momentum that was achieved in 2023.

In 2024, Boston Pizza is celebrating its remarkable 60th anniversary, marking six decades of culinary innovations, warm hospitality, and unforgettable dining experiences. From its humble beginnings to becoming a beloved institution, Boston Pizza has been a gathering place for communities across Canada for 60 years, providing our guests with much-needed opportunities to share food, share life and connect. As we reflect on this significant milestone, we are overwhelmed with gratitude for the unwavering support of our guests, dedicated staff, franchisees, business partners and the communities we serve. To commemorate this special occasion, we are thrilled to share the joy and nostalgia with our guests. Throughout the anniversary year, we have planned a series of special events, exclusive promotions, and culinary delights that pay homage to our rich history while embracing the spirit of gathering that has defined us over the years. Join us as we raise a toast to 60 years of delicious memories.

On behalf of Boston Pizza International Inc.,

Jordan Holm,
President, Boston Pizza International Inc.

MESSAGE FROM THE PRESIDENT OF
BOSTON PIZZA INTERNATIONAL INC.

Forward Looking Information

Certain information in this message constitutes “forward-looking information” that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of Boston Pizza Royalties Income Fund (the “Fund”), Boston Pizza Holdings Trust, Boston Pizza Royalties Limited Partnership, Boston Pizza Holdings Limited Partnership, Boston Pizza Holdings GP Inc., Boston Pizza GP Inc., BPI, Boston Pizza Canada Limited Partnership (“BP Canada LP”), Boston Pizza Canada Holdings Inc., Boston Pizza Canada Holdings Partnership, Boston Pizza restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. All statements, other than statements of historical facts, included in this message that address activities, events or developments that BPI and BP Canada LP expects or anticipates will or may occur in the future, including such things as, continuing to work diligently on new and existing restaurant development opportunities that were delayed due to the pandemic, BPI’s management remaining cautious with supply chain challenges, rising interest rates, increasing input costs and labour shortages impacting most of the restaurant industry, BPI’s management continuing to adapt the business to mitigate these challenges and work diligently to support its franchisees and maintain the positive sales momentum that was achieved in 2023, BPI’s management planning a series of special events, exclusive promotions, and culinary delights in 2024 that pay homage to Boston Pizza’s rich history while embracing the spirit of gathering that has defined Boston Pizza over the years, guests participating in the planned series of special events, exclusive promotions, and culinary delights in 2024, and other such matters are forward-looking information. When used in this message, forward-looking information may include words such as “anticipate”, “estimate”, “may”, “will”, “expect”, “believe”, “plan”, “should”, “continue” and other similar terminology. The material factors and assumptions used to develop the forward-looking information contained in this message include the following: expectations related to future general economic conditions, Boston Pizza restaurants maintaining operational excellence, and supply chain challenges, rising interest rates, and increasing input costs and labour shortages may continue to negatively impact the restaurant industry. Risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by the forward-looking information contained herein, relate to (among others): competition, demographic trends, consumer preferences and discretionary spending patterns, business and economic conditions, legislation and regulation, reliance on operating revenues, accounting policies and practices, the results of operations and financial condition of BPI and BP Canada LP, as well as those factors discussed under the heading “Risks and Uncertainties” in the most recent Annual Information Form of the Fund. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this message. Except as required by law, neither BPI, BP Canada LP nor the Fund assumes any obligation to update previously disclosed forward-looking information. For a complete list of the risks associated with forward-looking information and BPI’s and BP Canada LP’s business, please refer to the “Risks and Uncertainties” and “Note Regarding Forward-Looking Information” sections included in the most recent Annual Information Form of the Fund and BPI’s Management’s Discussion and Analysis for the year ended December 31, 2023 available at www.sedarplus.ca and www.bpincomefund.com.



BOSTON PIZZA ROYALTIES INCOME FUND
Management's Discussion & Analysis
Consolidated Financial Statements

MANAGEMENT’S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the Period and Year ended December 31, 2023

FINANCIAL HIGHLIGHTS

The tables below set out selected information from the audited annual consolidated financial statements of Boston Pizza Royalties Income Fund (the “**Fund**”), which includes the accounts of the Fund, its wholly-owned subsidiaries Boston Pizza Holdings Trust (the “**Trust**”), Boston Pizza Holdings GP Inc. (“**Holdings GP**”) and Boston Pizza Holdings Limited Partnership (“**Holdings LP**”), its 80% owned subsidiary Boston Pizza GP Inc. (“**Royalties GP**”), and Boston Pizza Royalties Limited Partnership (“**Royalties LP**”), together with other information and should be read in conjunction with the audited annual consolidated financial statements of the Fund for the years ended December 31, 2023 and December 31, 2022. The financial information in the tables included in this Management’s Discussion and Analysis (“**MD&A**”) are reported in accordance with IFRS Accounting Standards (“**IFRS**”) except as otherwise noted and are stated in Canadian dollars. Capitalized terms used in the tables and notes below are defined elsewhere in this MD&A.

<i>For the years ended December 31</i>	2023	2022	2021
(in thousands of dollars – except restaurants, SRS, Payout Ratio and per Unit items)			
Number of restaurants in Royalty Pool	377	383	387
Franchise Sales reported by restaurants in the Royalty Pool	925,655	854,997	660,051
Royalty income	37,026	34,200	26,402
Distribution Income	12,167	11,273	8,752
Total revenue	49,193	45,473	35,154
Administrative expenses	(1,489)	(1,390)	(1,299)
Interest expense on debt and financing fees	(3,370)	(3,614)	(3,879)
Interest expense on Class B Unit liability	(3,990)	(3,690)	(2,506)
Interest income	276	107	94
Profit before fair value (loss) gain and income taxes	40,620	36,886	27,564
Fair value gain (loss) on investment in BP Canada LP	1,364	(2,019)	25,206
Fair value (loss) gain on Class B Unit liability	(608)	899	(11,229)
Fair value (loss) gain on Swaps	(1,436)	3,891	2,303
Current and deferred income tax expense	(10,374)	(9,074)	(6,437)
Net and comprehensive income	29,566	30,583	37,407
Basic earnings per Unit	1.38	1.42	1.74
Diluted earnings per Unit	1.34	1.31	1.74
<u>Distributable Cash¹ / Distributions / Payout Ratio²</u>			
Cash flows generated from operating activities	37,926	34,355	30,475
BPI Class B Unit entitlement ³	(3,865)	(3,679)	(2,770)
Interest paid on long-term debt	(3,404)	(3,576)	(3,692)
Principal repayments on long-term debt	-	(1,500)	(3,787)
Current income tax expense	(9,949)	(8,914)	(6,307)
Current income tax paid	9,961	8,904	6,520
Distributable Cash	30,669	25,590	20,439
Distributions paid	27,172	25,438	22,382
Payout Ratio	88.6%	99.4%	109.5%
Distributable Cash per Unit ⁴	1.432	1.189	0.950
Distributions paid per Unit	1.269	1.182	1.040
<u>Other</u>			
Same Restaurant Sales ⁵	8.7%	30.4%	8.5%
Number of restaurants opened	1	0	0
Number of restaurants closed	6	6	4
<i>As at December 31</i>	2023	2022	2021
Total assets	413,055	413,701	411,313
Total liabilities	134,169	133,123	135,514

MANAGEMENT’S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the Period and Year ended December 31, 2023

Notes – Non-GAAP and Specified Financial Measures

- 1 “**Distributable Cash**” is a non-GAAP financial measure under National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* (“**NI 52-112**”). Distributable Cash is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. The Fund defines Distributable Cash to be, in respect of any particular period, the Fund’s cash flows generated from operating activities for that period (being the most comparable financial measure in the Fund’s primary financial statements) minus (a) BPI’s (as defined below) entitlement in respect of its Class B Units in respect of the period (see note 3 below), minus (b) interest paid on long-term debt during the period, minus (c) principal repayments on long-term debt that are contractually required to be made during the period, minus (d) the current income tax expense in respect of the period, plus (e) current income tax paid during the period (the sum of (d) and (e) being “**SIFT Tax on Units**”). Management believes that Distributable Cash provides investors with useful information about the amount of cash the Fund has generated and has available for distribution on the Units in respect of any period. The tables in the “Financial Highlights” section of this MD&A provide a reconciliation from this non-GAAP financial measure to cash flows generated from operating activities, which is the most directly comparable IFRS measure. Current income tax expense in respect of any period is prepared using reasonable and supportable assumptions (including that the base rate of SIFT Tax (as defined below) will not increase throughout the calendar year and that certain expenses of the Fund will continue to be deductible for income tax purposes), all of which reflect the Fund’s planned courses of action given management’s judgment about the most probable set of economic conditions. There is a risk that the federal government of Canada could increase the base rate of SIFT Tax or that applicable taxation authorities could assess the Fund on the basis that certain expenses of the Fund are not deductible. Investors are cautioned that if either of these possibilities occurs, then the actual results for this component of Distributable Cash may vary, perhaps materially, from the amounts used in the reconciliation.
- 2 “**Payout Ratio**” is a non-GAAP ratio under NI 52-112. Payout Ratio is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. The Fund defines Payout Ratio for any period as the aggregate distributions paid by the Fund during that period divided by the Distributable Cash generated in that period. Management believes that Payout Ratio provides investors with useful information regarding the extent to which the Fund distributes cash generated on Units. Since Payout Ratio is calculated by dividing the amount of distributions paid during the applicable period by the Distributable Cash for that period, the Payout Ratio for 2021 includes the special distribution of \$0.200 per Unit that was declared on December 16, 2020 and paid on January 29, 2021 to Unitholders of record at the close of business on December 31, 2020 (the “**2020 Special Distribution**”) even though the Distributable Cash generated to fund the 2020 Special Distribution was generated during 2020. If the 2020 Special Distribution was excluded in the calculation of Payout Ratio for 2021, it would be 88.4%.
- 3 “**BPI Class B Unit entitlement**” is a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. The BPI Class B Unit entitlement is the interest expense on Class B Units in respect of a period plus management’s estimate of how much cash BPI would be entitled to receive pursuant to the limited partnership agreement governing Royalties LP (a copy of which is available on SEDAR+ at www.sedarplus.ca) on its Class B Units if Royalties LP fully distributed any residual cash generated in respect of that period after the Fund pays interest on long-term debt, principal repayments on long-term debt and SIFT Tax on Units in respect of that period. Management believes that the BPI Class B Unit entitlement is an important component in calculating Distributable Cash since it represents the amount of residual cash generated that BPI would be entitled to receive and therefore would not be available for distribution to Unitholders. Management prepares such estimate using reasonable and supportable assumptions that reflect the Fund’s planned courses of action given management’s judgment about the most probable set of economic conditions.
- 4 “**Distributable Cash per Unit**” is a non-GAAP ratio under NI 52-112. Distributable Cash per Unit is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. The Fund defines Distributable Cash per Unit for any period as the Distributable Cash generated in that period divided by the weighted average number of Units outstanding during that period. Management believes that Distributable Cash per Unit provides investors with useful information

regarding the amount of cash per Unit that the Fund has generated and has available for distribution in respect of any period.

5 “**Same Restaurant Sales**” or “**SRS**” is a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. Prior to the fourth quarter of 2021, the Fund defined SRS as the change in gross revenues of Boston Pizza Restaurants as compared to the gross revenues for the same period in the previous year (where restaurants were open for a minimum of 24 months). Commencing with the fourth quarter of 2021, the Fund defines SRS as the change in Franchise Sales of Boston Pizza Restaurants as compared to the Franchise Sales for the same period in the previous year (where restaurants were open for a minimum of 24 months). The Fund believes that the current method of calculating SRS provides Unitholders more meaningful information regarding the performance of Boston Pizza Restaurants since Royalty and Distribution Income are payable to the Fund by BPI and BP Canada LP on Franchise Sales and not gross revenues of Boston Pizza Restaurants. All historical SRS figures contained in this MD&A have been restated to conform to the current method of calculating SRS.

SUMMARY OF QUARTERLY RESULTS

	Q4 2023	Q3 2023	Q2 2023	Q1 2023
(in thousands of dollars – except restaurants, SRS, Payout Ratio and per Unit items)				
Number of restaurants in Royalty Pool	377	377	377	377
Franchise Sales reported by restaurants in the Royalty Pool	227,665	240,139	233,650	224,201
Royalty income	9,106	9,606	9,346	8,968
Distribution Income	2,992	3,155	3,071	2,949
Total revenue	12,098	12,761	12,417	11,917
Administrative expenses	(347)	(350)	(401)	(391)
Interest expense on debt and financing fees	(839)	(838)	(843)	(850)
Interest expense on Class B Unit liability	(1,321)	(1,055)	(982)	(632)
Interest income	57	72	79	68
Profit before fair value (loss) gain and income taxes	9,648	10,590	10,270	10,112
Fair value gain (loss) on investment in BP Canada LP	928	(7,857)	8,511	(218)
Fair value (loss) gain on Class B Unit liability	(414)	3,501	(3,792)	97
Fair value (loss) gain on Swaps	(2,250)	333	1,373	(892)
Current and deferred income tax expense	(2,695)	(1,673)	(3,576)	(2,430)
Net and comprehensive income	5,217	4,894	12,786	6,669
Basic earnings per Unit	0.25	0.23	0.59	0.31
Diluted earnings per Unit	0.24	0.06	0.59	0.24
<u>Distributable Cash / Distributions / Payout Ratio</u>				
Cash flows generated from operating activities	9,288	9,659	9,759	9,220
BPI Class B Unit entitlement	(1,081)	(740)	(1,006)	(1,038)
Interest paid on long-term debt	(817)	(825)	(848)	(914)
Current income tax expense	(2,445)	(2,603)	(2,511)	(2,390)
Current income tax paid	2,424	2,770	2,456	2,311
Distributable Cash	7,369	8,261	7,850	7,189
Distributions paid	6,830	6,848	6,909	6,585
Payout Ratio	92.7%	82.9%	88.0%	91.6%
Distributable Cash per Unit	0.346	0.387	0.365	0.334
Distributions paid per Unit	0.321	0.321	0.321	0.306
<u>Other</u>				
Same Restaurant Sales	0.6%	5.3%	6.6%	25.7%
Number of restaurants opened	1	0	0	0
Number of restaurants closed	4	0	1	1

MANAGEMENT’S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the Period and Year ended December 31, 2023

SUMMARY OF QUARTERLY RESULTS (continued)

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
(in thousands of dollars – except restaurants, SRS, Payout Ratio and per Unit items)				
Number of restaurants in Royalty Pool	383	383	383	383
Franchise Sales reported by restaurants in the Royalty Pool	227,163	229,848	219,384	178,602
Royalty income	9,087	9,194	8,775	7,144
Distribution Income	2,988	3,027	2,895	2,363
Total revenue	12,075	12,221	11,670	9,507
Administrative expenses	(369)	(334)	(349)	(338)
Interest expense on debt and financing fees	(812)	(886)	(977)	(939)
Interest expense on Class B Unit liability	(1,557)	(835)	(733)	(565)
Interest income	61	31	10	5
Profit before fair value (loss) gain and income taxes	9,398	10,197	9,621	7,670
Fair value (loss) gain on investment in BP Canada LP	(1,146)	2,183	(14,622)	11,566
Fair value gain (loss) on Class B Unit liability	510	(972)	6,515	(5,154)
Fair value gain on Swaps	106	572	1,337	1,876
Current and deferred income tax expense	(2,462)	(2,478)	(1,075)	(3,059)
Net and comprehensive income	6,406	9,502	1,776	12,899
Basic earnings per Unit	0.30	0.44	0.08	0.60
Diluted earnings (loss) per Unit	0.26	0.41	(0.20)	0.60
<u>Distributable Cash / Distributions / Payout Ratio</u>				
Cash flows generated from operating activities	8,919	9,667	9,118	6,651
BPI Class B Unit entitlement	(1,044)	(1,083)	(888)	(664)
Interest paid on long-term debt	(799)	(939)	(954)	(884)
Principal repayments on long-term debt	-	-	(1,000)	(500)
Current income tax expense	(2,422)	(2,438)	(2,285)	(1,769)
Current income tax paid	2,585	2,270	2,185	1,864
Distributable Cash	7,239	7,477	6,176	4,698
Distributions paid	8,329	6,133	5,488	5,488
Payout Ratio	115.1%	82.0%	88.9%	116.8%
Distributable Cash per Unit	0.336	0.347	0.287	0.218
Distributions paid per Unit	0.387	0.285	0.255	0.255
<u>Other</u>				
Same Restaurant Sales	24.5%	8.4%	64.9%	39.1%
Number of restaurants opened	0	0	0	0
Number of restaurants closed	3	1	0	2

MANAGEMENT’S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the Period and Year ended December 31, 2023

OVERVIEW

This MD&A covers the three-month period from October 1, 2023 to December 31, 2023 (the “**Period**”) and the twelve-month period from January 1, 2023 to December 31, 2023 (the “**Year**”) and is dated February 13, 2024. It provides additional analysis of the operations, financial position and financial performance of the Fund and should be read in conjunction with the Fund’s applicable audited annual consolidated financial statements and accompanying notes. The audited annual consolidated financial statements of the Fund are in Canadian dollars and have been prepared in accordance with IFRS except as otherwise noted.

Purpose of the Fund / Sources of Revenue

The Fund is a limited purpose open-ended trust established in July 2002, and the units of the Fund (the “**Units**”) trade on the Toronto Stock Exchange under the symbol BPF.UN. The Fund was originally created to acquire, indirectly through Royalties LP, the Canadian trademarks owned by Boston Pizza International Inc. (“**BPI**”, and where applicable also includes its wholly-owned subsidiaries) (collectively, the “**BP Rights**”⁶) used in connection with the operation of Boston Pizza restaurants in Canada (“**Boston Pizza Restaurants**”) and the business of BPI, its affiliated entities and franchisees (herein referred to as “**Boston Pizza**”). In May 2015, the Fund, indirectly through Holdings LP, completed an investment in Boston Pizza Canada Limited Partnership (“**BP Canada LP**”) to effectively increase the Fund’s interest in Franchise Sales (as defined below) of Boston Pizza Restaurants in the Royalty Pool (as defined below) by 1.5%, from 4.0% to 5.5% less the pro rata portion payable to BPI in respect of its retained interest in the Fund. BP Canada LP is a limited partnership controlled and operated by BPI and is the exclusive franchisor of Boston Pizza Restaurants.

The Fund has the following principal sources of revenue:

Royalty

Royalties LP licenses the BP Rights to BPI in return for BPI paying Royalties LP a royalty equal to 4.0% (the “**Royalty**”) of Franchise Sales of those Boston Pizza Restaurants included in the Royalty Pool, as defined in the license and royalty agreement dated July 17, 2002, as amended on May 9, 2005 between Royalties LP and BPI. As of December 31, 2023, there were 377 Boston Pizza Restaurants in the Royalty Pool, of which approximately 370 were operating and open for business to the public.⁷

“**Franchise Sales**” means the gross revenue: (i) of the corporate Boston Pizza Restaurants owned by BPI that are in the Royalty Pool; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants that are in the Royalty Pool, without audit or other form of independent assurance, and in the case of both (i) and (ii), after deducting revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts and excluding applicable sales and similar taxes. Nevertheless, BP Canada LP periodically conducts audits of the Franchise Sales reported to it by its franchisees, and the Franchise Sales reported herein include results from sales audits of earlier periods.

Distribution Income

Holdings LP holds Class 1 limited partnership units (“**Class 1 LP Units**”) and Class 2 limited partnership units (“**Class 2 LP Units**”) of BP Canada LP, and BPI holds, indirectly through Boston Pizza Canada Holdings Partnership (“**BPCHP**”), a general partnership owned and controlled by BPI, Class 2 general partnership units

6 BP Rights are the trademarks that as at July 17, 2002 were registered or the subject of pending applications for registration under the *Trademarks Act* (Canada) and other trademarks and trade names which are confusingly similar to any of the registered or pending trademarks. The BP Rights purchased 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).

7 Boston Pizza Restaurants may temporarily or permanently close for a variety of reasons. The Royalty Pool is adjusted only once a year on January 1 to add new Boston Pizza Restaurants that opened and to remove Boston Pizza Restaurants that permanently closed. Accordingly, the number of Boston Pizza Restaurants in the Royalty Pool at any time may exceed the number of Boston Pizza Restaurants that are actively operating and open for business to the public. See “Overview - Addition of New Restaurants to Royalty Pool” below for more information regarding adjustments to the Royalty Pool.

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(“**Class 2 GP Units**”) of BP Canada LP, which are exchangeable into Units. The Class 1 LP Units and Class 2 LP Units entitle Holdings LP to receive distributions from BP Canada LP equal, in aggregate, to 1.5% of Franchise Sales, less the *pro rata* portion payable to BPI in respect of its retained interest in the Fund (“**Distribution Income**”). Specifically, the Class 1 LP Units entitle Holdings LP to receive a priority distribution equal to the amount of interest that Holdings LP pays on amounts drawn on Facility D (as defined below) plus 0.05% of that amount, with the balance of 1.5% of Franchise Sales being distributed pro rata to Holdings LP and BPI on the Class 2 LP Units and Class 2 GP Units, respectively.

Top-Line Fund / Increases in Franchise Sales

The Fund effectively has the right to receive from BPI and BP Canada LP an amount equal to 5.5% of Franchise Sales (4.0% of which is payable via the Royalty and 1.5% of which is payable as Distribution Income on the Class 1 LP Units and Class 2 LP Units), less the pro rata portion payable to BPI in respect of its retained interest in the Fund. A key attribute of the Fund’s structure is that it is a “top-line” fund. Both Royalty and Distribution Income of the Fund are based on Franchise Sales of Boston Pizza Restaurants in the Royalty Pool and are not determined by the profitability of BPI, BP Canada LP or Boston Pizza Restaurants in the Royalty Pool. The Fund’s cash payments include administrative expenses, principal repayments and interest expenses on debt, amounts paid by Royalties LP to BPI on the Class B general partner units (“**Class B Units**”) of Royalties LP, and current income tax. Therefore, the Fund is not subject to the variability of earnings or expenses associated with an operating business. Given this structure, the success of the Fund depends primarily on the ability of BPI and BP Canada LP to maintain and increase Franchise Sales of Boston Pizza Restaurants in the Royalty Pool.

Increases in Franchise Sales and resulting Royalty and Distribution Income are derived from both new Boston Pizza Restaurants added to the Royalty Pool and SRS. The two principal factors that affect SRS are changes in guest traffic and changes in average guest cheque. Increases in average guest cheque are typically driven by menu price increases in response to inflation of restaurant level costs. However, the extent to which menu price increases result in increased average guest cheque is dependent upon consumer reaction to the price increases. Boston Pizza’s ability to increase SRS is dependent upon existing Boston Pizza Restaurants maintaining operational excellence, general market conditions, weather, menu pricing, and marketing programs undertaken by BPI and BP Canada LP. One of BPI’s and BP Canada LP’s competitive strengths in increasing Franchise Sales of existing restaurants is that the standard franchise agreement for Boston Pizza Restaurants requires that each Boston Pizza Restaurant undergoes a complete restaurant renovation every seven years and completes equipment upgrades as required by BP Canada LP. Restaurants typically close or partially close for two to three weeks to complete the renovation, which incorporates updated design elements that result in a refreshed and more appealing restaurant.

Franchise Sales are also affected by the permanent closures of Boston Pizza Restaurants. A Boston Pizza Restaurant is closed when it ceases to be viable or when the franchise agreement applicable to that Boston Pizza Restaurant has expired or been terminated.

Addition of New Restaurants to Royalty Pool

On January 1 of each year (each, an “**Adjustment Date**”), an adjustment is made to add to the Royalty Pool new Boston Pizza Restaurants that opened (“**New Restaurants**”) and to remove any Boston Pizza Restaurants that permanently closed since January 1 of the previous year (“**Closed Restaurants**”). In return for adding new Royalty and Distribution Income from the New Restaurants after subtracting the Royalty and Distribution Income that is lost from the Closed Restaurants⁸ (such difference, “**Net Royalty and Distribution Income**”), BPI receives the right to indirectly acquire additional Units (in respect of the Royalty, “**Class B Additional Entitlements**” and in respect of Distribution Income, “**Class 2 Additional Entitlements**”, and collectively, “**Additional Entitlements**”). The calculation of Additional Entitlements is designed to be accretive to unitholders of the Fund (“**Unitholders**”) as the expected increase in Franchise Sales from the New Restaurants added to the Royalty Pool less the decrease in Franchise Sales from the Closed Restaurants is valued at a 7.5% discount. The Additional Entitlements are calculated at 92.5% of the estimated Royalty and Distribution Income expected to be

8 The Royalty and Distribution Income that is lost from the Closed Restaurants is calculated based upon the actual Franchise Sales received from the Closed Restaurants during the 12-month period immediately following their addition to the Royalty Pool.

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generated by the New Restaurants less the actual Royalty and Distribution Income lost from the Closed Restaurants, multiplied by one minus the effective tax rate estimated to be paid by the Fund, divided by the yield of the Fund, divided by the weighted average Unit price over a specified period. BPI receives 80% of the Additional Entitlements initially, with the balance received when the actual full year performance of the New Restaurants and the actual effective tax rate paid by the Fund are known with certainty (such balance of Units in respect of the increased Royalty, the “**Class B Holdback**”, and in respect of the increased Distribution Income, the “**Class 2 Holdback**”, and collectively, the “**Holdback**”). BPI receives 100% of the distributions on the Additional Entitlements throughout the year. After the New Restaurants have been part of the Royalty Pool for a full year, an audit of the Franchise Sales of these restaurants is performed, and the actual effective tax rate paid by the Fund is determined. At such time, an adjustment is made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI.

It is possible that on an Adjustment Date, the Net Royalty and Distribution Income is negative as a result of the estimated Royalty and Distribution Income expected to be generated by the New Restaurants being less than the actual Royalty and Distribution Income that is lost from the Closed Restaurants (the amount by which it is less is the “**Deficiency**”). 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 Net Royalty and Distribution Income in an amount equal to the Deficiency before receiving any further Additional Entitlements (i.e., BPI only receives Additional Entitlements in respect of the cumulative amount by which Royalty and Distribution Income from New Restaurants exceeds actual Royalty and Distribution Income lost from Closed Restaurants).

Effects of COVID-19

COVID-19 impacted the business of the Fund, BPI and BP Canada LP, and the operation of Boston Pizza Restaurants significantly during 2020, 2021 and the first half of 2022. Since then, COVID-19 case counts improved, government restrictions related to COVID-19 were largely eliminated, and sales levels of Boston Pizza Restaurants have returned to levels more consistent with times prior to COVID-19.

Economic Uncertainties

The success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders, are dependent upon many economic factors. In 2023, Boston Pizza Restaurants were challenged, among other things, by impacts of inflation, increases in interest rates, rising input costs, decreased labour availability and changes in consumer confidence. However, despite these challenges, Boston Pizza Restaurants have been able to generate solid Franchise Sales and offer affordable dining options, both on and off-premise, for guests in economically uncertain times. As demonstrated during COVID-19, BPI, BP Canada LP and Boston Pizza Restaurants have the ability to adapt to changes in operating environments and economic conditions. For additional information regarding economic uncertainties, refer to the “Risks & Uncertainties – Risks Related to the Business of BPI and BP Canada LP” section of this MD&A.

Seasonality

Boston Pizza Restaurants typically experience seasonal fluctuations in Franchise Sales, which are inherent in the full-service restaurant industry in Canada. Seasonal factors, such as tourism and better weather generally allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters each year compared to the first and fourth quarters. Seasonality’s general effect on Franchise Sales impacts the Fund’s Distributable Cash and Payout Ratio.

New Restaurant Openings, Closures and Renovations

During the Period, there was one New Restaurant and four Closed Restaurants. During the Year, there was one New Restaurant and six Closed Restaurants. As well, nine Boston Pizza Restaurants were renovated during the Period and 20 Boston Pizza Restaurants were renovated during the Year. Boston Pizza Restaurants typically

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close or partially close for two to three weeks to complete the renovation, which incorporates updated design elements that result in a refreshed and more appealing restaurant.

OPERATING RESULTS

Same Restaurant Sales and Franchise Sales

Period

SRS was 0.6% for the Period compared to 24.5% reported in the fourth quarter of 2022. SRS for the Period was principally due to an increase in average guest cheque due to menu pricing. The COVID-19 restrictions that existed during the fourth quarter of 2021 were a significant factor in why SRS for the fourth quarter of 2022 is greater than SRS for the Period.

Franchise Sales of Boston Pizza Restaurants in the Royalty Pool were \$227.7 million for the Period compared to \$227.2 million for the fourth quarter of 2022. The \$0.5 million increase in Franchise Sales for the Period was primarily due to positive SRS.

Year

SRS was 8.7% for the Year compared to 30.4% reported in 2022. SRS for the Year was principally due to increases in restaurant guest traffic compared to 2022 and average guest cheque due to a combination of menu pricing and larger per guest ordering levels. COVID-19 restrictions existed in most of the country during 2021, the first quarter of 2022 and part of the second quarter of 2022 that negatively impacted in-restaurant guest traffic. Those restrictions were largely eliminated during the second quarter of 2022. The COVID-19 restrictions that existed during 2021 were a significant factor in why SRS for 2022 is greater than SRS for the Year.

Franchise Sales of Boston Pizza Restaurants in the Royalty Pool were \$925.7 million for the Year compared to \$855.0 million in 2022. The \$70.7 million increase in Franchise Sales for the Year was primarily due to positive SRS.

Royalty and Distribution Income

Period

Royalty and Distribution Income earned by the Fund was \$9.1 million and \$3.0 million for the Period, respectively, compared to \$9.1 million and \$3.0 million, respectively, for the fourth quarter of 2022. Royalty and Distribution Income in respect of the Period was based on the Royalty Pool of 377 Boston Pizza Restaurants reporting Franchise Sales of \$227.7 million. In the fourth quarter of 2022, Royalty and Distribution Income was based on the Royalty Pool of 383 Boston Pizza Restaurants reporting Franchise Sales of \$227.2 million. The nominal increase in Royalty and Distribution Income for the Period was primarily due to positive SRS.

Year

Royalty and Distribution Income earned by the Fund was \$37.0 million and \$12.2 million for the Year, respectively, compared to \$34.2 million and \$11.3 million, respectively, in 2022. Royalty and Distribution Income for the Year was based on the Royalty Pool of 377 Boston Pizza Restaurants reporting Franchise Sales of \$925.7 million. In 2022, Royalty and Distribution Income was based on the Royalty Pool of 383 Boston Pizza Restaurants reporting Franchise Sales of \$855.0 million. The \$2.8 million increase in Royalty and the \$0.9 million increase in Distribution Income for the Year were primarily due to positive SRS.

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Administrative Expenses

Period

Administrative expenses incurred by the Fund were \$0.3 million for the Period, a nominal decrease compared to \$0.4 million for the fourth quarter of 2022. Administrative expenses are comprised of professional fees, trustee fees and expenses, the reimbursement charge payable to BPI and other general and administrative expenses.

Year

Administrative expenses incurred by the Fund were \$1.5 million for the Year, a nominal increase compared to \$1.4 million in 2022.

Net Interest Expense

Period

Net interest expense incurred by the Fund totaled \$2.1 million for the Period, comprised of interest on Class B Units of \$1.3 million and interest on debt and financing fees of \$0.8 million, partially offset by interest income of \$0.1 million. Net interest expense incurred by the Fund totaled \$2.3 million for the fourth quarter of 2022, comprised of interest on Class B Units of \$1.6 million and interest on debt and financing fees of \$0.8 million, partially offset by interest income of \$0.1 million. The Class B Units are classified as financial liabilities and therefore, amounts paid by Royalties LP to BPI in respect of the Class B Units are classified as interest expense and not distributions. The \$0.2 million decrease in net interest expense for the Period was primarily due to a decrease in interest expense on Class B Units due to the 2022 Special Distribution (as defined below), partially offset by higher monthly distribution rates compared to the same period in 2022. See the “Liquidity & Capital Resources – Indebtedness” section of this MD&A for more details on the Credit Facilities and the “Distributions” section for more details on the 2022 Special Distribution.

Year

Net interest expense incurred by the Fund totaled \$7.1 million for the Year, comprised of interest on Class B Units of \$4.0 million and interest on debt and financing fees of \$3.4 million, partially offset by interest income of \$0.3 million. Net interest expense incurred by the Fund totaled \$7.2 million in 2022, comprised of interest on Class B Units of \$3.7 million and interest on debt and financing fees of \$3.6 million, partially offset by interest income of \$0.1 million. The \$0.1 million decrease in net interest expense for the Year was due to a \$0.2 million decrease in interest expense on debt due to lower credit spreads as a result of the Fund having amended and extended the Credit Facilities on June 28, 2022 and a \$0.2 million increase in interest income, partially offset by an increase in interest expense on Class B Units of \$0.3 million due to higher monthly distribution rates compared to the same period in 2022, offset by the 2022 Special Distribution.

Profit before Fair Value (Loss) Gain and Income Taxes

Period

The Fund's profit before fair value (loss) gain and income taxes was \$9.6 million for the Period compared to \$9.4 million for the fourth quarter of 2022. The \$0.2 million increase in profit before fair value (loss) gain and income taxes for the Period was primarily due to lower net interest expense of \$0.2 million.

Year

The Fund's profit before fair value (loss) gain and income taxes was \$40.6 million for the Year compared to \$36.9 million for the same period one year ago. The \$3.7 million increase in profit before fair value (loss) gain and income taxes for the Year was due to higher Royalty and Distribution Income of \$3.7 million and lower net interest expense of \$0.1 million, partially offset by higher administrative expenses of \$0.1 million.

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Fair Value (Loss) Gain

The Fund classifies the investment in Class 1 LP Units and Class 2 LP Units as financial assets at fair value through profit or loss, the Class B Unit liability as a financial liability at fair value through profit or loss, and Swaps (as defined below) as derivative instruments. As such, fair value adjustments are recognized in the Fund’s statements of comprehensive income in accordance with IFRS. For additional information regarding Swaps, refer to the “Liquidity & Capital Resources – Interest Rate Swaps” section of this MD&A. For additional information regarding financial liabilities and assets at fair value, refer to the “Critical Accounting Estimates” section of this MD&A.

Period

During the Period, the Fund recognized a fair value loss of \$1.7 million compared \$0.5 million for the same period in 2022. The change in fair value was principally due to the change in the price of Units, which is used to estimate the value of the Class 2 LP Units and upon which the Class B Unit liability is measured. Changes in interest rates, upon which the Swaps are measured, also impact the change in fair value.

The Fund indirectly acquired the Class 1 LP Units on May 6, 2015 for \$33.3 million. The Class 1 LP Units are entitled to distributions determined with respect to the interest cost payable on Facility D. The Fund estimates the fair value of the Class 1 LP Units using a market-corroborated input, being the interest rate applicable on Facility D. Consequently, the Fund estimated the fair value of Class 1 LP Units as at December 31, 2023 to be \$33.3 million (September 30, 2023 – \$33.3 million), resulting in no fair value adjustment for the Period.

The Fund estimates the fair value of the Class 2 LP Units by multiplying the number of Class 2 LP Units indirectly held by the Fund at the end of the Period by the closing price of the Units on the last business day of the Period. Based on the Fund’s closing price of \$15.33 per Unit on December 31, 2023 (September 30, 2023 – \$15.16 per Unit) and the 5,455,762 Class 2 LP Units held by the Fund (September 30, 2023 – 5,455,762), the fair value of the Class 2 LP Units was estimated to be \$83.6 million (September 30, 2023 – \$82.7 million), resulting in a fair value gain of \$0.9 million for the Period. In general, the fair value of the Class 2 LP Units will increase as the market price of Units increases and vice versa.

The Fund estimates the fair value of the Class B Unit liability by multiplying the number of Units that BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI at the end of the Period by the closing price of the Units on the last business day of the Period. Based on the Fund’s closing price of \$15.33 per Unit on December 31, 2023 (September 30, 2023 – \$15.16 per Unit) and the 2,430,823 Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI (September 30, 2023 – 2,430,823), the Class B Unit liability (on a fully-diluted basis) was valued at \$37.3 million (September 30, 2023 – \$36.9 million), resulting in a fair value loss of \$0.4 million. In general, the Fund’s Class B Unit liability will increase as the market price of Units increases and vice versa. In addition, the Fund’s Class B Unit liability increases as the number of Units BPI would be entitled to receive if it exchanged all of its Class B Units (including the Class B Holdback) increases and vice versa.

The Fund recognized a fair value loss of \$2.3 million in the Period as a result of the decrease in the fair value of the Swaps due to changes in interest rates during the Period. For the same period in 2022, the Fund recognized a fair value gain of \$0.1 million as a result of the increase in the fair value of the Swaps due to changes in interest rates.

Year

During the Year, the Fund recognized a fair value loss of \$0.7 million compared to a fair value gain of \$2.8 million for 2022. The change in fair value was principally due to the change in the price of Units, which is used to estimate the value of the Class 2 LP Units and upon which the Class B Unit liability is measured. Changes in interest rates, upon which the Swaps are measured, also impact the change in fair value.

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The Fund indirectly acquired the Class 1 LP Units on May 6, 2015 for \$33.3 million. As discussed above, the Fund estimated the fair value of Class 1 LP Units as at December 31, 2023 to be \$33.3 million (December 31, 2022 – \$33.3 million), resulting in no fair value adjustment for the Year.

As at December 31, 2022, the Fund indirectly held 5,455,762 Class 2 LP Units and the Fund’s closing price was \$15.08 per Unit. Consequently, the Fund estimated the fair value of the Class 2 LP Units as at December 31, 2022 to be \$82.3 million. As discussed above, the Fund estimated the fair value of the Class 2 LP Units as at December 31, 2023 to be \$83.6 million, resulting in a fair value gain of \$1.4 million for the Year. In general, the fair value of the Class 2 LP Units will increase as the market price of Units increases and vice versa.

As at December 31, 2022, the number of Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI was 2,430,823 and the Fund’s closing price was \$15.08 per Unit. The Class B Unit liability (on a fully-diluted basis) as at December 31, 2022 was valued at \$36.7 million. As discussed above, the Class B Unit liability for the Year was valued at \$37.3 million, resulting in a fair value loss of \$0.6 million.

The Fund recorded a \$1.4 million fair value loss for the Year as a result of the decrease in the fair value of the Swaps due to changes in interest rates for the Year. In 2022, the Fund recorded a \$3.9 million fair value gain as a result of the increase in the fair value of the Swaps due to changes in interest rates.

Income Taxes

The Fund is subject to specified investment flow-through tax (“**SIFT Tax**”), which is the Fund’s only current income tax expense.

Period

The Fund’s income tax expense for the Period was \$2.7 million, comprised of \$2.4 million in current income tax expense and \$0.3 million in non-cash deferred income tax expense. The Fund’s income tax expense for the fourth quarter of 2022 was \$2.5 million, comprised of \$2.4 million in current income tax expense and nominal non-cash deferred income tax expense. The nominal increase in current income tax expense is attributable to higher profit before fair value (loss) gain and income taxes. The \$0.2 million increase in non-cash deferred income tax expense is due to changes in the temporary differences between the accounting and tax base of: (i) the BP Rights owned by Royalties LP generated since the inception of the Fund; and (ii) the Fund’s indirect investment in BP Canada LP.

Year

The Fund’s income tax expense for the Year was \$10.4 million, comprised of \$10.0 million in current income tax expense and \$0.4 million in non-cash deferred income tax expense. The Fund’s income tax expense in 2022 was \$9.1 million, comprised of \$8.9 million in current income tax expense and \$0.2 million in non-cash deferred income tax expense. The \$1.1 million increase in current income tax expense is attributable to higher profit before fair value (loss) gain and income taxes. The \$0.2 million increase in non-cash deferred income tax expense is due to changes in the temporary differences between the accounting and tax base of: (i) the BP Rights owned by Royalties LP generated since the inception of the Fund; and (ii) the Fund’s indirect investment in BP Canada LP.

Net and Comprehensive Income / Basic and Diluted Earnings

Period

The Fund’s net and comprehensive income was \$5.2 million for the Period compared to \$6.4 million for the fourth quarter of 2022. The Fund’s basic earnings per Unit was \$0.25 for the Period compared to \$0.30 for the fourth quarter of 2022. The Fund’s diluted earnings per Unit was \$0.24 for the Period compared to \$0.26 for the fourth quarter of 2022. The \$1.2 million decrease in the Fund’s net and comprehensive income for the Period compared to the fourth quarter of 2022 was primarily due to a \$1.2 million increase in fair value loss and a \$0.2 million

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increase in income tax expense, partially offset by a \$0.2 million increase in profit before fair value (loss) gain and income taxes.

Year

The Fund’s net and comprehensive income was \$29.6 million for the Year compared to \$30.6 million in 2022. The Fund’s basic earnings per Unit was \$1.38 for the Year compared to \$1.42 in 2022. The Fund’s diluted earnings per Unit was \$1.34 for the Year compared to \$1.31 in 2022. The \$1.0 million decrease in the Fund’s net and comprehensive income for the Year compared to the same period in 2022 was primarily due to a \$3.5 million increase in fair value loss and a \$1.3 million increase in income tax expense, partially offset by a \$3.7 million increase in profit before fair value (loss) gain and income taxes.

Distributions

Period

During the Period, the Fund declared distributions on the Units in the aggregate amount of \$9.1 million or \$0.428 per Unit. During the fourth quarter of 2022, the Fund declared distributions on the Units in the aggregate amount of \$10.5 million or \$0.489 per Unit. During the Period, the Fund paid distributions on the Units in the aggregate amount of \$6.8 million or \$0.321 per Unit. During the fourth quarter of 2022, the Fund paid distributions on the Units in the aggregate amount of \$8.3 million or \$0.387 per Unit. The amount of distributions declared during the Period decreased by \$1.4 million or \$0.061 per Unit due to the special one-time cash distribution to Unitholders of \$0.085 per Unit, which was declared on December 8, 2022 and paid to Unitholders on December 30, 2022 (the “**2022 Special Distribution**”), partially offset by the monthly distribution rate increasing from \$0.100 per Unit to \$0.102 per Unit commencing with the November 2022 distribution (the “**November 2022 Distribution Increase**”), and increasing again from \$0.102 per Unit to \$0.107 per Unit commencing with the March 2023 distribution (the “**March 2023 Distribution Increase**”). Distributions paid during the Period decreased by \$1.5 million or \$0.066 per Unit due to the 2022 Special Distribution, partially offset by the November 2022 Distribution Increase and the March 2023 Distribution Increase.

Year

During the Year, the Fund declared distributions on the Units in the aggregate amount of \$27.3 million or \$1.274 per Unit. During the same period in 2022, the Fund declared distributions on the Units in the aggregate amount of \$25.8 million or \$1.199 per Unit. During the Year, the Fund paid distributions on the Units in the aggregate amount of \$27.2 million or \$1.269. During the same period in 2022, the Fund paid distributions on the Units in the aggregate amount of \$25.4 million or \$1.182 per Unit. The amount of distributions declared for the Year increased by \$1.5 million or \$0.075 per Unit due to the monthly distribution rate increasing from \$0.085 per Unit to \$0.100 per Unit commencing with the July 2022 distribution, the November 2022 Distribution Increase and the March 2023 Distribution Increase (collectively, the “**2022-2023 Distribution Increases**”), partially offset by the 2022 Special Distribution. Distributions paid for the Year increased by \$1.8 million or \$0.087 per Unit due to the 2022-2023 Distribution Increases, partially offset by the 2022 Special Distribution.

The Fund pays distributions on the Units in respect of any calendar month not later than the last business day of the immediately subsequent month. Consequently, monthly distributions payable by the Fund on the Units in respect of the Period were the October 2023 distribution (which was paid on November 30, 2023), the November 2023 distribution (which was paid on December 29, 2023) and the December 2023 distribution (which was paid on January 31, 2024). Similarly, the distributions payable by the Fund on the Units in respect of any other period are paid in the immediately subsequent month of such period.

January 2024 Distribution Increase

On February 13, 2024, the trustees of the Fund declared a distribution for the period of January 1, 2024 to January 31, 2024 of \$0.113 per Unit, which will be payable on February 29, 2024 to Unitholders of record on February 21, 2024. This is an increase of \$0.006 per Unit, or 5.6%, from the previous monthly distribution rate of \$0.107 per Unit. On an annualized basis, the new monthly distribution rate equates to \$1.356 per Unit

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compared to \$1.284 per Unit for the previously monthly distribution rate. Including the January 2024 distribution, which will be paid on February 29, 2024, the Fund will have paid out total distributions of \$425.2 million or \$26.13 per Unit, which includes 253 monthly distributions and two special distributions.

Distributions related to the Year were as follows:

PERIOD	PAYMENT DATE	AMOUNT/UNIT
December 1 – 31, 2022	January 31, 2023	10.2¢
January 1 – 31, 2023	February 28, 2023	10.2¢
February 1 – 28, 2023	March 31, 2023	10.2¢
March 1 – 31, 2023	April 28, 2023	10.7¢
April 1 – 30, 2023	May 31, 2023	10.7¢
May 1 – 31, 2023	June 30, 2023	10.7¢
June 1 – 30, 2023	July 31, 2023	10.7¢
July 1 – 31, 2023	August 31, 2023	10.7¢
August 1 – 31, 2023	September 29, 2023	10.7¢
September 1 – 30, 2023	October 31, 2023	10.7¢
October 1 – 31, 2023	November 30, 2023	10.7¢
November 1 – 30, 2023	December 29, 2023	10.7¢
December 1 – 31, 2023*	January 31, 2024*	10.7¢

* Paid subsequent to the Period and the Year.

Distributions for the Period and the Year were funded entirely by cash flows generated from operating activities. No debt was incurred at any point during the Period or the Year to fund distributions.

Cash Flows from Operating Activities

Period

Cash generated from operating activities for the Period was \$9.3 million compared to \$8.9 million in the fourth quarter of 2022. The increase of \$0.4 million was primarily due to an increase in changes in working capital of \$0.2 million and a decrease in income taxes paid of \$0.2 million.

Year

Cash generated from operating activities for the Year was \$37.9 million compared to \$34.4 million in the same period in 2022. The increase of \$3.5 million was primarily due to an increase of Royalty and Distribution Income of \$3.7 million and an increase in changes in working capital of \$0.8 million, partially offset by an increase in income taxes paid of \$1.1 million.

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Cash Flow used in Financing Activities

Period

During the Period, the Fund used \$8.6 million in cash for financing activities compared to \$10.4 million in the fourth quarter of 2022. The decrease of \$1.8 million was due to lower distributions paid to Unitholders of \$1.5 million and lower interest paid on Class B Units of \$0.3 million.

Year

During the Year, the Fund used \$38.6 million in cash for financing activities compared to \$34.3 million for the same period in 2022. The increase of \$4.3 million was due to an increase of \$4.0 million used to purchase Units under the NCIB (as defined below), higher distributions paid to Unitholders of \$1.8 million and higher interest paid on Class B Units of \$0.3 million, partially offset by a decrease in repayments of debt of \$1.5 million, a decrease in interest paid on debt of \$0.2 million and a decrease in payments of financing fees of \$0.1 million.

Distributable Cash / Distributable Cash per Unit

Period

The Fund generated Distributable Cash of \$7.4 million for the Period compared to \$7.2 million for the fourth quarter of 2022. The increase in Distributable Cash of \$0.2 million or 1.8% was primarily due to increased cash flows generated from operating activities of \$0.4 million, partially offset by SIFT Tax on Units adjustment of \$0.2 million.

The Fund generated Distributable Cash per Unit of \$0.346 for the Period compared to \$0.336 per Unit for the fourth quarter of 2022. The increase in Distributable Cash per Unit of \$0.010 or 3.0% was primarily attributable to the increase in Distributable Cash outlined above and fewer Units outstanding compared to the same period in 2022 due to the NCIB.

Year

During the Year, the Fund generated Distributable Cash of \$30.7 million compared to \$25.6 million in 2022. The increase in Distributable Cash of \$5.1 million or 19.8% was primarily due to increased cash flows generated from operating activities of \$3.5 million, lower repayments of debt of \$1.5 million and lower interest paid on debt of \$0.2 million, partially offset by increased BPI Class B Unit entitlement of \$0.2 million.

The Fund generated Distributable Cash per Unit of \$1.432 for the Year compared to \$1.189 per Unit in 2022. The increase in Distributable Cash per Unit of \$0.243 or 20.4% was primarily attributable to the increase in Distributable Cash outlined above and fewer Units outstanding compared to the same period in 2022 due to the NCIB.

The Fund’s Distributable Cash and Distributable Cash per Unit since January 1, 2021, generated in each financial quarter, are as follows:

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Distributable Cash

<i>(in millions of dollar:</i>	Q1	Q2	Q3	Q4	Annual
2023	\$ 7.2	\$ 7.9	\$ 8.3	\$ 7.4	\$ 30.7
2022	\$ 4.7	\$ 6.2	\$ 7.5	\$ 7.2	\$ 25.6
2021	\$ 3.7	\$ 4.0	\$ 6.7	\$ 6.1	\$ 20.4

Distributable Cash per Unit

	Q1	Q2	Q3	Q4	Annual
2023	\$ 0.334	\$ 0.365	\$ 0.387	\$ 0.346	\$ 1.432
2022	\$ 0.218	\$ 0.287	\$ 0.347	\$ 0.336	\$ 1.189
2021	\$ 0.170	\$ 0.187	\$ 0.310	\$ 0.282	\$ 0.950

Payout Ratio

Period

The Fund’s Payout Ratio for the Period was 92.7% compared to 115.1% in the fourth quarter of 2022. The decrease in the Fund’s Payout Ratio for the Period was due to distributions paid decreasing by \$1.5 million or 18.0% as a result of the 2022 Special Distribution and Distributable Cash increasing by \$0.2 million or 1.8%.

Year

During the Year, the Fund’s Payout Ratio was 88.6% compared to 99.4% in 2022. The decrease in the Fund’s Payout Ratio for the Year was due to Distributable Cash increasing by \$5.1 million or 19.8%, partially offset by distributions paid increasing by \$1.8 million or 6.8%.

The Fund’s quarterly and annual Payout Ratios with respect to each financial quarter since January 1, 2021 are as follows:

	Q1	Q2	Q3	Q4	Annual
2023	91.6%	88.0%	82.9%	92.7%	88.6%
2022	116.8%	88.9%	82.0%	115.1%	99.4%
2021	231.8%	104.3%	62.9%	90.4%	109.5%

The Fund’s Payout Ratio is typically higher in the first and fourth quarters compared to the second and third quarters since Boston Pizza Restaurants generally experience higher Franchise Sales levels during the summer months when restaurants open their patios and benefit from increased tourist traffic. As discussed above, the Payout Ratio is calculated by dividing the amount of distributions paid during the applicable period by the Distributable Cash for that period. Accordingly, the Payout Ratio for 2021 includes the 2020 Special Distribution even though the Distributable Cash generated to fund the 2020 Special Distribution was generated during 2020. If the 2020 Special Distribution was excluded in the calculation of Payout Ratio for 2021, it would be 88.4%.

New Restaurants Added to the Royalty Pool

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2023

On January 1, 2023, the Royalty Pool was adjusted to remove six Closed Restaurants that closed between January 1, 2022 and December 31, 2022 resulting in the number of Boston Pizza Restaurants in the Royalty Pool decreasing from 383 to 377. The actual Franchise Sales received from the six Closed Restaurants during the

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first 12-month period immediately following their addition to the Royalty Pool was \$6.8 million. Since no New Restaurants opened during 2022, the resulting annual net Franchise Sales for the six Closed Restaurants that closed in 2022 was negative \$6.8 million. Consequently, this resulted in the Net Royalty and Distribution Income having a Deficiency for 2022 of \$0.4 million (being 5.5% of negative \$6.8 million Franchise Sales). Since there was a Deficiency for 2022 of \$0.4 million, BPI did not receive any Additional Entitlements on January 1, 2023. 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 2020, 2021 and 2022 on future Adjustment Dates by first adding Net Royalty and Distribution Income in an amount equal to the cumulative Deficiency before receiving any further Additional Entitlements.

Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2022

Since no New Restaurants were opened during 2021 nor were added to the Royalty Pool on January 1, 2022, there was no need to conduct an audit to compare the actual Franchise Sales from New Restaurants that were opened in 2021 to the estimated amount of Franchise Sales expected to be generated by these New Restaurants during 2022 nor to compare the actual effective tax rate paid by the Fund for 2022 to the estimated effective tax rate the Fund expected to pay for 2022.

Subsequent Events

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2024

On January 1, 2024, the Royalty Pool was adjusted to include one New Restaurant that opened across Canada during the Year, and to remove six Closed Restaurants that were permanently closed during the Year, resulting in the number of Boston Pizza Restaurants in the Royalty Pool decreasing from 377 to 372. The estimated annual Franchise Sales in 2024 for the one New Restaurant that opened in 2023 is \$1.8 million. The actual Franchise Sales received from the six Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool was \$9.2 million. Accordingly, the resulting estimated annual net Franchise Sales for 2023 is negative \$7.5 million. Consequently, this resulted in the Net Royalty and Distribution Income having a Deficiency for 2023 of \$0.4 million (being 5.5% of negative \$7.5 million net Franchise Sales). Since there was a Deficiency for 2023 of \$0.4 million, BPI did not receive any Additional Entitlements on January 1, 2024. 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 2020, 2021, 2022 and 2023 on future Adjustment Dates by first adding Net Royalty and Distribution Income in an amount equal to the cumulative Deficiency before receiving any further Additional Entitlements. The following is a summary of the cumulative Deficiency that exists:

Adjustment Date	Actual / Estimated Franchise Sales of New Restaurants for Adjustment Date (in millions)*	Franchise Sales of Closed Restaurants for Adjustment Date (in millions)*	Net Franchise Sales for Adjustment Date (in millions)*	Deficiency, being 5.5% of Net Franchise Sales (in millions)*
January 1, 2021	\$3.1 [†]	\$18.5	(\$15.4)	(\$0.8)
January 1, 2022	--	\$6.2	(\$6.2)	(\$0.3)
January 1, 2023	--	\$6.8	(\$6.8)	(\$0.4)
January 1, 2024	\$1.8 ^{††}	\$9.2	(\$7.5)	(\$0.4)
Cumulative	\$4.9	\$40.7	(\$35.9)	(\$2.0)

*Figures are rounded to one decimal place. [†]Determined in February 2022 after an audit of Franchise Sales for 2021 was performed on the New Restaurants. ^{††}To be determined and adjusted in February 2025 after an audit of Franchise Sales for 2024 is performed on the one New Restaurant for 2023, with the corresponding net Franchise Sales and Deficiency in respect of the Adjustment Date of 2024 being amended accordingly.

Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2023

Since no New Restaurants were opened during 2022 nor were added to the Royalty Pool on January 1, 2023, there was no need to conduct an audit to compare the actual Franchise Sales from New Restaurants that were opened in 2022 to the estimated amount of Franchise Sales expected to be generated by these New Restaurants

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during 2023 nor to compare the actual effective tax rate paid by the Fund for 2023 to the estimated effective tax rate the Fund expected to pay for 2023.

Normal Course Issuer Bid

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 no later than June 19, 2024 (the “**NCIB**”). The NCIB permits the Fund to repurchase for cancellation up to 400,000 Units, being approximately 1.86% of the Fund’s issued and outstanding Units (as at June 6, 2023).

The Fund established an automatic securities purchase plan (the “**ASPP**”) with its broker to allow for the repurchase of Units under the NCIB at any time, including when it ordinarily would not be active in the market due to its own internal trading blackout periods, insider trading rules or otherwise. The ASPP automatically terminated by its terms on August 22, 2023 as a result of the purchase limits specified in the ASPP having been attained. All purchases under the ASPP were made on the open market through the facilities of the TSX, other designated exchanges and/or alternative Canadian trading systems.

As at December 31, 2023, the Fund acquired a total of 242,900 Units at an average price of \$16.49 per Unit. The Fund did not acquire any additional Units under the NCIB after December 31, 2023. The Fund financed Units purchased under the NCIB from cash on hand. Unitholders may obtain, without charge, a copy of the Notice of Intention to Make a Normal Course Issuer Bid that the Fund filed with the TSX by contacting the Chief Financial Officer for the Fund. All Units that were or will be purchased under the NCIB were or will be cancelled.

Units Outstanding

The following table sets forth a summary of the outstanding Units. BPI owns 100% of the Class B Units and 1% of the ordinary general partner units of Royalties LP. BPI also owns 100% of the Class 2 GP Units, and 100% of the Class 3, Class 4, Class 5 and Class 6 general partnership units of BP Canada LP. The Class B Units and Class 2 GP Units are exchangeable for Units. References to “Class B Additional Entitlements” and “Class 2 Additional Entitlements” in the table below refer to the number of Units into which the Class B Units and Class 2 GP Units, respectively, are exchangeable as of the dates indicated.

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Summary of Boston Pizza Royalties Income Fund Units

	Dec. 31, 2023 Excluding Holdback	Dec. 31, 2023 Including Holdback	Feb. 13, 2024 Excluding Holdback	Feb. 13, 2024 Including Holdback
<u>Units Outstanding</u>				
Total Issued and Outstanding Fund Units	21,278,563	21,278,563	21,278,563	21,278,563
<u>Class B Additional Entitlements Outstanding</u>				
Class B Additional Entitlements (Excluding Jan. 1, 2024 Adjustment Date)	2,430,823	2,430,823	2,430,823	2,430,823
Class B Holdback (Excluding Jan. 1, 2024 Adjustment Date)	N/A	--	N/A	N/A ⁽¹⁾
Class B Additional Entitlements – Issued Jan. 1, 2024	N/A	N/A	--	--
Class B Holdback – Created Jan. 1, 2024	N/A	N/A	N/A	-- ⁽²⁾
Total Class B Additional Entitlements	2,430,823	2,430,823	2,430,823	2,430,823
<u>Class 2 Additional Entitlements Outstanding</u>				
Class 2 Additional Entitlements (Excluding Jan. 1, 2024 Adjustment Date)	831,354	831,354	831,354	831,354
Class 2 Holdback (Excluding Jan. 1, 2024 Adjustment Date)	N/A	--	N/A	N/A ⁽¹⁾
Class 2 Additional Entitlements – Issued Jan. 1, 2024	N/A	N/A	--	--
Class 2 Holdback – Created Jan. 1, 2024	N/A	N/A	N/A	-- ⁽²⁾
Total Class 2 Additional Entitlements	831,354	831,354	831,354	831,354
<u>Summary</u>				
Total Issued and Outstanding Fund Units	21,278,563	21,278,563	21,278,563	21,278,563
Total Additional Entitlements	3,262,177	3,262,177	3,262,177	3,262,177
Total Diluted Units	24,540,740	24,540,740	24,540,740	24,540,740
BPI’s Total Percentage Ownership	13.3%	13.3%	13.3%	13.3%

- 1) There is no Holdback for the adjustment to the Royalty Pool that occurred on January 1, 2023 since BPI did not receive any Additional Entitlements in respect thereof due to a Deficiency existing.
- 2) There is no Holdback for the adjustment to the Royalty Pool that occurred on January 1, 2024 since BPI did not receive any Additional Entitlements in respect thereof due to a Deficiency existing.

BPI directly and indirectly holds 100% of the special voting units (the “**Special Voting Units**”) of the Fund, which entitle BPI to one vote in respect of matters to be voted upon by Unitholders for each Unit that BPI would be entitled to receive if it exchanged all of its Class B Units and Class 2 GP Units for Units. As of February 13, 2024, BPI was entitled to 3,262,177 votes, representing 13.3% of the aggregate votes held by holders of Units and Special Voting Units. The number of Units that BPI is entitled to receive upon the exchange of its Class B Units and Class 2 GP Units and the number of votes that BPI is entitled to in respect of its Special Voting Units is adjusted periodically to reflect any additional Boston Pizza Restaurants that were added to the Royalty Pool.

TAX TREATMENT OF DISTRIBUTIONS

Of the \$1.274 in distributions declared per Unit during the Year, 98.7% or \$1.257 per Unit are taxable eligible dividends and 1.3% or \$0.017 per Unit represents a tax-deferred return of capital.

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LIQUIDITY & CAPITAL RESOURCES

The Fund's long-term distribution policy is to distribute the total amount of cash received by the Fund from the Trust on the units of the Trust and notes of the Trust less the sum of: (a) administrative expenses and other obligations of the Fund; (b) amounts which may be paid by the Fund in connection with any cash redemptions of Units; (c) any interest expense incurred by the Fund; (d) any contractually required repayments of principal of the Fund's indebtedness; and (e) reasonable reserves established by the trustees of the Fund in their sole discretion, including, without limitation, reserves to pay SIFT Tax, in order to maximize returns to Unitholders. In light of seasonal variations that are inherent to the restaurant industry, the Fund's policy is to make equal distribution payments to Unitholders on a monthly basis in order to smooth out these fluctuations. Any further change in distributions will be implemented in such a manner so that the continuity of uniform monthly distributions is maintained, while making provisions for working capital due to seasonal variations of Boston Pizza Restaurant sales. It is expected that future distributions will continue to be funded entirely by cash flows from operations. The Fund believes its current sources of liquidity are sufficient to cover its currently known short and long-term obligations.

Indebtedness

Holdings LP and Royalties LP have credit facilities with a Canadian chartered bank (the “**Bank**”) in the amount of up to \$88.6 million expiring on July 1, 2026 (the “**Credit Facilities**”). The Credit Facilities are comprised of a: (a) \$2.0 million committed operating facility issued to Royalties LP (“**Facility A**”); (b) \$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 cancelling Units under normal course issuer bids or substantial issuer bids, to finance the cash component of any exchange of exchangeable 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**”); and (c) \$33.3 million committed non-revolving credit facility issued to Holdings LP for the purpose of subscribing for Class 1 LP Units of BP Canada LP (“**Facility D**”). The amount available under Facility B permanently reduces whenever Royalties LP repays principal on Facility B. The principal amounts drawn on Facility A, Facility B and Facility D are due and payable upon maturity.

The Credit Facilities 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 bankers' acceptances and Canadian dollar offered rate loans⁹, the interest rate is equal to a variable interest rate based on the Bank's bankers' acceptance rates or Canadian dollar offered rates plus between 1.25% and 1.85% (depending on the Fund's total funded net debt to EBITDA ratio).

The Credit Facilities are secured by a first charge on the assets of Holdings LP and Royalties LP. The Credit Facilities continue to be guaranteed by the Fund and all of its subsidiaries, 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 principal financial covenants of the Credit Facilities are that: (a) the Fund and its subsidiaries (including Holdings LP and Royalties LP), taken as a whole, shall maintain a total funded net debt to EBITDA ratio of not greater than 2.50:1 upon closing and until December 30, 2024 and not greater than 2.25:1 thereafter (tested quarterly); and (b) the total amount of certain permitted distributions of the Fund (including distributions to Unitholders) must not exceed the sum of the Fund's Distributable Cash (as Distributable Cash is defined in the

⁹ A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (“**IBOR**”) with alternative rates. On December 16, 2021, the Canadian Alternative Reference Rate working group (“**CARR**”) recommended that the administrator, Refinitiv Benchmark Services UK Limited (“**RBSL**”), cease publication of the Canadian Dollar Offered Rate (“**CDOR**”) settings immediately after June 28, 2024. On May 16, 2022, following public consultation, RBSL announced that all remaining CDOR settings will cease publication immediately after June 28, 2024, in line with CARR recommendations. As at December 31, 2023, the Fund's IBOR exposure is indexed to CDOR. The alternative rate for CDOR is the Canadian Overnight Repo Rate Average (“**CORRA**”). The Fund has had preliminary discussions with the Bank regarding amending the Credit Facilities prior to June 28, 2024 to replace the current rates that are based upon CDOR with corresponding rates that are based upon CORRA. While the precise rates that will be based on CORRA have not yet been agreed upon by the Fund and the Bank, the Fund does not expect these amendments to result in a material increase in the Fund's cost of borrowing under the Credit Facilities.

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First Amended and Restated Credit Agreement dated January 24, 2020) and cash on hand by greater than \$2.0 million (tested quarterly on a trailing 12-month basis). In addition, the agreements governing the Credit Facilities contain certain covenants and restrictions, including the requirement to meet the financial ratios described above. A failure of the Fund or its subsidiaries to comply with these covenants and restrictions could entitle the Bank to demand repayment of the outstanding balance drawn on the Credit Facilities prior to maturity. Royalties LP and Holdings LP were in compliance with all of their financial covenants and financial condition tests as at the end of the Period. Full particulars of the Credit Facilities, including applicable interest rates, security, guarantees and other terms and conditions are contained within the following agreements between the Fund and the Bank, a copy of each of which is available on SEDAR+ at www.sedarplus.ca: (i) the First Amended and Restated Credit Agreement dated January 24, 2020; (ii) the First Supplemental Credit Agreement dated June 22, 2020; and (iii) the Second Supplemental Credit Agreement dated June 28, 2022.

As of December 31, 2023, working capital of the Fund totaled \$7.5 million compared to \$8.2 million on December 31, 2022. The Fund has no requirement to maintain a certain amount of working capital. As of December 31, 2023, no amounts were drawn on Facility A, \$53.3 million was drawn on Facility B and \$33.3 million was drawn on Facility D.

The following table provides a summary of the Fund’s contractual obligations and commitments (including expected interest payments) as at December 31, 2023:

(in thousands of dollars)	< 1 year	1 - 5 years	Total	Book Value
Accounts payable and accrued liabilities	411	–	411	411
Distributions payable to Fund unitholders	2,277	–	2,277	2,277
Interest payable on Class B Units	323	–	323	323
Current income tax payable	22	–	22	22
Credit Facilities and Swaps ¹	3,626	93,118	96,744	83,853
	6,659	93,118	99,777	86,886

Note:

1) The Credit Facilities and Swaps include expected interest payments based on the Fund’s blended rate of 3.78% to the scheduled maturity date of the Credit Facilities of July 1, 2026 and excludes deferred financing costs of \$0.1 million.

Interest Rate Swaps

Royalties LP and Holdings LP, as applicable, previously entered into the following interest rate swaps under their respective International Swap Dealers Association Master Agreements with the Bank (the “**Swaps**”)¹⁰:

- (a) Royalties LP entered into a swap to fix the interest rate at 2.27% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term ending on April 1, 2024 for \$15.0 million of the \$53.3 million drawn on Facility B;
- (b) Royalties LP entered into a swap to fix the interest rate at 2.28% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term ending on February 1, 2027 for \$15.0 million of the \$53.3 million drawn on Facility B;
- (c) Royalties LP entered into a swap to fix the interest rate at 3.48% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term ending on January 4, 2028 for \$15.0 million of the \$53.3 million drawn on Facility B;

¹⁰ The rate premium of between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) was between 2.00% and 3.00% prior to the start of Q3 2022 as these were the rate premiums applicable prior to the amendment and extension of the Fund’s credit facilities that occurred on June 28, 2022. In addition, the rates applicable to the Swaps are based upon CDOR and will need to be transitioned to CORRA by June 28, 2024 (see footnote 9 above for details on the transition from CDOR to CORRA).

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- (d) Holdings LP entered into a swap to fix the interest rate at 1.02% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term ending on August 14, 2025 for \$17.0 million of the \$33.3 million drawn on Facility D; and
- (e) Holdings LP entered into a swap to fix the interest rate at 1.09% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term ending on March 1, 2026 for \$15.0 million of the \$33.3 million drawn on Facility D.

As of December 31, 2023, \$8.3 million drawn on Facility B and \$1.3 million drawn on Facility D bore interest at variable interest rates applicable to the Credit Facilities discussed above. The effective interest rate for all amounts borrowed by the Fund was 3.78% at December 31, 2023 (December 31, 2022 – 3.88%).

The Fund uses the Swaps to mitigate its exposure to interest rate risk related to the Credit Facilities. The Fund accounts for the Swaps as derivative instruments in accordance with IFRS. The fair market value of the Swaps is determined using valuation techniques at each reporting date and any change in the fair value of the Swaps is included in the Fund’s comprehensive income or loss. The Fund recognized a \$2.3 million fair value loss on the Swaps for the Period in its consolidated statements of comprehensive income compared to a \$0.1 million gain for the fourth quarter of 2022. During the Year, the Fund recorded a \$1.4 million fair value loss on the Swaps in the consolidated statements of comprehensive income compared to \$3.9 million gain in 2022.

Related Party Transactions

BPI and BP Canada LP are considered to be related parties of the Fund by virtue of the common officers and directors of BPI and Royalties GP. The Fund’s related party transactions at the end of the Period were as follows:

- The Fund has engaged Royalties LP, its administrator, to provide certain administrative services on behalf of the Fund (“**Administrative Services**”). In turn, certain of the Administrative Services are performed by BPI as a general partner of Royalties LP. Under the terms of the partnership agreement governing Royalties LP, BPI is entitled to be reimbursed for certain out-of-pocket expenses incurred in performing the Administrative Services. BPI and Royalties LP agreed to limit the annual amount of out-of-pocket expenses for which BPI is entitled to be reimbursed to not more than \$0.4 million for 2020, 2021 and 2022, after which time the amount will not increase by more than the percentage change in the Canadian Consumer Price Index (as calculated by Statistics Canada) in the calendar year prior thereafter. The Fund increased the reimbursement to BPI by a nominal amount in 2023, which is based on a 6.8% increase in the Canadian Consumer Price Index in 2022.
- The total amount charged by BPI in respect of the Administrative Services for the Period and the Year was \$0.1 million and \$0.4 million, respectively (Q4 2022 – \$0.1 million, 2022 - \$0.4 million). The total amount paid to BPI in respect of these services for the Period and the Year was \$0.1 million and \$0.4 million, respectively (Q4 2022 – \$0.1 million, 2022 - \$0.4 million).
- As at December 31, 2023, interest payable by the Fund to BPI in respect of the Class B Units was \$0.3 million (December 31, 2022 – \$0.3 million).
- As at December 31, 2023, the Royalty receivable from BPI was \$3.4 million (December 31, 2022 – \$3.3 million), and the Distribution Income receivable from BP Canada LP was \$1.1 million (December 31, 2022 – \$1.0 million). See the “Distributions” section of this MD&A for more details.

Other related party transactions and balances are referred to elsewhere in this MD&A.

DISCLOSURE CONTROLS AND PROCEDURES
AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The President (“**President**”) and the Chief Financial Officer (“**CFO**”) of Royalties GP, managing general partner of Royalties LP, administrator of the Fund, have designed or caused to be designed under their supervision disclosure controls and procedures to provide reasonable assurance that all material information regarding the

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Fund is gathered and reported to senior management, including the President and CFO, on a timely basis, particularly during the period in which the annual and interim filings are being prepared, so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the Fund’s disclosure controls and procedures, as defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, was carried out under the supervision of, and with the participation of management, including the President and CFO. Based on that evaluation, the President and CFO have concluded that as at December 31, 2023, the design and operation of these disclosure controls and procedures were effective in providing reasonable assurance that: (a) information required to be disclosed by the Fund in its annual filings, interim filings or other reports filed and submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods specified in securities legislation, and (b) material information regarding the Fund is accumulated and communicated to the Fund’s administrator, Royalties LP, as well as the President and CFO in a timely manner, particularly during the period in which the annual and interim filings are being prepared.

The President and CFO have designed or caused to be designed under their supervision internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Fund’s financial reporting and the preparation of its financial statements for external purposes in accordance with IFRS. The control framework used to design the Fund’s internal controls over financial reporting is the Committee of Sponsoring Organizations of the Treadway Commission Internal Control – Integrated Framework: 2013.

An evaluation of the effectiveness of the Fund’s internal controls over financial reporting, as defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, was carried out under the supervision of and with the participation of management, including the President and CFO. Based upon that evaluation, the President and CFO have concluded that as at December 31, 2023, the Fund’s internal controls over financial reporting were operating effectively. During the Period, there was no change in the Fund’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Fund’s internal controls over financial reporting. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Accordingly, even systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Fund’s audited annual 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. Significant areas requiring the use of management judgment and estimates relate to the determination of the following:

Judgment – Consolidation

Applying the criteria outlined in IFRS 10, judgment is required in determining whether the Fund 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 the Fund ultimately controls Royalties LP through its 80% ownership of the managing general partner, Royalties GP.

Estimates - Intangible Assets – the BP Rights

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 added to 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

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which they are add to 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.

The impairment test requires that the Fund use a valuation technique to determine if impairment exists. The valuation of the intangibles is based on a value in use approach and depends on certain estimates, including projected Franchise Sales for restaurants that are in the Royalty Pool and the 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 the Year.

Estimate – Class B Units, Class 1 LP Units and Class 2 LP Units Fair Value Adjustments

The Fund must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements. 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.

The fair values of the Class B Unit liability, Class 1 LP Units and Class 2 LP Units are all determined using Level 2 inputs and are measured on a recurring basis.

(i) Class B Units

The Fund records its Class B Unit liabilities at fair value, which may result in changes to the fair value adjustment on the Class B Unit liability line on the statements of financial position, the fair value gain (loss) on the Class B Unit liability line on the statements of comprehensive income (loss), and the corresponding non-cash adjustment line on the statements of cash flows. This requires that the Fund use a valuation technique to determine the value of the Class B Unit liability at each reporting date. The Fund estimates the fair value of the Class B Unit liability using a market approach by multiplying the number of Units BPI would be entitled to receive if it exchanged all Class B Units (including the Class B Holdback) held by BPI at the end of the Period by the closing price of the Units on the last business day of the Period. This valuation technique may not represent the actual value of the financial liability should such Class B Units be extinguished. Changes in the distribution rate on the Class B Units and the yield of the Fund’s Units could materially impact the Fund’s financial position and net income.

(ii) Class 1 Units and Class 2 LP Units

The Fund records the Class 1 LP Units and Class 2 LP Units held by Holdings LP at fair value, which may result in a fair value adjustment on the investment in BP Canada LP financial asset line on the statements of financial position, and fair value gain (loss) line on the statements of comprehensive income (loss), and a corresponding non-cash adjustment line on the statements of cash flows.

The Class 1 LP Units are entitled to distributions determined with respect to the interest cost payable on Facility D. The Fund estimates the fair value of the Class 1 LP Units using a market-corroborated input, being the interest rate applicable on Facility D. Consequently, the Fund estimated the fair value of Class 1 LP Units at carrying value adjusted for interest rate risk.

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 Class 2 LP Units have similar cash distribution entitlements to the Class 2 GP Units, which are exchangeable into Units. Consequently, the Fund estimates the fair value of the

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Class 2 LP Units by multiplying the issued and outstanding number of Class 2 LP Units indirectly held by the Fund at the end of the applicable period by the closing price of the Units at the end of that period (or previous business day, if such day is not a business day).

These valuation techniques may not represent the actual value of the Class 1 LP Units and Class 2 LP Units should such units be sold. Changes in the distribution rates on the Class 1 LP Units and Class 2 LP Units and the yield of the Fund’s Units could materially impact the Fund’s financial position and net income.

CHANGES IN ACCOUNTING POLICIES

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the International Accounting Standards Board issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). These amendments require the disclosure of material accounting policies rather than significant accounting policies. These amendments are effective for annual periods beginning on or after January 1, 2023. The Fund performed an assessment of these amendments and there is no material impact to the Fund’s financial statements or disclosure. The Fund adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2023.

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 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. In addition, covenants with which a company must comply after the reporting date do not affect the liability’s classification at the reporting date. The Fund has done an initial assessment of these amendments and does not anticipate an impact on the Fund’s business, financial statements or disclosure. The Fund intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2024.

SHORT-TERM OUTLOOK

The information contained in this “Short-Term Outlook” section is forward-looking information. Please see the “Note Regarding Forward-Looking Information” and “Risks & Uncertainties” sections of this MD&A for a discussion of the risks and uncertainties in connection with forward-looking information.

The two principal factors that affect SRS are changes in guest traffic and changes in average guest cheque. BPI’s and BP Canada LP’s strategies to drive higher guest traffic include attracting a wide variety of guests into the restaurant, sports bar and take-out and delivery parts of each location, offering a compelling value proposition to guests and leveraging a larger marketing budget versus the previous year along with a revised calendar of national and local store promotions. Increased average cheque levels are expected to be achieved through a combination of culinary innovation and menu re-pricing.

The success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders, are dependent upon many economic factors, including impacts of inflation, increases in interest rates, rising input costs, unemployment rates, consumer confidence, recession, supply chain disruption, labour availability and other globally disruptive events. Despite the current state of economic uncertainty, Boston Pizza Restaurants have been able to generate solid Franchise Sales and offer affordable dining options, both on and off-premise, for guests in economically uncertain times. As demonstrated during COVID-19, BPI, BP Canada LP and Boston Pizza Restaurants have the ability to adapt to changes in operating environments and economic conditions. However, with supply chain challenges, rising interest rates, increasing input costs and labour shortages impacting most of the restaurant industry, together with widespread focus on sustainability and climate-related issues, BPI’s management remains

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cautious. The focus of BPI’s management is to adapt the business to mitigate these challenges and maintain the positive sales momentum achieved in 2023.

The trustees of the Fund will continue to closely monitor the Fund’s available cash balances given the uncertain economic outlook and industry challenges.

GOVERNANCE OF CLIMATE-RELATED RISK AND OPPORTUNITIES

There is increased focus in the marketplace on climate-related risks and opportunities affecting business, as well as a belief that mandatory reporting requirements regarding climate-related risks and opportunities may be adopted in Canada in the future. In response to this, the Fund, BPI and BP Canada LP have begun preparing for such prospective requirements.

The trustees of the Fund have responsibility for oversight of climate-related risks and opportunities affecting the Fund. Effective management of such risks and opportunities will be essential for ensuring sustainability and long-term success of the Fund. However, the Fund has limited operations and its only sources of revenue are: (i) Royalty payable by BPI to Royalties LP; and (ii) Distribution Income payable by BP Canada LP to Holdings LP. Accordingly, the Fund is reliant upon BPI and BP Canada LP effectively managing climate-related risks and opportunities affecting BPI, BP Canada LP and Boston Pizza Restaurants.

BPI’s board of directors and senior management of BPI are responsible for oversight of climate-related risks and opportunities affecting BPI, BP Canada LP and Boston Pizza Restaurants. BPI’s senior management is in the process of identifying climate-related risks and opportunities applicable to BPI, BP Canada LP and Boston Pizza Restaurants, including long, medium and short-term transitional and physical risks. Once fully identified, BPI’s senior management will assess such risks and opportunities and determine appropriate tools and strategies to manage the same, all within the overall risk appetite framework set by BPI’s board of directors and senior management. BPI’s senior management will be updating and collaborating with the trustees of the Fund throughout this process.

RISKS & UNCERTAINTIES

Risks Related to the Restaurant Industry and Business of BPI and BP Canada LP

Climate Change

Climate change is presenting weather-related risk factors for the restaurant industry, raising important environmental, social, and governance concerns. Extreme weather events, such as hurricanes, wildfires, heatwaves, snowstorms and floods, can severely disrupt operations of Boston Pizza Restaurants by causing physical damage to properties, disrupting supply chains, impeding sales from outdoor patios, and forcing temporary closures. In addition, extreme weather events may alter consumer behavior and impact guest traffic. Boston Pizza Restaurants rely heavily on domestic and international agricultural products. Unpredictable weather patterns can result in crop failures, scarcity of ingredients and volatility in the price of raw materials. These risk factors may: (i) limit the ability of Boston Pizza Restaurants to generate Franchise Sales, thereby decreasing the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders; and/or (ii) decrease the profitability of Boston Pizza Restaurants, thereby increasing the risks of them closing.

Economic Uncertainties

The success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders, are dependent upon many economic factors, including impacts of inflation, increases in interest rates, rising input costs, unemployment rates, consumer confidence, consumer discretionary income and spending, recession, supply chain disruption, labour availability and other globally disruptive events. Inflation and increases in interest rates increase the difficulty for Boston Pizza Restaurants to operate profitability due to increased input and debt service costs while balancing the need to maintain competitive menu pricing. Increases in interest rates also make it more difficult for Boston Pizza Restaurants to invest in new equipment and technology due to increased debt service costs.

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Rising unemployment rates, decreasing consumer confidence and recession may lead to decreased demand for dining out, resulting in reduced guest traffic and Franchise Sales. While global supply chains have somewhat normalized since COVID-19 and Boston Pizza’s supply chain is stable, it remains possible that economic uncertainty may result in commodity unavailability or increased commodity costs for Boston Pizza Restaurants. The continued labour shortage in the restaurant industry may impede Boston Pizza Restaurants’ ability to attract and retain sufficient numbers of qualified staff. In addition, global disruptions, such as geopolitical events, public health or pandemic outbreaks (including COVID-19), war or hostilities in countries in which Boston Pizza suppliers are located, terrorist or military activities, social unrest or natural disasters could lead to disruptions in the supply chain and increased economic uncertainty. All of these factors can contribute to a challenging environment for Boston Pizza Restaurants, which may: (i) limit their ability to generate Franchise Sales, thereby decreasing the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders; and/or (ii) decrease their profitability, thereby increasing the risks of Boston Pizza Restaurants closing.

The Restaurant Industry and its Competitive Nature

The performance of the Fund is directly dependent upon the Royalty received from BPI and Distribution Income received from BP Canada LP. The amount of the Royalty and Distribution Income received by Royalties LP and Holdings LP from BPI and BP Canada LP, respectively, is dependent on various factors that may affect the casual dining sector of the restaurant industry. The restaurant industry generally, and in particular, the casual dining sector, is intensely competitive with respect to price, service, location and food quality. Competitors include national and regional chains, as well as independently owned restaurants. If BPI, BP Canada LP and the Boston Pizza franchisees are unable to successfully compete in the casual dining sector, Franchise Sales may be adversely affected; the amount of the Royalty and Distribution Income may be reduced, and the ability of BPI to pay the Royalty, and the ability of BP Canada LP to pay Distribution Income, may be impaired. The restaurant industry is also affected by changes in demographic trends, guest preference, traffic patterns, general economic conditions and the type, number, and location of competing restaurants. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which could adversely affect Franchise Sales, the Royalty, Distribution Income and the ability of BPI to pay the Royalty to Royalties LP, and the ability of BP Canada LP to pay Distribution Income to Holdings LP.

Growth of the Royalty and Distribution Income

The growth of the Royalty payable by BPI to Royalties LP under the License and Royalty Agreement, and the growth of Distribution Income payable by BP Canada LP to Holdings LP, are dependent upon the ability of BPI and BP Canada LP to (i) maintain and grow their franchised restaurants, (ii) locate new restaurant sites in prime locations, and (iii) obtain qualified operators to become Boston Pizza franchisees. BPI and BP Canada LP face competition for restaurant locations and franchisees from their competitors and from franchisors of other businesses. BPI’s and BP Canada LP’s inability to successfully obtain qualified franchisees could adversely affect their business development. The opening and success of a Boston Pizza Restaurant is dependent on a number of factors, including: availability of suitable sites; negotiations of acceptable lease or purchase terms for new locations; availability, training and retention of management and other employees necessary to staff new Boston Pizza Restaurants; adequately supervising construction; securing suitable financing; and other factors, some of which are beyond the control of BPI and BP Canada LP. Boston Pizza franchisees may not have all the business abilities or access to financial resources necessary to open a Boston Pizza Restaurant or to successfully develop or operate a Boston Pizza Restaurant in their franchise areas in a manner consistent with BPI’s and BP Canada LP’s standards. BPI and BP Canada LP provide training and support to Boston Pizza franchisees, but the quality of franchised operations may be diminished by any number of factors beyond BPI’s and BP Canada LP’s control. Consequently, Boston Pizza franchisees may not successfully operate restaurants in a manner consistent with BPI’s and BP Canada LP’s standards and requirements, or may not hire and train qualified managers and other restaurant personnel. If they do not, the image and reputation of BPI and BP Canada LP may suffer, and gross revenue and results of operations of the Boston Pizza Restaurants could decline.

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The Closure of Boston Pizza Restaurants May Affect the Amount of Royalty and Distribution Income

The amount of the Royalty payable to Royalty LP by BPI, and the amount of Distribution Income payable by BP Canada LP to Holdings LP, are dependent upon the Franchise Sales, which is dependent on the number of Boston Pizza Restaurants that are included in the Royalty Pool and the Franchise Sales of those Boston Pizza Restaurants. Each year, a number of Boston Pizza Restaurants may close and there is no assurance that BPI and BP Canada LP will be able to open sufficient new Boston Pizza Restaurants to replace the Franchise Sales of the Boston Pizza Restaurants that have closed.

BPI and BP Canada LP Revenue

The ability of BPI to pay the Royalty and the ability of BP Canada LP to pay Distribution Income are dependent on (i) Boston Pizza franchisees’ ability to generate revenue and to pay royalties to BP Canada LP, (ii) BP Canada LP’s ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP, and (iii) BP Canada LP’s receipt of amounts for other franchise fees (including initial and renewal franchise fees). Failure of BP Canada LP to achieve adequate levels of collection from Boston Pizza franchisees or the loss of revenues from arrangements with suppliers and distributors could have a serious effect on the ability of BP Canada LP to pay Distribution Income and of BPI to pay the Royalty.

Intellectual Property

The ability of BPI and BP Canada LP to maintain or increase Franchise Sales will depend on their ability to maintain “brand equity” through the use of the BP Rights licensed from Royalties LP. If Royalties LP fails to enforce or maintain any of its intellectual property rights, BPI and BP Canada LP may be unable to capitalize on their efforts to establish brand equity. All registered trademarks in Canada can be challenged pursuant to provisions of the *Trademarks Act* (Canada) and if any BP Rights are ever successfully challenged, this may have an adverse impact on Franchise Sales, and the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders. Royalties LP owns the BP Rights in Canada. However, it does not own identical or similar trademarks owned by parties not related to BPI or Royalties LP in other jurisdictions. Third parties may use such trademarks in jurisdictions other than Canada in a manner that diminishes the value of such trademarks. If this occurs, the value of the BP Rights may suffer and gross revenue by Boston Pizza Restaurants could decline. Similarly, negative publicity or events associated with such trademarks in jurisdictions outside of Canada may negatively affect the image and reputation of Boston Pizza Restaurants in Canada, resulting in a decline in gross revenue by Boston Pizza Restaurants.

Government Regulation

BPI, BP Canada LP and Boston Pizza Restaurants are subject to various federal, provincial and local laws affecting their respective businesses. In addition, each Boston Pizza Restaurant is subject to licensing and regulation by a number of governmental authorities, which may include alcoholic beverage control, smoking laws, health and safety and fire agencies. Difficulties in obtaining or failures to obtain the required licenses or approvals could delay or prevent the development of a new Boston Pizza Restaurant in a particular area or restrict the operations of an existing Boston Pizza Restaurant. Certain specific governmental regulations affecting BPI, BP Canada LP and Boston Pizza Restaurants are as follows:

Regulations Governing Food Service and Alcoholic Beverages – Boston Pizza Restaurants are subject to various federal, provincial and local government regulations, including those relating to the sale of food and alcoholic beverages. Such regulations are subject to change from time to time. The failure to obtain and maintain these licenses, permits and approvals could adversely affect the operations of a Boston Pizza Restaurant. Typically, licenses must be renewed annually and may be revoked, suspended or denied renewal for cause at any time if governmental authorities determine that the Boston Pizza Restaurant’s conduct violates applicable regulations. Difficulties or failures to maintain or obtain the required licenses and approvals could adversely affect existing Boston Pizza Restaurants and delay or result in a decision to cancel the opening of new Boston Pizza Restaurants, which would adversely affect BPI’s and BP Canada LP’s business.

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In addition, the ability of Boston Pizza Restaurants to serve alcoholic beverages is an important factor in attracting guests. Alcoholic beverage control regulations require each Boston Pizza Restaurant to apply to provincial or municipal authorities for a license or permit to sell alcoholic beverages on the premises and, in certain locations, to provide service for extended hours and on Sundays. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of Boston Pizza Restaurants, including minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control, and handling, storage and dispensing of alcoholic beverages. The failure of BPI, BP Canada LP or a Boston Pizza franchisee to retain a license to serve liquor for a Boston Pizza Restaurant would adversely affect that restaurant’s operations. BPI, BP Canada LP or a Boston Pizza franchisee may be subject to legislation in certain provinces, which may provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. BPI, BP Canada LP and Boston Pizza Restaurants carry host liquor liability coverage as part of their existing comprehensive general liability insurance. There is no assurance that such insurance coverage will respond to any particular claim or that it will be adequate.

Laws Concerning Employees – The operations of Boston Pizza Restaurants are also subject to laws and regulations governing the employer/employee relationship, including minimum wages, working conditions, overtime and tip credits, pay equity, discrimination and harassment, as well as rules and regulations regarding the employment of temporary foreign workers. Significant numbers of Boston Pizza Restaurants’ food service and preparation personnel are paid at rates related to the minimum wage and, accordingly, further increases in the minimum wage could increase Boston Pizza Restaurants’ labour costs. Any actual or alleged failure to comply with laws and regulations governing the employer/employee relationship could result in claims being asserted by employees of franchisees. Such claims could be asserted against BPI, BP Canada LP or Boston Pizza franchisees and may create not only legal and financial liability, but negative publicity that could adversely affect the Boston Pizza brand and divert financial and management resources that would otherwise be used to benefit the future performance of the Fund, BPI and BP Canada LP. These types of employee claims could also be asserted against BPI or BP Canada LP, on a co-employer or joint employer theory, by employees of the Boston Pizza franchisees. A significant increase in the number of these claims or an increase in the number of successful claims could adversely impact the reputation of the Fund, BPI and BP Canada LP. Lastly, in some regions of Canada, Boston Pizza Restaurants employ temporary foreign workers. The supply of labour in such regions could be reduced by regulations concerning the employment of temporary foreign workers.

Sales Tax Regulations – While there are variations in studies about the extent to which sales taxes impact retail sales, the increase in the after-tax price of goods and services has a negative effect on the customer’s perception of spending on restaurant dining. Such negative perception can potentially reduce the frequency of guest visits to restaurants, the total amount that guests spend per restaurant visit, or both. Price elasticity appears to have less impact on densely-populated and market-dominant areas such as urban or downtown restaurants. However, as customer perception of disposable spending is adversely affected by increased after-tax prices, Franchise Sales are at risk of declining if retail sales taxes increase.

Franchise Regulation Risk – The complete failure to provide a disclosure document as required by the franchise disclosure laws and regulations of the provinces of British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Prince Edward Island (or the provision of a disclosure document that is materially non-compliant) provides a franchisee with a two-year absolute right of rescission. If a disclosure document is not provided within the time required by applicable provincial legislation, a franchisee is provided with 60 days from receipt of the disclosure document in which to rescind the franchise agreement. The statutory right of rescission gives a franchisee the right to receive back all monies paid, and to recover for its losses, if any. Franchise legislation also provides a franchisee with a statutory right of action to sue if a franchisee suffers a loss because of a misrepresentation contained in the disclosure document, or as a result of the franchisor’s failure to comply with its disclosure obligations. These rights are in addition to any rights that might exist at common law. Claims arising from any non-compliance with franchise disclosure laws may adversely affect the ability of BP Canada LP to pay Distribution Income to Holdings LP, and of BPI to pay the Royalty to Royalties LP.

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Food Borne Illness

Publicity from any food borne illness could adversely affect Franchise Sales in one or more Boston Pizza Restaurants and the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders. BPI and BP Canada LP have rigorous food safety practices and protocols that Boston Pizza Restaurants are required to follow that are designed to minimize the probability of food borne illness and ensure that guests of Boston Pizza Restaurants enjoy safe, quality food. Nevertheless, there is no assurance that food borne illness cannot occur within the Boston Pizza system. BPI, BP Canada LP or Boston Pizza Restaurants may be the subject of complaints or litigation from guests alleging food-related illness or other food quality or health concerns. Adverse publicity resulting from such allegations may materially affect the Franchise Sales of Boston Pizza Restaurants, irrespective of whether such allegations are true or whether a franchisee, BPI or BP Canada LP is ultimately held liable. Similarly, food borne illness events within the restaurant industry can create adverse publicity and may materially affect the Franchise Sales of Boston Pizza Restaurants.

Disease Outbreaks

Any local, regional, national or international outbreak of a contagious disease, pandemics, epidemics or other material outbreaks of disease could decrease the willingness of the general population to dine out, cause staff shortages, reduced guest traffic, supply shortages, and increased governmental regulations (including the possibility of restrictions to on-premises dining). Any of the foregoing may: (i) limit Boston Pizza Restaurants’ ability to generate Franchise Sales, thereby decreasing the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders; and/or (ii) decrease the profitability of Boston Pizza Restaurants, thereby increasing the risks of them closing.

Availability and Quality of Raw Materials

Franchise Sales by Boston Pizza Restaurants are dependent upon the availability and quality of raw materials, food, packaging and services used in the products produced and sold by Boston Pizza franchisees. The availability and prices of these raw materials, such as protein, produce, flour and paper products, is subject to fluctuation and may be affected by a variety of factors affecting the supply and demand of the products. Additionally, certain products purchased by Boston Pizza Restaurants are sourced from a single or a limited number of suppliers. A significant reduction in the availability or quality of raw materials purchased by Boston Pizza Restaurants resulting from any of the above factors could have an adverse effect on Franchise Sales and the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders.

New Menu Items and Advertising Campaigns may not be Successful

Franchise Sales are influenced by brand marketing and advertising and by BPI’s and BP Canada LP’s ability to develop and launch new and innovative menu items. BPI’s and BP Canada LP’s marketing and advertising programs may not be successful. BPI and BP Canada LP may also fail to develop commercially successful new menu items that respond to changes in consumer preferences. Both of these could result in an inability of Boston Pizza Restaurants to retain existing guests and attract new guests. The resulting decline in guest traffic may result in a corresponding decline to Franchise Sales and the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders. In addition, any decline in Franchise Sales would also result in a decline to franchisees’ contributions to the Boston Pizza advertising fund (a fund into which franchisees pay a percentage of Franchise Sales), thereby reducing the amount of money available for BPI’s and BP Canada LP’s marketing and advertising programs.

Potential Litigation and Other Complaints

BPI, BP Canada LP and Boston Pizza franchisees may be the subject of complaints or litigation from guests alleging injuries suffered on the premises or other food quality, health or operational concerns. Adverse publicity resulting from such allegations may materially affect the sales by Boston Pizza Restaurants, regardless of whether such allegations are true or whether BPI, BP Canada LP or a Boston Pizza franchisee is ultimately held liable.

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Insurance

BPI, BP Canada LP and Boston Pizza Restaurants maintain insurance coverage to protect them from liabilities they incur in the course of their business. There is no assurance that such insurance coverage will respond to, or be adequate to protect them from, such liabilities. Additionally, in the future, the insurance premiums for BPI, BP Canada LP and Boston Pizza Restaurants may increase and they may not be able to obtain similar levels of insurance on reasonable terms or at all. Any substantial inadequacy of, or inability to obtain insurance coverage could materially adversely affect BPI’s and BP Canada LP’s business, financial condition and results of operations. Furthermore, there are types of losses BPI, BP Canada LP or Boston Pizza Restaurants may incur that cannot be insured against or that are not economically reasonable to insure. Such losses could have a material adverse effect on BPI’s and BP Canada LP’s business and results of operations.

Dependence on Key Personnel

The success of the Fund depends upon the personal efforts of senior management of BPI, including BPI’s ability to: (i) attract and retain sufficient key personnel of BPI with appropriate capability, skills and leadership competencies to effectively operate BPI’s and BP Canada LP’s business and achieve BPI’s strategic objectives; and (ii) attract and retain appropriate franchisee candidates. The inability of BPI to attract and retain either key personnel of BPI or appropriate franchisee candidates could have a material adverse effect on the performance of the Fund.

Labour Availability

Labour availability is a key component in the ability of Boston Pizza Restaurants to successfully operate throughout the course of their business day and generate Franchise Sales. Since the elimination of governmental restrictions related to COVID-19 in 2022, the restaurant industry has faced a shortage of available labour. If Boston Pizza Restaurants are unsuccessful in attracting, motivating and retaining a sufficient number of qualified individuals, it could materially disrupt the operations of Boston Pizza Restaurants and result in declines in Franchise Sales and the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders. In addition, the decreased availability of labour in the restaurant industry has lead to intense competition for talent within the industry and higher wages. An increase in labour costs for Boston Pizza Restaurants may decrease their profitability, thereby increasing the risks of Boston Pizza Restaurants closing.

Franchisee Relations

The success of the Fund, BPI and BP Canada LP is dependent on BPI’ and BP Canada LP maintaining positive relationship with franchisees. There is no assurances that BPI and BP Canada LP will be able to maintain positive relationships with all of the franchisees. Adverse publicity resulting from any such strained relationship may affect Franchise Sales of Boston Pizza Restaurants and the ability of BPI and BP Canada LP to source new franchisees, regardless of whether such publicity is accurate. In addition, any challenges in the relationships with franchisees may have an adverse impact on the performance of affected Boston Pizza Restaurants, the ability of BPI and BP Canada LP to undertake new initiatives, and could result in the diversion of management resources and increased administrative costs.

Security of Confidential Guest Information and Personal Information

BPI, BP Canada LP and Boston Pizza franchisees collect and/or use confidential guest information related to the electronic processing of credit and debit card transactions, personal information of guests in connection with Boston Pizza’s “MyBP” loyalty platform and personal information of their respective employees. If any of BPI, BP Canada LP or Boston Pizza franchisees experiences a security breach in which any of this type of information is stolen or disclosed, BPI, BP Canada LP or Boston Pizza franchisees may incur unanticipated costs, become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and/or become subject to lawsuits, regulatory penalties or other proceedings relating to these types of incidents. In addition, most provinces have enacted legislation requiring notification of security breaches involving personal information, including credit and debit card information. Any such claims or proceedings could cause BPI or BP Canada LP to incur significant unplanned expenses, which could have an adverse impact on

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their financial condition and results of operations. Furthermore, adverse publicity resulting from these allegations may have a material adverse effect on Franchise Sales, Royalty, Distribution Income and the ability of BP Canada LP to pay Distribution Income to Holdings LP, or BPI to pay the Royalty to Royalties LP.

Reliance on Technology

BPI, BP Canada LP and Boston Pizza franchisees rely heavily upon information systems, including point-of-sale processing in Boston Pizza Restaurants, for management of their supply chain, payment of obligations, collection of cash, credit and debit card transactions and other processes and procedures, including the taking and sending of orders to Boston Pizza Restaurants. BPI’s and BP Canada LP’s ability to efficiently and effectively manage their business depends significantly on the reliability and capacity of these systems. BPI’s and BP Canada LP’s operations depend upon their ability to protect their computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, cybersecurity incidents and other disruptive problems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, expanding BPI’s and BP Canada LP’s systems as they grow or a breach in security of these systems could result in an inability to operate, delays in guest service or reduced efficiency in BPI’s and BP Canada LP’s operations. Remediation of such problems could result in significant, unplanned capital investments.

Effect of Media and Social Media

The Fund, BPI, BP Canada LP and Boston Pizza Restaurants may be adversely affected by the information disseminated through both traditional media and social media. There has been a significant increase in the use of social media platforms and similar communication channels that provide individuals with access to a broad audience of consumers and other interested persons. The availability and impact of information on social media platforms is virtually immediate and many social media platforms publish user-generated content without filters or independent verification as to the accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information posted may be adverse to the interests of the Fund, BPI, BP Canada LP, Boston Pizza Restaurants or the Boston Pizza brand, or may be inaccurate, and may harm the performance, prospects or business of Fund, BPI, BP Canada LP, Boston Pizza Restaurants or the Boston Pizza brand. The harm may be immediate without affording the Fund, BPI, BP Canada LP or Boston Pizza Restaurants for redress or correction. Any harm caused by media reports, including social media, could reduce demand for the products and services offered by Boston Pizza Restaurants and could decrease guest traffic to Boston Pizza Restaurants as customers shift their preferences to competitors or to other products or food types. A decrease in guest traffic to Boston Pizza Restaurants as a result of negative publicity from the media, including social media, could result in a decline in Franchise Sales and the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders.

Environment, Social, and Governance Matters

There has been increasing public focus by consumers, investors, environmental activists, the media and governmental and nongovernmental organizations on social and environmental sustainability matters, including packaging and waste, animal health and welfare, human rights, climate change, greenhouse gases and land, energy and water use. As a result, the Fund, BPI, BP Canada LP and Boston Pizza Restaurants may experience increased expectations to provide expanded disclosure and make commitments, establish goals or set targets with respect to various environmental and social issues and to take the actions necessary to meet those commitments, goals and targets. If the Fund, BPI, BP Canada LP and Boston Pizza Restaurants are not effective in addressing the public’s expectations regarding social and environmental sustainability matters, consumer trust in the Boston Pizza brand may suffer. In addition, the actions needed to achieve any commitments, goals and targets that are established could result in increased costs to BPI, BP Canada LP and Boston Pizza Restaurants, which may: (i) limit Boston Pizza Restaurants’ ability to generate Franchise Sales, thereby decreasing the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders; and/or (ii) decrease the profitability of Boston Pizza Restaurants, thereby increasing the risks of them closing. The amount of Franchise Sales and the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders, could be adversely impacted if BPI and BP Canada LP are unable to effectively manage the risks or costs, Boston Pizza franchisees and the supply chain associated with social and

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environmental sustainability matters. In addition, future legislative and regulatory efforts to combat climate change or other environmental considerations could result in increased regulation, and additional taxes and other expenses, in a manner that adversely affects the Boston Pizza business.

Risks Related to the Structure of the Fund

Investment Eligibility

There can be no assurance that the Units will continue to be qualified investments for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans or tax-free savings accounts under the *Income Tax Act (Canada)* (the “**Tax Act**”). In addition, a Unit may be a prohibited investment in respect of a registered disability savings plan, registered education savings plan, registered retirement savings plan, registered retirement income fund or tax-free savings account where, in general terms, the holder, subscriber or annuitant (as the case may be) does not deal at arm’s length with the Fund or has a “significant interest” (as defined in the Tax Act) in the Fund. The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments.

Dependence of the Fund on the Trust, Holdings LP, BPI and BP Canada LP

The cash distributions to the Unitholders are entirely dependent on the ability of the Trust to pay its interest obligations, if any, under the Series 1 Trust Notes, Series 2 Trust Notes and Series 3 Trust Notes (collectively, the “**Trust Notes**”), and to make distributions on the units of the Trust (the “**Trust Units**”). The ability of the Trust to pay its interest obligations or make distributions on Trust Units held by the Fund is entirely dependent upon the ability of Holdings LP to make distributions on the limited partner units of Holdings LP held by the Trust. The ability of Holdings LP to make distributions on limited partner units held by the Trust is entirely dependent upon the ability of Royalties LP to make distributions on the limited partner units of Royalties LP held by Holdings LP and upon BP Canada LP’s ability to pay Distribution Income on the limited partner units of BP Canada LP held by Holdings LP.

The only sources of revenue of the Fund are: (i) the Royalty payable by BPI to Royalties LP; and (ii) Distribution Income payable by BP Canada LP to Holdings LP. BP Canada LP collects franchise fees and other amounts from Boston Pizza franchisees and BPI generates revenues from its corporate restaurants. In the conduct of the business, BPI pays expenses and incurs debt and obligations to third parties. These expenses, debts and obligations could impact the ability of BPI to pay the Royalty to Royalties LP, or of BP Canada LP to pay Distribution Income to Holdings LP.

Royalties LP, Holdings LP and the Fund are each entirely dependent upon the operations and assets of BPI and BP Canada LP to pay the Royalty to Royalties LP and Distribution Income to Holdings LP, and each is subject to the risks encountered by BPI and BP Canada LP in the operation of their business, including the risks relating to the casual dining restaurant industry referred to above and the results of operations and financial condition of BPI and BP Canada LP.

Leverage Risks

Refinancing Risk – Royalties LP and Holdings LP have third-party debt service obligations under the Credit Facilities. The degree to which Royalties LP and Holdings LP are leveraged could have important consequences to Unitholders, including: (i) a portion of Royalties LP’s and Holdings LP’s cash flow from operations could be dedicated to the payment of the principal of and interest on their indebtedness, thereby reducing funds available for distribution to the Fund; and (ii) certain of Royalties LP’s and Holdings LP’s borrowings are at variable rates of interest, which exposes them to the risk of increased interest rates. The Credit Facilities are due on July 1, 2026, at which time Royalties LP and Holdings LP will need to refinance such loans. There can be no assurance that refinancing of this indebtedness will be available to Royalties LP or Holdings LP, or available to Royalties LP or Holdings LP on acceptable terms. If Royalties LP and Holdings LP cannot refinance this indebtedness on acceptable terms upon maturity, it will negatively impact the ability of Royalties LP and Holdings LP to make distributions on their partnership securities, which in turn will negatively impact Distributable Cash and the Fund’s ability to make distributions on the Units. Royalties LP’s and Holdings LP’s ability to make scheduled payments

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of principal or interest on, or to refinance, their indebtedness depends on future cash flows, which is dependent on Distribution Income Holdings LP receives from BP Canada LP, Royalty payments Royalties LP receives from BPI, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

Restrictive Covenants – The Credit Facilities contain numerous restrictive covenants that limit the discretion of Royalties LP’s and Holdings LP’s management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Royalties LP and Holdings LP to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees, to sell or otherwise dispose of assets, to allow a change of control, to change the terms of their limited partnership agreements and to merge or consolidate with another entity. A failure to comply with the obligations in the Credit Facilities could result in an event of default which, if not cured or waived, could result in the acceleration of the relevant indebtedness. If the indebtedness under the Credit Facilities were to be accelerated, there can be no assurance that Royalties LP’s, Holdings LP’s and the Trust’s assets would be sufficient to repay that indebtedness.

Interest Rate Risks – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is exposed to interest rate risk primarily through its long-term borrowings. Variations in interest rates could result in significant changes in the amount required by the Fund to be applied to debt service that could negatively impact Distributable Cash and the Fund’s ability to make distributions on the Units. The Fund manages exposure to interest rate risk primarily through fixing a significant portion of the Fund’s interest rate debt and by evenly staggering interest rate swap expiry dates over a longer period of time. See the “Liquidity & Capital Resources” section of this MD&A for more details on the Fund’s long-term debt.

Risks Related to Debt of BPI

- BPI has third-party debt service obligations under its credit facilities with the Bank (the “**BPI Credit Facilities**”). The degree to which BPI is leveraged could have important consequences to Unitholders, including: (i) a portion of BPI’s cash flow from operations could be dedicated to the payment of the principal of and interest on BPI’s indebtedness, thereby reducing funds available for payment of the Royalty; and (ii) certain of BPI’s borrowings are at variable rates of interest. The BPI Credit Facilities are due on July 1, 2026, at which time BPI will need to refinance such loans. There can be no assurance that refinancing of this indebtedness will be available to BPI, or available to BPI on acceptable terms. If BPI cannot refinance this indebtedness on acceptable terms upon maturity, it may negatively impact the ability of BPI to pay the Royalty. Given the Fund’s dependence upon BPI, this may negatively impact Distributable Cash and the Fund’s ability to make distributions on the Units. BPI’s ability to make scheduled payments of principal or interest on, or to refinance, its indebtedness depends on future cash flows, which is dependent on the success of Boston Pizza Restaurants, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.
- The BPI Credit Facilities contain numerous restrictive covenants that limit the discretion of BPI’s management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of BPI to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees, to sell or otherwise dispose of assets, to allow a change of control, and to merge or consolidate with another entity. A failure by BPI to comply with the obligations in the BPI Credit Facilities could result in an event of default which, if not cured or waived, could result in the acceleration of the relevant indebtedness. If the indebtedness under the BPI Credit Facilities were to be accelerated, there can be no assurance that BPI’s assets would be sufficient to repay that indebtedness. If BPI were unable to repay that indebtedness, it would adversely affect BPI’s ability to pay the Royalty, thereby negatively impacting Distributable Cash and the Fund’s ability to make distributions on the Units.
- BPI is exposed to interest rate risk primarily through its long-term borrowings. Variations in interest rates could result in significant changes in the amount required by BPI to be applied to debt service that could

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negatively impact BPI’s ability to pay the Royalty. BPI monitors its exposure to interest rate risk by monitoring the fluctuation in the bankers’ acceptance rates, prime interest rate and evaluates interest rate swaps when necessary.

Risks Related to Debt of Franchisees – Numerous franchisees of BP Canada LP have third-party debt service obligations under various credit arrangements with their lenders. The degree to which franchisees of BP Canada LP are leveraged and the extent to which such franchisees are exposed to interest rate risk could impact the amount of cash such franchisees are required to spend on debt service. In turn, this could negatively impact the ability of such franchisees to pay BP Canada LP royalty and advertising fees and may increase the probability of Boston Pizza Restaurants closing. As well, any failure of franchisees of BP Canada LP to either comply with the agreements governing their third-party debt service obligations or to repay or refinance such debt upon maturity could negatively impact the ability of such franchisees to pay BP Canada LP royalty and advertising fees and may increase the probability of Boston Pizza Restaurants closing.

Cash Distributions are Not Guaranteed and Will Fluctuate with Royalties LP’s and Holdings LP’s Performance

Although the Fund’s policy is to distribute the total amount of cash received by the Fund from the Trust on the Trust Units and the Trust Notes less the sum of: (a) administrative expenses and other obligations of the Fund; (b) amounts which may be paid by the Fund in connection with any cash redemptions of Units; (c) any interest expense incurred by the Fund; (d) any contractually required repayments of principal of the Fund’s indebtedness; and (e) reasonable reserves established by the trustees of the Fund in their sole discretion, including, without limitation, reserves established to pay SIFT Tax, in order to maximize returns to Unitholders, there can be no assurance regarding the amounts of income to be generated by the Fund, Royalties LP or Holdings LP. The actual amount distributed in respect of the Units will depend upon numerous factors, including amount of and payment of Distribution Income by BP Canada LP, and the Royalty by BPI.

Fund not a Corporation

Investors are cautioned that the Fund is not generally regulated by established corporate law and Unitholders’ rights are governed primarily by the specific provisions of the Declaration of Trust of the Fund, which address such items as the nature of the Units, the entitlement of Unitholders to cash distributions, restrictions respecting non-resident holdings, meetings of Unitholders, delegation of authority, administration, Fund governance and liabilities and duties of the trustees to Unitholders. As well, in the event of an insolvency or restructuring of the Fund under Canadian insolvency legislation, the rights of Unitholders may be different from those of shareholders of an insolvent or restructuring corporation.

Nature of Units

Securities such as the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the Trust, Royalties LP or Holdings LP and should not be viewed by investors as units in the Trust, Royalties LP or Holdings LP. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. The Units represent a fractional interest in the Fund. The Fund’s only assets are Series 1 Trust Notes, Trust Units, common shares of Royalties GP and common shares of Holdings GP. The price per Unit is typically a function of the anticipated amount of distributions.

Restrictions on Certain Unitholders and Liquidity of Units

The Declaration of Trust imposes various restrictions on Unitholders. Unitholders that are non-residents of Canada for the purposes of the Tax Act (“**Non-residents**”) and partnerships that are not Canadian partnerships for purposes of the Tax Act are prohibited from beneficially owning more than 50% of the Units (on a non-diluted and a fully-diluted basis). These restrictions may limit (or inhibit the exercise of) the rights of certain Unitholders, including Non-residents, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units held by the public.

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Unpredictability and Volatility of Unit Prices

Factors Outside Fund’s Control – The market price of Units may experience significant fluctuations in response to many factors, some of which may be outside the Fund’s control. Industry specific fluctuations on stock markets may impact the trading price of Units irrespective of the financial performance of the Fund or Boston Pizza Restaurants in the Royalty Pool. There is no assurance that the market price of Units will remain at current levels. In addition, there can be no assurance that any fluctuations in the market price of Units will be commensurate with the financial performance of the Fund or Boston Pizza Restaurants in the Royalty Pool.

Effect of Interest Rates on Unit Price – One factor that may influence the market price of Units is the annual return generated from distributions on the Units compared to the annual return generated from alternative financial instruments. Increases in interest rates may result in higher returns generated from such alternative financial instruments, which could adversely affect the market price of Units.

Analyst Reports and Ratings – The price at which Units trade may be influenced by reports or ratings published by financial analysts. If an analyst who covers the Fund publishes a report that is unfavourable to the Fund or downgrades its evaluation of Units, the market price of Units may decline. If any analyst who covers the Fund ceases to do so, the Fund could lose visibility in the market for Units, which in turn could have an adverse impact on the price at which Units trade.

The Fund May Issue Additional Units Diluting Existing Unitholders’ Interests

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units and Special Voting Units for such consideration and on such terms and conditions as will be established by the trustees of the Fund without the approval of any Unitholders. Additional Units will be issued by the Fund upon the exchange of the Class B Units or Class 2 GP Units held by BPI or any related party.

Possible Unitholder Liability

The Declaration of Trust of the Fund provides that no Unitholder will be subject to any liability whatsoever to any person in connection with the holding of Units. However, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be personally liable despite such statement in the Declaration of Trust for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the affairs of the Fund will be conducted to seek to minimize such risk wherever possible. There is legislation under the laws of British Columbia (discussed below) and certain other provinces which is intended to provide protection for beneficial owners of trusts.

On March 30, 2006, the *Income Trust Liability Act* (British Columbia) came into force. This legislation creates a statutory limitation on the liability of beneficiaries of British Columbia income trusts such as the Fund. The legislation provides that a unitholder of a trust will not be, as a beneficiary, liable for any act, default, obligation or liability of the trustees. However, this legislation has not been judicially considered and it is possible that reliance on the legislation by a Unitholder could be successfully challenged on jurisdictional or other grounds.

Distribution of Securities on Redemption of Units or Termination of the Fund

Upon a redemption of Units or termination of the Fund, the trustees may distribute Series 2 Trust Notes and Series 3 Trust Notes directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for Series 2 Trust Notes or Series 3 Trust Notes. In addition, the Series 2 Trust Notes and Series 3 Trust Notes are not freely tradable and are not currently listed on any stock exchange. Securities of the Trust so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans or tax free savings accounts and may be prohibited investments for registered disability savings plans, registered education savings plans, registered retirement savings plans, registered retirement income funds and tax free savings accounts, depending upon the circumstances at the time.

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Income Tax Matters

Although the Fund, its subsidiaries and BP Canada LP are of the view that all expenses to be claimed by them in the determination of their respective incomes under the Tax Act will be reasonable and deductible in accordance with the Tax Act and that the allocation of income for purposes of the Tax Act among the partners of Royalties LP and BP Canada LP is reasonable, there is no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the Canada Revenue Agency will agree with the expenses claimed or the allocations of income made. If the Canada Revenue Agency successfully challenges the deductibility of such expenses or the allocation of such income, the allocation of income to Holdings LP, and indirectly Holdings Trust, the Fund and Unitholders, may increase or change.

There can be no assurance that Canadian federal income tax laws will not be changed in a manner that adversely affects the Fund and the Unitholders. If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax treatment afforded to Unitholders would be materially and adversely different in certain respects.

Distributions on the Trust Units accrue at the Fund level for income tax purposes whether or not actually paid. Similarly, the Royalty may accrue at the Royalties LP level, and Distribution Income may accrue at the Holdings LP level, for income tax purposes whether or not actually paid. As a result, the income of Royalties LP or Holdings LP allocated to the Fund (through the Trust and Holdings LP), in respect of a particular fiscal year may exceed the cash distributed by Royalties LP or Holdings LP to the Fund (through the Trust and Holdings LP) in such year. The Declaration of Trust provides that the trustees of the Fund may declare distributions to Unitholders in such amounts as the trustees may determine from time to time. Where, in a particular year, the Fund does not have sufficient available cash to distribute the amounts so declared to Unitholders (for instance, where distributions on the Trust Units are due but not paid in whole or in part), the Declaration of Trust provides that additional Units may be distributed to Unitholders in lieu of cash distributions. Unitholders will generally be required to include an amount equal to the fair market value of those distributed Units in their taxable income.

The Fund is liable to pay the SIFT Tax. The payment of the SIFT Tax reduces the amount of cash available for distributions to Unitholders. SIFT Tax may also adversely affect the marketability of Units and the ability of the Fund to successfully undertake financings or acquisitions. Since 2011, taxable income of the Fund allocated to Unitholders is classified as eligible dividends under the Tax Act. Unitholders who are Canadian residents and hold Units in non-tax deferred accounts may claim the dividend tax credit for eligible dividends which would, if applicable, reduce the after-tax impact of SIFT Tax. Unitholders are advised to consult their own tax advisors to determine the impact of SIFT Tax on their holdings of Units.

Internal Control Over Financial Reporting

All internal control systems contain inherent limitations, no matter how well designed. As a result, management acknowledges that its internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management’s evaluation of internal controls can provide only reasonable, not absolute, assurance that all internal control issues that may result in material misstatements, if any, have been detected.

ADDITIONAL INFORMATION

Additional information relating to the Fund, Royalties LP, Royalties GP, BPCHP, the Trust, Holdings LP, Holdings GP, BPI and BP Canada LP, including the Fund’s Annual Information Form dated February 13, 2024, is available on SEDAR+ at www.sedarplus.ca and on the Fund’s website at www.bpincomefund.com.

NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain information in this MD&A constitutes “forward-looking information” that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of BPI, the Fund, the Trust, Royalties LP, Holdings LP, Holdings GP, Royalties GP, BPCHP, BP Canada LP, Boston Pizza Restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this MD&A, forward-looking information may include words such as “estimate”, “may”, “will”, “expect”, “believe”, “plan”,

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“should” and other similar terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this MD&A.

Forward-looking information in this MD&A includes, but is not limited to, such things as:

- future distributions and dates that distributions are to be paid or payable;
- adjustments to Additional Entitlements that are to occur in the future and when such adjustments will occur;
- how changes in distributions will be implemented;
- how distributions will be funded;
- volatility in the market price of Units;
- maintenance of franchisee relationships;
- increases in average guest cheque being typically driven by menu price increases in response to inflation of restaurant level costs;
- the extent to which menu price increases result in increased average guest cheque being dependent upon consumer reaction to the price increases;
- the success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders, being dependent upon many economic factors, including impacts of inflation, increases in interest rates, rising input costs, unemployment rates, consumer confidence, consumer discretionary income and spending, recession, supply chain disruption, labour availability and other globally disruptive events;
- the impact of extreme weather events and the disruption of operations of Boston Pizza Restaurants by causing physical damage to properties, disrupting supply chains; impeding sales from outdoor patios, and forcing temporary closures;
- the reliance on domestic and international agricultural products and the impact of unpredictable weather patterns on crop failures, scarcity of ingredients, and volatility in the price of raw materials;
- extreme and unpredictable weather events limiting the ability of Boston Pizza Restaurants to generate Franchise Sales, thereby decreasing the resulting Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders, and/or decreasing the profitability of Boston Pizza Restaurants, thereby increasing the risks of them closing;
- the expectation that effective management among the trustees of the Fund, BPI and BP Canada LP for the oversight of climate-related risks and opportunities will be essential in ensuring sustainability and long-term success of the Fund, BPI, BP Canada LP and Boston Pizza Restaurants;
- the outcome of the assessment of identifying climate-related risks and opportunities applicable to BPI, BP Canada LP and Boston Pizza Restaurants;
- the impact of mandatory reporting requirements regarding climate-related risks and opportunities being adopted in Canada;
- increased expectations regarding disclosure of environment, social and governance matters;
- difficulty investing in new equipment and technology due to increased debt service costs;
- BPI, BP Canada LP and Boston Pizza Restaurants having the ability to adapt to changes in operating environments and economic conditions;
- the future expansion of Boston Pizza Restaurants;
- BPI’s, BP Canada LP’s and Boston Pizza Restaurants’ ability to address or respond to supply chain challenges (including the availability of raw materials), rising interest rates, increasing input costs and labour shortages impacting most of the restaurant industry, together with sustainability and climate-related issues;
- BPI’s management remaining cautious;
- the focus of BPI’s management being to adapt the business to mitigate challenges and maintain the positive sales momentum achieved in 2023;
- the trustees of the Fund will continue to closely monitor the Fund’s available cash balances given the uncertain economic outlook and industry challenges;
- continued improved performance and guest traffic due to the elimination of government-imposed COVID-19 restrictions in the Canadian restaurant industry;
- BPI and BP Canada LP’s ability to implement strategies driving higher guest traffic and increased average cheque levels;

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- the ability to implement brand marketing and advertising programs and the impact of negative publicity (including the improper dissemination of information on social media platforms) on BPI, BP Canada LP or Boston Pizza Restaurants;
- sales levels returning to levels consistent with times prior to COVID-19;
- the Fund’s expectation that future distributions will continue to be funded entirely by cash flows from operations;
- the Fund’s current sources of liquidity being sufficient to cover its currently known short and long-term obligations;
- impact of seasonality and competition on Franchise Sales and Payout Ratio;
- the Fund continuing to qualify as a mutual fund trust for the purposes of the Tax Act;
- the NCIB and the ASPP, the number of Units repurchased thereunder, and the cancellation of such Units;
- the potential amendments to the Credit Facilities and the rates therein not resulting in a material increase in the Fund’s cost of borrowing under the Credit Facilities; and
- estimated effective tax rate.

The forward-looking information disclosed herein is based on a number of assumptions including, among other things:

- the Fund maintaining the same distribution policy;
- absence of amendments to material contracts;
- no strategic changes of direction occurring;
- absence of changes in law;
- protection of BP Rights;
- pace of commercial real estate development;
- franchisees’ access to financing;
- franchisees duly paying franchise fees and other amounts;
- no closures of Boston Pizza Restaurants that materially affect the amount of Royalty or Distribution Income paid by BPI and BP Canada LP, respectively, to the Fund;
- future results being similar to historical results;
- expectations related to future general economic conditions;
- management of BPI and BP Canada LP maintaining current strategies to drive higher guest traffic and higher average guest cheques;
- Boston Pizza Restaurants maintaining operational excellence;
- Boston Pizza’s ability to remain relevant to guests;
- culinary innovation and menu re-pricing;
- continuing operations of key suppliers;
- availability of experienced management and hourly employees;
- the absence of significant supply chain interruptions;
- ability to respond to, address or mitigate rising interest rates, increasing input costs, labour shortages and sustainability or climate-related issues including extreme weather events;
- ability to obtain qualified franchisees;
- ability to open sufficient New Restaurants to replace Franchise Sales of Closed Restaurants;
- ability to comply with disclosure obligations under franchise laws and regulations;
- ability to comply with various federal, provincial and local government laws and regulations;
- ability to obtain adequate insurance coverage;
- ability to invest in new equipment and technology;
- ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP;
- ability to adapt to changes in operating environments and economic condition;
- the Fund having sufficient cash on hand to fund repurchases under the NCIB; and
- no additional increases in SIFT Tax and sales tax rates.

This forward-looking information involves a number of risks, uncertainties and future expectations including, but not limited to:

MANAGEMENT’S DISCUSSION AND ANALYSIS
BOSTON PIZZA ROYALTIES INCOME FUND
For the Period and Year ended December 31, 2023

- competition;
- consumer spending habits;
- consumer confidence in the retail sector;
- household debt;
- weather;
- climate change;
- pricing;
- changes in demographic trends;
- changes in consumer preferences and discretionary spending patterns;
- changes in national and local business and economic conditions;
- changes in the supply of agricultural products and raw materials;
- legislation and government regulation;
- cash distributions are not guaranteed;
- accounting policies and practices;
- the results of operations and financial conditions of BPI and the Fund;
- inflation;
- rising interest rates;
- publicity from any food borne illness;
- adverse effects of media and social media;
- increase in food, labour or benefits costs;
- Boston Pizza Restaurant closures and openings;
- successful challenge of the BP Rights;
- inadequacy of insurance coverage;
- increases in the rate of SIFT Tax and sales tax;
- litigation against franchisees;
- inability to attract and retain key personnel;
- data security breaches and technological failures;
- global disruptions including geopolitical events, war or hostilities, terrorist or military activities, or natural disasters; and
- pandemics and national health crises.

The foregoing list of factors is not exhaustive and should be considered in conjunction with the risks and uncertainties set out in this MD&A.

This MD&A discusses some of the factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking information. Forward-looking information is provided as of the date hereof and, except as required by law, the Fund assumes no obligation to update or revise forward-looking information to reflect new events or circumstances.

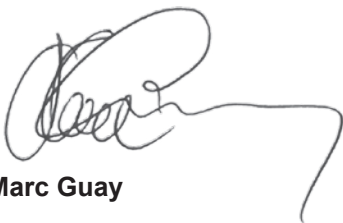
MANAGEMENT’S STATEMENT OF RESPONSIBILITIES

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, 2024



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

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, 2023 and December 31, 2022
- 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 policy information

(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, 2023 and December 31, 2022, 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP. Document classification: Confidential.



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, 2023. 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 "2023 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 "2023 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



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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.



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- 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.
- 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.

Chartered Professional Accountants

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

Vancouver, Canada

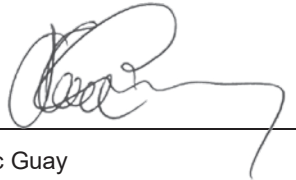
February 13, 2024

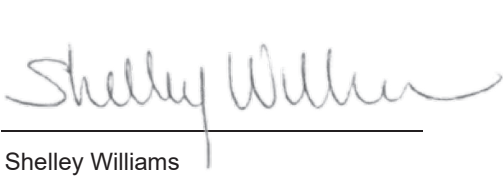
BOSTON PIZZA ROYALTIES INCOME FUND
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	December 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 4,589	\$ 5,213
Royalty receivable from Boston Pizza International Inc. (note 14)	3,361	3,330
Distributions receivable from Boston Pizza Canada Limited Partnership (note 14)	1,051	1,042
Prepaid expenses	131	121
Interest rate swaps (note 7)	1,406	1,592
	10,538	11,298
Interest rate swaps (note 7)	1,378	2,628
Investment in Units of Boston Pizza Canada Limited Partnership (note 5)	116,951	115,587
Intangible assets – BP Rights (note 6)	284,188	284,188
Total assets	\$ 413,055	\$ 413,701
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 411	\$ 544
Distributions payable to Fund unitholders (note 11(c))	2,277	2,195
Interest payable on Class B Units (note 14)	323	303
Current income tax payable (note 4)	22	34
	3,033	3,076
Credit Facilities (note 7)	86,496	86,440
Deferred income taxes (note 4)	7,375	6,950
Class B Unit Liability (note 8)	37,265	36,657
Total liabilities	134,169	133,123
Unitholders' equity		
Fund Units (note 11)	321,044	325,048
Accumulated deficit (note 12)	(42,158)	(44,470)
	278,886	280,578
Total liabilities and unitholders' equity	\$ 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, 2023 and 2022
(Expressed in thousands of Canadian dollars, except per Fund Unit data)

	2023	2022
Revenue		
Royalty income (note 13)	\$ 37,026	\$ 34,200
Distribution income (note 13)	12,167	11,273
Total revenue	49,193	45,473
Administration charge from Boston Pizza International Inc.	427	400
Professional fees	282	231
Other administrative expenses	500	493
Trustee fees and expenses	280	266
Total administrative expenses	1,489	1,390
Earnings before interest, fair value loss (gain) on financial instruments and income taxes	47,704	44,083
Interest expense on debt and financing fees	3,370	3,614
Interest expense on Class B Unit Liability (note 8)	3,990	3,690
Interest income	(276)	(107)
Net interest expense	7,084	7,197
Profit before fair value loss (gain) and income taxes	40,620	36,886
Fair value (gain) loss on investment in Boston Pizza Canada Limited Partnership (note 5)	(1,364)	2,019
Fair value loss (gain) on Class B Unit Liability (note 8)	608	(899)
Fair value loss (gain) on interest rate swaps (note 7)	1,436	(3,891)
Total fair value loss (gain)	680	(2,771)
Earnings before income taxes	39,940	39,657
Current income tax expense (note 4)	9,949	8,914
Deferred income tax expense (note 4)	425	160
Total tax expense	10,374	9,074
Net and comprehensive income for the period	\$ 29,566	\$ 30,583
Net earnings per Fund Unit		
Basic (note 3(d))	\$ 1.38	\$ 1.42
Diluted (note 3(d))	\$ 1.34	\$ 1.31
Weighted average Fund Units outstanding	21,411,499	21,521,463
Weighted average fully diluted Fund Units outstanding	24,673,676	24,783,640

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, 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
Balance – January 1, 2022	\$ 325,048	\$ (49,249)	\$ 275,799
Net and comprehensive income for the period	-	30,583	30,583
Distributions declared <i>(note 11(c))</i>	-	(25,804)	(25,804)
Balance – December 31, 2022	\$ 325,048	\$ (44,470)	\$ 280,578

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, 2023 and 2022
(Expressed in thousands of Canadian dollars)

	2023	2022
Operating activities		
Net and comprehensive income for the period	\$ 29,566	\$ 30,583
Adjustments for:		
Fair value (gain) loss on investment in Boston Pizza Canada Limited Partnership	(1,364)	2,019
Fair value loss (gain) on Class B Unit Liability	608	(899)
Fair value (gain) loss on interest rate swaps	1,436	(3,891)
Interest expense on Class B Unit Liability	3,990	3,690
Deferred income tax expense	425	160
Current income tax expense	9,949	8,914
Interest expense on debt and financing fees	3,370	3,614
Interest income	(276)	(107)
Changes in non-cash working capital	(93)	(931)
Current income tax paid	(9,961)	(8,904)
Interest received	276	107
Net cash generated from operating activities	37,926	34,355
Financing activities		
Distributions paid to Fund unitholders	(27,172)	(25,438)
Interest paid on Class B Unit Liability	(3,970)	(3,652)
Interest paid on debt	(3,404)	(3,576)
Acquisition of Fund Units <i>(note 11(d))</i>	(4,004)	-
Repayment of debt	-	(1,500)
Payment of deferred financing fees	-	(138)
Net cash used in financing activities	(38,550)	(34,304)
(Decrease) increase in cash and cash equivalents	(624)	51
Cash and cash equivalents – beginning of year	5,213	5,162
Cash and cash equivalents – end of year	\$ 4,589	\$ 5,213

Supplemental cash flow information *(note 16)*

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

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, and December 7, 2010. 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 sales (“**Franchise Sales**”) of Boston Pizza Restaurants in the Royalty Pool (the “**Royalty Pool**”) as 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 377 Boston Pizza Restaurants in the Royalty Pool as at December 31, 2023 (December 31, 2022 – 383).

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.

COVID-19 impacted the business of the Fund, BPI and BP Canada LP, and the operation of Boston Pizza Restaurants during 2020, 2021 and the first half of 2022. Since then, COVID-19 case counts have improved, government restrictions related to COVID-19 have largely been eliminated, and sales levels of Boston Pizza Restaurants have returned to more normal levels when compared to times prior to COVID-19.

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, 2024.

(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 the year ended 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 statement of comprehensive income.
 - Class B Unit Liability is measured at fair value with changes in value recorded through profit and loss in the statement of comprehensive income.

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 BPI’s 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.

Diluted earnings per Fund Unit includes the Class B Units and Class 2 GP Units and is calculated by adjusting the weighted average number of Fund Units outstanding to assume conversion of all Class B Units and Class 2 GP Units.

For the year ended December 31, 2023, the basic and diluted earnings per Fund Unit are \$1.38 and \$1.34 respectively. For the year ended December 31, 2022, the basic and diluted earnings per Fund Unit were \$1.42 and \$1.31 respectively. When diluted earnings are anti-dilutive, diluted earnings per Fund Unit is considered equal to basic earnings per Fund Unit.

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)	2023	2022
Net income for the period	\$ 29,566	\$ 30,583
Increase in Distribution income to the Fund	1,718	1,552
Decrease in interest expense on Class B Unit Liability	3,990	3,690
Fair value loss (gain) on Class B Unit Liability	608	(899)
Increase in Fund's current and deferred income taxes	(2,720)	(2,523)
Fund's diluted earnings	33,162	32,403
Weighted average fully diluted Fund Units outstanding	24,673,676	24,783,640
Diluted earnings per Fund Unit	\$ 1.34 (Dilutive)	\$ 1.31 (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, 2023 and determined no impairment exists (*note 6*).

(g) Accounting standards and amendments issued and adopted

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments require the disclosure of material accounting policies rather than significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. The Fund has done an assessment of these amendments and there is no material impact to the Fund's financial statements or disclosure.

The Fund adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2023.

(h) Accounting standards and amendments issued but not yet 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 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. In addition, covenants with which a company must comply after the reporting date do not affect the liability's classification at the reporting date. The Fund has done an initial assessment of these amendments and does not anticipate an impact on the Fund's business, financial statements or disclosure. The Fund intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2024.

4. Income taxes

The Fund has recorded current income tax expense of \$9.9 million for the year ended December 31, 2023 (December 31, 2022 – \$8.9 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 \$0.4 million for the year ended December 31, 2023 (December 31, 2022 – \$0.2 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)	2023	2022
Earnings before income taxes	\$ 39,940	\$ 39,657
Combined Canadian federal and provincial rate	27.0%	27.0%
Computed expected tax expense	10,784	10,707
Increased (reduced) by:		
Permanent differences	(113)	(90)
Fair value adjustment on Class B Unit Liability	164	(243)
Fair value adjustment on interest rate swaps	388	(1,051)
Changes in valuation allowance on Investment in Units of BP Canada LP	(283)	(130)
Differences from non-taxable portion of capital gains	(558)	(130)
Other	(8)	11
Total tax expense per statement of income	\$ 10,374	\$ 9,074

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

	December 31, 2023	December 31, 2022
(in thousands)		
Intangible assets - BP Rights	\$ 7,110	\$ 6,980
Investment in Units of BP Canada LP	275	-
Other	(10)	(30)
Net deferred income tax liability	7,375	6,950

As at December 31, 2023, there is a recognized taxable temporary difference associated with the Fund's investments in BP Canada LP of \$2.0 million. As at December 31, 2022, there was an unrecognized deductible temporary difference of \$2.1 million as it was not probable that taxable profit would be available against which the deductible temporary difference could be utilized.

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, 2023 and 2022	1,000	\$ 33,314
Class 2 LP Units		
Class 2 LP Units at December 31, 2022	5,455,762	\$ 114,113
Fair value loss on Class 2 LP Units - cumulative		(31,840)
Balance at December 31, 2022	5,455,762	\$ 82,273
Fair value gain on Class 2 LP Units		1,364
Class 2 LP Units Balance at December 31, 2023	5,455,762	83,637
Total LP Units Balance at December 31, 2023		\$ 116,951

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 (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

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 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, 2023, BPI's Class 2 GP Units were exchangeable for 831,354 Fund Units (December 31, 2022 – 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, 2021	831,354	831,354
Class 2 Additional Entitlements granted January 1, 2022 ⁽¹⁾	-	-
Balance at December 31, 2022	831,354	831,354
Class 2 Additional Entitlements granted January 1, 2023 ⁽²⁾	-	-
Balance at December 31, 2023	831,354	831,354

(1) On January 1, 2022, four Boston Pizza Restaurants that closed during the period from January 1, 2021 to December 31, 2021 were removed from the Royalty Pool. The Franchise Sales from restaurants removed from the Royalty Pool on January 1, 2022 was negative \$6.2 million. This resulted in a Deficiency of \$0.3 million related to lost Royalty income and Distribution income. As a result of the Deficiency, BPI did not receive any Class 2 Additional Entitlements on January 1, 2022. 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 Deficiency before receiving any future Class 2 Additional Entitlements.

(2) 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 income and Distribution income. 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 Deficiency before receiving any future 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 are added to the Royalty Pool. In exchange for adding new Boston Pizza Restaurants into the Royalty Pool, BPI is granted the Class B Additional Entitlements (*note 8*), the fair value of which are determined using the expected annual Franchise Sales of the new Boston Pizza Restaurants 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, 2022 – 10.5%).

As at December 31, 2023, 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, 2022 - \$61 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.

(in thousands)		
Balance – December 31, 2021	\$	284,188
Class B Additional Entitlements granted January 1, 2022 ⁽¹⁾		-
Balance – December 31, 2022	\$	284,188
Class B Additional Entitlements granted January 1, 2023 ⁽²⁾		-
Balance – December 31, 2023	\$	284,188

⁽¹⁾ On January 1, 2022 four Boston Pizza Restaurants that closed during the period from January 1, 2021 to December 31, 2021 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, 2022.

⁽²⁾ 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.

7. Credit facilities

The following table summarizes the Fund’s debt and its fixed and variable rate swap terms as of December 31, 2023 under Facility B and Facility D (both defined below).

(in thousands)	December 31, 2023	December 31, 2022
Credit facility managed by interest rate swaps:		
Facility B bearing interest at 2.40% plus between 1.25% and 1.85% per annum, with a swap maturity date of January 1, 2023 (<i>note 7(b)</i>)	\$ -	\$ 15,000
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	15,000	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 (<i>note 7(b)</i>)	15,000	-
Credit Facility at variable interest rates:		
Facility B bearing interest at short-term Canadian dollar offered loan rates (5.40% plus 1.40% per annum at December 31, 2023 and 4.48% plus 1.60% per annum at December 31, 2022)	8,323	8,323
Facility D bearing interest at short-term Canadian dollar offered loan rates (5.40% plus 1.40% per annum at December 31, 2023 and 4.63% plus 1.60% per annum at December 31, 2022)	1,314	1,314
Deferred financing fees	(141)	(197)
	\$ 86,496	\$ 86,440

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

- (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**”); and
- (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 Credit Facilities bear interest at variable interest rates comprised of either or a combination of the Bank’s bankers’ acceptance rates or Canadian Dollar Offered Rates (“**CDOR**”) plus between

7. Credit facilities (continued)

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. The principal amounts drawn on Facility A, Facility B and Facility D are due and payable upon expiry.

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 have 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.

During the year ended December 31, 2023, the Fund made no principal repayments on Facility B (year ended December 31, 2022 - \$1.5 million).

As of December 31, 2023, 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, 2023.

- (b) On December 19, 2022, the Fund entered into a swap that commenced on January 3, 2023 to fix the interest rate at 3.48% plus the applicable margin for a term ending on January 4, 2028 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 January 1, 2023.

The Fund recorded a net financial derivative asset based on the fair value of the interest rate swaps at December 31, 2023 of \$2.8 million (December 31, 2022 – \$4.2 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, 2023 totaled \$4.0 million (December 31, 2022 - \$3.7 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

8. Royalties LP unit liabilities (continued)

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, 2023, the Fund would issue the required number of Fund Units and the Class B Unit Liability would be extinguished.

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

	Issued and outstanding Additional Entitlements	Issued and outstanding Additional Entitlements including Holdback	Class B Unit Liability
Balance at December 31, 2021	2,430,823	2,430,823	\$ 37,556
Class B Additional Entitlements granted January 1, 2022 ⁽¹⁾	-	-	-
Fair value gain	-	-	(899)
Balance at December 31, 2022	2,430,823	2,430,823	\$ 36,657
Class B Additional Entitlements granted January 1, 2023 ⁽²⁾	-	-	-
Fair value loss	-	-	608
Balance at December 31, 2023	2,430,823	2,430,823	\$ 37,265

⁽¹⁾ On January 1, 2022, four Boston Pizza Restaurants that closed during the period from January 1, 2021 to December 31, 2021 were removed from the Royalty Pool. The Franchise Sales from restaurants removed from the Royalty Pool on January 1, 2022 was negative \$6.2 million. This resulted in a Deficiency of \$0.3 million related to lost Royalty and Distribution income. As a result of the Deficiency, BPI did not receive any Class B Additional Entitlements on January 1, 2022.

⁽²⁾ 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 income. As a result of the Deficiency, BPI did not receive any Class B Additional Entitlements on January 1, 2023.

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, 2023 and December 31, 2022. 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.

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.

			December 31, 2023	December 31, 2022
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	\$	83,637	\$ 82,273
Fair value of interest rate swaps ⁽ⁱⁱⁱ⁾	Level 2	\$	2,784	\$ 4,220
Class B Unit Liability ^(iv)	Level 2	\$	(37,265)	\$ (36,657)
Amortized cost				
Cash and cash equivalents		\$	4,589	\$ 5,213
Royalty receivable from BPI		\$	3,361	\$ 3,330
Distributions receivable from BP Canada LP		\$	1,051	\$ 1,042
Accounts payable and accrued liabilities		\$	(411)	\$ (544)
Distributions payable to Fund unitholders		\$	(2,277)	\$ (2,195)
Interest payable on Class B Units		\$	(323)	\$ (303)
Credit facilities		\$	(86,496)	\$ (86,440)

- (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, 2023, the closing price of a Fund Unit was \$15.33 (December 31, 2022 – \$15.08) while the number of issued and outstanding Class 2 LP Units held by the

9. Financial Instruments (continued)

- Fund was 5,455,762 (December 31, 2022 – 5,455,762) resulting in a Class 2 LP Units fair value of \$83.6 million (December 31, 2022 - \$82.3 million). The fair value gain on the investment in BP Canada LP for the year ending December 31, 2023 was \$1.4 million (December 31, 2022 - loss of \$2.0 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, 2022 – \$77.0 million) of this balance, and 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, 2022 – \$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, 2023 (December 31, 2022 – \$0.2 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, 2023, the closing price of a Fund Unit was \$15.33 (December 31, 2022 – \$15.08) 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, 2022 – 2,430,823) resulting in a Class B Unit Liability fair value of \$37.3 million (December 31, 2022 – \$36.7 million). For the year ended December 31, 2023, the increase of \$0.6 million is due to fair value loss (December 31, 2022 – fair value gain of \$0.9 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. 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.

9. Financial Instruments (continued)

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.

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, 2023, the Fund had no provision for credit risk recorded in its financial statements (December 31, 2022 – 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, 2023
Cash and cash equivalents	\$ 4,589
Royalty receivable from Boston Pizza International Inc.	3,361
Distribution receivable from Boston Pizza Canada Limited Partnership	1,051
Undrawn Facility A	2,000
	\$ 11,001

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 have scheduled repayment terms 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 Fund’s capital resources are comprised of cash and cash flow from operating activities. The maturities of the Fund’s financial liabilities are as follows:

(in thousands)	Value	Maturity
Accounts payable and accrued liabilities	\$ 411	< 1 year
Distributions payable to Fund unitholders	\$ 2,277	< 1 year
Interest payable on Class B Units	\$ 323	< 1 year
Credit Facilities (<i>note 7</i>)	\$ 86,496	> 1 year

9. Financial Instruments (continued)

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, 2023. 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.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (“**IBOR**”) with alternative rates. On December 16, 2021, the Canadian Alternative Reference Rate working group (“**CARR**”) recommended that the administrator, Refinitiv Benchmark Services UK Limited (“**RBSL**”), cease publication of CDOR settings immediately after June 28, 2024. On May 16, 2022, following public consultation, RBSL announced that all remaining CDOR settings will cease publication immediately after June 28, 2024, in line with CARR recommendations. As at December 31, 2023, the Fund’s IBOR exposure is indexed to CDOR. The alternative rate for CDOR is the Canadian Overnight Repo Rate Average (“**CORRA**”). The Fund has had preliminary discussions with the Bank regarding amending the Credit Facilities prior to June 28, 2024 to replace the current rates that are based upon CDOR with corresponding rates that are based upon CORRA. While the precise rates that will be based on CORRA have not yet been agreed upon by the Fund and the Bank, the Fund does not expect these amendments to result in a material increase in the Fund’s cost of borrowing under the Credit Facilities.

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

10. Capital Disclosures (continued)

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 has historically eliminated the impact of seasonal fluctuations by equalizing monthly distributions. The Fund had debt, net of deferred financing fees, of \$86.5 million at December 31, 2023 (December 31, 2022 – \$86.4 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, 2023.

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 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.

11. Fund Units (continued)

(b) Fund Units outstanding:

(in thousands, except unit data)	Number of Fund Units	Fund Units as equity
Opening balance at January 1, 2023 and 2022	21,521,463	\$ 325,048
Acquisition of Fund units	(242,900)	(4,004)
Balance at December 31, 2023	21,278,563	\$ 321,044

As at December 31, 2023, 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	
	2023	2022	2023	2022
Monthly Distributions	\$ 27,254	\$ 23,975	\$ 27,172	\$ 23,609
Special Distribution	-	1,829	-	1,829
Total Distributions	\$ 27,254	\$ 25,804	\$ 27,172	\$ 25,438
Monthly Distributions per Fund Unit	\$ 1.27	\$ 1.11	\$ 1.27	\$ 1.09
Special Distribution per Fund Unit	-	0.09	-	0.09
Total Distributions per Fund Unit	\$ 1.27	\$ 1.20	\$ 1.27	\$ 1.18

(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 permits 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. During the year ended December 31, 2023, the Fund acquired 242,900 Fund Units (2022 – nil) under the NCIB at an average price of \$16.49 per Fund unit for a total of \$4.0 million (2022 – nil). The Fund financed units purchased under the NCIB from cash on hand.

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 \$14.2 million at December 31, 2023 (\$10.7 million at December 31, 2022).

13. Operations

(in thousands, except number of Restaurants in the Royalty Pool)	2023	2022
Restaurants in the Royalty Pool	377	383
Franchise Sales reported by Restaurants in the Royalty Pool	\$ 925,655	\$ 854,997
Royalty income – 4% of Franchise Sales	37,026	34,200
Distribution income – 1.5% of Franchise Sales (less BPI retained interest)	12,167	11,273

Boston Pizza Restaurants experience seasonal fluctuations in Franchise Sales, which are inherent in the full service restaurant industry in Canada. Seasonal factors such as tourism and better weather allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters compared to the first and fourth quarters.

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, 2023 was \$0.4 million (December 31, 2022 – \$0.4 million). The total amount payable to BPI in respect of these services for the year ended December 31, 2023 was nominal (December 31, 2022 – nominal).

As at December 31, 2023, interest payable to BPI on Class B Units was \$0.3 million (December 31, 2022 – \$0.3 million), Royalty receivable from BPI was \$3.4 million (December 31, 2022 – \$3.3 million), and Distribution receivable from BP Canada LP was \$1.1 million (December 31, 2022 – \$1.0 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)	2023	2022
Remuneration paid to Trustees	\$ 240	\$ 240

16. Supplemental cash flow information

(a) Non-cash transactions

(in thousands)	2023	2022
Amortization of deferred financing fees	\$ 56	\$ 115

16. Supplemental cash flow information (continued)

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

(in thousands)	2023	2022
Change in:		
Royalty receivable from BPI	\$ (31)	\$ (728)
Distribution receivable from BP Canada LP	(9)	(222)
Prepaid expenses	(10)	(16)
Accounts payable and accrued liabilities	(133)	(42)
Adjusted for:		
Interest expense	(3,314)	(3,499)
Interest paid on debt	3,404	3,576
Changes in non-cash working capital	\$ (93)	\$ (931)

17. Subsequent events

- (a) On January 1, 2024, the one new Boston Pizza Restaurants that opened across Canada 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. Accordingly, the total number of restaurants in the Royalty Pool decreased to 372 from 377. 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 negative Royalty and Distribution to the Fund of \$0.4 million. As a result of the Deficiency, BPI did not receive any Additional Entitlements on January 1, 2024. 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 2020 through 2023 (total of \$2.0 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 2024, no adjustments were made to the Deficiency related to 2022 since no new restaurants were opened during 2022 nor were added to the Royalty Pool on January 1, 2023.
- (c) On February 13, 2024, the Trustees of the Fund declared a distribution for January 2023 of \$0.113 per unit, which will be payable on February 29, 2024 to unitholders of record on February 21, 2024.

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BOSTON PIZZA INTERNATIONAL INC.
Management's Discussion & Analysis
Consolidated Financial Statements

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FINANCIAL HIGHLIGHTS

The tables below set out selected information from the audited annual consolidated financial statements of Boston Pizza International Inc. (“**BPI**” and where applicable also includes its wholly-owned subsidiaries), and the accounts of Boston Pizza Canada Limited Partnership (“**BP Canada LP**”), together with other data, and should be read in conjunction with the audited annual consolidated financial statements of BPI for the years ended December 31, 2023 and December 31, 2022. The financial information reported in the tables included in this Management’s Discussion and Analysis (“**MD&A**”) are reported in accordance with IFRS Accounting Standards (“**IFRS**”) except as otherwise noted and are stated in Canadian dollars. Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in current year. Capitalized terms used in the tables and notes below are defined elsewhere in this MD&A.

<i>For the Year ended December 31</i>	2023	2022	2021
(in thousands of dollars - except number of restaurants, SRS and per share items)			
System-Wide Gross Sales ¹	1,165,628	1,075,093	812,856
Number of Boston Pizza Restaurants ²	372	377	383
Franchise Sales reported by Boston Pizza Restaurants ³	925,729	854,997	660,051
Same Restaurant Sales ⁴	8.7%	30.4%	8.5%
<u>Income Statement Data</u>			
Total revenues	124,727	116,106	90,264
Royalty expense	(37,026)	(34,200)	(26,402)
Distribution expense	(12,167)	(11,273)	(8,752)
Operating expenses excluding Royalty expense and Distribution expense	(65,035)	(57,778)	(43,534)
Earnings before interest and fair value (loss) gain	10,499	12,855	11,576
Net interest income	3,330	2,078	171
Fair value (loss) gain	(756)	1,120	(13,977)
Earnings (loss) before income taxes	13,073	16,053	(2,230)
Current and deferred income tax expense	(3,976)	(4,131)	(3,055)
Net and comprehensive income (loss)	9,097	11,922	(5,285)
Basic and diluted income (loss) per share	92.74	121.55	(53.88)
<u>Balance Sheet Data</u>			
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021
Total assets	151,246	152,009	154,799
Total liabilities	390,728	400,588	415,300

Notes – Non-GAAP, Specified Financial Measures and Other Information

1 “**System-Wide Gross Sales**” is a supplementary financial measure under National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* (“**NI 52-112**”) and therefore may not be comparable to similar measures presented by other issuers. System-Wide Gross Sales means the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), including revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts, but excluding applicable sales and similar taxes. BPI believes that System-

- Wide Gross Sales provides useful information to investors regarding the overall performance of the Boston Pizza System.
- 2 Number of Boston Pizza Restaurants is reported as at the end of the applicable period.
- 3 “**Franchise Sales**” when disclosed on a monthly basis herein, is a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. Franchise Sales means the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), after deducting revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts, and excluding applicable sales and similar taxes. Nevertheless, BP Canada LP periodically conducts audits of the Franchise Sales reported to it by its franchisees, and the Franchise Sales reported herein include results from sales audits of earlier periods. Franchise Sales is the basis upon which franchisees of BP Canada LP pay royalty and contributions into the Advertising Fund to BP Canada LP. BPI believes that Franchise Sales provides useful information to investors regarding the performance of the Boston Pizza System with respect to sales upon which BP Canada LP earns royalty and contributions into the Advertising Fund.
- 4 “**Same Restaurant Sales**” or “**SRS**” is a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. Prior to the fourth quarter of 2021, BPI defined SRS as the change in gross revenues of Boston Pizza Restaurants as compared to the gross revenues for the same period in the previous year (where restaurants were open for a minimum of 24 months). Commencing with the fourth quarter of 2021, BPI defines SRS as the change in Franchise Sales of Boston Pizza Restaurants as compared to the Franchise Sales for the same period in the previous year (where restaurants were open for a minimum of 24 months). BPI believes that the current method of calculating SRS provides investors more meaningful information regarding the performance of Boston Pizza Restaurants since Royalty and Distributions are payable to the Fund by BPI and BP Canada LP on Franchise Sales of Boston Pizza Restaurants in the Royalty Pool (as defined below) and not gross revenues of Boston Pizza Restaurants in the Royalty Pool. All historical SRS figures contained in this MD&A have been restated to conform to the current method of calculating SRS.

MANAGEMENT’S DISCUSSION AND ANALYSIS
BOSTON PIZZA INTERNATIONAL INC.
For the Period and Year ended December 31, 2023

SUMMARY OF QUARTERLY RESULTS

	Q4 2023	Q3 2023	Q2 2023	Q1 2023
(in thousands of dollars - except number of restaurants, SRS and per share items)				
System-Wide Gross Sales	287,400	301,739	293,739	282,750
Number of Boston Pizza Restaurants	372	375	375	376
Franchise Sales reported by Boston Pizza Restaurants	227,739	240,139	233,650	224,201
Same Restaurant Sales	0.6%	5.3%	6.6%	25.7%
<u>Income Statement Data</u>				
Total revenues	31,381	32,262	31,597	29,487
Royalty expense	(9,106)	(9,606)	(9,346)	(8,968)
Distribution expense	(2,992)	(3,155)	(3,071)	(2,949)
Operating expenses excluding Royalty expense and Distribution expense	(17,475)	(16,139)	(15,986)	(15,435)
Earnings before interest and fair value (loss) gain	1,808	3,362	3,194	2,135
Net interest income	1,344	858	761	367
Fair value (loss) gain	(514)	4,356	(4,719)	121
Earnings (loss) before income taxes	2,638	8,576	(764)	2,623
Current and deferred income tax expense	(866)	(1,074)	(1,210)	(826)
Net and comprehensive income (loss)	1,772	7,502	(1,974)	1,797
Basic and diluted income (loss) per share	18.07	76.48	(20.12)	18.32

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
(in thousands of dollars - except number of restaurants, SRS and per share items)				
System-Wide Gross Sales	285,435	287,813	278,067	223,778
Number of Boston Pizza Restaurants	377	380	381	381
Franchise Sales reported by Boston Pizza Restaurants	227,163	229,848	219,384	178,602
Same Restaurant Sales	24.5%	8.4%	64.9%	39.1%
<u>Income Statement Data</u>				
Total revenues	31,643	31,091	29,468	23,904
Royalty expense	(9,087)	(9,194)	(8,775)	(7,144)
Distribution expense	(2,988)	(3,027)	(2,895)	(2,363)
Operating expenses excluding Royalty expense and Distribution expense	(16,559)	(13,986)	(15,623)	(11,610)
Earnings before interest and fair value gain (loss)	3,009	4,884	2,175	2,787
Net interest income	1,251	513	220	94
Fair value gain (loss)	636	(1,211)	8,107	(6,412)
Earnings (loss) before income taxes	4,896	4,186	10,502	(3,531)
Current and deferred income tax expense	(952)	(1,534)	(14)	(1,631)
Net and comprehensive income (loss)	3,944	2,652	10,488	(5,162)
Basic and diluted income (loss) per share	40.21	27.04	106.93	(52.63)

MANAGEMENT’S DISCUSSION AND ANALYSIS
BOSTON PIZZA INTERNATIONAL INC.
For the Period and Year ended December 31, 2023

OVERVIEW

This MD&A covers the three-month period from October 1, 2023 to December 31, 2023 (the “**Period**”) and the twelve-month period from January 1, 2023 to December 31, 2023 (the “**Year**”) and is dated February 13, 2024. It provides additional analysis of the operations, financial position and financial performance of BPI and should be read in conjunction with BPI’s applicable audited annual consolidated financial statements and the accompanying notes. The audited annual consolidated financial statements of BPI are in Canadian dollars and have been prepared in accordance with IFRS except as otherwise noted.

General

BPI is a privately controlled company and prior to April 6, 2015, was the exclusive franchisor of the Boston Pizza (as defined below) concept in Canada. On April 6, 2015, BP Canada LP, a British Columbia limited partnership controlled and operated by BPI, became the exclusive franchisor of the Boston Pizza concept in Canada. On May 6, 2015, Boston Pizza Royalties Income Fund (the “**Fund**”) completed an indirect investment in BP Canada LP to effectively increase the Fund’s indirect interest in Franchise Sales of Boston Pizza Restaurants (as defined below) in the Royalty Pool (as defined below) by 1.5%, from 4.0% to 5.5% less the pro rata portion payable to BPI in respect of its retained interest in the Fund (the “**2015 Transaction**”).

BPI and BP Canada LP compete in the casual dining sector of the restaurant industry and Boston Pizza is the number one casual dining brand in Canada. With hundreds of restaurants stretching from Victoria to St. John’s, Boston Pizza has more restaurants and serves more customers annually than any other casual dining restaurant chain in Canada.

Royalty

BP Canada LP charges a 7.0% royalty fee on Franchise Sales for full-service Boston Pizza restaurants open in Canada (the “**Boston Pizza Restaurants**”). BPI pays Boston Pizza Royalties Limited Partnership (“**Royalties LP**”), an entity controlled by the Fund, a 4.0% royalty fee (the “**Royalty**”) on Franchise Sales from the Boston Pizza Restaurants in the royalty pool (the “**Royalty Pool**”) for the use of the Boston Pizza trademarks in Canada (the “**BP Rights**”⁵). As of December 31, 2023, there were 377 Boston Pizza Restaurants in the Royalty Pool, of which approximately 370 were operating and open for business to the public.⁶

Increases in Franchise Sales and the resulting royalty paid by Boston Pizza Restaurants to BPI are derived from both new Boston Pizza Restaurants and SRS. The two principal factors that affect SRS are changes in guest traffic and changes in average guest cheque. Increases in average guest cheque are typically driven by menu price increases in response to inflation of restaurant level costs. However, the extent to which menu price increases result in increased average guest cheque is dependent upon consumer reaction to the price increases. Boston Pizza’s ability to increase SRS is dependent upon existing Boston Pizza Restaurants maintaining operational excellence, general market conditions, weather, menu pricing, and marketing programs undertaken by BPI and BP Canada LP. One of BPI’s and BP Canada LP’s competitive strengths in increasing Franchise Sales of existing restaurants is that the standard franchise agreement for Boston Pizza Restaurants requires that each Boston Pizza Restaurant undergoes a complete restaurant renovation every seven years and completes equipment upgrades as

5 BP Rights are the trademarks that as at July 17, 2002 were registered or the subject of pending applications for registration under the *Trademarks Act* (Canada), and other trademarks and trade names which are confusing with the registered or pending trademarks. The BP Rights purchased 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).

6 Boston Pizza Restaurants may temporarily or permanently close for a variety of reasons. The Royalty Pool is adjusted only once a year on January 1 to add new Boston Pizza Restaurants that opened and to remove Boston Pizza Restaurants that permanently closed. Accordingly, the number of Boston Pizza Restaurants in the Royalty Pool at any time may exceed the number of Boston Pizza Restaurants that are actively operating and open for business to the public. See “Overview - Addition of New Restaurants to Royalty Pool” below for more information regarding adjustments to the Royalty Pool.

MANAGEMENT’S DISCUSSION AND ANALYSIS
BOSTON PIZZA INTERNATIONAL INC.
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required by BP Canada LP. Restaurants typically close or partially close for two to three weeks to complete the renovation, which incorporates updated design elements that result in a refreshed and more appealing restaurant.

Franchise Sales are also affected by the permanent closures of Boston Pizza Restaurants. A Boston Pizza Restaurant is closed when it ceases to be viable or when the franchise agreement applicable to that Boston Pizza Restaurant has expired or been terminated.

Distributions from BP Canada LP

Boston Pizza Holdings Limited Partnership (“**Holdings LP**”), an entity controlled by the Fund, holds Class 1 limited partnership units (“**Class 1 LP Units**”) and Class 2 limited partnership units (“**Class 2 LP Units**”) of BP Canada LP, and BPI holds, indirectly through Boston Pizza Canada Holdings Partnership (“**BPCHP**”), Class 2 general partnership units of BP Canada LP (“**Class 2 GP Units**”), which are exchangeable for units of the Fund (“**Fund Units**”). The Class 1 LP Units and Class 2 LP Units provide Holdings LP with the right to receive distributions from BP Canada LP equal, in aggregate, to 1.5% of Franchise Sales, less the pro rata portion payable to BPI in respect of its Class 2 GP Units (the “**Distributions**”). Specifically, the Class 1 LP Units entitle Holdings LP to receive a priority distribution equal to the amount of interest that Holdings LP pays on certain indebtedness of Holdings LP plus 0.05% of that amount, with the balance of 1.5% of Franchise Sales being distributed pro rata to Holdings LP and BPI on the Class 2 LP Units and Class 2 GP Units, respectively. After BP Canada LP pays distributions on the Class 1 LP Units, Class 2 LP Units and Class 2 GP Units, BPI is entitled to all residual distributions from BP Canada LP on the Class 3 general partnership units, Class 4 general partnership units, Class 5 general partnership units and Class 6 general partnership units of BP Canada LP that BPI holds.

Addition of New Restaurants to Royalty Pool

On January 1 of each year (each, an “**Adjustment Date**”), an adjustment is made to add to the Royalty Pool new Boston Pizza Restaurants that opened (“**New Restaurants**”) and to remove any Boston Pizza Restaurants that permanently closed since January 1 of the previous year (“**Closed Restaurants**”). In return for adding new Royalty and Distributions from the New Restaurants and after subtracting the Royalty and Distributions that are lost from the Closed Restaurants⁷ (such difference, “**Net Royalty and Distributions**”), BPI receives the right to indirectly acquire additional Fund Units (in respect of the Royalty, “**Class B Additional Entitlements**” and in respect of Distributions, “**Class 2 Additional Entitlements**”, and collectively, “**Additional Entitlements**”). The calculation of Additional Entitlements is designed to be accretive to holders of Fund Units (“**Unitholders**”) as the expected increase in Franchise Sales from the New Restaurants added to the Royalty Pool less the decrease in Franchise Sales from the Closed Restaurants is valued at a 7.5% discount. The Additional Entitlements are calculated at 92.5% of the estimated Royalty and Distributions expected to be generated by the New Restaurants less the actual Royalty and Distributions lost from the Closed Restaurants, multiplied by one minus the effective tax rate estimated to be paid by the Fund, divided by the yield of the Fund, divided by the weighted average Fund Unit price over a specified period. BPI receives 80% of the Additional Entitlements initially, with the balance received when the actual full year performance of the New Restaurants and the actual effective tax rate paid by the Fund are known with certainty (such balance of Fund Units in respect of the increased Royalty, the “**Class B Holdback**”, and in respect of the increased Distributions, the “**Class 2 Holdback**”, and collectively, the “**Holdback**”). BPI receives 100% of the distributions on the Additional Entitlements throughout the year. After the New Restaurants have been part of the Royalty Pool for a full year, an audit of the Franchise Sales of these restaurants is performed, and the actual effective tax rate paid by the Fund is determined. At such time, an adjustment is made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI.

It is possible that on an Adjustment Date, the Net Royalty and Distributions is negative as a result of the estimated Royalty and Distributions expected to be generated by the New Restaurants being less than the actual Royalty and Distributions that is lost from the Closed Restaurants (the amount by which it is less is the “**Deficiency**”). 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 Net Royalty and Distributions in an amount equal to the Deficiency before receiving

⁷ The Royalty and Distributions that are lost from the Closed Restaurants is calculated based upon the actual Franchise Sales received from the Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool.

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any further Additional Entitlements (i.e. BPI only receives Additional Entitlements in respect of the cumulative amount by which Royalty and Distributions from New Restaurants exceeds actual Royalty and Distributions lost from Closed Restaurants).

Business Strategy

The success of the business of BPI, BP Canada LP, their affiliated entities and franchisees (“**Boston Pizza**”) can be attributed to four simple underlying principles that are the foundation for all strategic decision-making – the “Four Pillars” strategy.

- **Building the brand**
- **Continually improving the guest experience**
- **A commitment to Franchisee profitability**
- **On-going engagement in local communities**

BPI and BP Canada LP realize that franchisees have to be profitable to succeed. To enhance profitability and to facilitate the growth of Boston Pizza, BPI and BP Canada LP aggressively enhance and promote the Boston Pizza brand through television, radio, digital, social media, and national and local promotions. The costs associated with national marketing of Boston Pizza are paid for by the Boston Pizza advertising fund (the “**Advertising Fund**”). Franchisees pay 3.0% of Franchise Sales to the Advertising Fund; these funds are used mainly to purchase television, radio, digital and social media advertising, including for the production of marketing materials and administration costs. Both Boston Pizza franchisees and the corporate support staff continuously find new ways to improve the guests’ experience so that guests will return to Boston Pizza again and again. Boston Pizza and its franchisees connect with their communities by hosting events, engaging with local organizations, and supporting philanthropic causes. Management is confident that this “Four Pillars” strategy will continue to focus BPI’s and BP Canada LP’s efforts, develop new markets and strengthen Boston Pizza’s position as Canada’s number one casual dining brand.

Effects of COVID-19

COVID-19 impacted the business of the Fund, BPI and BP Canada LP, and the operation of Boston Pizza Restaurants significantly during 2020, 2021 and the first half of 2022. Since then, COVID-19 case counts improved, government restrictions related to COVID-19 were largely eliminated, and sales levels of Boston Pizza Restaurants have returned to levels more consistent with times prior to COVID-19.

Economic Uncertainties

The success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distributions and the Fund’s available cash for distribution to Unitholders, are dependent upon many economic factors. In 2023, Boston Pizza Restaurants were challenged, among other things, by impacts of inflation, increases in interest rates, rising input costs, decreased labour availability and changes in consumer confidence. However, despite these challenges, Boston Pizza Restaurants have been able to generate solid Franchise Sales and offer affordable dining options, both on and off-premise, for guests in economically uncertain times. As demonstrated during COVID-19, BPI, BP Canada LP and Boston Pizza Restaurants have the ability to adapt to changes in operating environments and economic conditions. For additional information regarding economic uncertainties, refer to the “Risks & Uncertainties” section of this MD&A.

Seasonality

Boston Pizza Restaurants typically experience seasonal fluctuations in Franchise Sales, which are inherent in the full-service restaurant industry in Canada. Seasonal factors, such as tourism and better weather, generally allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters each year compared to the first and fourth quarters.

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New Restaurant Openings, Closures and Renovations

During the Period, there was one New Restaurant and four Closed Restaurants. During the Year, there was one New Restaurant and six Closed Restaurants. As well, nine Boston Pizza Restaurants were renovated during the Period and 20 Boston Pizza Restaurants were renovated during the Year. Boston Pizza Restaurants typically close or partially close for two to three weeks to complete the renovation, which incorporates updated design elements that result in a refreshed and more appealing restaurant.

OPERATING RESULTS

Same Restaurant Sales

Period

SRS was 0.6% for the Period compared to 24.5% reported in the fourth quarter of 2022. SRS for the Period was principally due to an increase in average guest cheque due to menu pricing. The COVID-19 restrictions that existed during the fourth quarter of 2021 were a significant factor in why SRS for the fourth quarter of 2022 is greater than SRS for the Period.

Year

SRS was 8.7% for the Year compared to 30.4% reported in 2022. SRS for the Year was principally due to increases in restaurant guest traffic compared to 2022 and average guest cheque due to a combination of menu pricing and larger per guest ordering levels. COVID-19 restrictions existed in most of the country during 2021, the first quarter of 2022 and part of the second quarter of 2022 that negatively impacted in-restaurant guest traffic. Those restrictions were largely eliminated during the second quarter of 2022. The COVID-19 restrictions that existed during 2021 were a significant factor in why SRS for 2022 is greater than SRS for the Year.

Revenues

Period

BPI’s total revenue was \$31.4 million for the Period compared to \$31.6 million for the fourth quarter of 2022. BPI’s revenue was principally derived from royalty revenue and Advertising Fund contributions received by BP Canada LP from franchised Boston Pizza Restaurants, supplier contributions, sales from corporately owned restaurants and franchise transfer and renewal fees. The \$0.2 million decrease in revenue for the Period was primarily due to the decrease in revenues from corporately owned restaurants due to the sale of one of the restaurants during the Period and another restaurant in an earlier period in 2023, partially offset by higher Advertising Fund contributions.

Year

BPI’s total revenue was \$124.7 million for the Year compared to \$116.1 million in 2022. The \$8.6 million increase in revenue for the Year was primarily due to higher royalty revenues, Advertising Fund contributions, supplier contributions and revenues from corporately owned restaurants resulting from positive SRS.

Royalty Expense and Distribution Expense

Period

BPI’s Royalty expense to Royalties LP (being 4.0% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool) was \$9.1 million and Distribution expense (being 1.5% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool, less BPI’s retained interest) was \$3.0 million for the Period, compared to \$9.1 million and \$3.0 million, respectively, for the fourth quarter of 2022. The nominal increases in Royalty expense and Distribution expense for the Period were primarily due to positive SRS.

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Year

BPI’s Royalty expense to Royalties LP was \$37.0 million and Distribution expense was \$12.2 million for the Year compared to \$34.2 million and \$11.3 million, respectively, in 2022. The \$2.8 million increase in Royalty expense and \$0.9 million increase in Distribution expense for the Year were primarily due to positive SRS.

Operating Expenses Excluding Royalty Expense and Distribution Expense

Period

BPI’s operating expenses, excluding Royalty expense and Distribution expense, were \$17.5 million for the Period, which included Advertising Fund expenses of \$8.4 million, compensation expense of \$5.6 million, other expense associated with services provided to franchised Boston Pizza Restaurants of \$2.1 million, operational costs of corporately owned restaurants of \$1.3 million, depreciation and amortization of \$0.5 million, and management fees for services rendered by a company under common control of \$0.3 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of \$0.7 million. In the fourth quarter of 2022, BPI’s operating expenses, excluding Royalty expense and Distribution expense, were \$16.6 million, which included Advertising Fund expenses of \$7.7 million, compensation expense of \$4.1 million, operational costs of corporately owned restaurants of \$2.4 million, depreciation and amortization of \$1.5 million, other expense associated with services provided to franchised Boston Pizza Restaurants of \$1.1 million, and management fees for services rendered by companies under common control of \$0.5 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of \$0.7 million.

The increase in operating expenses, excluding Royalty expense and Distribution expense, of \$0.9 million for the Period was due to increases in compensation expense due to increases in wages and headcount, expenses associated with services provided to franchised Boston Pizza Restaurants and Advertising Fund expenses due to increased advertising activity. This was partially offset by decreases in operational costs of corporately owned restaurants due to the sale of two corporately owned restaurants and in depreciation and amortization expense and management fees for services rendered by a company under common control.

The deferred gain on the sale of BP Rights to Royalties LP is amortized over 99 years, beginning in 2002 for the term of the License and Royalty Agreement dated July 17, 2002, as amended on May 9, 2005, between Royalties LP and BPI. The net deferred gain as at December 31, 2023 was \$219.2 million compared to \$222.0 million as at December 31, 2022.

Year

BPI’s operating expenses, excluding Royalty expense and Distribution expense, were \$65.0 million for the Year, which included Advertising Fund expenses of \$27.7 million, compensation expense of \$21.0 million, operational costs of corporately owned restaurants of \$8.6 million, other expense associated with services provided to franchised Boston Pizza Restaurants of \$6.4 million, depreciation and amortization of \$3.1 million, and management fees for services rendered by a company under common control of \$1.0 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of \$2.8 million. In 2022, BPI’s operating expenses, excluding Royalty expense and Distribution expense, were \$57.8 million, which included Advertising Fund expenses of \$24.1 million, compensation expense of \$18.4 million, operational costs of corporately owned restaurants of \$8.5 million, depreciation and amortization of \$4.6 million, other expense associated with services provided to franchised Boston Pizza Restaurants of \$4.5 million, and management fees for services rendered by companies under common control of \$0.5 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of \$2.8 million.

The increase in operating expenses, excluding Royalty expense and Distribution expense, of \$7.2 million for the Year was due to increases in Advertising Fund expenses due to increased advertising activity, compensation expense due to increases in wages and headcount, other expenses associated with services provided to franchised Boston Pizza Restaurants, operational costs of corporately owned Boston Pizza Restaurants due to increased Boston Pizza Restaurant activity and government assistance received in 2022 but not for the Year and management

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fees for services rendered by a company under common control, partially offset by a decrease in depreciation and amortization expense.

Earnings before Interest and Fair Value Gain (Loss)

Period

BPI’s earnings before interest and fair value gain (loss) was \$1.8 million for the Period compared to \$3.0 million for the fourth quarter of 2022. The \$1.2 million decrease in earnings before interest and fair value gain (loss) for the Period was principally due to increases in operating expenses excluding Royalty and Distribution expenses and a decrease in revenues.

Year

BPI’s earnings before interest and fair value gain (loss) gain was \$10.5 million for the Year compared to \$12.9 million in 2022. The \$2.4 million decrease in earnings before interest and fair value gain (loss) for the Year was principally due to increases in operating, Royalty and Distribution expenses, partially offset by an increase in revenues.

Net Interest Income

Period

BPI’s net interest income during the Period was \$1.3 million, comprised of \$1.3 million of interest income received by BPI on its Class B general partner units of Royalties LP (“**Class B Units**”) and \$0.2 million of interest income on cash and cash equivalents and a \$0.1 million recovery of interest expense on lease obligations, partially offset by \$0.2 million of interest expense on debt and financing costs. BPI’s net interest income for the fourth quarter of 2022 was \$1.3 million, comprised of \$1.6 million of interest income received by BPI on its Class B Units and \$0.1 million of interest income on cash and cash equivalents, partially offset by \$0.4 million of interest expense on debt and financing costs and \$0.1 million of interest expense on lease obligations. The nominal increase in net interest income for the Period was due to a decrease in interest expense on debt and financing costs due to lower debt carried in the Period, a decrease in interest expense on lease obligations and an increase in interest income earned on cash and cash equivalents due to increased interest rates, partially offset by a decrease in interest income on Class B Units attributable to the special distribution declared in the same period in 2022.

Year

BPI’s net interest income for the Year was \$3.3 million, comprised of \$4.0 million of interest income received by BPI on its Class B Units and \$0.6 million of interest income on cash and cash equivalents, partially offset by \$1.1 million of interest expense on debt and financing costs and \$0.1 million of interest expense on lease obligations. In 2022, BPI’s net interest income was \$2.1 million, comprised of \$3.7 million of interest income received by BPI on its Class B Units and \$0.3 million of interest income on cash and cash equivalents, partially offset by \$1.6 million of interest expense on debt and financing costs and \$0.3 million of interest expense on lease obligations. The \$1.2 million increase in net interest income for the Year was due to a decrease in interest expense on debt and financing costs due to lower debt carried, an increase in interest income on Class B Units attributable to the Fund’s higher monthly distribution rates compared to 2022, an increase in interest income earned on cash and cash equivalents due to increased interest rates and a decrease in interest expense on lease obligations.

Fair Value Gain (Loss)

Period

During the Period, BPI recognized a fair value loss of \$0.5 million compared to a fair value gain of \$0.6 million for the fourth quarter of 2022. The change in fair value was principally due to the change in the price of Fund Units into which the Class B Units are exchangeable and upon which the Class 2 LP Units liability is measured.

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BPI estimates the fair value of the Class B Units by multiplying the number of Fund Units that BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI at the end of the Period by the closing price of a Fund Unit on the last business day of the Period. On December 31, 2023, the Fund’s closing price was \$15.33 per Fund Unit (September 30, 2023 – \$15.16 per Fund Unit) and the number of Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI was 2,430,823 (September 30, 2023 – 2,430,823). Consequently, the Class B Units were valued at \$37.3 million (September 30, 2023 – \$36.9 million), resulting in a fair value gain of \$0.4 million. In general, the value of the Class B Units will increase as the market price of Fund Units increases and vice versa. In addition, the value of the Class B Units increases as the number of Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) increases and vice versa.

The Class 1 LP Units are entitled to distributions determined with respect to the interest cost paid by the Fund on the credit facility of the Fund drawn on at the time of the 2015 Transaction to pay for the Fund’s indirect investment in Class 1 LP Units of BP Canada LP. BPI estimates the fair value of the Class 1 LP Units liability using a market-corroborated input, being the interest rate on the applicable credit facility. Consequently, BPI estimated the fair value of Class 1 LP Units liability as at December 31, 2023 to be \$33.3 million (September 30, 2023 – \$33.3 million), resulting in no fair value adjustment for the Period.

BPI estimates the fair value of the Class 2 LP Units liability by multiplying the number of 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, 2023, the Fund indirectly held 5,455,762 Class 2 LP Units (September 30, 2023 – 5,455,762) and the Fund’s closing price on December 31, 2023 was \$15.33 per Fund Unit (September 30, 2023 – \$15.16 per Fund Unit). Consequently, BPI estimated the fair value of the Class 2 LP Units liability as at December 31, 2023 to be \$83.6 million (September 30, 2023 – \$82.7 million), resulting in a fair value loss of \$0.9 million for the Period. In general, the fair value of the Class 2 LP Units liability will increase as the market price of Fund Units increases and vice versa.

Year

During the Year, BPI recognized a fair value loss of \$0.8 million compared to a fair value gain of \$1.1 million in 2022. The change in fair value was principally due to the change in the price of Fund Units into which the Class B Units are exchangeable and upon which the Class 2 LP Units liability is measured.

As at December 31, 2022, the number of Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI was 2,430,823 and the Fund’s closing price was \$15.08 per Fund Unit. The Class B Units were calculated to be valued at \$36.7 million as at December 31, 2022. As discussed above, the Class B Units at the end of the Period were valued at \$37.3 million, resulting in a fair value gain of \$0.6 million.

As discussed above, BPI estimated the fair value of Class 1 LP Units liability as at December 31, 2023 to be \$33.3 million (December 31, 2022 – \$33.3 million), resulting in no fair value adjustment for the Year.

As at December 31, 2022, the Fund indirectly held 5,455,762 Class 2 LP Units and the Fund’s closing price was \$15.08 per Fund Unit. Consequently, BPI estimated the fair value of the Class 2 LP Units liability as at December 31, 2022 to be \$82.3 million. As discussed above, BPI estimated the fair value of the Class 2 LP Units liability as at December 31, 2023 to be \$83.6 million, resulting in a fair value loss of \$1.4 million for the Year.

Earnings before Income Taxes

Period

Given the combined effects of the above-noted factors, BPI had earnings before income taxes of \$2.6 million for the Period compared to \$4.9 million for the fourth quarter of 2022. The \$2.3 million decrease in earnings before income taxes was primarily due to a decrease in earnings before interest and fair value gain (loss) and an increase in fair value loss.

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Year

Given the combined effects of the above-noted factors, BPI had earnings before income taxes of \$13.1 million for the Year compared to earnings of \$16.1 million in 2022. The \$3.0 million decrease in earnings before income taxes was primarily due to a decrease in earnings before interest and fair value gain (loss) and an increase in fair value loss, partially offset by an increase in net interest income.

Income Tax Expense

Period

BPI recognized a \$0.5 million current income tax expense for the Period compared to a nominal current income tax expense for the fourth quarter of 2022. The \$0.5 million increase in current income tax expense for the Period is mainly due to lower capital cost allowance taken in the Period due to timing.

BPI recognized \$0.3 million deferred income tax expense for the Period compared to \$0.9 million for the fourth quarter of 2022. The \$0.6 million decrease in deferred income tax expense is primarily due to the timing of temporary differences, partially offset by the change in the fair value on the Class B Units in the Period.

Year

BPI recognized a \$3.3 million current income tax expense for the Year compared to \$1.9 million in 2022. The \$1.4 million increase in current income tax expense for the Year is mainly due to the usage of non-capital loss carry forwards in 2022 not available for the Year.

BPI recognized \$0.7 million deferred income tax expense for the Year compared to \$2.3 million in 2022. The \$1.6 million decrease in deferred income tax expense is primarily due to the timing of temporary differences, usage of non-capital loss carry forwards in 2022 not available for the Year and the change in the fair value on the Class B Units.

Net and Comprehensive Income

Period

BPI’s net and comprehensive income for the Period was \$1.8 million compared to \$3.9 million for the fourth quarter of 2022. The \$2.1 million decrease is primarily due to the decrease in earnings before income taxes, partially offset by the decrease in income tax expense.

Year

BPI’s net and comprehensive income for the Year was \$9.1 million compared to \$11.9 million in 2022. The \$2.8 million decrease is primarily due to the decrease in earnings before income taxes, partially offset by a decrease in income tax expense.

Sale of Boston Pizza Restaurants

On July 24, 2023, a wholly-owned subsidiary of BPI sold an existing Boston Pizza Restaurant to a franchisee of BP Canada LP. On December 4, 2023, another wholly-owned subsidiary of BPI sold another existing Boston Pizza Restaurant to a franchisee of BP Canada LP. As at December 31, 2023, BPI corporately owns, through a wholly-owned subsidiary, one Boston Pizza Restaurant.

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New Restaurants Added to the Royalty Pool

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2023

On January 1, 2023, the Royalty Pool was adjusted to remove six Closed Restaurants that closed between January 1, 2022 and December 31, 2022 resulting in the number of Boston Pizza Restaurants in the Royalty Pool decreasing from 383 to 377. The actual Franchise Sales received from the six Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool was \$6.8 million. Since no New Restaurants opened during 2022, the resulting annual net Franchise Sales for the six Closed Restaurants that closed in 2022 was negative \$6.8 million. Consequently, this resulted in the Net Royalty and Distributions having a Deficiency for 2022 of \$0.4 million (being 5.5% of negative \$6.8 million Franchise Sales). Since there was a Deficiency for 2022 of \$0.4 million, BPI did not receive any Additional Entitlements on January 1, 2023. 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 2020, 2021 and 2022 on future Adjustment Dates by first adding Net Royalty and Distributions in an amount equal to the cumulative Deficiency before receiving any further Additional Entitlements.

Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2022

Since no New Restaurants were opened during 2021 nor were added to the Royalty Pool on January 1, 2022, there was no need to conduct an audit to compare the actual Franchise Sales from New Restaurants that were opened in 2021 to the estimated amount of Franchise Sales expected to be generated by these New Restaurants during 2022 nor to compare the actual effective tax rate paid by the Fund for 2022 to the estimated effective tax rate the Fund expected to pay for 2022.

Subsequent Events

Boston Pizza Restaurants Added to Royalty Pool on January 1, 2024

On January 1, 2024, the Royalty Pool was adjusted to include one New Restaurant that opened across Canada during the Year, and to remove six Closed Restaurants that were permanently closed during the Year, resulting in the number of Boston Pizza Restaurants in the Royalty Pool decreasing from 377 to 372. The estimated annual Franchise Sales in 2024 for the one New Restaurant that opened in 2023 is \$1.8 million. The actual Franchise Sales received from the six Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool was \$9.2 million. Accordingly, the resulting estimated annual net Franchise Sales for 2023 is negative \$7.5 million. Consequently, this resulted in the Net Royalty and Distributions having a Deficiency for 2023 of \$0.4 million (being 5.5% of negative \$7.5 million net Franchise Sales). Since there was a Deficiency for 2023 of \$0.4 million, BPI did not receive any Additional Entitlements on January 1, 2024. 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 2020, 2021, 2022 and 2023 on future Adjustment Dates by first adding Net Royalty and Distributions in an amount equal to the cumulative Deficiency before receiving any further Additional Entitlements. The following is a summary of the cumulative Deficiency that exists:

Adjustment Date	Actual / Estimated Franchise Sales of New Restaurants for Adjustment Date (in millions)*	Franchise Sales of Closed Restaurants for Adjustment Date (in millions)*	Net Franchise Sales for Adjustment Date (in millions)*	Deficiency, being 5.5% of Net Franchise Sales (in millions)*
January 1, 2021	\$3.1 [†]	\$18.5	(\$15.4)	(\$0.8)
January 1, 2022	--	\$6.2	(\$6.2)	(\$0.3)
January 1, 2023	--	\$6.8	(\$6.8)	(\$0.4)
January 1, 2024	\$1.8 ^{††}	\$9.2	(\$7.5)	(\$0.4)
Cumulative	\$4.9	\$40.7	(\$35.9)	(\$2.0)

*Figures are rounded to one decimal place. [†]Determined in February 2022 after an audit of Franchise Sales for 2021 was performed on the New Restaurants. ^{††}To be determined and adjusted in February 2025 after an audit of Franchise Sales for 2024 is performed on the one New

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Restaurant for 2023, with the corresponding net Franchise Sales and Deficiency in respect of the Adjustment Date of 2024 being amended accordingly.

Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2023

Since no New Restaurants were opened during 2022 nor were added to the Royalty Pool on January 1, 2023, there was no need to conduct an audit to compare the actual Franchise Sales from New Restaurants that were opened in 2022 to the estimated amount of Franchise Sales expected to be generated by these New Restaurants during 2023 nor to compare the actual effective tax rate paid by the Fund for 2023 to the estimated effective tax rate the Fund expected to pay for 2023.

Fund Units Outstanding

The following table sets forth a summary of the outstanding Fund Units. BPI owns 100% of the Class B Units and 1% of the ordinary general partner units of Royalties LP. BPI also owns 100% of the Class 2 GP Units, and 100% of the Class 3, Class 4, Class 5 and Class 6 general partnership units of BP Canada LP. The Class B Units and Class 2 GP Units are exchangeable for Fund Units. References to “Class B Additional Entitlements” and “Class 2 Additional Entitlements” in the table below refer to the number of Fund Units into which the Class B Units and Class 2 GP Units, respectively, are exchangeable as of the dates indicated.

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	Dec. 31, 2023 Excluding Holdback	Dec. 31, 2023 Including Holdback	Feb. 13, 2024 Excluding Holdback	Feb. 13, 2024 Including Holdback
<u>Units Outstanding</u>				
Total Issued and Outstanding Fund Units	21,278,563	21,278,563	21,278,563	21,278,563
<u>Class B Additional Entitlements Outstanding</u>				
Class B Additional Entitlements (Excluding Jan. 1, 2024 Adjustment Date)	2,430,823	2,430,823	2,430,823	2,430,823
Class B Holdback (Excluding Jan. 1, 2024 Adjustment Date)	N/A	--	N/A	N/A ⁽¹⁾
Class B Additional Entitlements – Issued Jan. 1, 2024	N/A	N/A	--	--
Class B Holdback – Created Jan. 1, 2024	N/A	N/A	N/A	-- ⁽²⁾
Total Class B Additional Entitlements	2,430,823	2,430,823	2,430,823	2,430,823
<u>Class 2 Additional Entitlements Outstanding</u>				
Class 2 Additional Entitlements (Excluding Jan. 1, 2024 Adjustment Date)	831,354	831,354	831,354	831,354
Class 2 Holdback (Excluding Jan. 1, 2024 Adjustment Date)	N/A	--	N/A	N/A ⁽¹⁾
Class 2 Additional Entitlements – Issued Jan. 1, 2024	N/A	N/A	--	--
Class 2 Holdback – Created Jan. 1, 2024	N/A	N/A	N/A	-- ⁽²⁾
Total Class 2 Additional Entitlements	831,354	831,354	831,354	831,354
<u>Summary</u>				
Total Issued and Outstanding Fund Units	21,278,563	21,278,563	21,278,563	21,278,563
Total Additional Entitlements	3,262,177	3,262,177	3,262,177	3,262,177
Total Diluted Fund Units	24,540,740	24,540,740	24,540,740	24,540,740
BPI’s Total Percentage Ownership	13.3%	13.3%	13.3%	13.3%

- (1) There is no Holdback for the adjustment to the Royalty Pool that occurred on January 1, 2023 since BPI did not receive any Additional Entitlements in respect thereof due to a Deficiency existing.
- (2) There is no Holdback for the adjustment to the Royalty Pool that occurred on January 1, 2024 since BPI did not receive any Additional Entitlements in respect thereof due to a Deficiency existing.

BPI directly and indirectly holds 100% of the special voting units (the “**Special Voting Units**”) of the Fund, which entitle BPI to one vote in respect of matters to be voted upon by Unitholders for each Fund Unit that BPI would be entitled to receive if it exchanged all of its Class B Units and Class 2 GP Units for Fund Units. As of February 13, 2024, BPI was entitled to 3,262,177 votes, representing 13.3% of the aggregate votes held by holders of Fund Units and Special Voting Units. The number of Fund Units that BPI is entitled to receive upon the exchange of its Class B Units and Class 2 GP Units and the number of votes that BPI is entitled to in respect of its Special Voting Units is adjusted periodically to reflect any additional Boston Pizza Restaurants that were added to the Royalty Pool.

LIQUIDITY & CAPITAL RESOURCES

BPI is an entirely franchised business except for one corporate Boston Pizza Restaurant that it owned as at December 31, 2023. For 2024, BPI has forecasted capital requirements of approximately \$3.3 million, which consist mainly of the development of software applications and digital platforms, and computer equipment. BPI believes it has sufficient cash and capital resources to cover forecasted expenditures, capital requirements, commitments and repayments for 2024. BPI constantly monitors its operations and cash flows to ensure that current and future

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obligations will be met. BPI believes its current sources of liquidity are sufficient to cover its currently known short and long-term obligations. BPI manages its working capital with the Operating Line (as defined below).

Indebtedness

BPI has credit facilities with a Canadian chartered bank (the “**Bank**”) in the amount of up to \$21.6 million that expire on July 1, 2026 (the “**Credit Facilities**”). As at December 31, 2023, the Credit Facilities were 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 \$11.6 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 comprised of either, or a combination of, the Bank’s bankers’ acceptance rates or Canadian dollar offered rates⁸ plus between 1.25% and 2.10%, or the Bank’s prime rate plus between 0.00% and 0.90%, depending upon the Total Funded Net Debt to EBITDA ratio, and interest is payable monthly in arrears. The Term Loan and the principal amount drawn on the Operating Line are due and payable upon maturity. 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 Distributions.

The principal financial covenants of the Credit Facilities are that: (a) BPI and its subsidiaries, taken as a whole, 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); (b) BPI and its subsidiaries, taken as a whole, shall not permit its: (i) pre-distribution debt service coverage ratio to be less than 1.10:1 on closing and until December 31, 2023 and less than 1.25:1 thereafter (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 a subsidiary of BPI has pledged to the Bank and which are exchangeable for Fund Units must have a value, at any time, equal to at least 100% of the outstanding advances under the credit facilities advanced pursuant to the Credit Facilities. “**Total Funded Net Debt**” is defined as all indebtedness excluding accounts payable, short-term non-interest bearing unsecured debt, deferred income taxes and certain related party debt net of cash on the balance sheet, generated from operations and held in accounts at the Bank. In addition, the first amended and restated credit agreement dated January 24, 2020 between BPI and the Bank, as amended by the first supplemental credit agreement dated June 22, 2020 and the Second Supplemental Credit Agreement, governing the Credit Facilities contain certain covenants and restrictions, including the requirement to meet the financial ratios described above. A failure of BPI to comply with these covenants and restrictions could entitle the Bank to demand repayment of the outstanding balance drawn on the Credit Facilities prior to maturity. BPI was in compliance with all of its financial covenants and financial condition tests as at the end of the Period. As of December 31, 2023, no amount was drawn on the Operating Line and \$11.6 million was drawn on the Term Loan.

Contractual Obligations and Commercial Commitments

A summary of the estimated amount and estimated timing of cash flows related to BPI’s contractual obligations and commercial commitments as at December 31, 2023 is as follows:

8 A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (“**IBOR**”) with alternative rates. On December 16, 2021, the Canadian Alternative Reference Rate working group (“**CARR**”) recommended that the administrator, Refinitiv Benchmark Services UK Limited (“**RBSL**”), cease publication of the Canadian Dollar Offered Rate (“**CDOR**”) settings immediately after June 28, 2024. On May 16, 2022, following public consultation, RBSL announced that all remaining CDOR settings will cease publication immediately after June 28, 2024, in line with CARR recommendations. As at December 31, 2023, BPI’s IBOR exposure is indexed to CDOR. The alternative rate for CDOR is the Canadian Overnight Repo Rate Average (“**CORRA**”). BPI has had preliminary discussions with the Bank regarding amending the Credit Facilities prior to June 28, 2024 to replace the current rates that are based upon CDOR with corresponding rates that are based upon CORRA. While the precise rates that will be based on CORRA have not yet been agreed upon by BPI and the Bank, BPI does not expect these amendments to result in a material increase in BPI’s cost of borrowing under the Credit Facilities.

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(in thousands of dollars)	Within 1 year	2 - 3 years	4 - 5 years	Over 5 years	Total	Book Value
Accounts payable and accrued liabilities	10,319	-	-	-	10,319	10,319
Royalty and distributions payable to the Fund	4,412	-	-	-	4,412	4,412
Debt ¹	2,337	10,901	-	-	13,238	11,600
Other long-term liabilities	-	1,799	-	-	1,799	1,799
Lease obligations ²	(247)	1,042	734	1,472	3,001	2,301
	16,821	13,742	734	1,472	32,769	30,431

Note:
1) Includes estimated interest on debt and excludes deferred financing costs of \$0.1 million.
2) Represents minimum annual rental payments under lease contracts for office space, restaurants space and equipment.

Cash Flows

Cash Flow from Operating Activities

Period

During the Period, operating activities generated \$0.2 million of cash compared to \$3.1 million during the fourth quarter of 2022. The \$2.9 million decrease was primarily due to a decrease in changes in working capital, a decrease in net income after adjustments for non-cash items and an increase in income taxes paid, partially offset by an increase in income tax refunds received.

Year

During the Year, operating activities generated \$6.8 million of cash compared to \$10.0 million in 2022. The \$3.2 million decrease in cash generated was primarily due to a decrease in net income after adjustments for non-cash items, a decrease in changes in working capital and an increase in income taxes paid.

Cash Flow from Financing Activities

Period

During the Period, financing activities used \$0.8 million of cash compared to \$6.6 million during the fourth quarter of 2022. The \$5.8 million decrease in cash used was primarily due to a voluntary repayment of debt of \$5.0 million during the Period in 2022 and lower interest paid on debt.

Year

During the Year, financing activities used \$9.4 million of cash compared to \$18.0 million in 2022. The \$8.6 million decrease in cash used was due to the lower repayment of debt for the Year as a result of BPI having repaid in 2022 the full amount it borrowed from the Bank in 2020 under Export Development Canada’s business credit availability program and other credit facilities, lower lease obligation payments and lower interest paid on debt.

Cash Flow from Investing Activities

Period

During the Period, investing activities generated \$1.1 million of cash compared to \$0.7 million during the fourth quarter of 2022. Cash generated from investing activities typically represents distributions received by BPI on the Class B Units. Cash used from investing activities typically represents purchases of property and equipment as well as intangible assets. The \$0.4 million increase in cash generated was due to the proceeds from the sale of a corporately owned restaurant, partially offset by higher purchases of property and equipment, and a decrease in distributions of Class B Units.

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Year

During the Year, investing activities generated \$2.0 million of cash compared to \$1.8 million in 2022. The \$0.2 million increase in cash generated was due to the proceeds from the sale of two corporately owned restaurants, an increase in distributions of Class B Units and lower purchases of intangible assets, partially offset by higher purchases of property and equipment.

Related Party Transactions

BPI’s related party balances owing at the end of the period and related party transactions for the Period were as follows:

	December 31,		December 31,	
(in thousands of dollars)	2023		2022	
Accounts receivables due from associated companies	\$	532	\$	19
Accounts payable due to associated companies		59		93
Royalty payable to Royalties LP		3,361		3,330
Distributions payable to Holdings LP		1,051		1,042

	Q4 2023		Q4 2022		2023		2022	
(in thousands of dollars)								
Fees charged to the Fund in respect of administrative services ⁽¹⁾	\$	107	\$	100	\$	427	\$	400
Royalty expense to the Fund		9,106		9,087		37,026		34,200
Distribution expense to the Fund		2,992		2,988		12,167		11,273
Management fees paid for services rendered to companies under common control		250		500		1,000		500
Interest income from Royalties LP		1,321		1,557		3,990		3,690

- (1) The Fund is considered to be a related party of BPI by virtue of common officers and directors of BPI and Boston Pizza GP Inc., the managing general partner of Royalties LP. The Fund has engaged Royalties LP, its administrator, to provide certain administrative services on behalf of the Fund (“**Administrative Services**”). In turn, certain of the Administrative Services are performed by BPI as a general partner of Royalties LP. Under the terms of the partnership agreement governing Royalties LP, BPI is entitled to be reimbursed for certain out-of-pocket expenses incurred in performing the Administrative Services. BPI and Royalties LP agreed to limit the annual amount of out-of-pocket expenses for which BPI was entitled to be reimbursed to not more than \$0.4 million for each of 2020, 2021 and 2022, after which time the amount will not increase by more than the percentage change in the Canadian Consumer Price Index (as calculated by Statistics Canada) in the calendar year prior thereafter. The Fund increased the reimbursement to BPI by a nominal amount in 2023, which is based on a 6.8% increase in the Canadian Consumer Price Index in 2022.

The total amount charged by BPI in respect of these services for the Period and Year was \$0.1 million and \$0.4 million, respectively (Q4 2022 – \$0.1 million, 2022 – \$0.4 million). The total amount paid to BPI in respect of these services for the Period and Year was \$0.1 million and \$0.4 million respectively (Q4 2022 – \$0.1 million, 2022 – \$0.4 million).

Other related party transactions and balances are referred to elsewhere in this MD&A.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the Period, there was no change in BPI’s internal control over financial reporting that materially affected, or is reasonably likely to materially affect, BPI’s internal controls over financial reporting. BPI complies with the Committee of Sponsoring Organizations of the Treadway Commission Internal Control – Integrated Framework: 2013.

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CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of BPI’s audited annual consolidated financial statements in accordance with IFRS requires estimates and judgments to be made that affect the reported amounts of assets and liabilities, earnings and expenses, and related disclosures. These estimates are based on historical experience and knowledge of economics, market factors and the restaurant industry along with various other assumptions that are believed to be reasonable under the circumstances.

BPI believes that the following selected accounting policies are critical to understanding the estimates, assumptions and uncertainties that affect the amounts reported and disclosed in BPI’s consolidated financial statements and related notes:

Estimate – Investment in Royalties LP

BPI’s investment in Royalties LP is principally comprised of the Class B Units. The value of New Restaurants rolled into the Royalty Pool is also recognized within BPI’s investment in Royalties LP through BPI’s right to receive Class B Additional Entitlements. The value of the Class B Additional Entitlements that BPI will be entitled to as a result of adding New Restaurants to the Royalty Pool is determined on a formula basis that is designed to estimate the present value of the cash flows due to the Fund as a result of the New Restaurants being added to the Royalty Pool. As such, the calculation is dependent on a number of variables including the estimated long-term sales of the New Restaurants and a discount rate. The value of the Class B Additional Entitlements that BPI will be entitled to as a result of adding New Restaurants to the Royalty Pool could differ from actual results and may impact the investment in Royalties LP and deferred gains line items.

Estimate – Accounts Receivable

BPI provides an allowance for uncollectable trade receivables based 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 BPI’s customer base. If certain judgments or estimates prove to be inaccurate, BPI’s results of operations and financial position may be impacted.

Estimate – Class B Units, Class 1 LP Units, and Class 2 LP Units

BPI must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements. BPI’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 (i.e. as prices) or indirectly (i.e. 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 data.

The fair values of the Class B Units, Class 1 LP Units liability and Class 2 LP Units liability are all determined using Level 2 inputs and are measured on a recurring basis.

- (i) Class B Units

BPI has elected under IFRS to measure the Class B Units as a financial asset at fair value through profit and loss. This requires that BPI use a valuation technique to determine the value of BPI’s investment in BP Royalties LP at each reporting date. The Class B Units are exchangeable for Fund Units, and thus, it is estimated that the value of the Class B Units approximates the number of Fund Units into which they are exchangeable. The Fund estimates the fair value of the Class B Units liability by multiplying the number of Fund Units BPI would be entitled

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to receive if it exchanged all of the Class B Units (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.

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 BPI’s financial position and net and comprehensive income.

(ii) Class 1 LP Units Liability and Class 2 LP Units Liability

The Class 1 LP Units liability and Class 2 LP Units liability are classified as financial liabilities measured at fair value through profit or loss because the entitlements to distributions are considered embedded derivatives to the limited partnership units. BPI measures the Class 1 LP Units liability and Class 2 LP Units liability at fair value using Level 2 inputs, which may result in a fair value adjustment on the BP Canada LP units liability line on the statements of financial position, and the fair value loss (gain) line on the statements of comprehensive income and a corresponding non-cash adjustment line on the statements of cash flows.

The fair value of the Class 1 LP Units liability for BPI mirrors the fair value of the investment in Class 1 LP Units asset recognized by the Fund for any particular period. The Class 1 LP Units are entitled to distributions with respect to the interest payable by the Fund on the credit facility to pay for the Fund’s indirect investment in Class 1 LP Units of BP Canada LP. BPI estimates the fair value of Class 1 LP Units liability using a market-corroborated input, being the interest rate on the applicable credit facility. Consequently, BPI estimates the fair value of Class 1 LP Units liability at carrying value adjusted for interest rate risk.

The fair value of the Class 2 LP Units liability for BPI mirrors the fair value of the investment in Class 2 LP Units asset recognized by the Fund for any particular period. 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 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.

These valuation techniques may not represent the actual value of the Class 1 LP Units liability and Class 2 LP Units liability should such liabilities be extinguished. Changes in the distribution rates on the Class 1 LP Units and Class 2 LP Units and the yield of Fund Units could materially impact BPI’s financial position and net income.

Judgment – Consolidation

Applying the criteria outlined in IFRS 10, judgment is required in determining whether BPI controls Royalties LP and BP Canada LP. Making this judgment involves taking into consideration the concepts of power over Royalties LP and BP Canada LP, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of Royalties LP and BP Canada LP so as to generate economic returns. With respect to Royalties LP, using these criteria, management has determined that BPI does not ultimately control Royalties LP. With respect to BP Canada LP, 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 managing general partner of BP Canada LP.

CHANGES IN ACCOUNTING POLICIES

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments require the disclosure of material accounting policies rather than significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. BPI has done an assessment of these amendments and there is no material impact to BPI’s financial statements or disclosure. BPI adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2023.

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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 removed 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. In addition, covenants with which a company must comply after the reporting date do not affect the liability’s classification at the reporting date. BPI has done an initial assessment of these amendments and does not anticipate an impact on BPI’s business, financial statements or disclosure. BPI intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2024.

SHORT-TERM OUTLOOK

The information contained in this “Short-Term Outlook” section is forward-looking information. Please see the “Note Regarding Forward-Looking Information” and “Risks & Uncertainties” sections of this MD&A for a discussion of the risks and uncertainties in connection with forward-looking information.

The two principal factors that affect SRS are changes in guest traffic and changes in average guest cheque. BPI’s and BP Canada LP’s strategies to drive higher guest traffic include attracting a wide variety of guests into the restaurant, sports bar and take-out and delivery parts of each location, offering a compelling value proposition to guests and leveraging a larger marketing budget versus the previous year along with a revised calendar of national and local store promotions. Increased average cheque levels are expected to be achieved through a combination of culinary innovation and menu re-pricing.

The success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distributions and the Fund’s cash available for distribution to Unitholders, are dependent upon many economic factors, including impacts of inflation, increases in interest rates, rising input costs, unemployment rates, consumer confidence, recession, supply chain disruption, labour availability and other globally disruptive events. Despite the current state of economic uncertainty, Boston Pizza Restaurants have been able to generate solid Franchise Sales and offer affordable dining options, both on and off-premise, for guests in economically uncertain times. As demonstrated during COVID-19, BPI, BP Canada LP and Boston Pizza Restaurants have the ability to adapt to changes in operating environments and economic conditions. However, with supply chain challenges, rising interest rates, increasing input costs and labour shortages impacting most of the restaurant industry, together with widespread focus on sustainability and climate-related issues, BPI’s management remains cautious. The focus of BPI’s management is to adapt the business to mitigate these challenges and maintain the positive sales momentum achieved in 2023.

GOVERNANCE OF CLIMATE-RELATED RISK AND OPPORTUNITIES

There is increased focus in the marketplace on climate-related risks and opportunities affecting business, as well as a belief that mandatory reporting requirements regarding climate-related risks and opportunities may be adopted in Canada in the future. In response to this, BPI and BP Canada LP have begun preparing for such prospective requirements.

BPI’s board of directors and senior management of BPI are responsible for oversight of climate-related risks and opportunities affecting BPI, BP Canada LP and Boston Pizza Restaurants. BPI’s senior management is in the process of identifying climate-related risks and opportunities applicable to BPI, BP Canada LP and Boston Pizza Restaurants, including long, medium and short-term transitional and physical risks. Once fully identified, BPI’s senior management will assess such risks and opportunities and determine appropriate tools and strategies to manage the same, all within the overall risk appetite framework set by BPI’s board of directors and senior management. BPI’s senior management will be updating and collaborating with the trustees of the Fund throughout this process.

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RISKS & UNCERTAINTIES

Climate Change

Climate change is presenting weather-related risk factors for the restaurant industry, raising important environmental, social, and governance concerns. Extreme weather events, such as hurricanes, wildfires, heatwaves, snowstorms and floods, can severely disrupt operations of Boston Pizza Restaurants by causing physical damage to properties, disrupting supply chains, impeding sales from outdoor patios, and forcing temporary closures. In addition, extreme weather events may alter consumer behavior and impact guest traffic. Boston Pizza Restaurants rely heavily on domestic and international agricultural products. Unpredictable weather patterns can result in crop failures, scarcity of ingredients and volatility in the price of raw materials. These risk factors may: (i) limit the ability of Boston Pizza Restaurants to generate Franchise Sales, thereby decreasing the resulting Royalty, Distributions and the Fund’s cash available for distribution to Unitholders; and/or (ii) decrease the profitability of Boston Pizza Restaurants, thereby increasing the risks of them closing.

Economic Uncertainties

The success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distributions and the Fund’s cash available for distribution to Unitholders, are dependent upon many economic factors, including impacts of inflation, increases in interest rates, rising input costs, unemployment rates, consumer confidence, consumer discretionary income and spending, recession, supply chain disruption, labour availability and other globally disruptive events. Inflation and increases in interest rates increase the difficulty for Boston Pizza Restaurants to operate profitability due to increased input and debt service costs while balancing the need to maintain competitive menu pricing. Increases in interest rates also make it more difficult for Boston Pizza Restaurants to invest in new equipment and technology due to increased debt service costs. Rising unemployment rates, decreasing consumer confidence and recession may lead to decreased demand for dining out, resulting in reduced guest traffic and Franchise Sales. While global supply chains have somewhat normalized since COVID-19 and Boston Pizza’s supply chain is stable, it remains possible that economic uncertainty may result in commodity unavailability or increased commodity costs for Boston Pizza Restaurants. The continued labour shortage in the restaurant industry may impede Boston Pizza Restaurants’ ability to attract and retain sufficient numbers of qualified staff. In addition, global disruptions, such as geopolitical events, public health or pandemic outbreaks (including COVID-19), war or hostilities in countries in which Boston Pizza suppliers are located, terrorist or military activities, social unrest or natural disasters could lead to disruptions in the supply chain and increased economic uncertainty. All of these factors can contribute to a challenging environment for Boston Pizza Restaurants, which may: (i) limit their ability to generate Franchise Sales, thereby decreasing the resulting Royalty, Distributions and the Fund’s cash available for distribution to Unitholders; and/or (ii) decrease their profitability, thereby increasing the risks of Boston Pizza Restaurants closing.

The Restaurant Industry and its Competitive Nature

The performance of the Fund is directly dependent upon the Royalty received from BPI and Distributions received from BP Canada LP. The amount of the Royalty and Distributions received by Royalties LP and Holdings LP from BPI and BP Canada LP, respectively, is dependent on various factors that may affect the casual dining sector of the restaurant industry. The restaurant industry generally, and in particular, the casual dining sector, is intensely competitive with respect to price, service, location and food quality. Competitors include national and regional chains, as well as independently owned restaurants. If BPI, BP Canada LP and the Boston Pizza franchisees are unable to successfully compete in the casual dining sector, Franchise Sales may be adversely affected; the amount of the Royalty and Distributions may be reduced, and the ability of BPI to pay the Royalty, and the ability of BP Canada LP to pay Distributions, may be impaired. The restaurant industry is also affected by changes in demographic trends, guest preference, traffic patterns, general economic conditions and the type, number, and location of competing restaurants. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which could adversely affect Franchise Sales, the Royalty, Distributions and the ability of BPI to pay the Royalty to Royalties LP, and the ability of BP Canada LP to pay Distributions to Holdings LP.

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Growth of the Royalty and Distributions

The growth of the Royalty payable by BPI to Royalties LP under the License and Royalty Agreement between Royalties LP and BPI (for the license to use the BP Rights in Canada for 99 years, commencing on July 17, 2002), and the growth of Distributions payable by BP Canada LP to Holdings LP, are dependent upon the ability of BPI and BP Canada LP to (i) maintain and grow their franchised restaurants, (ii) locate new restaurant sites in prime locations, and (iii) obtain qualified operators to become Boston Pizza franchisees. BPI and BP Canada LP face competition for restaurant locations and franchisees from their competitors and from franchisors of other businesses. BPI’s and BP Canada LP’s inability to successfully obtain qualified franchisees could adversely affect their business development. The opening and success of a Boston Pizza Restaurant is dependent on a number of factors, including: availability of suitable sites; negotiations of acceptable lease or purchase terms for new locations; availability, training and retention of management and other employees necessary to staff new Boston Pizza Restaurants; adequately supervising construction; securing suitable financing; and other factors, some of which are beyond the control of BPI and BP Canada LP. Boston Pizza franchisees may not have all the business abilities or access to financial resources necessary to open a Boston Pizza Restaurant or to successfully develop or operate a Boston Pizza Restaurant in their franchise areas in a manner consistent with BPI’s and BP Canada LP’s standards. BPI and BP Canada LP provide training and support to Boston Pizza franchisees, but the quality of franchised operations may be diminished by any number of factors beyond BPI’s and BP Canada LP’s control. Consequently, Boston Pizza franchisees may not successfully operate restaurants in a manner consistent with BPI’s and BP Canada LP’s standards and requirements, or may not hire and train qualified managers and other restaurant personnel. If they do not, the image and reputation of BPI and BP Canada LP may suffer, and gross revenue and results of operations of the Boston Pizza Restaurants could decline.

The Closure of Boston Pizza Restaurants May Affect the Amount of Royalty and Distributions

The amount of the Royalty payable to Royalty LP by BPI, and the amount of Distributions payable by BP Canada LP to Holdings LP, are dependent upon the Franchise Sales, which is dependent on the number of Boston Pizza Restaurants that are included in the Royalty Pool and the Franchise Sales of those Boston Pizza Restaurants. Each year, a number of Boston Pizza Restaurants may close and there is no assurance that BPI and BP Canada LP will be able to open sufficient new Boston Pizza Restaurants to replace the Franchise Sales of the Boston Pizza Restaurants that have closed.

BPI and BP Canada LP Revenue

The ability of BPI to pay the Royalty and the ability of BP Canada LP to pay Distributions are dependent on (i) Boston Pizza franchisees’ ability to generate revenue and to pay royalties to BP Canada LP, (ii) BP Canada LP’s ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP, and (iii) BP Canada LP’s receipt of amounts for other franchise fees (including initial and renewal franchise fees). Failure of BP Canada LP to achieve adequate levels of collection from Boston Pizza franchisees or the loss of revenues from arrangements with suppliers and distributors could have a serious effect on the ability of BP Canada LP to pay Distributions and of BPI to pay the Royalty.

Intellectual Property

The ability of BPI and BP Canada LP to maintain or increase Franchise Sales will depend on their ability to maintain “brand equity” through the use of the BP Rights licensed from Royalties LP. If Royalties LP fails to enforce or maintain any of its intellectual property rights, BPI and BP Canada LP may be unable to capitalize on their efforts to establish brand equity. All registered trademarks in Canada can be challenged pursuant to provisions of the *Trademarks Act* (Canada) and if any BP Rights are ever successfully challenged, this may have an adverse impact on Franchise Sales, and the resulting Royalty, Distributions and the Fund’s cash available for distribution to Unitholders. Royalties LP owns the BP Rights in Canada. However, it does not own identical or similar trademarks owned by parties not related to BPI or Royalties LP in other jurisdictions. Third parties may use such trademarks in jurisdictions other than Canada in a manner that diminishes the value of such trademarks. If this occurs, the value of the BP Rights may suffer and gross revenue by Boston Pizza Restaurants could decline. Similarly, negative publicity or events associated with such trademarks in jurisdictions outside of Canada may negatively affect the

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image and reputation of Boston Pizza Restaurants in Canada, resulting in a decline in gross revenue by Boston Pizza Restaurants.

Government Regulation

BPI, BP Canada LP and Boston Pizza Restaurants are subject to various federal, provincial and local laws affecting their respective businesses. In addition, each Boston Pizza Restaurant is subject to licensing and regulation by a number of governmental authorities, which may include alcoholic beverage control, smoking laws, health and safety and fire agencies. Difficulties in obtaining or failures to obtain the required licenses or approvals could delay or prevent the development of a new Boston Pizza Restaurant in a particular area or restrict the operations of an existing Boston Pizza Restaurant. Certain specific governmental regulations affecting BPI, BP Canada LP and Boston Pizza Restaurants are as follows:

Regulations Governing Food Service and Alcoholic Beverages – Boston Pizza Restaurants are subject to various federal, provincial and local government regulations, including those relating to the sale of food and alcoholic beverages. Such regulations are subject to change from time to time. The failure to obtain and maintain these licenses, permits and approvals could adversely affect the operations of a Boston Pizza Restaurant. Typically, licenses must be renewed annually and may be revoked, suspended or denied renewal for cause at any time if governmental authorities determine that the Boston Pizza Restaurant’s conduct violates applicable regulations. Difficulties or failures to maintain or obtain the required licenses and approvals could adversely affect existing Boston Pizza Restaurants and delay or result in a decision to cancel the opening of new Boston Pizza Restaurants, which would adversely affect BPI’s and BP Canada LP’s business.

In addition, the ability of Boston Pizza Restaurants to serve alcoholic beverages is an important factor in attracting guests. Alcoholic beverage control regulations require each Boston Pizza Restaurant to apply to provincial or municipal authorities for a license or permit to sell alcoholic beverages on the premises and, in certain locations, to provide service for extended hours and on Sundays. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of Boston Pizza Restaurants, including minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control, and handling, storage and dispensing of alcoholic beverages. The failure of BPI, BP Canada LP or a Boston Pizza franchisee to retain a license to serve liquor for a Boston Pizza Restaurant would adversely affect that restaurant’s operations. BPI, BP Canada LP or a Boston Pizza franchisee may be subject to legislation in certain provinces, which may provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. BPI, BP Canada LP and Boston Pizza Restaurants carry host liquor liability coverage as part of their existing comprehensive general liability insurance. There is no assurance that such insurance coverage will respond to any particular claim or that it will be adequate.

Laws Concerning Employees – The operations of Boston Pizza Restaurants are also subject to laws and regulations governing the employer/employee relationship, including minimum wages, working conditions, overtime and tip credits, pay equity, discrimination and harassment, as well as rules and regulations regarding the employment of temporary foreign workers. Significant numbers of Boston Pizza Restaurants’ food service and preparation personnel are paid at rates related to the minimum wage and, accordingly, further increases in the minimum wage could increase Boston Pizza Restaurants’ labour costs. Any actual or alleged failure to comply with laws and regulations governing the employer/employee relationship could result in claims being asserted by employees of franchisees. Such claims could be asserted against BPI, BP Canada LP or Boston Pizza franchisees and may create not only legal and financial liability, but negative publicity that could adversely affect the Boston Pizza brand and divert financial and management resources that would otherwise be used to benefit the future performance of the Fund, BPI and BP Canada LP. These types of employee claims could also be asserted against BPI or BP Canada LP, on a co-employer or joint employer theory, by employees of the Boston Pizza franchisees. A significant increase in the number of these claims or an increase in the number of successful claims could adversely impact the reputation of the Fund, BPI and BP Canada LP. Lastly, in some regions of Canada, Boston Pizza Restaurants employ temporary foreign workers. The supply of labour in such regions could be reduced by regulations concerning the employment of temporary foreign workers.

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Sales Tax Regulations – While there are variations in studies about the extent to which sales taxes impact retail sales, the increase in the after-tax price of goods and services has a negative effect on the customer’s perception of spending on restaurant dining. Such negative perception can potentially reduce the frequency of guest visits to restaurants, the total amount that guests spend per restaurant visit, or both. Price elasticity appears to have less impact on densely-populated and market-dominant areas such as urban or downtown restaurants. However, as customer perception of disposable spending is adversely affected by increased after-tax prices, Franchise Sales are at risk of declining if retail sales taxes increase.

Franchise Regulation Risk – The complete failure to provide a disclosure document as required by the franchise disclosure laws and regulations of the provinces of British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Prince Edward Island (or the provision of a disclosure document that is materially non-compliant) provides a franchisee with a two-year absolute right of rescission. If a disclosure document is not provided within the time required by applicable provincial legislation, a franchisee is provided with 60 days from receipt of the disclosure document in which to rescind the franchise agreement. The statutory right of rescission gives a franchisee the right to receive back all monies paid, and to recover for its losses, if any. Franchise legislation also provides a franchisee with a statutory right of action to sue if a franchisee suffers a loss because of a misrepresentation contained in the disclosure document, or as a result of the franchisor’s failure to comply with its disclosure obligations. These rights are in addition to any rights that might exist at common law. Claims arising from any non-compliance with franchise disclosure laws may adversely affect the ability of BP Canada LP to pay Distributions to Holdings LP, and of BPI to pay the Royalty to Royalties LP.

Food Borne Illness

Publicity from any food borne illness could adversely affect Franchise Sales in one or more Boston Pizza Restaurants and the resulting Royalty, Distributions and the Fund’s cash available for distribution to Unitholders. BPI and BP Canada LP have rigorous food safety practices and protocols that Boston Pizza Restaurants are required to follow that are designed to minimize the probability of food borne illness and ensure that guests of Boston Pizza Restaurants enjoy safe, quality food. Nevertheless, there is no assurance that food borne illness cannot occur within the Boston Pizza system. BPI, BP Canada LP or Boston Pizza Restaurants may be the subject of complaints or litigation from guests alleging food-related illness or other food quality or health concerns. Adverse publicity resulting from such allegations may materially affect the Franchise Sales of Boston Pizza Restaurants, irrespective of whether such allegations are true or whether a franchisee, BPI or BP Canada LP is ultimately held liable. Similarly, food borne illness events within the restaurant industry can create adverse publicity and may materially affect the Franchise Sales of Boston Pizza Restaurants.

Disease Outbreaks

Any local, regional, national or international outbreak of a contagious disease, pandemics, epidemics or other material outbreaks of disease could decrease the willingness of the general population to dine out, cause staff shortages, reduced guest traffic, supply shortages, and increased governmental regulations (including the possibility of restrictions to on-premises dining). Any of the foregoing may: (i) limit Boston Pizza Restaurants’ ability to generate Franchise Sales, thereby decreasing the resulting Royalty, Distributions and the Fund’s cash available for distribution to Unitholders; and/or (ii) decrease the profitability of Boston Pizza Restaurants, thereby increasing the risks of them closing.

Availability and Quality of Raw Materials

Franchise Sales by Boston Pizza Restaurants are dependent upon the availability and quality of raw materials, food, packaging and services used in the products produced and sold by Boston Pizza franchisees. The availability and prices of these raw materials, such as protein, produce, flour and paper products, is subject to fluctuation and may be affected by a variety of factors affecting the supply and demand of the products. Additionally, certain products purchased by Boston Pizza Restaurants are sourced from a single or a limited number of suppliers. A significant reduction in the availability or quality of raw materials purchased by Boston Pizza Restaurants resulting from any of the above factors could have an adverse effect on Franchise Sales and the resulting Royalty, Distributions and the Fund’s cash available for distribution to Unitholders.

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New Menu Items and Advertising Campaigns may not be Successful

Franchise Sales are influenced by brand marketing and advertising and by BPI’s and BP Canada LP’s ability to develop and launch new and innovative menu items. BPI’s and BP Canada LP’s marketing and advertising programs may not be successful. BPI and BP Canada LP may also fail to develop commercially successful new menu items that respond to changes in consumer preferences. Both of these could result in an inability of Boston Pizza Restaurants to retain existing guests and attract new guests. The resulting decline in guest traffic may result in a corresponding decline to Franchise Sales and the resulting Royalty, Distributions and the Fund’s cash available for distribution to Unitholders. In addition, any decline in Franchise Sales would also result in a decline to franchisees’ contributions to the Boston Pizza advertising fund (a fund into which franchisees pay a percentage of Franchise Sales), thereby reducing the amount of money available for BPI’s and BP Canada LP’s marketing and advertising programs.

Potential Litigation and Other Complaints

BPI, BP Canada LP and Boston Pizza franchisees may be the subject of complaints or litigation from guests alleging injuries suffered on the premises or other food quality, health or operational concerns. Adverse publicity resulting from such allegations may materially affect the sales by Boston Pizza Restaurants, regardless of whether such allegations are true or whether BPI, BP Canada LP or a Boston Pizza franchisee is ultimately held liable.

Insurance

BPI, BP Canada LP and Boston Pizza Restaurants maintain insurance coverage to protect them from liabilities they incur in the course of their business. There is no assurance that such insurance coverage will respond to, or be adequate to protect them from, such liabilities. Additionally, in the future, the insurance premiums for BPI, BP Canada LP and Boston Pizza Restaurants may increase and they may not be able to obtain similar levels of insurance on reasonable terms or at all. Any substantial inadequacy of, or inability to obtain insurance coverage could materially adversely affect BPI’s and BP Canada LP’s business, financial condition and results of operations. Furthermore, there are types of losses BPI, BP Canada LP or Boston Pizza Restaurants may incur that cannot be insured against or that are not economically reasonable to insure. Such losses could have a material adverse effect on BPI’s and BP Canada LP’s business and results of operations.

Dependence on Key Personnel

The success of the Fund depends upon the personal efforts of senior management of BPI, including BPI’s ability to: (i) attract and retain sufficient key personnel of BPI with appropriate capability, skills and leadership competencies to effectively operate BPI’s and BP Canada LP’s business and achieve BPI’s strategic objectives; and (ii) attract and retain appropriate franchisee candidates. The inability of BPI to attract and retain either key personnel of BPI or appropriate franchisee candidates could have a material adverse effect on the performance of the Fund.

Labour Availability

Labour availability is a key component in the ability of Boston Pizza Restaurants to successfully operate throughout the course of their business day and generate Franchise Sales. Since the elimination of governmental restrictions related to COVID-19 in 2022, the restaurant industry has faced a shortage of available labour. If Boston Pizza Restaurants are unsuccessful in attracting, motivating and retaining a sufficient number of qualified individuals, it could materially disrupt the operations of Boston Pizza Restaurants and result in declines in Franchise Sales and the resulting Royalty, Distributions and the Fund’s cash available for distribution to Unitholders. In addition, the decreased availability of labour in the restaurant industry has lead to intense competition for talent within the industry and higher wages. An increase in labour costs for Boston Pizza Restaurants may decrease their profitability, thereby increasing the risks of Boston Pizza Restaurants closing.

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Franchisee Relations

The success of the Fund, BPI and BP Canada LP is dependent on BPI’ and BP Canada LP maintaining positive relationship with franchisees. There is no assurances that BPI and BP Canada LP will be able to maintain positive relationships with all of the franchisees. Adverse publicity resulting from any such strained relationship may affect Franchise Sales of Boston Pizza Restaurants and the ability of BPI and BP Canada LP to source new franchisees, regardless of whether such publicity is accurate. In addition, any challenges in the relationships with franchisees may have an adverse impact on the performance of affected Boston Pizza Restaurants, the ability of BPI and BP Canada LP to undertake new initiatives, and could result in the diversion of management resources and increased administrative costs.

Security of Confidential Guest Information and Personal Information

BPI, BP Canada LP and Boston Pizza franchisees collect and/or use confidential guest information related to the electronic processing of credit and debit card transactions, personal information of guests in connection with Boston Pizza’s “MyBP” loyalty platform and personal information of their respective employees. If any of BPI, BP Canada LP or Boston Pizza franchisees experiences a security breach in which any of this type of information is stolen or disclosed, BPI, BP Canada LP or Boston Pizza franchisees may incur unanticipated costs, become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and/or become subject to lawsuits, regulatory penalties or other proceedings relating to these types of incidents. In addition, most provinces have enacted legislation requiring notification of security breaches involving personal information, including credit and debit card information. Any such claims or proceedings could cause BPI or BP Canada LP to incur significant unplanned expenses, which could have an adverse impact on their financial condition and results of operations. Furthermore, adverse publicity resulting from these allegations may have a material adverse effect on Franchise Sales, Royalty, Distributions and the ability of BP Canada LP to pay Distributions to Holdings LP, or BPI to pay the Royalty to Royalties LP.

Reliance on Technology

BPI, BP Canada LP and Boston Pizza franchisees rely heavily upon information systems, including point-of-sale processing in Boston Pizza Restaurants, for management of their supply chain, payment of obligations, collection of cash, credit and debit card transactions and other processes and procedures, including the taking and sending of orders to Boston Pizza Restaurants. BPI’s and BP Canada LP’s ability to efficiently and effectively manage their business depends significantly on the reliability and capacity of these systems. BPI’s and BP Canada LP’s operations depend upon their ability to protect their computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, cybersecurity incidents and other disruptive problems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, expanding BPI’s and BP Canada LP’s systems as they grow or a breach in security of these systems could result in an inability to operate, delays in guest service or reduced efficiency in BPI’s and BP Canada LP’s operations. Remediation of such problems could result in significant, unplanned capital investments.

Effect of Media and Social Media

The Fund, BPI, BP Canada LP and Boston Pizza Restaurants may be adversely affected by the information disseminated through both traditional media and social media. There has been a significant increase in the use of social media platforms and similar communication channels that provide individuals with access to a broad audience of consumers and other interested persons. The availability and impact of information on social media platforms is virtually immediate and many social media platforms publish user-generated content without filters or independent verification as to the accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information posted may be adverse to the interests of the Fund, BPI, BP Canada LP, Boston Pizza Restaurants or the Boston Pizza brand, or may be inaccurate, and may harm the performance, prospects or business of Fund, BPI, BP Canada LP, Boston Pizza Restaurants or the Boston Pizza brand. The harm may be immediate without affording the Fund, BPI, BP Canada LP or Boston Pizza Restaurants for redress or correction. Any harm caused by media reports, including social media, could reduce demand for the products and services offered by Boston Pizza Restaurants and could

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decrease guest traffic to Boston Pizza Restaurants as customers shift their preferences to competitors or to other products or food types. A decrease in guest traffic to Boston Pizza Restaurants as a result of negative publicity from the media, including social media, could result in a decline in Franchise Sales and the resulting Royalty, Distributions and the Fund’s cash available for distribution to Unitholders.

Environment, Social, and Governance Matters

There has been increasing public focus by consumers, investors, environmental activists, the media and governmental and nongovernmental organizations on social and environmental sustainability matters, including packaging and waste, animal health and welfare, human rights, climate change, greenhouse gases and land, energy and water use. As a result, the Fund, BPI, BP Canada LP and Boston Pizza Restaurants may experience increased expectations to provide expanded disclosure and make commitments, establish goals or set targets with respect to various environmental and social issues and to take the actions necessary to meet those commitments, goals and targets. If the Fund, BPI, BP Canada LP and Boston Pizza Restaurants are not effective in addressing the public’s expectations regarding social and environmental sustainability matters, consumer trust in the Boston Pizza brand may suffer. In addition, the actions needed to achieve any commitments, goals and targets that are established could result in increased costs to BPI, BP Canada LP and Boston Pizza Restaurants, which may: (i) limit Boston Pizza Restaurants’ ability to generate Franchise Sales, thereby decreasing the resulting Royalty, Distributions and the Fund’s cash available for distribution to Unitholders; and/or (ii) decrease the profitability of Boston Pizza Restaurants, thereby increasing the risks of them closing. The amount of Franchise Sales and the resulting Royalty, Distributions and the Fund’s cash available for distribution to Unitholders, could be adversely impacted if BPI and BP Canada LP are unable to effectively manage the risks or costs, Boston Pizza franchisees and the supply chain associated with social and environmental sustainability matters. In addition, future legislative and regulatory efforts to combat climate change or other environmental considerations could result in increased regulation, and additional taxes and other expenses, in a manner that adversely affects the Boston Pizza business.

Leverage Risks

Refinancing Risk – BPI has third-party debt service obligations under the Credit Facilities. The degree to which BPI is leveraged could have important consequences to Unitholders, including: (i) a portion of BPI’s cash flow from operations could be dedicated to the payment of the principal of and interest on BPI’s indebtedness, thereby reducing funds available for payment of the Royalty; and (ii) certain of BPI’s borrowings are at variable rates of interest. The Credit Facilities are due on July 1, 2026, at which time BPI will need to refinance such loans. There can be no assurance that refinancing of this indebtedness will be available to BPI, or available to BPI on acceptable terms. If BPI cannot refinance this indebtedness on acceptable terms upon maturity, it may negatively impact the ability of BPI to pay the Royalty. Given the Fund’s dependence upon BPI, this may negatively impact the Fund’s distributable cash and the Fund’s ability to make distributions on Fund Units. BPI’s ability to make scheduled payments of principal or interest on, or to refinance, its indebtedness depends on future cash flows, which is dependent on the success of Boston Pizza Restaurants, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

Restrictive Covenants – The Credit Facilities contain numerous restrictive covenants that limit the discretion of BPI’s management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of BPI to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees, to sell or otherwise dispose of assets, to allow a change of control, and to merge or consolidate with another entity. A failure by BPI to comply with the obligations in the Credit Facilities could result in an event of default which, if not cured or waived, could result in the acceleration of the relevant indebtedness. If the indebtedness under the Credit Facilities were to be accelerated, there can be no assurance that BPI’s assets would be sufficient to repay that indebtedness. If BPI were unable to repay that indebtedness, it would adversely affect BPI’s ability to pay the Royalty, and thereby negatively impacting the Fund’s distributable cash and the Fund’s ability to make distributions on Fund Units.

Interest Rate Risks – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. BPI is exposed to interest rate risk primarily through its long-term borrowings. Variations in interest rates could result in significant changes in the amount required by BPI to be applied to debt service that could negatively impact BPI’s ability to pay Royalty. BPI monitors its exposure to interest

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rate risk by monitoring the fluctuation in the bankers’ acceptance rates, prime interest rate and evaluates interest rate swaps when necessary.

Risks Related to Debt of Franchisees – Numerous franchisees of BP Canada LP have third-party debt service obligations under various credit arrangements with their lenders. The degree to which franchisees of BP Canada LP are leveraged and the extent to which such franchisees are exposed to interest rate risk could impact the amount of cash such franchisees are required to spend on debt service. In turn, this could negatively impact the ability of such franchisees to pay BP Canada LP royalty and Advertising Fund contributions and may increase the probability of Boston Pizza Restaurants closing. As well, any failure of franchisees of BP Canada LP to either comply with the agreements governing their third-party debt service obligations or to repay or refinance such debt upon maturity could negatively impact the ability of such franchisees to pay BP Canada LP royalty and Advertising Fund contributions and may increase the probability of Boston Pizza Restaurants closing.

ADDITIONAL INFORMATION

Additional information relating to BPI, the Fund, Royalties LP, Boston Pizza GP Inc., BPCHP, Boston Pizza Holdings Trust, Holdings LP, Boston Pizza Holdings GP Inc. and BP Canada LP, including the Fund’s Annual Information Form dated February 13, 2024, is available on SEDAR+ at www.sedarplus.ca and on the Fund’s website at www.bpincomefund.com.

NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain information in this MD&A constitutes “forward-looking information” that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of BPI, the Fund, Boston Pizza Holdings Trust, Royalties LP, Holdings LP, Boston Pizza Holdings GP Inc., Boston Pizza GP Inc., BPCHP, BP Canada LP, Boston Pizza Restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this MD&A, forward-looking information may include words such as “anticipate”, “estimate”, “may”, “will”, “should”, “expect”, “believe”, “plan”, “forecast” and other similar terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this MD&A.

Forward-looking information in this MD&A includes, but is not limited to, such things as all statements, other than statements of historical facts, included herein that address events or developments that management of BPI expects or anticipates will or may occur in the future are forward-looking information. Forward-looking information in this MD&A includes, but is not limited to, such things as:

- future distributions and dates that distributions are to be paid or payable;
- how changes in distributions will be implemented;
- how distributions will be funded;
- the maintenance of franchisee relationships;
- increases in average guest cheque being typically driven by menu price increases in response to inflation of restaurant level costs;
- the extent to which menu price increases result in increased average guest cheque being dependent upon consumer reaction to the price increases;
- impact of seasonality and competition on Franchise Sales;
- the “Four Pillars” strategy will continue to focus BPI’s and BP Canada LP’s efforts to develop new markets and strengthen Boston Pizza’s position as Canada’s number one casual dining brand;
- continued improved performance and guest traffic due to the elimination of government-imposed COVID-19 restrictions in the Canadian restaurant industry;
- the success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distributions and distributable cash available for distribution to Unitholders, being dependent upon many economic factors, including impacts of inflation, increases in interest rates, rising input costs, unemployment rates, consumer confidence, consumer discretionary income and spending, recession, supply chain disruption, labour availability and other globally disruptive events;

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- the impact of extreme weather events and the disruption of operations of Boston Pizza Restaurants by causing physical damage to properties, disrupting supply chains, impeding sales from outdoor patios, forcing temporary closures, altering consumer behaviour and impacting guest traffic;
- the reliance on domestic and international agricultural products and the impact of unpredictable weather patterns on crop failures, scarcity of ingredients and volatility in the price of raw materials;
- extreme and unpredictable weather events limiting the ability of Boston Pizza Restaurants to generate Franchise Sales, thereby decreasing the resulting Royalty, Distributions and the Fund’s cash available for distribution to Unitholders, and/or decreasing the profitability of Boston Pizza Restaurants, thereby increasing the risks of them closing;
- the expectation that effective management among the trustees of the Fund, BPI and BP Canada LP for the oversight of climate-related risks and opportunities will be essential in ensuring sustainability and long-term success of the Fund, BPI, BP Canada LP and Boston Pizza Restaurants;
- the outcome of the assessment of identifying climate-related risks and opportunities applicable to BPI, BP Canada LP and Boston Pizza Restaurants;
- the impact of mandatory reporting requirements regarding climate-related risks and opportunities being adopted in Canada;
- increased expectations regarding disclosure of environment, social and governance matters;
- difficulty investing in new equipment and technology due to increased debt service costs;
- BPI, BP Canada LP and Boston Pizza Restaurants having the ability to adapt to changes in operating environments and economic conditions;
- the future expansion of Boston Pizza Restaurants;
- BPI’s, BP Canada LP’s and Boston Pizza Restaurants’ ability to address or respond to supply chain challenges (including the availability of raw materials), rising interest rates, increasing input costs and labour shortages impacting most of the restaurant industry, together with sustainability and climate-related issues;
- estimates relating to the amount and timing of cash flows related to BPI’s contractual obligations and commercial commitments;
- adjustments to Additional Entitlements that are to occur in the future and when such adjustments will occur;
- that BPI has sufficient cash and capital resources for 2024, and that its current sources of liquidity are sufficient to cover its currently known short and long-term obligations;
- debt of franchisees of BP Canada LP, including degree of debt leverage and interest rate risk;
- BPI constantly monitoring its operations and cash flows to ensure that current and future obligations will be met;
- that BPI’s and BP Canada LP’s aggressive enhancement and promotion of the Boston Pizza brand enhances profitability and facilitates growth of Boston Pizza;
- BPI and BP Canada LP’s ability to implement strategies driving higher guest traffic and increased average cheque levels;
- the ability to implement brand marketing and advertising programs and the impact of negative publicity (including the improper dissemination of information on social media platforms) on BPI, BP Canada LP or Boston Pizza Restaurants;
- sales levels returning to levels consistent with times prior to COVID-19;
- the amendments to the Credit Facilities and the rates therein not resulting in a material increase in the Fund’s cost of borrowing under the Credit Facilities;
- BPI’s management remaining cautious; and
- the focus of BPI’s management being to adapt the business to mitigate challenges and maintain the positive sales momentum achieved in 2023.

The forward-looking information disclosed herein is based on a number of assumptions including, among other things:

- absence of amendments to material contracts;
- no strategic changes of direction occurring;
- absence of changes in law;
- protection of BP Rights;
- pace of commercial real estate development;
- franchisees’ access to financing;

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- franchisees duly paying franchise fees and other amounts;
- there will be no closures of Boston Pizza Restaurants that materially affect the amount of Royalty paid by BPI to Royalties LP or the amount of Distributions paid by BP Canada LP to Holdings LP;
- future results being similar to historical results;
- expectations related to future general economic conditions;
- management of BPI and BP Canada LP maintaining current strategies to drive higher guest traffic and higher average guest cheques;
- Boston Pizza Restaurants maintaining operational excellence;
- Boston Pizza’s ability to remain relevant to guests;
- culinary innovation and menu re-pricing;
- continuing operations of key suppliers;
- availability of experienced management and hourly employees;
- the absence of significant supply chain interruptions;
- ability to respond to, address or mitigate rising interest rates, increasing input costs, labour shortages and sustainability or climate-related issues, including extreme weather events;
- ability to obtain qualified franchisees;
- ability to open sufficient New Restaurants to replace Franchise Sales of Closed Restaurants;
- ability to comply with disclosure obligations under franchise laws and regulations;
- ability to comply with various federal, provincial and local government laws and regulations;
- ability to obtain adequate insurance coverage;
- ability to invest in new equipment and technology;
- ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP;
- ability to adapt to changes in operating environments and economic conditions;
- ability to cover forecasted expenditures, capital requirements, commitments and repayments for 2023;
- current sources of liquidity are sufficient to cover currently known short and long term obligations;
- estimates and judgements used in accounting based on historical experiences, knowledge of economics, market factors and restaurant industry; and
- franchisees’ ability to operate restaurants in a manner consistent with BPI’s standards.

This forward-looking information involves a number of risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by the forward-looking information contained herein including, but not limited to:

- competition;
- consumer spending habits;
- consumer confidence in the retail sector;
- household debt;
- weather;
- climate change;
- pricing;
- changes in demographic trends;
- changes in consumer preferences and discretionary spending patterns;
- changes in national and local business and economic conditions;
- changes in the supply of agricultural products and raw materials;
- legislation and government regulation;
- cash distributions are not guaranteed;
- accounting policies and practices;
- the results of operations and financial conditions of franchisees, BPI and the Fund;
- inflation and interest rates;
- publicity from any food borne illness;
- adverse effects of media and social media;
- increase in food, labour or benefits costs;
- Boston Pizza Restaurant closures and openings;

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- successful challenge of the BP Rights;
- inadequacy of insurance coverage, increases to insurance premiums, and restrictive conditions of insurance policies;
- increases in sales tax;
- litigation against franchisees;
- inability to attract and retain key personnel;
- data security breaches and technological failures;
- global disruptions, including geopolitical events, war or hostilities, terrorist or military activities, or natural disasters; and
- pandemics and national health crises.

The foregoing list of factors is not exhaustive and should be considered in conjunction with the risks and uncertainties set out in this MD&A.

This MD&A discusses some of the factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking information. Forward-looking information is provided as of the date hereof and, except as required by law, BPI assumes no obligation to update or revise forward-looking information to reflect new events or circumstances.



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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. (“BPI”), which comprise:

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022
- the consolidated statements of comprehensive 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 policy information

(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 BPI as at December 31, 2023 and December 31, 2022, 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 BPI 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP. Document classification: Confidential.

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 "2023 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 "2023 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 BPI'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 BPI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing BPI'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 BPI'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 BPI'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 BPI 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.

KPMG LLP

Chartered Professional Accountants

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

Vancouver, Canada

February 13, 2024

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

	December 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 12,032	\$ 12,679
Accounts and other receivables (note 4)	10,081	9,329
Prepaid expenses and other current assets	2,423	839
Income tax receivable (note 13)	188	284
Advertising fund restricted assets	16,472	14,459
Interest receivable from Boston Pizza Royalties Limited Partnership	323	303
	41,519	37,893
Long-term receivables (note 4)	60	-
Investment in Boston Pizza Royalties Limited Partnership (note 5)	37,265	36,657
Property and equipment (note 6)	5,253	9,011
Intangible assets (note 7)	4,132	4,732
Deferred income taxes (note 13)	63,017	63,716
Total assets	\$ 151,246	\$ 152,009
Liabilities and Shareholder Deficiency		
Current liabilities		
Accounts payable and accrued liabilities	\$ 10,319	\$ 9,583
Royalty and distributions payable to the Fund (note 16)	4,412	4,372
Deferred revenue	1,459	1,530
Debt (note 8)	1,543	2,877
Lease obligation (note 9)	298	474
Advertising fund restricted liabilities	16,346	13,577
	34,377	32,413
Deferred revenue	1,866	2,737
Debt (note 8)	9,915	16,458
Lease obligation (note 9)	2,689	5,598
Advertising fund restricted liabilities	3,938	4,546
Other long-term liabilities	1,799	1,229
Boston Pizza Canada Limited Partnership units liability (note 10)	116,951	115,587
Deferred gain (note 11)	219,193	222,020
Total liabilities	390,728	400,588
Shareholder deficiency		
Share capital	38,248	38,248
Accumulated deficit	(277,730)	(286,827)
	(239,482)	(248,579)
Total liabilities and shareholder deficiency	\$ 151,246	\$ 152,009

Subsequent events (note 20)

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 Income
For the years ended December 31, 2023 and 2022
(Expressed in thousands of Canadian dollars, except per share data)

	2023		2022	
Revenue				
Franchise, restaurant and other	\$	97,159	\$	91,993
Advertising fund revenue		27,568		24,113
		124,727		116,106
Royalty expense <i>(note 16)</i>		37,026		34,200
Distribution expense <i>(note 10 and 16)</i>		12,167		11,273
Restaurant operating costs		8,601		8,540
Compensation expense <i>(note 16)</i>		21,022		18,423
Advertising fund expense		27,716		24,080
Other expenses <i>(note 15)</i>		6,456		4,512
Depreciation and amortization <i>(note 6 and 7)</i>		3,067		4,550
Management fee <i>(note 16)</i>		1,000		500
Amortization of deferred gain <i>(note 11)</i>		(2,827)		(2,827)
Operating expenses		114,228		103,251
Earnings before interest, fair value loss (gain) and taxes		10,499		12,855
Interest income from Boston Pizza Royalties Limited Partnership <i>(note 16)</i>		(3,990)		(3,690)
Interest income on cash and cash equivalents		(554)		(257)
Interest on debt and financing costs		1,114		1,613
Interest on lease obligations <i>(note 9)</i>		100		256
Net interest income		(3,330)		(2,078)
Fair value (gain) loss on investment in Boston Pizza Royalties Limited Partnership <i>(note 5)</i>		(608)		899
Fair value loss (gain) on Boston Pizza Canada Limited Partnership units liability <i>(note 10)</i>		1,364		(2,019)
Total fair value loss (gain)		756		(1,120)
Earnings before income taxes		13,073		16,053
Current income tax expense <i>(note 13)</i>		3,277		1,878
Deferred income tax expense <i>(note 13)</i>		699		2,253
Total tax expense		3,976		4,131
Net and comprehensive income	\$	9,097	\$	11,922
Basic and diluted earnings per share	\$	92.74	\$	121.55

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, 2023 and 2022
(Expressed in thousands of Canadian dollars)

		Share Capital	Accumulated Deficit	Total Deficiency
Balance – December 31, 2022	\$	38,248	\$ (286,827)	\$ (248,579)
Net and comprehensive income for the period		-	9,097	9,097
Balance – December 31, 2023	\$	38,248	\$ (277,730)	\$ (239,482)
Balance – December 31, 2021	\$	38,248	\$ (298,749)	\$ (260,501)
Net and comprehensive income for the period		-	11,922	11,922
Balance – December 31, 2022	\$	38,248	\$ (286,827)	\$ (248,579)

BOSTON PIZZA INTERNATIONAL INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(Expressed in thousands of Canadian dollars)

	2023	2022
Cash flows generated from (used in)		
Operating activities		
Net and comprehensive income	\$ 9,097	\$ 11,922
Adjustments for:		
Depreciation and amortization (notes 6 and 7)	3,067	4,550
Current income tax expense (note 13)	3,277	1,878
Deferred income tax expense (note 13)	699	2,253
Amortization of deferred gain (note 11)	(2,827)	(2,827)
Bad debt expense (note 15)	130	(1,110)
Fair value (gain) loss on investment in Boston Pizza Royalties Limited Partnership (note 5)	(608)	899
Fair value loss (gain) on Boston Pizza Canada Limited Partnership units liability (note 10)	1,364	(2,019)
Loss on sale of assets (note 15)	1,141	-
Interest income from Boston Pizza Royalties Limited Partnership (note 16)	(3,990)	(3,690)
Interest expense on debt and financing costs	1,114	1,613
Interest expense on lease obligations	100	256
Change in non-cash working capital (note 17(a))	(2,552)	(1,283)
Income tax paid	(3,311)	(2,522)
Income tax received	131	117
Net cash generated from operating activities	6,832	10,037
Financing activities		
Repayment of debt (note 8)	(7,933)	(15,155)
Interest paid on debt, revolving facility and leases	(1,128)	(1,636)
Lease obligation payments, net of receipt of tenant inducement (note 9)	(383)	(1,112)
Payment of debt financing costs	-	(79)
Net cash used in financing activities	(9,444)	(17,982)
Investing activities		
Interest received from investment in Boston Pizza Royalties Limited Partnership	3,970	3,652
Proceeds from sale of assets (note 15)	1,560	-
Purchase of property and equipment, net (note 17(b))	(2,553)	(719)
Purchase of intangible assets, net (note 17(b))	(1,012)	(1,136)
Net cash generated from investing activities	1,965	1,797
Decrease in cash and cash equivalents	(647)	(6,148)
Cash and cash equivalents – beginning of period	12,679	18,827
Cash and cash equivalents – end of period	\$ 12,032	\$ 12,679

Supplemental cash flow information (note 17)
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, 2023 and 2022
(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., Stadium District Pizza Ltd., 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 pays Boston Pizza Royalties Income Fund (the “**Fund**”) a royalty of 4.0% of Franchise Sales (defined below) of Boston Pizza restaurants in the Royalty Pool (the “**Royalty**”). 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, 2023, 372 Boston Pizza restaurants were in operation (December 31, 2022 – 377).

COVID-19 continued to impact the business of the Fund, BPI and BP Canada LP, and the operation of Boston Pizza restaurants during 2020, 2021 and the first half of 2022. Since then, COVID-19 case counts have improved, government restrictions related to COVID-19 have largely been eliminated, and sales levels of Boston Pizza restaurants have returned to more normal levels when compared to times prior to COVID-19.

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 13, 2024.

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**”) and, prior to an internal reorganization of corporate structure in 2017 (the “**Reorganization**”), Class C general partner units (“**Class C 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 BP 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 based 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, 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 operating entities:

Boston Pizza International Inc. and subsidiaries:	
Laval Corporate Training Centre Inc.	100%
Front & John Pizza Ltd. (<i>note 15</i>)	100%
Stadium District Pizza Ltd. (<i>note 15</i>)	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, 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 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 and reacquired franchise rights which are amortized over the term of the franchise agreement. 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 is 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 and adopted

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments require the disclosure of material accounting policies rather than significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has done an assessment of these amendments and there is no material impact to the Company’s financial statements or disclosure. The Company adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2023.

(o) Accounting standards and amendments issued but not yet 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 removed 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. In addition, covenants with which a company must comply after the reporting date do not affect the liability’s classification at the reporting date. The Company has done an initial assessment of these amendments and does not anticipate an impact on the Company’s business, financial statements or disclosure. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2024.

4. Accounts and other receivables

	December 31, 2023	December 31, 2022
Trade receivables and other (net of allowance)	\$ 8,863	\$ 8,425
Tenant inducements receivable, net of lease obligations ⁽ⁱ⁾	686	885
Receivables due from associated companies	532	19
Total current receivables	\$ 10,081	\$ 9,329
Long-term trade receivables (net of allowance)	60	-
Total long-term receivables	\$ 60	\$ -

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.

- (i) As at December 31, 2023, the balance represents the net current portion of lease obligations for a lease the Company entered into for a new corporate office during the year ended December 31, 2022. The balance is in a net asset position because the current lease obligation includes \$0.8 million (December 31, 2022 - \$1.1 million for two corporate offices) of tenant inducement that is expected to be received in the next 12 months. The balance also includes \$0.1 million (December 31, 2022 - \$0.2 million) in current lease obligation (netted against the asset balance) relating to these leases due within the next 12 months. Refer to *note 9 Lease Obligations* for further details.

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

	December 31, 2023	December 31, 2022
Current	\$ 9,360	\$ 8,413
Past due 1-30 days	294	294
Past due 31-60 days	257	368
Past due 61-90 days	162	208
Past due over 90 days	68	46
Total	\$ 10,141	\$ 9,329

The allowance for doubtful accounts was \$2.5 million as at December 31, 2023 (December 31, 2022 – \$2.5 million) with \$1.7 million (December 31, 2022 – \$1.6 million) applied against short-term trade receivables and other and \$0.8 million against long-term trade receivables (December 31, 2022 – \$0.9 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. 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*. The statement of comprehensive income includes interest revenue as earned, and the impact of the fair value adjustments on the Class B Units.

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

The investment in Royalties LP is comprised of:

	Issued and outstanding Additional Entitlements	Issued and outstanding Additional Entitlements including Holdback	Class B Unit Entitlement
Balance as at December 31, 2021	2,430,823	2,430,823	\$ 37,556
Class B Additional Entitlements granted January 1, 2022 ⁽¹⁾	-	-	-
Fair value loss	-	-	(899)
Balance as at December 31, 2022	2,430,823	2,430,823	\$ 36,657
Class B Additional Entitlements granted January 1, 2023 ⁽²⁾	-	-	-
Fair value gain	-	-	608
Balance as at December 31, 2023	2,430,823	2,430,823	\$ 37,265

⁽¹⁾ On January 1, 2022, four Boston Pizza restaurants that closed during the period from January 1, 2021 to December 31, 2021 were removed from the Royalty Pool. The Franchise Sales from restaurants removed from the Royalty Pool on January 1, 2022 was negative \$6.2 million. This resulted in a Deficiency of \$0.3 million related to lost Royalty and Distribution income. As a result of the Deficiency, the Company did not receive any Class B Additional Entitlements on January 1, 2022.

⁽²⁾ 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 income. As a result of the Deficiency, the Company did not receive any Class B Additional Entitlements on January 1, 2023.

6. Property and equipment

Cost	Office furniture and equipment	Right-of-use assets	Leasehold improvements	Total
At January 1, 2022	\$ 10,873	\$ 10,815	\$ 12,212	\$ 33,900
Additions	246	1,626	537	2,409
Adjustments	-	392	-	392
At December 31, 2022	11,119	12,833	12,749	36,701
Additions	469	261	2,100	2,830
Dispositions ⁽¹⁾	(621)	(4,599)	(6,613)	(11,833)
Adjustments	-	(32)	-	(32)
De-recognition ⁽²⁾	(1,020)	(2,910)	(5,382)	(9,312)
At December 31, 2023	\$ 9,947	\$ 5,553	\$ 2,854	\$ 18,354

Accumulated Depreciation	Office furniture and equipment	Right-of-use assets	Leasehold improvements	Total
At January 1, 2022	\$ 9,559	\$ 7,318	\$ 8,239	\$ 25,116
Depreciation	513	963	1,098	2,574
At December 31, 2022	10,072	8,281	9,337	27,690
Depreciation	354	142	747	1,243
Dispositions ⁽¹⁾	(461)	(1,867)	(4,192)	(6,520)
De-recognition ⁽²⁾	(1,020)	(2,910)	(5,382)	(9,312)
At December 31, 2023	\$ 8,945	\$ 3,646	\$ 510	\$ 13,101

Net book value	Office furniture and equipment	Right-of-use assets	Leasehold improvements	Total
At December 31, 2022	\$ 1,047	\$ 4,552	\$ 3,412	\$ 9,011
At December 31, 2023	1,002	1,907	2,344	5,253

⁽¹⁾ During the year ending December 31, 2023, there were net dispositions of \$2.6 million of office equipment and leasehold improvements relating to the sale of assets for Stadium District Pizza Ltd. and Front & John Pizza Ltd. (*note 15*). Further, net dispositions of \$2.7 million of right-of-use assets were recorded for the restaurant leases relating to the sales. No such dispositions were recorded in the year ended December 31, 2022.

⁽²⁾ In 2023, property and equipment of \$9.3 million with a net book value of nil were de-recognized as these assets no longer provide any future economic benefit to the Company.

As at December 31, 2023, the right-of-use assets include a balance of \$0.2 million (December 31, 2022 - nil) in lease incentives which is being amortized over the terms of the leases.

7. Intangible assets

Cost	Computer Software and other	Reacquired Franchise Rights	Total
At January 1, 2022	\$ 24,252	\$ 2,014	\$ 26,266
Additions	1,387	-	1,387
At December 31, 2022	25,639	2,014	27,653
Additions	1,406	-	1,406
Dispositions ⁽¹⁾	(57)	(2,014)	(2,071)
At December 31, 2023	\$ 26,988	\$ -	\$ 26,988

Accumulated Amortization	Computer Software and other	Reacquired Franchise Rights	Total
At January 1, 2022	\$ 19,215	\$ 1,730	\$ 20,945
Amortization	1,874	102	1,976
At December 31, 2022	21,089	1,832	22,921
Amortization	1,767	57	1,824
Dispositions ⁽¹⁾	-	(1,889)	(1,889)
At December 31, 2023	\$ 22,856	\$ -	\$ 22,856

Net book value	Computer Software and other	Reacquired Franchise Rights	Total
At December 31, 2022	\$ 4,550	\$ 182	\$ 4,732
At December 31, 2023	4,132	-	4,132

⁽¹⁾ During the year ending December 31, 2023, there were net dispositions of \$0.1 million in reacquired franchisee rights relating to the sale of assets from Stadium District Pizza Ltd. (*note 15*). No such disposition was recorded in the year ended December 31, 2022.

8. Debt

The Company’s debt consists of the following:

	December 31, 2023	December 31, 2022
Term Loan bearing variable interest at CDOR plus between 1.25% and 2.10% per annum and due in 2026 ^(a)	\$ 11,600	\$ 18,200
BDC non-revolving facility bearing variable interest rates less 1.75% per annum and due in 2023 ^(b)	-	1,333
Deferred financing fees	(142)	(198)
	11,458	19,335
Current portion of debt	1,600	2,934
Current portion of deferred financing fees	(57)	(57)
	\$ 9,915	\$ 16,458

Prior to June 28, 2022, BPI had credit facilities with a Canadian chartered bank (the “**Bank**”) in the amount of up to \$34.0 million (originally \$43.3 million) expiring on December 31, 2022 (the “**Original Credit Facilities**”). On June 28, 2022, BPI entered into a second supplemental credit agreement (the “**Second Supplemental Credit Agreement**”) with the Bank to amend and extend the Original Credit Facilities (the Original Credit Facilities, as amended and extended by the Second Supplemental Credit Agreement, the “**Credit Facilities**”).

(a) The Credit Facilities are in the amount of up to \$21.6 million that expires on June 1, 2026. 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 \$11.6 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 comprised of either, or a combination of, the Bank’s bankers’ acceptance rates or Canadian dollar offered rates (“**CDOR**”) plus between 1.25% and 2.10%, or the Bank’s prime rate plus between 0.00% and 0.90%, depending upon the Total Funded Net Debt to EBITDA ratio, and interest is payable monthly in arrears. The Term Loan and the principal amount drawn on the Operating Line are due and payable upon maturity. 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 Distributions.

8. Debt (continued)

On August 25, 2023, BPI made a voluntary payment of \$5.0 million (December 28, 2022 - \$5.0 million) to the Term Loan, in addition to the required quarterly payments of \$0.4 million which were paid throughout the year. As of December 31, 2023, \$11.6 million was drawn on the Term Loan. As of December 31, 2023 and December 31, 2022, no amount was drawn on the Operating Line.

- (b) BPI had credit facilities with the Business Development Bank of Canada (“**BDC**”) in the amount of \$2.0 million (the “**BDC Loan**”) under the federal government’s COVID-19 relief programs. The BDC Loan had a term of three years and bore interest at BDC’s floating base rate less 1.75%. The security held by BDC was subordinate to the security held by the Bank to secure the Credit Facilities with the Bank and the security held by the Fund to secure BPI’s obligation to pay the Fund Royalty and Distributions. On April 3, 2023, the remaining balance of \$1.2 million on the BDC Loan was paid in full.
- (c) In addition to the Credit Facilities, one of BPI’s wholly-owned subsidiaries had a \$3.3 million committed non-revolving term loan that was established to fund a 2016 restaurant purchase and renovations (the “**Acquired Restaurant Credit Facility**”). Principal payments were required to be made monthly on the facility until the maturity date. On February 14, 2022, the remaining balance of \$2.5 million on the Acquired Restaurant Credit Facility was paid in full.
- (d) BPI had credit facilities with the Bank under the Export Development Canada’s business credit availability program (the “**BCAP Loan**”) in the amount of \$6.25 million. The BCAP Loan had a term of one year, which could be extended annually at the request of BPI for up to five years subject to compliance with certain requirements. The BCAP Loan bore interest at the Bank’s prime rate plus 2.50% and was subject to an annual fee equal 1.80% of the total amount of credit available (i.e. \$6.25 million).

The BCAP Loan was guaranteed by all of BPI’s subsidiaries except BP Canada LP, and was secured by the same security that secures the Credit Facilities to the Bank. That security shared priority with the general security agreements granted by BPI and its subsidiaries to the Bank under the Credit Facilities. On June 22, 2022, the remaining balance of \$4.7 million on the BCAP Loan was paid in full.

- (e) Principal repayments on debt are as follows:

	December 31, 2023
2024	\$ 1,600
2025	1,600
2026 and thereafter	8,400
	<u>\$ 11,600</u>

The fair value of the Company’s debt was \$11.6 million (December 31, 2022 – \$19.5 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 and the statement of comprehensive income.

BPI was in compliance with all of its financial covenants and financial condition tests as of December 31, 2023.

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, 2023	December 31, 2022
Balance, beginning of year	\$ 6,072	\$ 4,281
Additions	261	1,626
Dispositions	(2,732)	-
Adjustments	(8)	1,277
Principal payments	(606)	(1,112)
Balance, end of year	2,987	6,072
Current portion of lease obligations	298	474
Long-term portion of lease obligations	<u>\$ 2,689</u>	<u>\$ 5,598</u>

Total cash outflow for leases for the year ended December 31, 2023 was \$0.7 million (2022 – \$1.4 million) which includes \$0.6 million of principal payments (2022 – \$1.1 million) and \$0.1 million in interest for lease obligations (2022 – \$0.3 million). In addition, BPI received \$0.2 million in tenant inducements for the year ended December 31, 2023 (2022 – nil). 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.

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

	December 31, 2023	December 31, 2022
Within 1 year ⁽¹⁾	\$ (247)	\$ (127)
2 to 3 years	1,042	2,186
4 to 5 years	734	1,767
Over 5 years	1,472	2,791
Total undiscounted lease obligations	<u>\$ 3,001</u>	<u>\$ 6,617</u>

⁽¹⁾ Included as an offset in the obligation balance is \$ 0.8 million relating to tenant inducements expected to be received (note 4).

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* for the fair value calculation of the BP Canada LP Unit Liability.

The BP Canada LP units liability is comprised of:

	Issued and outstanding LP Units		Investment in BP Canada LP
Class 1 LP Units			
Class 1 LP Units at December 31, 2023 and 2022	1,000	\$	33,314
Class 2 LP Units			
Class 2 LP Units at December 31, 2022	5,455,762	\$	114,113
Fair value gain on Class 2 LP Units - cumulative			(31,840)
Balance at December 31, 2022	5,455,762		82,273
Fair value loss on Class 2 LP Units			1,364
Class 2 LP Units balance at December 31, 2023	5,455,762	\$	83,637
Total LP Units balance at December 31, 2023		\$	116,951

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.

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 periodically to reflect the addition of new Boston Pizza restaurants to the Royalty Pool (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, 2023, the Company had the right to receive 831,354 (December 31, 2022 – 831,354) Fund Units when it exercises its rights to exchange its Class 2 GP Units into Fund Units.

	Issued and outstanding Class 2 GP Additional Entitlements including Class 2 GP Holdback	
Balance at December 31, 2021	831,354	831,354
Class 2 Additional Entitlements granted January 1, 2022 ⁽¹⁾	-	-
Balance at December 31, 2022	831,354	831,354
Class 2 Additional Entitlements granted January 1, 2023 ⁽²⁾	-	-
Balance at December 31, 2023	831,354	831,354

⁽¹⁾ On January 1, 2022, four Boston Pizza restaurants that closed during the period from January 1, 2021 to December 31, 2021 were removed from the Royalty Pool. The Franchise Sales from restaurants removed from the Royalty Pool on January 1, 2022 was negative \$6.2 million. This resulted in a Deficiency of \$0.3 million related to lost Royalty income and Distribution income. As a result of the Deficiency, the Company did not receive any Class 2 Additional Entitlements on January 1, 2022. The Company will be required to make-up the Deficiency on future adjustment dates by first adding Royalty and Distribution in an amount equal to the Deficiency before receiving any future Class 2 Additional Entitlements.

⁽²⁾ 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 income and Distribution income. As a result of the Deficiency, The Company 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 Deficiency before receiving any future Class 2 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, 2023	December 31, 2022
Balance, beginning of year	\$ 222,020	\$ 224,847
Class B Additional Entitlements ⁽¹⁾	-	-
Amortization of deferred gain	(2,827)	(2,827)
Balance, end of year	\$ 219,193	\$ 222,020

⁽¹⁾ No Class B Additional Entitlements were issued to BPI in 2023 since a Deficiency existed in respect of the January 1, 2023 adjustment date (see *note* 5).

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, 2023	January 1, 2022
Restaurants in Royalty Pool	377 ⁽¹⁾	383
Estimated Franchise Sales from adjustments to Royalty Pool	\$ (6,837)	\$ (6,195)
Class B Units Additional Entitlement (including Holdbacks) ⁽¹⁾	0 units	0 units
Class B Holdback (20% of total entitlement) ⁽²⁾	0 units	0 units
Adjustment to prior year Class B additional entitlement ⁽³⁾	0 units	0 units

⁽¹⁾ On January 1, 2023, the six Boston Pizza restaurants that permanently closed during 2022 were removed from the Royalty Pool. Accordingly, the total number of restaurants in the Royalty Pool decreased to 383 from 377. The net Franchise Sales from the four Boston Pizza restaurants that permanently closed was negative \$6.8 million. This resulted in negative Royalty and Distribution to the Fund of \$0.4 million. As a result of the Deficiency, BPI did not receive any additional entitlements on January 1, 2023.

⁽²⁾ Unissued and not eligible for exchange into Fund Units until January 1 of next year.

⁽³⁾ 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, 2023 and 2022. 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.

			December 31, 2023	December 31, 2022
Fair value through profit and loss				
Class B Units Investment in Boston Pizza Royalties Limited Partnership ⁽ⁱ⁾	Level 2	\$	37,265	\$ 36,657
Class 1 Boston Pizza Canada Limited Partnership units liability ⁽ⁱⁱ⁾	Level 2	\$	(33,314)	\$ (33,314)
Class 2 Boston Pizza Canada Limited Partnership units liability ⁽ⁱⁱⁱ⁾	Level 2	\$	(83,637)	\$ (82,273)
Amortized cost				
Cash		\$	12,032	\$ 12,679
Accounts receivable		\$	10,081	\$ 9,329
Interest receivable from Boston Pizza Royalties Limited Partnership		\$	323	\$ 303
Accounts payable and accrued liabilities		\$	(10,319)	\$ (9,583)
Royalty and distribution payable to the Fund		\$	(4,412)	\$ (4,372)
Debt		\$	(11,458)	\$ (19,335)
Lease obligations		\$	(2,987)	\$ (6,072)
Other long-term liabilities		\$	(1,799)	\$ (1,229)

- (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

12. Financial Instruments (continued)

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

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, 2023, the closing price of a Fund Unit was \$15.33 (December 31, 2022 – \$15.08) 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, 2022 – 2,430,823) resulting in a valuation of Class B Units at a fair value of \$37.3 million (2022 – \$36.7 million). For the year ended December 31, 2023, the increase of \$0.6 million is due to fair value gain (2022 – fair value loss of \$0.9 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 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, 2023, the closing price of a Fund Unit was \$15.33 (December 31, 2022 – \$15.08) while the number of issued and outstanding Class 2 LP Units held by the Fund was 5,455,762 (December 31, 2022 – 5,455,762) resulting in a Class 2 LP Units fair value of \$83.6 million (December 31, 2022 – \$82.3 million). The fair value loss on the Class 2 LP units liability for the year ending December 31, 2023 was \$1.4 million (2022 – \$2.0 million fair value gain).

(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 \$11.6 million (December 31, 2022 – \$19.5 million) in floating rate debt and \$3.0 million in lease obligations (December 31, 2022 – \$6.1 million) as at December 31, 2023. The annual impact for every 1% increase in the variable rate would result in an additional interest expense of \$0.1 million.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (“IBOR”) with alternative rates. On December 16, 2021,

12. Financial Instruments (continued)

(b) Financial Instruments and Related Risks (continued)

the Canadian Alternative Reference Rate working group (“CARR”) recommended that the administrator, Refinitiv Benchmark Services UK Limited (“RBSL”), cease publication of the CDOR settings immediately after June 28, 2024. On May 16, 2022, following public consultation, RBSL announced that all remaining CDOR settings will cease publication immediately after June 28, 2024, in line with CARR’s recommendations. As at December 31, 2023, the Company’s IBOR exposure is indexed to CDOR. The alternative rate for CDOR is the Canadian Overnight Repo Rate Average (“CORRA”). The Company has had preliminary discussions with the Bank regarding amending the Credit Facilities prior to June 28, 2024 to replace the current rates that are based upon CDOR with corresponding rates that are based upon CORRA. While the precise rates that will be based on CORRA have not yet been agreed upon by the Company and the Bank, the Company does not expect these amendments to result in a material increase in the Company’s cost of borrowing under the Credit Facilities.

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, 2023	Maturity	December 31, 2022	Maturity
Accounts payable and accrued liabilities	\$ 10,319	< 1 year	\$ 9,583	< 1 year
Current portion of debt	\$ 1,543	< 1 year	\$ 2,877	< 1 year
Debt	\$ 9,915	2025-2026	\$ 16,458	2024-2026
Lease obligations	\$ 2,301	2024-2033	\$ 5,187	2023-2033
Other long-term liabilities	\$ 1,799	2025	\$ 1,229	2024

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 and long-term receivables from companies under common control. The Company’s maximum exposure to credit risk is the value of its current and non-current accounts receivable of \$12.6 million (December 31, 2022 – \$11.8 million). The allowance for doubtful accounts was \$2.5 million at December 31, 2023 (December 31, 2022 – \$2.5 million).

12. Financial Instruments (continued)

(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

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

	December 31, 2023	December 31, 2022
Liquidity:		
Cash	\$ 12,032	\$ 12,679
Undrawn credit facilities (note 8)	10,000	10,000
Total liquidity	\$ 22,032	\$ 22,679
Capitalization:		
Debt (note 8)	\$ 11,458	\$ 19,335
Total debt	\$ 11,458	\$ 19,335
Deferred gain (note 11)	\$ 219,193	\$ 222,020
Shareholder deficiency	(239,482)	(248,579)
	\$ (20,289)	\$ (26,559)

The Company manages its capital mainly through the periodic sales of Class B Units and Class 2 GP Units, accumulated deficit, 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).

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:

	2023	2022
Earnings before income taxes	\$ 13,073	\$ 16,053
Combined Canadian federal and provincial tax rates	26.8%	26.8%
Computed expected tax expense	3,504	4,302
Increased (reduced) by:		
Permanent differences	166	81
Fair value adjustment on BP Canada LP units liability	366	(541)
Valuation allowance on investment in BP Royalties LP	(71)	281
Differences from changes in statutory rates and other	(4)	17
Other	15	(9)
Income tax expense	\$ 3,976	\$ 4,131

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

	2023	2022
Deferred gain	\$ 698	\$ 751
Deferred revenue	252	372
Non-capital loss carryforwards	(753)	489
Other	502	641
Deferred income tax expense	\$ 699	\$ 2,253

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

	December 31, 2023	December 31, 2022
Deferred gain	\$ 58,794	\$ 59,492
Deferred revenue	789	1,041
Non-capital loss carryforwards	2,147	1,394
Other	1,287	1,789
Deferred income tax asset	\$ 63,017	\$ 63,716

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. Deferred tax assets that have not been recognized as part of the above was \$0.7 million (2022 - \$0.7 million) relating to the deductible temporary difference relating to the fair value adjustment on BP Royalties LP.

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, 2023 and 2022.

15. Other expenses

The following are the components of other expenses:

	December 31, 2023	December 31, 2022
Travel	\$ 1,608	\$ 1,102
Research and development	653	654
Marketing and advertising	598	1,565
Office, rent and utilities	536	895
Professional fees	462	418
Bad debt expense (recovery) ⁽¹⁾	130	(1,110)
Loss on sale of assets ⁽²⁾	1,141	-
Other	1,328	988
	\$ 6,456	\$ 4,512

⁽¹⁾ In 2022, bad debt expense recovery of \$1.1 million was recorded in relation to trade accounts receivables that were no longer deemed unrecoverable.

⁽²⁾ On July 24, 2023, Stadium District Pizza Ltd. sold an existing Boston Pizza restaurant to a franchisee of BP Canada LP for \$0.6 million, recording a loss on sale of assets of \$0.4 million. Proceeds of \$0.5 million were received during the year, with the remaining \$0.1 million to be received at a later date.

On December 4, 2023, Front & John Pizza Ltd. sold an existing Boston Pizza restaurant to a franchisee of BP Canada LP for \$1.1 million, recording a loss on sale of assets of \$0.7 million. Proceeds of \$1.1 million were received during the year.

16. Related party and subsidiary transactions

The following are components of related party and subsidiary transactions:

	December 31, 2023	December 31, 2022
Accounts receivables due from associated companies	\$ 532	\$ 19
Accounts payable due to associated companies	59	93
Royalty payable to Royalties LP	3,361	3,330
Distributions payable to Holdings LP	1,051	1,042

16. Related party and subsidiary transactions (continued)

	2023	2022
Fees charged to the Fund in respect of administrative services ⁽¹⁾	\$ 427	\$ 400
Royalty expense to the Fund	37,026	34,200
Distribution expense to the Fund	12,167	11,273
Management fees paid for services rendered by companies under common control	1,000	500
Interest income from Royalties LP	(3,990)	(3,690)
Key management personnel compensation	5,601	4,485

⁽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.

17. Supplemental cash flow information

(a) Change in non-cash operating items:

	2023	2022
Accounts receivable	\$ (1,083)	\$ (2,505)
Prepaid expenses and other current assets	(1,584)	(18)
Advertising fund restricted assets	(2,013)	(2,031)
Accounts payable and accrued liabilities	869	1,894
Royalty and distributions payable to Fund	40	950
Advertising fund restricted liabilities	2,161	1,999
Deferred revenue	(942)	(1,572)
	\$ (2,552)	\$ (1,283)

(b) Supplementary information:

	2023	2022
Non-cash transactions:		
Property & equipment additions included in accounts payable	\$ (16)	\$ (64)
Intangible asset additions included in accounts payable	(394)	(251)
Amortization of deferred financing fees, net against debt	(57)	(219)
Lease obligation non-cash adjustments	(2,503)	2,018

18. Seasonality

Boston Pizza restaurants experience seasonal fluctuations in Franchise Sales, which are inherent in the full service restaurant industry in Canada. Seasonal factors such as tourism and better weather allow Boston Pizza restaurants to open their patios and generally increase Franchise Sales in the second and third quarters compared to the first and fourth quarters.

19. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in current year.

20. Subsequent events

- (a) On January 1, 2024, one new Boston Pizza restaurant that opened across Canada 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. Accordingly, the total number of restaurants in the Royalty Pool decreased to 372 from 377. 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 negative Royalty and Distribution to the Fund of \$0.4 million. As a result of the Deficiency, BPI did not receive any Additional Entitlements on January 1, 2024. 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 2020 through 2023 (total of \$2.0 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 2024, no adjustments were made to the Deficiency related to 2022 since no new restaurants were opened during 2022 nor were added to the Royalty Pool on January 1, 2023.

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