

Boston Pizza[®]

R O Y A L T I E S I N C O M E F U N D

Q2
2003

SECOND QUARTER REPORT TO UNITHOLDERS
FOR PERIOD APRIL 1, 2003 TO JUNE 30, 2003



Glossary of Terms

FUND

Boston Pizza Royalties Income Fund

PARTNERSHIP

Boston Pizza Royalties Limited Partnership

BPI

Boston Pizza International Inc.

IPO

Initial Public Offering – date July 17, 2002

GROSS SALES / SYSTEMS SALES

Gross revenue generated from Boston Pizza restaurants across Canada

FRANCHISE SALES

Gross revenue generated from Boston Pizza restaurants across Canada, less sales generated from alcohol, tobacco and Boston Pizza International Inc. approved national promotions and discounts

SALES GROWTH

The increase in gross revenue generated from Boston Pizza restaurants across Canada over a previous period

SSSG

Same store sales growth - refers to the overall increase in sales of Boston Pizza restaurants that have been opened for a minimum of 24 months

FULL SERVICE RESTAURANTS

Establishments that may sell alcoholic beverages, provide take-out services, operate a bar, or present live entertainment in addition to serving food and non-alcoholic beverages. This industry includes full-service establishments known as fine-dining restaurants, family restaurants and restaurant-bars.
Source: Statistics Canada

CASUAL DINING

\$10-\$20 average cheque, full table service, themed atmosphere, generally little take-out service

CRFA

Canadian Restaurant and Foodservices Association

ROYALTY POOL

In any period, those Boston Pizza restaurants on which royalty equating to 4% of franchise sales is to be paid to the Fund

Letter from the Chairman of Boston Pizza Royalties Income Fund

On behalf of the Trustees of the Boston Pizza Royalties Income Fund (the "Fund"), I am pleased to present our second Quarterly Report for 2003. This report covers the fiscal period from April 1, 2003 to June 30, 2003 (the "Period") and the year-to-date results from January 1, 2003 to June 30, 2003. These results are also available on the Fund's website at www.bpincomefund.com and we encourage you to visit our website to view new developments on Fund activities.

The Fund owns the trademarks for Boston Pizza (the "BP Rights"¹), Canada's Number One Casual Dining Brand. The Fund has licensed the BP Rights back to Boston Pizza International Inc. ("BPI") in return for a 4% royalty of Franchise Sales of those Boston Pizza restaurants included in a specific royalty pool (the "Royalty Pool").

Cash distributions to Unitholders of the Fund are based on top-line revenue and are not determined by the profitability of either BPI or the Boston Pizza restaurants in the Royalty Pool. This protects the Fund from the variability of earnings, or expenses associated with the normal operation of a business. There were 162 restaurants in the Royalty Pool for this Period. Commencing on January 1, 2003 and annually thereafter ("Adjustment Date"), an adjustment will be made to the Royalty Pool to roll-in new Boston Pizza full-service restaurants that have been open at least 60 days prior to that Adjustment Date. The adjustment for new franchise revenues rolled into the Royalty Pool is designed to be accretive for Unitholders.

Results

While the first six months of 2003 has been a challenging time for the foodservice industry and the overall economy, Boston Pizza continued to succeed. We are pleased to report that Boston Pizza continued to grow during the second quarter of 2003. During the Period, BPI posted 11.7% growth in Franchise Sales over the same period in 2002. This is a result of the combination of new store openings and same store sales growth ("SSSG"). SSSG for the Period was 3.4% and 3.1% year-to-date. These positive results are indicative of the kind of success Boston Pizza can achieve even in a challenging environment.

For this Period, the Fund received royalty income of \$2,851,257 from BPI and distributions of \$0.25 per unit were declared. We are very pleased that the Fund not only met all distribution targets but was also able to increase our monthly distribution in May from \$0.0833 per unit to \$0.085 per unit. The new monthly distribution translates into an annualized distribution of \$1.02 per unit.

Since inception on July 17, 2002, the Fund has generated basic earnings of \$0.96 per Fund unit on royalty income of \$10,449,308 from BPI and declared distributions of \$0.88 per Fund unit. June's distribution of \$0.085 per Fund unit was declared and paid subsequent to June 30, 2003. This positions the Fund to exceed the targeted distribution rate set out in the initial public offering.

¹ 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 the 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).

Letter from the Chairman of Boston Pizza Royalties Income Fund

Outlook

Boston Pizza is well positioned for continued success in the remainder of 2003. BPI estimates that it will open an additional 10 restaurants in the remaining part of 2003, bringing the total estimated new Boston Pizza restaurants opened across Canada in 2003 to 15. BPI management further believes that the organization can continue to deliver on the most important metric to Unitholders, namely SSSG. Through strong television and radio advertising, and national and local promotions, BPI management believes that the organization can deliver industry-leading SSSG. As part of this SSSG, Boston Pizza will continue its unique renovation program that requires each location to renovate every seven years. For the remainder of 2003, an additional 10 renovations are planned, bringing the estimated total number of store renovations conducted in 2003 to 20. Historically SSSG for renovated locations have increased between 10-15% post renovation.

We remain confident that Boston Pizza will continue to enhance its position as Canada's Number One Casual Dining Brand.

In closing, we would like to take this opportunity to thank each Unitholder for your support and for the confidence you have demonstrated by investing in the Fund.

On behalf of the Board of Trustees,

A handwritten signature in black ink, appearing to read "John Cowperthwaite", is written over a horizontal line.

John Cowperthwaite, FCA
Chairman, Boston Pizza Royalties Income Fund

Boston Pizza Royalties Income Fund Management Discussion and Analysis 2003-Q2

Financial Highlights

The following table sets out selected historical information and other data of the Boston Pizza Royalties Income Fund (the "Fund"), which should be read in conjunction with the attached consolidated financial statements of the Fund.

	Three month period ended June 30, 2003		Six month period ended June 30, 2003	
Number of restaurants in Royalty Pool	162		162	
Franchise Revenues reported by restaurants in Royalty Pool	\$	71,281,457	\$	137,029,713
Royalty & Interest Income	\$	3,301,786	\$	6,382,095
Earnings before non-controlling interest	\$	3,073,014	\$	5,930,028
Non-controlling interest ¹	\$	1,066,579	\$	2,137,399
Net earnings	\$	2,006,435	\$	3,792,629
Earnings per Fund unit	\$	0.26	\$	0.49
Distributions declared per Fund unit	\$	0.25	\$	0.42
Same Store Sales Growth	3.4%		3.1%	
Number of restaurants opened during period	2		5	

Notes:

¹ Represents Boston Pizza International's interest in the Fund.

Boston Pizza Royalties Income Fund Management Discussion and Analysis 2003-Q2

Overview

This Quarterly Report covers the period of April 1, 2003 to June 30, 2003 (the "Period") and the year-to-date results from January 1, 2003 to June 30, 2003.

The Fund owns the trademarks for Boston Pizza (the "BP Rights"²), Canada's Number One Casual Dining Brand. The Fund has licensed the BP Rights back to Boston Pizza International Inc. ("BPI") in return for a 4% royalty of Franchise Sales of a specific royalty pool. There were 162 restaurants in the royalty pool ("Royalty Pool") for this Period.

A key attribute of the Fund structure is the fact that it is a "top-line" fund. Cash distributions paid to Unitholders are based on top-line revenue and are not determined by the profitability of either BPI or the Boston Pizza restaurants in the Royalty Pool. Given this structure, the success of the Fund depends primarily on the ability of BPI to maintain and increase Franchise Sales. Increases in Franchise Sales are derived from both new Boston Pizza restaurants and SSSG. The key metric for yield growth of the Fund is SSSG. SSSG from existing restaurants is dependent on maintaining operational excellence within each Boston Pizza restaurant, general market conditions, pricing and marketing programs undertaken by BPI. One of BPI's competitive strengths in increasing Franchise Sales is that BPI's Franchise Agreement requires that each Boston Pizza restaurant undergo a complete store renovation every seven years as well as complete any equipment upgrades as required by BPI. Following a complete store renovation, Franchise Sales for renovated locations have historically increased by an average of 10-15%. 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 BPI has agreed with the franchisee to terminate the Franchise Agreement. In the last six years, only two full-service Boston Pizza restaurants were closed, a statistic significantly below the industry average. In the event that a location actually closes, the Fund has a make-whole provision agreement with BPI whereby BPI will replenish the royalties that would have been paid to the Fund.

The following information provides additional analysis of the operations and financial position of the Fund and should be read in conjunction with the consolidated financial statements and accompanying notes. As the Fund acquired the BP Rights on July 17, 2002 no comparative year information is available.

² 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 the 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).

Boston Pizza Royalties Income Fund Management Discussion and Analysis 2003-Q2

Operating Results

While the first six months of 2003 has been a challenging time for the foodservice industry and the overall economy, Boston Pizza continued to succeed. Overall Franchise Sales growth was 11.7% for the Period and 11.1% year-to-date. This increase was attributable to a combination of store openings and same store sales growth ("SSSG"). Boston Pizza opened two new locations with no closures during the Period bringing the total number of locations open as of June 30, 2003 to 168. During the Period five locations were extensively renovated. These stores each were closed temporarily for 2-3 weeks during the Period for their renovation and historically SSSG for renovated locations have increased between 10-15% post renovation. SSSG was 3.4% for the period and 3.1% year-to-date. These positive results are indicative of the kind of success Boston Pizza can achieve even in a challenging environment.

While issues such as Severe Acute Respiratory Syndrome ("SARS") and Bovine Spongiform Encephalopathy (BSE – Mad Cow) negatively affected some foodservice concepts recently, Boston Pizza saw no material impact on sales.

The wide geographic dispersion of store locations across Canada together with the suburban and small-center positioning of the brand significantly mitigated the SARS concerns.

BSE was not a concern as a very small percentage of the Boston Pizza menu is beef.

Once again, even in the face of economic uncertainty Boston Pizza continued to succeed. As a result of strong results the Fund not only met distribution targets, but in fact was able to increase monthly distributions from \$0.0833 per unit to \$0.085 per unit.

Second Quarter Operating Results Revenues

For the Period royalty income received by the Fund was \$2,851,257 and interest income was \$450,529. The royalty income was based on the Royalty Pool of 162 full-service Boston Pizza restaurants in Canada reporting Franchise Sales of \$71,281,457. Interest income for the Period was primarily derived from a \$24.0 million loan from the Fund to BPI. The interest on this loan is paid monthly by BPI at a rate of 7.5% per annum.

Operating Expenses

The Fund's consolidated operating expenses for the Period were \$228,772- \$71,164 of interest expense on its \$5 million term loan, \$7,500 for amortization of deferred financing charges on its credit facilities, and \$150,108 for general and administrative expense. The general and administrative expenses are comprised mainly of professional fees, insurance premiums, transfer agent costs, and trustee fees.

Of the \$2,851,257 of royalty income earned by the Fund, \$1,066,579 represents BPI's indirect interest in the Fund.

Boston Pizza Royalties Income Fund

Management Discussion and Analysis

2003-Q2

Distributions

Net Earnings of the Fund were \$2,006,435 with the Fund declaring distributions of \$1,934,832 or \$0.2516 per unit. Subsequent to June 30, a distribution of \$653,650 or \$0.085 per unit was declared and paid for the period June 1-30, 2003. Distributions for the Period are as follows:

Period	Payment Date	Amount/unit
April 1-30, 2003	May 31, 2003	8.33¢
May 1-31, 2003	June 30, 2003	8.50¢
June 1-30, 2003	July 31, 2003 *	8.50¢

*Declared and paid subsequent to the Period.

In June 2003, the Fund made a one-time cash payment of \$15,543 to BPI and issued 22,859 additional Class B Unit entitlements to BPI for the 12 restaurants that were included in the initial Royalty Pool but had not yet been open 12 months at April 30, 2002. The adjustment was due to the fact that the \$3,415,020 royalty received from these restaurants exceeded the original \$3,186,430 estimated royalty revenue.

Year-To-Date Operating Results

Revenues

For the first half of 2003 royalty income received by the Fund was \$5,481,189 and interest income was \$900,906. The royalty income was based on the Royalty Pool of 162 full-service Boston Pizza restaurants in Canada reporting Franchise Sales of \$137,029,713.

Operating Expenses

The Fund's consolidated operating expenses for the first half of 2003 were \$452,067 - \$136,815 of interest expense on its \$5 million term loan, \$15,000 for amortization of deferred financing charges on its credit facilities, and \$300,252 for general and administrative expense.

Of the \$5,481,189 of royalty income earned by the Fund, \$2,137,399 represents BPI's indirect interest in the Fund.

Distributions

Net Earnings of the Fund during the first half of 2003 were \$3,792,629 with the Fund declaring distributions of \$3,215,987 or \$0.4182 per unit. Distributions for the first half of 2003 are as follows:

Period	Payment Date	Amount/unit
January 1-31, 2003	February 28, 2003	8.33¢
February 1-28, 2003	March 31, 2003	8.33¢
March 1-31, 2003	April 30, 2003	8.33¢
April 1-30, 2003	May 31, 2003	8.33¢
May 1-31, 2003	June 30, 2003	8.50¢
June 1-30, 2003	July 31, 2003 *	8.50¢

*Declared and paid subsequent to the Period.

Boston Pizza Royalties Income Fund Management Discussion and Analysis 2003-Q2

Subsequent Events

Subsequent to June 30, 2003, BPI exchanged 378,052 Class A units for an equal amount of Fund units. BPI sold these Fund units to the public. There are now 8,068,052 public Fund units issued and BPI has a 20% indirect interest in the Fund.

The Fund is also pleased to advise that subsequent to June 30, 2003 the Federal Court of Canada, on an application for summary judgment brought by BPI and Boston Pizza Royalties Limited Partnership, dismissed portions of a counterclaim by Boston Market Canada Company and Global Restaurant Operations of Ireland Limited ("The Boston Market Group"), seeking to expunge the registrations of the Boston Pizza trademarks. The Federal Court dismissed the counterclaim as it relates to registered trademarks BP & Design, BP's Lounge and BP's Bistro. The Court did not dismiss the counterclaim regarding three other trademarks, including "Boston Pizza", primarily on the basis that the counterclaim raises issues that should not be resolved on a summary basis and should instead be decided at trial. BPI and the Limited Partnership are in the process of appealing this decision. BPI management remains confident that The Boston Market Group's counterclaim will not succeed. For more information on this litigation please see Risks and Uncertainties below.

Liquidity & Capital Resources

The Fund's distribution policy is to distribute all available cash in order to maximize returns to Unitholders. In light of small 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 increase in distributions will be conducted 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.

The \$5 million non-revolving term loan facility was arranged during the IPO to partially finance the purchase of the BP Rights from BPI, and to provide term debt as part of the capital structure. The initial term of this loan is three years and non-revolving. The Fund intends to arrange for the renewal of this loan upon maturity.

At the time of the IPO, a \$1 million operating line of credit was arranged to allow the Fund to manage any timing mismatches between royalty revenue inflows and distributions to the Unitholders of the Fund. The term of this facility is 364-day revolving. As of June 30, 2003 the Fund's \$1 million operating line of credit was 100% available and there was \$1,048,881 in working capital available to the Fund. Subsequent to June 30, 2003 this operating line of credit was renewed.

Boston Pizza Royalties Income Fund Management Discussion and Analysis 2003-Q2

Outlook

BPI management expects that Boston Pizza will continue to strengthen its position as the Number One Casual Dining Brand in Canada. With 168 restaurants stretching from Victoria to Halifax, Boston Pizza has more locations and serves more customers annually than any other casual dining concept in Canada. BPI anticipates that approximately 10 new Boston Pizza restaurants will open across Canada in the last half of 2003 further enhancing brand awareness on a national level. In the remaining half of 2003 there are 10 renovations planned.

As with all forward-looking statements, due care and caution should be employed to ensure that appropriate interpretation is made. Please refer to the note¹ at the end of this document for further clarification.

Risks & Uncertainties

The Restaurant Industry

The performance of the Fund is directly dependent upon the royalty and interest payments received from BPI. The amount of royalty received from BPI 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 and the Boston Pizza franchisees are unable to successfully compete in the casual dining sector, Franchise Sales may be adversely affected; the amount of royalty reduced and the ability of BPI to pay the royalty or interest on the BP Loan may be impaired. The restaurant industry is also affected by changes in demographic trends, traffic patterns, and the type, number, and location of competing restaurants. In addition, factors such as government regulations, smoking bylaws, inflation, publicity from any food borne illnesses, increased food, labour and benefits costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and therefore potentially Boston Pizza Franchise Sales. BPI's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. 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 revenue, the royalty and the ability of BPI to pay the royalty to the Fund or interest on the BP Loan.

Boston Pizza Royalties Income Fund Management Discussion and Analysis 2003-Q2

Boston Chicken / Boston Market Litigation

Since 1995, BPI has been challenging Boston Chicken Inc.'s and Global Restaurant Operations of Ireland Limited's registration of the "Boston Chicken" trademark in Canada. In March 2003, the Federal Court of Appeal unanimously ordered the expungement of "Boston Chicken" from the trademark registry. The expungement of the "Boston Chicken" trademark is a significant victory because there is now only one owner (the Fund) of registered trademarks using "Boston" in connection with restaurant foodservices in Canada. Additionally, since 1995 BPI has opposed the registration of the "Boston Market" trademark. As a result, "Boston Market" is not yet a registered trademark. In 2002 BPI and the Fund commenced legal action against Global Restaurant Operations of Ireland Limited, Boston Market Canada Company, Boston Market Corporation, and McDonald's Restaurants of Canada Limited (the "McDonald's Group") for trademark infringement over the McDonald's Group's use of "Boston Market". BPI management and the Fund intend to continue to vigorously prosecute any infringement or unauthorized use of the Boston Pizza trademarks. In the fall of 2002 the McDonald's Group commenced legal actions challenging the validity of the Boston Pizza trademarks owned by the Fund, some of which have been registered, and in use for over 30 years. BPI management believes that this is a tactical maneuver by the McDonald's Group and is unlikely to succeed. However, in the unlikely event that the challenge to the Boston Pizza trademarks is successful, the Fund would lose the benefits of registration of its trademarks under the *Trade-Marks Act* (Canada), which may mean losing the ability to prevent others from using the registered trademarks for the goods and services for which they are registered and to prevent others from using similar or confusing trademarks or names. However the loss of the registration under the *Trade-Marks Act* (Canada) would not prevent the Fund from continuing to license and use the "Boston Pizza" and related trademarks in the existing operations and geographic territories where they are presently used and from taking other measures to protect their rights in respect of, and their ability to use, the "Boston Pizza" and related trademarks, in new areas where BPI and its sub-licensees do not presently operate Boston Pizza restaurants. The parties are waiting for trial dates, none of which have been set but BPI management expects the infringement trial to commence in late 2004 or early 2005. BPI management believes that ultimately, BPI and the Fund will be successful in its litigation with the McDonald's Group. However, there are no assurances or certainty as to the eventual outcome of these legal proceedings.

Other

For a more detailed list of risks and uncertainties please refer to the Prospectus dated July 9, 2002 and the Fund's Annual Information Form.

Boston Pizza Royalties Income Fund Management Discussion and Analysis 2003-Q2

¹ Certain statements in this quarterly report may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this quarterly report such statements are such words as “may”, “will”, “expect”, “believe”, “plan”, and other similar terminology. These statements reflect management’s current expectations regarding future events and operating performance and speak only as of the date of this quarterly report. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition; changes in demographic trends; changing consumer preferences and discretionary spending patterns; changes in national and local business and economic conditions; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of BPI. The foregoing list of factors is not exhaustive

BOSTON PIZZA ROYALTIES INCOME FUND
Consolidated Balance Sheets

	June 30, 2003 (Unaudited)	December 31, 2002 (Audited)
Assets		
Current assets:		
Cash	\$ 40,386	\$ 245,270
Accounts receivable	-	12,840
Loan receivable from Boston Pizza International Inc. (note 5)	1,790,876	620,527
Due from Boston Pizza International Inc. (note 3)	1,181,668	1,162,500
Prepaid expenses	13,921	43,005
	3,026,851	2,084,142
Note receivable from Boston Pizza International Inc.	24,000,000	24,000,000
Intangible assets	109,348,900	109,348,900
Deferred financing charges, net of accumulated amortization of \$27,500 (December 31, 2002 - \$12,500)	62,500	77,500
	\$ 136,438,251	\$ 135,510,542
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 187,094	\$ 386,515
Distributions payable to fund unitholders	-	640,577
Distributions payable to Boston Pizza International Inc. (note 5)	1,790,876	930,791
	1,977,970	1,957,883
Term loan	5,000,000	5,000,000
Non-controlling interest (note 5)	58,383,880	58,052,900
Unitholders' equity	71,076,401	70,499,759
	\$ 136,438,251	\$ 135,510,542

Contingency (note 6)

Subsequent event (note 8)

See accompanying notes to consolidated financial statements.


Approved by the Trustees:



John Cowperthwaite



William Brown



Robert Phillips

BOSTON PIZZA ROYALTIES INCOME FUND
Consolidated Statement of Earnings (Unaudited)

	Three month period ended June 30, 2003	Six month period ended June 30, 2003
Franchise revenues reported by Boston Pizza Outlets included in royalty pool	\$ 71,281,457	\$ 137,029,713
Revenue:		
Royalty income	\$ 2,851,257	\$ 5,481,189
Interest income	450,529	900,906
	3,301,786	6,382,095
Expenses:		
General and administrative	150,108	300,252
Interest	71,164	136,815
Amortization of deferred financing charges	7,500	15,000
	228,772	452,067
Earnings before non-controlling interest	3,073,014	5,930,028
Non-controlling interest (note 5)	1,066,579	2,137,399
Net earnings	\$ 2,006,435	\$ 3,792,629
Basic and diluted earnings per fund unit (7,690,000 units)	\$ 0.26	0.49

Consolidated Statement of Unitholders' Equity
(Unaudited)

	Three month period ended June 30, 2003	Six month period ended June 30, 2003
Balance, beginning of period	\$ 71,004,798	\$ 70,499,755
Net earnings	2,006,435	3,792,629
Distributions declared	(1,934,832)	(3,215,987)
Balance, end of period	\$ 71,076,401	\$ 71,076,401

See accompanying notes to consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND
Consolidated Statement of Cash Flows (Unaudited)

	Three month period ended June 30, 2003	Six month period ended June 30, 2003
Cash provided by (used in):		
Operations:		
Net earnings	\$ 2,006,435	\$ 3,792,629
Items not involving cash:		
Amortization of deferred charges	7,500	15,000
Non-controlling interest	1,066,579	2,137,399
Change in non-cash operating working capital (note 7(a))	(59,823)	(176,665)
	<u>3,020,691</u>	<u>5,768,363</u>
Financing:		
Loan receivable from Boston Pizza International Inc.	(1,076,996)	(1,170,349)
Distributions paid to Unitholders	(1,934,832)	(3,856,564)
Distributions paid to non-controlling interest Unitholders	(15,543)	(946,334)
	<u>(3,027,371)</u>	<u>(5,973,247)</u>
Decrease in cash	(6,680)	(204,884)
Cash, beginning of period	47,066	245,270
Cash, end of period	<u>\$ 40,386</u>	<u>\$ 40,386</u>

See note 7(b) for supplementary cash flow information.

See accompanying notes to consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to Consolidated Financial Statements

Three month period ended June 30, 2003 (unaudited)
Six month period ended June 30, 2003 (unaudited)

1. Basis of presentation:

These interim consolidated financial statements have been prepared using generally accepted accounting principles. The interim financial statements include all adjustments consisting solely of normal recurring adjustments, which in management's opinion, are necessary for a fair presentation of the financial results of the interim period presented.

The disclosures in these statements do not conform in all aspects to the requirements of generally accepted accounting principles for annual financial statements. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These statements should be read in conjunction with the significant accounting policies and other information in the Fund's most recent annual financial statements.

There is no comparative information for the statements of earnings and cash flows since the Fund was established on July 17, 2002.

2. Operations:

On January 1, 2003, eight new Boston Pizza restaurants opened during the period from May 1, 2002 to November 1, 2002 were added to the Royalty Pool of the Fund. As a result of the additional sales created by these new stores, BPI received additional entitlement equivalent to 448,273 Fund Units, or 4.46% of the issued and outstanding Fund Units on a fully diluted basis. BPI has also received a proportionate increase in monthly distributions from the Fund. In June 2003, the Fund issued an additional entitlement of 22,859 units and paid an amount of \$15,543 to BPI. This additional distribution and entitlement was for adjustments to royalty payments of 12 restaurants included in the Royalty Pool that were open for less than twelve months at April 30, 2002. Including the additional Fund units described above, as of June 30, 2003 BPI held securities convertible into 2,395,065 Fund Units, representing 23.75% of the issued and outstanding Fund Units on a fully diluted basis. BPI has agreed to maintain at least a 20% ownership, direct or indirect, in the Fund until such time as there are 275 restaurants in the Royalty Pool.

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to Consolidated Financial Statements

Three month period ended June 30, 2003 (unaudited)
Six month period ended June 30, 2003 (unaudited)

3. Due from Boston Pizza International Inc.:

	June 30, 2003	December 31, 2002
	(Unaudited)	(Audited)
Royalty fee receivable	\$ 1,031,668	\$1,012,500
Interest on note receivable	150,000	150,000
	\$ 1,181,668	\$1,162,500

4. Distributable cash:

	Three month period ended June 30, 2003	Six month period ended June 30, 2003
	(Unaudited)	(Unaudited)
Earnings for the period	\$ 2,006,435	\$3,792,629
Amortization of deferred financing charges	7,500	15,000
Non-controlling interest	1,066,579	2,137,399
	3,080,514	5,945,028
Distributable cash required for non-controlling interest	1,069,182	2,142,805
Distributable cash available for Fund units	\$ 2,011,332	\$3,802,223
Distributable cash per Fund unit (7,690,000 units)	\$ 0.26	\$ 0.49

Distributable cash is not an earnings measure recognized by generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures presented by other issuers. Basic and diluted distributable cash per Fund Unit is computed on a basis consistent with that described by GAAP for computing earnings per Fund Unit.

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to Consolidated Financial Statements

Three month period ended June 30, 2003 (unaudited)

Six month period ended June 30, 2003 (unaudited)

5. Non-controlling interest:

Non-controlling interest relates to BPI's interest in the Fund as follows:

	June 30, 2003
	(Unaudited)
Class A Boston Pizza Royalties Limited Partnership units	\$ 16,052,900
Class B Boston Pizza Royalties Limited Partnership units	18,000,000
Class C Boston Pizza Royalties Limited Partnership units	24,000,000
	58,052,900
Non-controlling interest in earnings of the Partnership	2,137,399
Distributions owing to Partnership Unitholders included in distributions payable	(1,790,876)
Distributions paid to Partnership Unitholders (note 2)	(15,543)
	\$ 58,383,880

BPI has exercised its right to receive its entitlement to monthly cash distributions from the Partnership by way of a loan. The loan receivable from BPI will be settled and the distributions payable to BPI will be discharged on or before January 31, 2004.

6. Contingency:

Boston Pizza International Inc. ("BPI") and the Fund are involved in trademark litigation with entities affiliated with McDonald's Restaurant of Canada (the "McDonald's Group"), opposing the registration by the McDonald's Group in Canada of the Boston Market trademark. Management of BPI believes that there is a likelihood that the trademark will not be registered. Additionally, BPI and the Fund have commenced an action against the McDonald's Group to prevent them from infringing BPI's and the Fund's respective interests in the trademarks by operating Boston Market in Canada. The McDonald's Group has filed a counterclaim and a separate action challenging the validity of the registered trademark "Boston Pizza" and related trademarks under the Trademarks Act (Canada).

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to Consolidated Financial Statements

Three month period ended June 30, 2003 (unaudited)
Six month period ended June 30, 2003 (unaudited)

7. Supplementary cash flow information:

	Three month period ended June 30, 2003	Six month period ended June 30, 2003
	(Unaudited)	(Unaudited)
(a) Change in non-cash working capital:		
Accounts receivable	\$ (23,645)	\$ (6,328)
Prepaid expenses	17,889	29,084
Accounts payable and accrued liabilities	(54,067)	(199,421)
	<u>\$ (59,823)</u>	<u>\$ (176,665)</u>
(b) Supplementary information:		
Interest received	\$ 450,529	\$ 900,906
Interest paid	70,753	113,163
Non-cash financing and investing activities:		
Distributions payable to Unitholders	-	-
Distributions payable to non-controlling interest	\$ 1,076,996	\$ 1,790,876

8. Subsequent event:

- (a) On July 8, 2003, the Fund announced a distribution of \$0.0850 per unit for the period June 1, 2003 to June 30, 2003, payable on July 31, 2003.
- (b) On July 15, 2003, Boston Pizza International Inc. ("BPI") exchanged 378,052 class A partnership units for an equal amount of Fund units. Following this exchange, BPI sold these units of the Fund at \$9.95 per unit to the public. BPI now holds securities convertible into 2,017,013 units of the Fund which equates to 20% of the fully diluted units of the Fund.

Boston Pizza International Inc.

Management Discussion and Analysis

2003-Q2

Financial Highlights

The following table sets out selected historical information and other data of Boston Pizza International Inc. ("BPI"), which should be read in conjunction with the attached year-end consolidated financial statements of BPI.

	Three month period ended June 30, 2003	Three month period ended June 30, 2002	Six month period ended June 30, 2003	Six month period ended June 30, 2002
(in thousand of dollars)				
Restaurant System Franchise Sales ⁽¹⁾	\$ 74,057	\$ 66,283	\$ 140,901	\$ 126,861
Income Statement Data				
Franchise Fee Income	\$ 5,185	\$ 4,516	\$ 9,866	\$ 8,771
Total Revenue	\$ 7,605	\$ 5,688	\$ 14,525	\$ 11,045
Royalty expense	2,851	-	5,481	-
Administrative expenses and restaurant operating costs	3,712	3,997	7,487	7,519
Earnings	\$ 1,042	\$ 1,691	\$ 1,557	\$ 3,526

Notes:

¹ Represents the Franchise Sales of the two restaurants owned by BPI and the Franchise Sales reported to BPI by franchised Boston Pizza restaurants without audit. Franchise Sales are Gross Sales after deducting revenue from the sale of liquor, beer, wine and tobacco and revenue from BPI approved national promotions & discounts.

Boston Pizza International Inc. Management Discussion and Analysis 2003-Q2

Overview

This Quarterly Report covers the period of April 1, 2003 to June 30, 2003 (the "Period") and the year-to-date results from January 1, 2003 to June 30, 2003.

Boston Pizza International Inc. ("BPI" or the "Company") is the franchisor of the Boston Pizza concept in Canada. The Company competes in the casual dining sector of the restaurant industry and is the Number One Casual Dining Brand in Canada. With 168 restaurants stretching from Victoria to Halifax, Boston Pizza has more locations and serves more customers annually than any other casual dining concept in Canada.

The Company charges a 7% royalty fee on Franchise Sales for all Boston Pizza restaurants open in Canada. BPI pays the Boston Pizza Royalties Income Fund (the "Fund") a royalty fee of 4% of Franchise Sales of a specific royalty pool for the use of the Boston Pizza trademarks (the "BP Rights"³). There were 162 restaurants in the royalty pool (the "Royalty Pool") for this Period.

Business Strategy

The success of Boston Pizza can be attributed to three simple underlying principles that are the foundation for all strategic decision-making – the "Three Pillars" strategy.

- **The commitment to franchisee profitability**
- **The commitment to continually enhance the brand**
- **The commitment to continually improve the customer experience**

Management realizes that its franchisees have to be profitable and succeed. If they are not successful, then ultimately Boston Pizza will not be successful. To enhance profitability and to facilitate the growth of Boston Pizza, BPI aggressively enhances and promotes the Boston Pizza brand through national television and radio advertising, and national and local promotions. Both Boston Pizza franchisees and the corporate support staff continuously find new ways to improve the customer's experience so that they will return to Boston Pizza again, and again. Management is confident that this "Three Pillars" strategy will continue to focus BPI's efforts to develop new markets and continue to strengthen Boston Pizza's position as Canada's Number One Casual Dining Brand.

³ 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 the 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).

Boston Pizza International Inc. Management Discussion and Analysis 2003-Q2

Operating Results

While the first six months of 2003 has been a challenging time for the foodservice industry and the overall economy, Boston Pizza continued to succeed. Overall Franchise Sales growth was 11.7% for the Period and 11.1% year-to-date. This increase was attributable to a combination of store openings and same store sales growth ("SSSG"). Boston Pizza opened two new locations with no closures during the Period bringing the total number of locations open as of June 30, 2003 to 168. During the Period five locations were extensively renovated. These stores each were closed temporarily for 2-3 weeks during the Period for their renovation and historically SSSG for renovated locations have increased between 10-15% post renovation. SSSG was 3.4% for the Period and 3.1% year-to-date. These positive results are indicative of the kind of success Boston Pizza can achieve even in a challenging environment.

While issues such as Severe Acute Respiratory Syndrome ("SARS") and Bovine Spongiform Encephalopathy (BSE – Mad Cow) negatively affected some foodservice concepts recently, Boston Pizza saw no material impact on sales.

The wide geographic dispersion of store locations across Canada together with the suburban and small-center positioning of the brand significantly mitigated the SARS concerns.

BSE was not a concern as a very small percentage of the Boston Pizza menu is beef.

Second Quarter Operating Results Revenues

BPI's revenues for the Period were \$7,604,877 and \$5,687,865 for the same period in 2002. BPI's revenue is mainly derived from royalty income from franchised Boston Pizza restaurants, sales in corporately owned restaurants, initial franchise fees, franchise renewal fees, and income from its interest in the Fund.

Franchise fee income, which includes monthly franchise fees, initial franchise fees and franchise renewal fees, was \$5,184,676 for the Period compared to \$4,516,373 for the same period in 2002. An increase of 14.8%.

Sales for corporate restaurants for the Period were \$1,110,071 and \$1,134,482 for the same period in 2002.

BPI earned \$1,010,389 from its indirect interest in the Fund for the Period. As BPI acquired its interest in the Fund on July 17, 2002 this item was not presented for this Period in 2002.

Other income increased to \$299,741 during the Period versus \$37,010 for the same period in 2002. Other income is generated from real estate income from a joint-venture property and interest on long-term receivables from related companies.

Boston Pizza International Inc.

Management Discussion and Analysis

2003-Q2

Expenses

For the Period, the royalty expense for the use of the BP Rights was \$2,851,259. As BPI acquired its interest in the Fund on July 17, 2002 this expense did not occur in the second quarter of 2002.

Operating expenses for the Period were \$3,712,013 and \$3,996,986 for the same period in 2002. Administrative and operating expenses include salary and administrative costs associated with the services provided to franchised Boston Pizza restaurants, the operation of the two corporately owned restaurants, new Franchise Sales, and development activities.

Other Income & Expenses

Before taking into account the U.S. territorial development expense, depreciation and amortization, management bonus, amortization of deferred gain associated with the sale of the BP Rights, interest on the loan from the Fund, and interest on long-term debt, earnings was \$1,041,605 for the Period and \$1,690,879 for the same period in 2002. This decrease is due to the fact that BPI acquired its interest in the Fund on July 17, 2002 and therefore a royalty expense did not incur during the same period in 2002.

On September 1, 2002 BPI transferred its 96.5% interest in Boston Pizza Restaurants, LP to a related company. Boston Pizza Restaurants, LP is developing Boston's - The Gourmet Pizza brand in the United States. As a result, BPI incurred no territorial development expense in the Period compared to an expense of \$1,658,289 for same period in 2002.

Depreciation and amortization for the Period was \$98,598 and \$157,761 for same period in 2002.

Management bonuses for the Period were \$237,972 and \$381,877 for the same period in 2002. This is a discretionary expense applicable to certain management who are also shareholders of the Company and is based on several criteria including the profitability of the Company.

The amortization of the deferred gain from the IPO was \$144,585 for the Period. As BPI acquired its interest in the Fund on July 17, 2002 this item did not occur in the second quarter of 2002. The deferred gain arose from the sale of BP Rights to the Fund and is amortized over 99 years, the term of the License and Royalty Agreement. The net deferred gain on the sale at the time of the IPO was \$91,098,899.

Interest on the \$24 million loan acquired by the Fund at the time of IPO was \$450,000 for the Period. As BPI acquired its interest in the Fund on July 17, 2002 this expense did not occur in the second quarter of 2002.

Boston Pizza International Inc.

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Interest on long-term debt for the Period was \$24,483 and \$93,906 for the same period in 2002.

Given the combined effects of the above-noted factors, BPI produced earnings before income taxes of \$375,137 for the Period and a loss before income taxes of \$600,954 for the same period in 2002. After tax earnings was \$263,026 for the Period and the after tax loss was \$600,954 same period in 2002. This improvement in earnings is due to the fact BPI incurred no U.S. territorial development expense for this Period compared to an expense of \$1,658,289 for same period in 2002.

Year-To-Date Operating Results

Revenues

BPI's year-to-date revenues were \$14,524,741 and \$11,045,149 for the same period in 2002.

Franchise fee income, was \$9,865,769 year-to-date compared to \$8,771,369 for the same period in 2002. An increase of 12.5%.

Sales for corporate restaurants were \$2,090,284 year-to-date and \$2,158,101 for the same period in 2002.

BPI earned \$1,932,050 year-to-date from its indirect interest in the Fund. As BPI acquired its interest in the Fund on July 17, 2002 this item was not present for the first six months of 2002.

Other income increased to \$636,638 year-to-date versus \$115,679 for the same period in 2002.

Expenses

The year-to-date royalty expense for the use of the BP Rights was \$5,481,189. As BPI acquired its interest in the Fund on July 17, 2002 this expense did not occur in the first six months 2002.

Operating expenses year-to-date were \$7,486,641 and \$7,519,275, for the same period in 2002.

Other Income & Expenses

Before taking into account the U.S. territorial development expense, depreciation and amortization, management bonus, amortization of deferred gain associated with the sale of the BP Rights, interest on the loan from the Fund, and interest on long-term debt, earnings was \$1,556,911 year-to-date and \$3,525,874 for the same period in 2002.

Boston Pizza International Inc.

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On September 1, 2002 BPI transferred its 96.5% interest in Boston Pizza Restaurants, LP to a related company. Boston Pizza Restaurants, LP is developing Boston's - The Gourmet Pizza brand in the United States. As a result, BPI incurred no territorial development expense year-to-date compared to an expense of \$2,667,926 for same period in 2002.

Depreciation and amortization year-to-date was \$214,711 and \$249,306 for same period in 2002.

Management bonuses year-to-date were \$491,727 and \$753,354 for the same period in 2002.

The amortization of the deferred gain from the IPO was \$289,170 year-to-date. As BPI acquired its interest in the Fund on July 17, 2002 this item did not occur in the first six months of 2002.

Interest on the \$24 million loan acquired by the Fund at the time of IPO was \$900,000 year-to-date. As BPI acquired its interest in the Fund on July 17, 2002 this expense did not occur in the first six months of 2002.

Interest on long-term debt for the Period was \$48,848 year-to-date and \$151,238 for the same period in 2002.

Given the combined effects of the above-noted factors, BPI produced earnings before income taxes of \$190,795 for the year-to-date and a net loss before income tax of \$295,950 for the same period in 2002. After tax income was \$116,209 for the year-to-date and the after tax loss was \$411,851 same period in 2002. Year-to-date earnings includes a one time \$665,000 expense for the Company's annual Franchisee Conference and also reflected the weaker seasonal variation that is typical of the winter months. BPI anticipates strong financial performance going forward and forecasts a profitable final result for 2003.

Boston Pizza International Inc.

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Subsequent Events

Subsequent to June 30, 2003, BPI exchanged 378,052 Class A units for an equal amount of Fund units. BPI sold these Fund units to the public. BPI now has a 20% interest in the Fund.

BPI is also pleased to advise that subsequent to June 30, 2003 the Federal Court of Canada, on an application for summary judgment brought by BPI and Boston Pizza Royalties Limited Partnership, dismissed portions of a counterclaim by Boston Market Canada Company and Global Restaurant Operations of Ireland Limited ("The Boston Market Group"), seeking to expunge the registrations of the Boston Pizza trademarks. The Federal Court dismissed the counterclaim as it relates to registered trademarks BP & Design, BP's Lounge and BP's Bistro. The Court did not dismiss the counterclaim regarding three other trademarks, including "Boston Pizza", primarily on the basis that the counterclaim raises issues that should not be resolved on a summary basis and should instead be decided at trial. BPI and the Limited Partnership are in the process of appealing this decision. BPI management remains confident that The Boston Market Group's counterclaim will not succeed. For more information on this litigation please see Risks and Uncertainties below.

Liquidity & Capital Resources

BPI is entirely a franchised business except for the two corporate restaurants. Therefore, capital requirements are limited to the upgrading of these two restaurants and the head office building and equipment requirements. The capital requirements are estimated at \$250,000 for the current year. As at June 30, 2003 working capital of \$7,535,595 was available. Working capital is more than sufficient to meet BPI's capital requirements.

Outlook

Boston Pizza continues to strengthen its position as the Number One Casual Dining Brand in Canada. With 168 restaurants stretching from Victoria to Halifax, Boston Pizza has more locations and serves more customers annually than any other casual dining concept in Canada. Management believes that approximately 10 new Boston Pizza restaurants will open in the last half of 2003 further enhancing brand awareness on a national level. This puts BPI on track to open 70-80 new restaurants across Canada over the next five years. Management further believes that in 2003 the organization can continue to deliver industry-leading SSSG as the organization has done over the last ten years. Boston Pizza will continue its distinct renovation program that requires each location to renovate every seven years. In the later half of 2003, 10 renovations are planned. Historically SSSG for renovated locations has been, on average, 10-15% post-renovation. Management will continue to pursue further development in Western Canada, while aggressively pursuing additional opportunities in Ontario, Quebec, and the Maritimes.

Boston Pizza International Inc.

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In 2003, BPI will continue to leverage spokesperson Howie Mandel's celebrity status and deliver television and radio commercials showcasing the Boston Pizza brand. Management believes that Mr. Mandel's celebrity status will reinforce and increase awareness of the brand and have a positive effect on sales.

As with all forward-looking statements, due care and caution should be employed to ensure that appropriate interpretation is made. Please refer to note¹ at the end of this document for further clarification.

Risks & Uncertainties

The Restaurant Industry

The performance of the Fund is directly dependent upon the royalty and interest payments received from BPI. The amount of royalty received from BPI 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 and the Boston Pizza franchisees are unable to successfully compete in the casual dining sector, Franchise Sales may be adversely affected; the amount of royalty reduced and the ability of BPI to pay the royalty or interest on the BP Loan may be impaired. The restaurant industry is also affected by changes in demographic trends, traffic patterns, and the type, number, and location of competing restaurants. In addition, factors such as government regulations, smoking bylaws, inflation, publicity from any food borne illnesses, increased food, labour and benefits costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and therefore potentially Boston Pizza Franchise Sales. BPI's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. 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 revenue, the royalty and the ability of BPI to pay the royalty to the Fund or interest on the BP Loan.

Boston Pizza International Inc.

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Boston Chicken / Boston Market Litigation

Since 1995, BPI has been challenging Boston Chicken Inc.'s and Global Restaurant Operations of Ireland Limited's registration of the "Boston Chicken" trademark in Canada. In March 2003, the Federal Court of Appeal unanimously ordered the expungement of "Boston Chicken" from the trademark registry. The expungement of the "Boston Chicken" trademark is a significant victory because there is now only one owner (the Partnership) of registered trademarks using "Boston" in connection with restaurant foodservices in Canada. Additionally, since 1995 BPI has opposed the registration of the "Boston Market" trademark. As a result, "Boston Market" is not yet a registered trademark. In 2002 BPI and the Partnership commenced legal action against Global Restaurant Operations of Ireland Limited, Boston Market Canada Company, Boston Market Corporation, and McDonald's Restaurants of Canada Limited (the "McDonald's Group") for trademark infringement over the McDonald's Group's use of "Boston Market". BPI management and the Partnership intend to continue to vigorously prosecute any infringement or unauthorized use of the Boston Pizza trademarks. In the fall of 2002 the McDonald's Group commenced legal actions challenging the validity of the Boston Pizza trademarks owned by the Partnership, some of which have been registered, and in use for over 30 years. BPI management believes that this is a tactical maneuver by the McDonald's Group and is unlikely to succeed. However, in the unlikely event that the challenge to the Boston Pizza trademarks is successful, the Fund would lose the benefits of registration of its trademarks under the *Trade-Marks Act* (Canada), which may mean losing the ability to prevent others from using the registered trademarks for the goods and services for which they are registered and to prevent others from using similar or confusing trademarks or names. However the loss of the registration under the *Trade-Marks Act* (Canada) would not prevent the Partnership from continuing to license and use the "Boston Pizza" and related trademarks in the existing operations and geographic territories where they are presently used and from taking other measures to protect their rights in respect of, and their ability to use, the "Boston Pizza" and related trademarks, in new areas where BPI and its sub-licensees do not presently operate Boston Pizza restaurants. The parties are waiting for trial dates, none of which have been set but BPI management expects the infringement trial to commence in late 2004 or early 2005. BPI management believes that ultimately, BPI and the Partnership will be successful in its litigation with the McDonald's Group. However, there are no assurances or certainty as to the eventual outcome of these legal proceedings.

Other

For a more detailed list of risks and uncertainties please refer to the Prospectus dated July 9, 2002 and the Fund's Annual Information Form.

Boston Pizza International Inc.

Management Discussion and Analysis

2003-Q2

¹Certain statements in this quarterly report may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this quarterly report such statements are such words as “may”, “will”, “expect”, “believe”, “plan”, and other similar terminology. These statements reflect management’s current expectations regarding future events and operating performance and speak only as of the date of this quarterly report. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition; changes in demographic trends; changing consumer preferences and discretionary spending patterns; changes in national and local business and economic conditions; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of BPI. The foregoing list of factors is not exhaustive.

BOSTON PIZZA INTERNATIONAL INC.**Consolidated Balance Sheets**

	June 30, 2003	December 31, 2002
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash	\$ 6,123,657	\$ 2,445,985
Accounts receivable	4,880,321	3,808,266
Income taxes receivable	510,257	373,498
Prepaid expenses	670,980	641,033
Current portion of long-term receivables	13,289	6,255,789
Due from Boston Pizza Royalties Limited Partnership	1,790,876	930,791
Future income taxes	143,055	143,055
	<u>14,132,435</u>	<u>14,598,417</u>
Long-term receivables	16,992,059	16,625,615
Long-term investments (note 2)	41,826,558	40,260,926
Capital assets	2,525,589	2,619,911
Deferred charges	144,915	170,505
Future income taxes	12,560,579	12,560,579
	<u>\$88,182,135</u>	<u>\$ 86,835,953</u>
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,418,639	\$ 4,486,544
Loan payable to Boston Pizza Royalties Limited Partnership	1,790,876	620,527
Current portion of deferred revenue	808,616	971,533
Current portion of long-term debt	578,709	728,311
	<u>6,596,840</u>	<u>6,806,915</u>
Long-term debt	615,778	615,778
Deferred revenue	2,561,475	2,393,645
Loan from the Boston Pizza Royalties Income Fund	24,000,000	24,000,000
Deferred gain on disposition of intangible assets	91,985,671	90,834,840
Future income taxes	191,314	31,381
Shareholders' deficiency:		
Share capital	100	100
Deficit	(37,769,043)	(37,846,706)
	<u>(37,768,943)</u>	<u>(37,846,606)</u>
	<u>\$88,182,135</u>	<u>\$ 86,835,953</u>

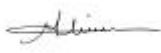
Contingency (note 3)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Jim Treliving



George Melville

BOSTON PIZZA INTERNATIONAL INC.**Consolidated Statements of Operations and Retained Earnings
(Deficit) (Unaudited)**

	Three month period <u>ended June 30,</u>		Six month period <u>ended June 30,</u>	
	2003	2002	2003	2002
Franchise fee income	\$ 5,184,676	4,516,373	9,865,769	8,771,369
Sales - company restaurants	1,110,071	1,134,482	2,090,284	2,158,101
Equity income	1,010,389	-	1,932,050	-
Other	299,741	37,010	636,638	115,679
	<u>7,604,877</u>	<u>5,687,865</u>	<u>14,524,741</u>	<u>11,045,149</u>
Royalty expense	2,851,259	-	5,481,189	-
Administrative expenses and restaurant operating costs	<u>3,712,013</u>	<u>3,996,986</u>	<u>7,486,641</u>	<u>7,519,275</u>
Earnings before undernoted	1,041,605	1,690,879	1,556,911	3,525,874
U.S. territorial development expense	-	1,658,289	-	2,667,926
Depreciation and amortization	98,598	157,761	214,711	249,306
Management bonus	237,972	381,877	491,727	753,354
Amortization of deferred gain	(144,585)	-	(289,170)	-
Interest on loan from Boston Pizza Royalties Income Fund	450,000	-	900,000	-
Interest on long-term debt	<u>24,483</u>	<u>93,906</u>	<u>48,848</u>	<u>151,238</u>
Earnings (loss) before income taxes	375,137	(600,954)	190,795	(295,950)
Income tax expense (recovery)	<u>112,111</u>	<u>-</u>	<u>74,586</u>	<u>115,901</u>
Earnings (loss) for the period	263,026	(600,954)	116,209	(411,851)
Retained earnings (deficit), beginning of period	(38,012,726)	1,887,472	(37,846,706)	1,698,369
Refundable dividend tax	<u>(19,343)</u>	<u>-</u>	<u>(38,546)</u>	<u>-</u>
Retained earnings (deficit), end of period	<u>\$ (37,769,043)</u>	<u>1,286,518</u>	<u>(37,769,043)</u>	<u>1,286,518</u>

See accompanying notes to consolidated financial statements.

BOSTON PIZZA INTERNATIONAL INC.

Consolidated Statements of Cash Flows

(Unaudited)

	Three month period ended June 30,		Six month period ended June 30,	
	2003	2002	2003	2002
Cash provided by (used in):				
Operations:				
Earnings (loss) for the period	\$ 263,026	(600,954)	116,209	(411,851)
Items not affecting cash:				
Depreciation	93,097	111,551	189,120	156,885
Future income taxes	10,258	-	121,378	-
Amortization of deferred charges	5,501	46,210	25,591	92,421
Amortization of deferred gain on disposition of intangible assets	(144,585)	-	(289,170)	-
Equity income	(1,010,389)	-	(1,932,050)	-
Distributions by Boston Pizza Royalties Limited Partnership	1,076,996	-	1,790,876	-
Changes in non-cash working capital items (note 4 (a))	(474,805)	851,304	(2,301,745)	(3,327,194)
	(180,901)	408,111	(2,279,791)	(3,489,739)
Investments:				
Changes in long-term receivables	(246,638)	(363,729)	5,876,056	(882,776)
Purchase of capital assets, net	(51,204)	(122,641)	(94,798)	(201,570)
Distributions from Boston Pizza Royalties Income Fund	15,543	-	15,543	-
	(282,299)	(486,370)	5,796,801	(1,084,346)
Financing:				
Proceeds from long-term debt	-	13,150	-	4,947,341
Repayment of long-term debt	(75,164)	(280,862)	(149,602)	(280,862)
Due from Boston Pizza Royalties Limited Partnership	(1,076,996)	-	(860,085)	-
Loan from the Boston Pizza Royalties Income Fund	1,076,996	-	1,170,349	-
	(75,164)	(267,712)	160,662	4,666,479
Increase (decrease) in cash	(538,364)	(345,971)	3,677,672	92,394
Cash, beginning of period	6,662,021	1,013,312	2,445,985	574,947
Cash, end of period	6,123,657	667,341	6,123,657	667,341

See note 4(b) for supplementary cash flow information.

See accompanying notes to consolidated financial statements.

BOSTON PIZZA INTERNATIONAL INC.

Notes to Consolidated Financial Statements (Unaudited)

Three month periods ended June 30, 2003 and 2002

Six month periods ended June 30, 2003 and 2002

1. Basis of presentation:

These interim consolidated financial statements have been prepared using Canadian generally accepted accounting principles. The interim financial statements include all adjustments consisting solely of normal recurring adjustments, which in management's opinion, are necessary for a fair presentation of the financial results of the interim period presented.

The disclosures in these statements do not conform in all aspects to the requirements of Canadian generally accepted accounting principles for annual financial statements. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These statements should be read in conjunction with the significant accounting policies and other information in the Company's most recent annual financial statements.

2. Long-term investments:

The Company's investment in the Partnership is comprised of:

Boston Pizza Royalties Limited Partnership:

1,605,290 class A units of the Partnership	\$ 16,052,900
100,000,000 class B units of the Partnership	18,000,000
2,400,000 class C units of the Partnership	24,000,000
Equity income to date	3,604,633
Distributions from the Partnership to date	(3,513,543)

58,143,990

Portion of deferred gain relating to class

B units received for future restaurants	(16,560,000)
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Net investment in Partnership	41,583,990
-------------------------------	------------

Investment in BP Limited Partnership Holding Inc.	242,548
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Investment in BP GP	20
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\$ 41,826,558

On January 1, 2003, eight new Boston Pizza restaurants opened during the period from May 1, 2002 to November 1, 2002 were added to the Royalty Pool of the Fund. As a result of the additional sales created by these new stores, BPI received additional entitlement equivalent of 448,273 Fund Units, or 4.46% of the issued and outstanding Fund Units on a fully diluted basis. BPI has also received a proportionate increase in monthly distributions from the Fund. BPI's investment in the Partnership and the related deferred gain have been increased by \$1,440,000 as a result of this transaction.

BOSTON PIZZA INTERNATIONAL INC.

Notes to Consolidated Financial Statements (Unaudited)

Three month periods ended June 30, 2003 and 2002

Six month periods ended June 30, 2003 and 2002

3. Contingency:

The Company is involved in trademark litigation with entities affiliated with McDonald's Restaurant of Canada (the "McDonald's Group"), opposing the registration of the Boston Market trademark. Management believes that there is likelihood that the trademark will not be registered. Additionally, the Company has commenced an action against The McDonald's Group to prevent them from infringing the Company's interest in the trademarks by operating Boston Market in Canada. The McDonald's Group has filed a counterclaim and a separate action challenging the validity of the registered trademark "Boston Pizza" and related trademarks under the Trademarks Act (Canada).

4. Supplementary cash flow information:

	Three month period ended June 30,		Six month period ended June 30,	
	2003	2002	2003	2002
(a) Change in non-cash working capital:				
Accounts receivable	\$ (171,141)	(690,003)	(1,072,055)	(675,116)
Income tax receivable	11,886	112,216	(136,759)	352,669
Deferred revenue	(46,196)	739,778	4,914	1,050,348
Prepaid expenses	(66,810)	58,003	(29,947)	36,151
Accounts payable and accrued liabilities	(202,544)	631,310	(1,067,898)	(4,091,246)
	<u>\$ (474,805)</u>	<u>851,304</u>	<u>(2,301,745)</u>	<u>(3,327,194)</u>

(b) Supplementary Information:

Interest received	\$ 268,433	4,381	354,834	7,108
Interest paid	473,141	66,906	953,247	126,817
Non-cash financing and investing activities:				
Increase in investments and deferred gain due to transfer of eight new restaurants to the Partnership (note 2)	1,440,000	-	1,440,000	-

BOSTON PIZZA INTERNATIONAL INC.

Notes to Consolidated Financial Statements
(Unaudited)

Three month periods ended June 30, 2003 and 2002

Six month periods ended June 30, 2003 and 2002

5. Subsequent Event:

On July 15, 2003, Boston Pizza International Inc. ("BPI") exchanged 378,052 class A partnership units for an equal amount of Fund units. Following this exchange, BPI sold their units of the Fund at \$9.95 per unit to the public. BPI now holds securities convertible into 2,017,013 units of the Fund which equates to 20% of the fully-diluted units of the Fund.

6. Comparative figures:

Certain prior period amounts have been reclassified to conform to the current period presentation.

Unitholder Information

Boston Pizza Royalties Income Fund

CORPORATE

5500 PARKWOOD WAY, RICHMOND, BC, V6V 2M4

TRUSTEES

JOHN L. COWPERTHWAITTE

Retired Partner Ernst & Young LLP

WILLIAM C. BROWN

Corporate Director

ROBERT L. PHILLIPS

*President & Chief Executive Officer
BCR Group of Companies*

TRANSFER AGENT

COMPUTERSHARE TRUST COMPANY OF CANADA

STOCK EXCHANGE LISTING

TORONTO STOCK EXCHANGE: BPFUN

AUDITORS

KPMG LLP

CORPORATE COUNSEL

BORDEN LADNER GERVAIS LLP

REGISTERED AND RECORDS OFFICE

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Retired Partner Ernst & Young LLP

WILLIAM C. BROWN* – SECRETARY & DIRECTOR
Corporate Director

ROBERT L. PHILLIPS* – PRESIDENT & DIRECTOR
*President & Chief Executive Officer
BCR Group of Companies*

MIKE CORDOBA – DIRECTOR
*President & Chief Operating Officer
Boston Pizza International Inc.*

MARK POWELL – DIRECTOR
*Chief Financial Officer
Boston Pizza International Inc.*

*AUDIT COMMITTEE AND GOVERNANCE
COMMITTEE MEMBER

WWW.BPINCOMEFUND.COM

Boston Pizza International Inc.

MANAGEMENT TEAM

JIM TRELIVING

Chief Executive Officer

GEORGE MELVILLE

Chief Executive Officer

MIKE CORDOBA

President & Chief Operating Officer

MARK POWELL

Chief Financial Officer

MIKE CYR

Executive Vice-President Western Canada

MARK PACINDA

Executive Vice-President Eastern Canada

TYLER BARRS

Corporate Counsel

AL CAVE

Vice President Business Development

STEPHEN PLUNKETT

Vice President Marketing

DOUG MACDONALD

Vice President Foodservice

THOMAS MULLALLY

Vice President Operations Eastern Canada

CORPORATE HEAD OFFICE

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The Boston Pizza International Inc. Corporate Mission Statement

**TO BE A WORLD CLASS FRANCHISOR THROUGH SELECTING
AND TRAINING PEOPLE TO PROFITABLY MANAGE AN
OUTSTANDING FOODSERVICE BUSINESS.**

TO ACHIEVE THIS GOAL WE ARE INNOVATIVE AND RESPONSIVE IN OUR
APPROACH IN BUSINESS. WE WORK AS A TEAM PROVIDING ATTENTION TO
DETAIL BUT NEVER LOSING SIGHT OF THE LARGER PICTURE. WE RECOGNIZE
THE NEED TO PROVIDE LEADERSHIP IN ALL AREAS OF THE OPERATIONS,
MARKETING AND RESTAURANT DEVELOPMENT.



ROYALTIES INCOME FUND

www.bpincomefund.com

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