



ROYALTIES INCOME FUND

Q1  
2004

FIRST QUARTER REPORT TO UNITHOLDERS  
FOR PERIOD JANUARY 1, 2004 TO MARCH 31, 2004



# Glossary of Terms

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**Fund** Boston Pizza Royalties Income Fund

**Partnership** Boston Pizza Royalties Limited Partnership

**BPI** Boston Pizza International Inc.

## Gross Sales / System 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 gross 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

**IPO** Initial Public Offering – date July 17, 2002

**Fiscal Year** As it applies to the Fund, for 2002 means July 17 to December 31, after January 1, 2003 it means January 1 to December 31. As it applies to BPI, prior to 2002 it means September 1 to August 31, after September 1, 2002 it means for the remainder of calendar 2002, after January 1, 2003 it means January 1 to December 31.

**Royalty Pool** In any period, those Boston Pizza restaurants on which royalty equating to 4% of franchise sales/revenue is to be paid to the Fund.

## Non-Controlling Interest

BPI's indirect interest in the Fund.

## 20-day Weighted Average

**Unit Price** As at any date or for any period, the weighted average price at which the Units have traded on a Stock Exchange during the period of 20 consecutive trading days ending on the fifth trading day before such date or the end of the period. The weighted average price is defined as the amount obtained by dividing the aggregate sale price of all of the Units traded on the relevant Stock Exchange during such period divided by the total number of Units so traded.

**BP Rights (a)** All rights in Canada to certain registered trademarks and pending applications for trademarks, including "Boston Pizza", "BP & Design", "BP's Lounge", "BP's Bistro", "Boston's The Gourmet Pizza", "Boston Pizza Quick Express", "Boston Pizza Restaurant & Sports Bar". **(b)** All rights in Canada in certain unregistered trademarks and trade names used in the business of BPI; and **(c)** Certain goodwill associated with the items referenced in (a) and (b) above.

# 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 first Quarterly Report for 2004. The report covers the fiscal period from January 1, 2004 to March 31, 2004 (the "Period"). Results are also available on the Fund's website at [www.bpincomefund.com](http://www.bpincomefund.com) and we encourage you to visit our website to follow new developments on Fund activities.

## Highlights

The first quarter of 2004 was very positive for the Fund. Due to the positive same store sales growth ("SSSG") of 8.8% achieved by Boston Pizza restaurants during the Period, we were able to increase monthly distributions beginning with the March distribution. The monthly distribution increased by 3.8% from \$0.0867 per unit to \$0.09 per unit. Boston Pizza restaurants across Canada have continued to post positive SSSG each and every period since the Fund's Initial Public Offering (the "IPO"). This demonstrates the strength of the Boston Pizza brand, the entrepreneurial spirit of Boston Pizza franchisees, and the quality of the Boston Pizza business model. This is the third distribution increase provided to Unitholders over the last 12 months.

Boston Pizza continued to post positive growth during the first three months of 2004 opening three new Boston Pizza restaurants, with no closures, renovating three restaurants, and relocating one restaurant to an improved site. The combination of SSSG, new store openings, Boston Pizza International's ("BPI") unique renovation program, and relocated restaurants contributed to overall Franchise Sales growth for the Fund of 17.3% for the Period.

For the Period, the Fund received royalty income of \$3,085,617 from BPI and interest income was \$451,747. Expenses, made up primarily of general and administrative and interest expense, amounted to \$156,685.

The Fund's net earnings, after BPI's Non-Controlling Interest were \$2,176,675 or \$0.2643 per unit. The Fund declared aggregate distributions of \$1,455,128 or \$0.1734 per unit.

## Outlook

Going forward BPI management continues to focus on opening new stores and delivering industry-leading SSSG. In 2004, BPI anticipates that approximately 15 new locations will open across Canada further enhancing the Boston Pizza brand. SSSG, the primary metric for growth of the Fund, will be achieved through executing effective national and local marketing promotions, superior customer service, and Boston Pizza's unique renovation program, which requires each Boston Pizza location conduct a full renovation every seven years. In 2004, 15 renovations are planned. Historically SSSG for renovated locations has been between 10-15% post renovation.

BPI management believes that these initiatives will enhance Boston Pizza's efforts to develop new markets while continuing to strengthen Boston Pizza's position as Canada's number one casual dining brand. With 182 restaurants stretching from Victoria to Halifax, Boston Pizza has more locations and serves more customers annually than any other casual dining destination in Canada.

The Board of Trustees will periodically review distribution levels and our criteria will continue to be to distribute all available cash in order to maximize returns to Unitholders. Any changes to distributions will be implemented, to the extent possible, in a manner that will allow the Fund to maintain

# Letter from the Chairman of Boston Pizza Royalties Income Fund

the uniformity of distributions while, at the same time, not utilizing the \$1 million credit facility available to the Partnership.

In closing, I would like to take this opportunity to thank each Unitholder for your continued 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. The signature is cursive and somewhat stylized.

**John Cowperthwaite, FCA**  
Chairman, Boston Pizza Royalties Income Fund

# Management Discussion and Analysis

## Boston Pizza Royalties Income Fund

### 2004-Q1

#### Financial Highlights

The following table sets out selected historical information and other data of the Boston Pizza Royalties Income Fund (the "Fund" <sup>1</sup>), which should be read in conjunction with the attached consolidated financial statements of the Fund.

	January 1, 2004 to March 31, 2004	January 1, 2003 to March 31, 2003
(in thousands of dollars –except restaurants and per unit items)		
Number of restaurants in Royalty Pool	177	162
Franchise Revenues reported by restaurants in Royalty Pool	\$77,140	\$65,748
Royalty & Interest Income	\$3,537	\$3,080
Earnings before Non-Controlling Interest	\$3,381	\$2,857
Non-Controlling Interest	\$1,204	\$1,071
Net earnings	\$2,177	\$1,786
Earnings per Fund unit	\$0.26	\$0.23
Distributions declared per Fund unit	\$0.17	\$0.17
Same Store Sales Growth	8.8%	2.8%
Number of restaurants opened during Period	3	3
Number of restaurants closed during Period	0	0
	March 31, 2004	December 31, 2003
(in thousands of dollars)		
Total Assets	\$155,322	\$138,700
Total Liabilities	\$73,612	\$64,316

<sup>1</sup> Any further references to the Fund refer to the Fund and its related parties, as the financial results presented in this quarterly report are presented on a consolidated basis.

# Management Discussion and Analysis

## Boston Pizza Royalties Income Fund

### 2004-Q1

	Q1 2004	Q4 2003	Q3 2003	Q2 2003
(in thousands of dollars – except restaurants and per unit items) Unaudited				
Number of restaurants in Royalty Pool	177	162	162	162
Franchise Revenues reported by restaurants in Royalty Pool	\$77,140	\$72,868	\$76,467	\$71,281
Royalty & Interest Income	\$3,537	\$3,367	\$3,509	\$3,302
Earnings before Non-Controlling Interest	\$3,381	\$3,142	\$3,311	\$3,073
Non-Controlling Interest	\$1,204	\$1,074	\$997	\$1,067
Net earnings	\$2,177	\$2,068	\$2,315	\$2,006
Earnings per Fund unit	\$0.26	\$0.26	\$0.29	\$0.26
Distributions declared per Fund unit	\$0.1734	\$0.3468	\$0.2550	\$0.2516

	Q1 2003	Q4 2002	Q3 2002
(in thousands of dollars – except restaurants and per unit items) Unaudited			
Number of restaurants in Royalty Pool	162	154	154
Franchise Revenues reported by restaurants in Royalty Pool	\$65,748	\$67,115	\$57,088
Royalty & Interest Income	\$3,080	\$3,136	\$2,664
Earnings before Non-Controlling Interest	\$2,857	\$2,840	\$2,507
Non-Controlling Interest	\$1,071	\$931	\$776
Net earnings	\$1,786	\$1,909	\$1,731
Earnings per Fund unit	\$0.23	\$0.24	\$0.23
Distributions declared per Fund unit	\$0.1666	\$0.3332	\$0.1253

# Management Discussion and Analysis

## Boston Pizza Royalties Income Fund

### 2004-Q1

#### Overview

This Quarterly Report covers the period of January 1, 2004 to March 31, 2004 (the "Period"). The Management Discussion and Analysis of the results for this Period is dated May 10, 2004. A copy of this Quarterly Report and additional information about the Fund is available at [www.sedar.com](http://www.sedar.com) or [www.bpincomefund.com](http://www.bpincomefund.com).

The Fund owns the Canadian trademarks for Boston Pizza (the "BP Rights"<sup>2</sup>), 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 the specific royalty pool (the "Royalty Pool"). There were 177 restaurants in the Royalty Pool for the Period.

On January 1 of each year ("Adjustment Date"), an adjustment is made to add to the Royalty Pool new Boston Pizza restaurants that have been open at least 60 days prior to that Adjustment Date. In return for adding this additional royalty revenue, BPI receives the right to indirectly acquire additional Fund units (the "Additional Entitlements"). The adjustment for new franchise revenues added to the Royalty Pool is designed to be accretive for Unitholders. The Additional Entitlements are calculated at 92.5% of the royalty revenue added to the Royalty Pool, divided by the yield of the Fund, divided by the Weighted Average Unit Price. BPI receives 80% of the Additional Entitlements initially, with the balance received when the actual full year performance of the new restaurants is known with certainty. BPI receives 100% of distributions from the Additional Entitlements throughout the year. Once these new restaurants have been part of the Royalty Pool for a full year, an audit of the royalty revenues of these restaurants received from BPI will be performed. At such time an adjustment will be made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI.

A key attribute of the Fund structure is the fact that it is a "top-line" fund. Royalty income of the Fund is based on top-line revenue of Royalty Pool restaurants and is 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 of the Royalty Pool.

Increases in Franchise Sales are derived from both new Boston Pizza restaurants and Same Store Sales Growth ("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 of existing locations 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%.

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<sup>2</sup> 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).

# Management Discussion and Analysis

## Boston Pizza Royalties Income Fund

### 2004-Q1

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. BPI has a very low store closure rate. In 2004 year-to-date no restaurants have closed and, in fact, only two Boston Pizza restaurants have closed in the last six years, a statistic significantly below the industry average. In the event that a location 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. The interim consolidated financial statements are in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles. *Readers should note that the 2004 results are not directly comparable with the 2003 results due to the fact that there were 177 restaurants in the Royalty Pool for the 2004 Period and 162 restaurants in the Royalty Pool for the 2003 period.*

## Operating Results

For the Period Boston Pizza continued to post positive growth. Franchise sales growth of royalty pool restaurants was 17.3% for the Period. This was achieved through the addition of 15 new restaurants to the royalty pool on January 1 and SSSG.

## SSSG

SSSG, the key metric for growth of the Fund, was 8.8% for the Period. SSSG is a cumulative effect of increased customer traffic and increased average guest cheque. As a result of this positive SSSG, the Fund was able to provide Unitholders with a 3.8% increase in monthly distributions starting with the March 2004 distribution.

## New Store Openings and Renovations

During the Period, three new Boston Pizza restaurants opened and no restaurants were closed. As well during the Period three Boston Pizza restaurants were renovated and one restaurant was relocated to an improved site. Typically, locations that renovate are closed for 2-3 weeks. BPI's unique renovation program is a proven sales builder. Historically the average increase in overall sales for renovated sites has been 10% - 15% post renovation.

## Revenues

For the Period royalty income received by the Fund was \$3,085,617 and interest income was \$451,747. The royalty income was based on the Royalty Pool of 177 Boston Pizza restaurants in Canada reporting Franchise Sales of \$77,140,419. For the same period in 2003 royalty income received by the Fund was \$2,629,930 and interest income was \$450,377. The 2003 comparative period royalty income was based on the Royalty Pool of 162 Boston Pizza restaurants in Canada reporting Franchise Sales of \$65,748,256. Interest income is 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.

# Management Discussion and Analysis

## Boston Pizza Royalties Income Fund

### 2004-Q1

#### Operating Expenses

The Fund's consolidated operating expenses for the Period were \$156,685: \$62,021 of interest expense on its \$5 million term loan, \$7,500 for amortization of deferred financing charges on its credit facilities, and \$87,164 for general and administrative expense. For the same period in 2003 consolidated operating expenses were \$223,296: \$65,651 of interest expense on its \$5 million term loan, \$7,500 for amortization of deferred financing charges on its credit facilities, and \$150,145 for general and administrative expense. The general and administrative expenses are comprised mainly of professional fees, insurance premiums, transfer agent costs, and trustee fees. General and administrative expenses were reduced significantly, by \$62,981, during the Period primarily due to higher legal fees incurred by the Fund in 2003.

Of the \$3,085,617 of royalty income earned by the Fund, \$1,204,004 represents BPI's indirect interest in the Fund.

#### Distributions

Net earnings of the Fund were \$2,176,675 or \$0.2643 per unit with the Fund declaring distributions of \$1,456,268 or \$0.1734 per unit for the Period. During the 2003 period net earnings were \$1,786,191 or \$0.2323 per unit and distributions of \$1,281,152 or \$0.1666 per unit were declared. As a result of positive SSSG in early 2004, the Fund declared an increase in monthly distributions. The Fund raised distributions by 3.8% from \$0.0867 per unit to \$0.09 per unit beginning with the March 2004 distributions. Distributions for the Period were as follows:

Period	Payment Date	Amount/unit
January 1-31, 2004	February 27, 2004	8.67¢
February 1-29, 2004	March 31, 2004	8.67¢
March 1-31, 2004	April 30, 2004*	9.00¢

\*Declared and paid subsequent to the Period

#### New Stores Added to the Royalty Pool

On January 1, 2004, 15 new Boston Pizza restaurants were added to the Royalty Pool; the locations opened during the period November 2, 2002 to November 1, 2003. In return for adding the royalty revenue from these 15 new restaurants to the Royalty Pool, BPI received the right to acquire an additional 738,345 units of the Fund. The 738,345 represents 80% (922,232 represents 100%) of the Additional Entitlements with the balance received when the actual full year performance of the new restaurants is known with certainty. The 738,345 Additional Entitlements represented 6.82% of the Fund units on a fully diluted basis. BPI also receives a proportionate increase in monthly distributions based on the Additional Entitlements. The calculation for the number of Additional Entitlements received by BPI is designed to be accretive to existing Fund Unitholders as the additional royalty revenues from the new restaurants are licensed to the Fund at a 7.5% discount. The estimated royalty revenue the Fund will receive in 2004 from these additional 15 restaurants is \$1,017,716. The royalty revenue for the purposes of calculating the Additional Entitlements, therefore, was \$941,387 or 92.5%. Once the actual performance of these 15 restaurants for 2004 is known, the number of Additional Entitlements will be adjusted in 2005 to reflect the actual royalty revenue received by the Fund in 2004.

# **Management Discussion and Analysis**

## **Boston Pizza Royalties Income Fund**

### **2004-Q1**

The Fund has prospectively adopted new recommendations of the Canadian Institute of Chartered Accountants on what constitutes Canadian Generally Accepted Accounting Principles ("GAAP"). As a result of this change, Class B Partnership units held by BPI, which are entitled to receive full distributions from the Partnership, and are exchangeable for Fund units are recorded at their fair value at the date of determination of the respective Additional Entitlements. This change has resulted in no impact to net earnings but has increased the values of both the intangible assets and non-controlling interest at March 31, 2004 by \$19,494,800

In January 2004 an audit of the royalty revenues of the 8 locations that were rolled into the Royalty Pool on January 1, 2003 was completed. The purpose of this audit was to compare actual royalty revenue from these 8 locations to the estimated amount of royalty revenue the Fund expected to receive. The original royalty revenue the Fund expected to receive was \$603,440 and the actual royalty revenue that the Fund received was \$576,909. As a result, BPI made a cash payment to the Fund of \$25,129 for this nominal mismatch in royalty revenue. Since BPI only receives the right to acquire 80% of the Additional Entitlements at the Adjustment Date in 2003, BPI received the right to acquire its remaining portion of the Additional Entitlements or 87,432 Additional Entitlements following this audit.

On March 8, 2004 BPI exchanged 660,622 Class A units for an equal amount of Fund units. BPI then sold these Fund units to the public. As of March 11, 2004 there were 8,728,674 Fund units issued, 10,910,842 on a fully diluted basis, and BPI had a 20% indirect interest in the Fund. BPI has committed to maintain a minimum 20% indirect interest in the Fund until there are 275 restaurants in the Royalty Pool.

### **Subsequent Event**

Subsequent to March 31, 2004, Boston Pizza opened one new location bringing the total number of locations open as of April 30, 2004 to 182.

# Management Discussion and Analysis

## Boston Pizza Royalties Income Fund

### 2004-Q1

#### 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 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.

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. In order for the term loan to be in good standing with the lending bank, earnings before interest, depreciation, and amortization ("EBITDA"<sup>3</sup>) of the Boston Pizza Royalties Limited Partnership (the "Partnership") for any four consecutive quarters must be at minimum \$7,500,000. For the four most recent quarters EBITDA of the Partnership was \$11,405,336. In addition, any change in ownership of the Partnership or the Boston Pizza Holdings Trust requires prior approval of the lending bank otherwise the bank may accelerate repayment of the term loan. The term loan expires on July 16, 2005 and the Fund intends to arrange for the renewal of the loan prior to maturity.

The Fund also has a \$1 million operating line of credit to allow for any seasonal variations that could result in mismatches between royalty revenue inflows and distributions to Unitholders of the Fund. The term of this facility is 364-day revolving.

The Fund is well capitalized. As of March 31, 2004 the Fund's \$1 million operating line of credit was 100% available and there was \$1,519,907 of working capital.

#### Outlook

Boston Pizza is well positioned for future growth and should continue to strengthen its position as the number one casual dining brand in Canada. In 2004 BPI management anticipates that 15 new locations will open across Canada. The Company is on track to open 70-80 new restaurants across Canada over the next five years. Opening these new locations will support the continuing enhancement of the Boston Pizza brand. In addition, BPI Management believes that in 2004 the organization can continue to deliver industry-leading SSSG from national and local marketing programs and BPI's unique renovation program that requires each location to renovate every seven years. BPI anticipates 15 locations will conduct major renovations, which will help facilitate the ongoing effort to deliver industry-leading SSSG. Management will continue to pursue further development in Western Canada, Ontario, and the Maritimes while aggressively pursuing additional opportunities in Quebec.

As with all forward-looking statements, due care and caution should be employed to ensure that appropriate interpretation is made. Please refer to note 1 at the end of this document for further clarification.

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<sup>3</sup> EBITDA is not a measure recognized under Generally Accepted Accounting Principles. The EBITDA of the Partnership was calculated by taking Royalty Revenue plus Interest Revenue less General and Administrative Expenses.

# **Management Discussion and Analysis**

## **Boston Pizza Royalties Income Fund**

### **2004-Q1**

#### **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.

# Management Discussion and Analysis

## Boston Pizza Royalties Income Fund

### 2004-Q1

#### Boston Chicken / Boston Market Litigation

Since 1995, BPI has been challenging Boston Chicken Inc. and Global Restaurant Operations of Ireland Limited 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. BPI and/or the Partnership intend to oppose the registration of this and any other trademark by Boston Market and/or any other parties if the proposed trademark contains, among others, the word "Boston" in connection with food, food products and/or restaurant food services. 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 defend against 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 Partnership 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 liability to use, the "Boston Pizza" and related trademarks in new areas where BPI and its sub-licensees do not presently operate Boston Pizza restaurants. In July 2003, the Federal Court of Canada, on an application for summary judgment brought by BPI and Boston Pizza Royalties Limited Partnership, dismissed portions of the counterclaim by the McDonald's 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 Partnership are in the process of appealing this decision. The parties are waiting for trial dates, none of which have been set but BPI management expects the infringement trial to commence in late 2005 or early 2006. 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 Fund's Annual Information Form which is available at [www.sedar.com](http://www.sedar.com).

# Management Discussion and Analysis

## Boston Pizza Royalties Income Fund

### 2004-Q1

<sup>1</sup> 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**

	March 31, 2004	December 31, 2003
	Unaudited	
Assets		
Current assets:		
Cash	\$ 313,768	\$ 273,890
Due from Boston Pizza International Inc. (note 3)	1,308,228	1,186,755
Loan to Boston Pizza International Inc.	767,669	3,787,587
Prepaid expenses	49,021	54,938
	<u>2,438,686</u>	<u>5,303,170</u>
Note receivable from Boston Pizza International Inc.	24,000,000	24,000,000
Intangible assets (note 5)	128,843,700	109,348,900
Deferred financing charges, net of accumulated amortization of \$50,000 (December 31, 2003 - \$42,500)	40,000	47,500
	<u>\$ 155,322,386</u>	<u>\$ 138,699,570</u>
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 151,110	\$ 150,960
Distributions payable to Fund unitholders	-	699,496
Distributions payable to Boston Pizza International Inc.	767,669	4,097,049
	<u>918,779</u>	<u>4,947,505</u>
Term loan	5,000,000	5,000,000
Non-controlling interest (note 6)	67,693,556	54,368,641
Unitholders' equity (note 2(c))	81,710,051	74,383,424
	<u>\$ 155,322,386</u>	<u>\$ 138,699,570</u>

Contingency (note 7)

Subsequent event (note 9)

See accompanying notes to consolidated financial statements.

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

Three months ended March 31, 2004 and 2003

	2004	2003
Franchise revenues reported by Boston Pizza		
Outlets included in Royalty Pool	\$77,140,419	\$65,748,256
Revenue:		
Royalty income	3,085,617	2,629,930
Interest income	451,747	450,377
	3,537,364	3,080,307
Expenses:		
General and administrative	87,164	150,145
Interest	62,021	65,651
Amortization of deferred financing charges	7,500	7,500
	156,685	223,296
Earnings before non-controlling interest	3,380,679	2,857,011
Non-controlling interest (note 6)	1,204,004	1,070,820
Net earnings	2,176,675	1,786,191
Weighted average units outstanding	8,235,022	7,690,000
Basic and diluted earnings per Fund unit	\$ 0.26	\$ 0.23

**Consolidated Statement of Unitholders' Equity**

(Unaudited)

Three months ended March 31, 2004 and 2003

	2004	2003
Balance, beginning of period	\$ 74,383,424	\$ 70,499,759
Issue of Boston Pizza Royalties Income Fund units	6,606,220	-
Net earnings	2,176,675	1,786,191
Distributions declared	(1,456,268)	(1,281,152)
Balance, end of period	\$ 81,710,051	\$ 71,004,798

See accompanying notes to consolidated financial statements.

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

Three months ended March 31, 2004 and 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Net earnings	\$ 2,176,675	\$ 1,786,191
Items not involving cash:		
Amortization of deferred financing charges	7,500	7,500
Non-controlling interest	1,204,004	1,070,820
Change in non-cash operating working capital (note 8(a))	(115,406)	(116,842)
	<u>3,272,773</u>	<u>2,747,669</u>
Financing:		
Loan receivable from Boston Pizza International Inc.	(767,669)	(93,353)
Distributions paid to unitholders	(2,155,764)	(1,921,729)
Distributions paid to non-controlling interest unitholders	(309,462)	(930,791)
	<u>(3,232,895)</u>	<u>(2,945,873)</u>
Increase (decrease) in cash	39,878	(198,204)
Cash, beginning of period	273,890	245,270
Cash, end of period	<u>\$ 313,768</u>	<u>\$ 47,066</u>

See note 8(b) for supplementary cash flow information.

See accompanying notes to consolidated financial statements.

## **BOSTON PIZZA ROYALTIES INCOME FUND**

Notes to Consolidated Financial Statements (Unaudited)

Three months ended March 31, 2004 and 2003

### **1. Basis of presentation:**

These interim consolidated financial statements have been prepared by management 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 include all the disclosure requirements of Canadian generally accepted accounting principles for 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. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements, except as described below:

Effective January 1, 2004, the Fund prospectively adopted new recommendations of the Canadian Institute of Chartered Accountants on what constitutes Canadian generally accepted accounting principles and its sources. As a result of this change, Class B Partnership units held by Boston Pizza International Inc. ("BPI") which are entitled to receive full distributions from the Partnership and are exchangeable for Fund units are recorded at their fair value at the date of determination of the respective Additional Entitlement. The increase in the value of these Class B Partnership units has been accounted for as an additional cost of the purchase of additional royalties from new Boston Pizza restaurants included in the Royalty Pool and accordingly has been reflected as an increase in the value of intangible assets. The effect of this change on the current period's financial statements is to increase the value of intangible assets and non-controlling interest by \$19,494,800 (notes 5 and 6). There is no impact to net earnings as a result of this change.

### **2. Operations:**

(a) On January 1, 2004, 15 (2003 - 8) new Boston Pizza restaurants opened during the period from November 2, 2002 to November 1, 2003 were added to the Royalty Pool. The royalty revenue of these 15 new restaurants have been estimated at \$1,017,716. The total number of restaurants in the Royalty Pool has increased to 177. The yield of the Fund units was determined to be 9.25% calculated using a weighted average unit price of \$11.03. Weighted average unit price is calculated based on the market price of the units traded on the TSX Stock Exchange during the period of twenty consecutive days ending on the fifth trading day before January 1, 2004. As a result of the contribution of the additional net sales to the Royalty Pool, and assuming 100% of the Additional Entitlement, BPI's Additional Entitlement is equivalent to 922,932 (2003 - 560,341) Fund units. BPI will also receive a proportionate

## BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements (Unaudited)

Three months ended March 31, 2004 and 2003

increase in monthly distributions from the Fund. 20% of the Additional Entitlement, 184,687 units (2003 - 112,068), remain unissued and are not entitled for conversion to Fund units until January 1, 2005 (2003 units - January 1, 2004) based on the actual performance of the new stores.

- (b) On January 1, 2004, adjustments to royalty payments and Additional Entitlement were made based on the actual performance of eight restaurants added to the Royalty Pool on January 1, 2003. Based on these adjustments, BPI received its pro rata portion of the remaining Additional Entitlement, 87,432 Fund units. BPI also repaid an amount of \$25,129 for monthly distributions to the Fund.
- (c) On March 8, 2004, BPI exchanged 660,622 Class A units for an equal amount of Fund units. BPI then sold these Fund units to the public. As of March 31, 2004, there were 8,728,674 Fund units issued and BPI had a 20% indirect interest in the Fund.

BPI has committed to maintain a minimum of 20% indirect interest in the Fund until there are 275 restaurants in the Royalty Pool.

### 3. Due from Boston Pizza International Inc.:

	March 31, 2004	December 31, 2003
Royalty fee receivable	\$1,158,228	\$ 1,036,755
Interest on note receivable	150,000	150,000
	<u>\$1,308,228</u>	<u>\$ 1,186,755</u>

## BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements (Unaudited)

Three months ended March 31, 2004 and 2003

### 4. Distributable cash:

	2004	2003
Earnings for the period	\$ 2,176,675	\$ 1,786,191
Amortization of deferred financing charges	7,500	7,500
Non-controlling interest	1,204,004	1,070,820
	3,388,179	2,864,511
Distributable cash required for non-controlling interest	1,205,504	1,070,820
Distributable cash available for Fund units	\$ 2,182,675	\$ 1,793,691

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.

### 5. Intangible assets:

On July 17, 2002, the Fund acquired the BP Rights used in the operation of the Boston Pizza restaurants in Canada for \$109,348,900. Concurrent with the acquisition of the BP Rights, the Fund granted BPI a license to use the BP Rights for a term of 99 years for which BPI pays the Fund a royalty of 4% of the franchise revenues as reported by BPI for those restaurants in the Royalty Pool, as defined in the License and Royalty Agreement.

In accordance with the terms of the Partnership agreements, the Fund provided Additional Entitlement to receive distributions on 922,932 (2003 – 560,341) Class B Partnership units in exchange for the addition of royalties from new Boston Pizza restaurants included in the Royalty Pool. The Fund has adopted a policy of accounting for the entitlement of the Class B Partnership units based on the fair value of these Partnership units at the date of determination of the entitlement which results in an increase in intangible assets and non-controlling interest (notes 1 and 6).

Initial consideration	\$ 109,348,900
2002 increase to the Royalty Pool	3,129,074
2003 increase to the Royalty Pool	5,569,790
2004 increase to the Royalty Pool	10,795,936
	<b>\$ 128,843,700</b>

**BOSTON PIZZA ROYALTIES INCOME FUND**

Notes to Consolidated Financial Statements (Unaudited)

Three months ended March 31, 2004 and 2003

**6. Non-controlling interest:**

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

	March 31	December 31
	2004	2003
<hr/>		
Boston Pizza Royalties Limited Partnership:		
566,616 (December 2003 – 1,227,238)		
Class A units of the Partnership	\$ 5,666,160	\$ 12,272,380
100,000,000 Class B units of the Partnership	37,494,800	18,000,000
2,400,000 Class C units of the Partnership	24,000,000	24,000,000
	<hr/>	<hr/>
	67,160,960	54,272,380
Accumulated non-controlling interest (BPI) in earnings of the Partnership	7,119,961	5,915,957
Accumulated distributions paid and payable to Partnership unitholders (BPI)	(6,587,365)	(5,819,696)
	<hr/>	<hr/>
	\$ 67,693,556	\$ 54,368,641
	<hr/>	<hr/>

As described in notes 1 and 5, non-controlling interest increased by \$19,494,800 due to Additional Entitlement on Class B Partnership units.

## BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements (Unaudited)

Three months ended March 31, 2004 and 2003

### 7. Contingency:

BPI and the Fund are involved in trademark litigation with entities affiliated with McDonald's Restaurant of Canada (the "McDonalds' 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 *Trade-Marks Act* (Canada). Management does not believe that this action will succeed. However, in the 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.

## BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements (Unaudited)

Three months ended March 31, 2004 and 2003

### 8. Supplementary cash flow information:

	2004	2003
(a) Change in non-cash working capital:		
Accounts receivable	\$(121,473)	\$ 17,317
Prepaid expenses	5,917	11,195
Accounts payable and accrued liabilities	150	(145,354)
	\$(115,406)	\$ (116,842)
(b) Supplementary information:		
Interest received	\$ 450,747	\$300,377
Interest paid	64,075	42,410
Non-cash financing and investing activities:		
Distributions payable to non-controlling interest (BPI)	767,669	713,880
Settlement of loan to BPI with distributions or a payable to BPI	3,787,587	-
Exchange of Class A Partnership (non-controlling interest) units for Fund units	6,606,220	-
Increase in intangible assets and non-controlling interest (BPI) on addition of new restaurants to Royalty Pool	19,494,800	-

### 9. Subsequent event:

On April 8, 2004, the Fund announced an increase in distribution from \$0.0867 to \$0.09 per unit for the period March 1, 2004 to March 31, 2004.

### 10. Comparative figures:

Certain of the figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current period.

# Management Discussion and Analysis

## Boston Pizza International Inc.

### 2004-Q1

#### 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 first quarter consolidated financial statements of BPI.

	January 1, 2004 to March 31, 2004	January 1, 2003 to March 31, 2003
	(in thousands of dollars)	
Restaurant System Franchise Sales <sup>(1)</sup>	\$78,752	\$66,845

#### Income Statement Data

Total Revenue	\$9,529	\$8,240
Royalty expense	\$3,086	\$2,630
Earnings	\$1,464	\$515

#### Notes:

<sup>1</sup> 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.

	March 31, 2004	December 31, 2003
	(in thousands of dollars)	
Total Assets	\$99,050	\$88,096
Total Long-term Liabilities	\$135,234	\$116,750

# Management Discussion and Analysis

## Boston Pizza International Inc.

### 2004-Q1

	Q1 2004	Q4 2003	Q3 2003	Q2 2003
(in thousands of dollars)				
Unaudited				
Restaurant System Franchise Sales <sup>(1)</sup>	\$78,752	\$79,537	\$80,075	\$74,057
<b>Income Statement Data</b>				
Total Revenue	\$9,529	\$9,278	\$9,149	\$8,383
Royalty expense	3,086	2,915	3,059	2,851
Earnings	1,464	1,357	1,455	1,042

	Q1 2003	Q4 2002 <sup>(2)</sup>	Q3 2002
(in thousands of dollars)			
Unaudited			
Restaurant System Franchise Sales <sup>(1)</sup>	\$66,844	N/A	\$74,770
<b>Income Statement Data</b>			
Total Revenue	\$8,240	N/A	\$8,503
Royalty expense	2,630	N/A	2,284
Earnings	515	N/A	371

#### Notes:

<sup>1</sup> 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.

<sup>2</sup> In 2002 BPI made the decision to change its fiscal year-end from August 31 to December 31 to correspond with the Fund's reporting period. 2002 fourth quarter results are not available.

# Management Discussion and Analysis

## Boston Pizza International Inc.

### 2004-Q1

#### Overview

This Quarterly Report covers the period of January 1, 2003 to March 31, 2004 (the "Period"). The Management Discussion and Analysis of the results of this Period is dated May 10, 2004. A copy of this Quarterly Report and additional information on BPI is available at [www.sedar.com](http://www.sedar.com) or [www.bpincomefund.com](http://www.bpincomefund.com).

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 182 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 full-service Boston Pizza restaurants open in Canada and a 5% royalty fee on Franchise Sales for the three Boston Pizza Quick Express restaurants that are open in Canada. BPI pays the Boston Pizza Royalties Income Fund (the "Fund") a royalty fee of 4% of Franchise Sales of the specific royalty pool for the use of the Boston Pizza trademarks (the "BP Rights"<sup>4</sup>). There were 177 restaurants in the royalty pool (the "Royalty Pool") for this Period.

On January 1 of each year ("Adjustment Date"), an adjustment is made to add to the Royalty Pool new Boston Pizza restaurants that have been open at least 60 days prior to that Adjustment Date. In return for adding this additional royalty revenue, BPI receives the right to indirectly acquire additional Fund units (the "Additional Entitlements"). The adjustment for new franchise revenues added to the Royalty Pool is designed to be accretive for Fund Unitholders. The Additional Entitlements are calculated at 92.5% of the royalty revenue added to the Royalty Pool, divided by the yield of the Fund, divided by the Weighted Average Unit Price. BPI receives 80% of the Additional Entitlements initially, with the balance received when the actual full year performance of the new restaurants is known with certainty. BPI receives 100% of distributions from the Additional Entitlements throughout the year. Once these new restaurants have been part of the Royalty Pool for a full year, an audit of the royalty revenues of these restaurants received from BPI will be performed. At such time an adjustment will be made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI.

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<sup>4</sup> 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).

# Management Discussion and Analysis

## Boston Pizza International Inc.

### 2004-Q1

#### 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 Boston Pizza brand**
- **The commitment to continually improve the customer experience**

The Company realizes that its franchisees have to be profitable to succeed. If they are successful, then Boston Pizza will 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.

The following information provides additional analysis of the operations and financial position of the Company and should be read in conjunction with the consolidated financial statements and accompanying notes. The financial statements are in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles.

#### Operating Results

For the Period Boston Pizza continued to post positive growth. BPI’s overall system-wide sales growth for the Period was 17.8%. Overall sales growth is achieved through new store openings and same store sales growth (“SSSG”).

#### SSSG

SSSG was an industry-leading 8.8% for the Period. SSSG is a cumulative effect of increased customer traffic and increased average guest cheque. The effective marketing programs that BPI ran and the Company’s unique renovation program were significant contributors to SSSG. As well, February 2004 sales benefited from one extra day of sales, Sunday February 29, compared to February 2003.

#### New Store Openings and Renovations

During the Period, three new Boston Pizza restaurants opened and no restaurants were closed. As well during the Period three Boston Pizza restaurants were renovated and one restaurant was relocated to an improved site. Typically, locations that renovate are closed for 2-3 weeks. BPI’s unique renovation program is a proven sales builder. Historically the average increase in overall sales for renovated sites has been 10% - 15% post renovation.

# Management Discussion and Analysis

## Boston Pizza International Inc.

### 2004-Q1

#### Revenues

BPI's revenues for the Period were \$9,529,300 and \$8,476,241 for the same period in 2003. The increase in revenues is primarily attributed to royalties from new store openings and positive SSSG. 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.

BPI earned \$1,204,004 from its indirect interest in the Fund for the Period compared to \$921,661 for the same period in 2003.

#### Expenses

For the Period, the royalty expense for the use of the BP Rights was \$3,085,617 and \$2,629,930 for the same period in 2003.

Operating expenses for the Period were \$4,979,777 and \$5,094,300 for the same period in 2003. 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 depreciation and amortization, management bonus, amortization of deferred gain associated with the sale of the BP Rights, interest on the loan from the Fund, interest on long-term debt, and gain on the sale of Partnership units, earnings were \$1,463,906 for the Period and \$515,306 for the same period in 2003.

Depreciation and amortization for the Period was \$105,339 and \$116,113 for the same period in 2003.

Management bonuses for the Period were \$267,804 and \$253,755 for the same period in 2003. 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 \$178,819 for the Period and \$144,585 for the same period in 2003. 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 and \$450,000 for the same period in 2003.

Interest on long-term debt for the Period was \$12,370 and \$24,365 for the same period in 2003.

# **Management Discussion and Analysis**

## **Boston Pizza International Inc.**

### **2004-Q1**

On March 8, 2004, BPI exchanged 660,622 Class A Partnership units for an equal amount of Fund units. Following this exchange, BPI sold their units of the Fund at \$12 per unit to the public for total proceeds of \$7,927,464. Gain on sale of units was \$1,156,089, net of transaction cost of \$165,155. This resulted in a reduction of Class A units from 1,227,238 units to 566,616.

Given the combined effects of the above-noted factors, BPI produced earnings before income taxes of \$1,963,301 for the Period and a loss of \$184,342 for the same period in 2003. After tax earnings were \$1,591,993 for the Period and a loss of \$146,817 for the same period in 2003.

#### **New Stores Added to the Royalty Pool**

On January 1, 2004, 15 new Boston Pizza restaurants were added to the Royalty Pool; the locations opened during the period November 2, 2002 to November 1, 2003. In return for adding the royalty revenue from these 15 new restaurants to the Royalty Pool, BPI received the right to acquire an additional 738,345 units of the Fund. The 738,345 represents 80% (922,932 represents 100%) of the Additional Entitlements with the balance received when the actual full year performance of the new restaurants is known with certainty. The 738,345 Additional Entitlements represented 6.82% of the Fund units on a fully diluted basis. BPI also receives a proportionate increase in monthly distributions based on the Additional Entitlements. The calculation for the number of Additional Entitlements received by BPI is designed to be accretive to existing Fund Unitholders as the additional royalty revenues from the new restaurants are licensed to the Fund at a 7.5% discount. The estimated royalty revenue the Fund will receive in 2004 from these additional 15 restaurants is \$1,017,716. The royalty revenue for the purposes of calculating the Additional Entitlements, therefore, is \$941,387 or 92.5%. Once the actual performance of these 15 restaurants for 2004 is known, the number of Additional Entitlements will be adjusted in 2005 to reflect the actual royalty revenue received by the Fund in 2004. As of January 1, 2004 there were 177 restaurants in the Royalty Pool.

In January 2004 an audit of the royalty revenues of the 8 locations that were rolled into the Royalty Pool on January 1, 2003 was completed. The purpose of this audit was to compare actual royalty revenue from these 8 locations to the estimated amount of royalty revenue the Fund expected to receive. The original royalty revenue the Fund expected to receive was \$603,440 and the actual royalty revenue that the Fund received was \$576,909. As a result, BPI made a cash payment to the Fund of \$25,129 for this nominal mismatch in royalty revenue. Since BPI only receives the right to acquire 80% of the Additional Entitlements at the Adjustment Date in 2003, BPI received the right to acquire its remaining portion of the Additional Entitlements or 87,432 Additional Entitlements following this audit.

As of March 31, 2004 there were 8,728,674 Fund units issued – 10,910,842 on a fully diluted basis – and BPI had a 20% indirect interest in the Fund. BPI has committed to maintain a minimum 20% indirect interest in the Fund until there are 275 restaurants in the Royalty Pool.

#### **Subsequent Events**

Subsequent to March 31, 2004, Boston Pizza opened one new location bringing the total number of locations open as of April 30, 2004 to 182.

# Management Discussion and Analysis

## Boston Pizza International Inc.

### 2004-Q1

#### Liquidity & Capital Resources

BPI is entirely a franchised business except for two corporate restaurants. Therefore, current year capital requirements are limited to the upgrading of these two restaurants and the corporate office building and equipment requirements. To further the Quebec expansion and development, BPI has opened a corporate office and will begin securing a site for a corporate restaurant in Montreal this year. Capital requirements are estimated at \$1,000,000 for 2004. As at March 31, 2004 working capital of \$8,106,059 was available. Working capital available is more than sufficient to meet BPI's current and the upcoming capital requirements.

#### Long-Term Debt Obligations

BPI has minimal long-term debt obligations. The obligations are equipment finance arrangements that are secured by specific assets of the Company. The term loans are secured by a general assignment of book debts and certain guarantees from the Company, shareholders and related companies. Principal repayments on long-term debt and capital lease obligations for the next five years ending December 31 are as follows:

2004	\$298,653
2005	177,320
2006	139,805
2007	-
2008 and thereafter	-
	<hr/>
	\$615,778

#### Other Long-Term Commitments

BPI is committed under operating lease contracts for office space, restaurant space and advertising contracts. The minimum annual rental payments under these leases for the next five years ending December 31 are as follows:

2004	\$1,301,036
2005	1,115,069
2006	944,654
2007	733,023
2008	733,023

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# Management Discussion and Analysis

## Boston Pizza International Inc.

### 2004-Q1

#### Outlook

Boston Pizza is well positioned for future growth and should continue to strengthen its position as the number one casual dining brand in Canada. In 2004 BPI management anticipates that 15 new locations will open across Canada. The Company is on track to open 70-80 new restaurants across Canada over the next five years. Opening these new locations will support the continuing enhancement of the Boston Pizza brand. Further, Management believes that in 2004 the organization can continue to deliver industry-leading SSSG. Boston Pizza will continue its distinct renovation program that requires each location to renovate every seven years. BPI anticipates 15 locations will conduct major renovations, which will help facilitate the ongoing effort to deliver industry-leading SSSG. Management will continue to pursue further development in Western Canada, Ontario, and the Maritimes while aggressively pursuing additional opportunities in Quebec.

In the Spring of 2004 new television commercials were produced featuring spokesperson Howie Mandel and 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 note<sup>1</sup> at the end of this document for further clarification.

# Management Discussion and Analysis

## Boston Pizza International Inc.

### 2004-Q1

#### Risks & Uncertainties

##### The Restaurant Industry

The performance of BPI is dependent upon the royalty received from the Boston Pizza restaurants open in Canada. The amount of royalty received by 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.

# Management Discussion and Analysis

## Boston Pizza International Inc.

### 2004-Q1

#### Boston Chicken / Boston Market Litigation

Since 1995, BPI has been challenging Boston Chicken Inc. and Global Restaurant Operations of Ireland Limited 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. BPI and/or the Partnership intend to oppose the registration of this and any other trademark by Boston Market and/or any other parties if the proposed trademark contains, among others, the word "Boston" in connection with food, food products and/or restaurant food services. 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 defend against 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 Partnership 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 liability to use, the "Boston Pizza" and related trademarks in new areas where BPI and its sub-licensees do not presently operate Boston Pizza restaurants. In July 2003, the Federal Court of Canada, on an application for summary judgment brought by BPI and Boston Pizza Royalties Limited Partnership, dismissed portions of the counterclaim by the McDonald's 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 Partnership are in the process of appealing this decision. The parties are waiting for trial dates, none of which have been set but BPI management expects the infringement trial to commence in late 2005 or early 2006. 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 Fund's Annual Information Form which is available at [www.sedar.com](http://www.sedar.com).

# Management Discussion and Analysis

## Boston Pizza International Inc.

### 2004-Q1

<sup>1</sup>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 INTERNATIONAL INC.**

## Consolidated Balance Sheets

	March 31, 2004	December 31, 2003
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash	\$ 7,632,396	\$ 9,178,657
Accounts receivable	5,299,223	4,877,508
Prepaid expenses	915,509	612,002
Current portion of long-term receivables	29,234	28,550
Due from Boston Pizza Royalties Limited Partnership	767,669	4,097,048
Future income taxes	67,662	67,662
	14,711,693	18,861,427
Long-term receivables	18,076,052	16,876,102
Long-term investments (note 2)	50,271,766	38,062,826
Capital assets	1,955,096	1,909,113
Deferred charges	96,748	99,748
Future income taxes	13,898,629	12,286,461
	\$ 99,049,984	\$ 88,095,677
<b>Liabilities and Shareholders' Deficiency</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,293,415	\$ 4,635,615
Income taxes payable	1,386,478	63,060
Loan payable to Boston Pizza Royalties Limited Partnership	767,669	3,787,587
Current portion of deferred revenue	891,660	1,104,745
Current portion of long-term debt	266,412	298,653
	6,605,634	9,889,660
Long-term debt	275,054	317,125
Deferred revenue	2,515,289	2,143,520
Loan from the Boston Pizza Royalties Income Fund	24,000,000	24,000,000
Long-term payables	157,671	203,263
Deferred gain on disposition of intangible assets (note 3)	108,286,086	90,086,080
Shareholders' deficiency:		
Share capital	100	100
Deficit	(42,789,850)	(38,544,071)
	(42,789,750)	(38,543,971)
	\$ 99,049,984	\$ 88,095,677

Contingency (note 4)

See accompanying notes to consolidated financial statements.

**BOSTON PIZZA INTERNATIONAL INC.**  
**Consolidated Statement of Earnings (Unaudited)**

Three months ended March 31, 2004 and 2003

	2004	2003
Franchise and restaurant revenue	\$ 8,325,296	\$7,317,875
Equity income	1,204,004	921,661
	9,529,300	8,239,536
Royalty expense	3,085,617	2,629,930
Administrative expenses and restaurant operating costs	4,979,777	5,094,300
Earnings before undernoted	1,463,906	515,306
Depreciation and amortization	105,339	116,113
Management bonus	267,804	253,755
Interest on loan from the Boston Pizza Royalties Income Fund	450,000	450,000
Interest on long-term debt	12,370	24,365
Amortization of deferred gain	(178,819)	(144,585)
Gain on sale of Partnership units	(1,156,089)	-
Earnings (loss) before income taxes	1,963,301	(184,342)
Income tax expense (recovery)	956,304	(37,525)
Future income tax expense (recovery)	(584,996)	-
Earnings (loss) for the period	1,591,993	(146,817)
Deficit, beginning of period	(38,544,071)	(37,846,706)
Dividends declared	(6,500,000)	-
Refundable dividend tax	662,228	(19,203)
Deficit, end of period	\$ (42,789,850)	\$ (38,012,726)

See accompanying notes to consolidated financial statements.

**BOSTON PIZZA INTERNATIONAL INC.**  
**Consolidated Statement of Cash Flows (Unaudited)**

Three months ended March 31, 2004 and 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Earnings (loss) for the period	\$1,591,993	\$ (146,817)
Items not affecting cash:		
Depreciation and amortization	105,339	116,113
Future income taxes	(584,996)	111,120
Amortization of deferred gain on disposition of intangible assets	(178,819)	(144,585)
Equity income	(1,204,004)	(921,661)
Distributions by Boston Pizza		
Royalties Limited Partnership	309,461	310,264
Gain on sale of units	(1,156,089)	-
Changes in non-cash working capital items (note 5(a))	(995,856)	(1,826,940)
	(2,112,971)	(2,502,506)
Investments:		
Changes in long-term receivables	(1,200,634)	6,122,694
Sale of Fund units, net of transaction costs of \$165,155	7,762,309	-
Purchase of capital assets, net	(188,322)	(43,594)
	6,373,353	6,079,100
Financing:		
Payment of dividends	(6,500,000)	-
Repayment of long-term debt	(74,312)	(74,438)
Loan from the Boston Pizza Royalties Income Fund	767,669	713,880
	(5,806,643)	639,442
Increase (decrease) in cash	(1,546,261)	4,216,036
Cash, beginning of period	9,178,657	2,445,985
Cash, end of period	\$ 7,632,396	\$ 6,662,021

See note 5(b) for supplementary cash flow information.

See accompanying notes to consolidated financial statements.

# **BOSTON PIZZA INTERNATIONAL INC.**

Notes to the Consolidated Financial Statements (Unaudited)

Three months ended March 31, 2004 and 2003

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## **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 include all of the disclosure requirements of Canadian generally accepted accounting principles for 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. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements, except as described below:

Effective January 1, 2004, the Company prospectively adopted new recommendations of the Canadian Institute of Chartered Accountants on what constitutes Canadian generally accepted accounting principles and its sources. As a result of this change, Class B Partnership units held by the Company which are entitled to receive full distributions from the Partnership and are exchangeable for Fund units are recorded at their fair value at the date of determination of the respective Additional Entitlement. The effect of this change on the current period's financial statements is to increase the long-term investments and deferred gain on disposition of intangible assets by \$19,494,800 less value initially recognized of \$1,115,975.

## BOSTON PIZZA INTERNATIONAL INC.

Notes to the Consolidated Financial Statements (Unaudited)

Three months ended March 31, 2004 and 2003

### 2. Long-term investments:

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

	March 31 2004	December 31 2003
Boston Pizza Royalties Limited Partnership:		
566,616 (December 2003 - 1,227,238) Class A units of the Partnership	\$ 5,666,160	\$ 12,272,380
100,000,000 Class B units of the Partnership	37,494,800	18,000,000
2,400,000 Class C units of the Partnership	24,000,000	24,000,000
Equity income to date	7,119,961	5,915,957
Distributions from the Partnership to date	(6,587,365)	(5,819,696)
	67,693,556	54,368,641
Portion of deferred gain relating to Class B Partnership units received for future restaurants	(17,664,358)	(16,548,383)
Net investment in Partnership	50,029,198	37,820,258
Investment in BP Limited Partnership Holding Inc.	242,548	242,548
Investment in BP GP	20	20
	\$ 50,271,766	\$ 38,062,826

- (a) On January 1, 2004, 15 new Boston Pizza restaurants (2003 - 8) opened during the period from November 2, 2002 to November 1, 2003 were added to the Royalty Pool of the Fund. In accordance with the terms of the Partnership agreements, the Fund provided entitlements to the Company to receive distributions on 922,932 (2003 - 560,341) Class B Partnership units in exchange for the addition of these new restaurants to the Royalty Pool. 20% of the Additional Entitlement, 184,687 units (2003 - 112,068) remain unissued and are not entitled for conversion to Fund units until January 1, 2005 (2003 units - January 1, 2004) based on the actual performance of the new stores. As described in note 1, the Company has adopted the policy of accounting for the Additional Entitlement of the Class B Partnership units based on

# BOSTON PIZZA INTERNATIONAL INC.

## Notes to the Consolidated Financial Statements (Unaudited)

Three months ended March 31, 2004 and 2003

the estimated fair value of these Partnership units at the time of entitlement which results in an increase in long-term investments and deferred gain on disposition of intangible assets.

- (b) On January 1, 2004, adjustments to royalty payments and Additional Entitlement were made based on the full year performance of eight restaurants added to the Royalty Pool on January 1, 2003. Based on these adjustments, the Company received its pro rata portion of the remaining Additional Entitlement, 87,432 Fund units. The Company also repaid an amount of \$25,129 for monthly distributions to the Fund.
- (c) On March 8, 2004, the Company exchanged 660,622 Class A Partnership units for an equal amount of Fund units. Following this exchange, the Company sold their units of the Fund at \$12 per unit to the public for total proceeds of \$7,927,464. Gain on sale of units was \$1,156,089, net of transaction cost of \$165,155. This resulted in a reduction of Class A units from 1,227,238 units to 566,616.

### 3. Deferred gain on disposition of intangible assets:

	March 31, 2004	December 31, 2003
Initial cash received on sale	\$ 51,296,000	\$ 51,296,000
1,605,290 Class A units of the Partnership	16,052,900	16,052,900
2,400,000 Class C units of the Partnership	24,000,000	24,000,000
	91,348,900	91,348,900
100,000,000 class B units of the Partnership	37,494,800	18,000,000
Less: Class B units received for future stores	(17,664,358)	(16,548,383)
	111,179,342	92,800,517
Less:		
Book value of intangible assets and disposition costs (250,001)		(250,001)
Long-term incentive plan cost	(1,610,420)	(1,610,420)
Accumulated amortization of deferred gain	(1,032,835)	(854,016)
	\$ 108,286,086	\$ 90,086,080

As described in notes 1 and 2, deferred gain increased due to Additional Entitlement on Class B Partnership units.

## **BOSTON PIZZA INTERNATIONAL INC.**

Notes to the Consolidated Financial Statements (Unaudited)

Three months ended March 31, 2004 and 2003

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### **4. Contingency:**

The Company and the Fund are involved in trademark litigation with entities affiliated with McDonald's Restaurant of Canada (the "McDonalds' Group"), opposing the registration by the McDonald's Group in Canada of the Boston Market trademark. Management of BPI believes that there is 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 Trade-Marks Act (Canada). Management does not believe that this action will succeed. However, in the 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

**BOSTON PIZZA INTERNATIONAL INC.**

Notes to the Consolidated Financial Statements (Unaudited)

Three months ended March 31, 2004 and 2003

**5. Supplementary cash flow information:**

	2004	2003
(a) Change in non-cash working capital:		
Accounts receivable	\$ (421,715)	\$ (900,914)
Income tax receivable	-	(148,645)
Income tax payable	958,474	-
Deferred revenue	158,684	51,110
Prepaid expenses	(303,507)	36,863
Accounts payable and accrued liabilities	(1,342,200)	(865,354)
Long-term payable	(45,592)	-
	<b>\$ (995,856)</b>	<b>\$ (1,826,940)</b>

	2004	2003
(b)Supplementary information:		
Interest received	\$ 37,721	\$ 86,402
Interest paid	450,000	480,106
Non-cash financing and investing activities:		
Increase in investments and deferred gain due to transfer of 15 (2003 – 8) new restaurants to the Partnership (note 2)	18,378,825	1,451,617
Settlement of loan from the Partnership with distributions receivable from the Partnership	3,787,587	-
Increase in refundable dividend tax and future income taxes	662,228	-
Increase in future income taxes and taxes payable related to refundable dividend taxes	364,944	-

**6. Comparative figures:**

During the quarter ended March 31, 2004, the Company adopted recommendations, on a retroactive basis, of the Canadian Institute of Chartered Accountants concerning the presentation of revenues related to area development arrangements, sales from franchises and other franchise related revenues which were previously recorded as an offset against the related expenditure. The Company now records these amounts in franchise and restaurant revenue. There was no effect on current or prior period earnings as a result of this change in presentation.

# Unitholder Information

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## Boston Pizza Royalties Income Fund

### Corporate Office

5500 PARKWOOD WAY  
RICHMOND, BC, V6V 2M4

### Trustees of the Fund

JOHN L. COWPERTHWAITA  
*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: BPF:UN

### Auditors

KPMG LLP

### Corporate Counsel

BLG LLP

### Registered and Records Office

#1200 – 200 BARRARD STREET  
VANCOUVER, BC, V7X 1T2

### Directors of Boston Pizza GP Inc. - the General Partner of Boston Pizza Royalties Limited Partnership

JOHN L. COWPERTHWAITA - DIRECTOR\*  
*Retired Partner Ernst & Young LLP*

WILLIAM C. BROWN - DIRECTOR\*  
*Corporate Director*

ROBERT L. PHILLIPS - DIRECTOR\*  
*President & Chief Executive Officer  
BCR Group of Companies*

MIKE CORDOBA - DIRECTOR  
*Chief Executive Officer  
Boston Pizza International Inc.*

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

\*AUDIT COMMITTEE AND GOVERNANCE COMMITTEE MEMBER

### Investor Relations

ROBERT GROOM

5500 PARKWOOD WAY  
RICHMOND, BC, V6V 2M4  
TEL: 604-270-1108  
FAX: 604-270-4168  
INVESTORRELATIONS@BOSTONPIZZA.COM

WWW.BPINCOMEFUND.COM

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## Boston Pizza International Inc.

### Corporate Head Office

5500 PARKWOOD WAY  
RICHMOND, BC, V6V 2M4

### Eastern Office

SUITE 708 – 1 CITY CENTRE DRIVE  
MISSISSAUGA, ONTARIO, L5B 1M2

### Quebec Office

3030 BOULEVARD LE CARREFOUR, BUREAU 802  
LAVAL, QUÉBEC, H7P 2P5

WWW.BOSTONPIZZA.COM

### Management Team

JIM TRELIVING  
*Chairman & Owner*

GEORGE MELVILLE  
*Chairman & Owner*

MIKE CORDOBA  
*Chief Executive Officer*

MARK POWELL  
*Chief Financial Officer*

MARK PACINDA  
*President*

AL CAVE  
*Executive Vice-President Corporate Services*

DOUG MACDONALD  
*Executive Vice-President - Western Canada*

WAYNE SHANAHAN  
*Executive Vice-President - Quebec*



## 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](http://www.bpincomefund.com)

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