



ROYALTIES INCOME FUND

Q2
2004

SECOND QUARTER REPORT TO UNITHOLDERS
FOR PERIOD APRIL 1, 2004 TO JUNE 30, 2004



Glossary of Terms

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 the second Quarterly Report for 2004. The report covers the fiscal period from April 1, 2004 to June 30, 2004 (the "Period") and the year-to-date results from January 1, 2004 to June 30, 2004. Results are also available on the Fund's website at www.bpincomefund.com and we encourage you to visit our website to follow new developments on Fund activities.

Highlights

The second quarter of 2004 was another positive period for the Fund. Due to the positive same store sales growth ("SSSG") of 7.6% for the Period and 8.2% year-to-date achieved by Boston Pizza restaurants, we were able to increase monthly distributions for a second time in 2004 beginning with the June distribution. The monthly distribution increased by 5.6% from \$0.09 per unit to \$0.095 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 fourth and largest distribution increase provided to Unitholders over the last 12 months.

Boston Pizza continued to post positive growth during the Period, opening six new Boston Pizza restaurants, with no closures, and renovating three restaurants. The combination of SSSG, new store openings, and Boston Pizza International's ("BPI") unique renovation program contributed to overall franchise sales growth of Fund royalty pool restaurants of 15.8% during the Period.

For the Period, the Fund received royalty income of \$3,300,757 from BPI and interest income was \$451,493. Expenses, made up primarily of general and administrative and interest expense, amounted to \$191,103.

The Fund's net earnings, after BPI's Non-Controlling Interest were \$2,447,511 or \$0.28 per unit. The Fund declared aggregate distributions of \$2,356,741 or \$0.27 per unit.

As at August 10, 2004 there were 8,728,674 public units outstanding (10,910,842 on a fully-diluted basis).

BPI continues to produce positive results, reinforcing the strength and stability of the operating company.

Letter from the Chairman of Boston Pizza Royalties Income Fund

Outlook

Going forward BPI management continues to focus on opening new stores and delivering industry-leading SSSG. In the remainder of 2004, BPI anticipates that approximately six new locations will open bringing the total number of restaurants opened across Canada in 2004 to 15. 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 the remainder of 2004, nine renovations are planned bringing the total number of restaurants renovated across Canada in 2004 to 15. 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 190 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 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 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,



John Cowperthwaite, FCA
Chairman, Boston Pizza Royalties Income Fund

Management Discussion and Analysis

Boston Pizza Royalties Income Fund

2004-Q2

Financial Highlights

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

	April 1, 2004 to June 30, 2004	April 1, 2003 to June 30, 2003	January 1, 2004 to June 30, 2004	January 1, 2003 to June 30, 2003
	(in thousands of dollars –except restaurants and per unit items)			
Number of restaurants in Royalty Pool	177	162	177	162
Franchise Revenues reported by restaurants in Royalty Pool	\$82,519	\$71,281	\$159,659	\$137,030
Royalty & Interest Income	\$3,752	\$3,302	\$7,290	\$6,382
Earnings before Non-Controlling Interest	\$3,561	\$3,073	\$6,942	\$5,930
Non-Controlling Interest	\$1,114	\$1,067	\$2,318	\$2,137
Net earnings	\$2,448	\$2,006	\$4,624	\$3,793
Earnings per Fund unit	\$0.28	\$0.26	\$0.55	\$0.49
Distributions declared per Fund unit	\$0.27	\$0.25	\$0.44	\$0.42
Same Store Sales Growth	7.6%	3.4%	8.2%	3.1%
Number of restaurants opened during Period	6	2	9	5
Number of restaurants closed during Period	0	0	0	0

	June 30, 2004	December 31, 2003
	(in thousands of dollars)	
Total Assets	\$156,483	\$138,700
Total Liabilities	\$74,682	\$64,316

¹ 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-Q2

	Q2 2004	Q1 2004	Q4 2003	Q3 2003
(in thousands of dollars –except restaurants and per unit items)				
Number of restaurants in Royalty Pool	177	177	162	162
Franchise Revenues reported by restaurants in Royalty Pool	\$82,519	\$77,140	\$72,868	\$76,467
Royalty & Interest Income	\$3,752	\$3,537	\$3,367	\$3,509
Earnings before Non-Controlling Interest	\$3,561	\$3,381	\$3,142	\$3,311
Non-Controlling Interest	\$1,114	\$1,204	\$1,074	\$997
Net earnings	\$2,448	\$2,177	\$2,068	\$2,315
Earnings per Fund unit	\$0.28	\$0.26	\$0.26	\$0.29
Distributions declared per Fund unit	\$0.27	\$0.17	\$0.35	\$0.26

	Q2 2003	Q1 2003	Q4 2002	Q3 2002
(in thousands of dollars –except restaurants and per unit items)				
Number of restaurants in Royalty Pool	162	162	154	154
Franchise Revenues reported by restaurants in Royalty Pool	\$71,281	\$65,748	\$67,115	\$57,088
Royalty & Interest Income	\$3,302	\$3,080	\$3,136	\$2,664
Earnings before Non-Controlling Interest	\$3,073	\$2,857	\$2,840	\$2,507
Non-Controlling Interest	\$1,067	\$1,071	\$931	\$776
Net earnings	\$2,006	\$1,786	\$1,909	\$1,731
Earnings per Fund unit	\$0.26	\$0.23	\$0.24	\$0.23
Distributions declared per Fund unit	\$0.25	\$0.17	\$0.33	\$0.13

Management Discussion and Analysis

Boston Pizza Royalties Income Fund

2004-Q2

Overview

This Quarterly Report covers the period of April 1, 2004 to June 30, 2004 (the "Period") and the year-to-date results from January 1, 2004 to June 30, 2004. The Management Discussion and Analysis of the results for this Period is dated August 10, 2004. A copy of this Quarterly Report and additional information about the Fund is available at www.sedar.com or www.bpincomefund.com.

The Fund indirectly owns the Canadian 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 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%.

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).

Management Discussion and Analysis

Boston Pizza Royalties Income Fund

2004-Q2

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 15.8% for the Period and 16.5% year-to-date. 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 7.6% for the Period and 8.2% year-to-date. 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 fourth increase in monthly distributions starting with the June 2004 distribution. The June increase was 5.6%.

New Store Openings and Renovations

During the Period, six new Boston Pizza restaurants opened and no restaurants were closed. Nine new Boston Pizza restaurants have opened in the first six months of 2004. As well, during the Period three Boston Pizza restaurants were renovated. Six Boston Pizza restaurants have been renovated in the first six months of 2004. 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 Royalties Income Fund

2004-Q2

Second Quarter Operating Results

Revenues

For the Period royalty income received by the Fund was \$3,300,757 and interest income was \$451,493. The royalty income was based on the Royalty Pool of 177 Boston Pizza restaurants in Canada reporting Franchise Sales of \$82,518,925. For the same period in 2003 royalty income received by the Fund was \$2,851,257 and interest income was \$450,529. The 2003 comparative period royalty income was based on the Royalty Pool of 162 Boston Pizza restaurants in Canada reporting Franchise Sales of \$71,281,457. 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.

Operating Expenses

The Fund's consolidated operating expenses for the Period were \$191,103: \$56,541 of interest expense on its \$5 million term loan, \$7,500 for amortization of deferred financing charges on its credit facilities, and \$127,062 for general and administrative expense. For the same period in 2003 consolidated operating expenses 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. General and administrative expenses were reduced by \$23,046, during the Period primarily due to higher legal fees incurred by the Fund in 2003.

Of the \$3,300,757 of royalty income earned by the Fund, \$1,113,636 represents BPI's indirect interest in the Fund.

Distributions

Net earnings of the Fund were \$2,447,511 or \$0.28 per unit with the Fund declaring distributions of \$2,356,741 or \$0.27 per unit for the Period. During the 2003 period net earnings were \$2,006,435 or \$0.26 per unit and distributions of \$1,934,832 or \$0.25 per unit were declared. As a result of positive SSSG in early 2004, the Fund declared a fourth increase in monthly distributions since inception of the Fund. Distributions were raised by 5.6% from \$0.09 per unit to \$0.095 per unit beginning with the June 2004 distributions. Distributions for the Period were as follows:

Period	Payment Date	Amount/unit
April 1-30, 2004	May 31, 2004	9.00¢
May 1-31, 2004	June 30, 2004	9.00¢
June 1-30, 2004	July 30, 2004*	9.50¢

*Declared and paid subsequent to the Period

Management Discussion and Analysis

Boston Pizza Royalties Income Fund

2004-Q2

Year-To-Date Operating Results

Revenues

For the first six months of 2004 royalty income received by the Fund was \$6,386,374 and interest income was \$903,240. The royalty income was based on the Royalty Pool of 177 Boston Pizza restaurants in Canada reporting Franchise Sales of \$159,659,350. For the same period in 2003 royalty income received by the Fund was \$5,481,189 and interest income was \$900,906. The 2003 comparative period royalty income was based on the Royalty Pool of 162 Boston Pizza restaurants in Canada reporting Franchise Sales of \$137,029,713. 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.

Operating Expenses

The Fund's consolidated operating expenses for the first six months of 2004 were \$347,788: \$118,562 of interest expense on its \$5 million term loan, \$15,000 for amortization of deferred financing charges on its credit facilities, and \$214,226 for general and administrative expense. For the same period in 2003 consolidated operating expenses 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. 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 \$86,026, during the first six months of 2004 primarily due to higher legal fees incurred by the Fund in 2003.

Of the \$6,386,374 of royalty income earned by the Fund year-to-date, \$2,317,640 represents BPI's indirect interest in the Fund.

Distributions

Net earnings of the Fund were \$4,624,186 or \$0.55 per unit with the Fund declaring distributions of \$3,813,009 or \$0.44 per unit for the Period. During the 2003 period net earnings were \$3,792,629 or \$0.49 per unit and distributions of \$3,215,987 or \$0.42 per unit were declared. As a result of positive SSSG in early 2004, the Fund declared a fourth increase in monthly distributions since inception of the Fund. Distributions have been raised twice in 2004 year-to-date, in April by 3.8% from \$0.0867 to \$0.0900 and again in June by 5.6% from \$0.09 per unit to \$0.0950. Year-to-date distributions 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¢
April 1-30, 2004	May 31, 2004	9.00¢
May 1-31, 2004	June 30, 2004	9.00¢
June 1-30, 2004	July 30, 2004*	9.50¢

*Declared and paid subsequent to the Period

Management Discussion and Analysis

Boston Pizza Royalties Income Fund

2004-Q2

Subsequent Event

Subsequent to June 30, 2004, Boston Pizza opened four new locations bringing the total number of locations open as of August 10, 2004 to 190.

In July the Fund arranged for the renewal of the \$5 million non-revolving term loan. The loan was scheduled to mature on July 16, 2005. The new maturity date is July 5, 2007. See "Liquidity and Capital Resources".

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. The Fund must meet certain conditions for the term loan to be in good standing. All of which have been met.

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 June 30, 2004 the Fund's \$1 million operating line of credit was 100% available and there was \$1,642,789 of working capital. Subsequent to June 30, 2004 June's distribution of \$0.095 per unit on 11,095,429 units was declared payable on July 30, 2004.

Changes in Accounting Policies

On January 1, 2004, the Fund 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 BPI which are entitled to receive full distributions from the Boston Pizza Royalties Limited Partnership and are exchangeable for Fund units were 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 financial statements was an increase to the value of intangible assets and non-controlling interest by \$19,494,800. There was no impact to net earnings as a result of this change.

Management Discussion and Analysis

Boston Pizza Royalties Income Fund

2004-Q2

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.

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-Q2

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 was 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.

Management Discussion and Analysis

Boston Pizza Royalties Income Fund

2004-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, 2004 (unaudited)	December 31, 2003
Assets		
Current assets:		
Cash	\$ 389,583	\$ 273,890
Due from Boston Pizza International Inc. (note 3)	1,344,738	1,186,755
Loan to Boston Pizza International Inc.	1,856,693	3,787,587
Prepaid expenses	15,365	54,938
	<u>3,606,379</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 \$57,500 (December 31, 2003 - \$42,500)	32,500	47,500
	<u>\$ 156,482,579</u>	<u>\$ 138,699,570</u>
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 106,897	\$ 150,960
Distributions payable to Fund unitholders	-	699,496
Distributions payable to Boston Pizza International Inc.	1,856,693	4,097,049
	<u>1,963,590</u>	<u>4,947,505</u>
Term loan	5,000,000	5,000,000
Non-controlling interest (note 6)	67,718,168	54,368,641
Unitholders' equity (note 2(c))	81,800,821	74,383,424
	<u>\$ 156,482,579</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 June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Franchise revenues reported by Boston Pizza Outlets included in Royalty Pool	\$ 82,518,925	\$ 71,281,457	\$ 159,659,350	\$ 137,029,713
Revenue:				
Royalty income	\$ 3,300,757	\$ 2,851,257	\$ 6,386,374	\$ 5,481,189
Interest income	451,493	450,529	903,240	900,906
	3,752,250	3,301,786	7,289,614	6,382,095
Expenses:				
General and administrative	127,062	150,108	214,226	300,252
Interest	56,541	71,164	118,562	136,815
Amortization of deferred financing charges	7,500	7,500	15,000	15,000
	191,103	228,772	347,788	452,067
Earnings before non-controlling interest	3,561,147	3,073,014	6,941,826	5,930,028
Non-controlling interest (note 6)	1,113,636	1,066,579	2,317,640	2,137,399
Net earnings	\$ 2,447,511	\$ 2,006,435	\$ 4,624,186	\$ 3,792,629
Weighted average units outstanding	8,728,674	7,690,000	8,481,848	7,690,000
Basic and diluted earnings per Fund unit	\$ 0.28	\$ 0.26	\$ 0.55	\$ 0.49

Consolidated Statement of Unitholders' Equity
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Balance, beginning of period	\$ 81,710,051	\$ 71,004,798	\$ 74,383,424	\$ 70,499,759
Issue of Boston Pizza Royalties Income Fund units	-	-	6,606,220	-
Net earnings	2,447,511	2,006,435	4,624,186	3,792,629
Distributions declared	(2,356,741)	(1,934,832)	(3,813,009)	(3,215,987)
Balance, end of period	\$ 81,800,821	\$ 71,076,401	\$ 81,800,821	\$ 71,076,401

See accompanying notes to consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Cash provided by (used in):				
Operations:				
Net earnings	\$ 2,447,511	\$ 2,006,435	\$ 4,624,186	\$ 3,792,629
Items not involving cash:				
Amortization of deferred financing charges	7,500	7,500	15,000	15,000
Non-controlling interest	1,113,636	1,066,579	2,317,640	2,137,399
Change in non-cash operating working capital (note 8(a))	(47,067)	(59,823)	(162,473)	(176,665)
	3,521,580	3,020,691	6,794,353	5,768,363
Financing:				
Loan receivable from Boston Pizza International Inc.	(1,089,024)	(1,076,996)	(1,856,693)	(1,170,349)
Distributions paid to unitholders	(2,356,741)	(1,934,832)	(4,512,505)	(3,856,564)
Distributions paid to non-controlling interest unitholders	-	(15,543)	(309,462)	(946,334)
	(3,445,765)	(3,027,371)	(6,678,660)	(5,973,247)
Increase (decrease) in cash	75,815	(6,680)	115,693	(204,884)
Cash, beginning of period	313,768	47,066	273,890	245,270
Cash, end of period	\$ 389,583	\$ 40,386	\$ 389,583	\$ 40,386

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)

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 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 in the following paragraph.

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.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements (Unaudited)

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 has 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 franchise 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 increase in monthly distributions from the Fund. Of the Additional Entitlement, 20% (2004 - 184,587 units; 2003 - 112,068 units), remain unissued and are not eligible 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 June 30, 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.:

	June30, 2004	December 31, 2003
Royalty fee receivable	\$ 1,194,738	\$ 1,036,755
Interest on note receivable	150,000	150,000
	<u>\$ 1,344,738</u>	<u>\$ 1,186,755</u>

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements (Unaudited)

4. Distributable cash:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Earnings for the period	\$ 2,447,511	\$ 2,006,435	\$ 4,624,186	\$ 3,792,629
Amortization of deferred financing charges	7,500	7,500	15,000	15,000
Non-controlling interest	1,113,636	1,066,579	2,317,640	2,137,399
	3,568,647	3,080,514	6,956,826	5,945,028
Distributable cash required for non-controlling interest	1,115,136	1,069,182	2,320,638	2,142,805
Distributable cash available for Fund units	\$ 2,453,511	\$ 2,011,332	\$ 4,636,188	\$ 3,802,223

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
	<u>\$ 128,843,700</u>

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements (Unaudited)

6. Non-controlling interest:

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

	June 30, 2004	December 31, 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	8,233,597	5,915,957
Accumulated distributions paid and payable to Partnership unitholders (BPI)	(7,676,389)	(5,819,696)
	<hr/>	<hr/>
	\$ 67,718,168	\$ 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)

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)

8. Supplementary cash flow information:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
(a) Change in non-cash working capital:				
Accounts receivable	\$ (36,510)	\$ (23,645)	\$ (157,983)	\$ (6,328)
Prepaid expenses	33,656	17,889	39,573	29,084
Accounts payable and accrued liabilities	(44,213)	(54,067)	(44,063)	(199,421)
	\$ (47,067)	\$ (59,823)	\$ (162,473)	\$ (176,665)
(b) Supplementary information:				
Interest received	\$ 451,493	\$ 450,529	\$ 903,420	\$ 900,906
Interest paid	58,288	70,753	122,363	113,163
Non-cash financing and investing activities:				
Distributions payable to non-controlling interest	1,089,024	1,076,996	1,856,693	1,790,876
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:

- a) On July 12, 2004, the Fund announced an increase in distribution from \$0.09 to \$0.095 per unit for the period June 1, 2004 to June 30, 2004.
- b) On July 5, 2004 the Fund arranged for the renewal of the \$5 million non-revolving term loan. The loan was scheduled to mature on July 16, 2005. The new maturity date is July 5, 2007.

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-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 second quarter consolidated financial statements of BPI.

	April 1, 2004 to June 30, 2004	April 1, 2003 to June 30, 2003	January 1, 2004 to June 30, 2004	January 1, 2003 to June 30, 2003
	(in thousands of dollars)			
Restaurant System Franchise Sales ⁽¹⁾	\$86,335	\$74,057	\$165,097	\$140,901
Income Statement Data				
Total Revenue	\$9,835	\$8,719	\$19,364	\$16,958
Royalty expense	\$3,301	\$2,851	\$6,386	\$5,481
Earnings	\$515	\$1,042	\$1,979	\$1,557

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.

	June 30, 2004	December 31, 2003
	(in thousands of dollars)	
Total Assets	\$101,750	\$88,096
Total Long-term Liabilities	\$136,147	\$116,750

Management Discussion and Analysis

Boston Pizza International Inc.

2004-Q2

	Q2 2004	Q1 2004	Q4 2003	Q3 2003
	(in thousands of dollars) Unaudited			
Restaurant System Franchise Sales ⁽¹⁾	\$86,335	\$78,752	\$79,537	\$80,075
Income Statement Data				
Total Revenue	\$9,835	\$9,529	\$9,278	\$9,149
Royalty expense	\$3,301	\$3,086	\$2,915	\$3,059
Earnings	\$515	\$1,464	\$1,357	\$1,455

	Q2 2003	Q1 2003	Q4 2002 ⁽²⁾	Q3 2002
	(in thousands of dollars) Unaudited			
Restaurant System Franchise Sales ⁽¹⁾	\$74,057	\$66,844	N/A	\$74,770
Income Statement Data				
Total Revenue	\$8,719	\$8,240	N/A	\$8,503
Royalty expense	\$2,851	\$2,630	N/A	\$2,284
Earnings	\$1,042	\$515	N/A	\$371

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.

² 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-Q2

Overview

This Quarterly Report covers the period of April 1, 2004 to June 30, 2004 (the "Period") and the year-to-date results from January 1, 2004 to June 30, 2004. The Management Discussion and Analysis of the results of this Period is dated August 10, 2004. A copy of this Quarterly Report and additional information on BPI is available at www.sedar.com or 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 190 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"³). 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.

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).

Management Discussion and Analysis

Boston Pizza International Inc.

2004-Q2

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 franchise sales growth for the Period was 16.5% and 17.1% year-to-date. Overall sales growth is achieved through new store openings and same store sales growth (“SSSG”).

SSSG

SSSG was an industry-leading 7.6% for the Period and 8.2% year-to-date. SSSG is a cumulative effect of increased customer traffic and increased average guest cheque.

New Store Openings and Renovations

During the Period, six new Boston Pizza restaurants opened and no restaurants were closed. As well during the Period three Boston Pizza restaurants were renovated. 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-Q2

Second Quarter Operating Results

Revenues

BPI's revenues for the Period were \$9,834,662 and \$8,718,796 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 equity income from its interest in the Fund.

BPI earned \$1,113,636 from its indirect interest in the Fund for the Period compared to \$1,010,389 for the same period in 2003.

Expenses

For the Period, the royalty expense for the use of the BP Rights was \$3,300,757 and \$2,851,259 for the same period in 2003.

Operating expenses for the Period were \$5,732,432 and \$4,825,932 for the same period in 2003. Administrative expenses and restaurant operating costs 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 in established territories. Operating expenses increased during the Period primarily due to additional employees hired to support and facilitate expansion plans and the timing of the expenses associated with Boston Pizza's annual franchisee conference ("Conference"). In 2003 Conference was held in the first quarter and in 2004 Conference was held during the second quarter.

In 2004 BPI opened an office in Quebec to support and facilitate the expansion of Boston Pizza into the Quebec market. BPI has received deposits for franchises and is actively looking for real estate in Quebec. During the Period the development and administrative expenses for Quebec were \$286,729.

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 \$514,744 for the Period and \$1,041,605 for the same period in 2003.

Depreciation and amortization for the Period was \$109,599 and \$98,598 for the same period in 2003.

Management bonuses for the Period were \$289,705 and \$237,972 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.

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.

Management Discussion and Analysis

Boston Pizza International Inc.

2004-Q2

Interest on long-term debt for the Period was \$10,763 and \$24,483 for the same period in 2003.

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 as at June 30, 2004 was \$108,107,267.

Given the combined effects of the above-noted factors, BPI produced a loss before income taxes of \$166,504 for the Period and after tax earnings of \$375,137 for the same period in 2003. After tax loss was \$79,873 for the Period and \$263,026 in after tax earnings for the same period in 2003.

Year-To-Date Operating Results

Revenues

BPI's revenues for the first six months of 2004 were \$19,363,962 and \$16,958,332 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 \$2,317,640 from its indirect interest in the Fund for the Period compared to \$1,932,050 for the same period in 2003.

Expenses

For the first six months of 2004, the royalty expense for the use of the BP Rights was \$6,386,374 and \$5,481,189 for the same period in 2003.

Year-to-date operating expenses were \$10,652,270 and \$9,920,232 for the same period in 2003. Administrative expenses and restaurant operating costs 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 in established territories.

Development and administrative expenses for Quebec were \$346,668 year-to-date.

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 \$1,978,650 year-to-date and \$1,556,911 for the same period in 2003.

Depreciation and amortization year-to-date was \$214,938 and \$214,711 for the same period in 2003.

Management Discussion and Analysis

Boston Pizza International Inc.

2004-Q2

Management bonuses year-to-date were \$557,509 and \$491,727 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.

Interest on the \$24 million loan acquired by the Fund at the time of IPO was \$900,000 for the Period and \$900,000 for the same period in 2003.

Interest on long-term debt year-to-date was \$23,133 and \$48,848 for the same period in 2003.

The amortization of the deferred gain from the IPO was \$357,638 year-to-date and \$289,170 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 as at June 30, 2004 was \$108,107,267.

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 year-to-date earnings before income taxes of \$1,796,797 and \$190,795 for the same period in 2003. After tax year-to-date earnings were \$1,512,120 and \$116,209 for the same period in 2003.

Subsequent Events

Subsequent to June 30, 2004, Boston Pizza opened four new locations bringing the total number of locations open as of August 10, 2004 to 190.

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 June 30, 2004 working capital of \$6,444,288 was available. Working capital available is more than sufficient to meet BPI's current and the upcoming capital requirements.

Management Discussion and Analysis

Boston Pizza International Inc.

2004-Q2

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

Changes in Accounting Policies

On 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.

Management Discussion and Analysis

Boston Pizza International Inc.

2004-Q2

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.

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 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-Q2

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.

Management Discussion and Analysis

Boston Pizza International Inc.

2004-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, 2004	December 31, 2003
	(unaudited)	
Assets		
Current assets:		
Cash	\$ 6,431,369	\$ 9,178,657
Accounts receivable	5,958,711	4,877,508
Prepaid expenses	579,034	612,002
Current portion of long-term receivables	29,940	28,550
Due from Boston Pizza Royalties Limited Partnership	1,856,693	4,097,048
Future income taxes	84,679	67,662
	14,940,426	18,861,427
Long-term receivables	19,994,450	16,876,102
Long-term investments (note 2)	50,296,378	38,062,826
Capital assets	2,160,593	1,909,113
Deferred charges	93,748	99,748
Future income taxes	14,264,867	12,286,461
	\$ 101,750,462	\$ 88,095,677
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,782,210	\$ 4,635,615
Income taxes payable	1,706,474	63,060
Loan payable to Boston Pizza Royalties Limited Partnership	1,856,693	3,787,587
Current portion of deferred revenue	917,328	1,104,745
Current portion of long-term debt	233,433	298,653
	8,496,138	9,889,660
Long-term debt	232,118	317,125
Deferred revenue	3,652,077	2,143,520
Loan from the Boston Pizza Royalties Income Fund	24,000,000	24,000,000
Long-term payables	155,857	203,263
Deferred gain on disposition of intangible assets (note 3)	108,107,267	90,086,080
Shareholders' deficiency:		
Share capital	100	100
Deficit	(42,893,095)	(38,544,071)
	(42,892,995)	(38,543,971)
	\$ 101,750,462	\$ 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 June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Franchise, restaurant and other revenue				
- established territories (note 1)	\$ 8,721,026	\$ 7,708,407	\$ 17,046,322	\$ 15,026,282
Equity income	1,113,636	1,010,389	2,317,640	1,932,050
	9,834,662	8,718,796	19,363,962	16,958,332
Royalty expense	3,300,757	2,851,259	6,386,374	5,481,189
Administrative expenses established territories and restaurant operating costs	5,732,432	4,825,932	10,652,270	9,920,232
Development and administrative expenses – Quebec	286,729	-	346,668	-
Earnings before undernoted	514,744	1,041,605	1,978,650	1,556,911
Depreciation and amortization	109,599	98,598	214,938	214,711
Management bonus	289,705	237,972	557,509	491,727
Interest on loan from the Boston Pizza Royalties Income Fund	450,000	450,000	900,000	900,000
Interest on long-term debt	10,763	24,483	23,133	48,848
Amortization of deferred gain	(178,819)	(144,585)	(357,638)	(289,170)
Gain on sale of Partnership units	-	-	(1,156,089)	-
Earnings (loss) before income taxes	(166,504)	375,137	1,796,797	190,795
Current income tax expense (recovery)	319,996	101,853	1,276,300	(46,792)
Future income tax expense (recovery)	(406,627)	10,258	(991,623)	121,378
Net earnings (loss)	(79,873)	263,026	1,512,120	116,209
Deficit, beginning of period	(42,789,850)	(38,012,726)	(38,544,071)	(37,846,706)
Dividends declared	-	-	(6,500,000)	-
Refundable dividend tax	(23,372)	(19,343)	638,856	(38,546)
Deficit, end of period	\$(42,893,095)	\$(37,769,043)	\$(42,893,095)	\$(37,769,043)

See accompanying notes to consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Cash provided by (used in):				
Operations:				
Net earnings (loss)	\$(79,873)	\$263,026	\$ 1,512,120	\$(116,209)
Items not affecting cash:				
Depreciation and amortization	109,599	98,598	214,938	214,711
Future income taxes	(406,627)	10,258	(991,623)	121,378
Amortization of deferred gain on disposition of intangible assets	(178,819)	(144,585)	(357,638)	(289,170)
Equity income	(1,113,636)	(1,010,389)	(2,317,640)	(1,932,050)
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))	1,646,420	(474,805)	650,564	(2,301,745)
	(22,936)	(1,257,897)	(2,135,907)	(3,760,403)
Investments:				
Changes in long-term receivables	(1,919,104)	(246,638)	(3,119,738)	5,876,056
Distributions from Boston Pizza				
Royalties Income Fund	-	15,543	-	15,543
Sale of Fund units, net of transaction costs of \$165,155				
	-	-	7,762,309	-
Purchase of capital assets, net	(272,096)	(51,204)	(460,418)	(94,798)
	(2,191,200)	(282,299)	4,182,153	5,796,801
Financing:				
Payment of dividends	-	-	(6,500,000)	-
Repayment of long-term debt	(75,915)	(75,164)	(150,227)	(149,602)
Loan from the Boston Pizza Royalties Income Fund				
	1,089,024	1,076,996	1,856,693	1,790,876
	1,013,109	1,001,832	(4,793,534)	1,641,274
Increase (decrease) in cash	(1,201,027)	(538,364)	(2,747,288)	3,677,672
Cash, beginning of period	7,632,396	6,662,021	9,178,657	2,445,985
Cash, end of period	\$6,431,369	\$6,123,657	\$6,431,369	\$6,123,657

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)

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.

Established and developing territories:

The Company develops a territorial business plan, when establishing new markets, but initially requires an infrastructure that will identify appropriate locations, attract franchise candidates and develop operating procedures applicable to the new territory.

As part of the business plan, the Company estimates the minimum number of franchise locations required to be opened that would generate sufficient franchise revenues to meet the incremental costs of operating the new territory. The costs of developing territories are separately presented in the financial statements until the minimum number of franchise locations have been opened, at which time the costs of operating the territory are included in administrative expenses – established territories.

BOSTON PIZZA INTERNATIONAL INC.

Notes to the Consolidated Financial Statements (Unaudited)

2. Long-term investments:

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

	June 30 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	\$ 12,272,38
100,000,000 Class B units of the Partnership	37,494,800	18,000,00
2,400,000 Class C units of the Partnership	24,000,000	24,000,00
Equity income to date	8,233,597	5,915,95
Distributions from the Partnership to date	(7,676,389)	(5,819,69€
	67,718,168	54,368,64
Portion of deferred gain relating to Class B Partnership units received for future restaurants	(17,664,358)	(16,548,383
Net investment in Partnership	50,053,810	37,820,25
Investment in BP Limited Partnership Holding Inc.	242,548	242,54
Investment in BP GP	20	2
	\$ 50,296,378	\$ 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, 184,587 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 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.

BOSTON PIZZA INTERNATIONAL INC.

Notes to the Consolidated Financial Statements (Unaudited)

- (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:

	June 30, 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	(1,211,654)	(854,016)
	\$ 108,107,267	\$ 90,086,080

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

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)

5. Supplementary cash flow information:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
(a) Change in non-cash working capital:				
Accounts receivable	\$(659,488)	\$(171,141)	\$(1,081,203)	\$(1,072,055)
Income tax receivable	-	11,886	-	(136,759)
Income tax payable	319,996	-	1,278,470	-
Deferred revenue	1,162,456	(46,196)	1,321,140	4,914
Prepaid expenses	336,475	(66,810)	32,968	(29,947)
Accounts payable and accrued liabilities	488,795	(202,544)	(853,405)	(1,067,898)
Long-term payable	(1,814)	-	(47,406)	-
	\$1,646,420	\$(474,805)	\$650,564	\$ (2,301,745)
(b)Supplementary information:				
Interest received	\$15,655	\$268,433	\$53,376	\$354,834
Interest paid	460,760	473,141	910,760	953,247
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)	-	1,440,000	18,378,825	1,440,000
Settlement of loan from the Partnership with distributions receivable from the Partnership	-	-	3,787,587	-
Increase (decrease) in refundable dividend tax and future income taxes (23,372)	-	(19,343)	638,856	(38,546)
Increase in future income taxes and taxes payable related to refundable dividend taxes	-	-	364,944	-

BOSTON PIZZA INTERNATIONAL INC.

Notes to the Consolidated Financial Statements (Unaudited)

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.

7. Related party transactions:

For the six-month period ended June 30, 2004, the Company earned \$536,752 of interest and management fees (2003 - \$538,555) from companies under common control. Interest and management fees are included in franchise, restaurant and other revenue.

Unitholder Information

Boston Pizza Royalties Income Fund

Corporate Office

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Trustees of the Fund

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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

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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

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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

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