



For Immediate Release

The Toronto Stock Exchange: BPF.UN

BOSTON PIZZA ROYALTIES INCOME FUND
ANNOUNCES 2003 RESULTS

Boston Pizza Achieves 4.1%
Same Store Sales Growth in 2003

VANCOUVER, BC, (February 26, 2004) - Boston Pizza Royalties Income Fund (the "Fund") reported today financial results for the period of January 1, 2003 to December 31, 2003 (the "Period").

The Fund is a limited purpose, open-ended trust established under the laws of British Columbia to acquire indirectly certain trade marks and trade names used by Boston Pizza International Inc. ("BPI") in its Boston Pizza restaurants in Canada. The trade marks are licensed to BPI for 99 years for which BPI pays the Fund 4% of franchise revenues of royalty pooled restaurants. In 2003 there were 162 restaurants in the royalty pool. Effective January 1, 2004 there are 177 royalty pool restaurants.

BPI's Same Store Sales Growth ("SSSG"), the key metric for revenue growth of the Fund, was 4.1% for the year. As well, in 2003, BPI opened 15 new Boston Pizza restaurants across Canada with no closures. "Although it has been quite a difficult year for the food service industry, I am pleased with our industry leading results." said Mike Cordoba, Chief Executive Officer of BPI. Cordoba further stated "...we are also proud that we were able to pass on our results to Unitholders by increasing monthly distributions twice during the year."

For the Period, the Fund earned royalty income of \$11,454,561 from BPI. After taking into account general and administrative expenses, interest, amortization, and non-controlling interest, net earnings of the Fund were \$8,174,562, which translates into \$1.04 per Fund unit. Distributions of \$1.02 per unit were declared in 2003.

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HIGHLIGHTS

The following table sets out selected historical information and other data of the Fund, which should be read in conjunction with the attached consolidated financial statements of the Fund.

	Year ended December 31, 2003	Period from July 17, 2002 (inception of the Fund) to December 31, 2002
Number of restaurants in Royalty Pool	162	154
Franchise Revenues reported by restaurants in Royalty Pool	\$ 286,364,021	\$ 124,202,975
Royalty & Interest Income	\$ 13,257,995	\$ 5,799,552
Earnings before non-controlling interest	\$ 12,383,415	\$ 5,346,729
Non-controlling interest ¹	\$ 4,208,853	\$ 1,707,104
Net earnings	\$ 8,174,562	\$ 3,639,625
Earnings per Fund unit	\$ 1.04	\$ 0.47
Distributions declared per Fund unit	\$ 1.02	\$ 0.46
Same Store Sales Growth	4.1%	Not Available
Number of restaurants opened during period	15	8

Notes:

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

Outlook

Boston Pizza is well positioned for continued success in 2004. BPI estimates that it will open an additional 15 restaurants in 2004. BPI management further believes that the organization can continue to deliver on the most important metric to Unitholders, namely SSSG. Through strong television and radio advertising, and national and local promotions, BPI management believes that the organization can deliver industry-leading SSSG. As part of the SSSG initiative, Boston Pizza will continue its unique renovation program that requires each location to renovate every seven years. For 2004, 15 renovations are planned. Historically SSSG for renovated locations has been, on average, 10-15% post renovation.

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

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.

The trustees of the Fund have approved the contents of this press release.

FOR FURTHER INFORMATION PLEASE CONTACT:

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Consolidated Financial Statements of

**BOSTON PIZZA ROYALTIES
INCOME FUND**

Year ended December 31, 2003

Period from date of establishment on July 17, 2002
to December 31, 2002



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AUDITORS' REPORT TO THE UNITHOLDERS OF BOSTON PIZZA ROYALTIES INCOME FUND

We have audited the consolidated balance sheets of Boston Pizza Royalties Income Fund as at December 31, 2003 and 2002 and the consolidated statements of earnings, unitholders' equity and cash flows for the year ended December 31, 2003 and the period from the date of establishment on July 17, 2002 to December 31, 2002. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the year ended December 31, 2003 and the period from the date of establishment on July 17, 2002 to December 31, 2002 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada

February 6, 2004



KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International, a Swiss nonoperating association.

BOSTON PIZZA ROYALTIES INCOME FUND

Consolidated Balance Sheets

December 31, 2003 and 2002

	2003	2002
Assets		
Current assets:		
Cash	\$ 273,890	\$ 245,270
Accounts receivable	-	12,840
Due from Boston Pizza International Inc. (note 3)	1,186,755	1,162,500
Loan to Boston Pizza International Inc. (note 9(a))	3,787,587	620,527
Prepaid expenses	54,938	43,005
	<u>5,303,170</u>	<u>2,084,142</u>
Note receivable from Boston Pizza International Inc. (note 4)	24,000,000	24,000,000
Intangible assets (note 5)	109,348,900	109,348,900
Deferred financing charges, net of accumulated amortization of \$42,500 (2002 - \$12,500)	47,500	77,500
	<u>\$ 138,699,570</u>	<u>\$ 135,510,542</u>

Liabilities and Unitholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 150,960	\$ 386,515
Distributions payable to fund unitholders	699,496	640,577
Distributions payable to Boston Pizza International Inc. (note 9)	4,097,049	930,791
	<u>4,947,505</u>	<u>1,957,883</u>
Term loan (note 8)	5,000,000	5,000,000
Non-controlling interest (note 9)	54,368,641	58,052,900
Unitholders' equity	74,383,424	70,499,759
	<u>\$ 138,699,570</u>	<u>\$ 135,510,542</u>

Nature of operations (note 1)

Contingency (note 12)

Subsequent events (note 14)

See accompanying notes to consolidated financial statements.

Approved by the Trustees:



John Cowperthwaite



William Brown



Robert Phillips

BOSTON PIZZA ROYALTIES INCOME FUND

Consolidated Statements of Earnings

	Year ended December 31, 2003	Period from date of establishment on July 17, 2002 to December 31, 2002
Franchise revenues reported by Boston Pizza Restaurants included in royalty pool (notes 1(b) and 2(b))	\$ 286,364,021	\$ 124,202,975
Revenue (notes 1(b) and 2(b)):		
Royalty income	\$ 11,454,561	\$ 4,968,119
Interest income	1,803,434	831,433
	13,257,995	5,799,552
Expenses:		
General and administrative (note 11)	572,696	319,413
Interest	271,884	120,910
Amortization of deferred financing charges	30,000	12,500
	874,580	452,823
Earnings before non-controlling interest	12,383,415	5,346,729
Non-controlling interest (note 9)	4,208,853	1,707,104
Net earnings	\$ 8,174,562	\$ 3,639,625
Weighted average units outstanding	7,866,079	7,690,000
Basic and diluted earnings per fund unit	\$ 1.04	\$ 0.47

BOSTON PIZZA ROYALTIES INCOME FUND

Consolidated Statements of Unitholders' Equity

	Year ended December 31, 2003	Period from date of establishment on July 17, 2002 to December 31, 2002
Balance, beginning of period	\$ 70,499,759	\$ -
Issue of Boston Pizza Royalties Income Fund units, net of issue costs (note 9(b))	3,780,520	70,386,000
Net earnings	8,174,562	3,639,625
Distributions declared	(8,071,417)	(3,525,866)
Balance, end of period	\$ 74,383,424	\$ 70,499,759

See accompanying notes to consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND

Consolidated Statements of Cash Flows

	Year ended December 31, 2003	Period from date of establishment on July 17, 2002 to December 31, 2002
Cash provided by (used in):		
Operations:		
Net earnings	\$ 8,174,562	\$ 3,639,625
Items not involving cash:		
Amortization of deferred charges	30,000	12,500
Non-controlling interest	4,208,853	1,707,104
Change in non-cash operating working capital (note 13(a))	(258,903)	(831,830)
	<u>12,154,512</u>	<u>4,527,399</u>
Investments:		
Acquisition of BP Rights (note 5)	-	(51,296,000)
Note receivable from Boston Pizza International Inc. (note 4)	-	(24,000,000)
	-	<u>(75,296,000)</u>
Financing:		
Distributions paid to unitholders	(8,012,498)	(2,885,289)
Loan to Boston Pizza International Inc. (note 9(a))	(3,787,587)	(620,527)
Net distributions paid to non-controlling interest (BPI) (note 9(a))	(325,807)	(776,313)
Issuance of fund units (note 10)	-	76,900,000
Costs of issuance of fund units (note 10)	-	(6,514,000)
Proceeds from term loan (note 8)	-	5,000,000
Deferred financing charges	-	(90,000)
	<u>(12,125,892)</u>	<u>71,013,871</u>
Increase in cash	28,620	245,270
Cash, beginning of period	245,270	-
Cash, end of period	<u>\$ 273,890</u>	<u>\$ 245,270</u>

See note 13(b) for supplementary cash flow information.

See accompanying notes to consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Year ended December 31, 2003

Period from date of establishment on July 17, 2002 to December 31, 2002

1. Organization and nature of operations:

(a) Organization:

Boston Pizza Royalties Income Fund (the "Fund") is an unincorporated open-ended limited purpose trust established under the laws of the Province of British Columbia. Pursuant to the Declaration of Trust signed July 8, 2002, an amount equal to all of the income of the Fund together with the non-taxable portion of any net capital gain realized by the Fund will be distributed by the Fund to its unitholders each month. As a result, the Fund will not be liable for income taxes. Income tax obligations related to the distributions by the Fund are obligations of the unitholders.

The Fund was established to indirectly, through the Boston Pizza Royalties Limited Partnership (the "Partnership"), acquire the trademarks and trade names owned by Boston Pizza International Inc. ("BPI") and used in connection with the operation of Boston Pizza restaurants in Canada (collectively, the "BP Rights"). The BP Rights do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the Trademarks Act (Canada). The BP Rights also exclude certain restaurant locations in Canada, primarily those locations that were opened subsequent to the formation of the Fund and have not been rolled into the Royalty Pool of the Fund (note 14).

The Fund was also established to acquire, directly from a bank, the BPI loan (the "BP Loan") in the principal amount of \$24 million.

(b) Nature of operations:

BPI carries on business as a franchisor of casual dining pizza and pasta restaurants and operates only in Canada. The rights to operations outside of Canada, which are owned by an affiliated company, and certain restaurants in Canada, as noted above, are not included in the Royalty Pool of the Fund.

Substantially all of the Fund's revenues are earned from certain operations of BPI and, accordingly, the revenues of the Fund and its ability to pay distributions to unitholders is dependent on the ongoing ability of BPI to generate and pay royalties to the Fund.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Year ended December 31, 2003

Period from date of establishment on July 17, 2002 to December 31, 2002

1. Organization and nature of operations (continued):

(c) Operations:

On January 1, 2003, eight new Boston Pizza restaurants that opened during the period from May 1, 2002 to November 1, 2002 were added to the Royalty Pool of the Fund. As a result of the additional sales created by these new stores, Boston Pizza International ("BPI") received additional entitlement equivalent to 448,273 Fund Units, or 4.46% of the issued and outstanding Fund Units on a fully diluted basis. BPI also received a proportionate increase in monthly distributions from the Fund.

In June 2003, the Fund issued an additional entitlement of 22,859 units and paid an amount of \$15,543 to BPI. This additional distribution and entitlement was for adjustments to royalty payments of 12 restaurants included in the Royalty Pool that were open for less than twelve months at April 30, 2002.

On July 15, 2003, BPI exchanged 378,052 Class A partnership units for an equal amount of Fund units (note 9(b)). Following this exchange, BPI sold these units of the Fund at \$9.95 per unit to the public. As at December 31, 2003, BPI holds securities convertible into 2,017,013 units of the Fund which equates to 20% of the fully diluted units of the Fund. BPI has agreed to maintain at least a 20% ownership, direct or indirect, in the Fund until such time as there are 275 restaurants in the Royalty Pool. A total of 162 restaurants are in the pool at December 31, 2003 (December 31, 2002 - 154 restaurants).

2. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Fund, its wholly-owned subsidiary Boston Pizza Holdings Trust (the "Trust"), its 80%-owned subsidiary Boston Pizza GP Inc. ("BPGP") and its interest in the Partnership (collectively, the "Companies" or "Fund"). BPGP is the managing general partner and BPI is a general partner of the Partnership. All residual ownership of the Companies is either directly or indirectly controlled by BPI and has been recorded as non-controlling interest.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

All significant intercompany transactions have been eliminated.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Year ended December 31, 2003

Period from date of establishment on July 17, 2002 to December 31, 2002

2. Significant accounting policies (continued):

(b) Revenue recognition:

Royalty revenue is equal to four percent of franchise revenue, of specific Boston Pizza Restaurants included in the Royalty Pool. Franchise revenue includes gross revenues reported by Boston Pizza Restaurants to BPI excluding revenue from the sale of liquor, beer, wine and tobacco, revenue from BPI approved national promotions and discounts, sales and goods and services tax or similar amount levied by any governmental or administrative authority, and excluding initial or renewal franchise fees charged by BPI upon the establishment or renewal of franchises and franchise agreements. Royalty revenue is recognized monthly on an accrual basis.

Interest revenue is recognized and accrued when earned.

(c) Intangible assets:

Intangible assets consisting of trademarks, trade names, operating procedures and systems and other intellectual property used in connection with the operation of the Boston Pizza restaurants are recorded at cost. Management of the Fund reviews the carrying value of the intangible assets at least annually, taking into consideration any events or circumstances which may impair the carrying value. If a permanent decline in the carrying amount is determined, the intangible assets will be written down to their estimated net recoverable amount.

(d) Deferred financing charges:

Deferred financing charges are related to the term loan and are amortized on a straight-line basis over the three-year term of the loan.

(e) Distributions to Fund unitholders:

The amount of cash to be distributed to Fund unitholders is determined with reference to distributable cash, which is calculated as net earnings adjusted for amortization, non-controlling interest entitlements, other non-cash charges and repayment of principal and interest on the term loan. Distributions to Fund unitholders are made monthly and are subject to the Fund retaining such reasonable working capital reserves as may be considered appropriate by the trustees of the Fund.

(f) Earnings per Fund unit:

The earnings per Fund unit are based on the weighted average number of Fund units outstanding during the period. As at December 31, 2003 there is no dilutive effect of potential effects of the non-controlling interest exercising its right to exchange its Class A units and Class B units of the Partnership into units of the Fund.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Year ended December 31, 2003

Period from date of establishment on July 17, 2002 to December 31, 2002

2. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment in the value of assets, useful lives for amortization and provisions for contingencies. Actual results could differ from those estimates.

(h) Financial instruments:

The Fund's financial instruments consist of cash, accounts and notes receivable, due from Boston Pizza International Inc., accounts payable and accrued liabilities, distributions payable, and term loan. Management estimates that the fair values of these financial instruments approximate their carrying values. It is management's opinion that the Fund is not exposed to significant interest rate or credit risk from these financial instruments.

3. Due from Boston Pizza International Inc.:

	December 31, 2003	July 17, 2002 to December 31, 2002
Royalty fee receivable	\$ 1,036,755	\$ 1,012,500
Interest on note receivable (note 4)	150,000	150,000
	<u>\$ 1,186,755</u>	<u>\$ 1,162,500</u>

4. Note receivable from Boston Pizza International Inc.:

Note receivable with interest payable monthly at 7.5% per annum, due July 17, 2042	\$ 24,000,000	\$ 24,000,000
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The note arose at the time of the acquisition of the trademarks and trade names from BPI in July 2002 and is secured by a general security agreement. The note may not be assigned without the prior consent of BPI.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Year ended December 31, 2003

Period from date of establishment on July 17, 2002 to December 31, 2002

5. Acquisition of BP Rights:

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 of which \$51,296,000 was paid in cash, \$58,052,900 by the issuance of 1,605,290 Class A units, 100,000,000 Class B units and 2,400,000 Class C units to BPI.

Concurrent with the acquisition of the BP Rights, the Fund granted BPI a licence to use the BP Rights for a term of 99 years for which BPI pays the Fund a royalty of four percent of the franchise revenues as reported by BPI for those restaurants included in the royalty pool, as defined in the licence and royalty agreement.

The acquisition comprised:

BP Rights	\$ 109,348,900
Acquisition of Rights by Partnership:	
Cash	\$ 51,296,000
1,605,290 Class A units	16,052,900
100,000,000 Class B units	18,000,000
2,400,000 Class C units	24,000,000
	<u>\$ 109,348,900</u>

6. Distributable cash:

	December 31, 2003	July 17, 2002 to December 31, 2002
Earnings for the period	\$ 8,174,562	\$ 3,639,625
Amortization of deferred financing charges	30,000	12,500
Non-controlling interest (BPI)	4,208,853	1,707,104
	<u>12,413,415</u>	<u>5,359,229</u>
Distributable cash required for non-controlling interest (BPI)	(4,215,978)	(1,709,604)
Distributable cash available for Fund units	<u>\$ 8,197,437</u>	<u>\$ 3,649,625</u>
Weighted average units outstanding	7,866,079	7,690,000

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Year ended December 31, 2003

Period from date of establishment on July 17, 2002 to December 31, 2002

6. Distributable cash (continued):

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.

7. Operating line of credit:

The Fund has a demand operating facility of up to \$1,000,000 to fund the working capital requirements and for general purposes. The facility bears interest at the prevailing bank prime rate plus 0.75%, is repayable on demand and has a 364-day revolving term. As at December 31, 2003 and 2002, the full amount of the facility was available. The facility is collateralized as part of the term loan (note 8).

8. Term loan:

The Fund has a term loan in the amount of \$5,000,000. The facility bears interest at the prevailing bank prime rate plus 0.75% and matures on July 16, 2005. A general security agreement over the assets of the Partnership is provided as security.

9. Non-controlling interest:

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

	2003	2002
Class A Boston Pizza Royalties Limited Partnership units (b)	\$ 12,272,380	\$ 16,052,900
Class B Boston Pizza Royalties Limited Partnership units (c)	18,000,000	18,000,000
Class C Boston Pizza Royalties Limited Partnership units (d)	24,000,000	24,000,000
	54,272,380	58,052,900
Non-controlling interest in earnings of the Partnership	4,208,853	1,707,104
Distributions paid to Partnership unitholders (note 1(c))	(15,543)	(776,313)
Distributions owing to Partnership unitholders included in distributions payable	(4,097,049)	(930,791)
	\$ 54,368,641	\$ 58,052,900

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Year ended December 31, 2003

Period from date of establishment on July 17, 2002 to December 31, 2002

9. Non-controlling interest (continued):

- (a) Loans receivable from and distributions payable to Boston Pizza International Inc.:

BPI has exercised its right to receive its entitlement to monthly cash distributions from the Partnership by way of a loan. The loan to BPI and the distributions payable to BPI were settled subsequent to December 31, 2003 (note 14(c)). For purposes of financial statement presentation, the loan receivable from and related distributions payable to BPI have been presented separately as there is no legal right of offset against each of these balances. The following amounts have been paid to BPI during the period:

	2003	2002
Loans to BPI in lieu of distributions from the Partnership	\$ 3,787,587	\$ 620,527
Payment of distributions to BPI	325,807	776,313
	<u>\$ 4,113,394</u>	<u>\$ 1,396,840</u>

- (b) Class A Partnership units:

BPI has the right to exchange each Class A Partnership unit it holds for one unit of the Fund ("Units") by delivering such Class A Partnership units to the Trust. Class A Partnership units carry voting rights equal to the number of Units into which such Class A Partnership units are exchangeable at the time. Subject to the prior rights of the holders of the Class C Partnership units, the holders of the Class A Partnership units will be entitled to receive a cumulative preferential cash distribution in an amount equal to the total distribution in respect of Class C Partnership units multiplied by the number of issued Class A Partnership units divided by the number of issued Partnership units. Class A Partnership units are also entitled to a pro rata share of residual distributions of the Partnership.

During the year, BPI exchanged 378,052 Class A partnership units for 378,052 units of the Fund. This exchange was recorded at the Fund's carrying value of \$10.00 per partnership unit resulting in an increase of unitholders' equity and a decrease of non-controlling interest of \$3,780,520. Following this exchange, BPI sold these units of the Fund at \$9.95 per unit to the public (note 1(c)).

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Year ended December 31, 2003

Period from date of establishment on July 17, 2002 to December 31, 2002

9. Non-controlling interest (continued):

(c) Class B Partnership units:

BPI has the right to exchange each Class B Partnership unit it holds for a number of Fund Units based, at any time, on a defined calculation which is based in part on the net franchise revenues from restaurants opened subsequent to July 17, 2002. Class B Partnership units held by BPI carry voting rights equal to the number of units into which such Class B Partnership units are exchangeable at that time. Subject to the prior rights of the holders of Class C Partnership units, the holders of the Class B Partnership units will be entitled to receive a cumulative preferential cash distribution equal to the distribution on Class C Partnership units multiplied by the number of Class B Partnership units issued, multiplied by a defined ratio which is based in part on the net franchise revenues from restaurants opened subsequent to July 17, 2002, and divided by the number of issued LP units. Class B Partnership units are also entitled to a pro rata share of residual distributions of the Partnership.

(d) Class C Partnership units:

Class C Partnership units carry no voting rights. The holders of Class C Partnership units will be entitled to receive a monthly cumulative preferential cash distribution equal to \$0.0625 per Class C Partnership unit. BPI, as holder of Class C Partnership units, will have the right to transfer such Class C Partnership units to the Trust in consideration for the assumption by the Trust of, and the concurrent release of BPI of its obligations with respect to, an amount of the indebtedness under the BP loan equal to \$10.00 for each Class C Partnership unit to be transferred.

10. Income Fund units:

The Declaration of Trust of the Fund provides that an unlimited number of Fund units may be issued. Each Fund unit is transferable and represents an equal undivided beneficial interest in any distributions of the Fund and in the net assets of the Fund. All units have equal rights and privileges. Each Fund unit entitles the holder thereof to participate equally in the allocations and distributions and to one vote at all meetings of Fund unitholders for each whole Fund unit held. The Fund units issued are not subject to future calls or assessments.

Pursuant to the Declaration of Trust, the holders, other than the Fund or its subsidiaries, of the Class A Partnership units and Class B Partnership units will be entitled to vote in all votes of Fund unitholders as if they were holders of the number of Fund units they would receive if Class A Partnership units and Class B Partnership units were exchanged into Fund units as at the record date of such votes, and will be treated in all respects as Fund unitholders for the purpose of any such votes.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Year ended December 31, 2003

Period from date of establishment on July 17, 2002 to December 31, 2002

10. Income Fund units (continued):

Fund units are redeemable at any time at the option of the holder at a price based on market value as defined in the trust agreement, subject to a maximum of \$50,000 in cash redemptions by the Fund in any one month. The limitation may be waived at the discretion of the Trustees of the Fund. Redemption in excess of these amounts, assuming no waiving of the limitation, shall be paid by way of distribution in specie of a pro rata number of securities of the Trust held by the Fund.

	Units	Amount
Issuance of units on July 17, 2002	7,690,000	\$ 76,900,000
Expense of the offering	-	(6,514,000)
Balance, December 31, 2002	7,690,000	70,386,000
Issuance of units on exchange of Class A partnership units (note 1(c))	378,052	3,780,520
	8,068,052	\$ 74,166,520

11. Related party transactions:

The Fund has engaged BPI to provide certain administrative services on behalf of the Fund. These services were provided by BPI for no charge.

BPI is a related party by virtue of holding certain Partnership units.

Other transactions with BPI are referred to elsewhere in these consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Year ended December 31, 2003

Period from date of establishment on July 17, 2002 to December 31, 2002

12. Contingency:

Boston Pizza International Inc. ("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.

13. Supplementary cash flow information:

	December 31, 2003	July 17, 2002 to December 31, 2002
(a) Change in non-cash working capital:		
Accounts receivable and due from Boston Pizza International Inc.	\$ (11,415)	\$(1,175,340)
Prepaid expenses	(11,933)	(43,005)
Accounts payable and accrued liabilities	(235,555)	386,515
	\$ (258,903)	\$ (831,830)
(b) Supplementary information:		
Interest received	\$ 1,803,434	\$ 681,433
Interest paid	271,884	120,910
Non-cash financing and investing activities:		
Issuance of Fund units on acquisition of BP rights	-	58,052,900
Distributions payable to unitholders	699,496	640,577
Distributions payable to non-controlling interest	4,112,593	930,791
Receivable from Partnership unitholders for adjustment for stores added to the Royalty Pool on January 1, 2003	25,129	-
Settlement of loan to BPI with distributions payable to BPI	620,527	-

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Year ended December 31, 2003

Period from date of establishment on July 17, 2002 to December 31, 2002

14. Subsequent events:

- (a) Annually, on January 1, the Boston Pizza restaurants in the Royalty Pool on which BPI pays a royalty to the Fund are adjusted to include the adjusted franchise revenue from new Boston Pizza restaurants opened on or before November 1 of the prior year, less franchise revenue from any Boston Pizza restaurants that have permanently closed during the year. In return for adding this net franchise revenue to the Royalty Pool, Boston Pizza receives the right to indirectly acquire additional Fund Units (the "Additional Entitlement"). The Additional Entitlement is calculated as 92.5% of the royalty revenue added to the Royalty Pool, divided by the yield of the Fund Units. Boston Pizza receives 80% of the Additional Entitlement initially, with the balance received when the actual full year performance of the new restaurants is known with certainty. Monthly distributions from the Fund are based on full Additional Entitlement, subject to adjustment on January 1 of next fiscal year when full year performance of the new restaurants is known with certainty.

On January 1, 2004, 15 new Boston Pizza restaurants opened during the period from November 2, 2002 to November 1, 2003 were added to the Royalty Pool. The franchise revenue of these 15 new restaurants has been estimated at \$25.4 million annually. 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 unit traded on the TSX 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, BPI received 80% of Additional Entitlement of 738,345 Fund Units, being 6.82% of the issued and outstanding Fund Units on a fully diluted basis. BPI will also receive a proportionate increase in monthly distributions from the Fund. Including the Additional Entitlement described above, BPI has the right to exchange its units in the capital of the Fund for 2,755,358 Fund Units, representing 25.46% of the issued and outstanding Fund Units on a fully diluted basis. BPI has agreed to maintain at least a 20% ownership, direct or indirect, in the Fund until such time as there are 275 restaurants in the Royalty Pool.

- (b) On January 1, 2004, adjustments to royalty payments and Additional Entitlement were made based on the full year performance of new restaurants added to the Royalty Pool on January 1, 2003 (note 1(c)). Based on these adjustments, BPI received its remaining 20% of Additional Entitlement of 87,432 additional Fund units, 0.80% of the issued and outstanding Fund units on a fully diluted basis. BPI also repaid an amount of \$25,129 for monthly distributions to the Fund.

Following this event and the event in note 14(a), BPI now holds securities convertible into 2,842,790 Fund units which equates to 26.05% of the fully diluted units of the Fund.

- (c) On January 2, 2004, the loan to BPI and distributions payable to BPI of \$3,787,587 were settled.