



For Immediate Release

The Toronto Stock Exchange: BPF.UN

**BOSTON PIZZA ROYALTIES INCOME FUND AND BOSTON PIZZA INTERNATIONAL INC.
ANNOUNCE FOURTH QUARTER RESULTS AND JANUARY DISTRIBUTION TO UNITHOLDERS**

Fund's royalty income rises 10.7% on franchise sales of \$646.3 million in 2008

VANCOUVER, BC, (February 9, 2009) - Boston Pizza Royalties Income Fund (the "Fund") and Boston Pizza International Inc. ("BPI") each reported today financial results for the period of October 1, 2008 to December 31, 2008 (the "Period") and the full year results from January 1, 2008 to December 31, 2008 (the "Year"). A copy of the management's discussion and analysis and financial statements of the Fund and BPI for the Period and the Year are available at www.sedar.com and www.bpincomefund.com. The Fund will host a conference call to discuss the results on February 9, 2009 at 10:00 a.m. Pacific Time (1:00 p.m. Eastern Time). The call can be accessed by dialling 1-800-319-4610 or 604-638-5340. A replay will be available until February 16, 2008 by dialling 1-800-319-6413 or 604-638-9010 and entering the pin code: 4452 followed by # sign.

Same Store Sales Growth ("SSSG"), the key driver of yield growth for individual Unitholders of the Fund, was 0.1% for the Period and 0.7% for the Year compared to the same periods one year ago. Franchise sales of restaurants in the royalty pool increased 10.5% for the Period and 10.7% for the Year versus 2007. This growth was achieved mainly through the addition of 34 new restaurants to the royalty pool on January 1, 2008.

"In 2008 we opened an industry leading 25 new full service restaurants in Canada and renovated another 35 Boston Pizza locations to the latest design standards" said George Melville, Co-Chairman and Owner of Boston Pizza International Inc. "Sales in the fourth quarter were driven by our successful Designer Pizza promotion, which ran in all restaurants through October and featured six new pizzas from a recent recipe contest among Boston Pizza employees. We are very pleased to report both strong franchise sales growth and positive same store sales growth for 2008 despite the comparably weaker general economic environment."

The Fund's earnings before income taxes increased by 16.3% for the Period and 18.3% for the Year compared to the same periods in 2007. Earnings before income taxes of the Fund for the Period were \$5.0 million or \$0.321 per unit compared to the fourth quarter of 2007 in which earnings before income taxes were \$4.3 million or \$0.337 per unit. Distributions declared for the Period were \$7.1 million or \$0.460 per unit compared to the fourth quarter of 2007 in which distributions declared were \$5.8 million or \$0.458 per unit. Earnings before income taxes of the Fund for the Year were \$20.2 million or \$1.338 per unit compared to 2007 in which earnings before income taxes were \$17.0 million or \$1.361 per unit. Distributions declared for the Year were \$21.2 million or \$1.380 per unit compared to 2007 in which distributions declared were \$17.3 million or \$1.354 per unit. Distributions for the Period were funded entirely by cash flow from operations. No debt was incurred at any point during the Period to fund distributions.

The Trustees of the Fund are pleased to announce a monthly cash distribution to Unitholders of 11.5 cents per unit for January 2009. The distribution will be paid to Unitholders of record at the close of business on February 21, 2009 and will be payable on February 27, 2009. The Fund periodically reviews distribution levels based on its policy of stable and sustainable distribution flow to Unitholders.

On September 22, 2008 the Fund announced that it had received Toronto Stock Exchange ("TSX") approval of a Notice of Intention to Make a Normal Course Issuer Bid ("NCIB") through the facilities of the

TSX which permits the Fund to repurchase for cancellation up to 1,336,154 units, being approximately 8.5% of the Fund's issued and outstanding units (as at September 19, 2008) and approximately 10.0% of its public float, then comprised of 13,361,545 units.

Purchases under the NCIB commenced on October 1, 2008 and as of February 6, 2008, the Fund had acquired 979,400 units at an average price of \$8.44. The NCIB will terminate on the earlier of: (a) the date upon which the Fund acquires the maximum number of Units permitted under the NCIB, and (b) September 30, 2009. The Fund will pay the market price at the time of acquisition for any units purchased through the facilities of the TSX and all units acquired under the NCIB will be cancelled.

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 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.

HIGHLIGHTS

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

	Oct 1, 2008 to Dec 31, 2008	Oct 1, 2007 to Dec 31, 2007	Jan 1, 2008 to Dec 31, 2008	Jan 1, 2007 to Dec 31, 2007
(in thousands of dollars – except restaurants, SSSG and per unit items)				
System-Wide Gross Sales	\$209,032	\$195,819	\$830,605	\$755,497
Number of restaurants in Royalty Pool	298	266	298	266
Franchise Sales reported by restaurants in Royalty Pool	\$158,913	\$143,795	\$646,275	\$583,775
Royalty Income – 4% of Franchise Sales of Royalty Pool Restaurants	\$6,357	\$5,752	\$25,851	\$23,351
Partnership administrative and interest expenses	\$546	\$242	\$1,587	\$1,101
Partnership earnings for the period before undernoted	\$5,811	\$5,510	\$24,264	\$22,250
BPI's interest in the earnings of the Partnership	\$1,264	\$1,668	\$5,902	\$7,018
Equity income related to BPI royalties earned by the Fund	\$4,547	\$3,842	\$18,362	\$15,232
Net interest income	\$444	\$450	\$1,794	\$1,800
Earnings before income taxes	\$4,991	\$4,292	\$20,157	\$17,032
Future income taxes expense	\$312	\$118	\$428	\$2,881
Net earnings	\$4,679	\$4,410	\$19,729	\$14,151
Basic and Diluted Earnings per Fund unit	\$0.301	\$0.343	\$1.309	\$1.131
Distributions declared per Fund unit	\$0.460	\$0.458	\$1.380	\$1.354
Same store sales growth (SSSG)	0.1%	3.3%	0.7%	5.7%
Number of restaurants opened during period	15	20	25	34
Number of restaurants closed during period	0	0	2	0

OUTLOOK

Boston Pizza is well positioned for future expansion and should continue to strengthen its position as the number one casual dining brand in Canada. In 2009, management of BPI anticipates that approximately 15 to 25 new locations will open across Canada. Due to the weaker general economic conditions, BPI management believes that the pace of commercial real estate development will decelerate and access to financing will be restricted. These factors may have a negative effect on the opening of new Boston Pizza restaurants in 2009. Management will continue to pursue further development in Western Canada, while the majority of new locations are expected to be in Eastern Canada and Quebec.

SSSG in 2009 will be driven by the new television advertising campaign, a larger national marketing budget and an updated menu. In addition, Boston Pizza anticipates that 20 to 30 restaurants will complete renovations this year. The prevailing weaker economic conditions are expected to have an impact on sales at Boston Pizza restaurants and BPI management is not expecting a significant improvement in economic conditions in the near-term.

Certain information in this press release may constitute "forward-looking information" that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of the Fund, the Boston Pizza Holdings Trust, the Partnership, Boston Pizza Holdings Limited Partnership, BPI, Boston Pizza restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this press release, such information uses words including "anticipate", "estimate", "may", "will", "expect", "believe", "plan" and other similar terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this press release. Such forward-looking information involves a number of risks, uncertainties and future expectations including, but not limited to: competition; changes in demographic trends; changes in consumer preferences and discretionary spending patterns; changes in national and local business and economic conditions; legislation and government regulation; accounting policies and practices; and the results of operations and financial conditions of BPI and the Fund. The foregoing list of factors is not exhaustive and should be considered in conjunction with the risks and uncertainties set out in the Fund's management's discussion and analysis under "Risks and Uncertainties". Forward-looking information is made as of the date hereof and, except as required by law, we assume no obligation to update or revise forward-looking information to reflect new events or circumstances.

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

FOR FURTHER INFORMATION PLEASE CONTACT:

Jordan Holm

Vice President of Investor Relations

Tel: 604-303-6083

E-mail: investorrelations@bostonpizza.com

www.bpincomefund.com

BOSTON PIZZA ROYALTIES INCOME FUND

Consolidated Balance Sheets (in thousands of Canadian dollars)

December 31, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash	\$ 1	\$ -
Interest receivable on note receivable from Boston Pizza International Inc. (note 7)	150	150
Distributions and other receivables from Boston Pizza Royalties Limited Partnership	1,868	1,317
	<u>2,019</u>	<u>1,467</u>
Note receivable from Boston Pizza International Inc. (note 7)	24,000	24,000
Investment in Boston Pizza Royalties Limited Partnership (note 8)	156,408	125,198
	<u>\$ 182,427</u>	<u>\$ 150,665</u>
Liabilities and Unitholders' Equity		
Current liabilities:		
Distributions payable to Fund unitholders	\$ 1,750	\$ 1,466
Accounts payable	268	-
	<u>2,018</u>	<u>1,466</u>
Future income taxes (note 13)	3,309	2,881
Unitholders' equity:		
Fund units (note 10)	179,932	149,183
Treasury units (note 10)	(268)	-
Contributed surplus (note 10)	1,754	-
Accumulated deficit	(4,318)	(2,865)
	<u>177,100</u>	<u>146,318</u>
Organization and nature of operations (note 1)		
Subsequent events (note 14)		
	<u>\$ 182,427</u>	<u>\$ 150,665</u>

See accompanying notes to consolidated financial statements.

Approved by the Trustees:



John Cowperthwaite



William Brown



W. Murray Sadler

BOSTON PIZZA ROYALTIES INCOME FUND

Consolidated Statements of Earnings and Comprehensive Income

(in thousands of Canadian dollars except unit and per unit amounts)

Years ended December 31, 2008 and 2007

	2008	2007
Revenue (note 6(a)):		
Equity income related to BPI royalties	\$ 18,362	\$ 15,232
Net interest income	1,794	1,800
Earnings before interest and taxes	20,156	17,032
Future income taxes (note 13)	(428)	(2,881)
Net earnings and comprehensive income	\$ 19,728	\$ 14,151
Weighted average units outstanding (note 10(b))	15,068,857	12,515,424
Basic and diluted earnings per Fund unit	\$ 1.31	\$ 1.13

Consolidated Statements of Accumulated Deficit

(in thousands of Canadian dollars)

Years ended December 31, 2008 and 2007

	2008	2007
Retained earnings (deficit), beginning of year	\$ (2,865)	\$ 249
Net earnings for the period	19,728	14,151
Distributions declared to Fund unitholders	(21,181)	(17,265)
Accumulated deficit, end of year	\$ (4,318)	\$ (2,865)

See accompanying notes to consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

Years ended December 31, 2008 and 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Net earnings	\$ 19,728	\$ 14,151
Items not affecting cash:		
Equity income	(18,362)	(15,232)
Future income taxes	428	2,881
Distributions received from Boston Pizza Royalties Limited Partnership	18,830	15,197
Change in non-cash working capital	268	-
	<u>20,892</u>	<u>16,997</u>
Investing:		
Return of Capital from Boston Pizza Royalties Limited Partnership (note 9)	4,024	-
Financing:		
Distributions paid to Fund unitholders	(20,897)	(16,997)
Purchase of Fund units	(4,018)	-
	<u>(24,915)</u>	<u>(16,997)</u>
Increase in cash	1	-
Cash, beginning of year	-	-
Cash, end of year	<u>\$ 1</u>	<u>\$ -</u>

Supplemental cash flow information (note 12)

See accompanying notes to consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

(in thousands of Canadian dollars except store, unit, and per unit amounts)

Years ended December 31, 2008 and 2007

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 June 10, 2002, and as it was amended and restated on July 17, 2002 and September 22, 2008, 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 at the discretion of the Fund's trustees. As a result, the Fund is not currently liable for income taxes. Income tax obligations related to the distributions by the Fund are obligations of the unitholders. Income trusts will become taxable starting in 2011 (note 13).

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 Trade-Marks Act (Canada).

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.

2. Significant accounting policies:

(a) Basis of presentation:

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

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

(in thousands of Canadian dollars except store, unit, and per unit amounts)

Years ended December 31, 2008 and 2007

2. Significant accounting policies (continued):

(a) Basis of presentation (continued):

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

All significant intercompany transactions have been eliminated.

The Partnership is considered to be a variable interest entity. BPI is the primary beneficiary of the Partnership and accordingly is required to consolidate the Partnership. The Partnership was established to acquire and hold the BP Rights, which were previously owned by BPI. The Partnership and BPI also entered into a license and royalty agreement to allow BPI the use of the BP Rights for a term of 99 years, for which BPI pays 4% of the franchise sales of certain restaurants located in Canada (the “Royalty Pool”).

(b) Revenue recognition:

Interest revenue is recognized and accrued when earned.

(c) Investment in Boston Pizza Royalties Limited Partnership:

The investment in the Partnership is accounted for using the equity method. Under the equity method, the original cost of the investment is adjusted for the Fund’s share of post-acquisition earnings or losses and is reduced for distributions or advances received. The statement of earnings includes the Fund’s share of the Partnership’s earnings or losses for the year. The investment in the Partnership is also adjusted to record the fair value of Fund units issued by the Fund in exchange for Partnership units held by BPI.

(d) Distributions:

The amount of cash to be distributed to Fund unitholders is determined with reference to net earnings adjusted for amortization, other non-cash charges and interest on the term loan. Distributions to Fund unitholders are recorded when declared, 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.

(e) Cash flows:

Declarations of distributions from the Fund are at the discretion of the trustees of the Fund. For the year ended December 31, 2008 \$20.9 million (2007 – \$17.0 million) in discretionary cash distributions were paid to unitholders.

(f) Earnings per Fund unit:

The earnings per Fund unit are based on the weighted average number of Fund units outstanding during the period.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

(in thousands of Canadian dollars except store, unit, and per unit amounts)

Years ended December 31, 2008 and 2007

2. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of financial statements 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 investments and provisions for contingencies. Actual results could differ from those estimates.

(h) Capital Disclosures:

Effective January 1, 2008, the Fund adopted the recommendations of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, *Capital Disclosures* that specifies the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any established capital requirements; and, (iv) if it has not complied, the consequences of such non-compliance (note 3).

(i) Financial Instruments:

Effective January 1, 2008 the Fund has also adopted CICA Handbook Sections 3862 and 3863 that replace Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward its presentation requirements (notes 4 and 5). These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

(j) Future changes in accounting policies:

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed its plan to converge with International Financial Reporting Standards ("IFRS"). The Fund must prepare its interim and annual consolidated financial statements in accordance with IFRS for the periods beginning on or after January 1, 2011. The Fund has formally established an IFRS project team consisting of members of its finance group and is lead by BPGP's Chief Financial Officer. The team reports regularly to the Trustees of the Fund. The team is currently studying the impacts of IFRS on the Fund's accounting policies, information systems, internal controls over financial reporting, and contractual arrangements and covenants. The Fund will report on the team's progress in these areas in future communications.

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, which supersedes Sections 3062 *Goodwill and Other Intangible Assets* and 3450 *Research and Development Costs*. Section 3064 provides additional guidance on when expenditures qualify for recognition as intangible assets and requires that costs be deferred only when relating to an item meeting the asset definition. The Fund will adopt this standard for the fiscal year commencing January 1, 2009.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

(in thousands of Canadian dollars except store, unit, and per unit amounts)

Years ended December 31, 2008 and 2007

3. Capital Disclosures:

The Fund's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide distributions to unitholders and benefits for other stakeholders. The Fund includes its equity, comprised of Fund units, contributed surplus, and accumulated deficit, in its definition of capital as well as the debt of the Partnership, which it controls through its majority ownership interest. This debt does not appear on the Fund's balance sheet as the Fund does not consolidate the Partnership on the basis of variable interest entity guidance. See note 8 for the summarized financial statement data of the Partnership.

The Fund seeks to maintain a balance between the higher returns that might be possible with the leverage afforded by higher borrowing levels and the security afforded by a sound capital structure. It does this by maintaining appropriate debt levels in the Partnership in relation to its cash flows, working capital and other assets in order to provide the maximum distributions to unitholders commensurate with the level of risk. Also, the Fund utilizes the Partnership's debt capabilities to buy back units, where appropriate, in order to maximize cash distribution rates for remaining unitholders.

The Fund maintains formal financial policies to manage its capital structure that are adjusted to respond to changes in economic conditions, the underlying risks inherent in its operations, and capital requirements to maintain and grow its operations. In order to maintain or adjust the capital structure, the Fund may adjust the amount of distributions paid to unitholders, purchase units in the market, or issue new units. The Fund's policy is to distribute all available cash from operations to the Fund for distribution to unitholders after provisions for cash required for working capital and other reserves considered advisable by the Fund's trustees. The Fund has eliminated the impact of seasonal fluctuations by equalizing monthly distributions.

The Partnership had long-term debt of \$8.9 million at December 31, 2008 (2007 – \$5 million). In addition, the Partnership's banking covenants currently require it to limit its funded debt to EBITDA to 1.25:1. The Partnership's funded debt to EBITDA ratio at December 31, 2008 was 0.36:1 which is below its banking covenant requirements.

The Fund is not subject to any other statutory capital requirements and has no commitments to sell or otherwise issue shares, other than the commitment to exchange Class B general partner units of the Partnership ("Class B Units") held by BPI for Fund units, as described in note 6(c).

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

(in thousands of Canadian dollars except store, unit, and per unit amounts)

Years ended December 31, 2008 and 2007

4. Financial Instruments:

The Fund classified its financial instruments as follows:

- Cash as *held-for-trading*, which is measured at fair value.
- Interest receivable on note receivable from BPI, distributions and other receivables from the Partnership and note receivable from BPI as *loans and receivables*, which are initially measured at fair value and subsequently at amortized cost.
- Distributions payable to Fund unitholders and accounts payable as *other financial liabilities*, which are measured at amortized cost.
- The requirement of the Fund to settle its note receivable from BPI in exchange for Class C general partner units ("Class C Units") is classified as a *derivative instrument*. The Fund has reviewed the net impact of this potential exchange requirement on its cash flows and has determined there is no significant value applicable to this feature.

The fair values of interest receivable, distributions receivable, distributions payable and accounts payable approximate their carrying amount largely due to the short-term maturities of these instruments.

5. Financial Risk Management:

The Fund is primarily exposed to credit risk, liquidity risk, and interest rate risk, as they relate to the Fund's identified financial instruments.

Credit risk

Credit risk is defined by the Fund as an unexpected loss in cash and earnings if the other party is unable to pay its obligations in due time. The Fund's exposure to credit risk arises from its distributions receivable, interest receivable and notes receivable, all being due from either BPI or the Partnership. The Fund monitors this risk through its regular review of operating and financing activities of BPI. Since its inception, the Fund has never failed to collect its interest or distributions receivable on a timely basis.

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 including competition and general economic conditions. In general, the restaurant industry, and in particular the casual dining sector, is intensely competitive with respect to price, service, location and food quality. If BPI and the Boston Pizza franchisees are unable to successfully compete in the casual dining sector or the economy is weak for an extended period of time, Franchise Sales may be adversely affected. The reduction of royalties may impact the ability for BPI to pay the royalty or interest on the loan to BPI from the Fund.

As at December 31, 2008, the Fund had no provision for credit risk recorded in its financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

(in thousands of Canadian dollars except store, unit, and per unit amounts)

Years ended December 31, 2008 and 2007

5. Financial Risk Management (continued):

Liquidity risk

Liquidity risk results from the Fund's potential inability to meet its financial liabilities. Beyond effective net working capital and cash management, the Fund constantly monitors the operations and cash flows of the Partnership to ensure that current and future distributions to Unitholders will be met. At December 31, 2008, all liabilities of the Fund had a maturity of less than three months.

The Fund's capital resources are comprised of cash and cash equivalents, and Partnership's undrawn \$1 million operating line of credit and \$20 million term loan for the Fund's Normal Course Issuer Bid ("NCIB Credit Facility). Also included are cash flows from operating activities and reductions in distributions associated with purchases made through the Fund's Normal Course Issuer Bid. The \$1 million operating line of credit pays interest at the bank's prime rate, and the NCIB Credit Facility pays interest at the bank's prime rate plus 0.5% or other variable interest rates as determined by the Partnership.

The Partnership's NCIB Credit Facility is secured by a first charge over the assets of the Partnership, has a four year term, and has no scheduled repayment terms. As at December 31, 2008, \$3.9 million had been drawn from the NCIB Credit Facility.

The Fund is subject to certain guarantor covenants and reporting requirements arising from the Partnership's \$5 million term loan, its NCIB Credit Facility, and its undrawn \$1 million operating line of credit.

Interest rate risk

The Fund's interest rate risk exposure is mainly related to an interest-bearing note receivable from BPI. As this note receivable has a fixed interest rate of 7.5%, is from a related party, and is due in July 2042, the Fund does not perform interest rate risk management to minimize the overall financial interest rate risk.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

(in thousands of Canadian dollars except store, unit, and per unit amounts)

Years ended December 31, 2008 and 2007

6. Operations:

Equity and interest income earned by the Fund has been derived as follows:

(in thousands, except number of restaurants in the Royalty Pool)	2008	2007
Restaurants in the Royalty Pool	298	266
Franchise sales reported by restaurants in the Royalty Pool	\$ 646,275	\$ 583,775
Royalty income – 4% of Franchise sales	\$ 25,851	\$ 23,351
Administrative and interest expenses	(1,587)	(1,101)
Partnership earnings for the period before undernoted BPI's interest in the earnings of the Partnership	24,264 (5,902)	22,250 (7,018)
Equity income related to BPI royalties earned by Fund	18,362	15,232
Net interest income	1,794	1,800
Net earnings before income taxes	\$ 20,156	\$ 17,032

(a) On January 1 of each year, the number of restaurants in the Royalty Pool on which BPI pays a royalty to the Fund is adjusted to include franchise sales from new Boston Pizza restaurants opened less franchise sales from any Boston Pizza restaurants that have permanently closed during the previous year. In return for adding this net franchise revenue to the Royalty Pool, BPI receives the right to indirectly acquire additional Fund units (the "Additional Entitlement"). BPI initially receives 80% of the Additional Entitlement with the balance received when the actual full year performance of the new restaurants is known with certainty.

On January 1, 2008, 34 (2007 – 41) new Boston Pizza restaurants that opened during the period from January 1, 2007 to December 31, 2007 (2007 – January 1, 2006 to December 31, 2006) were added to the Royalty Pool. The Franchise sales of these 34 new restaurants were initially estimated at \$69.1 million. The total number of restaurants in the Royalty Pool was increased to 300. Two restaurants that closed during the period were removed from the Royalty Pool. There were 298 restaurants in the Royalty Pool at December 31, 2008. As a result of the contribution of the additional net sales to the Royalty Pool, and assuming 100% of the Additional Entitlement, BPI's Additional Entitlement is equivalent to 1,889,459 (2007 – 2,158,478) Fund units. BPI will also receive a proportionate increase in monthly distributions from the Partnership. Of the Additional Entitlement, 20% (2008 – 377,892 units; 2007 – 431,696 units), remain unissued and are not eligible for conversion to Fund units until January 1, 2009 (2007 units – January 1, 2008) based on the actual performance of the new stores (see note 14).

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

(in thousands of Canadian dollars except store, unit, and per unit amounts)

Years ended December 31, 2008 and 2007

6. Operations (continued):

(b) On January 1, 2008, adjustments to royalty payments and Additional Entitlement were made based on the actual performance of 40 net new restaurants added to the Royalty Pool on January 1, 2007. Based on these adjustments, BPI received its pro rata portion of the remaining Additional Entitlement, 386,341 Fund units.

(c) On March 13, 2008, BPI exchanged Class B general partner units ("Class B Units") of the Partnership for 2,945,246 Fund units. BPI then sold these Fund units to the public. As of December 31, 2008, BPI holds exchangeable Partnership units equivalent to 2,140,392 (2007 - 3,187,730) Fund units, or 12% of the issued and outstanding units on a fully diluted basis.

7. Note receivable from Boston Pizza International Inc.:

	2008	2007
Note receivable with interest payable monthly at 7.5% per annum, due July 17, 2042	\$ 24,000	\$ 24,000

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.

BPI, as the holder of 2,400,000 Class C Units, has the right to transfer such Class C Units to the Holdings LP in consideration for the assumption by the Holdings LP 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 Unit transferred.

8. Investment in Boston Pizza Royalties Limited Partnership:

Balance as at December 31, 2006	\$ 98,855
Acquisition of additional Partnership units by issuing Fund units	26,576
Equity income	15,232
Distributions from the Partnership	(15,465)
Balance as at December 31, 2007	125,198
Acquisition of additional Partnership units by issuing Fund units	36,521
Equity income	18,362
Distributions from the Partnership	(19,381)
Return of capital (note 9)	(4,292)
Balance as at December 31, 2008	\$ 156,408

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

(in thousands of Canadian dollars except store, unit, and per unit amounts)

Years ended December 31, 2008 and 2007

8. Investment in Boston Pizza Royalties Limited Partnership (continued):

Summarized balance sheet of the Partnership is as follows:

	2008	2007
Current assets	\$ 7,894	\$ 9,273
Long-term assets, consisting of the BP Rights	216,865	191,192
Total assets	\$ 224,759	\$ 200,465
Current liabilities	\$ 7,687	\$ 8,112
Long-term liabilities	8,875	5,000
Partners' surplus	208,197	187,353
Total liabilities and surplus	\$ 224,759	\$ 200,465

9. Promissory note:

To fund purchases under the Normal Course Issuer Bid ("NCIB"), the Fund may borrow certain amounts from the Partnership under a promissory note (the "Note"). The amounts advanced under the Note are repayable upon demand. During 2008 the Partnership advanced \$4.0 million to the Fund. This amount was settled by way of a return of capital from the Partnership to the Fund. The amounts drawn on the Note bear interest at a rate equal to the annual rate of interest the Partnership pays under the Partnership's NCIB Credit Facility plus 0.1%. As at December 31, 2008, the amount payable from the Fund to the Partnership under the Note was nil.

The Partnership has entered into an agreement with a Canadian Chartered Bank whereby the bank provided the Partnership with the NCIB Credit Facility available in loans at variable and fixed interest rates as selected by the Partnership to fund purchases under the NCIB. The Partnership had drawn \$3.9 million on the NCIB Credit Facility as at December 31, 2008 (2007 – nil).

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

(in thousands of Canadian dollars except store, unit, and per unit amounts)

Years ended December 31, 2008 and 2007

10. Fund units:

- (a) 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 general partner units of the Partnership ("Class A Units") and Class B Units are entitled to vote in all votes of Fund unitholders as if they were holders of the number of Fund units they would receive if Class A Units and Class B 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.

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.

On September 22, 2008 the Toronto Stock Exchange ("TSX") approved the Fund's notice of intention to make a Normal Course Issuer Bid. The NCIB permits the Fund to acquire up to 1,336,154 Fund units through the facilities of the TSX from October 1, 2008 to no later than September 30, 2009. The maximum purchase amount of 1,336,154 Fund units represented approximately 8.5% of its then 15,696,168 issued and outstanding Fund units, or approximately 10.0% of its public float of 13,361,545 Fund units as at September 22, 2008. The Fund is permitted to purchase a maximum of 16,736 Fund units on a daily basis up to March 31, 2009, then 8,368 thereafter, subject to a block purchase exemption. For the three month period from October 1 to December 31, 2008, the Fund acquired a total of 511,200 Fund units at an average cost of \$8.09 per unit for a total cost of \$4.3 million including legal costs of \$0.2 million. All Fund units acquired by the Fund are cancelled prior to December 31, 2008 and the remaining 36,000 Fund units were cancelled in February, 2009. The excess of the carrying value of the cancelled Fund units over the total cost of acquisition of \$1.8 million has been credited to contributed surplus.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

(in thousands of Canadian dollars except store, unit, and per unit amounts)

Years ended December 31, 2008 and 2007

10. Fund units (continued):

(b) Fund units outstanding:

	Number of Fund units		Amount
Balance as at December 31, 2006	10,996,700	\$	122,607
Exchange of Class B Units for Fund units	1,754,222		26,576
Balance as at December 31, 2007	12,750,922		149,183
Exchange of Class B Units for Fund units	2,945,246		36,521
Repurchase and cancellation of Fund units	(475,200)		(5,772)
Balance as at December 31, 2008	15,220,968	\$	179,932
		2008	2007
Weighted average Fund units outstanding	15,068,857		12,515,424

(c) Exchangeable units of the Partnership:

Units (underlying the Class B Units)	2,140,284	3,187,730
--------------------------------------	-----------	-----------

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

As described in note 6(a), on January 1, 2008, Class B Units of the Partnership received Additional Entitlement equivalent to 1,889,459 Fund units (2007 – 2,158,478 units), upon adding new stores to the Royalty Pool.

11. Related party transactions:

The Fund has engaged BPI to provide certain administrative services on behalf of the Fund.

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

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

(in thousands of Canadian dollars except store, unit, and per unit amounts)

Years ended December 31, 2008 and 2007

12. Supplemental cash flow information:

	2008	2007
Supplemental cash flow information:		
Net interest received	\$ 1,794	\$ 1,800
Non-cash financing and investing activities:		
Acquisition of additional Partnership units by issuing Fund units	36,521	26,576

13. Income taxes:

On October 31, 2006, the Canadian federal government announced proposed tax legislation that would change the income tax rules applicable to publicly traded trusts rendering income trusts taxable starting in 2011. On June 12, 2007, the proposed tax legislation passed third reading in the House of Commons. As a result, the associated income tax became substantively enacted for accounting purposes. The legislation imposes a tax of 31.5% on Canadian public income trusts. This rate was subsequently lowered in December 2007 and then again in June 2008 to 27.5% for 2011 and 26% for 2012 and onwards. As a transition period applies to publicly traded trusts that existed prior to November 1, 2006, the new tax is not expected to apply to the Fund until January 1, 2011.

Future income taxes are recorded on the temporary differences arising between the accounting and tax bases of balance sheet assets and liabilities. Historically the Fund had been exempt from recognizing future income taxes associated with temporary differences.

The impact on the Fund's consolidated financial statements was to record a future income tax expense of \$428 (2007 – \$2,881) resulting in a corresponding increase to the future income tax liability to \$3,309 (2007 – \$2,881). The future income tax liability arises mainly as a result of the Fund recording, in the current year, its cumulative share of the temporary differences between the accounting and tax bases of the BP Rights owned by the Partnership generated since the inception of the Fund. This additional expense had no impact on the Fund's cash flow for the year.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

(in thousands of Canadian dollars except store, unit, and per unit amounts)

Years ended December 31, 2008 and 2007

13. Income taxes (continued):

The reconciliation to statutory tax rate is as follows:

	2008
Earnings before income taxes	\$ 20,156
Combined Canadian federal and provincial rate	34.46%
Computed expected tax expense	6,946
Decreased by:	
Current year's earnings not taxable	(6,946)
Increased by:	
Change in the tax base of the BP Rights	428
Total tax expense per statement of earnings	\$ 428

The tax effect of the temporary difference that gives rise to the future tax liability is as follows:

	2008
Future tax liabilities:	
Investment in the Boston Pizza Royalties Limited Partnership	\$ 3,309
Net future tax liability	\$ 3,309

14. Subsequent events:

- (a) On January 1, 2009, adjustments to royalty payments and Additional Entitlement were made based on the actual performance of 34 new restaurants added to the Royalty Pool on January 1, 2008. Based on these adjustments, BPI will receive its pro rata portion of the remaining Additional Entitlement, 248,629 Fund units.
- (b) On January 1, 2009, 25 new Boston Pizza restaurants that opened during the period from January 1, 2008 to December 31, 2008 were added to the Royalty Pool while two restaurants that closed during the period were removed. The Franchise sales of these 23 net new restaurants has been estimated at \$43.8 million. The total number of restaurants in the Royalty Pool has increased to 323. As a result of the contribution of the additional net sales to the Royalty Pool, and assuming 100% of the Additional Entitlement, BPI's Additional Entitlement is equivalent to 1,175,106 (2007 – 1,889,459) Fund units. BPI will also receive a proportionate increase in monthly distributions from the Partnership. Of the Additional Entitlement, 20% (2009 – 235,021 units; 2008 – 377,892 units), remain unissued and are not eligible for conversion to Fund units until January 1, 2010 (2008 units – January 1, 2009) based on the actual performance of the new stores.