



For Immediate Release

The Toronto Stock Exchange: BPF.UN

BOSTON PIZZA ROYALTIES INCOME FUND
ANNOUNCES 2004 RESULTS

Franchise Revenues Grow by 15.2% in 2004
Same Store Sales Growth 6.8% in 2004
Earnings up by 17.8%

VANCOUVER, BC, (February 09, 2005) - Boston Pizza Royalties Income Fund (the "Fund") reported today financial results for the period of January 1, 2004 to December 31, 2004 (the "Period").

Same Store Sales Growth ("SSSG"), the key metric for revenue growth of the Fund, was 6.8% for the Period. Franchise Revenues of the Fund grew by 15.2% during the Period. As well, in 2004, BPI opened 17 new Boston Pizza restaurants across Canada with no closures. One restaurant was relocated to an improved site while 11 locations were renovated. "2004 was a great year for our organization," said Mike Cordoba, Chief Executive Officer of Boston Pizza. Cordoba went on to say, "It was also a great year for unitholders as we were able to increase distributions three times during the year."

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 2004 there were 177 restaurants in the royalty pool. Effective January 1, 2005 there are 195 royalty pool restaurants.

For the Period, the Fund earned royalty income of \$13,195,706 from BPI. After taking into account general and administrative expenses, interest, amortization, and non-controlling interest, net earnings of the Fund were \$12,463,015, which translates into \$1.13 per Fund unit. Distributions of \$1.11 per unit were declared in 2004.

The tax treatment of 2004 distributions is 22.45% return of capital and 77.55% income.

The Fund also announced today that a true up adjustment has been performed on the additional unit entitlements (the "Additional Unit Entitlements") that BPI received from the 15 new restaurants rolled into the royalty pool on January 1, 2004. Based on an audit of the royalties generated in 2004 by these 15 new restaurants BPI received 161,463 Additional Unit Entitlements. These Additional Unit Entitlements are the equivalent of Fund Units and represent 1.33% of the Fund Units on a fully diluted basis. Including the Additional Unit Entitlements described above, BPI has the right to exchange its securities for 3,377,378 Fund Units, representing 27.90% of the Fund Units on a fully diluted basis. BPI has agreed to maintain at least a 20% ownership interest, direct or indirect, in the Fund until such time as there are 275 restaurants in the royalty pool.

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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		Year ended	
	December 31, 2004		December 31, 2003	
Number of restaurants in Royalty Pool		177		162
Franchise Revenues reported by restaurants in Royalty Pool	\$	329,892,643	\$	286,364,021
Royalty & Interest Income	\$	15,003,507	\$	13,257,995
Earnings before non-controlling interest	\$	14,263,015	\$	12,383,415
Non-controlling interest	\$	1,800,000	\$	1,800,000
Net earnings	\$	12,463,015	\$	10,583,415
Earnings per Fund unit	\$	1.13	\$	1.04
Distributions declared per Fund unit	\$	1.11	\$	1.02
Same Store Sales Growth		6.8%		4.1%
Number of restaurants opened during period		17		15

Outlook

Boston Pizza is well positioned for continued success in 2005. BPI estimates that it will open an additional 25 restaurants in 2005. 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 2005, 15 renovations are planned, as well two restaurants will be relocated to improved sites. Historically SSSG for renovated locations has been, on average, 10-15% post renovation.

During the year, the Fund adopted the new Canadian Institute of Chartered Accountants recommendations of the Emerging Issues Committee (EIC-151) relating to the presentation of exchangeable securities issued by subsidiaries of income funds. The new recommendations require that the exchangeable securities issued by a subsidiary of an income fund be presented on the consolidated balance sheet of the income fund as a part of unitholders' equity if:

- the holders of the exchangeable securities are entitled to receive distributions of earnings economically equivalent to distributions received by units of the income fund, and
- the exchangeable securities ultimately are required to be exchanged for units of the income fund as a result of the passage of fixed period of time or the non-transferability to third parties of the exchangeable securities without first exchanging them for units of income fund.

Class A Partnership units and Class B Partnership units meet these criteria and have been classified as unitholders' equity. Previously, these Partnership units were classified as non-controlling interest. This recommendation is applied retroactively with restatement of prior periods. This change has resulted in:

- Reclassification of \$43,377,652 (2003 - \$30,368,641) of Class A and Class B Partnership units from non-controlling interest to unitholders' equity. The initial value of \$18 million assigned to Class B Partnership units for additional royalties from future stores are recorded as contributed surplus within unitholders' equity.
- Decrease in non-controlling interest on the statement of earnings by \$2,787,336 (2003 - \$2,408,853) and an increase in net earnings by the same amount.
- Increase in intangible asset by \$13,555,245 and increase in Class B Partnership equity by the same amount.

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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BOSTON PIZZA ROYALTIES INCOME FUND

Consolidated Balance Sheets

December 31, 2004 and 2003

	2004	2003
		(Changes in basis of presentation 2(a))
Assets		
Current assets:		
Cash	\$ 470,595	\$ 273,890
Due from Boston Pizza International Inc. (note 3)	1,325,184	1,186,755
Loan receivable from Boston Pizza International Inc. (note 9(a))	4,113,789	3,787,587
Prepaid expenses	51,850	54,938
	<u>5,961,418</u>	<u>5,303,170</u>
Note receivable from Boston Pizza International Inc. (note 4)	24,000,000	24,000,000
Intangible assets (note 5)	122,904,145	109,348,900
Deferred financing charges, net of accumulated amortization of \$74,250 (2003 - \$42,500)	28,250	47,500
	<u>\$ 152,893,813</u>	<u>\$ 138,699,570</u>

Liabilities and Unitholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 141,515	\$ 150,960
Distributions payable to fund unitholders	844,063	699,496
Distributions payable to Boston Pizza International Inc. (note 9)	4,683,599	4,193,310
	<u>5,669,177</u>	<u>5,043,766</u>
Term loan (note 8)	5,000,000	5,000,000
Non-controlling interest (note 9)	24,000,000	24,000,000
Unitholders' equity	118,224,636	104,655,804
	<u>\$ 152,893,813</u>	<u>\$ 138,699,570</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

Years ended December 31, 2004 and 2003

	2004	2003
		(Changes in basis of presentation 2(a))
Franchise revenues reported by Boston Pizza Restaurants included in royalty pool (notes 1(c) and 2(b))	\$ 329,892,643	\$ 286,364,021
Revenue (notes 1(c) and 2(b)):		
Royalty income	\$ 13,195,706	\$ 11,454,561
Interest income	1,807,801	1,803,434
	15,003,507	13,257,995
Expenses:		
General and administrative (note 11)	470,352	572,696
Interest	238,390	271,884
Amortization of deferred financing charges	31,750	30,000
	740,492	874,580
Earnings before non-controlling interest	14,263,015	12,383,415
Non-controlling interest (note 9)	1,800,000	1,800,000
Net earnings	\$ 12,463,015	\$ 10,583,415
Weighted average units outstanding (note 10(b))	11,095,429	10,197,133
Basic and diluted earnings per unit	\$ 1.13	\$ 1.04

See accompanying notes to consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND

Consolidated Statements of Unitholders' Equity

Years ended December 31, 2004 and 2003

	Fund units		Class A Partnership units		Class B Partnership Equivalent units (note 9(c))		Contributed surplus (note 9(c))	Cumulative net earnings	Total unitholders' equity
	Number	Amount	Number	Amount	Number	Amount			
									(Changes in basis of presentation 2(a))
Balance as at December 31, 2002	7,690,000	\$ 70,386,000	1,605,290	\$ 16,052,900	318,643	\$ 2,160,000	\$ 15,840,000	\$ 113,759	\$ 104,552,659
Exchange of Class A Partnership units for Fund units (note 9(b))	378,052	3,780,520	(378,052)	(3,780,520)	-	-	-	-	-
Adjustment based on actual performance of stores added to Royalty Pool (note 9(c))	-	-	-	-	22,859	-	-	-	-
Additional entitlement on addition of new stores to the Royalty Pool (note 9(c))	-	-	-	-	560,341	1,440,000	(1,440,000)	-	-
Net earnings	-	-	-	-	-	-	-	10,583,415	10,583,415
Distributions	-	-	-	-	-	-	-	(10,480,270)	(10,480,270)
Balance as at December 31, 2003	8,068,052	74,166,520	1,227,238	12,272,380	901,843	3,600,000	14,400,000	216,904	104,655,804
Exchange of Class A Partnership units for Fund units (note 9(b))	660,622	6,606,220	(660,622)	(6,606,220)	-	-	-	-	-
Effect of change in accounting policy for new stores added to Royalty Pool up to December 31, 2003	-	-	-	-	-	5,521,670	-	-	5,521,670
Adjustment based on actual performance of stores added to Royalty Pool (note 9(c))	-	-	-	-	(24,636)	(249,316)	-	-	(249,316)
Additional entitlement on addition of new stores to the Royalty Pool (note 9(c))	-	-	-	-	922,932	10,982,891	(2,700,000)	-	8,282,891
Net earnings	-	-	-	-	-	-	-	12,463,015	12,463,015
Distributions	-	-	-	-	-	-	-	(12,449,428)	(12,449,428)
Balance as at December 31, 2004	8,728,674	\$ 80,772,740	566,616	\$ 5,666,160	1,800,139	\$ 19,855,245	\$ 11,700,000	\$ 230,491	\$ 118,224,636

See accompanying notes to consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND

Consolidated Statements of Cash Flows

Years ended December 31, 2004 and 2003

	2004	2003
		(Changes in basis of presentation 2(a))
Cash provided by (used in):		
Operations:		
Net earnings	\$ 12,463,015	\$ 10,583,415
Items not involving cash:		
Amortization of deferred charges	31,750	30,000
Non-controlling interest	1,800,000	1,800,000
Change in non-cash operating working capital (note 13(a))	(144,786)	(258,903)
	14,149,979	12,154,512
Financing:		
Distributions paid to unitholders	(9,517,523)	(8,012,498)
Loan receivable from Boston Pizza International Inc.	(4,113,789)	(3,787,587)
Distributions paid to Boston Pizza International Inc.	(309,462)	(325,807)
Deferred financing charges	(12,500)	-
	(13,953,274)	(12,125,892)
Increase in cash	196,705	28,620
Cash, beginning of year	273,890	245,270
Cash, end of year	\$ 470,595	\$ 273,890

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

Years ended December 31, 2004 and 2003

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

Years ended December 31, 2004 and 2003

1. Organization and nature of operations (continued):

(c) Operations:

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 franchise revenue of these 15 new restaurants has been estimated at \$25,442,890 (2003 - \$15,086,000). The total number of restaurants in the Royalty Pool has increased to 177 (2003 - 162). 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.

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 the remainder of its Additional Entitlement, 87,432 Fund units. BPI also repaid an amount of \$25,129 for monthly distributions to the Fund.

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 December 31, 2004, there were 8,728,674 Fund units issued and BPI had a 20% indirect interest in the Fund.

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

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.

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

Years ended December 31, 2004 and 2003

2. Significant accounting policies (continued):

(a) Basis of presentation (continued):

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 which were previously recorded at book values are now 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.

During the year, the Fund also adopted the new Canadian Institute of Chartered Accountants recommendations of the Emerging Issues Committee (EIC-151) relating to the presentation of exchangeable securities issued by subsidiaries of income funds. The new recommendations require that the exchangeable securities issued by a subsidiary of an income fund be presented on the consolidated balance sheet of the income fund as a part of unitholders' equity if:

- the holders of the exchangeable securities are entitled to receive distributions of earnings economically equivalent to distributions received by units of the income fund, and
- the exchangeable securities ultimately are required to be exchanged for units of the income fund as a result of the passage of fixed period of time or the non-transferability to third parties of the exchangeable securities without first exchanging them for units of income fund.

Class A Partnership units and Class B Partnership units meet these criteria and have been classified as equity. Previously, these Partnership units were classified as non-controlling interest. This recommendation is applied retroactively with restatement of prior periods. This change has resulted in:

- Reclassification of \$43,377,652 (2003 - \$30,368,641) of Class A and Class B Partnership units from non-controlling interest to unitholders' equity. The initial value of \$18 million assigned to Class B Partnership units for additional royalties from future stores is recorded as contributed surplus within unitholders' equity.
- Decrease in non-controlling interest on the statement of earnings by \$2,787,336 (2003 - \$2,408,853) and an increase in net earnings by the same amount.
- Increase in intangible asset (note 5) by \$13,555,245 and increase in Class B Partnership equity by the same amount.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003

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:

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 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. Distributions to Class A and Class B Partnership units are recorded upon entitlement to earnings as achieved, which is typically based on the earnings of the Partnership.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003

2. Significant accounting policies (continued):

(f) Earnings per Fund unit:

The earnings per Fund unit are based on the weighted average number of Fund units and exchangeable Class A and B Partnership units outstanding during the period.

(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.:

	2004	2003
Royalty fee receivable	\$ 1,175,184	\$ 1,036,755
Interest on note receivable (note 4)	150,000	150,000
	<u>\$ 1,325,184</u>	<u>\$ 1,186,755</u>

4. Note receivable from Boston Pizza International Inc.:

	2004	2003
Note receivable with interest payable monthly at 7.5% per annum, due July 17, 2042	\$ 24,000,000	\$ 24,000,000

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.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003

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 agreement, the Fund provided BPI an Additional Entitlement (note 14(a)) 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 2(a) and 9).

	(Changes in basis of presentation 2(a))
Initial consideration	\$ 109,348,900
2002 increase to the Royalty Pool	1,291,020
2003 increase to the Royalty Pool	3,981,334
2004 increase to the Royalty Pool	8,282,891
	<hr/>
	\$ 122,904,145

6. Distributable cash:

	2004	2003
		(Changes in basis of presentation 2(a))
Earnings for the year	\$ 12,463,015	\$ 10,583,415
Amortization of deferred financing charges	31,750	30,000
Non-controlling interest	1,800,000	1,800,000
	<hr/>	<hr/>
	14,294,765	12,413,415
Distributable cash required for non-controlling interest	(1,800,000)	(1,800,000)
	<hr/>	<hr/>
Distributable cash available for Fund units	\$ 12,494,765	\$ 10,613,415
	<hr/>	<hr/>
Weighted average units outstanding	11,095,429	10,197,133

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003

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.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003

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, 2004 and 2003, 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%.

On July 5, 2004, the \$5,000,000 term loan was renewed with a new maturity date of July 5, 2007. A fee of \$12,500 was paid on renewal and is being amortized over 3 years.

A general security agreement over the assets of the Partnership is provided as security.

9. Non-controlling interest:

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

	2004	2003
		(Changes in basis of presentation 2(a))
Class C Boston Pizza Royalties Limited Partnership units (d)	\$ 24,000,000	\$ 24,000,000

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003

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, 2004 (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:

	2004	2003
Loans to BPI in lieu of distributions from the Partnership	\$ 4,113,789	\$ 3,787,587
Payment of distributions to BPI	309,462	325,807
	<u>\$ 4,423,251</u>	<u>\$ 4,113,394</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 660,622 (2003 – 378,052) Class A Partnership units for 660,622 (2003 – 378,052) units of the Fund. This exchange was recorded at the Fund's carrying value of \$10.00 per Partnership unit.

As described in note 2(a), Class A Partnership units are classified as unitholders' equity commencing on January 1, 2004 and prior period has been restated.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003

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 ("Equivalent units"). Class B Partnership units held by BPI carry voting rights equivalent 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.

As described in note 1(c), on January 1, 2004, Class B Partnership units received Additional Entitlement (note 14(a)) equivalent to 922,932 units (2003 – 560,341 units), upon adding new stores to the Royalty Pool. The fair value of these exchangeable units of \$10,982,891 (2003 - \$5,670,651) was based on the fair value of Fund units at the time of Additional Entitlement. As described in note 2(a), the Additional Entitlement to distributions has resulted in an increase in intangible assets and unitholders' equity totalling \$8,282,891. Based on the performance of the restaurants added to the Royalty Pool on January 1, 2003, Additional Entitlement was reduced by 24,636 units in January, 2004 (2003 – increase of 22,859 units). As discussed in note 2(a), those Class B units are classified as unitholders' equity commencing January 1, 2004. The initial fair value of \$18 million assigned to Class B Partnership units for additional royalties from future stores to be added to the Royalty Pool, is recorded as contributed surplus. As the stores are added to the Royalty Pool, a portion of this value is reclassified to Class B Partnership Equivalent units.

(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.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003

10. Income 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 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.

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.

- (b) Weighted average units outstanding:

	2004	2003
Fund units	8,728,674	8,068,052
Class A Partnership units	566,616	1,227,238
Class B Partnership units	1,800,139	901,843
	11,095,429	10,197,133

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

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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:

	2004	2003
(a) Change in non-cash working capital:		
Due from Boston Pizza International Inc.	\$ (138,429)	\$ (11,415)
Prepaid expenses	3,088	(11,933)
Accounts payable and accrued liabilities	(9,445)	(235,555)
	\$ (144,786)	\$ (258,903)

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003

13. Supplementary cash flow information (continued):

	2004	2003
(b) Supplementary information:		
Interest received	\$ 1,807,801	\$ 1,803,434
Interest paid	239,452	271,884
Non-cash financing and investing activities:		
Distributions payable to unitholders	844,063	699,496
Distributions payable to Boston Pizza International Inc.	4,466,907	4,193,310
Receivable from Boston Pizza International Inc. for adjustment for stores added to the Royalty Pool on January 1, 2004	25,747	25,129
Settlement of loan receivable from BPI against distributions payable to BPI	3,787,587	620,527
Exchange of Class A Partnership (non-controlling interest units) for fund units	6,602,220	-
Increase in intangible assets and non-controlling interest (BPI) on addition of new restaurants to Royalty Pool	13,555,245	-

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.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003

14. Subsequent events (continued):

(a) (continued):

On January 5, 2005, 18 new Boston Pizza restaurants opened during the period from November 2, 2003 to November 1, 2004 were added to the Royalty Pool. The franchise revenue of these 18 new restaurants has been estimated at \$37.9 million annually. The total number of restaurants in the Royalty Pool has increased to 195. The yield of the Fund units was determined to be 7.58% calculated using a weighted average unit price of \$14.69. 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, 2005. As a result of the contribution of the additional net sales to the Royalty Pool, BPI received 80% of Additional Entitlement of 1,292,182 Fund Units, being 8.65% 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. The fair value of the Additional Entitlement is \$18.7 million and is based on the fair value of Fund units. As described in note 2(a), the Additional Entitlement to distributions will result in an increase in intangible assets and unitholders' equity by \$15.5 million.

- (b) On January 1, 2005, 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, 2004 (note 1(c)). Based on these adjustments, BPI received its remaining 20% of Additional Entitlement of 161,463 additional Fund units, 1.33% of the issued and outstanding Fund units on a fully diluted basis. BPI will also repay an amount of \$25,747 for monthly distributions to the Fund.

Following this event and the event in note 14(a), BPI now holds securities convertible into 3,377,378 Fund units which equates to 27.9% 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.

- (c) On January 4, 2005, the loan to BPI and distributions payable to BPI of \$4,113,789 were settled.