



For Immediate Release

The Toronto Stock Exchange: BPF.UN

**BOSTON PIZZA ROYALTIES INCOME FUND & BOSTON PIZZA INTERNATIONAL INC.**  
**ANNOUNCE 2005 SECOND QUARTER RESULTS**

***Boston Pizza has a Strong Second Quarter Posting 7.3% Same Store Sales Growth  
Distributions increased during the Quarter for the Sixth time since Initial Public Offering  
Earnings up 15.8%***

VANCOUVER, BC, (August 11, 2005) - Boston Pizza Royalties Income Fund (the "Fund") and Boston Pizza International Inc. ("BPI") each reported today second quarter financial results for the period of April 1, 2005 to June 30, 2005 (the "Period"). A copy of the combined 2005 second quarter report is available at [www.sedar.com](http://www.sedar.com) and [www.bpincomefund.com](http://www.bpincomefund.com).

Boston Pizza is pleased to announce a positive 2005 second quarter, posting 7.3% same store sales growth ("SSSG") over the same period in 2004. Year-to-date SSSG was 6.1%. Overall growth in Franchise Sales of royalty pooled restaurants, a combination of new restaurants added to the royalty pool and SSSG, was 18.4%. Royalty income for the Period was \$3,907,321 and distributions of \$0.29 per unit were declared. Distributions declared per unit rose during the Period by 8.3% compared with the second quarter of 2004 in which distributions declared were \$0.27 per unit. The current monthly distribution translates into an annualized distribution of \$1.19.

Boston Pizza continued to expand its presence across Canada opening five new Boston Pizza restaurants during the Period, with no restaurants being closed. As well, two restaurants were relocated to improved sites and seven restaurants were renovated during the Period. Subsequent to the Period an additional two restaurants were opened. As of August 10, 2005 BPI has 205 restaurants open across Canada.

"We're very pleased with the results we achieved this quarter and the fact that we were able to provide unitholders with another increase in distributions, the sixth one since our IPO," said Mike Cordoba, Chief Executive Officer of Boston Pizza. Cordoba also noted, "We continued to execute on our plan of producing strong same store sales growth and opening new restaurants in new markets. In the first half of this year we were rolling over on some very strong numbers from 2004 which makes the 2005 7.3% same store sales growth a very impressive statistic."

## 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.

|   | <b>Apr. 1, 2005<br/>to<br/>Jun. 30, 2005</b> | <b>Apr. 1, 2004<br/>to<br/>Jun. 30, 2004</b> | <b>Jan. 1, 2005<br/>to<br/>Jun. 30, 2005</b> | <b>Jan. 1, 2004<br/>to<br/>Jun. 30, 2004</b> |
|---|--|--|--|--|
| (in thousands of dollars – except restaurants and per unit items)         |  |  |  |  |
| <b>Restaurants in Royalty Pool</b>  | 195  | 177  | 195  | 177  |
| <b>Franchise Sales reported by restaurants in Royalty Pool</b>            | \$97,683                                     | \$82,519                                     | \$186,463                                    | \$159,659                                    |
| <b>Royalty Income – 4% of Franchise Sales of Royalty Pool Restaurants</b> | \$3,907                                      | \$3,301                                      | \$7,458                                      | \$6,386                                      |
| <b>Administrative and interest expenses</b>                               | \$292  | \$191  | \$488  | \$348  |
| <b>Partnership earnings for the period before undernoted</b>              | \$3,615                                      | \$3,110                                      | \$6,970                                      | \$6,038                                      |
| <b>BPI's Interest</b>   | \$1,232                                      | \$1,112                                      | \$2,564                                      | \$2,314                                      |
| <b>Equity income related to BPI royalties earned by the Fund</b>          | \$2,383                                      | \$1,998                                      | \$4,406                                      | \$3,724                                      |
| <b>Interest Income</b>  | \$450  | \$450  | \$900  | \$900  |
| <b>Net Earnings</b>   | \$2,833                                      | \$2,448                                      | \$5,306                                      | \$4,624                                      |
| <b>Basic and diluted earnings per Fund unit</b>                           | \$0.29                                       | \$0.28                                       | \$0.56                                       | \$0.55                                       |
| <b>Distributions declared per Fund unit</b>                               | \$0.29                                       | \$0.27                                       | \$0.48                                       | \$0.44                                       |
| <b>Same Store Sales Growth</b>  | 7.3%   | 7.6%   | 6.1%   | 8.2%   |
| <b>Number of restaurants opened during Period</b>                         | 5  | 6  | 8  | 9  |
| <b>Number of restaurants closed during Period</b>                         | 0  | 0  | 0  | 0  |

## Outlook

Going forward BPI management continues to focus on opening new stores and delivering industry-leading SSSG. SSSG, the primary source of revenue growth for individual unitholders, will continue to be achieved through executing effective national and local marketing promotions, superior customer service, and Boston Pizza's unique renovation program, which requires each Boston Pizza location conduct a full renovation every seven years. BPI anticipates that a total of 18 renovations will be completed in 2005, up from the previous estimate of 15 renovations, and that 25 new restaurants will be opened.

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.

# BOSTON PIZZA ROYALTIES INCOME FUND

## Consolidated Balance Sheets

|  | June 30,<br>2005 | December 31,<br>2004                             |
|--|------------------|--|
|  | (unaudited)      | (change in basis<br>of presentation<br>- note 1) |
| <b>Assets</b>  |                  |  |
| Current assets:  |                  |  |
| Cash   | \$ 1,386         | \$ 1,356   |
| Interest receivable on note receivable from Boston Pizza<br>International Inc. | 150,000          | 150,000  |
| Distributions receivable   | -                | 694,068  |
|  | 151,386          | 845,424  |
| Note receivable from Boston Pizza International Inc.                           | 24,000,000       | 24,000,000                                       |
| Investment in Boston Pizza Royalties Limited Partnership (note 3)              | 73,030,111       | 58,248,866                                       |
|  | \$ 97,181,497    | \$ 83,094,290                                    |

## Liabilities and Unitholders' Equity

|   |               |               |
|---|---------------|---------------|
| Current liabilities:                      |               |               |
| Accounts payable and accrued liabilities  | \$ 50         | \$ 50         |
| Distributions payable to Fund unitholders | -             | 844,063       |
|   | 50            | 844,113       |
| Unitholders' equity                       | 97,181,447    | 82,250,177    |
|   | \$ 97,181,497 | \$ 83,094,290 |

Contingency (note 4)

See accompanying notes to consolidated financial statements.

# BOSTON PIZZA ROYALTIES INCOME FUND

## Consolidated Statements of Earnings

(Unaudited)

|   | Three months ended                               |              | Six months ended                                 |              |
|---|--|--------------|--|--------------|
|   | June 30,   |              | June 30,   |              |
|   | 2005   | 2004         | 2005   | 2004         |
|   | (change in basis<br>of presentation<br>- note 1) |              | (change in basis<br>of presentation<br>- note 1) |              |
| Revenue:  |  |              |  |              |
| Equity income related to BPI<br>royalties (notes 1 and 3) | \$ 2,383,266                                     | \$ 1,997,510 | \$ 4,406,352                                     | \$ 3,724,185 |
| Interest income   | 450,015  | 450,015      | 900,025  | 900,025      |
| Net earnings  | \$ 2,833,281                                     | \$ 2,447,525 | \$ 5,306,377                                     | \$ 4,624,210 |
| Weighted average units outstanding                        | 9,684,841  | 8,728,674    | 9,404,858  | 8,481,848    |
| Basic and diluted earnings per Fund<br>unit               | \$ 0.29  | \$ 0.28      | \$ 0.56  | \$ 0.55      |

## Consolidated Statements of Unitholders' Equity

(Unaudited)

|   | Three months ended                               |               | Six months ended                                 |               |
|---|--|---------------|--|---------------|
|   | June 30,   |               | June 30,   |               |
|   | 2005   | 2004          | 2005   | 2004          |
|   | (change in basis<br>of presentation<br>- note 1) |               | (change in basis<br>of presentation<br>- note 1) |               |
| Balance, beginning of period                            | \$ 97,180,013                                    | \$ 79,610,347 | \$ 82,250,177                                    | \$ 70,995,497 |
| Issuance of Boston Pizza Royalties<br>Income Fund units | -  | -             | 14,237,327                                       | 7,894,433     |
| Net earnings  | 2,833,281  | 2,447,525     | 5,306,377  | 4,624,210     |
| Distributions declared                                  | (2,831,847)                                      | (2,356,741)   | (4,612,434)                                      | (3,813,009)   |
| Balance, end of period                                  | \$ 97,181,447                                    | \$ 79,701,131 | \$ 97,181,447                                    | \$ 79,701,131 |

See accompanying notes to consolidated financial statements.

# BOSTON PIZZA ROYALTIES INCOME FUND

## Consolidated Statements of Cash Flows

(Unaudited)

|   | Three months ended                               |              | Six months ended                                 |              |
|---|--|--------------|--|--------------|
|   | June 30,   |              | June 30,   |              |
|   | 2005   | 2004         | 2005   | 2004         |
|   | (change in basis<br>of presentation<br>- note 1) |              | (change in basis<br>of presentation<br>- note 1) |              |
| Cash provided by (used in):   |  |              |  |              |
| Operations:   |  |              |  |              |
| Net earnings  | \$ 2,833,281                                     | \$ 2,447,525 | \$ 5,306,377                                     | \$ 4,624,210 |
| Equity earnings, an item not<br>affecting cash  | (2,383,266)                                      | (1,997,510)  | (4,406,352)                                      | (3,724,185)  |
| Distributions received  | 2,381,847  | 1,906,742    | 4,556,502  | 3,612,511    |
|   | 2,831,862  | 2,356,757    | 5,456,527  | 4,512,536    |
| Financing:  |  |              |  |              |
| Distributions paid to unitholders   | (2,831,847)                                      | (2,356,742)  | (5,456,497)                                      | (4,512,506)  |
| Increase in cash  | 15   | 15           | 30   | 30           |
| Cash, beginning of period   | 1,371  | 1,312        | 1,356  | 1,297        |
| Cash, end of period   | \$ 1,386   | \$ 1,327     | \$ 1,386   | \$ 1,327     |
| Supplementary information:  |  |              |  |              |
| Non-cash financing and investing<br>activities:   |  |              |  |              |
| Issuance of Fund units to acquire<br>additional interest in Boston<br>Pizza Limited Partnership | \$   | - \$         | - \$ 14,237,327                                  | \$ 7,894,433 |

See accompanying notes to consolidated financial statements.

# BOSTON PIZZA ROYALTIES INCOME FUND

## Notes to the Consolidated Financial Statements

(Unaudited)

Three and six month periods ended June 30, 2005 and 2004

### 1. Basis of presentation:

These interim consolidated financial statements have been prepared using Canadian generally accepted accounting principles. The interim financial statements include all adjustments consisting solely of normal recurring adjustments, which in management's opinion, are necessary for a fair presentation of the financial results of the interim period presented.

The disclosures in these statements do not include all the disclosure requirements of Canadian generally accepted accounting principles for annual financial statements. These statements should be read in conjunction with the significant accounting policies and other information in the Fund's most recent annual financial statements. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements, except as described below.

In June 2003, the CICA issued Accounting Guideline 15, "*Consolidation of Variable Interest Entities*" ("AcG-15"), requiring the consolidation of variable interest entities ("VIEs"). A VIE is any type of legal structure in which consolidation is required due to contractual or other financial arrangements, as opposed to traditional voting rights, if certain conditions exist. AcG-15 is effective for the Fund starting January 1, 2005 with retroactive application to its comparative results for the prior year.

Boston Pizza Royalties Limited Partnership (the "Partnership") is considered to be a VIE and Boston Pizza International Inc. ("BPI") is the primary beneficiary of the Partnership accordingly, BPI is now required to consolidate the Partnership. In the past, the Partnership was consolidated with the Fund based on its voting rights. The Partnership has been established to acquire and hold the Boston Pizza trademarks and trade names which were previously owned by BPI and used in connection with the operation of Boston Pizza restaurants in Canada (collectively the "BP Rights"). 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 Revenues (as defined) of certain restaurants located in Canada (the "Royalty Pool").

The following changes to the consolidated carrying values of the assets and liabilities of the Fund and the results of its operations have arisen as a result of changing the Fund's method of accounting for the Partnership to the equity basis from the consolidation basis. The application of the equity method has resulted in the inclusion of the Partnership assets and liabilities as a one line item on the balance sheet. Previously, under the consolidation method, the assets and liabilities of the Partnership were consolidated with those of the Fund in the Fund's financial statements.

# BOSTON PIZZA ROYALTIES INCOME FUND

## Notes to the Consolidated Financial Statements

(Unaudited)

Three and six month periods ended June 30, 2005 and 2004

### 1. Basis of presentation (continued):

|   | June 30,<br>2005    | December 31,<br>2004 |
|---|---------------------|----------------------|
| <b>Balance Sheet:</b>                           |                     |                      |
| Changes in assets:                              |                     |                      |
| Decrease in working capital                     | \$ 1,491,816        | \$ 140,920           |
| Decrease in intangible assets (BP Rights)       | 138,138,545         | 122,904,145          |
| Decrease in deferred financing charges          | 11,150              | 28,250               |
| Increase in investment in Partnership           | 73,030,111          | 58,248,866           |
|   | <hr/> 66,611,400    | <hr/> 64,824,449     |
| Changes in liabilities and unitholders' equity: |                     |                      |
| Decrease in term loan                           | 5,000,000           | 5,000,000            |
| Decrease in non-controlling interest            | 24,150,000          | 24,000,000           |
| Decrease in Unitholders' equity                 | 37,461,400          | 35,824,449           |
|   | <hr/> \$ 66,611,400 | <hr/> \$ 64,824,449  |

### Earnings per Fund unit:

Earnings per Fund unit are unchanged as a result of this accounting change.

During the fourth quarter of the year ended December 31, 2004, the Company adopted the 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 adoption of EIC 151 during the fourth quarter of 2004 resulted in the inclusion of certain exchangeable shares of the Partnership as part of the Fund's unitholders' equity together with the inclusion of earnings attributable to these interests. As a result of the application of AcG-15, the Partnership is no longer considered, for accounting purposes, to be a subsidiary of the Fund.

The change in accounting for the Fund's investment in Partnership and changes resulting from the application of AcG-15 has not resulted in any change to basic or fully diluted earnings per Fund unit since exchangeable Partnership units and earnings related to these units are no longer included in Fund's financial statements.



# BOSTON PIZZA ROYALTIES INCOME FUND

## Notes to the Consolidated Financial Statements

(Unaudited)

Three and six month periods ended June 30, 2005 and 2004

### 2. Operations:

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

|  | Three months ended |           | Six months ended |            |
|--|--------------------|-----------|------------------|------------|
|  | June 30,           |           | June 30,         |            |
|  | 2005               | 2004      | 2005             | 2004       |
| (in thousands of dollars, except number of restaurants in the Royalty Pool and earnings per Fund unit) |                    |           |                  |            |
| Restaurants in the Royalty Pool  | 195                | 177       | 195              | 177        |
| Franchise revenue reported by<br>restaurants in the Royalty Pool                                       | \$97,683           | \$ 82,519 | \$186,463        | \$ 159,659 |
| Royalty income – 4% of franchise<br>revenue  | \$ 3,907           | \$ 3,301  | \$ 7,458         | \$ 6,386   |
| Administrative and interest expenses   | (292)              | (191)     | (488)            | (348)      |
| Partnership earnings for the period<br>before undernoted   | 3,615              | 3,110     | 6,970            | 6,038      |
| BPI's interest   | (1,232)            | -         | (2,564)          | -          |
| Equity income related to BPI<br>royalties earned by Fund   | 2,383              | 1,998     | 4,406            | 3,724      |
| Interest income  | 450                | 450       | 900              | 900        |
| Net earnings   | \$ 2,833           | \$ 2,448  | \$ 5,306         | \$ 4,624   |
| Basic and diluted earnings per<br>Fund unit  | \$ 0.29            | \$ 0.28   | \$ 0.56          | \$ 0.55    |

# BOSTON PIZZA ROYALTIES INCOME FUND

## Notes to the Consolidated Financial Statements

(Unaudited)

Three and six month periods ended June 30, 2005 and 2004

### 2. Operations (continued):

- (b) On January 5, 2005, 18 (2004 - 15) new Boston Pizza restaurants opened during the period from November 2, 2003 to November 1, 2004, and were added to the Royalty Pool. The Franchise revenue of these 18 new restaurants has been estimated at \$38.9 million. 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 units traded on the TSX Stock Exchange 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, and assuming 100% of the Additional Entitlement, BPI's Additional Entitlement is equivalent to 1,292,182 (2004 - 922,932) Fund units. BPI will also receive a proportionate increase in monthly distributions from the Partnership. Of the Additional Entitlement, 20% (2005 - 258,436 units; 2004 - 184,587 units), remain unissued and are not eligible for conversion to Fund units until January 1, 2006 (2004 units - January 1, 2005) based on the actual performance of the new stores.
- (c) On January 1, 2005, adjustments to royalty payments and Additional Entitlement were made based on the actual performance of fifteen restaurants added to the Royalty Pool on January 1, 2004. Based on these adjustments, BPI received its pro rata portion of the remaining Additional Entitlement, 161,463 Fund units. BPI also repaid an amount of \$25,747 for monthly distributions to the Partnership.
- (d) On February 22, 2005, BPI exchanged 566,616 Class A and 13,859,268 Class B Partnership units for 956,167 Fund units. BPI then sold these Fund units to the public. As of June 30, 2005, there were 9,684,841 Fund units issued and BPI had a 20% indirect interest in the Fund.

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

### 3. Investment in Boston Pizza Royalties Limited Partnership:

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|   |               |
|---|---------------|
| Balance as at December 31, 2003                                   | \$ 50,340,846 |
| Acquisition of additional Partnership units by issuing Fund units | 7,894,433     |
| Equity income   | 7,875,677     |
| Distributions received from the Partnership                       | (7,862,090)   |
| <hr/>   |               |
| Balance as at December 31, 2004                                   | 58,248,866    |
| Acquisition of additional Partnership units by issuing Fund units | 14,237,327    |
| Equity income   | 4,406,352     |
| Distributions received from the Partnership                       | (3,862,434)   |
| <hr/>   |               |
| Balance as at June 30, 2005                                       | \$ 73,030,111 |

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# BOSTON PIZZA ROYALTIES INCOME FUND

## Notes to the Consolidated Financial Statements

(Unaudited)

Three and six month periods ended June 30, 2005 and 2004

### 4. Contingency:

BPI and the Fund (as indirect owner of the Boston Pizza trademarks through its administrator Boston Pizza Royalties Limited Partnership, collectively, the "Boston Pizza Group") 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. To date, the Boston Pizza Group has successfully opposed such registration.

Management of BPI believes that there is likelihood that the Boston Market trademark will not be registered. Additionally, the Boston Pizza Group has commenced an action against the McDonald's Group to prevent it from infringing the Boston Pizza 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 Boston Pizza Group would lose the benefits of registration of the Boston Pizza 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 Boston Pizza Royalties Limited Partnership, administrator to 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.

### 5. Comparative figures:

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

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

FOR FURTHER INFORMATION PLEASE CONTACT:

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