SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED JUNE 27, 2004.

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

COMMISSION FILE NUMBER 0-12919

PIZZA INN, INC.
(Exact name of registrant as specified in its charter)

MISSOURI	47-0654575
(State or jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3551 PLANO PARKWAY
THE COLONY, TEXAS 75056
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (469) 384-5000
Securities Registered Pursuant to Section 12(b) of the Act: NONE
Securities Registered Pursuant to Section 12(g) of the Act:
COMMON STOCK, PAR VALUE $.01 EACH
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No [X]

At December 26, 2003, the last business day of the Company's most recently completed second fiscal quarter, there were 10,073,674 shares of the registrant's Common Stock outstanding, and the aggregate Market value of registrant's Common Stock held by non-affiliates was $ 16,335,292, based upon the closing price as of that date.

On September 20, 2004, there were 10,133,674 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement, to be filed pursuant to Section 14(a) of the Securities Exchange Act of 1934 in connection with the registrant's annual meeting of shareholders in December 2004, have been incorporated by reference in Part III of this report.

PART I

ITEM 1 - BUSINESS

GENERAL

Pizza Inn, Inc. (the "Company"), a Missouri corporation incorporated in 1983, is the successor to a Texas company of the same name that was incorporated in 1961. The Company is the franchisor and food and supply distributor to a system of restaurants operating under the trade name "Pizza Inn".

On September 20, 2004, the Pizza Inn system consisted of 407 units, including two Company owned and operated units, and 405 franchised units. The Company-operated units are used for product testing and franchisee training, in addition to serving customers. The domestic franchised units are comprised of 211 buffet units, 53 delivery/carry-out units, and 73 Express units. The international franchised units are comprised of 16 buffet units, 37 delivery/carry-out units and 15 Express units. Pizza Inn units are currently located in 18 states and 11 foreign countries. Domestic units are located predominantly in the southern half of the United States, with Texas, North Carolina, and Arkansas accounting for approximately 34%, 14%, and 8% of the total, respectively. Norco Restaurant Services ("Norco"), a division of the Company, distributes food products, equipment, and other supplies to units in the United States and, to the extent feasible, in other countries.

PIZZA INN RESTAURANTS

Buffet restaurants ("Buffet") offer dine-in and carry-out service and, in most cases, also offer delivery service. These restaurants serve pizza on three different crusts (Original Thin Crust, New York Pan, and Italian Crust), with standard toppings and special combinations of toppings. They also offer pasta, salad, sandwiches, desserts and beverages, including beer and wine in some locations. They are generally located in free standing buildings in close proximity to offices, shopping centers and residential areas. The Buffet concept may be developed in one of two formats: full service, featuring a wait staff and beverage table service, and self serve, allowing customers to serve themselves from the buffet bar and beverage station. The current standard Buffet restaurants are between 3,000 and 5,000 square feet in size and seat 120 to 185 customers. The interior decor is designed to promote a contemporary, family style atmosphere.

Restaurants that offer delivery and carry-out service only ("Delcos") are growing in popularity and number. Delcos typically are located in shopping centers or other in-line structures, occupy approximately 1,000 square feet, and offer limited or no seating. Delcos generally offer the same menu as Buffet restaurants, but do not offer buffet service. The decor of these units is designed to be bright and highly visible, featuring neon, lighted displays and awnings.

Express units ("Express") are typically located in a convenience store, college campus, airport terminal, or other commercial facility. They have limited or no seating and offer quick carry-out service of a limited menu of pizza and other foods and beverages. An Express unit typically occupies approximately 200 to 400 square feet and is commonly operated by the same person who owns the commercial facility or who is licensed at one or more locations within the facility.

FRANCHISING

The Pizza Inn concept was first franchised in 1963. Since that time, industry franchising concepts and development strategies have changed, and the Company's present franchise relationships are evidenced by a variety of contractual forms. Common to those forms are provisions that: (i) provide an initial franchise term of 20 years (except as described below) and a renewal term, (ii) require the franchisee to follow the Pizza Inn system of restaurant operation and management, (iii) require the franchisee to pay a franchise fee and continuing royalties, and (iv) except for Express units, prohibit the development of one unit within a specified distance from another.

The Company's current form of franchise agreement provides for: (i) a franchise fee of $20,000 for a Buffet, $7,500 for a Delco, and $5,000 for an Express unit, (ii) an initial franchise term of 20 years for a Buffet, 10 years for a Delco or Express, plus a renewal term of 10 years, (iii) required contributions equal to 1% of gross sales to the Pizza Inn Advertising Plan or to the Company, discussed below, (iv) royalties equal to 4% of gross sales for a Buffet restaurant or Delco, and 6% of gross sales for an Express unit, and (v) required advertising expenditures of at least 5% of gross sales for a Buffet and a Delco, and 2% for an Express unit.

The Company has adopted a franchising strategy that has three major components: continued development within existing Pizza Inn market areas, development of new domestic territories, and continued growth in the international arena. As a cornerstone of this approach, the Company offers, to certain experienced restaurant operators, area developer rights in both new and existing domestic markets. An area developer pays a negotiated fee to purchase the right to operate or develop, along with the Company, Pizza Inn restaurants within a defined territory, typically for a term of 20 years plus renewal options for 10 years. The area developer agrees to a new store development schedule and assists the Company in local franchise service and quality control. In return, half of the franchise fees and royalties earned on all units within the territory are retained by the area developer during the term of the agreement.

Similarly, the Company offers master franchise rights to develop Pizza Inn restaurants in certain foreign countries, with negotiated fees, development schedules and ongoing royalties. As with developers, a master licensee for a foreign country pays a negotiated fee to purchase the right to develop and operate Pizza Inn restaurants within a defined foreign territory, typically for a term of 20 years plus renewal options for 10 years. The master licensee agrees to a new store development schedule and the Company trains the master licensee to monitor and assist franchisees in their territory with local franchise service and quality control, with support from the Company. In return, the master licensee typically retains half the franchise fees and approximately half the royalties on all units within the territory during the term of the agreement. A master licensee may open restaurants owned and operated by the master licensee through agreement with the Company, or they may open sub-franchised restaurants owned and operated by third parties through agreement with the master licensee.

FOOD AND SUPPLY DISTRIBUTION

The Company's Norco division offers substantially all of the food and paper products, equipment and other supplies necessary to operate a Pizza Inn restaurant. Franchisees are required to purchase from Norco certain food products that are proprietary to the Pizza Inn system. In addition, the vast majority of franchisees also purchase other supplies from Norco.

Norco operates its central distribution facility six days per week, and it delivers to all domestic units on a weekly basis, utilizing a fleet of refrigerated tractor-trailer units operated by Company drivers and independent owner-operators. Norco also ships products and equipment to its international franchisees. The food, equipment, and other supplies distributed by Norco are generally available from several qualified sources, and the Company is not dependent upon any one supplier or limited group of suppliers. The Company contracts with established food processors for the production of its proprietary products. The Company does not anticipate any difficulty in obtaining supplies in the foreseeable future.

ADVERTISING

The Pizza Inn Advertising Plan ("PIAP") is a Texas non-profit corporation that creates and produces print advertisements, television and radio commercials, and in-store promotional materials along with related advertising services for use by its members. Each operator of a Buffet or Delco unit, including the Company, is entitled to membership in PIAP. Nearly all of the Company's existing franchise agreements for Buffet and Delco units require the franchisees to become members of PIAP. Members contribute 1% of their gross sales to PIAP. PIAP is managed by a Board of Trustees comprised of franchisee representatives who are elected by the members each year. The Company does not have any ownership interest in PIAP. The Company provides certain administrative, marketing and other services to PIAP and is paid by PIAP for such services. On September 20, 2004, the Company-operated stores and substantially all of its franchisees were members of PIAP. Operators of Express units do not participate in PIAP; however, they contribute up to 1% of their gross sales directly to the Company to help fund purchases of Express unit marketing materials and similar expenditures.

Groups of franchisees in some of the Pizza Inn system's market areas have formed local advertising cooperatives. These cooperatives, which may be formed voluntarily or may be required by the Company under the franchise agreements, establish contributions to be made by their members and direct the expenditure of these contributions on local media advertising using materials developed by PIAP and the Company.

The Company and its franchisees conduct independent marketing efforts in addition to their participation in PIAP and local cooperatives.

TRADEMARKS AND QUALITY CONTROL

The Company owns various trademarks, including the name "Pizza Inn", which are used in connection with the restaurants and have been registered with the United States Patent and Trademark Office. The duration of such trademarks is unlimited, subject to periodic renewal and continued use. In addition, the Company has obtained trademark registrations in several foreign countries and has periodically re-filed and applied for registration in others. The Company believes that it holds the necessary rights for protection of the trademarks essential to its business.

The Company requires all units to satisfy certain quality standards governing the products and services offered through use of the Company's trademarks. The Company maintains a staff of field representatives, whose primary responsibilities include periodic visits to provide advice in operational and marketing activities and to evaluate and enforce compliance with the Company's quality standards.

TRAINING

The Company offers numerous training programs for the benefit of franchisees and their restaurant crew managers. The training programs, taught by experienced Company employees, focus on food preparation, service, cost control, sanitation, safety, local store marketing, personnel management and other aspects of restaurant operation. The training programs include group classes, supervised work in Company-operated units and special field seminars. Training programs are offered free of charge to franchisees, who pay their own travel and lodging expenses. Restaurant managers train their staff through on-the-job training, utilizing videotapes and printed materials produced by the Company.

WORKING CAPITAL PRACTICES

The Company's Norco division maintains a sufficient inventory of food and other consumable supplies that it typically distributes to Pizza Inn units on a weekly basis. The Company's accounts receivable and notes receivable consist primarily of receivables from food and supply sales, equipment sales and accrued franchise royalties.

GOVERNMENT REGULATION

The Company is subject to registration and disclosure requirements and other restrictions under federal and state franchise laws. The Company's Norco division is subject to various federal and state regulations, including those regarding transportation of goods, food labeling, safety, sanitation, distribution, and vehicle licensing.

The development and operation of Pizza Inn units are subject to federal, state and local regulations, including those pertaining to zoning, public health and alcoholic beverages, where applicable. Many restaurant employees are paid at rates related to the minimum wage established by federal and state law. Increases in the federal minimum wage can result in higher labor costs for the Company operated units, as well as its franchisees, which may be partially offset by price increases or operational and equipment efficiencies.

EMPLOYEES

On September 20, 2004, the Company had approximately 151 employees, including 55 in the Company's corporate office, 63 at its Norco division, and 12 full-time and 21 part-time employees at the Company-operated restaurants. None of the Company's employees are currently covered by collective bargaining agreements. The Company believes that its employee relations are excellent.

COMPETITION

The restaurant business is highly competitive. The Company and its franchisees compete with other national and regional pizza chains, independent pizza restaurants, and other restaurants that serve moderately priced foods. The Company believes that Pizza Inn units compete primarily on the basis of the quality, value and price of their food, the consistency and level of service, and the location, attractiveness and cleanliness of their restaurant facilities. Because of the importance of brand awareness, the Company continually increases its development emphasis on individual market penetration and local cooperative advertising by franchisees.

The Company's Norco division competes with both national and local distributors of food, equipment and other restaurant supplies. The distribution industry is very competitive. The Company believes that the principal competitive factors in the distribution industry are product quality, customer service and price. Norco is the sole authorized supplier of certain proprietary products which are required to be used by all Pizza Inn units.

In the sale of franchises, the Company competes with franchisors of other restaurant concepts and franchisors of a variety of other products and services. The Company believes that the principal competitive factors affecting the sale of franchises are product quality and value, consumer acceptance, franchisor experience and support, and the quality relationship maintained between the franchisor and its franchisees.

SEASONALITY

Historically, sales at Pizza Inn restaurants have been somewhat higher during the warmer months and somewhat lower during the colder months of the year.

AVAILABILITY

The Company files regular reports, including quarterly Forms 10-Q and annual Form 10-K, with the Securities and Exchange Commission (SEC). These reports are available to the public to read and copy at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0300.

The Company files these reports electronically, and the reports can also be accessed by the public via an SEC-maintained internet site (http://www.sec.gov). These reports can also be accessed by going to the Company's internet website (http://www.pizzainn.com).

ITEM 2 - PROPERTIES

The Company owns a 40,000 square foot facility housing its corporate office and training center and a 100,000 square foot warehouse and distribution facility. These buildings were constructed on approximately 11 acres of land in The Colony, Texas in 2001.

The Company currently operates two Pizza Inn restaurants, both of which are in Texas. One Company operated unit, a Buffet, is operated from a leased location. Annual lease payments are approximately $14.00 per square foot. The lease expires in 2007 but has a renewal option. The second Company-operated unit, a Delco, was constructed on land the Company purchased north of Dallas, in Little Elm, Texas, in June 2003. In August 2004 the Company purchased land just north of Dallas on which it intends to construct and operate a Buffet restaurant.

ITEM 3 - LEGAL PROCEEDINGS

On January 18, 2002, the Company was served with a lawsuit filed by Blakely-Witt & Associates, Inc. alleging that the Company sent or caused to be sent unsolicited facsimile advertisements. The Company has vigorously defended its position in this litigation. In July 2004 the court preliminarily approved a settlement agreement among all parties and certified the matter as a class action for settlement purposes only. Under the settlement agreement the Company would pay an amount that will not materially affect the Company's financial performance. At a hearing on September 13, 2004 the court entered its final order and judgment approving the settlement agreement and certifying the settlement class. Pursuant to the settlement agreement the Company has agreed to pay $90,000 in full and final settlement of all actual and potential claims of the members and potential members of the certified settlement class. The final order dismissed with prejudice all pending and potential claims against the Company.

On July 7, 2004, B. Keith Clark resigned as Senior Vice President-Corporate Development, Secretary and General Counsel of the Company. Mr. Clark has notified the Company that he has reserved his right to assert that the election of Ramon D. Phillips and Robert B. Page to the board of directors of the Company at the February 2004 annual meeting of shareholders constituted a "change of control" under his employment agreement and/or that he was entitled to terminate his contract for "good reason". Pursuant to the terms of the employment agreement, the Company has initiated an arbitration proceeding to resolve this dispute. The arbitration proceeding is in the preliminary stages and the Company is unable to predict the outcome of the proceeding at this time. In the event the Company is unsuccessful in this proceeding, the Company could be liable to Mr. Clark for up to $762,000. The employment agreements of each of Ronald W. Parker, Ward T. Olgreen and Shawn M. Preator contain similar provisions and the potential amounts payable to each of them are as follows: $5.4 million to Mr. Parker, $630,000 to Mr. Olgreen and $597,000 to Mr. Preator. The aggregate of these payments for which the Company would be obligated is approximately $7.4 million. The Company disagrees with Mr. Clark's claim that a "change of control" has occurred under his employment agreement or that he is entitled to terminate his contract for "good reason". The Board obtained a written legal opinion that the "change of control" provision was not triggered by the results of its February 2004 annual meeting. The Company plans to vigorously defend our position in the matter; however, we cannot assure that we will prevail in this matter and our defense could be costly and consume the time of our management. We are unable to predict the outcome of this matter, and no accrual has been made as of June 27, 2004. An adverse resolution of the matter could materially affect our financial position and results of operations.

Certain other pending legal proceedings exist against the Company that the

Company believes are not material or have arisen in the ordinary course of its business.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the Company's fiscal year 2004.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On September 20, 2004, there were 2,086 stockholders of record of the Company's Common Stock.

The Company's Common Stock is listed on the Small-Cap Market of the National Association of Securities Dealers Automated Quotation ("NASDAQ") system under the symbol "PZZI". The following table shows the highest and lowest actual trade executed price per share of the Common Stock during each quarterly period within the two most recent fiscal years, as reported by the National Association of Securities Dealers. Such prices reflect inter-dealer quotations, without adjustment for any retail markup, markdown or commission.

	Actual Trade Executed Price High	Low
2004		
First Quarter Ended 9/28/2003 .	$ 3.95	$ 1.80
Second Quarter Ended 12/28/2003	3.06	2.50
Third Quarter Ended 3/28/2004 .	3.07	2.70
Fourth Quarter Ended 6/27/2004.	3.09	2.58
2003		
First Quarter Ended 9/29/2002 .	$ 1.75	$ 0.68
Second Quarter Ended 12/29/2002	2.99	1.60
Third Quarter Ended 3/30/2003 .	2.60	1.33
Fourth Quarter Ended 6/29/2003.	2.24	1.51

Under the Company's bank loan agreement, the Company is limited in its ability to pay dividends or make other distributions on its common stock. The Company did not pay any dividends on its common stock during the fiscal years ended June 27, 2004 and June 29, 2003. Any determination to pay cash dividends in the future will be at the discretion of the Company's Board of Directors and will be dependent upon the Company's results of operations, financial condition, capital requirements, contractual restrictions and other factors deemed relevant.

EQUITY COMPENSATION PLAN INFORMATION

A summary of equity compensation under all of the Company's stock option plans follows:

Plan. . . . . Category.	Number of Securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of Securities remaining available for future issuance under equity compensation plans
Equity Compensation plans approved by security holders. . .	480,700	$ 3.42	1,707,917
Equity compensation plans not approved by security holders	-	-	-
Total	480,700	$ 3.42	1,707,917

Additional information regarding equity compensation can be found in the notes to the consolidated financial statements.

ITEM 6 - SELECTED FINANCIAL DATA

The following table contains certain selected financial data for the

Company for each of the last five fiscal years through June 27, 2004, and should be read in conjunction with the financial statements and schedules in Item 8 of this report.

	Year Ended				
	June 27, 2004	June 29, 2003	June 30, 2002	June 24, 2001	June 25, 2000
	(In thousands, except per share amounts)				
SELECTED INCOME STATEMENT DATA:					
Total revenues	$ 60,212	$ 58,782	$ 66,642	$ 65,268	$ 67,640
Income before taxes.	3,648	4,643	1,723	3,921	4,389
Net income	2,243	3,093	1,137	2,480	2,884
Basic earnings per common share. . . .	0.22	0.31	0.11	0.23	.25
Diluted earnings per common share. . .	0.22	0.31	0.11	0.23	.25
Dividends declared per common share. .	-	-	-	0.12	.24 (1)
SELECTED BALANCE SHEET DATA:					
Total assets	20,906	20,796	24,318 (2)	19,576 (2)	17,395 (2)
Long-term debt and capital lease obligations	7,960	9,676	15,227	11,161	10,655

(1) On June 26, 2000 the Company's Board of Directors declared a quarterly dividend of $.06 per share on the Company's common stock, payable to shareholders of record on July 7, 2000.

(2) Total assets include a prior period adjustment of $296,000 to properly reflect deferred tax asset and liability balances. See Note A to the consolidated financial statements for further discussion.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis is based on the Company's consolidated financial statements and related footnotes contained within this report. The Company's critical accounting policies used in the preparation of those consolidated financial statements are discussed below.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates made by management include the allowance for doubtful accounts, inventory valuation, deferred tax asset valuation allowances, intangible asset valuation, and legal accruals. Actual results could differ from those estimates.

The Company's Norco division sells food, supplies and equipment to franchisees on trade accounts under terms common in the industry. Revenue from such sales is recognized upon shipment. Norco sales are reflected under the caption "food and supply sales." Shipping and handling costs billed to customers are recognized as revenue.

Franchise revenue consists of income from license fees, royalties, and Territory sales. License fees are recognized as income when there has been substantial performance of the agreement by both the franchisee and the Company, generally at the time the unit is opened. Royalties are recognized as income when earned.

Territory sales are the fees paid by selected experienced restaurant operators to the Company for the right to develop Pizza Inn restaurants in specific geographical territories. The Company recognizes the fee to the extent its obligations are fulfilled and of cash received.

Inventories, which consist primarily of food, paper products, supplies and equipment located at the Company's distribution center, are stated at the lower of FIFO (first-in, first-out) cost or market. Provision is made for obsolete inventories and is based upon management's assessment of the market conditions for its products.

Accounts receivable consist primarily of receivables from food and supply sales and franchise royalties. The Company records a provision for doubtful receivables to allow for any amounts which may be unrecoverable and is based upon an analysis of the Company's prior collection experience, customer creditworthiness, and current economic trends. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

Notes receivable primarily consist of notes from franchisees for the purchase of area development and master license territories, trade receivables and equipment purchases. These notes generally have terms ranging from one to five years and interest rates of 6% to 12%. The Company records a provision for doubtful receivables to allow for any amounts which may be unrecoverable and is based upon an analysis of the Company's prior collection experience, customer creditworthiness, and current economic trends. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets that may not be realized based upon the Company's analysis of existing tax credits by jurisdiction and expectations of the Company's ability to utilize these tax attributes through a review of estimated future taxable income and establishment of tax strategies. These estimates could be impacted by changes in future taxable income and the results of tax strategies.

The Company assesses its exposures to loss contingencies including legal and income tax matters based upon factors such as the current status of the cases and consultations with external counsel and provides for an exposure if it is judged to be probable and estimable. If the actual loss from a contingency differs from management's estimate, operating results could be impacted.

RESULTS OF OPERATIONS

FISCAL 2004 COMPARED TO FISCAL 2003

Diluted earnings per share decreased 29% to $0.22 from $0.31 in the prior year. Net income decreased 27% to $2,243,000 from $3,093,000 in the prior year, on revenues of $60,212,000 in the current year and $58,782,000 in the prior year. Pre-tax income decreased 21% to $3,648,000 from $4,643,000. The decrease in net income was primarily attributable to the reversal of a pretax charge in the prior year of approximately $1.9 million, which was originally recorded in June 2002, to reserve for a note receivable owed to the Company from C. Jeffrey Rogers, the Company's former Chief Executive Officer. The Company received payment in full for the note receivable in December 2002. See "Transactions with Related Parties".

Results of operations for fiscal 2004 include fifty-two weeks versus fifty-two weeks in fiscal 2003.

Food and supply sales by the Company's Norco division include food and paper products, equipment, marketing material and other distribution revenues. Total food and supply sales increased 3% to $53,072,000 from $51,556,000 in the prior year due primarily to higher cheese prices.

Franchise revenue, which includes royalties, license fees and income from area development and foreign master license (collectively, "Territory") sales, increased 5% or $265,000 in fiscal 2004 primarily due to higher international royalties, including the collection of previously unrecorded past due royalties which were offset by lower international development fees.

Restaurant sales, which consist of revenue generated by Company-operated stores, decreased 15% or $263,000 compared to the same period of the prior year. The Company opened a new Delco unit on January 9, 2004. The Company also sold an existing Buffet unit effective March 1, 2004. The year-to-date decrease is primarily the result of lower comparable sales

Other income primarily consists of interest income and non-recurring revenue items. Other income decreased 28% or $88,000 primarily due to lower commissions and lower interest income.

Cost of sales increased 4% to $49.4 million from $47.6 million in the prior year. The increase in cost of sales is the result of higher cheese prices. Block cheese prices averaged $1.61 per pound in fiscal 2004 vs $1.13 per pound in fiscal 2003. This increase in cheese cost was partially offset by lower depreciation and amortization expenses and lower transportation costs. As a percentage of sales, cost of sales increased to 90.4% from 89.2% compared to the prior year.

Franchise expenses include selling, general and administrative expenses (primarily wages and travel expenses) directly related to the sale and service of franchises and Territories. These expenses decreased 4% or $119,000 compared to last year primarily due to a departmental restructuring offset by added amortization costs from the reacquisition of area development rights for certain counties in Kentucky and Tennessee.

General and administrative expenses decreased 15% or $626,000 in fiscal 2004. This is primarily the result of lower legal fees due to settlement of litigation for less than the previously accrued amount and lower amortization of a leasehold property and computer system implementation. These savings were partially offset by higher proxy solicitation expenses.

Interest expense decreased 22% or $176,000 in the current year due to lower average interest rates and debt levels in the current year.

Provision for income taxes decreased 9% or $145,000 due to decrease income as mentioned above. The effective tax rate was 39% compared to 33% in the prior year. The increase in the effective tax rate is primarily due to a provision made for state income tax and an increase in permanent differences.

During fiscal 2004 a total of 34 new Pizza Inn franchise units opened, including 26 domestic and 8 international units. Domestically, 39 units were closed by franchisees or terminated by the Company typically because of unsatisfactory standards of operation or performance. No international units were closed.

FISCAL 2003 COMPARED TO FISCAL 2002

Diluted earnings per share increased 182% to $0.31 from $0.11 in the prior year. Net income increased 172% to $3,093,000 from $1,137,000 in the prior year, on revenues of $58,782,000 in the current year and $66,642,000 in the prior year. Pre-tax income increased 169% to $4,643,000 from $1,723,000. The increase in net income was primarily attributable to the reversal of a pretax charge of approximately $1.9 million, originally recorded in June 2002, to reserve for a note receivable owed to the Company from C. Jeffrey Rogers, the Company's former Chief Executive Officer. The Company received payment in full for the note receivable in December 2002. See "Transactions with Related Parties".

Results of operations for fiscal 2003 include fifty-two weeks versus fifty-three weeks in fiscal 2002.

Food and supply sales by the Company's Norco division include food and paper products, equipment, marketing material, and other distribution revenues. Total food and supply sales decreased 11% to $51.6 million from $57.7 million in the prior year due to lower chainwide retail sales in the current year, lower cheese prices, and an additional week of operations in the prior year.

Franchise revenue, which includes royalties, license fees and income from area development and foreign master license (collectively, "Territory") sales, decreased 7% or $393,000 in fiscal 2003 primarily due to lower retail sales in the current year and an additional week of operations in the prior year.

Restaurant sales, which consist of revenue generated by Company-operated stores, for the year decreased 17% or $354,000 compared to the same period of the prior year. This is the result of lower comparable sales at the two operating Company stores, the temporary closing of the Delco unit in September 2001, and an additional week of sales in the prior year.

Other income primarily consists of interest income and non-recurring revenue items. Other income decreased 75% or $942,000 primarily due to the non-cash reversal of a $700,000 reserve in the prior year, which was originally set up as the Company emerged from bankruptcy and was subsequently deemed unnecessary.

Cost of sales decreased 12% to $47.6 million from $54.1 million in the prior year. As a percentage of sales, cost of sales decreased to 89.2% from 90.5% compared to the prior year. Lower cost of sales is due to the additional week of operations in the prior year and lower cheese prices in the current year, as described above.

Franchise expenses include selling, general and administrative expenses (primarily wages and travel expenses) directly related to the sale and service of franchises and Territories. These costs increased 16% or $446,000 compared to last year primarily due to foreign tax on a master license agreement recorded during the fiscal year, departmental restructuring, marketing research, and additional staffing levels.

General and administrative expenses decreased 10% or $458,000 in fiscal 2003. This is primarily the result of the full provision for all remaining rent expense at the Company's former corporate headquarters of approximately $304,000 and additional legal reserves of $165,000 in the prior year.

Interest expense decreased 5% or $43,000 in the current year due to lower interest rates and lower debt levels in the current year.

Provision for income taxes increased 165% or $964,000 due to higher income, primarily attributable to the reversal of the pre-tax charge discussed above. The effective tax rate was 33% compared to 34% in the prior year. The decrease in the effective tax rate is primarily due to an increase in nondeductible permanent differences, which was offset by a change in the valuation allowance related to foreign tax carryforwards.

During fiscal 2003 a total of 24 new Pizza Inn franchise units opened, including 18 domestic and 6 international units. Domestically, 36 units were closed by franchisees or terminated by the Company typically because of unsatisfactory standards of operation or performance. Additionally, 7 international units were closed.

FINANCIAL CONDITION

Cash and cash equivalents increased $218,000 in fiscal 2004. The Company used the cash flow generated from operations plus the proceeds from an officer loan repayment to pay down $2,800,000 of debt, $682,000 to reacquire area development rights, and $655,000 to fund capital expenditures relating to the new Delco unit in Little Elm, TX.

At June 27, 2004 the net deferred tax asset balance was $288,000. At June 27, 2004, the Company had a valuation allowance of $137,000 which is provided for foreign tax credit carryforwards that may expire before they can be utilized. The Company believes that it is more likely than not that these credits will not be realized.

Management believes that future operations will generate sufficient taxable income, along with the reversal of temporary differences, to fully realize the deferred tax asset, net of a valuation allowance of $137,000 related to the potential expiration of certain foreign tax credit carryforwards. Additionally, management believes that taxable income based on the Company's existing franchise base should be more than sufficient to enable the Company to realize its net deferred tax asset without reliance on material, non-routine income.

During the fourth quarter of fiscal 2003, the Company determined that a prior period adjustment was required to properly state its deferred tax asset and liability balances. The Company identified approximately $296,000 in adjustments to these balances, primarily relating to temporary differences for fixed assets and the allowance for doubtful accounts, which related to fiscal years ended 1997 and earlier. These adjustments are summarized as follows (in thousands):

	AS PRESENTED	ADJUSTMENT	RESTATED
JUNE 30, 2002:			
Deferred taxes, net - current asset . .	$ 1,297	$ 10	$ 1,307
Deferred taxes, net - non-current asset	1,347	(306)	1,041
Total assets.	24,614	(296)	24,318
Total shareholders' equity.	2,929	(296)	2,633
JUNE 25, 2000:			
Beginning Retained earnings	13,163	(296)	12,867

The Company has realized substantial benefit from the utilization of its net operating loss carryforwards to reduce its federal tax liability through fiscal year 2003. In fiscal 2004, the Company became a cash taxpayer. The Company expects to realize a benefit in future years from the utilization of its temporary differences, which currently total $288,000. In accordance with SFAS 109, carryforwards, when utilized, are reflected as a reduction of the deferred tax asset rather than a reduction of income tax expense. This has caused the Company to reflect an amount for income tax expense on its statements of operations at an effective corporate rate of 39%, 33%, and 34% for fiscal years 2004, 2003 and 2002, respectively. However, the actual amount of taxes paid at the alternative minimum tax rate of approximately 2.6% and 0% for fiscal years 2003 and 2002, respectively, is significantly less than the corporate rate reflected on the Company's statement of operations. In fiscal year 2004, the Company paid $635,000 in cash taxes.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities are generally the result of net income, deferred taxes, depreciation and amortization, and changes in working capital. In fiscal 2004, the Company generated cash flows of $3,512,000 from operating activities as compared to $4,021,000 in fiscal 2003 and $5,560,000 in fiscal 2002. Cash provided by operations totaled $3,512,000 in fiscal 2004 and was used primarily, in conjunction with proceeds from an officer loan repayment, to pay down debt and capital expenditures as described below.

Cash flows from investing activities primarily reflect the Company's capital expenditure strategy. In fiscal 2004, the Company used cash of $1,299,000 for investing activities as compared to $470,000 in fiscal 2003 and $8,928,000 in fiscal 2002. Cash flow used for investing activities during fiscal 2004 consisted primarily of the reacquisition of the area development rights and capital expenditures relating to the new Delco unit in Little Elm, Texas.

Cash flows from financing activities generally reflect changes in the Company's borrowings during the period, together with treasury stock transactions, and exercise of stock options. Net cash used for financing activities was $1,995,000 in fiscal 2004 as compared to cash provided by financing activities of $3,922,000 in fiscal 2003 and cash provided for financing activities of $3,598,000 in fiscal 2002. The Company used cash flow from operations and proceeds from an officer loan repayment to decrease its net bank borrowings by $2,748,000 to $8,343,000 at June 27, 2004 from $11,091,000 at

June 29, 2003. Net cash used in financing activities in 2004 was for the re-acquisition of area development rights and for construction of the Company's new company owned Delco unit in Little Elm, Texas.

The Company entered into an agreement effective March 28, 2004 with its current lender to provide a $4.0 million revolving credit line that will expire October 1, 2005, replacing a $7.0 million line that was due to expire December 31, 2004. Interest on the revolving credit line is payable monthly. Interest is provided for at a rate equal to prime less an interest rate margin from 1.0% to 0.5% or, at the Company's option, at the LIBOR rate plus 1.25% to 1.75%. The interest rate margin is based on the Company's performance under certain financial ratio tests. A 0.375% to 0.5% annual commitment fee is payable on any unused portion of the revolving credit line. As of June 27, 2004 and June 29, 2003, the variable interest rates were 2.35% and 2.81%, respectively, using a LIBOR rate basis. Amounts outstanding under the revolving credit line as of June 27, 2004 and June 29, 2003 were $1.2 million and $2.5 million, respectively.

On July 7, 2004, B. Keith Clark resigned as Senior Vice President-Corporate Development, Secretary and General Counsel of the Company. Mr. Clark has notified the Company that he has reserved his right to assert that the election of Ramon D. Phillips and Robert B. Page to the board of directors of the Company at the February 2004 annual meeting of shareholders constituted a "change of control" under his employment agreement and/or that he was entitled to terminate his contract for "good reason". Pursuant to the terms of the employment agreement, the Company has initiated an arbitration proceeding to resolve this dispute. The arbitration proceeding is in the preliminary stages and the Company is unable to predict the outcome of the proceeding at this time. In the event the Company is unsuccessful in this proceeding, the Company could be liable to Mr. Clark for up to $762,000. The employment agreements of each of Ronald W. Parker, Ward T. Olgreen and Shawn M. Preator contain similar provisions and the potential amounts payable to each of them are as follows: $5.4 million to Mr. Parker, $630,000 to Mr. Olgreen and $597,000 to Mr. Preator. The aggregate of these payments for which the Company would be obligated is approximately $7.4 million. The Company disagrees with Mr. Clark's claim that a "change of control" has occurred under his employment agreement or that he is entitled to terminate his contract for "good reason". The Board obtained a written legal opinion that the "change of control" provision was not triggered by the results of its February 2004 annual meeting. The Company plans to vigorously defend our position in the matter; however, we cannot assure that we will prevail in this matter and our defense could be costly and consume the time of our management. We are unable to predict the outcome of this matter, and no accrual has been made as of June 27, 2004. An adverse resolution of the matter could materially affect our financial position and results of operations.

The Company's future known requirements for cash relate primarily to the repayment of debt, capital expenditures, including information system upgrades and a new company owned Buffet unit to be located north of Dallas and periodic purchases of the Company's own common stock.

The Company's primary sources of cash are sales from the distribution division, royalties, license fees and Territory sales. Existing area development and master license agreements contain development commitments that should result in future chainwide growth. Related growth in distribution sales and royalties are expected to provide adequate working capital to supply the needs described above. The signing of any new area development or master license agreements, which cannot be predicted with certainty, could also provide significant infusions of cash.

ECONOMIC FACTORS

The costs of operations, including labor, supplies, utilities, financing and rental costs, to the Company and its franchisees, can be significantly affected by inflation and other economic factors. Increases in any such costs would result in higher costs to the Company and its franchisees, which may be partially offset by price increases and increased efficiencies in operations. The Company's revenues are also affected by local economic trends where units are concentrated. The Company intends to pursue franchise development in new markets in the United States and other countries, which would mitigate the impact of local economic factors.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following chart summarizes all of the Company's material obligations and commitments to make future payments under contracts such as debt and lease agreements as of June 27, 2004 (in thousands):

	Total	Fiscal Year 2005	Fiscal Years 2006 - 2007	Fiscal Years 2008 - 2009	After Fiscal Year 2009
Bank debt	$ 8,343	$ 406	$ 2,012	$ 5,925	$ -
Operating lease obligations	2,850	1,071	1,396	309	74
Capital lease obligations (1) . . .	33	10	22	1	-
Total contractual cash obligations.	$ 11,226	$ 1,487	$ 3,430	$ 6,235	$74

(1) Does not include amount representing interest.

TRANSACTIONS WITH RELATED PARTIES

Two of the individuals nominated by the Company and elected to serve on its Board of Directors are franchisees. One of the franchisees currently operates a total of 11 restaurants located in Arkansas, the other currently operates one in Oklahoma. Purchases by these franchisees comprised 6.5% and 6% of the Company's total food and supply sales in fiscal 2004 and fiscal 2003, respectively. Royalties and license fees and area development sales from these franchisees comprised 3.9% and 4.2% of the Company's total franchise revenues in fiscal 2004 and fiscal 2003, respectively. As of June 27, 2004 and June 29, 2003, their accounts and note payable to the Company were $965,838 and $876,326, respectively. As franchised units, their restaurants pay royalties to the Company and purchase a majority of their food and supplies from the Company's distribution division.

The Company believes that the above transactions were at the same prices and on the same payment terms available to non-related parties, with one exception. This exception relates to the enforcement of the personal guarantee by a director of the $323,000 debt of a franchisee of which he is the President and sole shareholder. The debt relates to food and equipment purchases and royalty payments for the franchisee during a period when the director had transferred his interest in the franchisee, and prior to his later reacquisition of the franchisee. The director has affirmed his guarantee and confirmed that the debt will be paid in full.

In October 1999, the Company loaned $1,949,698 to C. Jeffrey Rogers in the form of a promissory note due in June 2004 to acquire 700,000 shares of the Company's common stock through the exercise of vested stock options previously granted to him in 1995 by the Company. The note bore interest at the same floating interest rate the Company pays on its revolving credit line with Wells Fargo and was collateralized by a second lien in certain real property and existing Company stock owned by C. Jeffrey Rogers. The first lien on both the real property and Company stock pledged by Mr. Rogers was held by Wells Fargo, Mr. Rogers' primary lender. The Board determined that doubt existed regarding the collectibility of the note as of June 30, 2002, and recorded a pre-tax charge of approximately $1.9 million to fully reserve for the expected non-payment of the debt by Mr. Rogers. In December 2002, the Company's loan to Mr. Rogers was paid in full. The reserve for the note receivable was reversed in the quarter ended December 29, 2002.

In October 1999, the Company loaned $557,056 to Ronald W. Parker in the form of a promissory note due in June 2004 to acquire 200,000 shares of the Company's common stock through the exercise of vested stock options previously granted to him in 1995 by the Company. The note bore interest at the same floating interest rate the Company pays on its revolving credit line with Wells Fargo and was collateralized by certain real property and existing Company stock owned by Ronald W. Parker. The note was reflected as a reduction to shareholders' equity. As of June 27, 2004, the note balance was paid in full.

In July 2000, the Company also loaned $302,581 to Ronald W. Parker in the form of a promissory note due in June 2004, in conjunction with a cash payment of $260,000 from Mr. Parker, to acquire 200,000 shares of the Company's common stock through the exercise of vested stock options previously granted in 1995 by the Company. The note bore interest at the same floating interest rate the Company pays on its revolving credit line with Wells Fargo and was collateralized by certain real property and existing Company stock owned by Ronald W. Parker. The note was reflected as a reduction to shareholders' equity. As of June 27, 2004, the note balance was paid in full.

FORWARD-LOOKING STATEMENT

This report contains certain forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) relating to the Company that are based on the beliefs of the management of the Company, as well as assumptions and estimates made by and information currently available to the Company's management. When used in the report, the words "anticipate," "believe," "estimate," "expect," "intend" and other similar expressions, as they relate to the Company or the Company's management, identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions relating to the operations and results of operations of the Company as well as its customers and suppliers, including as a result of competitive factors and pricing pressures, shifts in market demand, general economic conditions and other factors including but not limited to, changes in demand for Pizza Inn products or franchises, the impact of competitors' actions, changes in prices or supplies of food ingredients, and restrictions on international trade and business. Should one or more of these risks or uncertainties materialize, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

ITEM 7A - MARKET RISK

The Company has market risk exposure arising from changes in interest rates. The Company's earnings are affected by changes in short-term interest rates as a result of borrowings under its credit facilities, which bear interest based on floating rates.

At June 27, 2004 the Company had approximately $8.3 million of variable rate debt obligations outstanding with a weighted average interest rate of 2.61% for the year ending June 27, 2004. A hypothetical 10% change in the effective interest rate for these borrowings, assuming debt levels at June 27, 2004, would change interest expense by approximately $22,000.

The Company entered into an interest rate swap effective February 27, 2001, as amended, designated as a cash flow hedge, to manage interest rate risk relating to the financing of the construction of the Company's new headquarters and to fulfill bank requirements. The swap agreement has a notional principal amount of $8.125 million with a fixed pay rate of 5.84%, which began November 1, 2001 and will end November 19, 2007. The swap's notional amount amortizes over a term of twenty years to parallel the terms of the term loan. Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" requires that for cash flow hedges, which hedge the exposure to variable cash flow of a forecasted transaction, the effective portion of the derivative's gain or loss be initially reported as a component of other comprehensive income in the equity section of the balance sheet and subsequently reclassified into earnings when the forecasted transaction affects earnings. Any ineffective portion of the derivative's gain or loss is reported in earnings immediately. At June 27, 2004 there was no hedge ineffectiveness. The Company's expectation is that the hedging relationship will be highly effective at achieving offsetting changes in cash flows.

The Company is exposed to market risks from changes in commodity prices. During the normal course of business, the Company purchases cheese and certain other food products that are affected by changes in commodity prices and, as a result, the Company is subject to volatility in our food sales and cost of sales. Management actively monitors this exposure, however, we do not enter into financial instruments to hedge commodity prices. The block price per pound of cheese averaged $1.61 in fiscal 2004. The estimated change in sales from a hypothetical $0.20 change in the average cheese block price per pound would have been approximately $1.4 million in fiscal 2004.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of this Statement did not have a material impact on our financial position and results of operations.

In May 2003, the FASB issued SFAS No. 150, which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. Specifically, it requires that financial instruments within the scope of the statement be classified as liabilities because they embody an obligation of the issuer. Under previous guidance, many of these instruments could be classified as equity or be reflected as mezzanine equity between liabilities and equity on the balance sheet. The Company's initial adoption of this statement on June 1, 2003 did not have a material impact on its results of operations, financial position or cash flows.

PIZZA INN, INC.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements and Schedule:

FINANCIAL STATEMENTS	PAGE NO.

FINANCIAL STATEMENT SCHEDULE

All other schedules are omitted because they are not applicable, not required or because the required information is included in the consolidated financial statements or notes thereto.

REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Pizza Inn, Inc.

We have audited the accompanying consolidated balance sheet of Pizza Inn, Inc. June 27, 2004 and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for the year then ended. We have also audited the schedule listed in the accompanying index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pizza Inn, Inc. at June 27, 2004, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the schedule presents fairly, in all material respects, the information set forth therein.

/s/BDO Seidman, LLP
BDO SEIDMAN, LLP
Dallas, TX
August 23, 2004

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
and Shareholders of Pizza Inn, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index, after the restatement described in Note A, present fairly, in all material respects, the financial position of Pizza Inn, Inc. and its subsidiaries at June 29, 2003, and the results of their operations and their cash flows for each of the two years in the period ended June 29, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A to the consolidated financial statements, the Company has restated its financial statements as of June 30, 2002 to adjust beginning retained earnings and deferred tax assets.

/s/PricewaterhouseCoopers LLP
PRICEWATERHOUSECOOPERS LLP
Dallas, Texas
September 25, 2003

PIZZA INN, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED		
	JUNE 27, 2004	JUNE 29, 2003	JUNE 30, 2002
REVENUES:			
Food and supply sales	$ 53,072	$ 51,556	$ 57,727
Franchise revenue	5,400	5,135	5,528
Restaurant sales	1,517	1,780	2,134
Other income	223	311	1,253
	60,212	58,782	66,642
COSTS AND EXPENSES:			
Cost of sales	49,363	47,583	54,146
Franchise expenses	3,192	3,311	2,865
General and administrative expenses	3,625	4,251	4,709
Provision for (recovery of) bad debt (see Note J)	(229)	(1,795)	2,367
Interest expense (net of capitalized interest of $0, $0, and $178, respectively)	613	789	832
	56,564	54,139	64,919
INCOME BEFORE INCOME TAXES	3,648	4,643	1,723
Provision for income taxes	1,405	1,550	586
NET INCOME	$ 2,243	$ 3,093	$ 1,137
BASIC EARNINGS PER COMMON SHARE	$ 0.22	$ 0.31	$ 0.11
DILUTED EARNINGS PER COMMON SHARE	$ 0.22	$ 0.31	$ 0.11

WEIGHTED AVERAGE COMMON SHARES	10,076	10,058	10,092
WEIGHTED AVERAGE COMMON AND POTENTIALLY DILUTIVE COMMON SHARES	10,117	10,061	10,095

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)

	YEAR ENDED		
	JUNE 27, 2004	JUNE 29, 2003	JUNE 30, 2002
Net Income	$ 2,243	$ 3,093	$ 1,137
Interest rate swap gain (loss) (net of tax (expense) benefit of ($179), $168, and $129, respectively)	348	(326)	(251)
Comprehensive Income	$ 2,591	$ 2,767	$ 886

See accompanying Notes to Consolidated Financial Statements.

PIZZA INN, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

ASSETS	JUNE 27, 2004	JUNE 29, 2003
CURRENT ASSETS		
Cash and cash equivalents	$ 617	$ 399
Accounts receivable, less allowance for doubtful accounts of $310 and $722, respectively	3,113	2,908
Accounts receivable - related parties	912	822
Notes receivable, current portion, less allowance for doubtful accounts of $59 and $175, respectively	50	206
Notes receivable - related parties	54	54
Inventories	1,713	1,511
Deferred tax assets, net	183	585
Prepaid expenses and other	415	533
Total current assets	7,057	7,018
Property, plant and equipment, net	12,756	13,126
Property under capital leases, net	18	120
Deferred tax assets, net	105	382
Long-term notes receivable, less allowance for doubtful accounts of $3 and $19, respectively	-	41
Re-acquired development territory	866	-
Deposits and other	104	109
	$ 20,906	$ 20,796
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	$ 1,246	$ 1,217
Accrued expenses	2,109	1,950
Current portion of long-term debt	406	1,448
Current portion of capital lease obligations	10	109
Total current liabilities	3,771	4,724
LONG-TERM LIABILITIES		
Long-term debt	7,937	9,643
Long-term capital lease obligations	23	33
Other long-term liabilities	458	989
	12,189	15,389
COMMITMENTS AND CONTINGENCIES (See Notes D and I)		
SHAREHOLDERS' EQUITY		
Common Stock, $.01 par value; authorized 26,000,000 shares; issued 15,031,319 and 14,956,319 shares, respectively; outstanding 10,133,674 and 10,058,674 shares, respectively	150	150
Additional paid-in capital	7,975	7,825
Loans to officers	-	(569)
Retained earnings	20,378	18,135
Accumulated other comprehensive loss	(302)	(650)
Treasury stock at cost Shares in treasury: 4,897,645 and 4,897,645, respectively	(19,484)	(19,484)
Total shareholders' equity	8,717	5,407

	$ 20,906	$ 20,796

See accompanying Notes to Consolidated Financial Statements.

PIZZA INN, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	LOANS TO OFFICERS	RETAINED EARNINGS	ACCUM. OTHER COMP. LOSS	TREASURY STOCK AT COST	TOTAL
BALANCE, JUNE 24, 2001, as restated	10,320	$ 150	$ 7,823	$(2,325)	$ 13,905	$ (73)	$(18,911)	$ 569
Employee incentive shares	-	-	1	-	-	-	-	1
Acquisition of treasury Stock (see Note K)	(262)	-	-	-	-	-	(573)	(573)
Allowance for doubtful accounts -	-	-	-	1,750	-	-	-	1,750
Interest rate swap loss (net of tax of $129)	-	-	-	-	-	(251)	-	(251)
Net income -	-	-	-	-	1,137	-	-	1,137
BALANCE, JUNE 30, 2002, as restated	10,058	$ 150	$7,824	$ (575)	$ 15,042	$(324)	$(19,484)	$ 2,633
Employee incentive shares	1	-	1	-	-	-	-	1
Principal repayment of loans by officers	-	-	-	1,756	-	-	-	1,756
Reversal of allowance for doubtful accounts	-	-	-	(1,750)	-	-	-	(1,750)
Interest rate swap loss (net of tax of$168)	-	-	-	-	-	(326)	-	(326)
Net income	-	-	-	-	3,093	-	-	3,093
BALANCE, JUNE 29, 2003	10,059	$150	$7,825	$ (569)	$ 18,135	$(650)	$(19,484)	$ 5,407
Employee incentive shares	75	-	150	-	-	-	-	150
Principal repayment of loans by officers	-	-	-	569	-	-	-	569
Interest rate swap loss (net of tax of $179)	-	-	-	-	-	348	-	348
Net income	-	-	-	-	2,243	-	-	2,243
BALANCE, JUNE 27, 2004	10,134	$150	$7,975	$ -	$ 20,378	$(302)	$(19,484)	$ 8,717

See accompanying Notes to Consolidated Financial Statements.

PIZZA INN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED JUNE 27, 2004	YEAR ENDED JUNE 29, 2003	YEAR ENDED JUNE 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.	$ 2,243	$ 3,093	$ 1,137
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	1,133	1,403	1,337
Non cash settlement of accounts receivable. . .	(281)	-	-
Provision for (recovery of) bad debt, net . . .	(229)	(1,795)	2,367
Deferred income taxes	500	1,381	538
Changes in assets and liabilities:			
Notes and accounts receivable	(270)	204	799
Inventories	(202)	15	537
Accounts payable - trade.	29	(310)	(825)

Accrued expenses	163	(527)	240
Deferred franchise revenue	(4)	(52)	38
Prepaid expenses and other	430	609	(608)
CASH PROVIDED BY OPERATING ACTIVITIES	3,512	4,021	5,560
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of assets	38	6	24
Capital expenditures	(655)	(476)	(8,952)
Re-acquisition of area development territory	(682)	-	-
CASH USED IN INVESTING ACTIVITIES	(1,299)	(470)	(8,928)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of long-term bank debt and capital lease obligations	(1,534)	(1,337)	(3,738)
Borrowings of long-term debt	-	500	5,432
Line of credit, net	(1,300)	(5,042)	2,477
Proceeds from exercise of stock options	150	-	-
Officer loan payment	689	1,957	-
Purchases of treasury stock	-	-	(573)
CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(1,995)	(3,922)	3,598
Net increase (decrease) in cash and cash equivalents	218	(371)	230
Cash and cash equivalents, beginning of period	399	770	540
Cash and cash equivalents, end of period	$ 617	$ 399	$ 770

See accompanying Notes to Consolidated Financial Statements.

PIZZA INN, INC.
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION
(IN THOUSANDS)

	YEAR ENDED		
	JUNE 27, 2004	JUNE 29, 2003	JUNE 30, 2002
CASH PAYMENTS FOR:			
Interest	$ 624	$ 810	$ 992
Income taxes	635	-	53
NONCASH FINANCING AND INVESTING ACTIVITIES:			
Capital lease obligations incurred	$ -	$ -	$ 156

See accompanying Notes to Consolidated Financial Statements.

PIZZA INN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF BUSINESS:

Pizza Inn, Inc. (the "Company"), a Missouri corporation incorporated in 1983, is the successor to a Texas company of the same name, which was incorporated in 1961. The Company is the franchisor and food and supply distributor to a system of restaurants operating under the trade name "Pizza Inn".

On June 27, 2004 the Pizza Inn system consisted of 405 locations, including two Company-operated units and 403 franchised units. On June 27, 2004 the Company had franchises in 18 states and 10 foreign countries. Domestic units are located predominantly in the southern half of the United States, with Texas, North Carolina and Arkansas accounting for approximately 34%, 15%, and 8%, respectively, of the total. Norco Restaurant Services ("Norco"), a division of the Company, distributes food products, equipment, and other supplies to units in the United States and, to the extent feasible, in other countries.

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All appropriate inter-company balances and transactions have been eliminated. Certain prior year amounts have been reclassified to conform with current year presentation.

CASH AND CASH EQUIVALENTS:

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

INVENTORIES:

Inventories, which consist primarily of food, paper products, supplies and equipment located at the Company's distribution center, are stated at the lower of FIFO (first-in, first-out) cost or market. Provision is made for obsolete inventories.

PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment, including property under capital leases, are stated at cost less accumulated depreciation and amortization. Repairs and maintenance are charged to operations as incurred; major renewals and betterments are capitalized. Internal and external costs incurred to develop or purchase internal-use computer software during the application development stage, including upgrades and enhancements, are capitalized. Upon the sale or disposition of a fixed asset, the asset and the related accumulation depreciation or amortization are removed from the accounts and the gain or loss is included in operations. The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying asset and amortized over the useful life of the asset.

Depreciation and amortization is computed on the straight-line method over the useful lives of the assets or, in the case of leasehold improvements, over the term of the lease, if shorter. The useful lives of the assets range from three to thirty- nine years. It is the Company's policy to periodically review the net realizable value of its long-lived assets when certain indicators exist through an assessment of the estimated gross future cash flows related to such assets. In the event that assets are found to be carried at amounts which are in excess of estimated gross future cash flows, then the assets will be adjusted for impairment to a level commensurate with a discounted cash flow analysis of the underlying assets. The Company believes no impairment of long-lived assets exists at June 27, 2004.

ACCOUNTS RECEIVABLE:

Accounts receivable consist primarily of receivables from food and supply sales and franchise royalties. The Company records a provision for doubtful receivables to allow for any amounts which may be unrecoverable and is based upon an analysis of the Company's prior collection experience, customer credit worthiness, and current economic trends. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

NOTES RECEIVABLE:

Notes receivable primarily consist of notes from franchisees for the purchase of area development and master license territories and the refinancing of existing trade receivables. These notes generally have terms ranging from one to five years, with interest rates of 6% to 12%. The Company records a provision for doubtful receivables to allow for any amounts which may be unrecoverable and is based upon an analysis of the Company's prior collection experience, customer creditworthiness, and current economic trends. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

INCOME TAXES:

Income taxes are accounted for using the asset and liability method pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). Deferred taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement and carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes future tax benefits to the extent that realization of such benefits is more likely than not.

The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets that may not be realized based upon the Company's analysis of existing tax credits by jurisdiction and expectations of the Company's ability to utilize these tax attributes through a review of estimated future taxable income and establishment of tax strategies. These estimates could be impacted by changes in future taxable income and the results of tax strategies.

During the fourth quarter of fiscal 2003, the Company determined that a prior period adjustment was required to properly state its deferred tax asset and liability balances. The Company identified approximately $296,000 in adjustments to these balances, primarily relating to temporary differences for fixed assets and the allowance for doubtful accounts, which related to fiscal years ended 1997 and earlier. These adjustments are summarized as follows (in thousands):

	AS PRESENTED	ADJUSTMENT	RESTATED
JUNE 30, 2002:			
Deferred taxes, net - current asset . .	$ 1,297	$ 10	$ 1,307
Deferred taxes, net - non-current asset	1,347	(306)	1,041
Total assets.	24,614	(296)	24,318
Total shareholders' equity.	2,929	(296)	2,633
JUNE 25, 2000:			
Beginning Retained earnings	13,163	(296)	12,867

REVENUE RECOGNITION:

The Company's Norco division sells food, supplies and equipment to franchisees on trade accounts under terms common in the industry. Revenue from such sales is recognized upon shipment. Norco sales are reflected under the caption "food and supply sales." Shipping and handling costs billed to customers are recognized as revenue.

Franchise revenue consists of income from license fees, royalties, and area development and foreign master license (collectively, "Territory") sales. License fees are recognized as income when there has been substantial performance of the agreement by both the franchisee and the Company, generally at the time the unit is opened. Royalties are recognized as income when earned. For the years ended June 27, 2004, June 29, 2003 and June 30, 2002, 95%, 92% and 93%, respectively, of franchise revenue was comprised of recurring royalties.

Territory sales are the fees paid by selected experienced restaurant operators to the Company for the right to develop Pizza Inn restaurants in specific geographical territories. The Company recognizes the fee to the extent its obligations are fulfilled and of cash received. Territory fees recognized as income for the years ended June 27, 2004, June 29, 2003 and June 30, 2002 were $12,500, $180,000 and $131,000, respectively.

STOCK OPTIONS:

As allowed by SFAS 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), the Company elected to follow APB No. 25, and related Interpretations in accounting for employee stock options because the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock Based Compensation," requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB No. 25, because the exercise price of our employee stock options equals or exceeds the fair value of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and earnings per share is required to be determined as if the Company had accounted for its stock options granted subsequent to June 25, 1995 under the fair value method of SFAS 123, "Accounting for Stock-Based Compensation". The fair value of options granted in fiscal 2001, 2002 and 2003 was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rates ranging from 1.4% to 6.3%, expected volatility of 39.4% to 42.5%, expected dividend yield of 0% and expected lives of 2 to 3 years.

For purposes of pro forma disclosures, the estimated fair value of the stock options is amortized over the option vesting periods. The Company's pro forma information follows (in thousands, except for earnings per share information):

	June 27, 2004		June 29, 2003		June 30, 2002	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income	$ 2,243	$ 2,241	$ 3,093	$ 3,075	$ 1,137	$ 1,079
Basic earnings per share .	$ 0.22	$ 0.22	$ 0.31	$ 0.31	$ 0.11	$ 0.11
Diluted earnings per share	$ 0.22	$ 0.22	$ 0.31	$ 0.31	$ 0.11	$ 0.11

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts as the pro forma amounts above do not include the impact of additional awards anticipated in future years.

DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amounts of short-term investments, accounts and notes receivable, and debt approximate fair value. The fair value of the Company's interest rate swap is based on pricing models using current market rates.

USE OF MANAGEMENT ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and related revenues and expenses and disclosure of gain and loss contingencies at the date of the financial statements. Actual results could differ from those estimates.

FISCAL YEAR:

The Company's fiscal year ends on the last Sunday in June. Fiscal years ending June 27, 2004 and June 29, 2003 contained 52 weeks. Fiscal year ending June 30, 2002 contained 53 weeks.

NEW PRONOUNCEMENTS:

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of this Statement did not have a material impact on our financial position and results of operations.

In May 2003, the FASB issued SFAS No. 150, which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. Specifically, it requires that financial instruments within the scope of the statement be classified as liabilities because they embody an obligation of the issuer. Under previous guidance, many of these instruments could be classified as equity or be reflected as mezzanine equity between liabilities and equity on the balance sheet. The Company's initial adoption of this statement on June 1, 2003 did not have a material impact on its results of operations, financial position or cash flows.

NOTE B - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment and property under capital leases consist of the following (in thousands):

	USEFUL LIVES	JUNE 27, 2004	JUNE 29, 2003
Property, plant and equipment:			
Equipment, furniture and fixtures	3 - 7 yrs	$ 5,504	$ 5,559
Building.	5 - 39 yrs	10,875	10,562
Land.	-	2,087	2,072
Construction in progress.	-	10	37
Leasehold improvements.	7 yrs	670	668
		19,146	18,898
Less: accumulated depreciation .		(6,390)	(5,772)
		$ 12,756	$ 13,126
Property under capital leases:			
Real Estate	20 yrs	$ 118	$ 118
Equipment	3 - 7 yrs	3	480
		121	598
Less: accumulated amortization .		(103)	(478)
		18	120

Depreciation and amortization expense was $1,133,000, $1,403,000, and $1,337,000 for the years ended June 27, 2004, June 29, 2003, and June 30, 2002, respectively.

NOTE C - ACCRUED EXPENSES:

Accrued expenses consist of the following (in thousands):

	JUNE 27, 2004	JUNE 29, 2003
Compensation	$ 653	$ 539
Taxes.	713	437
Legal reserves and other professional fees	154	393
Accrued rent	-	7
Other.	589	574
	2,109	1,950

NOTE D - LONG-TERM DEBT:

The Company entered into an agreement effective March 28, 2004 with Wells Fargo to provide a $4.0 million revolving credit line that will expire October 1, 2005, replacing a $7.0 million line that was due to expire December 31, 2004. Interest on the revolving credit line is payable monthly. Interest is provided for at a rate equal to prime less an interest rate margin from 1.0% to 0.5% or, at the Company's option, at the LIBOR rate plus 1.25% to 1.75%. The interest rate margin is based on the Company's performance under certain financial ratio tests. A 0.375% to 0.5% annual commitment fee is payable on any unused portion of the revolving credit line. As of June 27, 2004 and June 29, 2003, the variable interest rates were 2.35% and 2.81%, respectively, using a LIBOR rate basis. Amounts outstanding under the revolving credit line as of June 27, 2004 and June 29, 2003 were $1.2 million and $2.5 million, respectively.

The Company entered into a term note effective March 31, 2000 with Wells Fargo. The $5,000,000 term note matured on March 31, 2004 and was paid in full. The term note had an outstanding balance of $1.0 million at June 29, 2003. Interest on the term loan was also payable monthly. Interest was provided for at a rate equal to prime less an interest rate margin of 0.75% or, at the Company's option, at the LIBOR rate plus 1.5%.

The Company entered into an agreement effective December 28, 2000, as amended, with Wells Fargo to provide up to $8.125 million of financing for the construction of the Company's new headquarters, training center and distribution facility. The construction loan converted to a term loan effective January 31, 2002 with the unpaid principal balance to mature on December 28, 2007. This term loan will amortize over a term of twenty years, with principal payments of $34,000 due monthly. Interest on this term loan is also payable monthly. Interest is provided for at a rate equal to prime less an interest rate margin of 0.75% or, at the Company's option, to the LIBOR rate plus 1.5%. As of June 27, 2004 and June 29, 2003, the variable interest rates were 2.78% and 2.59%, respectively. The Company, to fulfill bank requirements, has caused the outstanding principal amount to be subject to a fixed interest rate by utilizing an interest rate swap agreement as discussed below. The $8.125 million term loan had an outstanding balance of $7.1 million at June 27, 2004 and $7.5 million at June 29, 2003.

The Company entered into an interest rate swap effective February 27, 2001, as amended, designated as a cash flow hedge, to manage interest rate risk relating to the financing of the construction of the Company's headquarters and to fulfill bank requirements. The swap agreement has a notional principal amount of $8.125 million with a fixed pay rate of 5.84% which began November 1, 2001 and will end November 19, 2007. The swap's notional amount amortizes over a term of twenty years to parallel the terms of the term loan. SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" requires that for cash flow hedges, which hedge the exposure to variable cash flow of a forecasted transaction, the effective portion of the derivative's gain or loss be initially reported as a component of other comprehensive income in the equity section of the balance sheet and subsequently reclassified into earnings when the forecasted transaction affects earnings. Any ineffective portion of the derivative's gain or loss is reported in earnings immediately. At June 27, 2004 there was no hedge ineffectiveness. The Company's expectation is that the hedging relationship will continue to be highly effective at achieving offsetting changes in cash flows.

PIBCO, Ltd., a wholly-owned insurance subsidiary of the Company, in the normal course of operations, arranged for the issuance of a letter of credit for $230,000 to reinsurers to secure loss reserves. At June 27, 2004 and June 29, 2003 this letter of credit was secured under the Company's revolving line of credit. Loss reserves for approximately the same amount have been recorded by PIBCO, Ltd. and are reflected as current liabilities in the Company's financial statements.

The following chart summarizes all of the Company's debt obligations to make future payments under debt agreements as of June 27, 2004 (in thousands):

	JUNE 27, 2004
2005	$ 406
2006	1,606
2007	406
2008	5,925
2009	-
Total debt obligation	$ 8,343

NOTE E - INCOME TAXES:

Provision for income taxes consists of the following (in thousands):

	JUNE 27, 2004	JUNE 29, 2003	JUNE 30, 2002
Federal	$ 637	$ -	$ (81)
State	246	-	-
Deferred	522	1,550	667
Provision for income taxes	$ 1,405	$ 1,550	$ 586

The effective income tax rate varied from the statutory rate for the years ended June 27, 2004, June 29, 2003 and June 30, 2002 as reflected below (in thousands):

	JUNE 27, 2004	JUNE 29, 2003	JUNE 30, 2002
Federal income taxes based on 34% of book income	$ 1,157	$ 1,579	$ 586
State income tax	246	-	-
Permanent adjustments	18	21	(187)
Change in valuation allowance	(16)	(72)	187
Expired credits		22	-
	$ 1,405	$ 1,550	$ 586

The tax effects of temporary differences which give rise to the net deferred tax assets (liabilities) consisted of the following (in thousands):

	JUNE 27, 2004	JUNE 29, 2003
Reserve for bad debt	$ 126	$ 312
Depreciable assets	(128)	(38)
Deferred fees	57	59
Other reserves	7	(80)
Interest rate swap loss	155	335
Credit carryforwards	208	532
Gross deferred tax asset	$ 425	$ 1,120
Valuation allowance	(137)	(153)

Net deferred tax asset .	$ 288	$ 967

As of June 27, 2004, the Company had $208,000 of foreign tax credit carryforwards expiring between 2004 and 2008. The valuation allowance was established under SFAS 109, since it is more likely than not that a portion of the foreign tax credit carryforwards will expire before they can be utilized.

NOTE F - LEASES:

The real property and premises occupied by a Company-operated restaurant is leased for an initial term of ten years with renewal options of three years each. The lease agreement contains either provisions requiring additional rent if sales exceed specified amounts, and an escalation clause based upon a predetermined multiple.

The Company's distribution division currently leases a significant portion of its transportation equipment under operating leases with terms from five to seven years. Some of the leases include fair market value purchase options at the end of the term.

Future minimum rental payments under non-cancelable leases with initial or remaining terms of one year or more at June 27, 2004 are as follows (in thousands):

	CAPITAL LEASES	OPERATING LEASES
2005.	$ 12	$ 1,071
2006.	12	851
2007.	12	545
2008.	1	234
2009.	-	75
Thereafter.	-	74
	37 .	$ 2,850
Less amount representing interest	(4)	
Present value of total obligations under capital leases.	33	
Less current portion.	(10)	
Long-term capital lease obligations . . .	$ 23	

Rental expense consisted of the following (in thousands):

	YEAR ENDED JUNE 27, 2004	YEAR ENDED JUNE 29, 2003	YEAR ENDED JUNE 30, 2002
Minimum rentals. .	$ 1,135	$ 1,143	$ 1,773
Contingent rentals	1	14	21
Sublease rentals .	(94)	(97)	(99)
	$ 1,042	$ 1,060	$ 1,695

NOTE G - EMPLOYEE BENEFITS:

The Company has a tax advantaged savings plan which is designed to meet the requirements of Section 401(k) of the Internal Revenue Code (the "Code"). The current plan is a modified continuation of a similar savings plan established by the Company in 1985. Employees who have completed six months of service and are at least 21 years of age are eligible to participate in the plan. Effective January 1, 2002, as amended by the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), the plan provides that participating employees may elect to have between 1% - 15% of their compensation deferred and contributed to the plan subject to certain IRS limitations. Effective January 1, 2001 through June 30, 2004, the Company contributes on behalf of each participating employee an amount equal to 50% of up to 4% of the employee's contribution. Separate accounts are maintained with respect to contributions made on behalf of each participating employee. Employer matching contributions and earnings thereon were invested in Common Stock of the Company. Effective July 1, 2004, the Company elected to temporarily suspend its matching contribution portion to the plan. The plan is subject to the provisions of the Employee Retirement Income Security Act, as amended, and is a profit sharing plan as defined in Section 401 of the Code. The Company is the administrator of the plan.

For the years ended June 27, 2004, June 29, 2003 and June 30, 2002, total matching contributions to the tax advantaged savings plan by the Company on behalf of participating employees were $94,200, $82,576 and $88,770, respectively.

NOTE H - STOCK OPTIONS:

In January 1994, the 1993 Stock Award Plan ("the 1993 Plan") was approved by the Company's shareholders with a plan effective date of October 13, 1993. Officers and employees of the Company are eligible to receive stock options under the 1993 Plan. Options are granted at market value of the stock on the date of grant, are subject to various vesting periods ranging from six months to three years with exercise periods up to eight years, and may be designated as incentive options (permitting the participant to defer resulting federal income taxes). Originally, a total of two million shares of Common Stock were authorized to be issued under the 1993 Plan. In December 1996, 1997 and 1998, the Company's shareholders approved amendments that increased the 1993 Plan by 500,000 shares in each year. In December 2000, the Company's shareholders approved amendments that increased the 1993 Plan by 100,000 shares. The 1993 Plan expired on October 13, 2003 and no further options may be granted pursuant to it.

The 1993 Outside Directors Stock Award Plan (the "1993 Directors Plan") was also adopted by the Company effective as of October 13, 1993 as approved by the shareholders. Elected directors not employed by the Company were eligible to receive stock options under the 1993 Directors Plan. Options for common stock equal to twice the number of shares of common stock acquired during the previous fiscal year were granted, up to 20,000 shares per year, to each outside director. Options were granted at market value of the stock on the first day of each fiscal year, which was also the date of grant, and with various vesting periods ranging from one to four years with exercise periods up to nine years. A total of 200,000 shares of Company Common Stock were authorized to be issued pursuant to the 1993 Directors Plan. The 1993 Directors Plan expired on October 13, 2003 and no further options may be granted pursuant to it.

A summary of stock option transactions under all of the Company's stock option plans and information about fixed-price stock options follows:

SUMMARY OF STOCK OPTION TRANSACTIONS

	June 27, 2004		June 29, 2003		June 30, 2002	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	806,150	$ 3.68	1,591,233	$ 3.76	2,210,033	$ 3.82
Granted.	5,000	$ 2.15	10,000	$ 1.28	4,000	$ 2.12
Exercised.	(75,000)	$ 2.00	-	$ 0.00	-	$ 0.00
Canceled/Expired	(250,450)	$ 4.69	(795,083)	$ 3.81	(622,800)	$ 3.96
Outstanding at end of year . . .	485,700	$ 3.40	806,150	$ 3.68	1,591,233	$ 3.76
Exercisable at end of year . . .	480,700	$ 3.42	792,150	$ 3.72	1,358,233	$ 4.02
Weighted-average fair value of options granted during the year.		$ 0.53		$ 0.33		$ 0.68

FIXED PRICE STOCK OPTIONS

The following table provides information on options outstanding and options exercisable at June 27, 2004:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares Outstanding at June 27, 2004	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Shares Exercisable at June 29, 2003	Weighted-Average Exercise Price
1.28 - 3.25 . .	154,700	2.83	$ 2.22	149,700	$ 2.22
3.30 - 4.25 . .	240,500	1.69	$ 3.59	240,500	$ 3.59
4.38 - 5.50 . .	90,500	1.56	$ 4.94	90,500	$ 4.94
1.28 - 5.50 . .	485,700	2.03	$ 3.40	480,700	$ 3.42

NOTE I - COMMITMENTS AND CONTINGENCIES:

On January 18, 2002, the Company was served with a lawsuit filed by Blakely-Witt & Associates, Inc. alleging that the Company sent or caused to be sent unsolicited facsimile advertisements. The Company has vigorously defended its position in this litigation. In July 2004 the court preliminarily approved a settlement agreement among all parties and certified the matter as a class action for settlement purposes only. Under the settlement agreement the Company would pay an amount that will not materially affect the Company's financial performance. At a hearing on September 13, 2004 the court entered its final order and judgment approving the settlement agreement and certifying the settlement class. Pursuant to the settlement agreement the Company has agreed to pay $90,000 in full and final settlement of all actual and potential claims of the members and potential members of the certified settlement class. The final order dismissed with prejudice all pending and potential claims against the Company.

On July 7, 2004, B. Keith Clark resigned as Senior Vice President-Corporate Development, Secretary and General Counsel of the Company. Mr. Clark has notified the Company that he has reserved his right to assert that the election of Ramon D. Phillips and Robert B. Page to the board of directors of the Company at the February 2004 annual meeting of shareholders constituted a "change of control" under his employment agreement and/or that he was entitled to terminate his contract for "good reason". Pursuant to the terms of the employment agreement, the Company has initiated an arbitration proceeding to resolve this dispute. The arbitration proceeding is in the preliminary stages and the Company is unable to predict the outcome of the proceeding at this time. In the event the Company is unsuccessful in this proceeding, the Company could be liable to Mr. Clark for up to $762,000. The employment agreements of each of Ronald W. Parker, Ward T. Olgreen and Shawn M. Preator contain similar provisions and the potential amounts payable to each of them are as follows: $5.4 million to Mr. Parker, $630,000 to Mr. Olgreen and $597,000 to Mr. Preator. The aggregate of these payments for which the Company would be obligated is approximately $7.4 million. The Company disagrees with Mr. Clark's claim that a "change of control" has occurred under his employment agreement or that he is entitled to terminate his contract for "good reason". The Board obtained a written legal opinion that the "change of control" provision was not triggered by the results of its February 2004 annual meeting. The Company plans to vigorously defend our position in the matter; however, we cannot assure that we will prevail in this matter and our defense could be costly and consume the time of our management. We are unable to predict the outcome of this matter, and no accrual has been made as of June 27, 2004. An adverse resolution of the matter could materially affect our financial position and results of operations.

The Company is also subject to other various claims and contingencies related to employment agreements, lawsuits, taxes, food product purchase contracts and other matters arising out of the normal course of business. Management believes that any liabilities arising from these claims and contingencies are either covered by insurance or would not have a material adverse effect on the Company's annual results of operations or financial condition.

On April 30, 1998, Mid-South Pizza Development, Inc. ("Mid-South") entered into a promissory note whereby, among other things, Mid-South borrowed $1,330,000 from a third party lender (the "Loan") with the Company acting as the guarantor. The proceeds of the Loan, less transaction costs, were used by Mid-South to purchase area developer rights from the Company for certain counties in Kentucky and Tennessee. Effective December 28, 2003, the Company reacquired all such area development rights from Mid-South. The Company paid approximately $963,000 for these rights of which $682,000 was a cash payment, and a non-cash settlement of accounts receivable of approximately $281,000. A long-term asset was recorded for the same amount. Restaurants operating or developed in the reacquired territory will now pay all royalties and franchise fees directly to Pizza Inn, Inc. The asset will be amortized over the life of the asset, which is estimated to be approximately five years.

NOTE J - RELATED PARTIES:

Two of the individuals nominated by the Company and elected to serve on its Board of Directors are franchisees. One of the franchisees currently operates a total of 11 restaurants located in Arkansas, the other currently operates one in Oklahoma. Purchases by these franchisees comprised 6.5% and 6.0% of the Company's total food and supply sales in fiscal 2004 and fiscal 2003, respectively. Royalties and license fees and area development sales from these franchisees comprised 3.9% and 4.2% of the Company's total franchise revenues in fiscal 2004 and fiscal 2003, respectively. As of June 27, 2004 and June 29, 2003, their accounts and note payable to the Company were $965,838 and $876,326, respectively.

The Company believes that the above transactions were at the same prices and on the same payment terms available to non-related parties, with one exception. This exception relates to the enforcement of the personal guarantee by a director of the $323,000 debt of a franchisee of which he is the President and sole shareholder. The debt relates to food and equipment purchases and royalty payments for the franchisee during a period when the director had transferred his interest in the franchisee, and prior to his later reacquisition of the franchisee. The director has affirmed his guarantee and confirmed that the debt will be paid in full.

In October 1999, the Company loaned $1,949,698 to C. Jeffrey Rogers in the form of a promissory note due in June 2004 to acquire 700,000 shares of the Company's common stock through the exercise of vested stock options previously granted to him in 1995 by the Company. The note bore interest at the same floating interest rate the Company pays on its revolving credit line with Wells Fargo and was collateralized by a second lien in certain real property and existing Company stock owned by C. Jeffrey Rogers. The first lien on both the real property and Company stock pledged by Mr. Rogers was held by Wells Fargo, Mr. Rogers' primary lender. The Board determined that doubt existed regarding the collectibility of the note as of June 30, 2002, and recorded a pre-tax charge of approximately $1.9 million to fully reserve for the expected non-payment of the debt by Mr. Rogers. In December, 2002, the Company's loan to Mr. Rogers was paid in full. The reserve for the note receivable was reversed in the quarter ending December 29, 2002.

In October 1999, the Company also loaned $557,056 to Ronald W. Parker in the form of a promissory note due in June 2004 to acquire 200,000 shares of the Company's common stock through the exercise of vested stock options previously granted to him in 1995 by the Company. The note bore interest at the same floating interest rate the Company pays on its revolving credit line with Wells Fargo and was collateralized by certain real property and existing Company stock owned by Ronald W. Parker. The note was reflected as a reduction to shareholders' equity. As of June 27, 2004, the note balance is paid in full.

In July 2000, the Company loaned $302,581 to Ronald W. Parker in the form of a promissory note due in June 2004, in conjunction with a cash payment of $260,000 from Mr. Parker, to acquire 200,000 shares of the Company's common stock through the exercise of vested stock options previously granted in 1995 by the Company. The note bore interest at the same floating interest rate the Company pays on its revolving credit line with Wells Fargo and was collateralized by certain real property and existing Company stock owned by Ronald W. Parker. The note was reflected as a reduction to shareholders' equity. As of June 27, 2004, the note balance is paid in full.

NOTE K - TREASURY STOCK:

For the period of September 1995 through June 2002, the Company purchased 5,244,161 shares of its own Common Stock from time to time on the open market at a total cost of $21.4 million. The Company did not purchase any shares of its own Common Stock in fiscal 2004. The purchases of common shares described above were funded from working capital, and reduced the Company's outstanding shares by approximately 34%.

NOTE L - EARNINGS PER SHARE:

The Company computes and presents earnings per share ("EPS") in accordance with SFAS 128, "Earnings Per Share". Basic EPS excludes the effect of potentially dilutive securities while diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised, converted or resulted in the issuance of common stock that then shared in the earnings of the entity.

The following table shows the reconciliation of the numerator and denominator of the basic EPS calculation to the numerator and denominator of the diluted EPS calculation (in thousands, except per share amounts).

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
YEAR ENDED JUNE 27, 2004			
BASIC EPS			
Income Available to Common Shareholders . . .	$ 2,243	10,076	$ 0.22
Effect of Dilutive Securities - Stock Options		41	
DILUTED EPS			
Income Available to Common Shareholders			
& Potentially Dilutive Securities	$ 2,243	10,117	$ 0.22
YEAR ENDED JUNE 29, 2003			
BASIC EPS			
Income Available to Common Shareholders . . .	$ 3,093	10,058	$ 0.31
Effect of Dilutive Securities - Stock Options		3	
DILUTED EPS			
Income Available to Common Shareholders			
& Potentially Dilutive Securities	$ 3,093	10,061	$ 0.31
YEAR ENDED JUNE 30, 2002			
BASIC EPS			
Income Available to Common Shareholders . . .	$ 1,137	10,092	$ 0.11
Effect of Dilutive Securities - Stock Options		3	
DILUTED EPS			
Income Available to Common Shareholders			
& Potentially Dilutive Securities	$ 1,137	10,095	$ 0.11

Options to purchase 366,700 shares of common stock at exercise prices ranging from $3.00 to $5.50 per share were outstanding at June 27, 2004 but were not included in the computation of diluted EPS because the option's exercise price was greater than the average market price of the common shares. Options to purchase 796,150 and 1,591,233 shares of common stock during fiscal years 2003 and 2002, respectively, were excluded from the computation of EPS in those years because their inclusion would result in an anti-dilutive effect on EPS.

NOTE M - SEGMENT REPORTING:

The Company has two reportable operating segments as determined by management using the "management" approach as defined in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". (1) Food and Equipment Distribution, and (2) Franchise and Other. These segments are a result of differences in the nature of the products and services sold. Corporate administration costs, which include, but are not limited to, general accounting, human resources, legal and credit and collections, are partially allocated to the two operating segments. Other revenue consists of nonrecurring items.

The Food and Equipment Distribution segment sells and distributes proprietary and non-proprietary items to franchisees and to two company-owned and operated stores. Inter-segment revenues consist of sales to the company-owned stores. Assets for this segment include tractor/trailers, equipment, furniture and fixtures.

The Franchise and Other segment includes income from royalties, license fees and area development and foreign master license sales. The Franchise and Other segment includes the two company-owned stores, which are used as prototype and training facilities. Assets for this segment include equipment, furniture and fixtures for the company stores.

Corporate administration and other assets primarily include the deferred tax asset, cash and short term investments, as well as furniture and fixtures located at the corporate office.

Summarized in the following tables are net sales and operating revenues, depreciation and amortization expense, interest expense, interest income, operating profit, income tax expense, capital expenditures, and assets for the Company's reportable segments for the years ended June 27, 2004, June 29, 2003, and June 30, 2002 (in thousands):

	JUNE 27, 2004	JUNE 29, 2003	JUNE 30, 2002
NET SALES AND OPERATING REVENUES:			
Food and Equipment Distribution . .	$ 53,072	$ 51,556	$ 57,727
Franchise and Other	6,917	6,915	7,662
Intersegment revenues	640	664	806
Combined.	60,629	59,135	66,195
Other revenues.	223	311	1,253
Less intersegment revenues.	(640)	(664)	(806)
Consolidated revenues	$ 60,212	$ 58,782	$ 66,642
DEPRECIATION AND AMORTIZATION:			
Food and Equipment Distribution . .	$ 575	$ 806	$ 854
Franchise and Other	181	101	120
Combined.	756	907	974
Corporate administration and other.	377	496	363
Depreciation and amortization . .	$ 1,133	$ 1,403	$ 1,337
INTEREST EXPENSE:			
Food and Equipment Distribution . .	$ 365	$ 464	$ 520
Franchise and Other	4	5	5
Combined.	369	469	525
Corporate administration and other.	244	320	307
Interest Expense.	$ 613	$ 789	$ 832
INTEREST INCOME:			
Food and Equipment Distribution . .	$ 11	$ 24	$ 34
Franchise and Other	-	-	-
Combined.	11	24	34
Corporate administration and other.	18	55	99
Interest Income	$ 29	$ 79	$ 133
OPERATING PROFIT:			
Food and Equipment Distribution (1)	$ 2,897	$ 2,686	$ 2,772
Franchise and Other (1)	2,298	2,419	3,306
Intersegment profit	170	197	235
Combined.	5,365	5,302	6,313
Other revenue	223	311	1,253
Less intersegment profit.	(170)	(197)	(235)
Corporate administration and other.	(1,770)	(773)	(5,608)
Income before taxes	$ 3,648	$ 4,643	$ 1,723
INCOME TAX EXPENSE:			
Food and Equipment Distribution . .	$ 1,231	$ 896	$ 943
Franchise and Other	781	808	1,124
Combined.	2,012	1,704	2,067
Corporate administration and other.	(607)	(154)	(1,481)
Income tax expense.	$ 1,405	$ 1,550	$ 586

(1) Does not include full allocation of corporate administration

	JUNE 27, 2004	JUNE 29, 2003	JUNE 30, 2002
CAPITAL EXPENDITURES:			
Food and Equipment Distribution.	$ 161	$ 62	$ 8,499

Franchise and Other	1,159	76	82
Combined	1,320	138	8,581
Corporate administration and other	17	338	371
Consolidated capital expenditures	$ 1,337	$ 476	$ 8,952
ASSETS:			
Food and Equipment Distribution	$ 12,186	$ 10,963	$ 12,908
Franchise and Other	1,280	1,049	1,079
Combined	13,466	12,012	13,987
Corporate administration and other	7,440	8,784	10,331
Consolidated assets	$ 20,906	$ 20,796	$ 24,318
GEOGRAPHIC INFORMATION (REVENUES):			
United States	$ 58,793	$ 57,714	$ 66,124
Foreign countries	1,419	1,068	518
Consolidated total	$ 60,212	$ 58,782	$ 66,642
GEOGRAPHIC INFORMATION (PRE-TAX INCOME):			
United States	$ 2,901	$ 4,030	$ 1,282
Foreign countries	747	613	441
Consolidated total	$ 3,648	$ 4,643	$ 1,723

NOTE N - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED):

The following summarizes the unaudited quarterly results of operations for the fiscal years ended June 27, 2004 and June 29, 2003 (in thousands, except per share amounts):

	QUARTER ENDED			
	SEPTEMBER 28, 2003	DECEMBER 28, 2003	MARCH 28, 2004	JUNE 27, 2004
FISCAL YEAR 2004				
Revenues	$ 15,376	$ 14,769	$ 14,643	$ 15,424
Gross Profit	1,307	1,334	1,349	1,236
Net Income	504	558	617	564
Basic earnings per share on net income	0.05	0.06	0.06	0.06
Diluted earnings per share on net income	0.05	0.06	0.06	0.06

	QUARTER ENDED			
SEPTEMBER 29,	DECEMBER 29, 2002	MARCH 30, 2002	JUNE 29, 2003	2003
FISCAL YEAR 2003				
Revenues	$ 15,361	$ 15,164	$ 14,198	$ 14,059
Gross Profit	1,592	1,561	1,195	1,405
Net Income	303	1,892	376	522
Basic earnings per share on net income	0.03	0.19	0.04	0.05
Diluted earnings per share on net income	0.03	0.19	0.04	0.05

SCHEDULE II
PIZZA INN, INC.
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

		ADDITIONS			
	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COST AND EXPENSE	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD

ALLOWANCE FOR DOUBTFUL ACCOUNTS AND NOTES RECEIVABLE					
Year Ended June 27, 2004.	$ 916	$ 35	$ -	$ (579) (1)	$ 372
Year Ended June 29, 2003.	$ 2,953	$ 155	$ -	$ (2,192) (1)	$ 916
Year Ended June 30, 2002.	$ 1,001	$ 2,367	$ -	$ (415) (1)	$2,953

(1) Write-off of receivables, net of recoveries. For additional information related to the recovery in fiscal year 2002, refer to Note J in the Company's consolidated financial statements.

VALUATION ALLOWANCE FOR DEFERRED TAX ASSET					
Year Ended June 27, 2004	$ 153	$ -	$ -	$ (16)	$137
Year Ended June 29, 2003	$ 225	$ -	$ -	$ (72)	$153
Year Ended June 30, 2002	$ 38	$ 187	$ -	$ -	$225

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There are no events to report under this item.

ITEM 9A - CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting during the year ended June 27, 2004 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B - FORM 8-K FILED UNDER ITEM 5 - OTHER EVENTS

On June 16, 2004 the Company filed a report on Form 8-K, reporting the resignation of the Company's Senior Vice President - Corporate Development and General Counsel.

On June 14, 2004 the Company filed a report on Form 8-K, reporting the repayment of the remaining balance on a note by the Company's Chief Executive Officer.

On June 8, 2004 the Company filed a report on Form 8-K, reporting a letter to Pizza Inn Shareholders from the Company's President and Chief Executive Officer, Ronald W. Parker.

On May 24, 2004 the Company filed a report on Form 8-K, reporting the announcement of reduction in staff and expenses of more than $1 million to benefit the Company's franchisees.

On April 23, 2004 the Company filed a report on Form 8-K, reporting a press release with respect to earnings for the third quarter ended March 28, 2004.

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is included in the Company's definitive Proxy Statement to be filed pursuant to Regulation 14a in connection with the Company's annual meeting of shareholders to be held in December 2004 (the "Proxy Statement"), and is incorporated herein by reference.

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this Item is included in the Proxy Statement and is incorporated herein by reference.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is included in the Proxy Statement and is incorporated herein by reference.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is included in the Proxy Statement and is incorporated herein by reference.

ITEM 14- PRINCIPAL ACCOUNTANTS FEES AND SERVICES

The information required by this Item is included in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON 8-K

(a) 1. The financial statements filed as part of this report are listed in the Index to Financial Statements and Schedules under Part II, Item 8 of this Form 10-K.

2. The financial statement schedules filed as part of this report are listed in the Index to Financial Statements and Schedules under Part II, Item 8 of this Form 10-K.

3. Exhibits:

3.1 Restated Articles of Incorporation as filed on September 5, 1990 and amended on February 16,1993 (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 1993 and incorporated herein by reference).

3.2 Amended and Restated By-Laws as adopted by the Board of Directors on July 11, 2000. (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended June 24, 2001 and incorporated herein by reference).

3.3 Amended and Restated By-Laws as adopted by the Board of Directors on October 8, 2002. (filed as Item 9 on Form 8-K on October 9, 2002 and incorporated herein by reference).

3.4 Amended and Restated By-Laws as adopted by the Board of Directors on December 18, 2002. (filed as Item 5 on Form 8-K on December 23, 2002 and incorporated herein by reference).

3.5 Amended and Restated By-Laws as adopted by the Board of Directors on February 11, 2004 (filed as Item 5 on 8-K on February 11, 2004 and incorporated herein by reference).

4.1 Provisions regarding Common Stock in Article IV of the Restated Articles of Incorporation, as amended (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 1999 and incorporated herein by reference).

4.2 Provisions regarding Redeemable Preferred Stock in Article V of the Restated Articles of Incorporation, as amended (filed as Exhibit 3.1 to this Report and incorporated herein by reference).

10.1 Second amended and Restated Loan Agreement between the Company and Wells Fargo Bank (Texas), N.A. dated March 31, 2000 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 26, 2000 and incorporated herein by reference).

10.2 First Amendment to the Second Amendment and Restated Loan Agreement between the Company and Wells Fargo Bank (Texas), N.A. dated December 28, 2000 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 24, 2000 and incorporated herein by reference).

10.3 Second Amendment to the Second Amended and Restated Loan Agreement between the Company and Wells Fargo Bank (Texas), N.A. dated January 31, 2002, but effective December 23, 2001 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 23, 2001 and incorporated herein by reference).

10.4 Third Amendment to the Second Amended and Restated Loan Agreement between the Company and Wells Fargo Bank (Texas), N.A. dated September 26, 2002, but effective June 30, 2002. (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2002 and incorporated herein by reference).

10.5 Third Amended and Restated Loan Agreement between the Company and Wells Fargo Bank (Texas), N.A. dated January 22, 2003 but effective December 29, 2002. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 29, 2002 and incorporated herein by reference).

10.6 Construction Loan Agreement between the Company and Wells Fargo Bank (Texas) N.A. dated December 28, 2000 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 24, 2000 and incorporated herein by reference).

10.7 Promissory Note between the Company and Wells Fargo Bank (Texas) N.A. dated December 28, 2000 (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 24, 2000 and incorporated herein by reference).

10.8 Promissory Note between the Company and Wells Fargo Bank (Texas), N.A. dated January 31, 2002 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 23, 2001 and incorporated herein by reference).

10.9 Stock Purchase Agreement between the Company and Kleinwort Benson Limited dated April 28, 1995 (filed as Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 26, 1995 and incorporated herein by reference).

10.10 Redemption Agreement between the Company and Kleinwort Benson Limited dated June 24, 1994 (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 1994 and incorporated herein by reference.)

10.11 Form of Executive Employment Contract (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 29, 2002 and incorporated herein by reference).*

10.12 Employment Agreement between the Company and Ronald W. Parker dated December 16, 2002 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 29, 2002 and incorporated herein by reference).*

10.13 Severance agreement between the Company and C. Jeffrey Rogers dated August 21, 2002. (filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2002 and incorporated herein by reference).

10.14 1993 Stock Award Plan of the Company (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 1994 and incorporated herein by reference).*

10.15 1993 Outside Directors Stock Award Plan of the Company (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 1994 and incorporated herein by reference).*

10.16 1992 Stock Award Plan of the Company (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 1993 and incorporated herein by reference).*

21.0 List of Subsidiaries of the Company (filed as Exhibit 21.0 to the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 1994 and incorporated herein by reference).

23.1 Consent of Independent Registered Public Accounting Firm.

23.2 Consent of Independent Registered Public Accounting Firm.

31.1 Certification of Chief Executive Officer as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Principal Financial Officer as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Principal Financial Officer as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Denotes a management contract or compensatory plan or arrangement filed pursuant to Item 15 (a) of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 24, 2004 By: /s/ Shawn M. Preator
Shawn M. Preator
Chief Financial Officer
Treasurer
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name and Position	Date
/s/ Bobby L. Clairday Bobby L. Clairday Director	September 24, 2004
/s/Robert B. Page Robert B. Page Director	September 24, 2004
/s/ Ronald W. Parker Ronald W. Parker President and Chief Executive Officer (Principal Executive Officer) Director	September 24, 2004
/s/Ramon D. Phillips Ramon D. Phillips Director and Vice Chairman of the Board	September 24, 2004
/s/ Butler E. Powell Butler E. Powell Director	September 24, 2004
/s/ Steven J. Pully Steven J. Pully Director	September 24, 2004
/s/Mark E. Schwarz Mark E. Schwarz Director and Chairman of the Board	September 24, 2004

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 33-56590, 33-71700, as amended by Post-Effective Amendments No. One and Two, 333-77617, and 333-76296) of Pizza Inn, Inc. of our report dated September 25, 2003 relating to the consolidated financial statements and financial statement schedule, which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Dallas, Texas
September 23, 2004

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 33-56590, 33-71700, as amended by Post-Effective Amendments No. One and Two, 333-77617, and 333-76296) of Pizza Inn, Inc. of our report dated August 23, 2004 relating to the consolidated financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ BDO Seidman LLP
BDO Seidman, LLP

Dallas, Texas
September 23, 2004

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 3.22 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald W. Parker, President and Chief Executive Officer of Pizza Inn, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Pizza Inn, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fourth quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 24, 2004 By:/s/ Ronald W. Parker

President and Chief Executive Officer
(Principal Executive Officer)
Director

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 3.22 OF THE SARBANES-OXLEY ACT OF 2002

I, Shawn M. Preator, Chief Financial Officer (Principal Accounting Officer) of Pizza Inn, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Pizza Inn, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fourth quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 24, 2004 By:/s/ Shawn M. Preator

Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is intended to accompany the Annual Report of Pizza Inn, Inc. (the "Company") on Form 10-K for the period ended June 27, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), and is given solely for the purpose of satisfying the requirements of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. The undersigned, in my capacity as set forth below, hereby certifies that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 24, 2004 By:/s/ Ronald W. Parker

President and Chief Executive Officer
(Principal Executive Officer)
Director

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is intended to accompany the Annual Report of Pizza Inn, Inc. (the "Company") on Form 10-K for the period ended June 27, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), and is given solely for the purpose of satisfying the requirements of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. The undersigned, in my capacity as set forth below, hereby certifies that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

1. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 24, 2004 By: /s/ Shawn M. Preator

Chief Financial Officer