

BOSTON PIZZA ROYALTIES INCOME FUND
Q3 | THIRD QUARTER REPORT TO UNITHOLDERS
FOR THE PERIOD JULY 1, 2005 TO SEPTEMBER 30, 2005



glossary

FUND	Boston Pizza Royalties Income Fund
PARTNERSHIP	Boston Pizza Royalties Limited Partnership
BPI	Boston Pizza International Inc.
IPO	Initial Public Offering – date July 17, 2002
GROSS SALES /SYSTEM SALES	Gross revenue generated from Boston Pizza restaurants across Canada
FRANCHISE SALES	Gross revenue generated from Boston Pizza restaurants across Canada, less sales generated from alcohol, tobacco and Boston Pizza International Inc. approved national promotions and discounts
SALES GROWTH	The increase in gross revenue generated from Boston Pizza restaurants across Canada over a previous period
SSSG	Same store sales growth – refers to the overall increase in gross sales of Boston Pizza restaurants that have been opened for a minimum of 24 months
FULL SERVICE RESTAURANTS	Establishments that may sell alcoholic beverages, provide take-out services, operate a bar, or present live entertainment in addition to serving food and non-alcoholic beverages. This industry includes full-service establishments known as fine-dining restaurants, family restaurants and restaurant-bars. Source: Statistics Canada
CASUAL DINING	\$10-\$20 average cheque, full table service, themed atmosphere, generally little take-out service
CRFA	Canadian Restaurant and Foodservices Association
FISCAL YEAR	As it applies to the Fund, for 2002 means July 17 to December 31, after January 1, 2003 means January 1 to December 31. As it applies to BPI, prior to 2002 it means September 1 to August 31, after September 1, 2002 it means for the remainder of calendar 2002, after January 1, 2003 it means January 1 to December 31.
ROYALTY POOL	In any period, those Boston Pizza restaurants on which royalty equating to 4% of franchise sales/revenue is to be paid to the Fund.
NON-CONTROLLING INTEREST	BPI's indirect interest in the Fund.
20-DAY WEIGHTED AVERAGE UNIT PRICE	As at any date or for any period, the weighted average price at which the Units have traded on a Stock Exchange during the period of 20 consecutive trading days ending on the fifth trading day before such date or the end of the period. The weighed average price is defined as the amount obtained by dividing the aggregate sale price of all of the Units traded on the relevant Stock Exchange during such period divided by the total number of Units so traded.
BP RIGHTS	(a) All rights in Canada to certain registered trademarks and pending applications for trademarks, including “Boston Pizza”, “BP & Design”, “BP’s Lounge”, “BP’s Bistro”, “Boston’s The Gourmet Pizza”, “Boston Pizza Quick Express”, “Boston Pizza Restaurant & Sports Bar” (b) All rights in Canada in certain unregistered trade-marks and trade names used in the business of BPI; and (c) Certain goodwill associated with the items referenced in (a) and (b) above.

Letter from the Chairman of Boston Pizza Royalties Income Fund

On behalf of the Trustees of the Boston Pizza Royalties Income Fund (the "Fund"), I am pleased to present the third Quarterly Report for 2005. The report covers the fiscal period from July 1, 2005 to September 30, 2005 (the "Period") and the year-to-date results from January 1, 2005 to September 30, 2005 ("Year-to-date"). Results are also available on the Fund's website at www.bpincomefund.com and we encourage you to visit our website to follow new developments on Fund activities.

Highlights

The third quarter of 2005 continued to deliver positive results as the Fund was able to provide Unitholders with the second increase in monthly distributions for 2005. Distributions increased for the month of September from 9.9 cents per unit to 10.1 cents per unit; an increase of 2.0% and the seventh increase since the Fund's Initial Public Offering ("IPO") in July 2002. Boston Pizza continued to open new restaurants and continued to experience very positive same store sales growth ("SSSG"). During the Period SSSG was 8.7%. Year-to-date SSSG was 7.0%. Boston Pizza restaurants across Canada have achieved positive SSSG each and every period since the Fund's IPO.

Boston Pizza continued to expand its presence across Canada opening nine new restaurants during the Period with zero closures. Year-to-date Boston Pizza has opened 17 new restaurants across Canada with zero closures. During the Period the first Boston Pizza restaurant opened in the province of Quebec. As of November 10, 2005 there are now four Boston Pizza restaurants open in Quebec. Preliminary sales indicate that the brand is being well received in Quebec as the average weekly sales volumes of each of these four new restaurants are exceeding the national average. As well, five restaurants were renovated during the Period and a total of 14 have been renovated Year-to-date.

Royalty Income increased 19.2% over the same period in 2004 and 17.6% Year-to-date based on the combination of SSSG and the addition of 18 new restaurants to the Royalty Pool on January 1, 2005 increasing the total Royalty Pool restaurants from 177 to 195.

Net earnings per unit increased 6.7% over the same period last year, growing from \$0.30 per unit in the third quarter of 2004 to \$0.32 per unit in the third quarter of 2005. Year-to-date net earnings increased by 4.7% from \$0.85 to \$0.89. Declared distributions increased by 4.9% from \$0.29 to \$0.30 compared to the same period in 2004. Year-to-date declared distributions increased by 7.3% from \$0.82 to \$0.88.

Changes in Accounting Policy

Based on review and discussion with external auditors, the Fund adopted a new guideline of the Canadian Institute of Chartered Accountants referred to as AcG-15, Consolidation of Variable Interest Entities ("AcG-15") effective January 1, 2005. As a result of this new guideline, the Fund no longer consolidates the results of the Boston Pizza Royalties Limited Partnership (the "Partnership"), which owns the Boston Pizza trade marks and trade names but instead accounts for its investment in the Partnership on an equity basis.

Based on this same guideline, Boston Pizza International Inc., ("BPI") the operating company that pays the royalty to the Partnership, will now be consolidated with the Partnership. Previously, BPI accounted for its investment in the Partnership on an equity basis. As required under the new guideline, AcG-15 has been applied retroactively to reporting periods from July 17, 2002, the date of formation of the Partnership, with restatement of prior periods.

Letter from the Chairman of Boston Pizza Royalties Income Fund

While adoption of this new guideline is required in accordance with generally accepted accounting principles, please note that this is a change in the basis of accounting only. There is no change in the underlying business of the Fund or its ownership or any of the contractual arrangements between the entities that comprise the Fund.

Earnings and distributable cash attributable per Fund unit are not impacted by these presentation changes in any way and future business of the Fund will be conducted in exactly the same manner as in the past. Governance of Fund activities will also carry on as before with an independent Board of Trustees continuing to oversee Fund activities.

Outlook

BPI management continues to focus on opening new restaurants and delivering industry-leading SSSG. SSSG, the primary driver of distribution yield growth for individual Unitholders, will continue to be achieved through executing effective national and local marketing promotions, superior customer service, and Boston Pizza's unique renovation program, which requires that each Boston Pizza location conduct a full renovation every seven years. Previously BPI management estimated that 18 renovations would be completed in 2005. We are pleased to advise that BPI and its franchisees have been able to accelerate construction schedules and more Boston Pizza restaurants will be renovated in 2005. Eight renovations are planned for the remainder of 2005 bringing the total number of restaurants renovated across Canada in 2005 to 22. Historically SSSG for renovated locations has been between 10-15% in the year following the renovation.

BPI management believes that they will continue to successfully develop the Boston Pizza brand in new markets and strengthen Boston Pizza's position as Canada's number one casual dining brand. As of November 10, BPI has opened 30 full service restaurants and one Quick Express location across Canada in 2005. BPI opened more new restaurants in 2005 than any other year in the organization's history. In 2006, BPI estimates that it will exceed 2005 new store openings results and will open 30 to 40 new locations across Canada. The Company is on track to open 100-125 new restaurants across Canada over the next five years. Opening these new locations will support the continuing enhancement of the Boston Pizza brand. With 226 restaurants stretching from Victoria to Halifax, Boston Pizza has more locations and serves more customers annually than any other casual dining brand in Canada.

The Board of Trustees will periodically review distribution levels and our criteria will continue to be to distribute all available cash in order to maximize returns to Unitholders. Any changes to distributions will be implemented, to the extent possible, in a manner that will allow the Fund to maintain the uniformity of distributions.

In closing, I would like to thank each Unitholder for your continued support and for the confidence you have demonstrated by investing in the Fund.

On behalf of the Board of Trustees,



John Cowperthwaite, FCA
Chairman, Boston Pizza Royalties Income Fund

Management's Discussion and Analysis

Boston Pizza Royalties Income Fund

2005-Q3

Financial Highlights

The tables below set out selected historical information and other data from the financial statements of the Boston Pizza Royalties Income Fund (the "Fund") and the Boston Pizza Royalties Limited Partnership (the "Partnership"). The tables should be read in conjunction with the attached financial statements.

Equity and interest income earned by the Fund through its interest in the Partnership has been derived as shown in the tables below.

Changes in Accounting Policies

In accordance with CICA guideline AcG-15, Consolidation of Variable Interest Entities which is applicable effective January 1, 2005, the consolidation of the Fund no longer includes the Partnership. In accordance with AcG-15, the Partnership is now consolidated with Boston Pizza International Inc. ("BPI") and the Fund now accounts for the Partnership on an equity basis. For a more detailed explanation of the effects of AcG-15, refer to Note 1, Basis of Presentation in the attached financial statements.

Readers should note that this is a change in the basis of accounting only with no impact on the conduct of the business of BPI or the Fund in any way.

Management's Discussion and Analysis
Boston Pizza Royalties Income Fund
2005-Q3

	Jul. 1, 2005 to Sep. 30, 2005	Jul. 1, 2004 to Sep. 30, 2004	Jan. 1, 2005 to Sep. 30, 2005	Jan. 1, 2004 to Sep. 30, 2004
(in thousands of dollars – except restaurants and per unit items)				
Restaurants in Royalty Pool	195	177	195	177
Franchise Sales reported by restaurants in Royalty Pool	\$104,544	\$87,692	\$291,008	\$247,352
Royalty Income – 4% of Franchise Sales of Royalty Pool Restaurants	\$4,182	\$3,508	\$11,640	\$9,895
Partnership administrative and interest expenses	\$199	\$178	\$686	\$527
Partnership earnings for the period before undernoted	\$3,983	\$3,330	\$10,954	\$9,368
BPI's Interest	\$1,312	\$1,160	\$3,877	\$3,474
Equity income related to BPI royalties earned by the Fund	\$2,671	\$2,170	\$7,077	\$5,894
Interest Income	\$450	\$450	\$1,350	\$1,350
Net Earnings	\$3,121	\$2,620	\$8,427	\$7,244
Basic and diluted earnings per Fund unit	\$0.32	\$0.30	\$0.89	\$0.85
Distributions declared per Fund unit	\$0.30	\$0.29	\$0.80	\$0.73
Same Store Sales Growth	8.7%	6.1%	7.0%	7.4%
Number of restaurants opened during Period	9	5	17	14
Number of restaurants closed during Period	0	0	0	0

	September 30, 2005	December 31, 2004
(in thousands of dollars)		
Total Assets	\$101,976	\$87,644
Total Liabilities	\$0	\$844

Management's Discussion and Analysis
Boston Pizza Royalties Income Fund
2005-Q3

	Q3 2005	Q2 2005	Q1 2005	Q4 2004
(in thousands of dollars – except restaurants and per unit items)				
Restaurants in the Royalty Pool	195	195	195	177
Franchise Sales reported by restaurants in the Royalty Pool	\$ 104,544	\$ 97,683	\$ 88,780	\$ 82,541
Royalty income – 4% of Franchise Sales of Royalty Pool Restaurants	\$ 4,182	\$ 3,907	\$ 3,551	\$ 3,302
Partnership administrative and interest expenses	(199)	(292)	(196)	(213)
Partnership earnings for the period before undernoted BPI's interest	\$ 3,983 (1,312)	\$ 3,615 (1,232)	\$ 3,355 (1,332)	\$ 3,091 (1,109)
Equity income related to BPI royalties earned by Fund	\$ 2,671	\$ 2,383	\$ 2,023	\$ 1,982
Interest income	450	450	450	450
Net earnings	\$ 3,121	\$ 2,833	\$ 2,473	\$ 2,432
Basic and diluted earnings per Fund unit	\$ 0.32	\$ 0.29	\$ 0.27	\$ 0.29
Distributions declared per Fund unit	\$ 0.30	\$ 0.29	\$ 0.19	\$ 0.38

Management's Discussion and Analysis
 Boston Pizza Royalties Income Fund
 2005-Q3

	Q3 2004	Q2 2004	Q1 2004	Q4 2003
(in thousands of dollars –except restaurants and per unit items)				
Restaurants in the Royalty Pool	177	177	177	162
Franchise Sales reported by restaurants in the Royalty Pool	\$ 87,692	\$ 82,519	\$ 77,140	\$ 72,868
Royalty income – 4% of Franchise Sales of Royalty Pool Restaurants	\$ 3,508	\$ 3,301	\$ 3,086	\$ 2,915
Partnership administrative and interest expenses	(179)	(191)	(157)	(224)
Partnership earnings for the period before undernoted BPI's interest	\$ 3,330 (1,160)	\$ 3,111 (1,114)	\$ 2,931 (1,204)	\$ 2,692 (1,075)
Equity income related to BPI royalties earned by Fund	\$ 2,170	\$ 1,997	\$ 1,727	\$ 1,617
Interest income	450	450	450	450
Net earnings	\$ 2,620	\$ 2,447	\$ 2,177	\$ 2,067
Basic and diluted earnings per Fund unit	\$ 0.30	\$ 0.28	\$ 0.26	\$ 0.26
Distributions declared per Fund unit	\$ 0.29	\$ 0.27	\$ 0.17	\$ 0.35

Management's Discussion and Analysis

Boston Pizza Royalties Income Fund

2005-Q3

Overview

This Quarterly Report covers the period of July 1, 2005 to September 30, 2005 (the "Period") and the year-to-date results from January 1, 2005 to September 30, 2005 ("Year-to-date"). The Management Discussion and Analysis of the results for this Period is dated November 10, 2005. A copy of this Quarterly Report and additional information about the Fund is available at www.sedar.com or www.bpincomefund.com.

The Fund indirectly owns the Canadian trademarks for Boston Pizza (the "BP Rights"¹), Canada's number one casual dining brand. The Fund has licensed the BP Rights to BPI in return for a 4% royalty of Franchise Sales of those Boston Pizza restaurants included in the specific royalty pool (the "Royalty Pool"). There were 195 restaurants in the Royalty Pool for the Period.

On January 1 of each year ("Adjustment Date"), an adjustment is made to add to the Royalty Pool new Boston Pizza restaurants that opened prior to that Adjustment Date. In return for adding this additional royalty revenue, BPI receives the right to indirectly acquire additional Fund units (the "Additional Entitlements"). The adjustment for new Franchise Sales added to the Royalty Pool is designed to be accretive for Unitholders. The Additional Entitlements are calculated at 92.5% of the royalty revenue added to the Royalty Pool, divided by the yield of the Fund, divided by the Weighted Average Unit Price. BPI receives 80% of the Additional Entitlements initially, with the balance received when the actual full year performance of the new restaurants is known with certainty. BPI receives 100% of distributions from the Additional Entitlements throughout the year. Once these new restaurants have been part of the Royalty Pool for a full year, an audit of the royalty revenues of these restaurants received from BPI will be performed. At such time an adjustment will be made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI.

A key attribute of the Fund structure is the fact that it is a "top-line" fund. Royalty income of the Fund is based on top-line revenue of Royalty Pool restaurants and is not determined by the profitability of either BPI or the Boston Pizza restaurants in the Royalty Pool. Given this structure, the success of the Fund depends primarily on the ability of BPI to maintain and increase Franchise Sales of the Royalty Pool.

Increases in Franchise Sales are derived from both new Boston Pizza restaurants and Same Store Sales Growth ("SSSG"). The key metric for yield growth of the Fund is SSSG. SSSG from existing restaurants is dependent on maintaining operational excellence within each Boston Pizza restaurant, general market conditions, pricing, and marketing programs undertaken by BPI. One of BPI's competitive strengths in increasing Franchise Sales of existing locations is that BPI's Franchise Agreement requires that each Boston Pizza restaurant undergo a complete store renovation every seven years as well as complete any equipment upgrades as required by BPI. Following a complete store renovation, Franchise Sales for renovated locations have historically increased by an average of 10-15%.

¹ BP Rights are the trademarks that as at July 17, 2002 were registered or the subject of pending applications for registration under the Trademarks Act (Canada), and other trademarks and the trade names which are confusing with the registered or pending trademarks. The BP Rights purchased do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the Trademarks Act (Canada).

Management's Discussion and Analysis

Boston Pizza Royalties Income Fund

2005-Q3

Franchise Sales are also affected by the permanent closures of Boston Pizza restaurants. A Boston Pizza restaurant is closed when it ceases to be viable or when BPI has agreed with the franchisee to terminate the Franchise Agreement. BPI has a very low restaurant closure rate. There were zero closures for the Period and, in fact, zero Boston Pizza restaurants have closed in the last four years, a statistic significantly below the industry average. In the event that a location closes, the Fund has a make-whole provision agreement with BPI whereby BPI will replenish the royalties that would have been paid to the Fund.

The following information provides additional analysis of the operations and financial position of the Fund and should be read in conjunction with the consolidated financial statements and accompanying notes. The interim consolidated financial statements are in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles. *Readers should note that the 2005 results are not directly comparable with the 2004 results due to the fact that there were 195 restaurants in the Royalty Pool for the 2005 Period and 177 restaurants in the Royalty Pool for the 2004 period.*

Operating Results

For the Period Boston Pizza continued to post positive growth. Franchise Sales growth of royalty pool restaurants was 19.2% for the Period and 17.6% Year-to-date. This was achieved through SSSG and the addition of 18 new restaurants to the royalty pool on January 1, 2005.

SSSG

SSSG, the key driver of yield growth for individual Unitholders of the Fund, was 8.7% for the Period and 7.0% Year-to-date. SSSG is the combined result of increased customer traffic and increased average guest check.

New Store Openings and Renovations

During the Period, nine new Boston Pizza restaurants were opened and there were zero closures. Year-to-date 17 new restaurants have opened with zero closures. During the Period the first Boston Pizza restaurant opened in the province of Quebec. As of November 10, 2005 there are now four Boston Pizza restaurants open in the province of Quebec. Preliminary sales indicate that the brand is being well received in Quebec as the average weekly sales volumes of each of these four new restaurants are exceeding the national average. As well, during the Period five Boston Pizza restaurants were renovated with a total of 14 restaurants renovated Year-to-date. Typically, locations are closed for two to three weeks for renovation. BPI's unique renovation program is a proven sales builder. Newly renovated locations typically experience a sales increase of 10% - 15% in the year following the renovation.

Management's Discussion and Analysis

Boston Pizza Royalties Income Fund

2005-Q3

Third Quarter Operating Results

Revenues

Royalty income earned by the Partnership was \$4,181,776 for the Period based on the Royalty Pool of 195 Boston Pizza restaurants in Canada reporting Franchise Sales of \$104,544,395. For the same period in 2004 Royalty Income was \$3,507,698 based on the Royalty Pool of 177 Boston Pizza restaurants in Canada reporting Franchise Sales of \$87,692,452. Interest income earned by the Fund was \$450,000 for the Period and \$450,000 for the comparative period in 2004. Interest income is derived from the \$24.0 million loan from the Fund to BPI. The interest on this loan is paid monthly by BPI at a rate of 7.5% per annum.

Operating Expenses

Partnership expenses for the Period were \$198,696 including \$63,801 of interest expense on its \$5 million term loan, \$3,550 for amortization of deferred financing charges on its credit facilities, and \$131,345 for general and administrative expense. For the same period in 2004 expenses were \$179,221 including \$57,465 of interest expense on its \$5 million term loan, \$8,200 for amortization of deferred financing charges on its credit facilities, and \$113,556 for general and administrative expense. The general and administrative expenses are comprised mainly of professional fees, insurance premiums, transfer agent costs, and trustee fees. The increase in general and administrative expenses during the Period over the same period in 2004 was attributable to increases in legal fees, printing costs, annual general meeting costs, trustee fees, and increased accounting fees due to regulatory requirements.

The Fund's earnings during the Period were \$3,121,030 net of BPI's interest of \$1,312,064. For the same period in 2004, the Fund's earnings were \$2,619,932 net of BPI's interest of \$1,160,382.

Distributions

Net earnings of the Fund were \$3,121,030 or \$0.32 per unit with the Fund declaring distributions of \$2,876,398 or \$0.30 per unit for the Period. During the same period in 2004 period net earnings were \$2,619,932 or \$0.30 per unit and distributions of \$2,487,669 or \$0.29 per unit were declared. Distributions for the Period were as follows:

Period	Payment Date	Amount/unit
July 1-31, 2005	August 31, 2005	9.90¢
August 1-31, 2005	September 30, 2005	9.90¢
September 1-30, 2005	October 31, 2005*	10.10¢

*Declared and paid subsequent to the Period

Distributions for the Period were funded entirely by cash flow from operations. No debt was incurred at any point during the Period to fund distributions.

Management's Discussion and Analysis

Boston Pizza Royalties Income Fund

2005-Q3

Year-To-Date Operating Results

Revenues

Royalty income earned by the Partnership was \$11,640,315 Year-to-date based on the Royalty Pool of 195 Boston Pizza restaurants in Canada reporting Franchise Sales of \$291,007,879. In 2004 the Year-to-date Royalty Income was \$9,894,072 based on the Royalty Pool of 177 Boston Pizza restaurants in Canada reporting Franchise Sales of \$247,351,802. Interest income earned by the Fund was \$1,350,000 Year-to-date and \$1,350,000 for the comparative Year-to-date period in 2004. Interest income is derived from the \$24.0 million loan from the Fund to BPI. The interest on this loan is paid monthly by BPI at a rate of 7.5% per annum.

Operating Expenses

Year-to-date Partnership expenses were \$686,463 including \$187,774 of interest expense on its \$5 million term loan, \$20,650 for amortization of deferred financing charges on its credit facilities, and \$478,039 for general and administrative expense. In 2004 Year-to-date expenses were \$527,009 including \$176,027 of interest expense on its \$5 million term loan, \$23,200 for amortization of deferred financing charges on its credit facilities, and \$327,782 for general and administrative expense. The general and administrative expenses are comprised mainly of professional fees, insurance premiums, transfer agent costs, and trustee fees. The increase in general and administrative expenses Year-to-date over the same period in 2004 was attributable to increases in legal fees, printing costs, annual general meeting costs, trustee fees, and increased accounting fees due to regulatory requirements.

The Fund's Year-to-date earnings were \$8,427,407 net of BPI's interest of \$3,876,972. In 2004 the Fund's Year-to-date earnings were \$7,244,142 net of BPI's interest of \$3,474,022.

Distributions

Net earnings of the Fund were \$8,427,407 or \$0.89 per unit with the Fund declaring distributions of \$7,488,832 or \$0.78 per unit Year-to-date. In 2004 Year-to-date net earnings were \$7,244,142 or \$0.85 per unit and distributions of \$6,300,678 or \$0.73 per unit were declared. Distributions for the Period were as follows:

Period	Payment Date	Amount/unit
January 1-31, 2005	February 28, 2005	9.67¢
February 1-28, 2005	March 31, 2005	9.67¢
March 1-31, 2005	April 29, 2005	9.67¢
April 1-30, 2005	May 31, 2005	9.67¢
May 1-31, 2005	June 30, 2005	9.90¢
June 1-30, 2005	July 31, 2005*	9.90¢
July 1-31, 2005	August 31, 2005	9.90¢
August 1-31, 2005	September 30, 2005	9.90¢
September 1-30, 2005	October 31, 2005*	10.10¢

*Declared and paid subsequent to the Period

Distributions Year-to-date were funded entirely by cash flow from operations. No debt was incurred at any point in 2005 to fund distributions. It should also be noted that since the IPO over three years ago, the Fund has never incurred debt to fund distributions.

Management's Discussion and Analysis

Boston Pizza Royalties Income Fund

2005-Q3

New Restaurants Added to the Royalty Pool

On January 1, 2005, 18 new Boston Pizza restaurants were added to the Royalty Pool; the locations opened during the period November 2, 2003 to November 1, 2004. In return for adding the royalty revenue from these 18 new restaurants to the Royalty Pool, BPI received the right to acquire an additional 1,033,746 units of the Fund. The 1,033,746 represents 80% (1,292,182 represents 100%) of the Additional Entitlements with the balance received when the actual full year performance of the new restaurants is known with certainty. The 1,033,746 Additional Entitlements represented 8.65% of the Fund units on a fully diluted basis. BPI also receives a proportionate increase in monthly distributions based on 100% of the Additional Entitlements. The calculation for the number of Additional Entitlements received by BPI is designed to be accretive to existing Fund Unitholders as the additional royalty revenues from the new restaurants are licensed to the Fund at a 7.5% discount. The estimated royalty revenue the Fund will receive in 2005 from these additional 18 restaurants is \$1,555,508. The royalty revenue for the purposes of calculating the Additional Entitlements, therefore, was \$1,438,845 or 92.5%. Once the actual performance of these 18 restaurants for 2005 is known, the number of Additional Entitlements will be adjusted in 2006 to reflect the actual royalty revenue received by the Fund in 2005. As of January 1, 2005, there were 195 restaurants in the Royalty Pool.

As of November 10, 2005 there were 9,684,841 Fund units issued – 12,106,052 on a fully diluted basis – and BPI had a 20% indirect interest in the Fund. BPI has committed to maintain a minimum 20% indirect interest in the Fund until there are 275 restaurants in the Royalty Pool.

Subsequent Events

Subsequent to September 30, 2005, Boston Pizza opened 13 new restaurants plus one new Quick Express location bringing the total number of locations open as of November 10, 2005, to 226. As well subsequent to the end of the Period three locations completed renovations. As of November 10, 2005, 17 locations have completed renovations.

Management's Discussion and Analysis

Boston Pizza Royalties Income Fund

2005-Q3

Liquidity & Capital Resources

The Fund's distribution policy is to distribute all available cash in order to maximize returns to Unitholders. In light of small seasonal variations that are inherent to the restaurant industry, the Fund's policy is to make equal distribution payments to Unitholders on a monthly basis in order to smooth out these fluctuations. Any further increase in distributions will be implemented to the extent possible, in such a manner so that the continuity of uniform monthly distributions is maintained, while making provisions for working capital due to seasonal variations of Boston Pizza restaurant sales.

As of September 30, 2005 working capital of the Fund taken together with working capital of the Partnership totaled \$1,807,649. In addition, the \$1 million operating line of credit in the Partnership remains 100% available.

Subsequent to the Period, September's distribution of \$0.101 was declared and paid on October 31, 2005.

Outlook

Boston Pizza is well positioned for future growth and continues to strengthen its position as the number one casual dining brand in Canada. As of November 10, BPI has opened a total of 30 restaurants plus one Quick Express location across Canada in 2005, more than any other year in the organization's history. In 2006, BPI estimates that it will exceed 2005 new store openings results and will open 30 to 40 new locations across Canada. The Company is on track to open 100-125 new restaurants across Canada over the next five years. Opening these new locations will support the continuing enhancement of the Boston Pizza brand as well being beneficial to Unitholders, as adding new restaurants to the Royalty Pool is designed to be accretive for Unitholders. In addition, BPI Management anticipates that the organization can continue to deliver industry-leading SSSG from national and local marketing programs and BPI's unique renovation program that requires each location to renovate every seven years. Previously BPI estimated that 18 renovations would be completed in 2005. BPI and its franchisees have been able to accelerate construction schedules and more Boston Pizza restaurants will be renovated in 2005. Eight renovations are planned for the remainder of 2005 bringing the total number of restaurants renovated across Canada in 2005 to 22. Management will continue to pursue further development in Western Canada, Ontario, and the Maritimes while aggressively pursuing additional opportunities in Quebec.

As with all forward-looking statements, due care and caution should be employed to ensure that appropriate interpretation is made. Please refer to note 1 at the end of this document for further clarification.

Management's Discussion and Analysis

Boston Pizza Royalties Income Fund

2005-Q3

Risks & Uncertainties

The Restaurant Industry

The performance of the Fund is directly dependent upon the royalty and interest payments received from BPI. The amount of royalty received from BPI is dependent on various factors that may affect the casual dining sector of the restaurant industry. The restaurant industry generally, and in particular the casual dining sector, is intensely competitive with respect to price, service, location and food quality. Competitors include national and regional chains, as well as independently owned restaurants. If BPI and the Boston Pizza franchisees are unable to successfully compete in the casual dining sector, Franchise Sales may be adversely affected; the amount of royalty reduced and the ability of BPI to pay the royalty or interest on the BP Loan may be impaired. The restaurant industry is also affected by changes in demographic trends, traffic patterns, and the type, number, and location of competing restaurants. In addition, factors such as government regulations, smoking bylaws, inflation, publicity from any food borne illnesses, increased food, labour and benefits costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and therefore potentially Boston Pizza Franchise Sales. BPI's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which could adversely affect revenue, the royalty and the ability of BPI to pay the royalty to the Fund or interest on the BP Loan.

Management's Discussion and Analysis

Boston Pizza Royalties Income Fund

2005-Q3

Boston Chicken / Boston Market Litigation

Since 1995, BPI has been challenging Boston Chicken Inc.'s and Global Restaurant Operations of Ireland Limited's registration of the "Boston Chicken" trademark in Canada. In March 2003, the Federal Court of Appeal unanimously ordered the expungement of "Boston Chicken" from the trademark registry. The expungement of the "Boston Chicken" trademark is a significant victory because there is now only one owner, the Partnership, of registered trademarks using "Boston" in connection with restaurant foodservices in Canada. Additionally, since 1995, BPI has opposed the registration of the "Boston Market" trademark. As a result, "Boston Market" is not yet a registered trademark. BPI and/or the Partnership intend to oppose the registration of this and any other trademark by Boston Market and/or any other parties if the proposed trademark is one which BPI and/or the Partnership consider to infringe the Partnership's trademarks. In 2002, BPI and the Partnership commenced legal action against Global Restaurant Operations of Ireland Limited, Boston Market Canada Company, Boston Market Corporation and McDonald's Restaurants of Canada Limited (the "McDonald's Group") for trademark infringement over the McDonald's Group's use of "Boston Market". In the fall of 2002, the McDonald's Group commenced legal actions challenging the validity of the Boston Pizza trademarks owned by the Partnership, some of which have been registered, and in use for over 30 years. BPI management believes that this is a tactical maneuver by the McDonald's Group and is unlikely to succeed. However in the unlikely event that the challenge to the Boston Pizza trademarks is successful, the Partnership would lose the benefits of registration of its trademarks under the Trade-Marks Act (Canada), which may mean losing the ability to prevent others from using the registered trademarks for the goods and services for which they are registered and to prevent others from using similar or confusing trademarks or names. However the loss of the registration under the Trade-Marks Act (Canada) would not prevent the Partnership from continuing to license and use the "Boston Pizza" and related trademarks in the existing operations and geographic territories where they are presently used and from taking other measures to protect their rights in respect of, and their ability to use, the "Boston Pizza" and related trademarks in new areas where BPI and its sub-licensees do not presently operate Boston Pizza restaurants. The parties are waiting for trial dates, none of which have been set. BPI management does not expect the infringement trial to commence before 2007. BPI management believes that ultimately, BPI and the Partnership will succeed in its litigation with the McDonald's Group. However, there are no assurances or certainty as to the eventual outcome of these legal proceedings.

Other

For a more detailed list of risks and uncertainties please refer to the Fund's Annual Information Form which is available at www.sedar.com.

¹ Certain statements in this quarterly report may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this quarterly report such statements are such words as "may", "will", "expect", "believe", "plan", and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this quarterly report. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition; changes in demographic trends; changing consumer preferences and discretionary spending patterns; changes in national and local business and economic conditions; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of BPI. The foregoing list of factors is not exhaustive.

BOSTON PIZZA ROYALTIES INCOME FUND

Consolidated Balance Sheets

	September 30, 2005	December 31, 2004
	(unaudited)	(change in basis of presentation - note 1)
Assets		
Current assets:		
Cash	\$ 1,401	\$ 1,356
Interest receivable on note receivable from Boston Pizza International Inc.	150,000	150,000
Distributions receivable	-	694,068
	151,401	845,424
Note receivable from Boston Pizza International Inc.	24,000,000	24,000,000
Investment in Boston Pizza Royalties Limited Partnership (note 3)	77,824,728	62,798,866
	\$ 101,976,129	\$ 87,644,290
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 50	\$ 50
Distributions payable to Fund unitholders	-	844,063
	50	844,113
Unitholders' equity	101,976,079	86,800,177
	\$ 101,976,129	\$ 87,644,290

Contingency (note 4)

See accompanying notes to consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND

Consolidated Statements of Earnings (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
	(change in basis of presentation - note 1)		(change in basis of presentation - note 1)	
Revenue:				
Equity income related to BPI royalties (notes 1 and 3)	\$ 2,671,015	\$ 2,169,917	\$ 7,077,367	\$ 5,894,102
Interest income	450,015	450,015	1,350,040	1,350,040
Net earnings	\$ 3,121,030	\$ 2,619,932	\$ 8,427,407	\$ 7,244,142
Weighted average units outstanding	9,684,841	8,728,674	9,499,212	8,564,724
Basic and diluted earnings per Fund unit	\$ 0.32	\$ 0.30	\$ 0.89	\$ 0.85

Consolidated Statements of Unitholders' Equity (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
	(change in basis of presentation - note 1)		(change in basis of presentation - note 1)	
Balance, beginning of period	\$101,731,447	\$84,251,131	\$86,800,177	\$75,545,497
Issuance of Boston Pizza Royalties Income Fund units	-	-	14,237,327	7,894,433
Net earnings	3,121,030	2,619,932	8,427,407	7,244,142
Distributions declared	(2,876,398)	(2,487,669)	(7,488,832)	(6,300,678)
Balance, end of period	\$101,976,079	\$84,383,394	\$101,976,079	\$84,383,394

See accompanying notes to consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND

Consolidated Statements of Cash Flows (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
	(change in basis of presentation - note 1)		(change in basis of presentation - note 1)	
Cash provided by (used in):				
Operations:				
Net earnings	\$ 3,121,030	\$ 2,619,932	\$ 8,427,407	\$ 7,244,142
Equity earnings, an item not affecting cash	(2,671,015)	(2,169,917)	(7,077,367)	(5,894,102)
Distributions received	2,426,398	2,037,668	6,982,900	5,650,179
	2,876,413	2,487,683	8,332,940	7,000,219
Financing:				
Distributions paid to unitholders	(2,876,398)	(2,487,669)	(8,332,895)	(7,000,175)
Increase in cash	15	14	45	44
Cash, beginning of period	1,386	1,327	1,356	1,297
Cash, end of period	\$ 1,401	\$ 1,341	\$ 1,401	\$ 1,341
Supplementary information:				
Non-cash financing and investing activities:				
Issuance of Fund units to acquire additional interest in Boston Pizza Royalties Limited Partnership	\$ -	\$ -	\$ 14,237,327	\$ 7,894,433

See accompanying notes to consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements (Unaudited)

Three and nine months ended September 30, 2005 and 2004

1. Basis of presentation:

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

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

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

Boston Pizza Royalties Limited Partnership (the "Partnership") is considered to be a VIE and Boston Pizza International Inc. ("BPI") is the primary beneficiary of the Partnership accordingly, BPI is now required to consolidate the Partnership. In the past, the Partnership was consolidated with the Fund based on its voting rights. The Partnership has been established to acquire and hold the Boston Pizza trademarks and trade names which were previously owned by BPI and used in connection with the operation of Boston Pizza restaurants in Canada (collectively the "BP Rights"). The Partnership, and BPI also entered into a License and Royalty agreement to allow BPI the use of BP Rights for a term of 99 years, for which BPI pays 4% of the Franchise Revenues (as defined) of certain restaurants located in Canada (the "Royalty Pool").

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

	September 30, 2005	December 31, 2004
Balance Sheet:		
Changes in assets:		
Decrease in working capital	\$ 1,807,650	\$ 140,920
Decrease in intangible assets (BP Rights)	138,138,545	122,904,145
Decrease in deferred financing charges	7,600	28,250
Increase in investment in Partnership	77,824,728	62,798,866
	<u>62,129,067</u>	<u>60,274,449</u>
Changes in liabilities and unitholders' equity:		
Decrease in term loan	5,000,000	5,000,000
Decrease in non-controlling interest	24,150,000	24,000,000
Decrease in Unitholders' equity	32,979,067	31,274,449
	<u>\$ 62,129,067</u>	<u>\$ 60,274,449</u>

Earnings per Fund unit:

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

During the fourth quarter of the year ended December 31, 2004, the Company adopted the Canadian Institute of Chartered Accountants recommendations of the Emerging Issues Committee (EIC 151) relating to the presentation of exchangeable securities issued by subsidiaries of income funds. The adoption of EIC 151 during the fourth quarter of 2004 resulted in the inclusion of certain exchangeable shares of the Partnership as part of the Fund's unitholders' equity together with the inclusion of earnings attributable to these interests. As a result of the application of AcG-15, the Partnership is no longer considered, for accounting purposes, to be a subsidiary of the Fund.

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

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to Consolidated Financial Statements (Unaudited)
Three and nine months ended September 30, 2005 and 2004

2. Operations:

- (a) Franchise revenue reported by Boston Pizza Restaurants in the Royalty Pool during the period ended September 30, 2005 is \$291,007,879 (2004 - \$247,351,802).

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

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
(in thousands of dollars, except number of restaurants in the Royalty Pool and earnings per Fund unit)				
Restaurants in the Royalty Pool	195	177	195	177
Franchise revenue reported by restaurants in the Royalty Pool	\$104,544	\$ 87,692	\$ 291,008	\$ 247,352
Royalty income - 4% of franchise revenue	\$ 4,182	\$ 3,508	\$ 11,640	\$ 9,895
Administrative and interest expenses	(199)	(178)	(686)	(527)
Partnership earnings for the period before undernoted	3,983	3,330	10,954	9,368
BPI's interest	(1,312)	(1,160)	(3,877)	(3,474)
Equity income related to BPI royalties earned by Fund	2,671	2,170	7,077	5,894
Interest income	450	450	1,350	1,350
Net earnings	\$ 3,121	\$ 2,620	\$ 8,427	\$ 7,244
Basic and diluted earnings per Fund unit	\$ 0.32	\$ 0.30	\$ 0.89	\$ 0.85

- (b) On January 5, 2005, 18 (2004 - 15) new Boston Pizza restaurants opened during the period from November 2, 2003 to November 1, 2004, and were added to the Royalty Pool. The Franchise revenue of these 18 new restaurants has been estimated at \$38.9 million. The total number of restaurants in the Royalty Pool has increased to 195. The yield of the Fund units was determined to be 7.58% calculated using a weighted average unit price of \$14.69. Weighted average unit price is calculated based on the market price of the units traded on the TSX Stock Exchange during the period of twenty consecutive days ending on the fifth trading day before January 1, 2005. As a result of the contribution of the additional net sales to the Royalty Pool, and assuming 100% of the Additional Entitlement, BPI's Additional Entitlement is equivalent to 1,292,182 (2004 - 922,932) Fund units. BPI will also receive a proportionate increase in monthly distributions from the Partnership. Of the Additional Entitlement, 20% (2005 - 258,436 units; 2004 - 184,587 units), remain unissued and are not eligible for conversion to Fund units until January 1, 2006 (2004 units - January 1, 2005) based on the actual performance of the new stores.
- (c) On January 1, 2005, adjustments to royalty payments and Additional Entitlement were made based on the actual performance of fifteen restaurants added to the Royalty Pool on January 1, 2004. Based on these adjustments, BPI received its pro rata portion of the remaining Additional Entitlement, 161,463 Fund units. BPI also repaid an amount of \$25,747 for monthly distributions to the Partnership.
- (d) On February 22, 2005, BPI exchanged 566,616 Class A and 13,859,268 Class B Partnership units for a total of 956,167 Fund units. BPI then sold these Fund units to the public. As of September 30, 2005, there were 9,684,841 Fund units issued and BPI had a 20% indirect interest in the Fund.

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

BOSTON PIZZA ROYALTIES INCOME FUND
Notes to Consolidated Financial Statements (Unaudited)
Three and nine months ended September 30, 2005 and 2004

3. Investment in Boston Pizza Royalties Limited Partnership:

Balance as at December 31, 2003	\$ 54,890,846
Acquisition of additional Partnership units by issuing Fund units	7,894,433
Equity income	7,875,677
Distributions received from the Partnership	(7,862,090)
<hr/>	
Balance as at December 31, 2004	62,798,866
Acquisition of additional Partnership units by issuing Fund units	14,237,327
Equity income	7,077,367
Distributions received from the Partnership	(6,288,832)
<hr/>	
Balance as at September 30, 2005	\$ 77,824,728

4. Contingency:

BPI and the Fund (as indirect owner of the Boston Pizza trademarks through Boston Pizza Royalties Limited Partnership, collectively, the "Boston Pizza Group") are involved in trademark litigation with entities affiliated with McDonald's Restaurant of Canada (the "McDonalds' Group"), opposing the registration by the McDonald's Group in Canada of the Boston Market trademark. To date, the Boston Pizza Group has successfully opposed such registration.

Management of BPI believes that there is likelihood that the Boston Market trademark will not be registered. Additionally, the Boston Pizza Group has commenced an action against the McDonald's Group to prevent it from infringing the Boston Pizza trademarks by operating Boston Market in Canada. The McDonald's Group has filed a counterclaim and a separate action challenging the validity of the registered trademark "Boston Pizza" and related trademarks under the *Trade-Marks Act* (Canada). Management does not believe that this action will succeed. However, in the event that the challenge to the Boston Pizza trademarks is successful, the Boston Pizza Group would lose the benefits of registration of the Boston Pizza trademarks under the *Trade-Marks Act* (Canada), which may mean losing the ability to prevent others from using the registered trademarks for the goods and services for which they are registered and to prevent others from using similar or confusing trademarks or names. However, the loss of the registration under the *Trade-Marks Act* (Canada), would not prevent the Boston Pizza Royalties Limited Partnership, administrator to the Fund from continuing to license and use the "Boston Pizza" and related trademarks in the existing operations and geographic territories where they are presently used and from taking other measures to protect their rights in respect of, and their ability to use, the "Boston Pizza" and related trademarks, in new areas where BPI and its sub-licensees do not presently operate Boston Pizza restaurants.

5. Subsequent event:

On October 4, 2005, the Fund announced an increase in distributions from \$0.099 to \$0.101 per unit for the period September 1, 2005 to September 30, 2005.

6. Comparative figures:

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

Management's Discussion and Analysis

Boston Pizza International Inc.

2005-Q3

Financial Highlights

The tables below set out selected historical information and other data from the consolidated financial statements of Boston Pizza International Inc. ("BPI"), which should be read in conjunction with the attached second quarter consolidated financial statements of BPI.

Changes in Accounting Policies

In accordance with CICA guideline AcG-15, Consolidation of Variable Interest Entities which is applicable effective January 1, 2005, the consolidation of the Fund no longer includes the Partnership. In accordance with AcG-15, the Partnership is now consolidated with Boston Pizza International Inc. ("BPI") and the Fund now accounts for the Partnership on an equity basis. For a more detailed explanation of the effects of AcG-15, refer to Note 1, Basis of Presentation in the attached financial statements.

Readers should note that this is a change in the basis of accounting only with no impact on the conduct of the business of BPI or the Fund in any way.

Management's Discussion and Analysis
Boston Pizza International Inc.
2005-Q3

	Jul. 1, 2005 to Sep. 30, 2005	Jul. 1, 2004 to Sep. 30, 2004	Jan. 1, 2005 to Sep. 30, 2005	Jan. 1, 2004 to Sep. 30, 2004
--	-------------------------------------	-------------------------------------	-------------------------------------	-------------------------------------

(in thousands of dollars)

Restaurant System Franchise Sales ⁽¹⁾	\$ 111,585	\$ 95,409	\$ 301,690	\$ 260,529
---	------------	-----------	------------	------------

Income Statement Data

Total Revenue	\$ 12,340	\$ 9,667	\$ 32,142	\$ 26,716
----------------------	-----------	----------	-----------	-----------

Non-controlling interest related to royalty expense	\$ 2,671	\$ 2,170	\$ 7,077	\$ 5,894
--	----------	----------	----------	----------

Net Income (Loss) Before Taxes	\$ 1,021	\$ 968	\$ 5,165	\$ 2,765
---------------------------------------	----------	--------	----------	----------

	September 30, 2005	December 31, 2004
--	--------------------	-------------------

(in thousands of dollars)

Total Assets	\$ 62,026	\$ 51,976
---------------------	-----------	-----------

Total Long-term Liabilities	\$ 44,406	\$ 34,976
------------------------------------	-----------	-----------

Deferred Gain and Other	\$ 54,786	\$ 50,598
--------------------------------	-----------	-----------

Notes:

¹ Represents the Franchise Sales of the three restaurants owned by BPI and the Franchise Sales reported to BPI by franchised Boston Pizza restaurants without audit. Franchise Sales are Gross Sales after deducting revenue from the sale of liquor, beer, wine and tobacco and revenue from BPI approved national promotions & discounts.

Management's Discussion and Analysis
 Boston Pizza International Inc.
 2005-Q3

	Q3 2005	Q2 2005	Q1 2005	Q4 2004
(in thousands of dollars)				
Restaurant System Franchise Sales ⁽¹⁾	\$ 111,585	\$ 101,073	\$ 89,032	\$ 91,519
<u>Income Statement Data</u>				
Total Revenue	\$ 12,340	\$ 10,178	\$ 9,625	\$ 9,447
Non-controlling interest related to royalty expense	\$ 2,671	\$ 2,383	\$ 2,023	\$ 1,982
Net Income Before Taxes	\$ 1,021	\$ (336)	\$ 4,480	\$ 256

	Q3 2004	Q2 2004	Q1 2004	Q4 2003
(in thousands of dollars)				
Restaurant System Franchise Sales ⁽¹⁾	\$ 95,409	\$ 86,335	\$ 78,752	\$ 79,537
<u>Income Statement Data</u>				
Total Revenue	\$ 9,667	\$ 8,723	\$ 8,327	\$ 8,757
Non-controlling interest related to royalty expense	\$ 2,170	\$ 1,998	\$ 1,727	\$ 1,617
Net Income Before Taxes	\$ 968	\$ (167)	\$ 1,963	\$ 881

Notes:

¹ Represents the Franchise Sales of the three restaurants owned by BPI and the Franchise Sales reported to BPI by franchised Boston Pizza restaurants without audit. Franchise Sales are Gross Sales after deducting revenue from the sale of liquor, beer, wine and tobacco and revenue from BPI approved national promotions & discounts.

Management's Discussion and Analysis

Boston Pizza International Inc.

2005-Q3

Overview

This Quarterly Report covers the period of July 1, 2005 to September 30, 2005 (the "Period") and the year-to-date results from January 1, 2005 to September 30, 2005 ("Year-to-date"). The Management Discussion and Analysis of the results for this Period is dated November 10, 2005. A copy of this Quarterly Report and additional information about the Fund is available at www.sedar.com or www.bpincomefund.com.

Boston Pizza International Inc. ("BPI" or the "Company") is the franchisor of the Boston Pizza concept in Canada. The Company competes in the casual dining sector of the restaurant industry and is the number one casual dining brand in Canada. With 226 restaurants stretching from Victoria to Halifax, Boston Pizza has more locations and serves more customers annually than any other casual dining concept in Canada.

The Company charges a 7% royalty fee on Franchise Sales for all full-service Boston Pizza restaurants open in Canada and a 5% royalty fee on Franchise Sales for the three Boston Pizza Quick Express restaurants that are open in Canada. BPI pays the Boston Pizza Royalties Income Fund (the "Fund") a royalty fee of 4% of Franchise Sales of the specific royalty pool for the use of the Boston Pizza trademarks (the "BP Rights"²). There were 195 restaurants in the royalty pool (the "Royalty Pool") for this Period.

On January 1 of each year ("Adjustment Date"), an adjustment is made to add to the Royalty Pool new Boston Pizza restaurants that opened prior to that Adjustment Date. In return for adding this additional royalty revenue, BPI receives the right to indirectly acquire additional Fund units (the "Additional Entitlements"). The adjustment for new Franchise Sales added to the Royalty Pool is designed to be accretive for Unitholders. The Additional Entitlements are calculated at 92.5% of the royalty revenue added to the Royalty Pool, divided by the yield of the Fund, divided by the Weighted Average Unit Price. BPI receives 80% of the Additional Entitlements initially, with the balance received when the actual full year performance of the new restaurants is known with certainty. BPI receives 100% of distributions from the Additional Entitlements throughout the year. Once these new restaurants have been part of the Royalty Pool for a full year, an audit of the royalty revenues of these restaurants received from BPI will be performed. At such time an adjustment will be made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI.

² BP Rights are the trademarks that as at July 17, 2002 were registered or the subject of pending applications for registration under the Trademarks Act (Canada), and other trademarks and the trade names which are confusing with the registered or pending trademarks. The BP Rights purchased do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the Trademarks Act (Canada).

Management's Discussion and Analysis

Boston Pizza International Inc.

2005-Q3

Business Strategy

The success of Boston Pizza can be attributed to three simple underlying principles that are the foundation for all strategic decision-making – the “Three Pillars” strategy.

- The commitment to franchisee profitability
- The commitment to continually enhance the Boston Pizza brand
- The commitment to continually improve the customer experience

Boston Pizza is franchise driven concept. All but three of the 226 restaurants across Canada are franchised and the Company realizes that its franchisees have to be profitable to succeed. If they are successful, then Boston Pizza will be successful. To enhance profitability and to facilitate the growth of Boston Pizza, BPI aggressively enhances and promotes the Boston Pizza brand through national television and radio advertising, and national and local promotions. Both Boston Pizza franchisees and BPI corporate support staff continuously find new ways to improve the customer's experience so that they will return to Boston Pizza again, and again. Management is confident that this “Three Pillars” strategy will continue to focus BPI's efforts to develop new markets and continue to strengthen Boston Pizza's position as Canada's number one casual dining brand.

The following information provides additional analysis of the operations and financial position of the Company and should be read in conjunction with the consolidated financial statements and accompanying notes. The financial statements are in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles.

Operating Results

For the Period Boston Pizza continued to post positive growth. Overall system-wide Franchise Sales growth for the Period was 17.0%. Overall sales growth is achieved through new store openings and same store sales growth (“SSSG”).

SSSG

SSSG, the key driver of yield growth for individual Unitholders of the Fund, was 8.7% for the Period and 7.0% Year-to-date. SSSG is the combined result of increased customer traffic and increased average guest check.

New Store Openings and Renovations

During the Period, nine new Boston Pizza restaurants were opened and there were zero closures. Year-to-date 17 new restaurants have opened with zero closures. During the Period the first Boston Pizza restaurant opened in the province of Quebec. As of November 10, 2005 there are now four Boston Pizza restaurants open in the province of Quebec. Preliminary sales indicate that the brand is being well received in Quebec as the average weekly sales volumes of each of these four new restaurants are exceeding the national average. As well, during the Period five Boston Pizza restaurants were renovated with a total of 14 restaurants renovated Year-to-date. Typically, locations are closed for two to three weeks for renovation. BPI's unique renovation program is a proven sales builder. Newly renovated locations typically experience a sales increase of 10% - 15% in the year following the renovation.

Management's Discussion and Analysis

Boston Pizza International Inc.

2005-Q3

Third Quarter Operating Results

Revenues

BPI's revenues for the Period were \$12,339,588 and \$9,666,531 for the same period in 2004. The increase in revenues is primarily attributed to royalties from new store openings and positive SSSG. BPI's revenue is mainly derived from royalty income from franchised Boston Pizza restaurants, sales in corporately owned restaurants, initial franchise fees, and franchise renewal fees.

Expenses

Non-controlling interest related to royalty expense for the Period was \$2,671,015 compared to \$2,169,917 for the same period in 2004. This represents the royalty expense for the use of the BP rights net of amounts due to BPI with respect to its interest in the Partnership.

Administrative expenses and restaurant operating costs for the Period were \$7,385,409 and \$5,565,532 for the same period in 2004. These expenses include salary and administrative costs associated with the services provided to franchised Boston Pizza restaurants, the operation of the three corporately owned restaurants, and development activities in established territories. Operating expenses increased during the Period primarily due to the hiring of additional employees to support continued expansion, translation costs to support Quebec expansion, training and support materials for Boston Pizza's new menu launch, and the opening of a new corporate restaurant in Laval, Quebec on July 12, 2005.

BPI presents the revenue and costs of developing territories separately until the operational break-even is achieved. BPI's entry into the Quebec market is currently presented as a developing territory. During the Period development and administrative expenses for Quebec totaled \$432,421 and \$185,580 during the same Period in 2004.

Management's Discussion and Analysis

Boston Pizza International Inc.

2005-Q3

Other Expenses

Before taking into account depreciation and amortization, management bonus, amortization of deferred gain associated with the sale of the BP Rights, interest on the loan from the Fund, interest on long-term debt, and gain on the sale of Partnership units and income tax, earnings were \$1,850,743 for the Period and \$1,745,502 for the same period in 2004.

Depreciation and amortization for the Period was \$226,846 and \$127,956 for the same period in 2004.

Management bonuses for the Period were \$242,899 and \$312,071 for the same period in 2004. This is a discretionary expense applicable to certain management who are also shareholders of BPI and based on several criteria including the profitability of the Company.

Interest expense on the \$24 million loan acquired by the Fund at the time of IPO was \$450,000 for the Period and \$450,000 for the same period in 2004.

Interest on long-term debt for the Period was \$73,955 and \$66,505 for the same period in 2004. Due to the consolidation of the BPI with the Partnership pursuant to AcG-15, interest expense of the \$5 million term loan to the Partnership of \$63,801 (2004 - \$57,465) is included with this amount.

The amortization of the deferred gain from the IPO was \$163,977 for the Period and \$178,817 for the same period in 2004. The deferred gain arose from the sale of BP Rights to the Fund and is amortized over 99 years, the term of the License and Royalty Agreement. The net deferred gain as at September 30, 2005 was \$54,785,882.

The declaration of dividends and issuance of promissory notes payable as payment of these dividends during the Period reduced the amount of the Company's overall tax provision because of the resulting refund of refundable dividend tax on hand.

Given the combined effects of the above-noted factors, BPI produced earnings before income taxes of \$1,021,020 for the Period and after tax earnings of \$154,232. In 2004 BPI produced earnings before tax of \$967,787 for the same period and the after tax earnings was \$644,148.

Management's Discussion and Analysis

Boston Pizza International Inc.

2005-Q3

Year-to-date Operating Results

Revenues

BPI's revenues were \$32,142,317 Year-to-date and \$26,716,093 for the same period in 2004. The increase in revenues is primarily attributed to royalties from new store openings and positive SSSG. BPI's revenue is mainly derived from royalty income from franchised Boston Pizza restaurants, sales in corporately owned restaurants, initial franchise fees, and franchise renewal fees.

Expenses

Non-controlling interest related to royalty expense was \$7,077,367 Year-to-date compared to \$5,894,102 for the same period in 2004. This represents the royalty expense for the use of the BP rights net of amounts due to BPI with respect to its interest in the Partnership.

Administrative expenses and restaurant operating costs were \$20,091,621 Year-to-date and \$16,432,028 for the same period in 2004. These expenses include salary and administrative costs associated with the services provided to franchised Boston Pizza restaurants, the operation of the three corporately owned restaurants, and development activities in established territories. Operating expenses increased during Year-to-date primarily due to BPI's franchisee conference, the hiring of additional employees to support continued expansion, translation costs to support Quebec expansion, training and support materials for Boston Pizza's new menu launch, and the opening of a new corporate restaurant in Laval, Quebec on July 12, 2005.

BPI presents the revenue and costs of developing territories separately until the operational break-even is achieved. BPI's entry into the Quebec market is currently presented as a developing territory. The development and administrative expenses for Quebec totaled \$1,142,204 Year-to-date and \$532,248 during the same period in 2004. Year-to-date development and administrative expense for Quebec were substantially lower in 2004 compared to 2005 due to the fact that BPI's Quebec office opened during the second quarter of 2004.

Management's Discussion and Analysis

Boston Pizza International Inc.

2005-Q3

Other Expenses

Before taking into account depreciation and amortization, management bonus, amortization of deferred gain associated with the sale of the BP Rights, interest on the loan from the Fund, interest on long-term debt, and gain on the sale of Partnership units and income tax, earnings were \$3,831,125 Year-to-date and \$3,857,715 for the same period in 2004.

Depreciation and amortization was \$543,416 Year-to-date and \$357,894 for the same period in 2004.

Management bonuses were \$794,733 Year-to-date and \$869,580 for the same period in 2004. This is a discretionary expense applicable to certain management who are also shareholders of BPI and based on several criteria including the profitability of the Company.

Interest expense on the \$24 million loan acquired by the Fund at the time of IPO was \$1,350,000 Year-to-date and \$1,350,000 for the same period in 2004.

Interest on long-term debt for the Period was \$209,549 and \$208,200 for the same period in 2004. Due to the consolidation of the BPI with the Partnership pursuant to AcG-15, interest expense of the \$5 million term loan to the Partnership of \$187,774 (2004 - \$176,027) is included with this amount.

The amortization of the deferred gain from the IPO was \$491,931 Year-to-date and \$536,455 for the same period in 2004. The deferred gain arose from the sale of BP Rights to the Fund and is amortized over 99 years, the term of the License and Royalty Agreement. The net deferred gain as at September 30, 2005 was \$54,785,882.

On February 22, 2005, BPI exchanged 566,616 Class A and 13,859,268 Class B Partnership units for 956,167 Fund units. Following this exchange, BPI sold their units of the Fund at \$14.95 per unit to the public for total proceeds of \$14,294,842. Gain on sale of units was \$3,739,779 net of transaction costs of \$28,685.

Given the combined effects of the above-noted factors, BPI produced earnings before income taxes of \$5,165,137 Year-to-date and after tax earnings of \$3,754,237. Earnings before tax was \$2,764,585 for the same period in 2004 and after tax earnings was \$2,156,269.

Management's Discussion and Analysis

Boston Pizza International Inc.

2005-Q3

New Restaurants Added to the Royalty Pool

On January 1, 2005, 18 new Boston Pizza restaurants were added to the Royalty Pool; the locations opened during the period November 2, 2003 to November 1, 2004. In return for adding the royalty revenue from these 18 new restaurants to the Royalty Pool, BPI received the right to acquire an additional 1,033,746 units of the Fund. The 1,033,746 represents 80% (1,292,182 represents 100%) of the Additional Entitlements with the balance received when the actual full year performance of the new restaurants is known with certainty. The 1,033,746 Additional Entitlements represented 8.65% of the Fund units on a fully diluted basis. BPI also receives a proportionate increase in monthly distributions based on 100% of the Additional Entitlements. The calculation for the number of Additional Entitlements received by BPI is designed to be accretive to existing Fund Unitholders as the additional royalty revenues from the new restaurants are licensed to the Fund at a 7.5% discount. The estimated royalty revenue the Fund will receive in 2005 from these additional 18 restaurants is \$1,555,508. The royalty revenue for the purposes of calculating the Additional Entitlements, therefore, was \$1,438,845 or 92.5%. Once the actual performance of these 18 restaurants for 2005 is known, the number of Additional Entitlements will be adjusted in 2006 to reflect the actual royalty revenue received by the Fund in 2005. As of January 1, 2005, there were 195 restaurants in the Royalty Pool.

As of November 10, 2005 there were 9,684,841 Fund units issued – 12,106,052 on a fully diluted basis – and BPI had a 20% indirect interest in the Fund. BPI has committed to maintain a minimum 20% indirect interest in the Fund until there are 275 restaurants in the Royalty Pool.

Subsequent Events

Subsequent to September 30, 2005, Boston Pizza opened 13 new restaurants plus one new Quick Express location bringing the total number of locations open as of November 10, 2005, to 226. As well subsequent to the end of the Period three locations completed renovations. As of November 10, 2005, 17 locations have completed renovations.

Liquidity & Capital Resources

BPI is an entirely franchised business except for three existing corporate restaurants. Current year capital requirements are limited to maintenance capital expenditures of the three corporate restaurants, and general requirements of the three corporate offices. As at September 30, 2005 working capital was \$238,390.

The Partnership has a \$1 million revolving operating line of credit with a 364-day term to allow for any seasonal variations that could result in mismatches between royalty revenue inflows and distributions to Unitholders of the Fund. Since inception in July, 2002, the credit line has been maintained with a nil balance.

Management's Discussion and Analysis

Boston Pizza International Inc.

2005-Q3

Long-Term Debt Obligations

The Partnership has a \$5 million non-revolving term loan facility that was arranged during the IPO to partially finance the purchase of the BP Rights from BPI and to provide term debt as part of the capital structure. All covenants and conditions of the Term Loan are in good standing with a current maturity date of July 5, 2007.

BPI has long-term debt obligations for equipment financing that are secured by specific assets of the Company. These term loans are secured by a general assignment of book debts and certain guarantees from the Company, shareholders and related companies.

Principal repayments on BPI's long-term debt and capital lease obligations, excluding the Partnership's \$5 million term loan, for the next five years ending December 31 are as follows:

2005	\$180,096
2006	159,717
2007	123,403
2008	130,480
2009	137,964

Other Long-Term Commitments

BPI is committed under operating lease contracts for office space, restaurant space and advertising contracts. The minimum annual rental payments under these leases for the next five years ending December 31 are as follows:

2005	\$1,649,933
2006	1,907,163
2007	1,651,647
2008	1,311,259
2009	568,047

Management's Discussion and Analysis

Boston Pizza International Inc.

2005-Q3

Outlook

Boston Pizza is well positioned for future growth and continues to strengthen its position as the number one casual dining brand in Canada. As of November 10, BPI has opened a total of 30 restaurants plus one Quick Express location across Canada in 2005, more than any other year in the organization's history. In 2006, BPI estimates that it will exceed 2005 new store openings results and will open 30 to 40 new locations across Canada. The Company is on track to open 100-125 new restaurants across Canada over the next five years. Opening these new locations will support the continuing enhancement of the Boston Pizza brand as well being beneficial to Unitholders, as adding new restaurants to the Royalty Pool is designed to be accretive for Unitholders. In addition, BPI Management anticipates that the organization can continue to deliver industry-leading SSSG from national and local marketing programs and BPI's unique renovation program that requires each location to renovate every seven years. Previously BPI estimated that 18 renovations would be completed in 2005. BPI and its franchisees have been able to accelerate construction schedules and more Boston Pizza restaurants will be renovated in 2005. Eight renovations are planned for the remainder of 2005 bringing the total number of restaurants renovated across Canada in 2005 to 22. Management will continue to pursue further development in Western Canada, Ontario, and the Maritimes while aggressively pursuing additional opportunities in Quebec.

As with all forward-looking statements, due care and caution should be employed to ensure that appropriate interpretation is made. Please refer to note 1 at the end of this document for further clarification.

Management's Discussion and Analysis

Boston Pizza International Inc.

2005-Q3

Risks & Uncertainties

The Restaurant Industry

The performance of the Fund is directly dependent upon the royalty and interest payments received from BPI. The amount of royalty received from BPI is dependent on various factors that may affect the casual dining sector of the restaurant industry. The restaurant industry generally, and in particular the casual dining sector, is intensely competitive with respect to price, service, location and food quality. Competitors include national and regional chains, as well as independently owned restaurants. If BPI and the Boston Pizza franchisees are unable to successfully compete in the casual dining sector, Franchise Sales may be adversely affected; the amount of royalty reduced and the ability of BPI to pay the royalty or interest on the BP Loan may be impaired. The restaurant industry is also affected by changes in demographic trends, traffic patterns, and the type, number, and location of competing restaurants. In addition, factors such as government regulations, smoking bylaws, inflation, publicity from any food borne illnesses, increased food, labour and benefits costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and therefore potentially Boston Pizza Franchise Sales. BPI's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which could adversely affect revenue, the royalty and the ability of BPI to pay the royalty to the Fund or interest on the BP Loan.

Management's Discussion and Analysis

Boston Pizza International Inc.

2005-Q3

Boston Chicken / Boston Market Litigation

Since 1995, BPI has been challenging Boston Chicken Inc.'s and Global Restaurant Operations of Ireland Limited's registration of the "Boston Chicken" trademark in Canada. In March 2003, the Federal Court of Appeal unanimously ordered the expungement of "Boston Chicken" from the trademark registry. The expungement of the "Boston Chicken" trademark is a significant victory because there is now only one owner, the Partnership, of registered trademarks using "Boston" in connection with restaurant foodservices in Canada. Additionally, since 1995, BPI has opposed the registration of the "Boston Market" trademark. As a result, "Boston Market" is not yet a registered trademark. BPI and/or the Partnership intend to oppose the registration of this and any other trademark by Boston Market and/or any other parties if the proposed trademark is one which BPI and/or the Partnership consider to infringe the Partnership's trademarks. In 2002, BPI and the Partnership commenced legal action against Global Restaurant Operations of Ireland Limited, Boston Market Canada Company, Boston Market Corporation and McDonald's Restaurants of Canada Limited (the "McDonald's Group") for trademark infringement over the McDonald's Group's use of "Boston Market". In the fall of 2002, the McDonald's Group commenced legal actions challenging the validity of the Boston Pizza trademarks owned by the Partnership, some of which have been registered, and in use for over 30 years. BPI management believes that this is a tactical maneuver by the McDonald's Group and is unlikely to succeed. However in the unlikely event that the challenge to the Boston Pizza trademarks is successful, the Partnership would lose the benefits of registration of its trademarks under the Trade-Marks Act (Canada), which may mean losing the ability to prevent others from using the registered trademarks for the goods and services for which they are registered and to prevent others from using similar or confusing trademarks or names. However the loss of the registration under the Trade-Marks Act (Canada) would not prevent the Partnership from continuing to license and use the "Boston Pizza" and related trademarks in the existing operations and geographic territories where they are presently used and from taking other measures to protect their rights in respect of, and their ability to use, the "Boston Pizza" and related trademarks in new areas where BPI and its sub-licensees do not presently operate Boston Pizza restaurants. The parties are waiting for trial dates, none of which have been set. BPI management does not expect the infringement trial to commence before 2007. BPI management believes that ultimately, BPI and the Partnership will succeed in its litigation with the McDonald's Group. However, there are no assurances or certainty as to the eventual outcome of these legal proceedings.

Other

For a more detailed list of risks and uncertainties please refer to the Fund's Annual Information Form which is available at www.sedar.com.

¹ Certain statements in this quarterly report may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this quarterly report such statements are such words as "may", "will", "expect", "believe", "plan", and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this quarterly report. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition; changes in demographic trends; changing consumer preferences and discretionary spending patterns; changes in national and local business and economic conditions; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of BPI. The foregoing list of factors is not exhaustive.

BOSTON PIZZA INTERNATIONAL INC.

Consolidated Balance Sheets

	September 30, 2005	December 31, 2004
	(unaudited)	(change in basis of presentation - note 1)
Assets		
Current assets:		
Cash	\$ 3,076,732	\$ 3,637,759
Accounts receivable (note 4)	5,957,159	5,017,102
Prepaid expenses	768,084	535,836
Current portion of long-term receivables	5,404	28,674
Future income taxes	294,667	294,667
	<u>10,102,046</u>	<u>9,514,038</u>
Long-term receivables from companies under common control	30,978,947	25,531,718
Long-term investments (note 3)	242,568	242,568
Capital assets	5,841,331	2,538,445
Intangible assets and deferred charges	339,349	365,999
Future income taxes	14,521,554	13,783,168
	<u>\$ 62,025,795</u>	<u>\$ 51,975,936</u>
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 6,800,971	\$ 5,517,922
Income taxes payable	675,718	697,582
Current portion of deferred revenue	2,080,789	1,887,417
Current portion of long-term debt	306,178	180,096
	<u>9,863,656</u>	<u>8,283,017</u>
Long-term debt (note 5)	5,765,467	5,139,811
Deferred revenue	4,025,373	4,130,736
Loan from the Boston Pizza Royalties Income Fund	24,000,000	24,000,000
Notes payable to shareholders (note 4)	6,300,000	-
Long-term payables	4,314,738	1,705,685
Deferred gain and other	54,785,882	50,598,098
Shareholders' deficiency:		
Share capital	100	100
Deficit	(47,029,421)	(41,881,511)
	<u>(47,029,321)</u>	<u>(41,881,411)</u>
	<u>\$ 62,025,795</u>	<u>\$ 51,975,936</u>

Contingency (note 6)

See accompanying notes to consolidated financial statements.

BOSTON PIZZA INTERNATIONAL INC.

Consolidated Statement of Earnings (Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
	(unaudited)	(change in basis of presentation - note 1)	(unaudited)	(change in basis of presentation - note 1)
Franchise, restaurant – established territories and other revenues (note 1)	\$ 12,339,588	\$ 9,666,531	\$ 32,142,317	\$ 26,716,093
Expenses:				
Administrative expenses and restaurant operating costs	7,385,409	5,565,532	20,091,621	16,432,028
Development and administrative expenses – Québec	432,421	185,580	1,142,204	532,248
Non-controlling interest related to royalty expense (note 1)	2,671,015	2,169,917	7,077,367	5,894,102
	<u>10,488,845</u>	<u>7,921,029</u>	<u>28,311,192</u>	<u>22,858,378</u>
Earnings before undernoted	1,850,743	1,745,502	3,831,125	3,857,715
Depreciation and amortization	226,846	127,956	543,416	357,894
Management bonus	242,899	312,071	794,733	869,580
Interest on loan from the Boston Pizza Royalties Income Fund	450,000	450,000	1,350,000	1,350,000
Interest on long-term debt	73,955	66,505	209,549	208,200
Amortization of deferred gain	(163,977)	(178,817)	(491,931)	(536,455)
Gain on sale of Partnership/Fund units	-	-	(3,739,779)	(1,156,089)
Earnings before income taxes	1,021,020	967,787	5,165,137	2,764,585
Income tax expense (recovery)	(620,023)	223,424	751,634	1,499,724
Future income tax (recovery)	1,486,811	100,215	659,266	(891,408)
	<u>866,788</u>	<u>323,639</u>	<u>1,410,900</u>	<u>608,316</u>
Net earnings	154,232	644,148	3,754,237	2,156,269
Deficit, beginning of period	(44,824,141)	(42,836,126)	(41,881,511)	(38,487,103)
Dividends declared	(4,300,000)	-	(10,300,000)	(6,500,000)
Refundable dividend tax	1,940,488	(23,854)	1,397,853	615,002
Deficit, end of period	<u>\$ (47,029,421)</u>	<u>\$ (42,215,832)</u>	<u>\$ (47,029,421)</u>	<u>\$ (42,215,832)</u>

See accompanying notes to consolidated financial statements.

BOSTON PIZZA INTERNATIONAL INC.
Consolidated Statement of Cash Flows (Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
	(unaudited)	(change in basis of presentation - note 1)	(unaudited)	(change in basis of presentation - note 1)
Cash provided by (used in):				
Operations:				
Net earnings	\$ 154,232	\$ 644,148	\$ 3,754,237	\$ 2,156,269
Items not affecting cash:				
Depreciation and amortization	226,846	127,956	543,416	357,894
Future income taxes	1,488,489	100,215	660,944	(891,409)
Amortization of deferred gain	(163,977)	(178,817)	(491,931)	(536,455)
Gain on sale of Partnership/ Fund units	-	-	(3,739,779)	(1,156,089)
Changes in non-cash working capital items (note 7(a))	1,094,713	1,803,560	(3,062,198)	2,403,302
	2,800,303	2,497,062	(2,335,311)	2,333,512
Investments:				
Changes in long-term receivables	(2,285,508)	(4,799,162)	(5,423,959)	(7,918,900)
Sale of Fund units, net of transaction costs of \$28,685 (2004 - \$165,155)	-	-	14,266,157	7,762,309
Purchase of capital assets, net	(1,621,830)	(193,098)	(3,819,652)	(653,516)
	(3,907,338)	(4,992,260)	5,022,546	(810,107)
Financing:				
Payment of dividends	-	-	(4,000,000)	(6,500,000)
Proceeds of long-term debt	883,992	-	883,992	-
Repayment of long-term debt	(44,229)	(84,327)	(132,254)	(234,555)
	839,763	(84,327)	(3,248,262)	(6,734,555)
Decrease in cash	(267,272)	(2,579,525)	(561,027)	(5,211,150)
Cash, beginning of period	3,344,004	6,819,625	3,637,759	9,451,250
Cash, end of period	\$ 3,076,732	\$ 4,240,100	\$ 3,076,732	\$ 4,240,100

See note 7(b) for supplementary cash flow information.

See accompanying notes to consolidated financial statements.

BOSTON PIZZA INTERNATIONAL INC.

Notes to Consolidated Financial Statements (Unaudited)

Three and nine months ended September 30, 2005 and 2004

1. Basis of presentation:

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

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

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

Boston Pizza Royalties Limited Partnership (the "Partnership") is considered to be a VIE and the Company is the primary beneficiary of the Partnership, accordingly the Company now consolidates the Partnership. Previously, the Partnership was consolidated by Boston Pizza Royalties Income Fund (the "Fund") based on its voting rights and the Company accounted for its investment in the Partnership on an equity basis. The Fund's interest in the Partnership is shown as non-controlling interest related to royalty expense in the statement of operations. The Partnership has been established to hold the trademarks and trade names used in connection with the operation of Boston Pizza restaurants in Canada. The Partnership and the Company also entered into a License and Royalty agreement to allow the Company the use of BP Rights for a term of 99 years, for which the Company pays to the Partnership a total of 4% of the Franchise Revenues (as defined) of certain restaurants located in Canada (the "Royalty Pool").

BOSTON PIZZA INTERNATIONAL INC.
Notes to Consolidated Financial Statements (Unaudited)
Three and nine months ended September 30, 2005 and 2004

1. Basis of presentation (continued):

The following changes to the consolidated carrying values of the assets and liabilities of the Company and the results of its operations have arisen as a result of changing the Company's method of accounting in the Partnership to the consolidation basis from the equity basis:

	September 30, 2005	December 31, 2004
Balance Sheet		
Change in assets:		
Increase in working capital	\$ 772,453	\$ 301,005
Decrease in long-term investment	58,152,348	49,713,293
Increase in deferred charges and intangible asset	276,651	278,251
	\$ 57,103,244	\$ 49,134,037
Change in liabilities:		
Decrease in deferred gain	\$ 62,103,244	\$ 54,134,037
Increase in long-term debt	5,000,000	5,000,000
	\$ 57,103,244	\$ 49,134,037

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004

Statement of Operations

Change in revenues and expenses:				
Decrease in equity income	\$ 1,313,540	\$ 1,160,382	\$ 3,880,972	\$ 3,478,022
Decrease in royalty expense	4,181,776	3,507,698	11,640,315	9,894,072
Increase in non-controlling interest related to royalty expense	2,671,015	2,169,917	7,077,367	5,894,102
Increase in administrative and other expenses and income	197,221	177,399	681,976	521,948
Net change in earnings	\$ -	\$ -	\$ -	\$ -

Net earnings of the Company has not changed as a result of the adoption of this new accounting standard.

Established and developing territories:

The Company develops a territorial business plan, when establishing new markets, but initially requires an infrastructure that will identify appropriate locations, attract franchise candidates and develop operating procedures applicable to the new territory.

As part of the business plan, the Company estimates the minimum number of franchise locations required to be opened that would generate sufficient franchise revenues to meet the incremental costs of operating the new territory. The costs of developing territories are separately presented in the financial statements until the minimum number of franchise locations have been opened, at which time the costs of operating the territory are included in administrative expenses – established territories.

BOSTON PIZZA INTERNATIONAL INC.
Notes to Consolidated Financial Statements (Unaudited)
Three and nine months ended September 30, 2005 and 2004

2. Operations:

- (a) On January 5, 2005, 18 new Boston Pizza restaurants (2004 - 15) opened during the period from November 2, 2003 to November 1, 2004 were added to the Royalty Pool of the Fund. In accordance with the terms of the Partnership agreements, the Partnership provided entitlements to the Company to receive distributions on 1,292,182 (2004 - 922,932) Class B Partnership units in exchange for the addition of these new restaurants to the Royalty Pool. 20% of the Additional Entitlement, 258,436 units (2004 - 184,587) remain unissued and are not entitled for conversion to Fund units until January 1, 2006 (2004 units - January 1, 2005) based on the actual performance of the new stores.
- (b) On January 1, 2005, adjustments to royalty payments and Additional Entitlement were made based on the full year performance of fifteen restaurants added to the Royalty Pool on January 1, 2004. Based on these adjustments, the Company received its pro rata portion of the remaining Additional Entitlement, 161,463 Partnership units. The Company also repaid an amount of \$25,747 for monthly distributions to the Partnership.
- (c) On February 22, 2005, the Company exchanged 566,616 Class A and 389,551 Class B Partnership units for an equal amount of Fund units. Following this exchange, the Company sold their units of the Fund at \$14.95 per unit to the public for gross proceeds of \$14,294,842. Gain on sale of units was \$3,739,779, net of transaction cost of \$28,685.

3. Long-term investments:

	September 30, 2005	December 31, 2004
Investment in preferred shares of BP Limited Partnership Holding Inc.	\$ 242,568	\$ 242,568

4. Related party transaction:

For the nine-month period ended September 30, 2005, the Company earned \$1,131,705 of interest and managements fees (2004 - \$868,557) from companies under common control. Interest and management fees are included in franchise, restaurant and other revenues. All long-term receivables are due from related parties.

Included in accounts payable is an amount due to the Fund for royalty expense of \$995,302 (2004 - \$206,706). Included in accounts receivable is \$771,265 (2004 - \$634,971) due from associated companies.

Notes payable to shareholders are non-interest bearing and are due January 1, 2007. The Company has the option to repay the notes in advance of that date.

5. Long-term debt:

Long-term debt includes a Partnership term loan in the amount of \$5,000,000. The facility bears interest at the prevailing bank prime rate plus 0.75% with a maturity date of July 5, 2007. A general security agreement over the assets of the Partnership is provided as security.

On July 12, 2005, the Company opened a third corporate owned restaurant in Laval, Quebec which will be used as a corporate training centre for franchisees. Two term loans aggregating \$1,156,000 were obtained to finance equipment and construction costs. Both loans bear interest at the Banker's Acceptance rate plus 2.75% per annum, and are secured by a first charge on leaseholds and equipment. As of September 30, 2005 the lender had advanced \$883,992 to the Company. The loans were fully funded in October, 2005.

BOSTON PIZZA INTERNATIONAL INC.
Notes to Consolidated Financial Statements (Unaudited)
Three and nine months ended September 30, 2005 and 2004

6. Contingency:

BPI and the Fund (as indirect owner of the Boston Pizza trademarks through its administrator Boston Pizza Royalties Limited Partnership, collectively, the "Boston Pizza Group") are involved in trademark litigation with entities affiliated with McDonald's Restaurant of Canada (the "McDonalds' Group"), opposing the registration by the McDonald's Group in Canada of the Boston Market trademark. To date, the Boston Pizza Group has successfully opposed such registration. Management of BPI believes that there is likelihood that the Boston Market trademark will not be registered. Additionally, the Boston Pizza Group has commenced an action against the McDonald's Group to prevent it from infringing the Boston Pizza trademarks by operating Boston Market in Canada. The McDonald's Group has filed a counterclaim and a separate action challenging the validity of the registered trademark "Boston Pizza" and related trademarks under the *Trade-Marks Act* (Canada). Management does not believe that this action will succeed. However, in the event that the challenge to the Boston Pizza trademarks is successful, the Boston Pizza Group would lose the benefits of registration of the Boston Pizza trademarks under the *Trade-Marks Act* (Canada), which may mean losing the ability to prevent others from using the registered trademarks for the goods and services for which they are registered and to prevent others from using similar or confusing trademarks or names. However, the loss of the registration under the *Trade-Marks Act* (Canada), would not prevent the Boston Pizza Royalties Limited Partnership, administrator to the Fund from continuing to license and use the "Boston Pizza" and related trademarks in the existing operations and geographic territories where they are presently used and from taking other measures to protect their rights in respect of, and their ability to use, the "Boston Pizza" and related trademarks, in new areas where BPI and its sub-licensees do not presently operate Boston Pizza restaurants.

7. Supplementary cash flow information:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
(a) Change in non-cash working capital:				
Accounts receivable	\$ 2,118,830	\$ 1,812,202	\$ (940,057)	\$ 756,128
Income tax payable	(857,231)	223,424	(21,864)	1,501,894
Deferred revenue	(110,658)	(12,230)	88,009	1,308,910
Prepaid expenses	(61,034)	(147,380)	(232,248)	(74,867)
Accounts payable and accrued liabilities	2,400,145	1,458,132	1,283,049	489,231
Long-term payable	(2,395,339)	(1,530,588)	(3,239,087)	(1,577,994)
	\$ 1,094,713	\$ 1,803,560	\$ (3,062,198)	\$ 2,403,302

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
(b) Supplementary information:				
Interest received	\$ 9,928	\$ 14,269	\$ 65,744	\$ 67,646
Interest paid	523,955	528,878	1,559,549	1,558,200
Income taxes paid	234,169	-	1,079,318	-
Non-cash financing and investing activities:				
Increase (decrease) in refundable dividend tax and future income taxes	1,940,488	(23,854)	1,397,853	615,002
Settlement of dividends payable through the issuance of notes payable	4,300,000	-	6,300,000	-

unitholder information

BOSTON PIZZA ROYALTIES INCOME FUND

CORPORATE OFFICE

5500 Parkwood Way, Richmond, BC, V6V 2M4

TRUSTEES OF THE FUND

John L. Cowperthwaite

RETIRED PARTNER ERNST & YOUNG LLP

William C. Brown

CORPORATE DIRECTOR

Robert L. Phillips

CORPORATE DIRECTOR

TRANSFER AGENT

Computershare Trust Company of Canada

STOCK EXCHANGE LISTING

Toronto Stock Exchange: BPF.UN

AUDITORS

KPMG LLP

CORPORATE COUNSEL

BLG LLP

REGISTERED AND RECORDS OFFICE

#1200 – 200 Burrard Street, Vancouver, BC, V7X 1T2

DIRECTORS OF BOSTON PIZZA GP INC.

–THE GENERAL PARTNER OF BOSTON PIZZA ROYALTIES LIMITED PARTNERSHIP

John L. Cowperthwaite - DIRECTOR*

Retired Partner Ernst & Young LLP

William C. Brown - DIRECTOR*

Corporate Director

Robert L. Phillips - DIRECTOR*

Corporate Director

Mike Cordoba - DIRECTOR

Chief Executive Officer

Mark Powell - DIRECTOR

Chief Financial Officer

*AUDIT COMMITTEE AND GOVERNANCE COMMITTEE MEMBER

INVESTOR RELATIONS

Robert Groom

5500 Parkwood Way

Richmond, BC, V6V 2M4

Tel: 604-270-1108

Fax: 604-270-4168

email: investorrelations@bostonpizza.com

www.bpincomefund.com

BOSTON PIZZA INTERNATIONAL INC.

CORPORATE HEAD OFFICE

5500 Parkwood Way,

Richmond, BC, V6V 2M4

EASTERN OFFICE

Suite 708 – 1 City Centre Drive,

Mississauga, Ontario, L5B 1M2

QUEBEC OFFICE

3030 boulevard Le Carrefour,

bureau 802, Laval, Québec, H7P 2P5

www.bostonpizza.com

MANAGEMENT TEAM

Jim Treiving

CHAIRMAN & OWNER

George Melville

CHAIRMAN & OWNER

Mike Cordoba

CHIEF EXECUTIVE OFFICER

Mark Powell

CHIEF FINANCIAL OFFICER

Mark Pacinda

PRESIDENT

Al Cave

EXECUTIVE VICE-PRESIDENT – CORPORATE SERVICES

Doug MacDonald

EXECUTIVE VICE-PRESIDENT – WESTERN CANADA

Ken Otto

EXECUTIVE VICE-PRESIDENT – ONTARIO & MARITIMES

Wayne Shanahan

EXECUTIVE VICE-PRESIDENT – QUEBEC

The Boston Pizza International Inc. Corporate Mission Statement

**TO BE A WORLD CLASS FRANCHISOR THROUGH
SELECTING AND TRAINING PEOPLE TO PROFITABLY MANAGE
AN OUTSTANDING FOODSERVICE BUSINESS.**

**TO ACHIEVE THIS GOAL WE ARE INNOVATIVE AND RESPONSIVE IN OUR
APPROACH IN BUSINESS. WE WORK AS A TEAM PROVIDING ATTENTION TO
DETAIL BUT NEVER LOSING SIGHT OF THE LARGER PICTURE. WE RECOGNIZE
THE NEED TO PROVIDE LEADERSHIP IN ALL AREAS OF THE OPERATIONS,
MARKETING AND RESTAURANT DEVELOPMENT.**



ROYALTIES INCOME FUND

www.bpincomefund.com