

Boston Pizza[®]

ROYALTIES INCOME FUND

Q3
2003

THIRD QUARTER REPORT TO UNITHOLDERS
FOR PERIOD JULY 1, 2003 TO SEPTEMBER 30, 2003



Glossary of Terms

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 / SYSTEMS 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 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

ROYALTY POOL

In any period, those Boston Pizza restaurants on which royalty equating to 4% of franchise sales is to be paid to the Fund

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 our third Quarterly Report for 2003. This report covers the fiscal period from July 1, 2003 to September 30, 2003 (the "Period") and the year-to-date results from January 1, 2003 to September 30, 2003. These results are also available on the Fund's website at www.bpincomefund.com and we encourage you to visit our website to view new developments on Fund activities.

The Fund owns the trademarks for Boston Pizza (the "BP Rights"¹), Canada's Number One Casual Dining Brand. The Fund has licensed the BP Rights back to Boston Pizza International Inc. ("BPI") in return for a 4% monthly royalty of Franchise Sales of those Boston Pizza restaurants included in a specific royalty pool (the "Royalty Pool").

Cash distributions to Unitholders of the Fund are based on top-line revenue of Royalty Pool restaurants and are not determined by the profitability of either BPI or the Boston Pizza restaurants in the Royalty Pool. This protects the Fund from the variability of earnings, or expenses associated with the normal operation of a business.

There were 162 restaurants in the Royalty Pool for this Period. Commencing on January 1, 2003 and annually thereafter ("Adjustment Date"), an adjustment will be made to the Royalty Pool to roll-in new Boston Pizza full-service restaurants that have been open at least 60 days prior to the Adjustment Date. The adjustment for new Franchise Sales rolled into the Royalty Pool is designed to be accretive for Unitholders.

Results

While year-to-date 2003 has been a challenging time for the foodservice industry and the overall economy, Boston Pizza has continued to succeed and continued to grow during the Period. During the Period, BPI posted 7.1% growth in Franchise Sales over the same period in 2002. This is a result of the combination of new store openings and same store sales growth ("SSSG"). SSSG for the Period was 5.0% and 3.1% year-to-date. These positive results are indicative of the kind of success Boston Pizza can achieve even in a challenging environment.

For the Period, the Fund received royalty income of \$3,058,668 from BPI and distributions of \$0.255 per unit were declared. We are very pleased that the Fund has not only met all distribution targets but has also been able to provide Unitholders with a second increase in monthly distributions for 2003 in September from \$0.085 per unit to \$0.0867 per unit. The new monthly distribution translates into an annualized distribution of \$1.04 per unit.

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).

Letter from the Chairman of Boston Pizza Royalties Income Fund

Since inception on July 17, 2002, the Fund has generated basic earnings of \$1.25 per Fund unit on royalty income of \$13,507,976 from BPI and declared distributions of \$1.13 per Fund unit. September's distribution of \$0.0867 per Fund unit was declared and paid subsequent to September 30, 2003. As a result the Fund has exceeded the targeted distribution rate of \$0.0833 per month set out in the initial public offering.

Outlook

Boston Pizza is well positioned for continued success for the remainder of 2003. BPI estimates that it will open an additional 5 restaurants prior to the end of 2003, bringing the total new Boston Pizza restaurants opened across Canada in 2003 to 15. BPI management further believes that the organization can continue to deliver on the most important metric to Unitholders, namely SSSG. Through strong television and radio advertising, and national and local promotions, BPI management believes that the organization can deliver industry-leading SSSG. As part of its focus on enhancing SSSG, Boston Pizza will continue its unique renovation program that requires each location to renovate every seven years. For the remainder of 2003, an additional 6 renovations are planned, bringing the estimated total number of store renovations to 18. As well during the year 2 stores were relocated and both have contributed to a positive SSSG. Historically SSSG for renovated locations has been, on average, 10-15% post renovation.

We remain confident that Boston Pizza will continue to enhance its position as Canada's Number One Casual Dining Brand.

In closing, we would like to take this opportunity to thank each Unitholder for your 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 Discussion and Analysis

Boston Pizza Royalties Income Fund

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Financial Highlights

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

	Three month period ended September 30, 2003	Period from July 17, 2002 (inception of the Fund) to September 30, 2002	Nine month period ended September 30, 2003
Number of restaurants in Royalty Pool	162	154	162
Franchise Revenues reported by restaurants in Royalty Pool	\$76,466,700	\$57,088,228	\$213,496,413
Royalty & Interest Income	\$3,509,464	\$2,663,522	\$9,891,559
Earnings before non-controlling interest	\$3,311,187	\$2,507,172	\$9,241,215
Non-controlling interest ¹	\$996,550	\$776,333	\$3,133,949
Net earnings	\$2,314,637	\$1,730,839	\$6,107,266
Earnings per Fund unit	\$0.29	\$0.23	\$0.78
Distributions declared per Fund unit	\$0.25	\$0.12	\$0.67
Same Store Sales Growth	5.0%	Not Available	3.1%
Number of restaurants opened during period	5	4	10

Notes:

¹ Represents BPI's interest in the Fund.

Management Discussion and Analysis

Boston Pizza Royalties Income Fund

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Overview

This Quarterly Report covers the period of July 1, 2003 to September 30, 2003 (the "Period") and the year-to-date results from January 1, 2003 to September 30, 2003.

The Fund owns the trademarks for Boston Pizza (the "BP Rights"²), Canada's Number One Casual Dining Brand. The Fund has licensed the BP Rights back to Boston Pizza International Inc. ("BPI") in return for a 4% monthly royalty of Franchise Sales of those Boston Pizza restaurants included in a specific royalty pool (the "Royalty Pool"). There were 162 restaurants in the Royalty Pool for the Period.

A key attribute of the Fund structure is the fact that it is a "top-line" fund. Cash distributions paid to Unitholders are based on top-line revenue of Royalty Pool restaurants and are 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. Increases in Franchise Sales are derived from both new Boston Pizza restaurants and 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 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%. 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. In the last five years, Boston Pizza has not closed any restaurants, a statistic significantly below the industry average. In the event that a location actually 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. *Readers should note that third quarter 2003 results are not directly comparable with the third quarter 2002 results due to the fact that the Fund acquired the BP Rights on July 17, 2002.*

Operating Results

While the first nine months of 2003 has been a challenging time for the foodservice industry and the overall economy, Boston Pizza continued to succeed. Overall Franchise Sales growth was 7.1% for the Period and 9.6% year-to-date. This increase was attributable to a combination of store openings and same store sales growth ("SSSG"). Boston Pizza opened 5 new locations with no closures during the Period bringing the total number of locations open as of September 30, 2003 to 173. During the Period two locations were extensively renovated. Typically locations that renovate are closed

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).

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temporarily for 2-3 weeks and historically SSSG for renovated locations has been, on average, 10-15% post renovation. SSSG was 5.0% for the Period and 3.1% year-to-date. These positive results are indicative of the kind of success Boston Pizza can achieve even in a challenging environment.

While issues such as Severe Acute Respiratory Syndrome ("SARS") and Bovine Spongiform Encephalopathy (BSE – Mad Cow) negatively affected some foodservice concepts recently, Boston Pizza saw no material impact on sales.

The wide geographic dispersion of store locations across Canada together with the suburban and small-center positioning of the brand significantly mitigated the SARS concerns.

BSE was not a significant concern as beef is a very small component of the Boston Pizza menu.

Once again, even in the face of economic uncertainty Boston Pizza continued to succeed. As a result of strong results the Fund not only met distribution targets, but also in fact was able to provide Unitholders with a second increase in 2003 in monthly distributions from \$0.085 per unit to \$0.0867 per unit.

Third Quarter Operating Results

Revenues

For the Period royalty income received by the Fund was \$3,058,668 and interest income was \$450,796. The royalty income was based on the Royalty Pool of 162 full-service Boston Pizza restaurants in Canada reporting Franchise Sales of \$76,466,700. For the same Period in 2002 royalty income received by the Fund was \$2,283,529 and interest income was \$379,993. The 2002 royalty income was based on the Royalty Pool of 154 full-service Boston Pizza restaurants in Canada reporting Franchise Sales of \$57,088,228. Interest income is primarily derived from a \$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

The Fund's consolidated operating expenses for the Period were \$198,277: \$68,904 of interest expense on its \$5 million term loan, \$7,500 for amortization of deferred financing charges on its credit facilities, and \$121,873 for general and administrative expense. For the same Period in 2002 consolidated operating expenses were \$156,350 - \$54,745 of interest expense on its \$5 million term loan, \$5,000 for amortization of deferred financing charges on its credit facilities, and \$96,605 for general and administrative expense. The general and administrative expenses are comprised mainly of professional fees, insurance premiums, transfer agent costs, and trustee fees.

Of the \$3,058,668 of royalty income earned by the Fund, \$996,550 represents BPI's indirect interest in the Fund.

Management Discussion and Analysis

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Distributions

Net earnings of the Fund were \$2,314,637 with the Fund declaring distributions of \$2,057,444 or \$0.255 per unit for the Period. This compares to net earnings of \$1,730,839 and distributions of \$963,557 or \$0.125 per unit declared for the same Period in 2002. Subsequent to September 30, a distribution of \$699,496 or \$0.0867 per unit was declared and paid for the period September 1-30, 2003. Distributions for the Period are as follows:

Period	Payment Date	Amount/unit
July 1-31, 2003	August 31, 2003	8.50¢
August 1-31, 2003	September 30, 2003	8.50¢
September 1-30, 2003	October 31, 2003 *	8.67¢

*Declared and paid subsequent to the Period.

On July 15, 2003, BPI exchanged 378,052 Class A units for an equal amount of Fund units. BPI sold these Fund units to the public. There are now 8,068,052 public Fund units issued and BPI has 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.

Year-To-Date Operating Results

Revenues

For the first nine months of 2003 royalty income received by the Fund was \$8,539,857 and interest income was \$1,351,702. The royalty income was based on the Royalty Pool of 162 full-service Boston Pizza restaurants in Canada reporting Franchise Sales of \$213,496,413.

Operating Expenses

The Fund's consolidated operating expenses for the first nine months of 2003 were \$650,344: \$205,719 of interest expense on its \$5 million term loan, \$22,500 for amortization of deferred financing charges on its credit facilities, and \$422,125 for general and administrative expense.

Of the \$8,539,857 of royalty income earned by the Fund, \$3,133,949 represents BPI's indirect interest in the Fund.

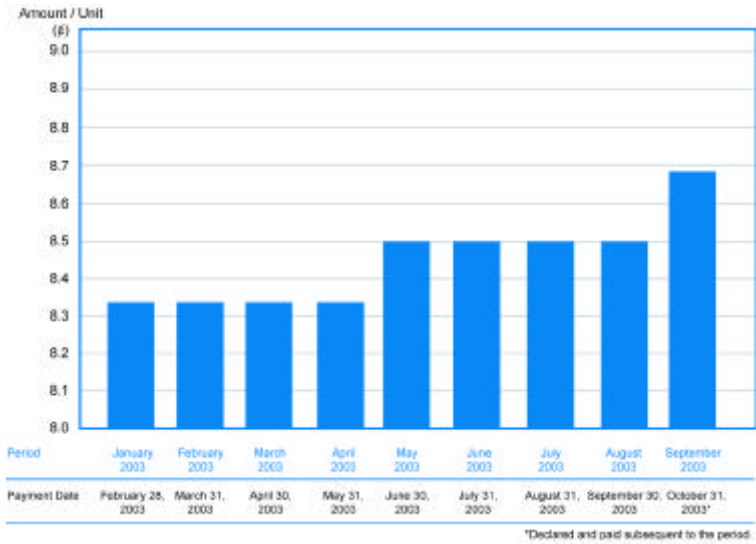
Management Discussion and Analysis

Boston Pizza Royalties Income Fund

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Distributions

Net earnings of the Fund during the first nine months of 2003 were \$6,107,266 with the Fund declaring distributions of \$5,273,431 or \$0.6732 per unit. Distributions for the first nine months of 2003 are as follows:



Subsequent Events

Subsequent to September 30, 2003, Boston Pizza opened four new locations bringing the total number of locations open as of November 1, 2003 to 177. As a result 15 new Boston Pizza locations will be added to the Royalty Pool on January 1, 2004.

Management Discussion and Analysis

Boston Pizza Royalties Income Fund

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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 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.

The \$5 million non-revolving term loan facility 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. The initial term of this loan is three years and non-revolving. The Fund intends to arrange for the renewal of this loan upon maturity.

As well the Fund has a \$1 million operating line of credit to allow for any seasonal variations that could result in mismatches between royalty revenue inflows and distributions to Unitholders of the Fund. The term of this facility is 364-day revolving. During the Period this operating line of credit was renewed.

The Fund is well capitalized. As of September 30, 2003 the Fund's \$1 million operating line of credit was 100% available and there was \$1,317,184 of working capital available.

Outlook

BPI management expects that Boston Pizza will continue to strengthen its position as the Number One Casual Dining Brand in Canada. With 173 restaurants stretching from Victoria to Halifax, Boston Pizza has more locations and serves more customers annually than any other casual dining concept in Canada. BPI anticipates that 5 new Boston Pizza restaurants will open across Canada in the final quarter of 2003 bringing the total number of locations opened across Canada in 2003 to 15. In the remaining three months of 2003 there are 6 renovations planned, bringing the total number of store renovations and relocations conducted in 2003 to 20.

As with all forward-looking statements, due care and caution should be employed to ensure that appropriate interpretation is made. Please refer to the note¹ at the end of this document for further clarification.

Management Discussion and Analysis

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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 Discussion and Analysis

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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 Fund) 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. In 2002 BPI and the Fund 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". BPI management and the Fund intend to continue to vigorously prosecute any infringement or unauthorized use of the Boston Pizza trademarks. In the fall of 2002 Boston Market Canada Company and Global Operations of Ireland Limited ("the Boston Market Group") issued a counterclaim and commenced a separate proceeding challenging the registration of the Boston Pizza trademarks owned by the Fund, 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 Fund would lose the benefits of registration of its trademarks under the *Trade-Marks Act* (Canada), which may mean losing the ability to prevent others from using the registered trademarks for the goods and services for which they are registered and to prevent others from using similar or confusing trademarks or names. However the loss of the registration under the *Trade-Marks Act* (Canada) would not prevent the Fund from continuing to license and use the "Boston Pizza" and related trademarks or from taking other measures to protect their rights in respect of, and their ability to use, the "Boston Pizza" and related trademarks in the existing operations and geographic territories where they are presently used and in areas where BPI and its sub-licensees do not presently operate Boston Pizza restaurants. In July 2003 the Federal Court of Canada, on an application for summary judgment brought by BPI and Boston Pizza Royalties Limited Partnership, dismissed portions of the counterclaim by the Boston Market Group, seeking to expunge the registrations of the Boston Pizza trademarks. The Federal Court dismissed the counterclaim as it relates to registered trademarks BP & Design, BP's Lounge and BP's Bistro. The Court did not dismiss the counterclaim regarding three other trademarks, including "Boston Pizza", primarily on the basis that the counterclaim raises issues that should not be resolved on a summary basis and should instead be decided at trial. BPI and the Limited Partnership are in the process of appealing this decision. The parties are waiting for trial dates, none of which have been set but BPI management expects the infringement trial to commence in late 2004 or early 2005. BPI management believes that ultimately, BPI and the Fund will be successful in its litigation with the McDonald's Group, including the Boston Market 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 Prospectus dated July 9, 2002 and the Fund's Annual Information Form.

Management Discussion and Analysis

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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, 2003	December 31, 2002
	(Unaudited)	
Assets		
Current assets:		
Cash	\$ 238,414	\$ 245,270
Accounts receivable	-	12,840
Loan receivable from Boston Pizza International Inc. (note 5(a))	2,783,816	620,527
Due from Boston Pizza International Inc. (note 3)	1,152,350	1,162,500
Prepaid expenses	70,233	43,005
	<u>4,244,813</u>	<u>2,084,142</u>
Note receivable from Boston Pizza International Inc.	24,000,000	24,000,000
Intangible assets	109,348,900	109,348,900
Deferred financing charges, net of accumulated amortization of \$35,000 (December 31, 2002 - \$12,500)	55,000	77,500
	<u>\$ 137,648,713</u>	<u>\$ 135,510,542</u>
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 143,813	\$ 386,515
Distributions payable to fund unitholders	-	640,577
Distributions payable to Boston Pizza International Inc. (note 5(a))	2,783,816	930,791
	<u>2,927,629</u>	<u>1,957,883</u>
Term loan	5,000,000	5,000,000
Non-controlling interest (Boston Pizza International Inc.) (note 5)	54,606,970	58,052,900
Unitholders' equity	75,114,114	70,499,759
	<u>\$ 137,648,713</u>	<u>\$ 135,510,542</u>

Contingency (note 6)

Subsequent events (note 8)

See accompanying notes to consolidated financial statements.


Approved by the Trustees:



John Cowperthwaite



William Brown



Robert Phillips

BOSTON PIZZA ROYALTIES INCOME FUND
Consolidated Statement of Earnings (Unaudited)

	Three month period ended September 30, 2003	Period from July 17, 2002 to September 30, 2002	Nine month period ended September 30, 2003
Franchise revenues reported by Boston Pizza Outlets included in royalty pool	\$76,466,700	\$57,088,228	\$213,496,413
Revenue:			
Royalty income	3,058,668	2,283,529	8,539,857
Interest income	450,796	379,993	1,351,702
	3,509,464	2,663,522	9,891,559
Expenses:			
General and administrative	121,873	96,605	422,125
Interest	68,904	54,745	205,719
Amortization of deferred financing charges	7,500	5,000	22,500
	198,277	156,350	650,344
Earnings before non-controlling interest	3,311,187	2,507,172	9,241,215
Non-controlling interest (Boston Pizza International Inc.) (note 5)	996,550	776,333	3,133,949
Net earnings	2,314,637	1,730,839	6,107,266
Weighted average units outstanding	8,010,522	7,690,000	7,798,015
Basic and diluted earnings per fund unit	\$ 0.29	\$ 0.23	\$ 0.78

Consolidated Statement of Unitholders' Equity
(Unaudited)

	Three month period ended September 30, 2003	Period from July 17, 2002 to September 30, 2002	Nine month period ended September 30, 2003
Balance, beginning of period	\$ 71,076,401	\$ 70,386,000	\$ 70,499,759
Fund units issued on exchange of class A Partnership units (note 5(b))	3,780,520	-	3,780,520
Net earnings	2,314,637	1,730,839	6,107,266
Distributions declared	(2,057,444)	(963,557)	(5,273,431)
Balance, end of period	\$ 75,114,114	\$ 71,153,282	\$ 75,114,114

See accompanying notes to consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND**Consolidated Statement of Cash Flows (Unaudited)**

	Three month period ended September 30, 2003	Period from July 17, 2002 to September 30, 2002	Nine month period ended September 30, 2003
Cash provided by (used in):			
Operations:			
Net earning	\$ 2,314,637	\$ 1,730,839	\$ 6,107,266
Items not involving cash:			
Amortization of deferred charges	7,500	5,000	22,500
Non-controlling interest (Boston Pizza International Inc.)	996,550	776,333	3,133,949
Change in non-cash operating working capital (note 7(a))	(70,275)	(670,005)	(246,940)
	3,248,412	1,842,167	9,016,775
Investments:			
Acquisition of BP Rights	-	(51,296,000)	-
Note receivable from Boston Pizza International Inc.	-	(24,000,000)	-
	-	(75,296,000)	-
Financing:			
Loan receivable from Boston Pizza International Inc.	(992,940)	-	(2,163,289)
Distributions paid to unitholders	(2,057,444)	(963,557)	(5,914,008)
Distributions paid to non-controlling interest (Boston Pizza International Inc. – note 5)	-	(466,069)	(946,334)
Issuance of fund units	-	76,900,000	-
Costs of issuance of fund units	-	(6,514,000)	-
Proceeds from term loan	-	5,000,000	-
Deferred financing charges	-	(90,000)	-
	(3,050,384)	73,866,374	(9,023,631)
Increase (decrease) in cash	198,028	412,541	(6,856)
Cash, beginning of period	40,386	-	245,270
Cash, end of period	\$ 238,414	\$ 412,541	\$ 238,414

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

See accompanying notes to consolidated financial statements.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements (Unaudited)

Three month periods ended September 30, 2003 and 2002

Nine month periods ended September 30, 2003 and 2002

1. Basis of presentation:

These interim consolidated financial statements have been prepared by management using 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 conform in all aspects to the requirements of generally accepted accounting principles for annual financial statements. These statements follow the same accounting policies and methods of their application as the most recent 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.

2. Operations:

On January 1, 2003, eight new Boston Pizza restaurants that opened during the period from May 1, 2002 to November 1, 2002 were added to the Royalty Pool of the Fund. As a result of the additional sales created by these new stores, Boston Pizza International ("BPI") received additional entitlement equivalent to 448,273 Fund Units, or 4.46% of the issued and outstanding Fund Units on a fully diluted basis. BPI also received a proportionate increase in monthly distributions from the Fund. In June 2003, the Fund issued an additional entitlement of 22,859 units and paid an amount of \$15,543 to BPI. This additional distribution and entitlement was for adjustments to royalty payments of 12 restaurants included in the Royalty Pool that were open for less than twelve months at April 30, 2002. On July 15, 2003, BPI exchanged 378,052 class A partnership units for an equal amount of Fund units (note 5(b)). Following this exchange, BPI sold these units of the Fund at \$9.95 per unit to the public. BPI now holds securities convertible into 2,017,013 units of the Fund which equates to 20% of the fully diluted units of the Fund. BPI has agreed to maintain at least a 20% ownership, direct or indirect, in the Fund until such time as there are 275 restaurants in the Royalty Pool. A total of 162 restaurants are in the pool at September 30, 2003 (December 31, 2002 - 154 restaurants).

Boston Pizza International Inc. performs certain management functions, on behalf of the Fund, including accounting and administrative services.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements (Unaudited)

Three month periods ended September 30, 2003 and 2002

Nine month periods ended September 30, 2003 and 2002

3. Due from Boston Pizza International Inc.:

	September 30, 2003	December 31, 2002
Royalty fee receivable	\$1,002,350	\$ 1,012,500
Interest on note receivable	150,000	150,000
	\$1,152,350	\$ 1,162,500

4. Distributable cash:

	Three month period ended September 30, 2003	Period from July 17, 2002 to September 30, 2002	Nine month period ended September 30, 2003
Earnings for the period	\$ 2,314,637	\$ 1,730,839	\$ 6,107,266
Amortization of deferred financing charges	7,500	5,000	22,500
Non-controlling interest	996,550	776,333	3,133,949
	3,318,687	2,512,172	9,263,715
Distributable cash required for non-controlling interest (Boston Pizza International Inc.)	998,807	777,881	3,141,579
Distributable cash available for Fund units	\$ 2,319,880	\$ 1,734,291	\$ 6,122,136
Weighted average units outstanding	8,010,522	7,690,000	7,798,015
Distributable cash per Fund unit	\$ 0.29	\$ 0.23	\$ 0.79

Distributable cash is not an earnings measure recognized by generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures presented by other issuers. Basic and diluted distributable cash per Fund Unit is computed on a basis consistent with that described by GAAP for computing earnings per Fund Unit.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements
(Unaudited)

Three month periods ended September 30, 2003 and 2002

Nine month periods ended September 30, 2003 and 2002

5. Non-controlling interest:

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

	September 30, 2003
Class A Boston Pizza Royalties Limited Partnership units (note 5(b))	\$ 12,272,380
Class B Boston Pizza Royalties Limited Partnership units	18,000,000
Class C Boston Pizza Royalties Limited Partnership units	24,000,000
	<hr/> 54,272,380
Non-controlling interest (Boston Pizza International Inc.) in earnings of the Partnership	3,133,949
Distributions owing to Partnership unitholders included in distributions payable	(2,783,816)
Distributions paid to Partnership unitholders (note 2)	(15,543)
	<hr/> \$ 54,606,970

BPI has exercised its right to receive its entitlement to monthly cash distributions from the Partnership by way of a loan. The loan receivable from BPI will be settled and the distributions payable to BPI will be discharged on or before January 31, 2004.

(b) Exchange of class A units:

During the period, BPI exchanged 378,052 class A partnership units for 378,052 units of the Fund. This exchange was recorded at the Fund's carrying value of \$10.00 per partnership unit resulting in an increase of unitholders' equity and a decrease of non-controlling interest of \$3,780,520. Following this exchange, BPI sold these units of the Fund at \$9.95 per unit to the public (note 2).

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements
(Unaudited)

Three month periods ended September 30, 2003 and 2002

Nine month periods ended September 30, 2003 and 2002

6. Contingency:

Boston Pizza International Inc. ("BPI") and the Fund are involved in trademark litigation with entities affiliated with McDonald's Restaurants of Canada (the "McDonald's Group"), opposing the registration by the McDonald's Group in Canada of the Boston Market trademark. Management of BPI believes that there is a likelihood that the trademark will not be registered. Additionally, BPI and the Fund have commenced an action against the McDonald's Group to prevent them from infringing BPI's and the Fund's respective interests in the trademarks by operating Boston Market in Canada. The McDonald's Group has filed a counterclaim and a separate action challenging the validity of the registered trademark "Boston Pizza" and related trademarks under the Trademarks Act (Canada). Management does not believe that this action will succeed.

BOSTON PIZZA ROYALTIES INCOME FUND

Notes to Consolidated Financial Statements

(Unaudited)

Three month periods ended September 30, 2003 and 2002

Nine month periods ended September 30, 2003 and 2002

7. Supplementary cash flow information:

	Three month period ended September 30, 2003	Period from July 17, 2002 to September 30, 2002	Nine month period ended September 30, 2003
(a) Change in non-cash working capital:			
Accounts receivable	\$ 29,318	\$(1,053,492)	\$ 22,990
Prepaid expenses	(56,312)	(56,750)	(27,228)
Accounts payable and accrued liabilities	(43,281)	750,501	(242,702)
Distributions owing to Partnership unitholders included in accounts payable and accrued liabilities	-	(310,264)	-
	<u>\$ (70,275)</u>	<u>\$ (670,005)</u>	<u>\$ (246,940)</u>
(b) Supplementary information:			
Interest received	\$ 450,796	\$ 229,993	\$1,351,702
Interest paid	71,918	54,745	185,081
Non-cash financing and investing activities:			
Distributions payable to non-controlling interest (Boston Pizza International Inc.–note 5)	992,940	-	2,783,816
Issuance of fund units on acquisition of BP rights	-	58,052,900	-
Exchange of partnership class A Units (non-controlling interest) for Fund units (note 5(b))	3,780,520	-	3,780,520

8. Subsequent events:

On October 8, 2003, the Fund announced a distribution of \$0.0867 per unit (distribution for the month of June 2003 - \$0.0850 per unit) for the period September 1, 2003 to September 30, 2003, payable on October 31, 2003.

Management Discussion and Analysis

Boston Pizza International Inc.

2003-Q3

Financial Highlights

The following table sets out selected historical information and other data of Boston Pizza International Inc. ("BPI"), which should be read in conjunction with the attached year-end consolidated financial statements of BPI.

	Three month period ended September 30, 2003	Three month period ended September 30, 2002	Nine month period ended September 30, 2003	Nine month period ended September 30, 2002
(in thousand of dollars)				
Restaurant System Franchise Sales ⁽¹⁾	\$ 80,075	\$ 74,770	\$ 220,976	\$ 201,631
Income Statement Data				
Franchise Fee Income	\$ 5,602	\$ 5,215	\$ 15,468	\$ 13,986
Total Revenue	\$ 8,303	\$ 7,614	\$ 22,828	\$ 18,659
Royalty expense	3,059	2,284	8,540	2,284
Administrative expenses and restaurant operating costs	3,789	4,959	11,276	12,478
Earnings	\$ 1,455	\$ 371	\$ 3,012	\$ 3,897

Notes:

¹ Represents the Franchise Sales of the two 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 Discussion and Analysis

Boston Pizza International Inc.

2003-Q3

Overview

This Quarterly Report covers the period of July 1, 2003 to September 30, 2003 (the "Period") and the year-to-date results from January 1, 2003 to September 30, 2003.

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 173 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 Boston Pizza restaurants open in Canada. BPI pays the Boston Pizza Royalties Income Fund (the "Fund") a royalty fee of 4% of Franchise Sales of a specific royalty pool for the use of the Boston Pizza trademarks (the "BP Rights"³). There were 162 restaurants in the royalty pool (the "Royalty Pool") for this Period.

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 brand**
- **The commitment to continually improve the customer experience**

Management realizes that its franchisees have to be profitable to succeed. If they are not successful, then ultimately Boston Pizza will not 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 the 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.

³ 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 Discussion and Analysis

Boston Pizza International Inc.

2003-Q3

Operating Results

While the first nine months of 2003 has been a challenging time for the foodservice industry and the overall economy, Boston Pizza continued to succeed. Overall Franchise Sales growth was 7.1% for the Period and 9.6% year-to-date. This increase was attributable to a combination of store openings and same store sales growth ("SSSG"). Boston Pizza opened 5 new locations with no closures during the Period bringing the total number of locations open as of September 30, 2003 to 173. During the Period two locations were extensively renovated. Typically locations that renovate are closed temporarily for 2-3 weeks and historically SSSG for renovated locations has been, on average, 10-15% post renovation. SSSG was 5.0% for the Period and 3.1% year-to-date. These positive results are indicative of the kind of success Boston Pizza can achieve even in a challenging environment.

While issues such as Severe Acute Respiratory Syndrome ("SARS") and Bovine Spongiform Encephalopathy (BSE – Mad Cow) negatively affected some foodservice concepts recently, Boston Pizza saw no material impact on sales.

The wide geographic dispersion of store locations across Canada together with the suburban and small-center positioning of the brand significantly mitigated the SARS concerns.

BSE was not a significant concern as beef is a very small component of the Boston Pizza menu.

Third Quarter Operating Results

Revenues

BPI's revenues for the Period were \$8,303,527 and \$7,614,072 for the same period in 2002. BPI's revenue is mainly derived from royalty income from franchised Boston Pizza restaurants, sales in corporately owned restaurants, initial franchise fees, franchise renewal fees, and income from its interest in the Fund.

Franchise fee income, which includes monthly franchise fees, initial franchise fees and franchise renewal fees, was \$5,601,771 for the Period compared to \$5,214,904 for the same period in 2002. An increase of 7.4%.

Sales for corporate restaurants for the Period were \$1,149,030 and \$1,135,688 for the same period in 2002.

BPI earned \$1,201,899 from its indirect interest in the Fund for the Period compared to \$767,579 for the same period in 2002.

Other income decreased to \$350,827 during the Period versus \$495,901 for the same period in 2002. Other income is generated from real estate income from a joint-venture property and interest on long-term receivables from related companies.

Management Discussion and Analysis

Boston Pizza International Inc.

2003-Q3

Expenses

For the Period, the royalty expense for the use of the BP Rights was \$3,058,668 and \$2,283,529 for the same Period in 2002.

Operating expenses for the Period were \$3,789,077 and \$4,958,872 for the same period in 2002. Administrative and operating expenses include salary and administrative costs associated with the services provided to franchised Boston Pizza restaurants, the operation of the two corporately owned restaurants, new Franchise Sales, and development activities.

Other Income & Expenses

Before taking into account the U.S. territorial development expense, depreciation and amortization, management bonus, amortization of deferred gain associated with the sale of the BP Rights, interest on the loan from the Fund, and interest on long-term debt, earnings was \$1,455,782 for the Period and \$371,671 for the same period in 2002.

On September 1, 2002 BPI transferred its 96.5% interest in Boston Pizza Restaurants, LP to a related company. Boston Pizza Restaurants, LP is developing Boston's - The Gourmet Pizza brand in the United States. As a result, BPI incurred no territorial development expense in the Period compared to an expense of \$368,434 for same period in 2002.

Depreciation and amortization for the Period was \$98,059 and \$190,830 for same period in 2002.

Management bonuses for the Period were \$486,800 and \$307,979 for the same period in 2002. This is a discretionary expense applicable to certain management who are also shareholders of the Company and is based on several criteria including the profitability of the Company.

The amortization of the deferred gain from the IPO was \$144,585 for the Period and \$119,482 for the third quarter of 2002. 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 on the sale at the time of the IPO was \$91,098,899.

Interest on the \$24 million loan acquired by the Fund at the time of IPO was \$450,000 for the Period and \$375,000 for the third quarter of 2002.

Interest on long-term debt for the Period was \$21,341 and \$59,056 the same period in 2002.

Given the combined effects of the above-noted factors, BPI produced earnings before income taxes of \$544,167 for the Period and a loss before income taxes of \$810,146 for the same period in 2002. After tax earnings was \$346,762 for the Period and the after tax loss was \$720,753 for the same period in 2002. This improvement in earnings is due to the following factors. BPI incurred no U.S. territorial development expense for this Period compared to an expense of \$368,434 for same period in 2002. The depreciation and amortization charged during this Period

Management Discussion and Analysis

Boston Pizza International Inc.

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was \$98,059 compared to \$190,830 for same period in 2002. BPI also paid off long-term debt subsequent to the IPO date and therefore incurred \$243,000 in bank charges in the third quarter of 2002 that did not occur in this Period. BPI was also able to reduce corporate operating expenses in 2003 over the same period in 2002.

On July 15, 2003, BPI exchanged 378,052 Class A units for an equal amount of Fund units. BPI sold these Fund units to the public. There are now 8,068,052 public Fund units issued and BPI has a 20% indirect interest in the Fund.

Year-To-Date Operating Results

Revenues

BPI's year-to-date revenues were \$22,828,268 and \$18,659,221 for the same period in 2002.

Franchise fee income, was \$15,467,540 year-to-date compared to \$13,986,273 for the same period in 2002. An increase of 10.6%.

Sales for corporate restaurants were \$3,239,314 year-to-date and \$3,293,789 for the same period in 2002.

BPI earned \$3,133,949 year-to-date from its indirect interest in the Fund. As BPI acquired its interest in the Fund on July 17, 2002 this item was not present for the first six months of 2002 but was \$767,579 for July 17, 2002 to September 30, 2002.

Other income increased to \$987,465 year-to-date versus \$611,580 for the same period in 2002.

Expenses

The year-to-date royalty expense for the use of the BP Rights was \$8,539,857. As BPI acquired its interest in the Fund on July 17, 2002 this expense did not occur in the first six months 2002 but was \$2,283,529 for July 17, 2002 to September 30, 2002.

Operating expenses year-to-date were \$11,275,718 and \$12,478,147, for the same period in 2002.

Other Income & Expenses

Before taking into account the U.S. territorial development expense, depreciation and amortization, management bonus, amortization of deferred gain associated with the sale of the BP Rights, interest on the loan from the Fund, and interest on long-term debt, earnings was \$3,012,693 year-to-date and \$3,897,545 for the same period in 2002.

On September 1, 2002 BPI transferred its 96.5% interest in Boston Pizza Restaurants, LP to a related company. Boston Pizza Restaurants, LP is developing Boston's - The Gourmet Pizza brand in

Management Discussion and Analysis

Boston Pizza International Inc.

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the United States. As a result, BPI incurred no territorial development expense year-to-date compared to an expense of \$3,036,360 for same period in 2002.

Depreciation and amortization year-to-date was \$312,770 and \$440,136 for same period in 2002.

Management bonuses year-to-date were \$978,527 and \$1,061,333 for the same period in 2002.

The amortization of the deferred gain from the IPO was \$433,755 year-to-date. As BPI acquired its interest in the Fund on July 17, 2002 this item did not occur in the first six months of 2002 but was \$119,482 for July 17, 2002 to September 30, 2002.

Interest on the \$24 million loan acquired by the Fund at the time of IPO was \$1,350,000 year-to-date. As BPI acquired its interest in the Fund on July 17, 2002 this expense did not occur in the first six months of 2002 but was \$375,000 for July 17, 2000 to September 30, 2002.

Interest on long-term debt for the Period was \$70,189 year-to-date and \$210,294 for the same period in 2002.

Given the combined effects of the above-noted factors, BPI produced earnings before income taxes of \$734,962 for the year-to-date and a net loss before income tax of \$1,106,096 for the same period in 2002. After tax income was \$462,971 for the year-to-date and the after tax loss was \$1,132,604 for the same period in 2002. BPI anticipates strong financial performance going forward and forecasts a profitable final result for 2003.

Subsequent Events

Subsequent to September 30, 2003, Boston Pizza opened four new locations bringing the total number of locations open as of November 1, 2003 to 177.

Liquidity & Capital Resources

BPI is entirely a franchised business except for two corporate restaurants. Therefore, current year capital requirements are limited to the upgrading of these two restaurants and the head office building and equipment requirements. Capital requirements are estimated at \$250,000 for 2003. As at September 30, 2003 working capital of \$10,425,873 was available. To further Quebec expansion and development BPI will be opening a corporate office and begin securing a site for a corporate restaurant in Montreal in 2004. BPI is well capitalized as current working capital is more than sufficient to meet BPI's current and the upcoming capital requirements.

Management Discussion and Analysis

Boston Pizza International Inc.

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Outlook

Boston Pizza continues to strengthen its position as the Number One Casual Dining Brand in Canada. With 173 restaurants stretching from Victoria to Halifax, Boston Pizza has more locations and serves more customers annually than any other casual dining concept in Canada. Management anticipates that 5 new Boston Pizza restaurants will open across Canada in the final quarter of 2003 bringing the total number of locations opened across Canada in 2003 to 15. As well, BPI is on track to open 70-80 new restaurants across Canada over the next five years. Management further believes that in 2003 the organization can continue to deliver industry-leading SSSG. Boston Pizza will continue its distinct renovation program that requires each location to renovate every seven years. In the remaining three months of 2003 there are 6 renovations planned, bringing the estimated total number of store renovations and relocations conducted in 2003 to 20. Historically SSSG for renovated locations has been, on average, 10-15% post-renovation. Management will continue to pursue further development in Western Canada, Ontario, and the Maritimes while aggressively pursuing additional opportunities in Quebec.

In 2003, BPI will continue to leverage spokesperson Howie Mandel's celebrity status and deliver television and radio commercials showcasing the Boston Pizza brand. Management believes that Mr. Mandel's celebrity status will reinforce and increase awareness of the brand and have a positive effect on sales.

As with all forward-looking statements, due care and caution should be employed to ensure that appropriate interpretation is made. Please refer to note¹ at the end of this document for further clarification.

Management Discussion and Analysis

Boston Pizza International Inc.

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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 Discussion and Analysis

Boston Pizza International Inc.

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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 Fund) 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. In 2002 BPI and the Fund 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". BPI management and the Fund intend to continue to vigorously prosecute any infringement or unauthorized use of the Boston Pizza trademarks. In the fall of 2002 Boston Market Canada Company and Global Operations of Ireland Limited ("the Boston Market Group") issued a counterclaim and commenced a separate proceeding challenging the registration of the Boston Pizza trademarks owned by the Fund, 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 Fund would lose the benefits of registration of its trademarks under the *Trade-Marks Act* (Canada), which may mean losing the ability to prevent others from using the registered trademarks for the goods and services for which they are registered and to prevent others from using similar or confusing trademarks or names. However the loss of the registration under the *Trade-Marks Act* (Canada) would not prevent the Fund from continuing to license and use the "Boston Pizza" and related trademarks or from taking other measures to protect their rights in respect of, and their ability to use, the "Boston Pizza" and related trademarks in the existing operations and geographic territories where they are presently used and in areas where BPI and its sub-licensees do not presently operate Boston Pizza restaurants. In July 2003 the Federal Court of Canada, on an application for summary judgment brought by BPI and Boston Pizza Royalties Limited Partnership, dismissed portions of the counterclaim by the Boston Market Group, seeking to expunge the registrations of the Boston Pizza trademarks. The Federal Court dismissed the counterclaim as it relates to registered trademarks BP & Design, BP's Lounge and BP's Bistro. The Court did not dismiss the counterclaim regarding three other trademarks, including "Boston Pizza", primarily on the basis that the counterclaim raises issues that should not be resolved on a summary basis and should instead be decided at trial. BPI and the Limited Partnership are in the process of appealing this decision. The parties are waiting for trial dates, none of which have been set but BPI management expects the infringement trial to commence in late 2004 or early 2005. BPI management believes that ultimately, BPI and the Fund will be successful in its litigation with the McDonald's Group, including the Boston Market 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 Prospectus dated July 9, 2002 and the Fund's Annual Information Form.

Management Discussion and Analysis

Boston Pizza International Inc.

2003-Q3

¹Certain 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, 2003	December 31, 2002
	(Unaudited)	
Assets		
Current assets:		
Cash	\$ 9,544,979	\$ 2,445,985
Accounts receivable	4,107,064	3,808,266
Income taxes receivable	293,456	373,498
Prepaid expenses	586,760	641,033
Current portion of long-term receivables	5,170	6,255,789
Due from Boston Pizza Royalties Limited Partnership	2,783,816	930,791
Future income taxes	143,055	143,055
	<u>17,464,300</u>	<u>14,598,417</u>
Long-term receivables (note 2)	16,581,709	16,625,615
Long-term investments (note 3)	38,297,546	40,260,926
Capital assets	1,858,005	2,619,911
Deferred charges	102,748	170,505
Future income taxes	12,096,509	12,560,579
	<u>\$ 86,400,817</u>	<u>\$ 86,835,953</u>
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,748,118	\$ 4,486,544
Loan payable to Boston Pizza Royalties Limited Partnership	2,783,816	620,527
Current portion of deferred revenue	1,199,199	971,533
Current portion of long-term debt	307,294	728,311
	<u>7,038,427</u>	<u>6,806,915</u>
Long-term debt	381,220	615,778
Deferred revenue	2,390,225	2,393,645
Loan from the Boston Pizza Royalties Income Fund	24,000,000	24,000,000
Deferred gain on disposition of intangible assets	91,841,086	90,834,840
Future income taxes	191,314	31,381
Shareholders' deficiency:		
Share capital	100	100
Deficit	(39,441,555)	(37,846,706)
	<u>(39,441,455)</u>	<u>(37,846,606)</u>
	<u>\$ 86,400,817</u>	<u>\$ 86,835,953</u>

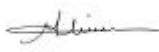
Contingency (note 5)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Jim Treiving



George Melville

BOSTON PIZZA INTERNATIONAL INC.**Consolidated Statements of Operations and Retained Earnings
(Deficit) (Unaudited)**

	Three month period <u>ended September 30,</u>		Nine month period <u>ended September 30,</u>	
	2003	2002	2003	2002
Franchise fee income	\$ 5,601,771	5,214,904	15,467,540	13,986,273
Sales - company restaurants	1,149,030	1,135,688	3,239,314	3,293,789
Equity income	1,201,899	767,579	3,133,949	767,579
Other	350,827	495,901	987,465	611,580
	8,303,527	7,614,072	22,828,268	18,659,221
Royalty expense	3,058,668	2,283,529	8,539,857	2,283,529
Administrative expenses and restaurant operating costs	3,789,077	4,958,872	11,275,718	12,478,147
Earnings before undernoted U.S. territorial development expense	1,455,782	371,671	3,012,693	3,897,545
	-	368,434	-	3,036,360
Depreciation and amortization	98,059	190,830	312,770	440,136
Management bonus	486,800	307,979	978,527	1,061,333
Amortization of deferred gain	(144,585)	(119,482)	(433,755)	(119,482)
Interest on loan from Boston Pizza Royalties Income Fund	450,000	375,000	1,350,000	375,000
Interest on long-term debt	21,341	59,056	70,189	210,294
Earnings (loss) before income taxes	544,167	(810,146)	734,962	(1,106,096)
Income tax expense	197,405	(89,393)	271,991	26,508
Earnings (loss) for the period	346,762	(720,753)	462,971	(1,132,604)
Dividends paid	2,000,000	45,103,990	2,000,000	45,103,990
Retained earnings (deficit), beginning of period	(37,769,043)	1,286,518	(37,846,706)	1,698,369
Refundable dividend tax	(19,274)	6,796,629	(57,820)	6,796,629
Deficit, end of period	\$ (39,441,555)	(37,741,596)	(39,441,555)	(37,741,596)

See accompanying notes to consolidated financial statements.

BOSTON PIZZA INTERNATIONAL INC.Consolidated Statements of Cash Flows Continued
Unaudited)

	Three month period ended September 30,		Nine month period ended September 30,	
	2003	2002	2003	2002
Cash provided by (used in):				
Operations:				
Earnings (loss) for the period	\$ 346,762	\$ (720,753)	\$ 462,971	\$ (1,132,604)
Items not affecting cash:				
Depreciation and amortization	98,059	190,830	312,770	440,136
Future income taxes	444,797	(5,438,204)	566,175	(5,438,204)
Amortization of deferred gain on disposition of intangible assets	(144,585)	(119,482)	(433,755)	(119,482)
Equity income	(1,201,899)	(1,077,864)	(3,133,949)	(1,077,864)
Distributions by Boston Pizza Royalties Limited Partnership	992,940	776,333	2,783,816	776,333
Changes in non-cash working capital items (note 7 (a))	586,782	5,827,648	(1,714,963)	2,500,454
	1,122,856	(561,492)	(1,156,935)	(4,051,231)
Investments:				
Changes in long-term receivables	418,469	(17,112,730)	6,294,525	(17,995,506)
Purchase of capital assets, net	(134,377)	(42,572)	(229,175)	(244,142)
Distributions from Boston Pizza Royalties Income Fund	-	-	15,543	-
Proceeds on sale of a subsidiary, net of cash disposed of (note 4)	342,769	-	342,769	-
Sale of Fund Units, net of transaction costs of \$15,122	3,746,495	-	3,746,495	-
Cash proceeds from sale of intangible assets	-	51,296,000	-	51,296,000
Costs incurred on sale of intangible assets	-	(250,000)	-	(250,000)
	4,373,356	33,890,698	10,170,157	32,806,352

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

	<u>Three month period</u> <u>ended September 30,</u>		<u>Nine month period</u> <u>ended September 30,</u>	
	2003	2002	2003	2002
Financing:				
Proceeds from long-term debt	-	-	-	4,947,341
Repayment of long-term debt	(74,890)	(5,664,629)	(224,492)	(5,945,491)
Due from Boston Pizza Royalties Limited Partnership	(992,940)	-	(1,853,025)	-
Loan from the Boston Pizza Royalties Income Fund	992,940	-	2,163,289	-
Payment of Dividends	(2,000,000)	(45,103,990)	(2,000,000)	(45,103,990)
Loan from the Boston Pizza Royalties Income Fund	-	24,000,000	-	24,000,000
	(2,074,890)	(26,768,619)	(1,914,228)	(22,102,140)
Increase in cash	3,421,322	6,560,587	7,098,994	6,652,981
Cash, beginning of period	6,123,657	667,341	2,445,985	574,947
Cash, end of period	\$ 9,544,979	\$ 7,227,928	\$ 9,544,979	\$ 7,227,928

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 month periods ended September 30, 2003 and 2002

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 conform in all aspects to the requirements of Canadian generally accepted accounting principles for annual financial statements. These statements follow the same accounting policies and methods of their application as the most recent 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.

2. Long-term receivables:

	September 30, 2003	December 31, 2002
Debentures receivable, bearing interest between prime plus 2% and 11% per annum, receivable in blended monthly payments of approximately \$2,800	\$ 62,394	\$ 83,179
Advances to companies owned by shareholders of the Company, non-interest bearing, unsecured with no specified terms of repayment	5,524,485	5,568,391
Promissory notes to companies owned by the shareholders of the Company, bearing interest at 7.6%, unsecured with no specific terms of repayment	11,000,000	17,229,834
Current portion	16,586,879 5,170	22,881,404 6,255,789
	\$ 16,581,709	\$ 16,625,615

BOSTON PIZZA INTERNATIONAL INC.

Notes to Consolidated Financial Statements (Unaudited)

Three and nine month periods ended September 30, 2003 and 2002

3. Long-term investments:

The Company's investment in the Partnership is comprised of:

Boston Pizza Royalties Limited Partnership:	
1,227,238 class A units of the Partnership	\$ 12,272,380
100,000,000 class B units of the Partnership	18,000,000
2,400,000 class C units of the Partnership	24,000,000
Equity income to date	4,806,532
Distributions from the Partnership to date	(4,510,093)
	<hr/>
	54,568,819
Portion of deferred gain relating to class B units received for future restaurants	(16,513,841)
	<hr/>
Net investment in Partnership	38,054,978
Investment in BP Limited Partnership Holding Inc.	242,548
Investment in BP GP	20
	<hr/>
	\$ 38,297,546

On January 1, 2003, eight new Boston Pizza restaurants, opened during the period from May 1, 2002 to November 1, 2002 were added to the Royalty Pool of the Fund. As a result of the additional sales created by these new stores, BPI received additional entitlement equivalent of 448,273 Fund Units, or 4.46% of the issued and outstanding Fund Units on a fully diluted basis. BPI also received a proportionate increase in monthly distributions from the Fund. BPI's investment in the Partnership and the related deferred gain have been increased by \$1,440,000 as a result of this transaction.

On July 15, 2003, Boston Pizza International Inc. ("BPI") exchanged 378,052 class A partnership units for an equal amount of Fund units. Following this exchange, BPI sold their units of the Fund at \$9.95 per unit to the public for total proceeds of \$3,761,617. Gain on the sale of units was \$12,134, net of transaction costs of \$15,122. BPI now holds securities convertible into 2,017,013 units of the Fund which equates to 20% of the fully-diluted units of the Fund.

BOSTON PIZZA INTERNATIONAL INC.

Notes to Consolidated Financial Statements (Unaudited)

Three and nine month periods ended September 30, 2003 and 2002

4. Sale of subsidiary:

On August 31, 2003, the Company sold its 50% interest in a subsidiary to a related party for a total proceeds of \$343,317. The assets and liabilities disposed off are as follows:

Cash	\$	548
Other current assets		13,486
Capital and other long-term assets		761,166
<hr/>		
Total assets disposed of		775,200
Current Liabilities		750
Long-term debt		431,133
<hr/>		
Net assets	\$	343,317

5. Contingency:

The Company is involved in trademark litigation with entities affiliated with McDonald's Restaurants of Canada (the "McDonald's Group"), opposing the registration of the Boston Market trademark. Management believes that there is likelihood that the trademark will not be registered. Additionally, the Company has commenced an action against The McDonald's Group to prevent them from infringing on the Company's interest in the trademarks by operating Boston Market in Canada. The McDonald's Group has filed a counterclaim and a separate action challenging the validity of the registered trademark "Boston Pizza" and related trademarks under the Trademarks Act (Canada). Management does not believe that this action will succeed.

BOSTON PIZZA INTERNATIONAL INC.

Notes to Consolidated Financial Statements (Unaudited)

**Three and nine month periods ended September 30, 2003 and
2002**

6. Related party transactions:

Included in accounts payable and accrued liabilities is \$1,152,350 (December 2002 - \$702,230) payable to Boston Pizza Royalties Income Fund. Included in accounts receivable is \$540,571, \$5,971 and \$90,222 (December 2002 - \$482,665, \$18,498 and nil) due from companies under common control, the Fund and a shareholder of the Company.

Long-term receivables include amounts owing from various related parties (note 2).

Included in administrative expenses and restaurant operating costs are amounts paid by the Company relating to rent and management fees to companies under common control totaling \$252,792 and \$2,033,493 respectively. Included in management bonus is \$471,527 paid to the Company's parent for services rendered.

BOSTON PIZZA INTERNATIONAL INC.

Notes to Consolidated Financial Statements (Unaudited)

Three and nine month periods ended September 30, 2003 and 2002

7. Supplementary cash flow information:

	Three month period ended September 30,		Nine month period ended September 30,	
	2003	2002	2003	2002
(a) Change in non-cash working capital:				
Accounts receivable	\$ 768,459	\$ (283,420)	\$ (303,596)	\$ (958,536)
Income taxes receivable	216,801	5,334,076	80,042	5,686,745
Deferred revenue	219,333	(722,921)	224,247	327,427
Prepaid expenses	77,560	18,962	47,613	55,113
Accounts payable and accrued liabilities	(669,772)	1,480,951	(1,737,670)	(2,610,295)
Other	(25,599)	-	(25,599)	-
	\$ 586,782	\$ 5,827,648	\$ (1,714,963)	\$ 2,500,454

	Three month period ended September 30,		Nine month period ended September 30,	
	2003	2002	2003	2002
(b) Supplementary information:				
Interest received	\$ 54,927	\$ 150,955	\$ 409,762	\$ 158,063
Interest paid	471,619	194,430	1,424,866	321,247
Non-cash financing and investing activities:				
Increase in investments and deferred gain due to transfer of eight new restaurants to the Partnership (note 2)	1,440,000	-	1,440,000	-
Investment in Boston Pizza Royalties Limited Partnership in exchange for partial payment on sale of intangible assets	-	58,052,900	-	58,052,900

8. Comparative figures:

Certain prior period amounts have been reclassified to conform to the current period presentation.

Unitholder Information

Boston Pizza Royalties Income Fund

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TRUSTEES

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Retired Partner Ernst & Young LLP

WILLIAM C. BROWN

Corporate Director

ROBERT L. PHILLIPS

*President & Chief Executive Officer
BCR Group of Companies*

TRANSFER AGENT

COMPUTERSHARE TRUST COMPANY OF CANADA

STOCK EXCHANGE LISTING

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Retired Partner Ernst & Young LLP

WILLIAM C. BROWN* – SECRETARY & DIRECTOR

Corporate Director

ROBERT L. PHILLIPS* – PRESIDENT & DIRECTOR

*President & Chief Executive Officer
BCR Group of Companies*

MIKE CORDOBA – DIRECTOR

*President & Chief Operating Officer
Boston Pizza International Inc.*

MARK POWELL – DIRECTOR

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*AUDIT COMMITTEE AND GOVERNANCE
COMMITTEE MEMBER

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GEORGE MELVILLE

Chief Executive Officer

MIKE CORDOBA

President & Chief Operating Officer

MARK POWELL

Chief Financial Officer

MIKE CYR

Executive Vice-President Western Canada

MARK PACINDA

Executive Vice-President Eastern Canada

TYLER BARRS

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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

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