



PIZZA PIZZA ROYALTY INCOME FUND

Consolidated Interim Financial Statements
(Unaudited)
For the three months ended March 31, 2007

Pizza Pizza Royalty Income Fund

Interim Consolidated Balance Sheet

March 31, 2007

(Expressed in Thousands of Dollars)

	March 31, 2007 (unaudited)	December 31, 2006 (audited)
Assets		
Current assets:		
Receivable from Pizza Pizza Limited	\$ 150	\$ 150
Receivable from Pizza Pizza Royalty Limited Partnership	1,162	1,126
	1,312	1,276
Loan receivable from Pizza Pizza Limited	30,000	30,000
Investment in Pizza Pizza Royalty Limited Partnership (note 5)	146,217	140,520
	\$ 177,529	\$ 171,796
Liabilities and Unitholders' Equity		
Current Liabilities:		
Distribution payable to Fund unitholders	\$ 1,310	\$ 1,275
Unitholders' Equity:		
Fund units	177,795	177,795
Contributed surplus (note 4c)	5,951	599
	183,746	178,394
Accumulated other comprehensive income (note 2)	303	-
Deficit	(7,830)	(7,873)
	(7,527)	(7,873)
Total unitholders' equity	176,219	170,521
	\$ 177,529	\$ 171,796

See accompanying notes to consolidated financial statements

Approved by the Trustees:

(Signed) RON ROGERS
Trustee

(Signed) ARNOLD CADER
Trustee

(Signed) TERENCE REID
Trustee

Pizza Pizza Royalty Income Fund

Interim Consolidated Statement of Earnings

For the three months ended March 31, 2007 and 2006

(Expressed in Thousands of Dollars Except Number of Units and Per Unit Amounts)

	March 31, 2007 (unaudited)	March 31, 2006 (unaudited) (restated)
System Sales included in the Royalty Pool (note 4a)	\$ 89,518	\$ 82,484
Equity income in the Partnership (note 4a)	3,524	3,235
Interest income	450	450
Net income	\$ 3,974	\$ 3,685
Weighted average Fund units	17,952,000	17,952,000
Basic income per Fund unit	\$ 0.22	\$ 0.21
Weighted average diluted Fund units (note 6)	23,360,915	22,515,120
Diluted income per Fund unit (note 6)	\$ 0.22	\$ 0.20

Interim Consolidated Statement of Deficit

For the three months ended March 31, 2007 and 2006

(Expressed in Thousands of Dollars)

	March 31, 2007 (unaudited)	March 31, 2006 (unaudited) (restated)
Balance, beginning of period	\$ (7,873)	\$ (8,655)
Net income	3,974	3,685
Distributions declared (2007 - \$0.219/unit; 2006 - \$0.2071/unit)	(3,931)	(3,717)
Balance, end of period	\$ (7,830)	\$ (8,687)

See accompanying notes to consolidated financial statements

Pizza Pizza Royalty Income Fund

Interim Consolidated Statement of Comprehensive Income

For the three months ended March 31, 2007 and 2006

(Expressed in Thousands of Dollars)

	March 31, 2007 (unaudited)	March 31, 2006 (unaudited)
Net income	\$ 3,974	\$ 3,685
Other comprehensive income		
Gain on interest rate swap designated as cash flow hedge (notes 2 and 8)	5	-
Comprehensive income	\$ 3,979	\$ 3,685

Interim Consolidated Statement of Accumulated Other Comprehensive Income

For the three months ended March 31, 2007 and 2006

(Expressed in Thousands of Dollars)

	March 31, 2007 (unaudited)	March 31, 2006 (unaudited) (restated)
Accounting policy change (note 2)	\$ 298	\$ -
Other comprehensive income (note 8)	5	-
Balance, end of period, being the Fund's share of the fair value of a cash flow hedge	\$ 303	\$ -

See accompanying notes to consolidated financial statements

Pizza Pizza Royalty Income Fund

Interim Consolidated Statement of Cash Flows
For the three months ended March 31, 2007 and 2006
(Expressed in Thousands of Dollars)

	March 31, 2007 (unaudited)	March 31, 2006 (unaudited) (restated)
Cash provided by (used in):		
Operating activities		
Net income	\$ 3,974	\$ 3,685
Equity income, an item not affecting cash (note 4a)	(3,524)	(3,235)
Distributions received	3,446	3,243
	<u>3,896</u>	<u>3,693</u>
Financing activities		
Distributions paid to unitholders	(3,896)	(3,693)
	<u>-</u>	<u>-</u>
Increase (decrease) in cash	-	-
Cash, beginning of period	-	-
Cash, end of period	<u>\$ -</u>	<u>\$ -</u>

See supplementary cash flows information (note 9)
See accompanying notes to consolidated financial statements.