

Pizza Pizza Royalty Income Fund

Interim Consolidated Balance Sheet

September 30, 2007

(Expressed in Thousands of Dollars)

	September 30, 2007 (unaudited)	December 31, 2006 (audited)
ASSETS		
Current Assets		
Receivable from Pizza Pizza Limited	\$ 150	\$ 150
Receivable from Pizza Pizza Royalty Limited Partnership	1,510	1,126
Total current assets	1,660	1,276
Loan receivable from Pizza Pizza Limited	30,000	30,000
Investment in Pizza Pizza Royalty Limited Partnership (note 5)	180,672	140,520
	\$ 212,332	\$ 171,796
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Distribution payable to Fund unitholders	\$ 1,658	\$ 1,275
Future income tax liability (note 6)	12,898	-
UNITHOLDERS' EQUITY		
Fund units (note 7)	212,928	177,795
Contributed surplus (note 4c)	5,401	599
	218,329	178,394
Accumulated other comprehensive loss	(2)	-
Deficit	(20,551)	(7,873)
	(20,553)	(7,873)
Total unitholders' equity	197,776	170,521
	\$ 212,332	\$ 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 (Loss)

For the three and nine months ended September 30, 2007 and 2006

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

	Three months ended September 30, 2007 (unaudited)	Three months ended September 30, 2006 (unaudited)	Nine months ended September 30, 2007 (unaudited)	Nine months ended September 30, 2006 (unaudited) (restated)
System Sales included in the Royalty Pool (note 4a)	\$ 108,935	\$ 90,773	\$ 290,615	\$ 259,272
Equity income before issuance costs (note 4a)	4,576	3,671	11,624	10,298
Less share of Partnership issuance costs	(169)	-	(169)	-
Equity income in the Partnership (note 4a)	4,407	3,671	11,455	10,298
Interest income	499	450	1,399	1,350
Earnings before income taxes	4,906	4,121	12,854	11,648
Provision for future income taxes (note 6)	4,198	-	12,898	-
Net earnings (loss)	\$ 708	\$ 4,121	\$ (44)	\$ 11,648
Weighted average Fund units	20,498,533	17,952,000	18,810,172	17,952,000
Basic earnings per Fund unit	\$ 0.03	\$ 0.23	\$ 0.00	\$ 0.65
Weighted average diluted Fund units (note 8)	25,885,709	22,515,120	24,211,761	22,515,120
Diluted earnings per Fund unit (note 8)	\$ 0.03	\$ 0.23	\$ 0.00	\$ 0.63

Pizza Pizza Royalty Income Fund

Interim Consolidated Statement of Deficit

For the three and nine months ended September 30, 2007 and 2006

(Expressed in Thousands of Dollars Except Per Unit Amounts)

	Three months ended September 30, 2007 (unaudited)	Three months ended September 30, 2006 (unaudited) (restated)	Nine months ended September 30, 2007 (unaudited)	Nine months ended September 30, 2006 (unaudited) (restated)
Balance, beginning of period	\$ (16,487)	\$ (8,589)	\$ (7,873)	\$ (8,655)
Net earnings (loss)	708	4,121	(44)	11,648
Distributions declared (three months \$0.222/unit, nine months \$0.66/unit; 2006 – three months \$0.213/unit, nine months \$0.629/unit)	(4,772)	(3,824)	(12,634)	(11,285)
Balance, end of period	\$ (20,551)	\$ (8,292)	\$ (20,551)	\$ (8,292)

See accompanying notes to consolidated financial statements

Pizza Pizza Royalty Income Fund

Interim Consolidated Statement of Comprehensive Income (Loss)
For the three and nine months ended September 30, 2007 and 2006
(Expressed in Thousands of Dollars)

	Three months ended September 30, 2007 (unaudited)	Three months ended September 30, 2006 (unaudited)	Nine months ended September 30, 2007 (unaudited)	Nine months ended September 30, 2006 (unaudited)
Net earnings (loss)	\$ 708	\$ 4,121	\$ (44)	\$ 11,648
Other comprehensive income (loss)				
Share of other comprehensive income (loss) of the Partnership (notes 2, 5 and 10)	(518)	-	(300)	-
Comprehensive income	\$ 190	\$ 4,121	\$ (344)	\$ 11,648

Pizza Pizza Royalty Income Fund

Interim Consolidated Statement of Accumulated Other Comprehensive Income (Loss)
For the three and nine months ended September 30, 2007 and 2006
(Expressed in Thousands of Dollars)

	Three months ended September 30, 2007 (unaudited)	Three months ended September 30, 2006 (unaudited)	Nine months ended September 30, 2007 (unaudited)	Nine months ended September 30, 2006 (unaudited)
Balance, beginning of period	\$ 516	\$ -	\$ -	\$ -
Accounting policy change (note 2)	-	-	298	-
Other comprehensive loss (notes 5 and 10)	(518)	-	(300)	-
Balance, end of period, being the Fund's share of the fair value of a cash flow hedge	\$ (2)	\$ -	\$ (2)	\$ -

See accompanying notes to consolidated financial statements

Pizza Pizza Royalty Income Fund
Interim Consolidated Statement of Cash Flows
For the three and nine months ended September 30, 2007 and 2006
(Expressed in Thousands of Dollars)

	Three months ended September 30, 2007 (unaudited)	Three months ended September 30, 2006 (unaudited)	Nine months ended September 30, 2007 (unaudited)	Nine months ended September 30, 2006 (unaudited) (restated)
Cash provided by (used in):				
Operating activities				
Net earnings (loss)	\$ 708	\$ 4,121	\$ (44)	\$ 11,648
Equity income, an item not affecting cash (note 4a)	(4,407)	(3,671)	(11,455)	(10,298)
Distributions received	3,973	3,347	10,900	9,883
Future income tax expense	4,198	-	12,898	-
	<u>4,472</u>	<u>3,797</u>	<u>12,299</u>	<u>11,233</u>
Financing activities				
Issue of Fund units (note 7)	30,803	-	30,803	-
Cost of issuance of Fund units (note 7)	(595)	-	(595)	-
Purchase of units of Pizza Pizza Royalty Limited Partnership (note 5)	(30,257)	-	(30,257)	-
Distributions paid to unitholders	(4,423)	(3,797)	(12,250)	(11,233)
	<u>(4,472)</u>	<u>(3,797)</u>	<u>(12,299)</u>	<u>(11,233)</u>
Increase (decrease) in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See supplementary cash flows information (note 11)
See accompanying notes to consolidated financial statements