

Pizza Pizza Royalty Income Fund

Interim Consolidated Balance Sheet

June 30, 2007

(Expressed in Thousands of Dollars)

	June 30, 2007 (unaudited)	December 31, 2006 (audited)
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ASSETS

Current Assets

Receivable from Pizza Pizza Limited	\$ 150	\$ 150
Receivable from Pizza Pizza Royalty Limited Partnership	1,163	1,126

Total current assets	1,313	1,276
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Loan receivable from Pizza Pizza Limited	30,000	30,000
Investment in Pizza Pizza Royalty Limited Partnership (note 5)	146,472	140,520

	\$ 177,785	\$ 171,796
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LIABILITIES AND UNITHOLDERS' EQUITY

Current Liabilities

Distribution payable to Fund unitholders	\$ 1,310	\$ 1,275
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Future income tax liability (note 6)	8,700	-
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UNITHOLDERS' EQUITY

Fund units	177,795	177,795
Contributed surplus (note 4c)	5,951	599

	183,746	178,394
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Accumulated other comprehensive income	516	-
Deficit	(16,487)	(7,873)

	(15,971)	(7,873)
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Total unitholders' equity	167,775	170,521
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	\$ 177,785	\$ 171,796
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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 and six months ended June 30, 2007 and 2006

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

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Six months ended June 30, 2007 (unaudited)	Six months ended June 30, 2006 (unaudited) (restated)
System Sales included in the Royalty Pool (note 4a)	\$ 92,162	\$ 86,015	\$ 181,680	\$ 168,498
Equity income in the Partnership (note 4a)	3,524	3,392	7,048	6,627
Interest income	450	450	900	900
Earnings before income taxes	3,974	3,842	7,948	7,527
Provision for future income taxes (note 6)	8,700	-	8,700	-
Net earnings (loss)	\$ (4,726)	\$ 3,842	\$ (752)	\$ 7,527
Weighted average Fund units	17,952,000	17,952,000	17,952,000	17,952,000
Basic earnings (loss) per Fund unit	\$ (0.26)	\$ 0.21	\$ (0.04)	\$ 0.42
Weighted average diluted Fund units (note 7)	23,360,915	22,515,120	23,360,915	22,515,120
Diluted earnings (loss) per Fund unit (note 7)	\$ (0.16)	\$ 0.21	\$ 0.06	\$ 0.41

Pizza Pizza Royalty Income Fund

Interim Consolidated Statement of Deficit

For the three and six months ended June 30, 2007 and 2006

(Expressed in Thousands of Dollars Except Per Unit Amounts)

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited) (restated)	Six months ended June 30, 2007 (unaudited)	Six months ended June 30, 2006 (unaudited) (restated)
Balance, beginning of period	\$ (7,830)	\$ (8,687)	\$ (7,873)	\$ (8,655)
Net earnings (loss)	(4,726)	3,842	(752)	7,527
Distributions declared (three months \$0.219/unit, six months \$0.438/unit; 2006 – three months \$0.209/unit, six months \$0.416/unit)	(3,931)	(3,744)	(7,862)	(7,461)
Balance, end of period	\$ (16,487)	\$ (8,589)	\$ (16,487)	\$ (8,589)

See accompanying notes to consolidated financial statements

Pizza Pizza Royalty Income Fund
Interim Consolidated Statement of Comprehensive Income
For the three and six months ended June 30, 2007 and 2006
(Expressed in Thousands of Dollars)

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Six months ended June 30, 2007 (unaudited)	Six months ended June 30, 2006 (unaudited)
Net earnings (loss)	\$ (4,726)	\$ 3,842	\$ (752)	\$ 7,527
Other comprehensive income				
Share of other comprehensive income of the Partnership (notes 2, 5 and 9)	213	-	218	-
Comprehensive income (loss)	\$ (4,513)	\$ 3,842	\$ (534)	\$ 7,527

Pizza Pizza Royalty Income Fund
Interim Consolidated Statement of Accumulated Other Comprehensive Income
For the three and six months ended June 30, 2007 and 2006
(Expressed in Thousands of Dollars)

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Six months ended June 30, 2007 (unaudited)	Six months ended June 30, 2006 (unaudited)
Balance, beginning of period	\$ 303	\$ -	\$ -	\$ -
Accounting policy change (note 2)	-	-	298	-
Other comprehensive income (notes 5 and 9)	213	-	218	-
Balance, end of period, being the Fund's share of the fair value of a cash flow hedge	\$ 516	\$ -	\$ 516	\$ -

See accompanying notes to consolidated financial statements

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

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Six months ended June 30, 2007 (unaudited)	Six months ended June 30, 2006 (unaudited) (restated)
Cash provided by (used in):				
Operating activities				
Net earnings (loss)	\$ (4,726)	\$ 3,842	\$ (752)	\$ 7,527
Equity income, an item not affecting cash (note 4a)	(3,524)	(3,392)	(7,048)	(6,627)
Distributions received	3,481	3,293	6,927	6,536
Future income tax expense	8,700	-	8,700	-
	3,931	3,743	7,827	7,436
Financing activities				
Distributions paid to unitholders	(3,931)	(3,743)	(7,827)	(7,436)
Increase (decrease) in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -

See supplementary cash flows information (note 10)
See accompanying notes to consolidated financial statements