Pizza Pizza Limited
Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of financial conditions and results of operations of Pizza Pizza Limited (the "Company") covers the 13-week quarter ended March 29, 2009 (the "Quarter"). The MD&A should be read in conjunction with the Company's March 29, 2009 quarterly consolidated financial statements and notes thereto. The financial information presented has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The MD&A has been prepared as of May 7, 2009.

This document, along with other information about the Company and the Pizza Pizza Royalty Income Fund (the "Fund"), including the Annual Information Form, can be accessed on the investor relations section of the website www.pizzapizza.ca or on the SEDAR website for Canadian regulatory filings at www.sedar.com.

OVERVIEW

The Company, a privately-owned Canadian corporation, operates two brands, Pizza Pizza and Pizza 73. The Company acquired 100% of the shares of Pizza 73, Inc. ("Pizza 73") on July 24, 2007. Immediately following the acquisition, the Company and Pizza 73 amalgamated, continuing to operate as Pizza Pizza Limited.

About the Pizza Pizza Brand
Pizza Pizza restaurants operate primarily in the province of Ontario, where it dominates the pizza quick service restaurant ("QSR") segment and is a franchise-oriented restaurant business. Of the 577 Pizza Pizza restaurants at March 29, 2009, 572 are franchised or licensed, 2 are jointly-controlled, and 3 are owned and operated as corporate restaurants. The Company opened two jointly-controlled Pizza Pizza locations, one in British Columbia and one in Saskatchewan. These two restaurants have the same legal and operating structure as the Pizza 73 restaurants, in that each restaurant is owned and operated by an independent owner/operator and the Company.

The Company provides a high level of service and operational support to its franchisees, including turn-key restaurants, a central food distribution centre which provides all food and non-food items used in restaurant operations, and monitoring systems intended to ensure high product and service quality and operational consistency across the chain.

Pizza Pizza has a modern restaurant system, with approximately 99% of the restaurants either new or substantially renovated. The centrally managed renovation or re-imaging program, funded by our franchisees, allows for the continuous renewal of the Pizza Pizza concept.

About the Pizza 73 Brand
Pizza 73 restaurants operate in the take-out and delivery pizza QSR segment, principally in the province of Alberta. Pizza 73 currently has four locations outside of Alberta; three in Saskatchewan and one in British Columbia. Systems sales through its centralized call centre and pizza73.com, together, account for approximately 95% of Pizza 73's sales. Pizza 73 restaurants are not franchised, but instead are owned and operated as independent businesses. Each restaurant business is a corporation jointly-owned by an independent owner/operator and the Company. Of the 75 Pizza 73 locations, 65 are jointly-owned and one is owned and operated as a corporate restaurant. Nine are licensed and operated as non-traditional locations, serving pizza slices but not offering delivery. The Pizza 73 business also includes two commissaries and a call centre.

Our three distinct revenue sources, food sales, royalty payments and sales of restaurants, are driven largely by changes in retail system sales at franchised and company restaurants. Changes in system sales are driven by changes in same stores sales and store counts. We monitor both of these metrics closely, as they directly impact our revenues and profits, and strive to consistently increase the related amounts.

We devote significant attention to our innovative marketing programs which are funded by the restaurant operators' contribution to a marketing fund that is administered by the Company. In accordance with their franchise or operating agreements, each traditional Pizza Pizza restaurant contributes approximately 6% of system sales (in addition to the base royalty and other franchise fees) and each Pizza 73 restaurant contributes approximately 8% of system sales. The marketing fund is used to pay for the production of advertising and promotional material and media purchases.

In 2005, the Pizza Pizza Royalty Income Fund (the "Fund") completed its initial public offering and used the proceeds to indirectly acquire the trademarks and other intellectual property owned by the Company used in connection with the operation of all Pizza Pizza restaurants (together the "PPL Rights"). The Fund also acquired, indirectly from a bank, a loan outstanding to the Company in the principal amount of $30 million (the "PPL Loan").

The Fund, indirectly through the Pizza Pizza Royalty Limited Partnership (the "Partnership"), has licensed the PPL Rights to the Company, for which the Company pays a 6% royalty on the system sales of those Pizza Pizza restaurants included in the specific Royalty Pool (the "Royalty Pool"). There are 568 Pizza Pizza restaurants in the Royalty Pool for 2009.

In July 2007, the Partnership acquired the Pizza 73 trademarks and other intellectual property associated with Pizza 73 (together, "Pizza 73 Rights"). The purchase was funded by the net proceeds from the Fund's public offering, a private placement, and the net borrowings under the Partnership's credit facility (see Liquidity and Capital Resources). The Partnership licensed the Pizza 73 Rights to the Company for a 9% royalty on system sales of the Pizza 73 restaurants. On July 24, 2007, 41 Pizza 73 restaurants were added into the Royalty Pool. For 2009, there are 69 Pizza 73 restaurants in the Royalty Pool.

As at March 29, 2009, the Company owned an effective 24.8% interest in the Fund. Pizza Pizza's interest in the earnings of the Partnership is from its ownership of Class B, Class C and Class D Partnership units. Each of the Class B and Class D Units can be exchanged indirectly for that number of Fund units equal to the Class B and Class D Exchange Multiplier, respectively (as defined in the Amended Partnership Agreement) applicable at the date of the exchange. Class C Units can be exchanged by requiring the Pizza Pizza Holdings Trust (the "Trust") to purchase those Class C Units in consideration of the assumption by the Trust of an amount of the indebtedness under the PPL Loan equal to $10.00 per Class C Unit to be transferred.

The Royalty Pool

Annually, on January 1 (the "Adjustment Date"), Pizza Pizza restaurants in the Royalty Pool are adjusted to include the forecasted system sales from new Pizza Pizza restaurants opened on or before December 31 of the prior year, less system sales from any Pizza Pizza restaurants permanently closed during the year. The change in the amount of the Pizza Pizza Royalty to be received by the Partnership as a result of changes in the system sales of the Royalty Pool will affect the extent of the Company's retained interest through the adjustment to the exchange rate at which the Class B Partnership units may ultimately be exchanged for units of the Fund, referred to as the "Class B Exchange Multiplier", as defined in the Amended Partnership Agreement. On the Adjustment Date, the adjustment to the Class B Exchange Multiplier involves first calculating the "Determined Amount", which is defined as 92.5% of the royalty revenue added to the Royalty Pool, divided by the yield of the Fund units. The Determined Amount is multiplied by 80%, then divided by the current market price of the units, and then further divided by the Class B Partnership units outstanding. This fraction is added to the Class B Exchange Multiplier from the preceding year, which was "one" on the closing of the initial public offering. On the following Adjustment Date, a second adjustment to the Class B Exchange Multiplier will be made in the same manner as the first adjustment once the actual system sales for new restaurants are known with certainty. The adjustment for new restaurants added to the Royalty Pool is designed to be accretive for current unitholders.

The Pizza 73 restaurants in the Royalty Pool are adjusted annually on the Adjustment Date, commencing January 1, 2008, to include Pizza 73 Restaurants that were open on or prior to September 1 of the previous year and not permanently closed prior to the current Adjustment Date and which were not previously included in the Pizza 73 Royalty Pool. At the same time, the Pizza 73 Royalty Pool will be adjusted to remove restaurants that were included in the Pizza 73 Royalty Pool during the immediately preceding fiscal year but which have been permanently closed prior to the Adjustment Date. The change in the amount of the Pizza 73 Royalty to be received by the Partnership as a result of changes in the restaurants included in the Pizza 73 Royalty Pool will affect the extent of the Company's retained interest through the adjustment to the exchange rate at which the Class D Units may ultimately be exchanged for Units of the Fund, referred to as the ''Class D Exchange Multiplier'', as defined in the Amended Partnership Agreement. On the closing of the Pizza 73 acquisition, Class D Units were not exchangeable for Fund units, thus the Class D Exchange Multiplier began at zero. The Class D Exchange Multiplier is adjusted on two occasions similar to adjustments of the Class B Exchange Multiplier.

In early January 2009, adjustments to royalty payments and Pizza Pizza's Class B Exchange Multiplier were made based on the actual performance of the 36 Pizza Pizza restaurants added to the Royalty Pool on January 1, 2008. As a result of the adjustments, the Class B Exchange Multiplier effective for 2008 was 1.3737 and Pizza Pizza's Class B exchangeable units increased by 164,542 to 5,595,241. An adjustment was also made to the royalty payments and Pizza Pizza's Class D Exchange Multiplier based on the actual performance of the nine Pizza 73 restaurants added to the Royalty Pool on January 1, 2008. As a result of the adjustments, the Class D Exchange Multiplier effective for 2008 was 7.9961 and Pizza Pizza's Class D exchangeable units increased by 240,860 to 799,610.

On January 1, 2009, nine net, new Pizza Pizza restaurants were added to the Royalty Pool as a result of 18 new restaurants opening and nine closing during 2008. The additional system sales from the nine net, new restaurants are estimated at $3.1 million annually. The total number of Pizza Pizza restaurants in the Royalty Pool has increased to 568. The yield of the Fund units was determined to be 15.3% calculated using $6.04 as a weighted average unit price, calculated based on the market price of the units traded on the TSX during the 20 consecutive days ending on the fifth trading day before January 1, 2009. As a result of the contribution of the additional net sales to the Royalty Pool, Pizza Pizza's Class B Exchange Multiplier increased fractionally by 80% of the total adjustment or 0.0365; the new Class B Multiplier is 1.4102. This adjustment also increases the entitlement of the holders of the Class B Units to distributions of cash and allocations of income from the Partnership. The second adjustment to the Class B Exchange Multiplier will be adjusted to be effective January 1, 2009, once the actual performance of the new restaurants is determined in early 2010. As a result of the Adjusted Class B Exchange Multiplier, Pizza Pizza holds Class B Partnership units exchangeable into 5,743,931 Fund units.

On January 1, 2009, 19 new Pizza 73 restaurants opened between September 2, 2007 and September 1, 2008 were added to the Royalty Pool. The additional system sales from the 19 new restaurants are estimated at $14.1 million annually, which was reduced by $4.9 million in system sales attributable to certain of the restaurants now added to the Royalty Pool whose territory adjusted a previously existing restaurant. The total number of Pizza 73 restaurants in the Royalty Pool has increased to 69. The yield of 15.3% and weighted average unit price of $6.04 used in the calculation of the multiplier is the same as that of the Class B adjustment. As a result of the contribution of the additional net sales to the Royalty Pool, Pizza Pizza's Class D Exchange Multiplier increased fractionally by 80% of the total adjustment or 6.6075; the new Class D Multiplier is 14.6036. This adjustment also increases the entitlement of the holders of the Class D Units to distributions of cash and allocations of income from the Partnership. The second adjustment to the Class D Exchange Multiplier will be adjusted to be effective January 1, 2009, once the actual performance of the new restaurants is determined in early 2010. As a result of the Adjusted Class D Exchange Multiplier, Pizza Pizza holds Class D Partnership units exchangeable into 1,460,355 Fund units.

SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with the consolidated financial statements and related notes of the Company for the 13-week period ended March 29, 2009 compared with the 13-week period ended March 30, 2008.

Consolidated Quarterly Financial Data and Adjusted EBITDA[(1)] Calculation

	For the 13-week period ended March 29, 2009	For the 13-week period ended March 30, 2008
	(in thousands of dollars except for number of restaurants)	
System Sales[(2)]	$ 109,098	$ 114,748
Same Store Sales	-4.3%	3.7%
Number of Restaurants:		
Traditional	436	424
Non-traditional	216	195
New restaurants opened	16	6
Restaurants closed	4	3
Revenues	$ 51,357	$ 52,412
Cost of food sales and general & administrative	$ 44,098	$ 46,117
Earnings before income taxes and non-controlling interest[(4)]	$ 4,707	$ 4,115
Provision for income taxes	2,663	1,380
Net loss	$ (2,329)	$ (2,069)
Add (deduct)		
Non-controlling interest in Partnership earnings[(3)]	4,373	4,804
Amortization	1,299	1,298
Interest expense, net of interest income	914	964
(Gain)/loss on sale of Company restaurants	113	(299)
Provision for income taxes		
Current	183	394
Future	2,480	986
Adjusted EBITDA [(1)]	**$ 7,033**	**$ 6,078**

	March 29, 2009	December 28, 2009
Total assets	$ 163,239	$ 169,561
Total liabilities	$ 144,354	$ 148,039

Notes:

(1) ''EBITDA'' is not a recognized measure under Canadian GAAP. References to EBITDA are to earnings determined in accordance with GAAP applicable to the financial statements before amounts for interest, taxes and depreciation and amortization are included in the earnings. In addition, Pizza Pizza has adjusted EBITDA for unusual charges including non-recurring retention bonuses, gains and losses on sales of assets and non-controlling interest. Pizza Pizza believes that, in addition to net earnings, Adjusted EBITDA is a useful supplemental measure in evaluating its performance as it provides investors with an indication of cash available for debt service, working capital needs and capital expenditures. Investors are cautioned, however, that adjusted EBITDA should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows. The method of calculating adjusted EBITDA for the purposes of this report may differ from that used by other issuers and, accordingly, adjusted EBITDA in this report may not be comparable to adjusted EBITDA used by other issuers.

(2) System sales, as defined in the Licence and Royalty Agreements between Pizza Pizza and the Partnership, reported by Pizza Pizza and Pizza 73 restaurants include the gross sales of Pizza Pizza company-owned, jointly-controlled and franchised restaurants. Effective July 24, 2007, operations include the results of the Pizza 73 restaurants.

(3) The Fund's 75.2% (2008 – 78.5%) interest in the Partnership is reported on the equity basis as "non-controlling interest" upon consolidation.

(4) ''Earnings before income taxes and non-controlling interest" is not a recognized measure under Canadian GAAP. References to Earnings before income taxes and non-controlling interest are to earnings determined in accordance with GAAP applicable to the financial statements before amounts for taxes and non-controlling interest are included in the earnings. Pizza Pizza believes that, in addition to net earnings, earnings before income taxes and non-controlling interest is a useful supplemental measure in evaluating its performance as it provides investors with an indication of operating earnings. Investors are cautioned, however, that this should not be construed as an alternative to net earnings (loss) as a measure of profitability. The method of calculating earnings before income taxes and non-controlling interest for the purposes of this report may differ from that used by other issuers and, accordingly, it may not be comparable to that used by other issuers.

RESULTS OF OPERATIONS

The following should be read in conjunction with the Selected Financial Data provided herein and in conjunction with the Consolidated Financial Statements of Operations and Deficit and related notes of the Company for the 13-week period ended March 29, 2009 and the 13-week period ended March 30, 2008.

As previously discussed, the Company operates two brands. While each brand operates in a similar market segment, the pizza QSR segment, they are in different geographic markets of Canada. Pizza Pizza operates mainly in the Ontario and Quebec ("Eastern Canada") pizza QSR segment, whereas Pizza 73 operates mainly in the Alberta ("Western Canada") pizza QSR segment.

Analysis of System Sales
System sales for the quarter ended March 29, 2009 decreased 4.9% to $109.1 million from $114.8 million for the quarter ended March 30, 2008. By brand for the quarter, the system sales include $88.1 million in Pizza Pizza retail sales and $21.0 million in Pizza 73 retail sales, as compared with system sales of $94.3 million and $20.5 million for Pizza Pizza and Pizza 73, respectively for the comparable quarter of 2008. About $1.2 million of the decline in sales was due to the fact that the current quarter contained one less day than the prior year quarter The period over period decrease was partially offset by system sales generated from the addition of new Pizza Pizza and Pizza 73 restaurants added since December 29, 2008.

SSS decreased 4.3% (+3.7% - 2008) for the quarter ended March 29, 2009 compared with 2008. For the quarter, SSS for the Pizza Pizza restaurants decreased 4.8%, and decreased 2.1% for Pizza 73 restaurants. In 2009, the Pizza Pizza restaurants benefited from an increase in the average cheque, offset by a decrease in traffic counts; Pizza 73 restaurants benefited from an increase in both average cheque and traffic counts.

Deteriorating economic conditions in Pizza Pizza's core markets have impacted sales in the current quarter and the fourth quarter of 2008. The majority of the Pizza Pizza restaurants operate in the province of Ontario which continues to experience a decline in manufacturing employment and tourism, both attributable to an economic slowdown in the United States and fears of weak global growth. For the Pizza 73 brand, the majority of the restaurants operate in Alberta, whose economy is being affected by the decline in the price of oil. In addition to the economic impact, 18 traditional stores have opened in Alberta in the last 20 months, of which 16 have reduced territories of previously existing stores which negatively impacted SSS. Adding restaurants in the Alberta market is part of Pizza Pizza's overall strategy to relieve capacity constraints at the restaurant level and provide improved customer service, while growing and protecting the Pizza 73 brand. The Company pays the Fund receives a monthly step-out payment, subject to store performance, for up to two years on sales adjustments which are a result of a territory reduction. (See "Step-Out Payments" and "Adjusted Restaurants" under "Licence and Royalty – Adjustments to the Royalty Pools and Payments Made Under the Licence and Royalty Agreements" in the Annual Information Form for the period ended December 31, 2008)

New Restaurant Development
As at March 29, 2009, there were 370 traditional Pizza Pizza restaurants and 66 traditional Pizza 73 restaurants; there were 207 non-traditional Pizza Pizza locations and nine non-traditional Pizza 73 locations. During the quarter ended March 29, 2009, the Company opened 13 Pizza Pizza restaurants,

consisting of four traditional restaurants and nine non-traditional restaurants, and closed three traditional restaurants and one non-traditional restaurant, bringing the total number of Pizza Pizza restaurants to 577. There was one traditional and two non-traditional Pizza 73 restaurants opened during the quarter, bringing the total number of Pizza 73 restaurants to 75. During the comparable 13-week period in 2008, Pizza Pizza opened two Pizza Pizza restaurants, consisting of one traditional and one non-traditional, while closing three non-traditional locations. There were four non-traditional Pizza 73 locations opened during the comparable quarter in 2008.

Revenues
Food sales, royalties, franchise fees and related revenue for the quarter ended March 29, 2009 were $50.9 million, compared with $52.1 million for the quarter ended March 30, 2008. Food sales for the current quarter decreased $647,000 to $44.8 million from $45.4 million for the quarter ended March 30, 2008. Royalties, franchise fees and other revenue from restaurants were $6.2 million for the quarter ended March 29, 2009 and were $6.7 million for the quarter ended March 30, 2008. Food sales and royalties are trending lower due largely to the decrease in SSS, offset by sales to new restaurants opened since March 30, 2008.

By geographic market, for the quarter ended March 29, 2009, food sales, royalties and franchise fees in Eastern Canada were $40.0 million as compared with $41.6 million for the comparable period in 2008, and were $10.9 million as compared with $10.5 million in Western Canada. Food sales in Eastern Canada for the quarter ended March 29, 2009 were $34.2 million compared to $35.3 million for 2008. Royalties, franchise fees and other revenue for Eastern Canada were $5.8 million as compared to $6.3 million for the same period in 2008. Food sales have decreased as a result of the decrease in SSS in the quarter. For the quarter ended March 29, 2009, food sales in Western Canada were $10.5 million, or a 4.0% increase from $10.1 million in the comparable 2008. The increase in food sales is the result of an increase in the number of restaurants from 56 to 75, offset by the decrease in SSS for the quarter. Administration and accounting fee income was $0.4 million for the quarter ended March 29, 2009 compared to $0.3 million in the comparable quarter of 2008.

Cost of Food Sales and General and Administrative Expenses
Cost of food sales and general and administrative expenses net of amortization were $44.1 million for the quarter ended March 29, 2009, and were $46.1 million for the quarter ended March 30, 2008.

The cost of food decreased to $31.7 million during the quarter from $33.5 million in the comparable period of 2007. By geographic market, Eastern Canada cost of food was $27.4 million for the quarter as compared to $29.5 million in the comparable quarter of 2008; Western Canada cost of food for the quarter was $4.3 million as compared to $4.0 million in 2008. Food costs as a percentage of food sales in in Eastern Canada has decreased slightly due to a price concession from a food supplier, whereas food costs in Western Canada have remained relatively consistent.

The general and administrative expenses ("G&A") decreased during the quarter by $291,000, to $12.4 million, as compared to G&A expense of $12.6 million for the quarter ended March 30, 2008. The current quarter's G&A expense for Eastern and Western Canada, including company store expenses, were $8.0 million and $4.4 million, respectively, as compared to the prior year's comparable quarter of $8.6 million and $4.1 million, respectively. The decrease in Eastern Canada's G&A expense is the result of a lower management bonus relating to the January 1, 2009 vend-in, coupled with the first 13-week period of 2008 containing a write-off of approximately $527,000 relating to a select number of company store assets. Western Canada G&A expense increased in-line with the increase in the number of restaurants, as G&A expense includes company store expenses. In the first 13-week period of 2008, there were 56 traditional Pizza 73 restaurants, where in the same period of 2009 there were 66 traditional Pizza 73 restaurants, for an increase of 17.9%.

Non-controlling Interest in Partnership Earnings
The Partnership is considered a VIE (variable interest entity) and the Company is the primary beneficiary of the Partnership. Accordingly, the Company is required to consolidate the Partnership. In the consolidation, the Fund's 75.2% interest in the Partnership is considered non-controlling.

For the quarter ended March 29, 2009, the non-controlling interest in Partnership earnings reduced Pizza Pizza's consolidated earnings by $4.4 million; for the quarter ended March 30, 2008, the consolidated earnings were reduced by $4.8 million for the then 78.5% interest in the Partnership.

The decrease in non-controlling interest in the Partnership for the quarter is the result of a decrease in Partnership earnings, attributable to the decrease in SSS of the chain and the current quarter containing one less day than the prior year quarter, coupled with a decrease in the Fund's ownership interest in the Partnership.

Interest Expense
Interest expense was $1.1 million for the quarter largely as a result of the Company paying $450,000 in interest on the $30 million loan from the Fund as well as the Partnership paying $663,000 in interest on the $47 million bank credit facility. For the quarter ended March 30, 2008, interest expense was $1.2 million largely as a result of the Company paying $450,000 in interest on the $30 million loan from the Fund as well as the Partnership paying $697,000 in interest on its bank credit facility.

During July 2007, the interest rate on the $47 million facility was fixed with three interest rate swaps. A $20 million swap will mature January 6, 2010 and the other two swaps will mature July 23, 2012. Interest rates may decrease should the debt-to-EBITDA ratio decrease below 1.5:1. The interest rate on the initial $20 million facility decreased during the third quarter of 2007 from 3.55% plus 1.50% credit spread to 3.55% plus 1.25% credit spread. The remaining $27 million is initially fixed with two swaps at 5.05% plus 1.25% credit spread.

Gain/Loss on Sale of Company Restaurants
For the quarter ended March 29, 2009, one Pizza Pizza company restaurant was sold for a loss on sale of $113,000 compared with a gain of $299,000 earned in the first quarter of 2008 on the sale of three company restaurants. Pizza Pizza continues to own 39 restaurants, operating 3 corporately and licensing 36 to associate franchisees. Pizza Pizza expects to continue selling its remaining company-owned restaurants.

Adjusted EBITDA
As a result of the above, adjusted EBITDA was $7.0 million for the current quarter compared with $6.1 million for the quarter ended March 30, 2008. The increase in the 13-week period adjusted EBITDA is largely the result of the decrease in G&A expenses for Eastern Canada, as discussed previously.

Net Loss
The net loss for the quarter ended March 29, 2009, was $2.3; the net loss for the quarter ended March 30, 2008 was $2.1 million. The reduction in net earnings is the result of increased future tax expenses due to rate changes, offset by a decreased G&A expenses.

Shareholders' Deficiency
The $155.5 million shareholders' deficiency shown in the consolidated balance sheet at March 29, 2009 is largely a result of the Company having paid $107.5 million in capital dividends to shareholders in 2005 and $16.8 million in capital dividends during 2007. The source of dividends to shareholders was the proceeds received from the Partnership in payment for the PPL Rights. The Company has a deferred gain on the sale of the Pizza Pizza Rights and on the "vend-in" of restaurants to the Royalty Pool of $189.1 million, which is not reflected in the consolidated shareholders' deficiency.

SUMMARY OF QUARTERLY RESULTS

	13 weeks ended March 29, 2009 (unaudited)	13 weeks ended December 28, 2008 (unaudited)	13 weeks ended September 28, 2008 (unaudited)	13 weeks ended June 29, 2008 (unaudited)	13 weeks ended March 30, 2008 (unaudited)	13 weeks ended December 30, 2007 (unaudited)	13 weeks ended September 30, 2007 (unaudited)	13 weeks ended July 1, 2007 (unaudited)
				(in thousands of dollars)				
Revenues	$ 51,357	$ 56,280	$ 58,475	$ 54,266	$ 52,412	$ 55,745	$ 50,368	$ 41,942
Net Earnings (Loss)	$ (2,329)	$ (1,181)	$ 407	$ 1,745	$ (2,069)	$ (538)	$ (1,375)	$ (1,428)
Adjusted EBITDA[(1)]	$ 7,033	$ 8,411	$ 9,409	$ 7,914	$ 6,078	$ 7,800	$ 7,860	$ 4,845

(1) A reconciliation of Adjusted EBITDA to Net Earnings (Loss) appears in the Company's MD&A filed in respect of the periods presented above.

The Pizza Pizza and Pizza 73 restaurants are subject to seasonal variations in their business; system sales for the quarter ended March 31 have generally been the softest and the December 31 quarter system sales have been the strongest.

LIQUIDITY & CAPITAL RESOURCES

The following table provides an overview of the cash flows for the periods:

	For the 13-week period ended March 29, 2009	For the 13-week period ended March 30, 2008
	(in thousands of dollars)	
Operating activities	$ 615	$ 4,119
Investing activities	1,307	(950)
Financing activities	(4,836)	(203)
Increase (decrease) in cash	(2,914)	$ 2,966

As of March 29, 2009, the Company had working capital of $15.1 million and cash and cash equivalents were $10.9 million. Historically, the Company has operated with negative working capital primarily because our receivable collection periods and inventory turn rates are faster than the normal payment terms of our current liabilities. We collect most of our receivables within seven days from the date of the related sale and pay the payables within 30 days; we generally experience over 100 turns of inventory per year. These factors, coupled with significant and ongoing cash flows from operations, which are used primarily to pay the Partnership the royalty on the Royalty Pool system sales, reduce our working capital amounts. Our primary sources of liquidity are cash flows from operations and distributions on the 21.5% interest in the Fund. We have historically funded capital expenditures and debt repayments from cash flows from operations and proceeds from the disposal of Company-owned restaurants. We did not have any material commitments for capital expenditures as of March 29, 2009.

Cash provided by operating activities for the 13-week period ended March 29, 2009 was $615,000 compared with $4.1 million for the 13 weeks ended March 30, 2008. The $3.5 million decrease in cash from operations, when compared to the prior year, is largely attributable to the $4.8 million decrease in non-cash working capital. The change in the non-cash working capital results from an increase in accounts receivable, and prepaids and sundry assets, the most significant portion of which relates to stores in progress.

Cash provided by investing activities for the 13-week period ended March 29, 2009 was $1.3 million compared to cash used in investing activities of $950,000 for the 13-week period ended March 30, 2008.

When compared to the prior year, the $2.3 million increase in cash is due to a variety of factors, including: a $3.7 million net increase in repayments of notes receivable, offset by a $1.2 million decrease in renovation fund collections, a decrease of $507,000 of proceeds on the sales of company-owned restaurants.

Cash used in financing activities for the 13-week period ended March 29, 2009 was $4.8 million, compared to $203,000 for the comparable period in 2008. The increase in cash used by financing activities is largely attributable to a $4 million decrease in advances from related parties.

As of March 29, 2009, the Partnership's credit facilities have not changed since the end of the previous fiscal year. In 2007, the Partnership amended its, then existing, credit facility to increase the committed, non-revolving facility from $20 million to $47 million and to extend the term by five years to 2012. As security for repayment of the facility, the Partnership has provided the Bank with a first ranking general security agreement charging all tangible and intangible assets of the Partnership, as well as an assignment of all security supporting the Royalty Agreements. In addition, the Company granted to the Partnership a continuing, general security interest, subject to certain exceptions, in all present and acquired property of the Company. The facilities bear interest at Prime plus 0% to 0.25% or the Bankers' Acceptance rate plus 1.00% to 1.75%, depending on the level of debt to EBITDA. The Partnership continued its existing interest rate swap and entered into two additional interest rate swaps to mitigate the risk associated with the credit facilities bearing interest at a floating rate. The interest rate on the existing $20 million interest swap decreased to 4.8% from 5.3% until January 2010 and the incremental facility of $27 million will be initially fixed at 5.05% plus a 1.25% spread for a total rate of 6.3% until July 2012; rates may change based on the level of debt to EBITDA.

Certain covenants must be maintained by the Partnership and the Company for the credit facility to be in good standing, all of which were met as of March 29, 2009. As part of the amended credit agreement, the Partnership has agreed to a financial covenant in which, on a four quarter rolling basis, Distributions may not exceed Distributable Cash Flow for such period *plus* the aggregate amount of Distributable Cash Flow for prior Distribution Periods not distributed, which as at March 29, 2009 was $3.7 million. In addition, the Partnership is required to maintain a funded debt to EBITDA ratio not to exceed 2.5:1 on a four quarter rolling average. The Debt to EBITDA ratio for the last four quarters rolling average is 1.57:1. The Partnership is presently making interest-only payments on the non-revolving credit facility.

Based upon our current level of operations and anticipated growth, we believe that the cash generated from our operations will be adequate to pay the Partnership a 6% royalty on the Pizza Pizza Royalty Pool system sales and a 9% royalty on the Pizza 73 Royalty Pool system sales, and meet our anticipated debt service requirements, our capital expenditures and our working capital needs. Our ability to continue to fund these items could be adversely affected by the occurrence of any of the events described in the Risks and Uncertainties section that follows herein and the matters described in the Fund's Annual Information Form under the heading "Risk Factors". Our future operating performance and our ability to pay the Partnership a 6% royalty on the Royalty Pool system sales, a 9% royalty on the Pizza 73 Royalty Pool system sales and meet our anticipated debt service requirements will be subject to future economic conditions and to financial, business and other factors, many of which may be beyond our control. However, to offset the factors that are beyond our control, Pizza Pizza has the ability to convert its current Class B and Class D units into Fund units and sell them to the public to generate cash proceeds.

OFF-BALANCE SHEET ARRANGEMENTS

The Company is a sublessor under the head lease for all restaurant locations, other than locations operated by certain licencees. Should franchisees fail to meet their obligations under the terms of their sublease, the Company would become liable for the obligations under the related head leases. The gross lease obligations are summarized in the following table:

	Payments due by Period				
	2009	**2010**	**2011**	**2012**	**2013**
	(in thousands of dollars)				
Minimum lease obligation	$ 16,190	$ 19,138	$ 15,406	$ 11,969	$ 8,307
Less: Sublease to franchisees	12,789	15,241	12,388	10,175	7,140
Net lease obligation	$ 3,401	$ 3,897	$ 3,017	$ 1,794	$ 1,167

The Company has provided certain guarantees as disclosed in note 8 of the consolidated financial statements with respect to certain franchisee loans. We believe that guarantees of franchisee loans are a low risk since the Company has, historically, been able to replace a defaulting franchisee with a new franchisee who has assumed the obligations of the defaulting franchisee.

OUTLOOK

In 2009, Pizza Pizza management expects to grow the number of restaurants by 3% and to continue researching strategic acquisition opportunities. Organically, Pizza Pizza expects to grow outside its largely, Ontario markets by opening additional locations in Montreal, as well as in western provinces. In the Alberta marketplace, Pizza 73 traditional locations will continue to be added to better service the growing western Canadian customer base. Pizza 73's brand awareness will also be promoted using non-traditional locations with the addition of professional sports partnerships and event sponsorships. In 2008, Pizza Pizza opened a net, 24 restaurants increasing the overall number of restaurants by 3.9%.

First quarter ended March 28, 2009 SSS decreased 4.3% over the same quarter last year. Deteriorating economic conditions in Pizza Pizza's core markets, which began in late 2008, continue to impact sales in the current quarter. The majority of the Pizza Pizza restaurants operate in Ontario, which continues to experience a decline in manufacturing employment and tourism. For the Pizza 73 brand, the majority of the restaurants operate in Alberta, whose economy is being affected by the decrease in the price of oil. In addition to the economic impact, 18 traditional, Pizza 73 stores have opened in Alberta in the last 20 months, of which 16 have reduced territories of previously existing stores which has negatively impacted SSS. Adding restaurants in the Alberta market is part of Pizza Pizza's overall strategy to relieve capacity constraints at the restaurant level and provide improved customer service, while growing and protecting the Pizza 73 brand.

Although the Company does not anticipate significant near-term improvement in the economy, our 2009 strategies will continue to focus on reinforcing value-oriented menu offerings, launching new relevant products, and reinvesting in activities which drive sales growth.

CRITICAL ACCOUNTING POLICIES & ESTIMATES

The preparation of the consolidated financial statements of Pizza Pizza requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to basis of consolidation, revenue recognition, non-controlling interest, long-lived and intangible assets and income taxes. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Changes in our estimates could materially impact our results of operations and financial condition for any particular period. We believe that our most critical accounting policies are:

Basis of Consolidation. As "consolidation" applies to the quarter ended March 29, 2009, it means that the 13-week period of operations of the Company and its 50% ownership interest in the jointly-owned Pizza 73 and Pizza Pizza restaurants have been consolidated with the Partnership's operations for 2009.

Revenue Recognition. Food sales are recognized when the products are delivered to the traditional and non-traditional restaurants. Franchise royalties are recognized as earned and are based on a percentage of the franchisees' sales as provided for in individual franchise agreements. Initial franchise fees are recognized when the franchised outlet becomes operational. Renewal fees are recognized when the franchise renewal agreement is signed. Administration fees are recognized as earned and are based on a percentage of the Pizza 73 restaurant sales as provided for in the Unanimous Shareholder Agreements. Company store sales are recognized when the services are rendered and the products are sold to the public. Construction fees are recognized when the related franchise location becomes operational. Interest and other income are recognized and accrued when earned.

Non-controlling Interest. The Partnership is considered to be a variable interest entity and the Company is the primary beneficiary of the Partnership, accordingly, the Company consolidates the Partnership. The Fund's interest in the Partnership is shown as non-controlling interest in the balance sheet and the non-controlling interest equity allocation is shown in the statement of operations.

The following major assets and liabilities were eliminated upon consolidation:

Pizza Pizza:	(in thousands of dollars)
Investment in LP Units	$ 51,231
Deferred gain on Pizza Pizza Rights	186,874

The Partnership:	(in thousands of dollars)
Rights and Marks	$ 256,142
Class B LP Units issued	36,444
Class C LP Units issued	30,000
Class D LP Units issued	(185)

Future Income Taxes. The Company follows the liability method with respect to accounting for income taxes. Future tax assets and liabilities are determined based on differences between the carrying amount and the tax basis of assets and liabilities (temporary differences). Future income tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect when these differences are expected to reverse. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the assets will be realized.

Renovation Funds. The Company maintains a long-term renovation program whereby franchisees contribute towards future store renovations and upgrades. The franchise owner acknowledges that the renovation fund contribution may be used by the Company, without interest or other compensation to the franchise owner, to fund the renovation, expansion or relocation of other Pizza Pizza outlets until such time as the funds are required by the franchise owner for renovation, expansion or relocation of the franchised outlet.

CHANGES IN ACCOUNTING POLICIES, INCLUDING INITIAL ADOPTION

Goodwill and Intangible Assets. CICA Handbook Section 3064, Goodwill and Intangible Assets, which replaces CICA Handbook Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs, establishes the standards for recognition, measurement and disclosure of goodwill and intangible assets. Under these new standards, internally generated intangible assets may be recognized in the financial statements under certain circumstances. This standard is effective for the

Company for interim and annual financial statements beginning on December 29, 2008. The required disclosure can be found in note 2 to the consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. Effective December 29, 2008, the Company adopted Emerging Issues Committee Abstract 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" (EIC 173). EIC 173 requires an entity's own credit risk and the credit risk of the counterparty be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The Company has determined this change had no material effect on its financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

Business Combinations. CICA Handbook Section 1582, Business Combinations, which replaces CICA Handbook Section 1581, Business Combinations, establishes standards for the accounting for a business combination. It is the Canadian equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. This standard is effective for the Company for interim and annual financial statements beginning on January 1, 2011. The Company has not yet determined the impact of the adoption of this change on its financial statements.

Consolidated Financial Statements and Non-controlling Interests. CICA Handbook Sections 1601, Consolidated Financial Statements and 1602, Non-controlling Interests replace CICA Handbook Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for the Company for interim and annual financial statements beginning on January 1, 2011. The Company has not yet determined the impact of the adoption of these changes on its financial statements.

International Financial Reporting Standards. The Canadian Accounting Standards Board announced in February 2008 that publicly accountable enterprises will be required to adopt IFRS in place of Canadian generally accepted accounting principles for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. The Company's first financial statement reported under IFRS will be the unaudited interim statements for the first quarter of 2011. Prior year comparatives, restated under IFRS, will be included in these statements. At this time, the impact on the future financial position and results of operations is not reasonably determinable or estimable.

The IFRS project consists of four phases: diagnostic assessment, project planning and education, policy design and implementation. In 2008, the Company, with the assistance of its external auditor, completed the diagnostic phase, which involved a high level review of the major differences between current Canadian GAAP and IFRS. The Company is in the process of developing a detailed project plan for 2009 and 2010, which will include internal and external communications, and training. During 2009, the Company will continue the process of evaluating available IFRS accounting policy alternatives and assess the potential impact on financial reporting, including systems and processes and other business areas.

As the IFRS transition plan progresses, the Company will continue to report on the status of the plan, and will provide increased clarity into the anticipated consequences of accounting policy changes. The Company's goal is to make policy changes that are compliant but also provide the most meaningful information to our stakeholders.

TRANSACTIONS WITH RELATED PARTIES

Pizza Pizza and the Partnership have entered into related party transactions with companies under common control. These transactions are entered into in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Significant related party transactions include rent expense, distributions on Class B and Class D units, management fees and food purchases as disclosed in note 13 of the consolidated financial statements of Pizza Pizza Limited. Distributions payable and advances to or from related parties and receipt of or repayments of advances from related parties are summarized in note 13 of the consolidated financial statements of Pizza Pizza Limited.

RISKS & UNCERTAINTIES

The Restaurant Industry

The performance of Pizza Pizza Limited is primarily dependent upon its ability to maintain and increase system sales at the Pizza Pizza and Pizza 73 restaurants, add new profitable restaurants to the network and attract qualified restaurant operators. Sales are subject to a number of factors that affect the restaurant industry generally and the quick service segment of this industry, in particular, which is highly competitive with respect to price, service, location and food quality. In addition, factors such as the availability of experienced management and hourly employees may also adversely affect the system sales. Competitors include national and regional chains, as well as independently-owned restaurants and retailers of frozen pizza. If Pizza Pizza Limited and the Pizza Pizza and Pizza 73 restaurants are unable to successfully compete in the quick service sector, system sales may be adversely affected. Changes in demographic trends, traffic patterns and the type, number and location of competing restaurants also affect the restaurant industry. In addition, factors such as government regulations, inflation, publicity from any food-borne illnesses and increased food, labour and benefits costs may adversely affect the restaurant industry in general and therefore, potentially, system sales. Pizza Pizza's success also depends on numerous factors affecting discretionary 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 system sales and the ability of Pizza Pizza to pay the royalty to the Partnership or interest on the PPL Loan.

Litigation

A claim was formally served on Pizza Pizza and certain of its associates by Lawrence Austin, a former consultant to Pizza Pizza. In the claim, which does not name the Fund or its subsidiaries, Mr. Austin asserts a right to $45 million in damages and other amounts, including entitlements to a portion of the proceeds of the Fund's IPO that were directly or indirectly received by Pizza Pizza and its associates.

The parties have exchanged documents, and examinations for discovery have been scheduled. Pizza Pizza has advised the Fund it believes the demand to be without merit and it will vigorously defend the claim. Pizza Pizza notes that Michael Overs, the Chairman and CEO of Pizza Pizza, has agreed in an indemnity agreement to indemnify Pizza Pizza and the Fund against any liabilities they may incur in this matter.

Other

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

FORWARD-LOOKING STATEMENTS

Certain statements in this report including those concerning our plans and strategies described under "Outlook", may constitute "forward-looking" statements, which involve known and unknown risks, uncertainties and other factors that 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 report, such statements include such words as “may”, “will”, “expect”, “believe”, “plan”, and other similar meaning in conjunction with a discussion of future operating or financial performance. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this 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 Pizza Pizza. The foregoing list of factors is not exhaustive and should be considered in conjunction with the other risks and uncertainties described in the Fund's Annual Information Form. The Company assumes no obligation to update these forward looking statements, except as required by applicable securities laws.