PIZZA PIZZA LIMITED

Unaudited Interim Condensed Consolidated Financial Statements

For the thirteen weeks ended March 29, 2015

Pizza Pizza Limited
500 Kipling Avenue
Toronto, ON M8Z 5E5
Phone: (416) 967-1010 Fax: (416) 967-5941

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements.

Paul Goddard
Chief Executive Officer

Curtis Feltner
Chief Financial Officer

Pizza Pizza Limited
Unaudited Interim Consolidated Statements of Financial Position
As at March 29, 2015 and December 28, 2014
(Expressed in thousands of Canadian dollars)

	March 29, 2015 $	December 28, 2014 $
Assets		
Current assets		
Cash and cash equivalents	24,761	14,272
Short-term investment	13,000	13,000
Trade and other receivables	11,237	10,688
Inventories	6,577	8,155
Income taxes receivable	-	396
Receivables from jointly-controlled companies (note 13)	1,288	1,314
Recoverable franchisee expenses	10,081	10,762
Total current assets	**66,944**	**58,587**
Non-current assets		
Property, plant and equipment	7,702	7,556
Notes receivable	10,773	11,266
Renovation funds	6,462	6,745
Deferred tax asset	46,831	43,761
Investment in Pizza Pizza Royalty Limited Partnership (note 3)	23,788	34,874
Investment in jointly-controlled companies (note 4)	18,791	18,818
Intangible assets	651	752
Total non-current assets	**114,998**	**123,772**
Total assets	**181,942**	**182,359**
Liabilities and shareholders' equity		
Current liabilities		
Trade and other payables	34,737	37,873
Income taxes payable	9,865	-
Deposits from franchisees	1,526	1,636
Borrowings (note 5)	46	67
Provisions (note 6)	418	475
Total current liabilities	**46,592**	**40,051**
Non-current liabilities		
Borrowings (note 5)	212	347
Unearned vendor allowances	2,253	2,408
Advances from related party (note 13)	25,685	17,580
Leasehold inducements	12	12
Renovation funds	2,126	2,525
Deferred gain	207,957	208,539
Total non-current liabilities	**238,245**	**231,411**
Shareholders' equity		
Common shares and special voting shares (note 8)	-	-
Accumulated other comprehensive income	(128)	(192)
Deficit	(102,767)	(88,911)
Total shareholders' equity attributable to the shareholders	**(102,895)**	**(89,103)**
Total liabilities and shareholders' equity	**180,942**	**182,359**

Contingencies and Commitments (note 7)

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Approved by the Directors on May 7, 2015

Pizza Pizza Limited
Unaudited Interim Consolidated Statements of Income
(Expressed in thousands of Canadian dollars)

	For the 13-week period ended March 29, 2015	For the 13-week period ended March 30, 2014
Revenue		
Food sales (note 10)	44,927	42,592
Royalties, franchise fees and other revenue (note 11)	7,260	7,116
Total revenue	**52,187**	**49,708**
Expenses		
Cost of food sales	(35,759)	(33,980)
General and administrative (note 12)	(9,618)	(10,105)
Royalty payments	(8,439)	(8,127)
Equity income from Pizza Pizza Royalty Limited Partnership (note 3)	1,924	1,987
Equity income from jointly-controlled companies (note 4)	1,838	1,764
Gain on sale of Company-owned restaurants	88	228
Operating income	**2,221**	**1,475**
Interest and other income	531	692
Amortization of deferred gain	582	582
Gain on sale of Class B Partnership Units (note 3)	28,963	-
Income from Class D vend-in (note 3(f))	38	1,136
Interest on borrowings	(2)	(10)
Profit for the period before income taxes	**32,333**	**3,875**
Current income tax expense	(10,261)	(83)
Deferred tax recovery (expense)	3,072	(345)
Profit for the period attributable to the shareholders	**25,144**	**3,447**

Pizza Pizza Limited
Unaudited Interim Consolidated Statements of Comprehensive Income
(Expressed in thousands of Canadian dollars)

	For the 13-week period ended March 29, 2015	For the 13-week period ended March 30, 2014
Profit for the period	**25,144**	**3,447**
Sale of Class B Partnership Units (note 3)	59	-
Items that may be reclassified subsequently to net earnings:		
Other comprehensive income (loss)		
Share of other comprehensive income (loss) of Pizza Pizza Royalty Limited Partnership	7	(20)
Deferred tax impact of share of other comprehensive income (loss) of Pizza Pizza Royalty Limited Partnership	(2)	3
Total comprehensive income attributable to shareholders	**25,208**	**3,430**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Pizza Pizza Limited
Unaudited Interim Consolidated Statements of Changes in Equity
For the 13-week periods ended March 29, 2015 and March 30, 2014
(Expressed in thousands of Canadian dollars)

	Common shares and special voting shares (note 19) $	Accumulated other comprehensive Income (loss) $	Deficit $	Total $
As at December 28, 2014	**-**	**(192)**	**(88,911)**	**(89,103)**
Comprehensive income (loss)				
Profit for the 13-week period ended March 29, 2015	-	-	25,144	25,144
Dividend to shareholder		-	(39,000)	(39,000)
Sale of Class B Partnership Units (note 3)	-	59	-	59
Share of other comprehensive income (loss) on				
Partnership's cash flow hedge	-	7	-	7
Tax effect of cash flow hedge	-	(2)	-	(2)
Total comprehensive income (loss)	-	64	(13,856)	(13,792)
As at March 29, 2015	**-**	**(128)**	**(102,767)**	**(102,895)**
As at December 29, 2013	-	**(224)**	**(98,057)**	**(98,281)**
Comprehensive income (loss)				
Profit for the 13-week period ended March 30, 2014	-	-	3,447	3,447
Share of other comprehensive income (loss) on				
Partnership's cash flow hedge	-	(20)	-	(20)
Tax effect of cash flow hedge	-	3	-	3
Total comprehensive income	-	(17)	3,447	3,430
As at March 30, 2014	**-**	**(241)**	**(94,610)**	**(94,851)**

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Pizza Pizza Limited
Unaudited Interim Consolidated Statements of Cash Flows
For the 13-week periods ended March 29, 2015 and March 30, 2014
(Expressed in thousands of Canadian dollars)

	March 29, 2015 $	March 30, 2014 $
Operating activities		
Profit for the period	25,144	3,447
Depreciation of property, plant and equipment	573	664
Amortization of intangible assets	101	83
Amortization of leasehold inducements	-	(1)
Amortization of unearned vendor allowances	(155)	(665)
Amortization of deferred gain	(582)	(582)
Net provisions during the period (note 6)	(57)	(335)
Net Gain on sale of Class B Partnership Units	(28,904)	-
Income from Class D vend-in	(38)	-
Gain on sale of Company-owned restaurants	(88)	(228)
Equity income from Pizza Pizza Royalty Limited Partnership (note 3)	(1,924)	(1,987)
Equity income from jointly-controlled companies (note 4)	(1,838)	(1,764)
Future income tax expense (recovery)	(3,072)	345
	(10,840)	**(1,023)**
Proceeds of Unearned vendor allowances	-	3,000
Changes in non-cash operating elements of working capital (note 15)	8,467	(2,677)
Cash used in operating activities	**(2,373)**	**(700)**
Investing activities		
Additions to property, plant and equipment	(1,253)	(480)
Additions to intangible assets	-	178
Proceeds from sale of Company-owned restaurants	622	289
Distributions from Pizza Pizza Royalty Limited Partnership (note 3)	2,074	2,073
Net Proceeds from sale of Class B Partnership Units	39,906	-
Proceeds from Class D vend-in	322	-
Dividends from jointly-controlled companies (note 4)	1,865	1,660
Repayment of notes receivable	1,502	1,987
Issuance of notes receivable	(1,009)	(2,024)
Contributions to renovation funds	3,651	4,923
Disbursement from renovation funds	(3,767)	(5,609)
Cash provided by investing activities	**43,913**	**2,997**
Financing activities		
Repayments of borrowings	(156)	(29)
Proceeds from borrowings	-	-
Repayment of advances from related party	(30,927)	(359)
Advances from related party	39,032	97
Dividend to shareholder	(39,000)	-
Cash used in financing activities	**(31,051)**	**(291)**
Increase in cash and cash equivalents	**10,489**	**2,006**
Cash and cash equivalents, beginning of period	14,272	20,760
Cash and cash equivalents, end of period	**24,761**	**22,766**

See supplementary cash flows information (note 15)

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Pizza Pizza Limited

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the 13-week periods ended March 29, 2015 and March 30, 2014
(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

1. Nature of Business

Pizza Pizza Limited ("PPL" or the "Company"), a privately-held corporation incorporated by Articles of Incorporation under the Business Corporations Act (Canada) on December 27, 1989, operates in the food service industry primarily throughout Ontario and Alberta and franchises and operates quick-service restaurant ("QSR") businesses under the brand names of Pizza Pizza and Pizza 73. PPL derives revenues from franchises through the sale of franchise restaurants, royalties, and food and beverages. PPL also derives revenues from jointly-controlled and Company-owned restaurants through the sale of food products to retail customers.

PPL is incorporated and domiciled in Canada and the address of its registered office is 500 Kipling Avenue, Toronto, Ontario, Canada. The ultimate parent of PPL is the Flower Trust, a private Trust that does not prepare financial statements available for public use.

During the 13-week period ended March 29, 2015, PPL acquired two traditional franchises (13-week period ended March 30, 2014 – nil) and franchised five traditional restaurant (13-week period ended March 30, 2014 – one). Below are the number of traditional and non-traditional franchisees and licensees as at:

	March 29, 2015	March 30, 2014
Franchisees and licensees	648	632
Jointly-controlled restaurants	72	72
Company-owned restaurants	15	16

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these unaudited interim condensed consolidated financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

a) Fiscal year-end and interim period

PPL has a floating year-end of the Sunday closest to December 31; accordingly, interim periods consist of four 13-week periods with an additional week added to the last interim period every five to six years.

b) Basis of preparation

PPL prepares its unaudited interim condensed consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, applicable to interim financial statements, including IAS 34, *Interim Financial Reporting*. Accordingly, these interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Company for the 52-week period ended December 28, 2014.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements were the same as those that applied to the Company's consolidated financial statements as at and for the 52-week period ended December 28, 2014.

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual audited consolidated financial statements as at and for the 52-week period ended December 28, 2014.

The Director approved the unaudited interim condensed consolidated financial statements on May 7, 2015, and has the power to amend the unaudited interim condensed consolidated financial statements once issued.

c) Changes in accounting policy and disclosure

Standards, amendments and interpretations to existing standards that are not yet effective and have not yet been early adopted by PPL:

On 24 July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* (IFRS 9, or the standard), bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard applies to annual periods beginning on or after 1 January 2018, although early application is permitted. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 15 - *Revenue from Contracts with Customers* (IFRS 15)

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. PPL is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

On April 28, 2015, the International Accounting Standards Board (IASB) agreed to publish an Exposure Draft proposing a one-year deferral of the effective date of the revenue standard to January 1, 2018.

Amendments

IAS 19 - *Employee Benefits* (IAS 19)

The amendments to IAS 19, simplified the accounting for contributions to defined benefit plans that are independent of the number of years of service. For 13-week period ended March 31, 2015, there was no impact on the financial performance or disclosures of the Company upon adoption.

d) Investment in associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

PPL owns Class B and Class D Partnership Units that are exchangeable for Pizza Pizza Royalty Corp. ("PPRC") Common Shares based on the exchange multiplier applicable at the exchange date and represent an effective 28.0% interest in the Pizza Pizza Royalty Limited Partnership ("Partnership") as at December 28, 2014. Although PPL holds less than 20% of the ownership interest and voting control of the Partnership, PPL has the ability to exercise significant influence through both its shareholding and its nominated director's active participation on the Partnership Board of Directors.

PPL accounts for its 19.9% (December 28, 2014 – 28.0%) share interest in the Partnership as an investment in an associate and applies equity accounting whereby PPL's investment is increased by its 19.9% share of profit for the period of the Partnership and reduced for distributions received during the Partnership's fiscal period. The Partnership's financial and fiscal periods differ from PPL's, as the Partnership operates on a calendar year end.

PPL assesses at each period-end whether there is any objective evidence that its interest in the Partnership is impaired. If impaired, the carrying value of PPL's share of the underlying assets of the Partnership is written down to its estimated recoverable amount, being the higher of fair value less cost to sell and value in use, and the write-down is charged to the consolidated statements of income.

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

3. Investment in Pizza Pizza Royalty Limited Partnership ("Partnership")

a) PPL owns Class B and Class D Partnership Units that are exchangeable for PPRC common shares based on the exchange multiplier applicable at the exchange date and represent an effective 19.9% interest in Pizza Pizza Royalty Limited Partnership ("the Partnership") as at March 29, 2015 (December 28, 2014 – 28.0%).

The table below reconciles the balance of PPL's investment in the Partnership, which is accounted for using equity accounting.

	For the 13-week period ended March 29, 2015	For the 52-week period ended December 28, 2014
Balance – beginning of period	34,874	35,073
Equity income of the Partnership	1,924	8,199
Distributions received from Partnership	(2,074)	(8,441)
Share of Partnership's other comprehensive income	7	43
Disposal of Class B Partnership Units	(10,943)	-
Balance – end of period	**23,788**	**34,874**

The business of the Partnership is the ownership and licensing of the Pizza Pizza and Pizza 73 Rights and Marks through two separate License and Royalty Agreements with PPL. Additionally, the Partnership will collect the royalty payable under each License and Royalty Agreement as well as perform the administration of PPRC pursuant to the Administration Agreement.

A breakdown of the Partnership's aggregated assets, liabilities, revenues and profit are as follows:

	As at March 29, 2015	As at December 28, 2014
Total assets	339,727	333,254
Total liabilities	80,979	80,419

	For the 13-week period ended March 29, 2015	For the 13-week period ended March 30, 2014
Revenues	8,439	8,127
Profit for the period	7,888	7,548

b) Sale of Class B Partnership Units

On March 23, 2015, PPL entered into an underwriting agreement for the sale of 2,800,000 Shares of the PPRC at a price of $15.00 per share for gross proceeds of $42,000. In order to provide the 2,800,000 Shares to the underwriters, PPL exchanged 1,564,889 of its Class B Units of the Partnership, applying the Class B Exchange Multiplier of 1.789264. PPL's ownership of the PPRC's fully-diluted shares decreased from 29.0% to 19.9% as a result of this transaction.

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

The chart below shows the common shares of PPRC that would be outstanding if all of the Class B and Class D Units of the Partnership held by PPL were converted to common shares of PPRC after the 2,800,000 secondary offering and after accounting for their respective multipliers on March 29, 2015.

Shares outstanding & issuable on March 29, 2015		
Shares outstanding		24,618,392
Class B equivalent Shares held by PPL at December 31, 2014	6,934,272	
PPL additional Class B equivalent Shares - True-up Holdback as at December 31, 2014	175,445	
Additional PPL Class B equivalent Shares as of January 1, 2015	178,183	
Conversion of Class B equivalent Shares to common shares of the Company	(2,800,000)	4,487,900
Class D equivalent Shares held by PPL at December 31, 2014	1,548,071	
PPL additional Class D equivalent Shares - True-up Holdback as at December 31, 2014	-	
Additional PPL Class D equivalent Shares as of January 1, 2015	88,162	1,636,233
Number of fully diluted shares		30,742,525
PPL's proportion of all shares outstanding and available for exchange		19.9%

c) PPRC Outstanding Common Shares

In exchange for adding the forecasted Pizza Pizza system sales to the Royalty Pool, PPL has received 178,183 additional equivalent Shares (through the change to the Class B Exchange Multiplier). These represent 80% of the forecasted equivalent Shares entitlement to be received (222,729 equivalent Shares represent 100%), with the final equivalent Shares entitlement to be determined when the new restaurants' 2015 actual sales performance is known with certainty in early 2016.

In exchange for adding the forecasted Pizza 73 system sales to the Royalty Pool, PPL has received 88,162 additional equivalent Shares (through the change to the Class D Exchange Multiplier). These represent 80% of the forecasted equivalent Shares entitlement to be received (110,202 equivalent Shares represent 100%), with the final equivalent Shares entitlement to be determined when the new restaurants' 2015 actual sales performance is known with certainty in early 2016.

After giving effect to PPL's entitlement to additional equivalent Shares at January 1, 2015, PPL owned equivalent Shares representing 29.0% of the Company's fully diluted common shares on January 1, 2015.

d) 2015 Royalty Pool Adjustment – Class B Exchange Multiplier

On January 1, 2015, one net Pizza Pizza restaurant was added to the Royalty Pool as a result of 23 new restaurants opening and 22 closing from January 1, 2014 to December 31, 2014. The additional system sales from the 23 new restaurants are estimated at $8,950 annually less sales of $4,899 from 22 permanently closed Pizza Pizza restaurants resulting in net estimated Pizza Pizza sales of $4,051 added to the Royalty Pool. The total number of Pizza Pizza restaurants in the Royalty Pool has increased to 630. The yield of the shares was determined to be 5.80% calculated using $13.79 as a weighted average share price. Weighted average share price is calculated based on the market price of the shares traded on the Toronto Stock Exchange during the period of 20 consecutive days ending on the fifth trading day before January 1, 2015. As a result of the contribution of the additional net sales to the Royalty Pool, the Class B Exchange Multiplier increased fractionally by 80% of the total adjustment or 0.043746; the new Class B Multiplier is 1.789264. This adjustment will also increase 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, 2015, once the actual performance of the new restaurants is determined in early 2016.

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

e) 2015 Royalty Pool Adjustment – Class D Exchange Multiplier

On January 1, 2015, seven net Pizza 73 restaurants were added to the Royalty Pool as a result of eight new restaurants opening and one restaurant closing between September 2, 2013 and September 1, 2014. The forecasted additional system sales from the eight new restaurants are estimated at $1,870 annually less $534 in system sales attributable to the one closed restaurant and the final step-out adjustment for one restaurant 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 100. The yield of and the weighted average share price used in the calculation of the Class D multiplier is determined in the same manner as that of the Class B multiplier calculation at 5.80% and $13.79, respectively. As a result of the contribution of the additional net sales to the Royalty Pool, the Class D Exchange Multiplier increased fractionally by 80% of the total adjustment or 0.88162; the new Class D Multiplier is 16.36233. This adjustment will also increase 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, 2015, once the actual performance of the new restaurants is determined in early 2016.

f) 2014 Royalty Pool Adjustment

In early January 2015, adjustments to royalty payments and PPL's Class B Exchange Multiplier were made based on the actual performance of the 30 new restaurants added to the Royalty Pool on January 1, 2014. As a result of the adjustments, the new Class B Exchange Multiplier is 1.745518 and Class B Units can be exchanged for 7,109,717 shares, which is an increase of 175,445 common shares, effective January 1, 2014.

In early January 2015, adjustments to royalty payments and PPL's Class D Exchange Multiplier were made based on the actual performance of the four Pizza 73 restaurants added to the Royalty Pool on January 1, 2014. As a result of the adjustments, the Class D Exchange Multiplier is unchanged and the final cash payment in-lieu of increasing the multiplier is $322, of which $284 was accrued based on the initial forecast at December 31, 2014.

4. Investment in Jointly-Controlled Companies

Investment in Jointly-controlled companies consist of PPL's 50% interest in 72 Pizza 73 restaurants and one Pizza Pizza restaurant (March 30, 2014 – 72 Pizza 73 restaurants and one Pizza Pizza restaurant). Jointly-controlled restaurants are companies, owned and operated as an independent business, equally owned by PPL and an Owner/Operator. Licensing, consulting and other agreements govern the relationship of PPL and the Owner/Operator as shareholders of the Unit Companies, and establish a framework under which each restaurant is operated.

The financial statements of all jointly-controlled companies have a floating year-end of the Saturday immediately preceding July 31 and all operations are continuing.

The table below reconciles the balance of PPL's investment in the jointly-controlled companies, which is accounted for using equity accounting.

	For the 13-week period ended March 29, 2015	For the 52-week period ended December 28, 2014
Balance – beginning of period	18,818	18,471
Equity income of jointly-controlled companies	1,838	6,707
Dividends received from jointly-controlled companies	(1,865)	(6,360)
Balance – end of period	**18,791**	**18,818**

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

A breakdown of PPL's share in jointly-controlled companies' comprehensive income is as follows:

	For the 13-week period ended March 29, 2015	For the 13-week period ended March 30, 2014
Revenues	11,327	10,815
Profit for the period	1,838	1,764

5. Borrowings

	As at March 29, 2015	As at December 28, 2014
Notes payable, bearing interest from 7% to 8%, repayable in varying monthly principal amounts, maturing between 2014 and 2017. These notes were secured by specific Company-owned restaurant assets. The effective interest rate at March 29, 2015 was 7.4% (December 28, 2014 – 7.4%).	258	414
Less: current portion	(46)	(67)
Total non-current borrowings	**212**	**347**

6. Provisions

The provision for onerous leases represents the liability for the leased premises which are either vacant or sub-leased at a lower rate. The provision is made for the losses to be incurred over the remaining term period of the lease.

Future outflows may differ if the Company is able to franchise, sublease or terminate the lease before the expiry of the agreement. Reversals in the period relate to leases which were franchised, subleased or terminated during the period.

	For the 13-week period ended March 29, 2015	For the 52-week period ended December 28, 2014
Movements in the provision for onerous leases		
Opening balance	475	1,092
Arising during the period	-	117
Reversals	-	(303)
Utilized during the period	(82)	(492)
Imputed interest	25	61
Closing balance	**418**	**475**

7. Contingencies and Commitments

Commitments

Future minimum lease payments for premises, sponsorships, and vehicles are as follows:

	Third Parties	Related Parties
Not later than 1 year	23,568	2,678
Later than 1 year and no later than 5 years	51,162	9,267
Later than 5 years	9,958	9,852

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

During the 13-week period ended March 29, 2015, lease payments of approximately $5,149 (13-week period ended March 30, 2014 - $5,337) were recovered under sub-lease agreements with various franchised restaurants.

These recoveries are offset against rent expense.

The amounts receivable under future committed subleases are as follows:

	Third Parties	Related Parties
Not later than 1 year	20,596	-
Later than 1 year and no later than 5 years	47,814	-
Later than 5 years	9,507	-

Contingencies

PPL is a party to various legal proceedings mainly related to claims brought against it by former franchisees. It is not possible at this time to determine the outcome of these proceedings and, accordingly, no provisions have been made in these unaudited interim condensed consolidated financial statements.

PPL has entered into an agreement with certain lenders to establish a line of credit of $33,730 for the purpose of providing certain equipment and leasehold improvement loans to its franchisees. As security under these lines of credit facilities, PPL has provided certain guarantees as described in the agreement, including a letter of credit in the amount of $3,373. PPL has the right to increase the limit under this credit facility by providing additional letters of credit.

As security for repayment of a borrowing facility held by the Partnership to the amount of $47,000, PPL has granted a continuing general security interest, subject to certain exceptions, in all present and acquired property of PPL, with these covenants that may not be assigned without the prior consent of PPL. With respect to the Partnership's borrowing facility, PPL must comply with certain financial covenants. As at March 29, 2015, PPL was in compliance with these financial covenants.

8. Common Shares and Special Voting Shares

	As at March 29, 2015	As at December 28, 2014
Authorized without limit as to number -		
Common shares (with no par value)		
Special voting shares, non-participating, entitling the holder to one vote per share		
Issued -		
100 Common shares	100	100
100,000 Special voting shares	100	100
Total common shares and special voting shares	**200**	**200**

9. Capital Disclosures

PPL's objectives when managing capital are to safeguard PPL's ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

PPL evaluates its capital as all components of shareholders' equity other than amounts in accumulated other comprehensive income related to PPL's share of the Partnership's cash flow hedge.

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

PPL sets the amount of capital in proportion to risk. PPL manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, PPL may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

10. Food Sales

Food sales include the following:

	For the 13-week period ended March 29, 2015	For the 13-week period ended March 30, 2014
Food sales	40,723	39,313
Company owned restaurant sales	4,204	3,279
Total food sales	**44,927**	**42,592**

11. Royalties, Franchise Fees and Other Revenue

Royalties, franchise fees and other revenue include the following:

	For the 13-week period ended March 29, 2015	For the 13-week period ended March 30, 2014
Royalties	5,734	5,675
Initial and renewal franchise fees	390	413
Construction fees	382	312
Administration and accounting fees	754	716
Total royalties, franchise fees and other revenue	**7,260**	**7,116**

12. Expenses by Nature

	For the 13-week period ended March 29, 2015	For the 13-week period ended March 30, 2014
Depreciation of property, plant and equipment	420	513
Amortization of intangible assets	43	43
Operating lease payments	688	839
Employee benefit expense	4,189	4,362

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

13. Related Party Transactions

The following table summarizes PPL's transactions with related parties in the normal course of business:

	For the 13-week period ended March 29, 2015	For the 13-week period ended March 30, 2014
Rent expense(i)	596	700
Food purchases(i)	3,211	3,049
Recovery of expenses(i)	225	75
Administration and accounting fee revenue(ii)	754	716

(i) Transactions with commonly controlled companies
(ii) Transactions with jointly-controlled companies

As at March 29, 2015, PPL had trade payables of $568 (as at December 28, 2014 - $863) payable to a company under common management control.

PPL had included in trade and other payables amounts payable of $2,302 (as at December 28, 2014 - $1,813) to the Partnership that were paid subsequent to the end of the period.

In addition, PPL has the following advances to and from related parties:

	As at March 29, 2015	As at December 28, 2014
Receivables from jointly-controlled companies	1,288	1,314
Advances from related party	(25,685)	(17,580)

Advances from related party are due to the parent company. Advances from related party and receivables from jointly-controlled companies are non-interest bearing, have no specified terms of repayment and are unsecured. The related party has waived the right to demand repayment prior to March 30, 2016; accordingly, the advances from related party have been classified as long-term.

14. Segmented Information

Operating segments are defined as components of an enterprise about which discrete separate financial information is available and which is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker is the Chief Executive Officer and Director. The operations of Pizza Pizza consist of two reportable segments; Pizza Pizza and Pizza 73. While they both operate in the pizza QSR segment, they are in predominantly different geographic markets in 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. In addition, the return on Pizza Pizza's investment in the Partnership is included in the Pizza Pizza segment. The eliminations column represents adjustments required to reconcile PPL's segmented reporting, to the reporting on the unaudited interim consolidated balance sheets and the consolidated statements of income. This column represents adjustments required to account for joint ventures under IFRS 11 (see note 4).

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

For the 13-week period ended March 29, 2015	Pizza Pizza	Pizza 73	Eliminations	Total
Food sales	44,799	11,456	(11,328)	44,927
Royalties, franchise fees and other revenue	6,507	753	-	7,260
Interest and other income	437	97	(3)	531
Cost of food sales	35,708	4,682	(4,631)	35,759
General and administrative expenses	9,035	5,115	(4,532)	9,618
Equity income from jointly-controlled companies	-	-	1,838	1,838
Interest on borrowings	1	2	(1)	2
Segment income (loss) for the period	25,089	1,893	(1,838)	25,144
Income for the period before income taxes	32,278	2,217	(2,162)	32,333
Property, plant and equipment additions	1,231	55	(33)	1,253
As at March 29, 2015				
Total assets	156,851	26,403	(1,312)	181,942
Intangible assets	82	569	-	651

For the 13-week period ended March 30, 2014	Pizza Pizza	Pizza 73	Eliminations	Total
Food sales	42,477	10,922	(10,807)	42,592
Royalties, franchise fees and other revenue	6,400	716	-	7,116
Interest and other income	617	82	(7)	692
Cost of food sales	33,933	4,449	(4,402)	33,980
General and administrative expenses	9,508	4,877	(4,280)	10,105
Equity income from jointly-controlled companies			1,764	1,764
Interest on borrowings	10	2	(2)	10
Segment income (loss) for the period	3,370	1,841	(1,764)	3,447
Income for the period before income taxes	3,798	2,155	(2,078)	3,875
Property, plant and equipment additions	468	25	(13)	480
As at March 30, 2014				
Total assets	149,624	26,938	(2,555)	174,007
Intangible assets	370	569	-	939

15. Statement of Cash Flows Information

Additional cash flows information is as follows:

	For the 13-week period ended March 29, 2015	For the 13-week period ended March 30, 2014
Trade and other receivables	(549)	42
Inventories	1,578	409
Income taxes receivable	396	663
Receivables from jointly-controlled companies	26	(65)
Recoverable franchisee expenses, net	681	3,512
Trade and other payables	(3,420)	(7,374)
Income taxes payable	9,865	(216)
Deposits from franchisees	(110)	352
	8,467	(2,677)

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

16. Financial Risk Management

PPL's objective is to minimize risk with respect to financial instruments by monitoring the performance of its franchisees and jointly-controlled companies, maintaining restaurants in different geographic regions and having the ability to assume the operations of franchisees for inadequate financial performance and/or default under the franchisee agreement.

Fair Values

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and loan payable to Pizza Pizza Holding Trust approximate fair values given the short-term maturity of these instruments and are level 3 instruments.

A reasonable estimate of fair value could not be made for receivables from jointly-controlled companies, advances from related party, recoverable franchisee expenses, renovation funds and deposits from franchisees as there are no fixed terms of repayment.

The fair value of the non-current notes receivable is based on the estimated future discounted cash flows using a comparable market rate of interest as at March 29, 2015 of 6.5% (December 28, 2014 – 6.5%).

The fair value of the borrowings is based on the estimated future discounted cash flows using a comparable market rate of interest as at December 28, 2014 of prime plus a spread varying by loan (December 29, 2013 - prime plus a spread varying by loan). The Company has no plans to prepay these instruments prior to maturity. The fair value of the borrowings was determined using Level 2 inputs which are observable inputs or inputs which can be corroborated by observable market data for substantially the full term of the asset or liability.

The carrying value and fair value of PPL's financial instruments are as follows:

		As at March 29, 2015		As at December 28, 2014	
	Category	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Cash and cash equivalents	L&R	24,761	24,761	14,272	14,272
Short-term investment	L&R	13,000	13,000	13,000	13,000
Trade and other receivables	L&R	11,237	11,237	10,688	10,688
Notes receivable	L&R	10,773	10,017	11,266	10,498
Trade and other payables	OFL	34,737	34,737	37,873	37,873
Borrowings	OFL	258	228	414	368

Financial instruments category guide:

L&R Loans and receivables
OFL Other financial liabilities
AFS Available for sale

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

The different fair value hierarchy levels are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liability, either directly or indirectly;
- Level 3: Inputs for the financial asset or financial liability that is not based on observable market data.

Credit Risk

PPL is exposed to credit risk as all of the franchisees and jointly-controlled companies operate within the same segment: commercial food service. PPL is also exposed to credit risk in the event of non-payment by its franchisees and jointly-controlled companies of its trade receivables, recoverable franchisee expenses, notes receivable, receivables from jointly-controlled companies and renovation funds receivable. PPL's credit risk is mitigated by the large number of franchisees and jointly-controlled companies operating in different geographical markets and by PPL's ultimate ability to assume operations of the franchisees if there is inadequate financial performance and/or default under the franchisee agreement.

PPL writes off receivable accounts, including trade receivables, notes receivable and renovation funds, to expected realizable value as soon as the account is determined not to be fully collectible, with such write-offs charged to income (loss), unless the loss has been provided for in prior periods, in which case the write-off is applied to reduce the provision for impairment those receivables. PPL updates its estimate of the provision for impairment of receivables, based on a customer-by-customer evaluation of the collectability of receivable balances at each balance sheet reporting date, taking into account amounts that are past due, and any available information indicating that a customer could be experiencing liquidity or going concern problems.

The aging of trade receivable balances that are past due but not impaired are as follows:

	As at March 29, 2015	As at December 28, 2014
Past due 0-30 days	861	938
Past due 31-120 days	819	558
Total trade receivables past due but not impaired	1,680	1,496

Liquidity Risk

PPL is subject to liquidity risk with respect to the items outlined in the table below. The risk is mitigated as the majority of PPL's revenue is earned from franchisees and jointly-controlled companies, which have agreements with PPL and whose activities are closely monitored by PPL. In the case of franchisees, the majority of PPL's business, PPL is able to assume operations of the franchises if there is inadequate financial performance and/or default under the franchise agreement. Liquidity requirements are monitored by PPL's head office functions in order to guarantee effective access to financial resources.

Management believes that currently available funds and credit facilities, apart from those which will be generated by operating and financing activities, will allow PPL to satisfy its requirements for investment, working capital management, and borrowing repayment at maturity.

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

The following are the contractual undiscounted cash flows of financial liabilities as at March 29, 2015:

	Carrying amount	0 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Trade and other payables	34,737	34,737	-	-	-
Deposits from franchisees	1,526	1,526	-	-	-
Borrowings	258	46	212	-	-
Advances from related party	25,685	-	25,685	-	-

Interest Rate Risk

PPL is also exposed to interest rate risk from its borrowings. All borrowings are based on floating interest rates.

17. Seasonality

Historically, Pizza Pizza's system sales experience a decrease in the first calendar quarter when compared to the fourth quarter, which has historically been the strongest quarter.

18. Subsequent Event

On April 24, 2015, the Partnership renewed its $47 million credit facility with a syndicate of Canadian chartered banks. The outstanding balance of the facility remains unchanged, however the maturity of the facility has been extended to April 24, 2020; the previous maturity was December 6, 2016.

The terms of the underlying credit spread were favourably renegotiated. As well, the two existing swap agreements were blended and extended to also mature April 24, 2020. As a result, the credit facility's effective interest rate decreased to 2.75% from 4.12% effective April 24, 2015.

The credit facility's new interest rate is comprised of a fixed portion using the new swap agreements, which, under the new facility is 1.875%, plus a credit spread, which is 0.875% based on the current Debt-to-EBITDA covenant calculation.