Pizza Pizza Limited
Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of financial position and results of operations of Pizza Pizza Limited ("PPL") covers the 14-weeks (the "Quarter") and 53-weeks (the "Year") ended January 3, 2016. The MD&A should be read in conjunction with PPL's January 3, 2016 audited consolidated financial statements and notes thereto. PPL prepares its audited consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The MD&A has been prepared as of March 7, 2016.

OVERVIEW

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

Pizza Pizza Royalty Corp., ("PPRC" or the "Company"), formerly Pizza Pizza Royalty Income Fund (the "Fund"), indirectly through the Pizza Pizza Royalty Limited Partnership (the "Partnership"), has licensed the Pizza Pizza Rights and Marks to PPL, for which PPL pays a 6% royalty on the system sales of those Pizza Pizza restaurants included in the specific listing of restaurants referred to as the Royalty Pool. There are 630 Pizza Pizza restaurants in the Royalty Pool for 2015.

In July 2007, the Partnership acquired the Pizza 73 trademarks and other intellectual property associated with Pizza 73 (together, "Pizza 73 Rights"). The Partnership licensed the Pizza 73 Rights to PPL for a 9% royalty on system sales of the Pizza 73 restaurants included in the Royalty Pool. For 2015, there are 100 Pizza 73 restaurants in the Royalty Pool.

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 636 Pizza Pizza restaurants at January 3, 2016, 623 are franchised or licensed and 13 are owned and operated as corporate restaurants. Of the 636 restaurants, 225 are non-traditional locations which have limited operating hours and a limited menu.

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

PPL has a modern restaurant system. 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
There are 103 Pizza 73 locations operating in the QSR segment, principally in the province of Alberta. The traditional Pizza 73 restaurants are not franchised, but instead are owned and operated as independent businesses. Each restaurant is operated by a corporation, with 74 jointly-owned by PPL and an independent owner/operator; one is 100% owned and operated by PPL as a corporate restaurant. There are 28 non-traditional locations which have limited operating hours and a limited menu. Pizza 73 has five traditional locations outside of Alberta; three in Saskatchewan and two in British Columbia. Sales through its centralized call centre and on-line ordering, together, account for approximately 90% of Pizza 73's system sales. The Pizza 73 business also includes two central food distribution centres.

Background
PPL's three distinct revenue sources, food sales, royalty payments and profits from the 50% ownership in the Pizza 73 restaurants, are driven by changes in retail system sales at franchised, jointly controlled 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 we 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 PPL. 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.

PIZZA PIZZA LIMITED AND PIZZA PIZZA ROYALTY CORP.

As of January 3, 2016, PPL indirectly held an effective 20.4% interest in the Company (December 28, 2014 – 28.0%) by holding all Class B and Class D Units of the Partnership. PPL has the right to exchange one Class B or Class D Unit indirectly for that number of common shares of PPRC ("Shares") equal to the Class B Exchange Multiplier or Class D Exchange Multiplier, respectively, applicable at the date of such exchange, as described under "Royalty Pool Adjustments". The Class B and Class D Units are entitled to receive monthly distributions established by PPRC's board of directors. A monthly distribution is paid to both PPL and PPRC on a pro rata ownership basis, with PPRC's ownership held through its Class A and Class C limited partnership Units of the Partnership.

The table below shows movement, in PPL's proportion of all shares outstanding and available for exchange, throughout the year.

	% change	PPL's Proportion
As at December 29, 2014		28.0%
January 1, 2015 - Royalty Pool adjustment date	1%	29.0%
March 23, 2015 - PPL sold 2,800,000 equivalent shares	(9.1%)	19.9%
January 1, 2016 - Royalty Pool adjustment date	0.5%	20.4%
PPL's proportion of all shares outstanding and available for exchange as at January 3, 2016		20.4%

SALE BY PPL OF 2,800,000 EQUIVALENT SHARES
On March 23, 2015, PPL entered into an underwriting agreement for the sale of 2,800,000 Shares of the Company at a price of $15.00 per share. 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 Company's fully-diluted shares decreased from 29.0% to 19.9% as a result of this transaction.

ROYALTY POOL ADJUSTMENTS

Annually, on January 1 (the "Adjustment Date"), an adjustment is made to the Royalty Pool 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 that have been permanently closed during the year. The change in the amount of the Royalty due to the Partnership as a result of changes in the System Sales of the Royalty Pool will affect PPL's retained interest through an adjustment to the rate at which the Class B Units of the Partnership may ultimately be exchanged for Shares. On the Adjustment Date, the adjustment to the Class B Exchange Multiplier (as defined in the Pizza Pizza License and

Royalty Agreement) involves first calculating the "Determined Amount", which is defined as 92.5% of the royalty revenue added to the Royalty Pool, divided by the prevailing yield of the Shares. Beginning January 1, 2012, the Determined Amounts are multiplied by a number equal to (1-Tax%) where "Tax%" is an estimate of the Company's effective tax rate for the year (determined using the total income taxes paid by the Company during the fiscal year divided by the total cash received by the Company during that fiscal year) (i.e., for the Adjustment Date of January 1, 2015, it will be the effective Company tax rate for the year ended December 31, 2014). This estimate of the effective tax rate will be subject to an adjustment when the actual effective entity level tax rate of the Company for the year is known. The Determined Amount is multiplied by 80%, then divided by the current market price of the Shares, and then further divided by the number of Class B Units outstanding. This fraction is added to the Class B Exchange Multiplier from the preceding year, which was "one" on the closing of the Fund's initial public offering. On the following Adjustment Date, a second adjustment to the Class B Exchange Multiplier will be made in the same manner once the System Sales for new restaurants are known with certainty. The adjustment for new restaurants rolled into the Royalty Pool is designed to be accretive for current shareholders.

If, during a year, a Pizza Pizza restaurant is closed, the sales of the restaurant from the closing date would no longer be included in the calculation of the royalty payable to the Partnership by PPL. To compensate for this, in certain circumstances, the Pizza Pizza License and Royalty Agreement and the Partnership's Amended and Restated Limited Partnership Agreement (the "Partnership Agreement") provide that an amount (the "Make-Whole Payment") reflecting the reduction in the royalty resulting from the restaurant closure will be paid by PPL to the Partnership for the balance of the year in which the restaurant was closed, commencing from the closing date. The Make-Whole Payment will be the sales of the closed restaurant for the first 52-week period in which it was included in the Royalty Pool multiplied by the royalty rate, one twelfth of which is payable each month until the Adjustment Date.

Similarly, on the Adjustment Date, a separate adjustment is made to the Royalty Pool for the Pizza 73 restaurants. The Royalty Pool is increased to include the forecasted System Sales from new Pizza 73 restaurants opened on or before September 1 of the prior year, less System Sales from any Pizza 73 restaurants that have been permanently closed during the year. On the Adjustment Date, the adjustment to the Class D Exchange Multiplier is calculated in a similar manner as the Class B Exchange Multiplier described above.

RESTAURANTS ADDED TO THE ROYALTY POOL

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 was 1.745518 and Class B Units could have been exchanged for 7,109,717 shares, which was an increase of 175,445 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 was unchanged and the final cash payment in-lieu of increasing the multiplier was $322,000, of which $284,000 was accrued at December 31, 2014, based on the initial forecasted sales.

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 were estimated at $8,950,000 annually less sales of $4,899,000 from 22 permanently closed Pizza Pizza restaurants resulting in net estimated Pizza Pizza sales of $4,051,000 added to the Royalty Pool. The total number of Pizza Pizza restaurants in the Royalty Pool 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 also increased 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 was adjusted to be effective January 1, 2015, with the actual performance of the new restaurants determined in early 2016.

In January 2016, adjustments to royalty payments and PPL's Class B Exchange Multiplier were made based on the actual performance of the 23 new restaurants added to the Royalty Pool on January 1, 2015. As a result of the adjustments, the new Class B Exchange Multiplier is 1.796297 and Class B Units can be exchanged for 4,505,541 shares, which is an increase of 17,641 shares, effective January 1, 2015.

2015 Royalty Pool Adjustment – Class D Exchange Multiplier

January 1, 2015, seven net Pizza 73 restaurants were added to the Royalty Pool as a result of eight new restaurants opening between September 2, 2013 and September 1, 2014 and one restaurant closing between January 1, 2014 and December 31, 2014. The forecasted additional system sales from the eight new restaurants are estimated at $1,870,000 annually less $534,000 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 increased to 100. The yield of and the weighted average share price used in the calculation of the Class D multiplier was 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 was adjusted to be effective January 1, 2015, with the actual performance of the new restaurants determined in early 2016.

In January 2016, adjustments to royalty payments and PPL's Class D Exchange Multiplier were made based on the actual performance of the eight Pizza 73 restaurants added to the Royalty Pool on January 1, 2015. As a result of the adjustments, the new Class D Exchange Multiplier is 17.07332 and Class D Units can be exchanged for 1,707,332 shares, which is an increase of 71,099 shares, effective January 1, 2015.

2016 Royalty Pool Adjustment – Class B Exchange Multiplier

On January 1, 2016, six net Pizza Pizza restaurants were added to the Royalty Pool as a result of 24 new restaurants opening and 18 closing from January 1, 2015 to December 31, 2015. The additional system sales from the 24 new restaurants are estimated at $4,887,000 annually less sales of $3,630,000 from 18 permanently closed Pizza Pizza restaurants resulting in net estimated Pizza Pizza sales of $1,257,000 added to the Royalty Pool. The total number of Pizza Pizza restaurants in the Royalty Pool has increased to 636. The yield of the shares was determined to be 5.89% calculated using $13.85 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 twenty consecutive days ending on the fifth trading day before January 1, 2016. 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 0.021529; the new Class B Multiplier is 1.817826. 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, 2016, once the actual performance of the new restaurants is determined in early 2017.

2016 Royalty Pool Adjustment – Class D Exchange Multiplier

On January 1, 2016, the Pizza 73 Royalty Pool remained unchanged as a result of two new restaurants opening between September 2, 2014 and September 1, 2015 and two restaurants closing between January 1, 2015 and December 31, 2015. The forecasted additional system sales from the two new restaurants are estimated at $1,070,000 annually less $512,000 in system sales attributable to the two closed restaurants. The total number of Pizza 73 restaurants in the Royalty Pool remains at 100 for 2016. 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 5.89% and $13.85, 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 0.35975; the new Class D Multiplier is 17.43307. 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, 2016, once the actual performance of the new restaurants is determined in early 2017.

PPL's Ownership of the Company

In exchange for adding the forecasted Pizza Pizza system sales to the Royalty Pool on January 1, 2016, PPL has received 54,001 additional equivalent Shares (through the change to the Class B Exchange Multiplier). These represent 80% of the forecasted equivalent Shares entitlement to be received (67,501 equivalent Shares represent 100%), with the final equivalent Shares entitlement to be determined when the new restaurants' 2016 actual sales performance is known with certainty in early 2017.

In exchange for adding the forecasted Pizza 73 system sales to the Royalty Pool on January 1, 2016, PPL has received 35,975 additional equivalent Shares (through the change to the Class D Exchange Multiplier). These represent 80% of the forecasted equivalent Shares entitlement to be received (45,691 equivalent Shares represent 100%), with the final equivalent Shares entitlement to be determined when the new restaurants' 2016 actual sales performance is known with certainty in early 2017.

After giving effect to PPL's entitlement to additional equivalent Shares at January 1, 2016, PPL owns equivalent Shares representing 20.4% of the Company's fully diluted shares.

The table below shows the Shares that would be outstanding if all of the Class B and Class D Units of the Partnership held by PPL were converted to Shares of the Company on January 3, 2016.

Shares outstanding & issuable on January 1, 2016		
Shares outstanding		24,618,392
Class B equivalent Shares held by PPL at December 31, 2015	4,487,900	
PPL additional Class B equivalent Shares - True-up Holdback as at December 31, 2015	17,641	
Additional PPL Class B equivalent Shares as of January 1, 2016	54,001	4,559,542
Class D equivalent Shares held by PPL at December 31, 2015	1,636,233	
PPL additional Class D equivalent Shares - True-up Holdback as at December 31, 2015	71,099	
Additional PPL Class D equivalent Shares as of January 1, 2016	35,975	1,743,307
Number of fully diluted shares		30,921,421
PPL's proportion of all shares outstanding and available for exchange		20.4%

SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with the Year ended January 3, 2016 audited consolidated financial statements and related notes thereto. PPL has a floating year-end of the Sunday closest to December 31, accordingly, quarters consist of four 13-week periods with an additional week added to the last quarter every five to six years which was the case in this fiscal year.

Consolidated Financial Data and Adjusted EBITDA(1) Calculation

	For the 14-week period ended January 3, 2016	For the 13-week period ended December 28, 2014	For the 53-week period ended January 3, 2016	For the 52-week period ended December 28, 2014
(all dollars in thousands)				
System Sales(2),(3)	150,483	134,211	545,535	507,458
Same Store Sales Growth (SSSG) (4)	3.4%	2.0%	4.5%	1.1%
Number of Restaurants:				
Traditional	486	482	486	482
Non-traditional	253	250	253	250
New restaurants opened	9	8	28	32
Restaurants closed	6	5	21	23
Revenues	60,851	54,195	219,936	202,443
Cost of food sales and general & administrative expenses	(57,860)	(47,765)	(198,402)	(180,236)
Equity income from the Partnership	1,721	2,293	6,483	8,199
Royalty payments	(9,198)	(8,861)	(34,808)	(33,013)
Operating income (loss)	(3,291)	1,568	(247)	4,381
Income tax recovery (expense)	2,681	(177)	(4,803)	(687)
Income for the period attributable to the shareholders of Pizza Pizza Limited	20	3,007	27,801	9,812
Add (deduct):				
Equity income from Partnership	(1,721)	(2,293)	(6,483)	(8,199)
Royalty payments	9,198	8,861	34,808	33,013
Amortization of deferred gain	(582)	(582)	(2,330)	(2,330)
Amortization	628	507	2,073	2,142
Interest (income) / expense, net	(320)	(259)	(821)	(1,016)
Gain on sale of Company-owned restaurants	-	(122)	(131)	(281)
Income from Class D vend-in	-	(285)	(38)	(1,421)
Gain on sale of Class B Partnership Units	105	-	(28,852)	-
Provision for (recovery of) income taxes:				
Current	(2,159)	103	7,651	(219)
Deferred	(522)	74	(2,848)	906
Adjusted EBITDA (1)	**4,647**	**9,011**	**30,830**	**32,407**

Notes:

(1) ''EBITDA'' is not a recognized measure under IFRS. References to EBITDA are to earnings determined in accordance with IFRS applicable to the financial statements before amounts for interest, taxes and depreciation and amortization. In addition, PPL has adjusted EBITDA for unusual charges in an attempt to demonstrate PPL operations as if a recombination of PPL and the PPRC occurred. Adjusted EBITDA excludes gains and losses on sales of assets and other items resulting from its relationship with the Partnership. PPL 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 MD&A may differ from that used by other issuers and, accordingly, adjusted EBITDA in this MD&A may not be comparable to adjusted EBITDA used by other issuers.

(2) 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 5 to 6 years. A 53rd week was added to fiscal 2015 resulting in the year ending on January 3, 2016.

(3) System Sales (as defined in the Licence and Royalty Agreements) reported by Pizza Pizza and Pizza 73 restaurants include the gross sales of Pizza Pizza company-owned, jointly-controlled and franchised restaurants, excluding sales and goods and service tax or similar amounts levied by any governmental or administrative authority. System Sales do not represent the consolidated operating results of the Company but are used to calculate the royalties payable to the Partnership as presented above.

(4) Same store sales growth ("SSSG") is not a recognized measure under IFRS. References to SSSG are to the changes in period gross revenue of Pizza Pizza and Pizza 73 restaurants as compared to sales in the previous period, where the restaurant has been open at least 13 months. Additionally, for a Pizza 73 restaurant whose restaurant territory was adjusted due to an additional restaurant, a Step-Out Payment may be added to sales to arrive at SSSG. SSSG does not have any standardized meaning under IFRS. Therefore, these figures may not be comparable to similar figures presented by other companies. See Same Store Sales Growth.

RESULTS OF OPERATIONS

The following should be read in conjunction with the Selected Financial Data provided herein and in conjunction with the audited consolidated financial statements and related notes of PPL for the 53-week period ended January 3, 2016. See "Critical Accounting Policies and Estimates".

System Sales

(in thousands of dollars)	For the 14-week period ended January 3, 2016	For the 13-week period ended December 28, 2014	For the 53-week period ended January 3, 2016	For the 52-week period ended December 28, 2014
Pizza Pizza	125,117	109,693	451,089	416,966
Pizza 73	25,366	24,518	94,446	90,492
Total	150,483	134,211	545,535	507,458

The increase in system sales for the Quarter and Year ended January 3, 2016 is partially attributable to the fact that the current quarter and fiscal year contained 14 weeks and 53 weeks, respectively, compared to 13 weeks and 52 weeks for the same quarter and fiscal year of 2014. Additionally, system sales were affected by net new store additions and the SSSG achieved during the Quarter and Year. See Same Store Sales Growth ("SSSG"). By geographical region, the additional week contributed approximately $9.6 million in system sales for Pizza Pizza and $2.3 million for Pizza 73.

Same Store Sales Growth

SSSG, the key driver of yield growth for shareholders of the Company, increased by 3.4% for the Quarter when compared to the same period in 2014 and increased by 4.5% for the Year.

SSSG	**Fourth Quarter (%)**		**Annual (%)**	
	2015	**2014**	**2015**	**2014**
Pizza Pizza	5.3	1.3	5.2	-0.3
Pizza 73	(5.3)	5.4	1.1	7.6
Combined	3.4	2.0	4.5	1.1

SSSG is driven by the growth in the average customer check and in customer traffic both of which are affected by changes in pricing and sales mix. On a consolidated basis, during the Quarter and Year, both the average check and traffic increased when compared to the same periods last year. Consumers responded well to Pizza Pizza's marketing campaign which encourages consumers to "get to know our new pizza flavour". In addition, the value messages promoting high quality menu offerings in PPL's major markets continued to attract growth in the average customer traffic and ticket. The Pizza 73 brand, operating largely in a weakened Alberta economy, reported a decline in traffic and ticket for the Quarter after last year's very strong fourth quarter growth. The declining price of crude oil resulted in increased unemployment and a decline in Alberta's consumer spending. PPL's management believes that geographic diversification has proven to be key to consistent, overall Royalty Pool sales growth.

SSSG is a key indicator used by the Company to measure performance against internal targets and prior period results. SSSG is commonly used by financial analysts and investors to compare PPL to other QSR brands. SSSG is defined as the change in period gross revenue of Pizza Pizza and Pizza 73 restaurants as compared to sales in the previous period, where the restaurant has been open at least 13 months. Additionally, for a Pizza 73 restaurant whose restaurant territory was adjusted due to an additional restaurant, a Step-Out Payment may be added to sales to arrive at SSSG. It is a key performance indicator for the Company as this measure excludes sales fluctuations due to store closings, permanent relocations and chain expansion.

(in thousands of dollars)	For the 14-week period ended January 3, 2016	For the 13-week period ended December 28, 2014	For the 53-week period ended January 3, 2016	For the 52-week period ended December 28, 2014
Total System Sales	150,483	134,211	545,535	507,458
Adjustments for stores not in both fiscal years, additional week and step-outs	(12,970)	(1,153)	(19,500)	(3,986)
Same Store Sales	137,513	133,058	526,035	503,472
SSSG	**3.4%**	**2.0%**	**4.5%**	**1.1%**

New Restaurant Development

As at January 3, 2016, there were 411 traditional Pizza Pizza restaurants and 75 traditional Pizza 73 restaurants; there were 225 non-traditional Pizza Pizza locations and 28 non-traditional Pizza 73 locations.

PPL opened a net three Pizza Pizza restaurants in the Quarter. By brand, two traditional and five non-traditional Pizza Pizza locations were opened, and two traditional and two non-traditional locations were closed, bringing the total number of Pizza Pizza restaurants to 636. For the Quarter, Pizza 73 opened one traditional and one non-traditional location, and closed two non-traditional locations, maintaining the total number of P73 restaurants at 103. During the comparable quarter in 2014, PPL opened a net, three restaurants in the Quarter, consisting of one Pizza Pizza and two Pizza 73 restaurants. By brand, PPL opened four traditional restaurants and two non-traditional Pizza Pizza locations while three traditional and two non-traditional Pizza Pizza locations closed, bringing the total number to 630. Pizza 73 opened two non-traditional locations, bringing the total number of P73 restaurants to 102.

PPL opened a net, seven restaurants in the Year, consisting of six Pizza Pizza locations and one Pizza 73 location. By brand, PPL opened five traditional restaurants and 19 non-traditional Pizza Pizza locations, and closed two traditional and 16 non-traditional locations. Pizza 73 opened two traditional and two non-traditional restaurants, and closed one traditional and two non-traditional restaurants during the Year. During the comparable year in 2014, PPL opened a net, nine restaurants in the Year, consisting of one Pizza Pizza and eight Pizza 73 restaurants. By brand, PPL opened 13 traditional restaurants and 10 non-traditional Pizza Pizza locations and closed three traditional and 19 non-traditional locations. Pizza

73 opened one Pizza 73 traditional and eight non-traditional restaurants and one non-traditional location closed during the Year.

Segmented Reporting

As previously discussed, PPL 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.

The following discussion offers further details regarding PPL's segmented results, prior to eliminations, which represents adjustments required to reconcile PPL's segmented reporting to the audited consolidated statements of income.

Revenues

Food Sales

(in thousands of dollars)	For the 14-week period ended January 3, 2016	For the 13-week period ended December 28, 2014	% change	For the 53-week period ended January 3, 2016	For the 52-week period ended December 28, 2014	% change
Pizza Pizza	52,508	46,531	12.8%	189,521	173,765	9.1%
Pizza 73	12,017	11,686	2.8%	45,249	43,831	3.2%
Eliminations[1]	(11,878)	(11,551)		(44,723)	(43,335)	
Total	52,647	46,666	12.8%	190,047	174,261	9.1%

Royalties, franchise fees and other revenue

(in thousands of dollars)	For the 14-week period ended January 3, 2016	For the 13-week period ended December 28, 2014	% change	For the 53-week period ended January 3, 2016	For the 52-week period ended December 28, 2014	% change
Pizza Pizza	7,404	6,858	8.0%	26,883	25,291	6.3%
Pizza 73	800	671	19.2%	3,006	2,891	4.0%
Total	8,204	7,529	9.0%	29,889	28,182	6.1%

The increase in food sales and royalty revenue for both geographic markets during the Quarter and Year are partially driven by the fact that the fiscal 2015 contained one additional week of system sales, translating into higher food sales and royalty revenue.

By brand, eliminating the effects of the additional week, revenue was impacted by movement in SSSG plus sales from a net three new restaurants for the Quarter and net seven new restaurants opened in the Year. See "Same Store Sales Growth" and "New Restaurant Development".

Cost of Food Sales

(in thousands of dollars)	For the 14-week period ended January 3, 2016	For the 13-week period ended December 28, 2014	% change	For the 53-week period ended January 3, 2016	For the 52-week period ended December 28, 2014	% change
Pizza Pizza	42,006	37,580	11.8%	151,332	140,098	8.0%
Pizza 73	3,171	4,767	(33.5%)	16,651	17,787	(6.4%)
Eliminations[1]	(3,057)	(4,711)		(16,431)	(17,586)	
Total	42,120	37,636	11.9%	151,552	140,299	8.0%

[1] The elimination row represents adjustments to the Pizza 73 joint ventures as required under IFRS 11.

The cost of food increased largely due to an additional week during the current Quarter and Year as compared to 2014. Margins improved due to efficiencies at PPL's centralized distribution centre from which 100% of the products used in the stores are purchased. Centralized purchasing has allowed PPL to leverage its buying power and thereby better manage food costs.

General and Administrative ("G&A") Expenses

(in thousands of dollars)	For the 14-week period ended January 3, 2016	For the 13-week period ended December 28, 2014	% change	For the 53-week period ended January 3, 2016	For the 52-week period ended December 28, 2014	% change
Pizza Pizza	15,587	10,013	55.7%	44,749	37,780	18.4%
Pizza 73	5,916	5,263	12.4%	21,203	20,161	5.2%
Eliminations[1]	(5,763)	(5,147)		(19,102)	(18,004)	
Total	15,740	10,129	55.4%	46,850	39,937	17.3%

The increase in G&A expenses for both geographic markets for the Quarter and Year is partially driven by the extra week, translating into higher G&A expenses.

By brand, eliminating the effects of the additional week, the G&A expense for Western Canada, including company store expenses, remained fairly consistent with the prior year's comparable periods. The increase in G&A expense for Eastern Canada during the Quarter is mainly attributed to $1.3 million of corporate property taxes and a $3.3 million increase in doubtful debts. The increase in Eastern Canada for the Year is mainly attributed to a $1.0 million increase in expenses related to the loyalty card program rollout, an increase in payroll and benefits of $1.5 million, an increase in doubtful debts of $1.8 million and $1.3 million of corporate property taxes.

Royalty Payments

(in thousands of dollars)	For the 14-week period ended January 3, 2016	For the 13-week period ended December 28, 2014	% change	For the 53-week period ended January 3, 2016	For the 52-week period ended December 28, 2014	% change
Pizza Pizza	7,057	6,659	6.0%	26,474	24,943	6.1%
Pizza 73	2,141	2,202	(2.8%)	8,334	8,070	3.3%
Total	9,198	8,861	3.8%	34,808	33,013	5.4%

As per the Licence & Royalty Agreements, PPL pays the Partnership a royalty based on the system sales at the Pizza Pizza and Pizza 73 restaurants in the Royalty pool.

For the Quarter and Period, the increase in royalty payments is due to new restaurants added to the royalty pool on January 1st and an increase in SSSG.

Equity income from Pizza Pizza Royalty Limited Partnership

PPL accounts for its investment in the Partnership using the equity method of accounting. As at January 3, 2016, PPL owned an effective 20.4% interest in Partnership, compared to 28.0% at December 28, 2014. PPL's 20.4% interest in the earnings of the Partnership is through its ownership of Class B and Class D Units. For the Quarter and Year ended January 3, 2016, equity income earned was $1.7 million and $6.5 million, respectively, compared to $2.3 million and $8.2 million for the comparable periods in 2014. The decrease in PPL's ownership of the Partnership reduced its equity income from the investment.

[1] The elimination row represents adjustments to the Pizza 73 joint ventures as required under IFRS 11.

Equity income from Jointly-controlled companies

Jointly-controlled companies are joint ventures, consisting of PPL's 50% interest in 74 Pizza 73 restaurants. For the Quarter and Year ended January 3, 2016, equity income earned was $1.2 million and $6.4 million, respectively, compared to $1.6 million and $6.7 million, respectively for the comparable periods of 2014. Alberta's general minimum wage increased on October 1, 2015, increasing labor cost in Western Canada, resulting in a decrease in equity income from jointly-controlled companies.

Gain/Loss on Sale of Company Restaurants and Jointly-Controlled Restaurants

For the Quarter, no company restaurants were sold compared to the 13-week period ended December 28, 2014 during which one company restaurant was sold for a loss of $123,000.

For the Year, PPL sold six company restaurants for a net gain of $131,000 compared to the year ended December 28, 2014 in which the company sold four company restaurants for a net gain of $281,000.

Interest and Other Income

Interest and other income earned by PPL decreased to $0.6 million for the Quarter compared to $0.8 million for the comparable quarter of 2014. The decrease in interest and other income is mainly due to lower information technology charges being allocated to other income.

For the Year, interest and other income earned by PPL was $1.7 million, compared to $2.4 million for 2014. Interest income was earned on notes receivable from franchisees which are unsecured and are repayable in varying monthly principal amounts. The decrease in interest and other income is related to slightly lower interest earned on investments and lower information technology charges being allocated to other income.

Interest Expense on Borrowings

Interest expense during the Quarter was $28,000, compared to $13,000 for the comparable quarter in 2014. The increase was due to higher interest paid on notes payable related to owned restaurants.

In early 2015, PPL repaid borrowings related to an owned restaurant and new borrowings were not undertaken until later in the year. Therefore the interest expense for the Year decreased to $60,000 compared to $68,000 for 2014.

Gain on Sale of Class B Partnership Units

Pursuant to the Exchange Agreement, PPL exchanged 1,564,889 Class B Partnership Units for 2,800,000 common shares of PPRC, using the exchange multiplier of 1.789264. PPL sold the 2,800,000 common shares to a syndicate of underwriters at a price of $15.00 per Share for gross proceeds of $42.0 million resulting in a net gain of $29.0 million.

Current income tax expense (recovery)

Current income tax recovery for the Quarter was $2.2 million, compared to an expense of $103,000 for the prior year quarter. The increase in the current tax recovery for the Quarter is due to a non-capital operating loss increase, resulting from the $1.3 million of property taxes paid and the $3.3 million increase in doubtful debts.

For the Year, current income tax expense was $7.7 million compared to a recovery of $219,000 in 2014. The increase is largely due to the income tax payable on the gain on sale of Class B Partnership Units.

Deferred tax recovery

Deferred tax recovery for the Quarter was $522,000 and, for the Year, deferred tax recovery was $2.9 million, compared to a deferred tax expense of $74,000 and $0.9 million, respectively, for the comparable periods in 2014. For the Quarter, the increase in deferred tax recovery is related to a decrease in taxable temporary differences on capital assets. The increase in deferred tax recovery for the Year is mainly due a decrease in taxable temporary differences on the sale of Class B Partnership Units.

Net Income

PPL reported income of $20,000 and $27.8 million for the Quarter and Year, respectively, compared to income of $3.0 million and $9.8 million, respectively, for the comparable periods in 2014. The increase in revenues and the resulting increase in net income attributable to the additional week in the Quarter, was fully offset by an increase in doubtful debts of $3.3 million and $1.3 million of property tax expense, compared to the same quarter in 2014, resulting in a decrease in income for the Quarter.
The increase in income for the Year is largely attributable to the gain on sale of Partnership Units of $29.0 million and an increase in deferred tax recovery by $3.8 million, partially offset by an increase in current income tax expense of $7.9 million, decrease of $1.4 million in cash received in lieu of Class D equivalent shares and decrease in equity income from investment in Pizza Pizza Royalty Limited Partnership of $1.7 million compared to the same period in 2014.

Shareholders' Deficiency

The $99.7 million shareholders' deficiency shown in the audited consolidated statements of financial position at January 3, 2016, is largely a result of PPL having paid $107.5 million in capital dividends to shareholders in 2005, $16.8 million in capital dividends in 2007, $7.2 million in capital dividends in 2012, and $39.0 million in capital dividends in 2015. The source of dividends to shareholders was the proceeds received from the Partnership in payment for the PPL Rights & Marks in 2005, funds from operations since 2005, and proceeds from the sale of Class B Partnership Units in 2015. The balance of the deferred gain is $206.2 million as at January 3, 2016 and is from the original sale of the PPL Rights, which is being amortized into earnings over a term of 99 years.

SUMMARY OF QUARTERLY RESULTS

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.

	14 weeks ended January 3, 2016	13 weeks ended September 27, 2015	13 weeks ended June 28, 2015	13 weeks ended March 29, 2015	13 weeks ended December 28, 2014	13 weeks ended September 28, 2014	13 weeks ended June 29, 2014	13 weeks ended March 30, 2014
				(in thousands of dollars)				
Revenues	$ 60,851	$ 54,063	$ 52,835	$ 52,187	$ 54,195	$ 49,997	$ 48,543	$ 49,708
Net income	$ 20	$ 1,288	$ 1,349	$ 25,144	$ 3,007	$ 2,563	$ 795	$ 3,447
Adjusted EBITDA	$ 4,647	$ 8,992	$ 7,734	$ 9,457	$ 9,011	$ 8,654	$ 6,340	$ 8,402

LIQUIDITY & CAPITAL RESOURCES

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

Cash provided by (cash used):	For the 53-weeks ended January 3, 2016	For the 52-weeks ended December 28, 2014
Operating activities	$ (1,244)	$ (7,244)
Investing activities	39,027	3,668
Financing activities	(37,695)	(2,912)
Increase (decrease) in cash	$ 88	$ (6,488)

As of January 3, 2016, PPL had working capital of $12.4 million and its cash, cash equivalents and short term investment were $37.4 million. Historically, PPL has, at times, operated with negative working capital primarily because its receivable collection periods and inventory turn rates are faster than the normal payment terms of 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, may reduce our working capital amounts. Our primary sources of liquidity are cash flows from operations and distributions received on PPL's interest in PPRC. 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 January 3, 2016.

Cash used in operating activities for the Year was $1.2 million compared with $7.2 million used in 2014. The $6.0 million decrease of cash used in operating activities is largely due to the increase in food sales and changes in non-cash working capital, partially offset by a decrease in unearned vendor allowances, with a receipt of $3 million in 2014 and no receipt of funds in 2015.

Cash provided by investing activities for the Year was $39.0 million compared to $3.7 million in 2014, mainly due to net proceeds from sale of Class B Partnership Units of $39.9 million, partially offset by $1.9 million higher additions to property, plant and equipment. Additionally, this Year, $10 million was added to short-term investments, whereas, last year $13 million was added.

Cash used in financing activities for the Year was $37.7 million compared to $2.9 million in 2014. The increase in cash used in financing activities is mainly due to a $39 million shareholder dividend paid. The source of funds for the dividend was the sale of the Class B Partnership Units.

Certain bank covenants must be maintained by PPL and are related to the Partnership's credit facility, all of which were met as of January 3, 2016.

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, plus 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 PPRC'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 Pizza Pizza 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, PPL has the ability to convert its current Class B and Class D Units into shares of PPRC and sell them to the public to generate cash proceeds.

OFF-BALANCE SHEET ARRANGEMENTS

PPL is a sublessor under the head lease for all restaurant locations, other than locations operated by certain licensees. Should franchisees fail to meet their obligations under the terms of their sublease, PPL 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					
	2016	**2017**	**2018**	**2019**	**2020**	**Thereafter**
	(in thousands of dollars)					
Minimum lease obligation	29,725	24,977	20,612	13,513	8,489	21,540
Less: Sublease to franchisees	21,431	18,185	14,117	10,709	6,797	11,127
Net lease obligation	8,294	6,792	6,495	2,804	1,692	10,413

PPL has provided certain guarantees as disclosed in note 16 of the audited consolidated financial statements with respect to certain franchisee loans. We believe that guarantees of franchisee loans are a low risk since PPL has, historically, been able to replace a defaulting franchisee with a new franchisee who has assumed the obligations of the defaulting franchisee.

OUTLOOK

PPL reported 3.4% SSSG (2.0% - 2014) for the fourth quarter and 4.5% SSSG (1.1% - 2014) for the year ended December 31, 2015. Geographic diversification has proven to be key in maintaining consistent and stable sales growth.

By brand, Pizza 73, operating largely in a weakened Alberta economy, reported 5.3% decline in same store sales for the Quarter. The declining price of crude oil resulted in increased unemployment and a decline in that province's consumer spending. The Pizza Pizza brand reported 5.3% SSSG for the Quarter as consumer traffic in the Ontario and Quebec markets increased significantly over last year.

For the full year, Pizza 73 reported 1.1% SSSG as the fourth quarter weighed on the successes of the first half of the year. Pizza Pizza reported 5.2% SSSG for the year attributable to brand dominance in Eastern provinces supported by marketing campaigns which promoted Pizza Pizza's quality, value and convenience messages.

PPL continues to focus on its major growth priorities of staying relevant to the consumer, modernizing the customer experience and maintaining brand dominance in its key markets. PPL believes these priorities align with evolving consumer needs and will drive long-term sustainable growth, especially when combined with its competitive advantages of convenience, innovation, high-quality menu offerings and geographic diversification.

PPL believes its leading market share in its major markets presents long-term opportunities for continued sales growth, especially with new product introductions and the further expansion of digital ordering platforms that increase PPL's convenience factor.

TRANSACTIONS WITH RELATED PARTIES

PPL has 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 Partnership Units, management fees and food purchases as disclosed in note 22 of the audited consolidated financial statements of PPL. PPL does not have any outstanding commitments related to transactions with related parties, other than those disclosed in note 16 of the audited consolidated financial statements of PPL.

Distributions payable and advances to or from related parties and receipt of or repayments of advances from related parties are summarized in note 22 of the audited consolidated financial statements of PPL. 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 January 4, 2017; accordingly, the advances from related party have been classified as long-term.

CRITICAL ACCOUNTING POLICIES

The preparation of the audited consolidated financial statements of Pizza Pizza requires management to make judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities, such as revenue recognition, long-lived and intangible assets and income taxes. We believe that our most critical accounting policies are:

Consolidation - Determining which entities are to be consolidated by PPL requires judgment on the definition of control. The definition of Control under IFRS 10, *Consolidated Financial Statements* (IFRS 10), states an investor controls an investee when has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Based on an assessment of the activities of the Partnership and the franchisees, it was concluded that PPL does not control these entities, and therefore shall not consolidate their operations. The Partnership is consolidated by PPRC.

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 20.4% interest in the Pizza Pizza Royalty Limited Partnership ("Partnership") as at January 3, 2016. 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 and therefore applies equity accounting on its investment in the Partnership.

PPL accounts for its 20.4% (December 28, 2014 – 28.0%) share interest in the Pizza Pizza Royalty Limited Partnership ("Partnership") as an investment in an associate and applies equity accounting whereby PPL's investment is increased by its 20.4% share of the Partnership's profit for the period 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.

Investments in joint ventures - A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

PPL accounts for its 50% (December 28, 2014 – 50%) share interest in the 74 jointly-controlled companies as an investment in a joint ventures and applies equity accounting whereby PPL's investment is increased by its 50% share of profit for the period of the joint ventures and reduced for distributions received during the joint ventures fiscal period. The jointly-controlled companies' financial and fiscal periods differ from PPL's, as the joint ventures have a floating year-end of the Saturday immediately preceding July 31.

Revenue Recognition - Food sales are recognized when the products are delivered to the traditional and non-traditional restaurants. Company-owned and managed restaurant retail sales are recognized when the services are rendered and the products are sold to the public. Payment by the public is immediate. Franchise royalties and administrative and accounting fees are recognized as earned and are based on a percentage of the franchisees' sales as provided for in individual franchise agreements. Initial and renewal franchise fees are recognized at the commencement of the initial term of the franchise agreement and upon the renewal of such an agreement. The initial franchise fee is payable, in full, at the commencement of the agreement. The renewal fee is charged to franchisees upon renewal of their franchise agreement which is typically five years from the initial agreement. Company store sales are recognized when the services are rendered and the products are sold to the public. Construction fees are recognized when the costs are incurred. Interest and other income are recognized and accrued when earned. Interest and other income is recognized and accrued when earned. Interest income is derived from notes receivable with franchisees and investments in cash equivalents which have maturity dates less than 90 days.

Identification of CGUs - For the purposes of identifying CGUs, assets are grouped at the lowest levels for which there are separately identifiable cash flows. PPL concludes there are interdependencies of cash flows between P73 restaurants and PPL and therefore, the investment in jointly-controlled P73 restaurants is considered a single CGU. PPL's assets pertaining to Pizza Pizza operations are classified as a separate CGU.

Sale of rights and marks and annual vend-ins - PPL has applied judgment in assessing the application of the revenue recognition accounting policy for the initial sale of Rights and Marks, and the annual vend-ins of restaurants in the Royalty Pool. In making their assessment, management considered the substance of these transactions and whether the risks and rewards of ownership have been transferred. Based on this assessment, management has determined that revenue relating to the sale will be deferred and amortized as earned and that the subsequent vend-ins will have no impact on PPL. Cash in lieu of vend-ins is considered as proceeds of disposition of the contractual right to an increase in the Exchange Multiplier and is taken to income when due.

Renovation Funds - PPL 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 PPL, 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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the audited consolidated financial statements of Pizza Pizza requires management to make 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, 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:

Impairment of investment in Pizza Pizza Royalty Limited Partnership
PPL at each period-end identifies impairment indicators and assesses 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.

The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the Partnership and a suitable discount rate in order to calculate present value. In measuring future cash flows, PPL made assumptions about future sales and terminal growth rates which were based on historical experience and expected future performance. Determining the applicable discount rate also involved estimating appropriate adjustments to market risk and PPL specific risk factors. The two most sensitive assumptions used are pre-tax discount rates and terminal growth rates.

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

The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. In measuring future cash flows, PPL made assumptions about future sales, tax rates, and terminal growth rates which were based on historical experience and expected future performance. Determining the applicable discount rate also involved estimating appropriate adjustments to market risk and PPL specific risk factors. The two most sensitive assumptions used are pre-tax discount rates and terminal growth rates.

RECENT ACCOUNTING PRONOUNCEMENTS

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

IFRS 9, *Financial Instruments* ("IFRS 9")
International Financial Reporting Standard ("IFRS") 9, Financial Instruments, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. PPL has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")
In May 2014, the International Accounting Standards Board ("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. On July 22, 2015, the IASB confirmed a one-year deferral of the effective date of the revenue Standard to January 1, 2018. PPL is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 16, *Leases* ("IFRS 16")
In January 2016 the IASB has issued IFRS 16, Leases, its new leases standard that requires lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard will be effective from January 1, 2019 with limited early application permitted. PPL has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

IAS 19 - *Employee Benefits* (IAS 19).
The amendments to IAS 19 – Employee Benefits, simplified the accounting for contributions to defined benefit plans that are independent of the number of years of service. For 53-week period ended January 3, 2016, there was no impact on the financial performance or disclosures of the Company upon adoption.

RISKS & UNCERTAINTIES

The performance of PPL 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 PPL 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, risk of technology failures, 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. PPL'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 PPL to pay the royalty to the Partnership.

For a more detailed list of risks and uncertainties please refer to the PPRC's Annual Information Form which is available on the investor relations section of the website www.pizzapizza.ca or on the SEDAR website for Canadian regulatory filings at www.sedar.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 terminology 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 PPL. The foregoing list of factors is not exhaustive and should be considered in conjunction with the other risks and uncertainties described in PPRC's Annual Information Form. PPL assumes no obligation to update these forward looking statements, except as required by applicable securities laws.

ADDITIONAL INFORMATION

Other information about PPL and PPRC, 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.