GROUPE
MTY
GROUP

ANNUAL REPORT 2015

OUR BANNERS

Thaï express
cultures
Tandori Indian cuisine
LA CRÉMIÈRE
JUGO JUICE
sushi shop
TacoTime
vie&nam
MADISONS NEW YORK GRILL & BAR
Buns Master Baking it Better
CAFÉ ✶ THÉ ✶ BOUTIQUE CAFÉ DÉPÔT DEPUIS-1994

COUNTRY Style EST. 1963
KOYA JAPAN
valentine
Thaïzone.ca eat-in • take-out • delivery
MR SOUVLAKI
yogen früz CANADA
FRANX SUPREME
CROISSANT PLUS
Tosto QUICKFIRE PIZZA PASTA
sushiman
PIZZA PANINI PASTA

ManchuWOK
VILLA MADINA perfect shawarma
Mucho burrito fresh mexican grill
TiKi-MiNG Chinese cuisine
burger
TUTTI FRUTTI BREAKFAST & LUNCH
KORYO KOREAN BARBEQUE
fabrika SANDWICHERIE EUROPEENNE
MUFFIN plus
VAN HOUTTE MASTER ROASTER SINCE 1919

Extremepita eat good. feel good.
Vanellis FRESH ITALIAN FOODS
Sukiyaki
KimChi KOREAN DELIGHT
AU VIEUX DULUTH EXPRESS
sushiGO soup.salad.sushi
tcby
BIG SMOKE BURGER HAND CRAFTED BURGERS
wasabi GRILL AND NOODLE
MR.SUB YOURS SINCE 1968

Dear shareholders,

First and foremost, I wish to personally thank each one of MTY's franchisee, business partners, team members and shareholders for their continuous support and contribution to our success in 2015. I truly appreciate and thank you for being part of our growing family.

During the last year, MTY has reached an important milestone: the sales of our network have for the first time exceeded $1 billion, a number that far exceeds the dreams I had when I opened my first restaurant over 30 years ago. This is in no way the end of the journey, I now have dreams of much bigger numbers for the future; MTY is currently virtually debt free and is generating strong cash flows, we are set for the next stage of our growth.

From a financial point of view, 2015 was a very good year for MTY. The Company continues to generate strong cash flows and our EBITDA was over $50 million for the first time, achieving another important milestone. Recent acquisitions have been successfully integrated and are yielding what we hoped they would.

Despite reaching those two important milestones, the past year was not a smooth ride, and some of our brands have experienced a difficult period. Looking at our financial statements, investors will notice we had to take a material impairment charge on the franchise rights and trademark of Extreme Pita. In spite of our continued efforts, the Extreme Pita network has been under severe pressure since we acquired it in 2013 and this year it became clear its value was impaired. We are still confident we can turn the situation around but it will take time to rebuild the chain to the number of stores we originally had acquired.

During the year, MTY has made two acquisitions: the first one, Manchu Wok, closed in December 2014. The second one, Big Smoke Burger, closed in September 2015. The two acquisitions are very different but fit in MTY's portfolio perfectly. Manchu Wok is an iconic, mature brand that has a very strong consumer support and loyalty; Big Smoke Burger is a young brand that is growing rapidly in a very fashionable segment of the restaurant industry, gourmet burgers.

During 2015, we also saw a large number of our stores close. Although some store closures are normal and often necessary, it is certainly not a number we want to repeat in the future. MTY's management team is taking action to make sure we can keep the good locations open and find new ones in which our business will flourish. We are currently operating 2,738 restaurants under 41 different brands, and although some of our concepts might be gradually phased out and replaced by another one of our concepts, we feel this diversified portfolio is one of the core strengths of MTY.

We approach 2016 in an enviable financial position and as such we are well positioned to continue our acquisition strategy. Discipline and patience continue to be at the core of our values, we will seek the best possible targets for MTY, whether they north or south of the US border.

For 2016, we expect to be facing some severe head winds. The economic situation in some of the territories in which we operate has continued to deteriorate during 2015 and it is uncertain what the impact will be on consumer spending and on the allocation of food dollars.   Competitive pressures are intensifying and the consumers are becoming increasingly demanding.

MTY will continue to focus its efforts on the quality, assortment and presentation of the food and on constantly improving the operations in order to offer a superior alternative to consumers. Our success rests on the strength of our team and of each individual franchisee – we will overcome that challenges that lay on the road ahead together, united.

I remain committed to achieving sustainable growth in our network and in the value of MTY to its shareholders. To that end, we can rely on the energy, enthusiasm and dedication of all MTY team members, whom I want to thank personally and on behalf of the Board of Directors.

MTY Food Group Inc.

Stanley Ma
Chairman and Chief Executive Office
February 15, 2016

Management's Discussion and Analysis
For the fiscal year ended November 30, 2015

General

Management's Discussion and Analysis of the financial position and results of operations ("MD&A") of MTY Food Group Inc. ("MTY") is supplementary information and should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the fiscal year ended November 30, 2015.

In the MD&A, MTY Food Group Inc., MTY, or the Company, designates, as the case may be, MTY Food Group Inc. and its Subsidiaries, or MTY Food Group Inc., or one of its subsidiaries.

The disclosures and values in this MD&A were prepared in accordance with International Financial Reporting Standards (IFRS) and with current issued and adopted interpretations applied to fiscal years beginning on or after December 1, 2014.

This MD&A was prepared as at February 15, 2016. Supplementary information about MTY, including its latest annual and quarterly reports, and press releases, is available on SEDAR's website at www.sedar.com.

Forward looking statements and use of estimates

This MD&A and, in particular, but without limitation, the sections of this MD&A entitled Outlook, Same-Store Sales, Contingent Liabilities and Subsequent Event, contain forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to certain aspects of the business outlook of the Company during the course of 2015. Forward-looking statements also include any other statements that do not refer to independently verifiable historical facts. A statement made is forward-looking when it uses what is known and expected today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target and will. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations at February 15, 2016 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results or events could differ materially from the expectations expressed in or implied by such forward-looking statements and that the business outlook, objectives, plans and strategic priorities may not be achieved. As a result, the Company cannot guarantee that any forward-looking statement will materialize and readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are provided in this MD&A for the purpose of giving information about management's current strategic priorities, expectations and plans and allowing investors and others to get a better understanding of the business outlook and operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

Forward-looking statements made in this MD&A are based on a number of assumptions that are believed to be reasonable on February 15, 2016. Refer, in particular, to the section of this MD&A entitled Risks and Uncertainties for a description of certain key economic, market and operational assumptions the Company has used in making forward-looking statements contained in this MD&A. If the assumptions turn out to be inaccurate, the actual results could be materially different from what is expected.

In preparing the consolidated financial statements in accordance with IFRS and the MD&A, management must exercise judgment when applying accounting policies and use assumptions and estimates that have an impact on the amounts of assets, liabilities, sales and expenses reported and on contingent liabilities and contingent assets information provided.

Unless otherwise indicated in this MD&A, the strategic priorities, business outlooks and assumptions described in the previous MD&A remain substantially unchanged.

Important risk factors that could cause actual results or events to differ materially from those expressed in or implied by the above-mentioned forward-looking statements and other forward-looking statements included in this MD&A include, but are not limited to: the intensity of competitive activity, and the resulting impact on the ability to attract customers' disposable income; the Company's ability to secure advantageous locations and renew existing leases at sustainable rates; the arrival of foreign concepts, the ability to attract new franchisees; changes in customer tastes, demographic trends and in the attractiveness of concepts, traffic patterns, occupancy cost and occupancy level of malls and office towers; general economic and financial market conditions, the level of consumer confidence and spending, and the demand for, and prices of, the products; the ability to implement strategies and plans in order to produce the expected benefits; events affecting the ability of third-party suppliers to provide essential products and services; labour availability and cost; stock market volatility; operational constraints and the event of the occurrence of epidemics, pandemics and other health risks.

These and other risk factors that could cause actual results or events to differ materially from the expectations expressed in or implied by these forward-looking statements are discussed in this MD&A.

Readers are cautioned that the risks described above are not the only ones that could impact the Company. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also have a material adverse effect on the business, financial condition or results of operations.

Except as otherwise indicated by the Company, forward-looking statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after February 15, 2016. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them. The Company therefore cannot describe the expected impact in a meaningful way or in the same way that present known risks affecting our business.

Compliance with International Financial Reporting Standards

Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). MTY uses earnings before interest, taxes, depreciation and amortization ("EBITDA"), because this measure enables management to assess the Company's operational performance. The Company also discloses same-store sales growth, which are defined as comparative sales generated by stores that have been open for at least thirteen months or that have been acquired more than thirteen months ago.

These measures are widely accepted financial indicators but are not a measurement determined in accordance with GAAP and may not be comparable to those presented by other companies. These non-GAAP measures are intended to provide additional information about the performance of MTY, and should not be considered in isolation or as a substitute for measure of performance prepared in accordance with GAAP.

The Company uses these measures to evaluate the performance of the business as they reflect its ongoing operations. Management believe that certain investors and analysts use EBITDA to measure a company's ability to meet payment obligations or as a common measurement to value companies in the industry. Similarly, same-store sales growth provides additional information to investors about the performance of the network that is not available under GAAP. Both measures are components in the determination of short-term incentive compensation for some employees.

Highlights of significant events during the fiscal year

On December 18, 2014, the Company announced that it had completed the acquisition of 100% of the assets of Manchu Wok, Wasabi Grill & Noodle and SenseAsian restaurants, for a total consideration of $7.9 million. The transaction was effective on December 18, 2014.

On March 23, 2015, the Company acquired the interest of the non-controlling shareholders of one of its subsidiaries (9286-5591 Quebec Inc., doing business as Thaï Zone) for $0.8 million. Following this transaction, the Company has a 100% ownership of this subsidiary.

In May 2015, the Company deemed the future sale of 7687567 Canada Inc. no longer probable in the near future and as such, reclassified the investment from a subsidiary held-for-sale to a consolidated subsidiary. Prior year amounts on the consolidated statements of income and of comprehensive income, the statements of financial position and the statements of cash flows have been restated for the change in classification.

On September 18, 2015, the Company acquired 60% of the assets of Big Smoke Burger for a total consideration of $3.0 million.

Core business

MTY franchises and operates quick-service restaurants under the following banners: Tiki-Ming, Sukiyaki, La Crémière, Au Vieux Duluth Express, Carrefour Oriental, Panini Pizza Pasta, Franx Supreme, Croissant Plus, Villa Madina, Cultures, Thaï Express, Vanellis, Kim Chi, "TCBY", Yogen Früz, Sushi Shop, Koya Japan, Vie & Nam, Tandori, O'Burger, Tutti Frutti, Taco Time, Country Style, Buns Master, Valentine, Jugo Juice, Mr. Sub, Koryo Korean Barbeque, Mr. Souvlaki, Sushi Go, Mucho Burrito, Extreme Pita, PurBlendz, ThaïZone, Madisons New York Grill & Bar, Café Dépôt, Muffin Plus, Sushi-Man, Fabrika, Van Houtte, Manchu Wok, Wasabi Grill & Noodle and SenseAsian, Tosto and Big Smoke Burger.

As at November 30, 2015, MTY had 2,738 locations in operation, of which 2,695 were franchised or under operator agreements and the remaining 43 locations were operated by MTY.

MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and, iii) non-traditional format within petroleum retailers, convenience stores, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities and airports. The non-traditional locations are typically smaller in size, require a lower investment and generate lower revenues than the locations found in shopping malls, food courts or street front locations. The street front locations are mostly made up of the Country Style, La Crémière, "TCBY", Sushi Shop, Taco Time, Tutti Frutti, Valentine, Mr. Sub, ThaïZone, Extreme Pita, Mucho Burrito and Madisons banners. La Crémière and "TCBY" operate primarily from April to September and the others banners operate year round.

MTY has developed several quick service restaurant concepts: Tiki-Ming (Chinese cuisine), was its first banner, followed by Sukiyaki (a Japanese delight), Franx Supreme (hot dog/hamburger), Panini Pizza Pasta, Chick'n'Chick, Caferama, Carrefour Oriental, Villa Madina, Kim Chi, Vie & Nam, Tandori, O'Burger and Tosto.

Other banners added through acquisitions include:

Brand	**Acquisition year**	**% ownership**	**# of franchised locations**	**# of corporate locations**
Fontaine Santé/Veggirama	1999	100%	18	—
La Crémière	2001	100%	71	3
Croissant Plus	2002	100%	18	2
Cultures	2003	100%	24	—
Thaï Express	May 2004	100%	6	—
Mrs. Vanelli's	June 2004	100%	103	—
TCBY – Canadian master franchise right	September 2005	100%	91	—
Yogen Früz™ exclusive master franchise rights in Canada	April 2006	100%	152	—
Sushi Shop	September 2006	100%	42	5
Koya Japan	October 2006	100%	24	—
Sushi Shop – existing franchise locations	September 2007	100%	—	15
Tutti Frutti	September 2008	100%	29	—
Taco Time – Canadian master franchise rights	October 2008	100%	117	—
Country Style Food Services Holdings Inc.	May 2009	100%	475	5
Groupe Valentine inc.	September 2010	100%	86	9
Jugo Juice	August 2011	100%	134	2
Mr. Submarine	November 2011	100%	338	—
Koryo Korean BBQ	November 2011	100%	19	1
Mr. Souvlaki	September 2012	100%	14	—
SushiGo	June 2013	100%	3	2
Extreme Pita, PurBlendz and Mucho Burrito ("Extreme Brandz")	September 2013	100%	300 - 34 of which in the United States	5

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
Thaï Zone	September 2013	80%	25 and 3 mobile restaurants	—
Madisons	July 2014	90%	14	—
Café Dépôt, Muffin Plus, Sushi-Man and Fabrika	October 2014	100%	88	13
Van Houtte Café Bistros – perpetual franchising license	November 2014	100%	51	1
Manchu Wok, Wasabi Grill & Noodle and SenseAsian	December 2014	100%	115	17
Big Smoke Burger	September 2015	60%	13	4

MTY also has an exclusive area development agreement with Restaurant Au Vieux Duluth to develop and sub-franchise Au Vieux Duluth Express quick-service restaurants in the Provinces of Ontario and Quebec.

Revenues from franchise locations are generated from royalty fees, franchise fees, sales of turn key projects, rent, sign rental, supplier contributions and sales of other goods and services to franchisees. Revenues from corporate owned locations include sales generated from corporate owned locations. Operating expenses related to franchising include salaries, general and administrative costs associated with existing and new franchisees, expenses in the development of new markets, costs of setting up turn key projects, rent, supplies and equipment sold to franchisees. Corporate owned location expenses include the costs incurred to operate corporate owned locations.

MTY generates revenues from the food processing business discussed herein. The plant produces various products that range from ingredients and ready to eat food sold to restaurants or other food processing plants to microwavable meals sold in retail stores. The plant generates most of its revenues selling its products to distributors and retailers.

The Company also generates revenues from its distribution center located on the south shore of Montreal. The distribution center mainly serves the Valentine and Franx Supreme franchisees with a broad range of products required in the day-to-day operations of the restaurants.

Description of recent acquisitions

On September 18, 2015, the Company acquired 60% of the assets of Big Smoke Burger for a total consideration of $3,000. As at closing, there were 17 outlets in operations, 4 of which corporately-owned locations. Of the 17 stores, 8 are located in the United States or overseas.

On March 23, 2015, the Company acquired the interest of the non-controlling shareholders of one of its subsidiaries (9286-5591 Quebec Inc., doing business as Thaï Zone) for $0.8 million. Following this transaction, the Company has a 100% ownership of this subsidiary.

On December 18, 2014, the Company announced that it had completed the acquisition of 100% of the assets of Manchu Wok, Wasabi Grill & Noodle and SenseAsian for a total consideration of $7.9 million. At the date of closing, there were 132 outlets in operations, including 17 corporately-owned restaurants. 51 of the restaurants are located in the United States.

On November 7, 2014, the Company announced that it had completed the acquisition of 100% of the franchising operations of Van Houtte Café Bistros for a total consideration of $0.95 million. At the date of closing, there were 52 outlets in operations, including one corporately-owned restaurant. All of the restaurants are located in the province of Quebec.

On October 31, 2014, the Company announced that it had completed the acquisition of 100% of the assets of Café Dépôt, Muffin Plus, Sushi-Man and Fabrika, for a total consideration of $13.95 million. At the time of closing, there were 101 restaurants in operations, including 13 corporate ones. All of the restaurants are located in the province of Quebec, with the exception of one restaurant which is located in Ontario.

On July 21, 2014, the Company acquired the assets of Madisons for a total consideration of $12.9 million. The Company took a 90% ownership position in the newly created subsidiary. The acquisition was financed using a $3.0 million cash injection from the shareholders, a new credit facility and by a balance of sale of $1.3 million. At the date of closing, there were 14 franchised restaurants in operation, all of which are located in Quebec.

Selected annual information

(in thousands of dollars)	**Year ended November 30,2015**	**Year ended November 30,2014** *(restated)*	**Year ended November 30,2013** *(restated)*
Total assets	225,387	199,448	177,345
Total long-term liabilities	7,711	9,744	9,255
Operating revenue	145,203	115,177	101,360
EBITDA	50,682	42,659	39,476
Income before income taxes	35,903	34,308	34,691
Income before taxes, excluding impairment charges and reversals	43,996	36,664	34,691
Net income attributable to owners	26,015	25,204	25,754
Total comprehensive income attributable to owners	25,918	25,184	25,760
EPS basic	1.36	1.32	1.35
EPS diluted	1.36	1.32	1.35
Dividends paid on common stock	$7,648	$6,501	$5,354
Dividends per common share	$0.40	$0.34	$0.28
Weighted daily average number of common shares	19,120,567	19,120,567	19,120,567
Weighted average number of diluted common shares	19,120,567	19,120,567	19,120,567

Summary of quarterly financial information

in thousands of $	Quarters ended							
	February 2014	May 2014	August 2014	November 2014	February 2015	May 2015	August 2015	November 2015
Revenue	$25,602	$29,402	$30,234	$29,939	$32,364	$38,355	$35,003	$39,481
EBITDA (restated[1])	$9,486	$11,405	$10,499	$11,269	$10,423	$13,444	$13,340	$13,475
Net income attributable to owners (restated[1])	$5,537	$7,266	$7,102	$5,299	$6,219	$8,501	$8,176	$3,119
Total comprehensive income attributable to owners (restated[1])	$5,519	$7,278	$7,088	$5,299	$5,878	$8,548	$8,336	$3,156
Per share	$0.29	$0.38	$0.37	$0.28	$0.33	$0.44	$0.43	$0.16
Per diluted share	$0.29	$0.38	$0.37	$0.28	$0.33	$0.44	$0.43	$0.16

[1] In May 2015, the Company deemed the future sale of 7657567 Canada Inc. no longer probable in the near future and as such, reclassified the investment from a subsidiary held-for-sale to a consolidated subsidiary. Prior period amounts on the consolidated statements of income and of comprehensive income, and the statements of financial position have been restated for the change in classification.

Results of operations for the fiscal year ended November 30, 2015

Revenue

During the 2015 fiscal year, the Company's total revenue increased by 26% to reach $145.2 million. Revenues for the four segments of business are broken down as follows:

	November 30, 2015 ($ million)	November 30, 2014 ($ million)	Variation
Franchise operation	101.7	90.0	13%
Corporate stores	30.4	12.1	152%
Distribution	6.4	6.0	7%
Food processing	8.8	8.5	3%
Intercompany transactions	(2.1)	(1.4)	N/A
Total operating revenues	145.2	115.2	26%

As is shown in the table above, revenue from franchise locations progressed by 13%. Several factors contributed to the variation, as listed below:

	$million
Revenues, 2014 fiscal year	90.0
Increase in recurring revenue streams	11.2
Increase in initial franchise fees, renewal fees and transfer fees	0.4
Decrease in turn key, sales of material to franchisees and rent revenues	(1.5)
Other non-material variations	1.6
Revenues, 2015 fiscal year	101.7

During the year, the Company benefitted from the impact of the acquisitions realised late in 2014 and in 2015, which accounted for nearly all of the increase in recurring streams of revenues.

Revenue from corporate owned locations increased by 152%, to $30.4 million during the year. The increase is mainly due to the corporate stores added through the acquisitions made in the past 12 months. At the end of the year, the company had 43 corporate stores, compared to 36 a year earlier.

Distribution revenues increased by 7% year-to-date mainly due to an increase in the system sales of the concepts it supports during the period. System sales for the concepts it supports increased by more than 5% year-over-year.

Food processing revenues increased by 3% during the year mainly due to the addition of new contracts during the second half of the fiscal year.

Cost of sales and other operating expenses

During the year, operating expenses increased by 30% to $94.5 million, up from $72.5 million a year ago. Operating expenses for the four business segments were incurred as follows:

	November 30, 2015 ($ million)	November 30, 2014 ($ million)	Variation
Franchise operation	52.7	47.1	12%
Corporate stores	29.1	12.5	133%
Distribution	5.8	5.5	6%
Food processing	9.0	8.8	1%
Intercompany transactions	(2.1)	(1.4)	N/A
Total operating expenses	94.5	72.5	30%

Expenses from franchise operations increased by $5.6 million during 2015 compared to the same period last year. The increase is mostly attributable to the direct and indirect costs of the workforce required to operate the new concepts acquired late in 2014 and in 2015, which more than offset the decline in rent and resale material and in the cost of bad debts. Other notable variations during the period include higher expenditures and provisions for lease termination costs.

Expenses from the other segments fluctuated mostly as a function of factors explained in the Revenue section above.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

	Fiscal year ended November 30, 2015					
(In millions $)	Franchise	Corporate	Distribution	Processing	Intercompany transactions	Total
Revenues	101.71	30.36	6.43	8.77	(2.07)	145.20
Expenses	52.75	29.05	5.81	8.98	(2.07)	94.52
EBITDA[(1)]	48.96	1.31	0.62	(0.21)	0.00	50.68
EBITDA as a % of Revenue	48%	4%	10%	N/A	N/A	35%

	Fiscal year ended November 30, 2014					
(In millions $)	Franchise	Corporate	Distribution	Processing	Intercompany transactions	Total
Revenues	89.96	12.06	6.02	8.49	(1.36)	115.18
Expenses	47.09	12.46	5.47	8.85	(1.36)	72.52
EBITDA[(1)]	42.87	(0.40)	0.55	(0.36)	0.00	42.66
EBITDA as a % of Revenue	48%	N/A	9%	N/A	N/A	37%

[(1)]EBITDA (income before income taxes, interest, depreciation and amortization) is not an earnings measure recognized by IFRS and therefore may not be comparable to similar measures presented by other companies. EBITDA is defined as operating revenues less operating expenses. See reconciliation of EBITDA to Income before taxes on page 10.

Total EBITDA for the year ended November 30, 2015 was $50.7 million, an increase of 19% compared to the same period last year.

During the period, the franchising operations generated $49.0 million in EBITDA, a 14% increase over the results of the same period last year. The increase is mainly attributable to the operations of the newly acquired concepts, which generated most of the total increase in EBITDA. Corporate stores also generated a higher EBITDA in 2015 mainly as a result of the new stores acquired at the end of 2014 and in 2015.

EBITDA as a % of revenues decreased slightly for the year mainly due to the higher relative weight of corporate stores which caused the overall margin to go down as corporate stores convert a lower proportion of their revenues into EBITDA. EBITDA was also negatively affected by higher lease termination cost.

Net income

For the year ended November 30, 2015, net income attributable to owners increased by 3%, to $26.0 million or $1.36 per share ($1.36 per diluted share) compared to $25.2 million or $1.32 per share ($1.32 per diluted share) for the same period last year. Net income for both 2015 and 2014 was adversely impacted by impairment charges taken on the Extreme Pita and Country Style intangible assets.

On a normalized basis, net income attributable to owners for 2015 and 2014 would have been $31.9 million and $26.9 million respectively. This represents a 19% increase year-over-year. The increase is mainly due to the growth in EBITDA described above and higher gain on the disposal of property, plant and equipment. This was partly offset by higher depreciation and amortization charges resulting from the acquisitions realized in the last twelve months.

Calculation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

(in thousands of dollars)	**Period ended November 30, 2015**	**Period ended November 30, 2014 (Restated)**
Income before taxes	35,903	34,308
Depreciation – property, plant and equipment	1,535	1,091
Amortization – intangible assets	6,744	5,985
Interest on long-term debt	436	422
Foreign exchange gains	(64)	(106)
Interest income	(144)	(118)
Impairment charge	8,093	2,356
Gain on redemption of preferred shares	—	(100)
Gain on disposal of property, plant and equipment and intangibles	(1,821)	(1,179)
EBITDA	**50,682**	**42,659**

Other income and charges

The gain on disposal of property, plant and equipment and intangible assets increased by $0.6 million in 2015 compared to the same period last year. The increase is mainly because of the disposal of some profitable corporate stores during the second and fourth quarter of 2015.

During the fourth quarter, as a result of a decline in the financial performance of the Extreme Pita and Croissant Plus franchise network, the Company carried out a review of the recoverable amounts of the intangible assets related to those brands. The review led to the recognition of an impairment loss of $7.8 million and $0.1 million respectively. As well, during the second quarter, the Company recorded a $0.2 million impairment loss for the goodwill associated with 7687567 Canada Inc. The goodwill was mainly associated to a contract that was contributed by a minority shareholder at the inception of operations. This contract was terminated in 2015.

Income taxes

The provision for income taxes as a percentage of income before taxes increased slightly compared to the same period last year. The slightly higher statutory rate is caused by a higher proportion of the profitability of the Company being realized in the United States during 2015 as a result of the acquisition of Manchu Wok.

Results of operations for the fourth quarter ended November 30, 2015

Revenue

During the fourth quarter of our 2015 fiscal year, the Company's total revenue increased by 32% to reach $39.5 million. Revenues for the four segments of business are broken down as follows:

	November 30, 2015 ($ million)	November 30, 2014 ($ million)	Variation
Franchise operation	27.7	22.7	22%
Corporate stores	8.0	3.5	127%
Distribution	2.1	1.9	6%
Food processing	2.6	2.3	11%
Intercompany transactions	(0.9)	(0.5)	N/A
Total operating revenues	39.5	29.9	32%

As is shown in the table above, revenue from franchise locations progressed by 22%. Several factors contributed to the variation, as listed below:

	$million
Revenues, fourth quarter of 2014	22.7
Increase in recurring revenue streams	2.5
Increase in initial franchise fees, renewal fees and transfer fees	0.6
Increase in turn-key, sales of material to franchisees and rent revenues	1.2
Other non-material variations	0.7
Revenues, fourth quarter of 2015	27.7

During the fourth quarter of 2015, the company benefitted from the impact of the acquisitions realized late in 2014 and early in 2015, which contributed to most of the increase in recurring streams of revenues. The fourth quarter also saw an increase to turnkey revenues compared to the same period last year mostly from the expansion of one of its banners.

Revenue from corporate owned locations increased to $8.0 million during the quarter, up from $3.5 million for the same period last year. The increase is mainly due to the corporate stores acquired through the acquisitions made in the past 12 months. At quarter end, the company had 43 corporate stores, compared to 36 a year earlier.

Distribution and food processing revenues increased by 6% and 11% respectively during the fourth quarter. Distribution revenues increased mainly due to an increase in system sales of the concepts it supports during the period. Revenues from the food processing business increased 11%, benefitting from the introduction of new products to the portfolio.

Cost of sales and other operating expenses

During the fourth quarter of 2015, operating expenses increased by 39% to $26.0 million, up from $18.6 million for the same period a year ago. Operating expenses for the four business segments were incurred as follows:

	November 30, 2015 ($ million)	November 30, 2014 ($ million)	Variation
Franchise operation	14.9	11.1	34%
Corporate stores	7.5	3.9	91%
Distribution	1.8	1.7	7%
Food processing	2.7	2.4	11%
Intercompany transactions	(0.9)	(0.5)	N/A
Total operating expenses	26.0	18.6	39%

Expenses from franchise operations increased by $3.8 million in the fourth quarter of 2015 compared to the same period last year. The increase is mostly attributable to the additional costs caused by the operations of newly acquired concepts. This was partially offset by a decrease in cost of turnkeys and sale of material.

The expenses of the other segments varied in correlation with their respective revenues.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

	Three months ended November 30, 2015					
(In millions $)	Franchise	Corporate	Distribution	Processing	Intercompany transactions	Total
Revenues	27.70	8.05	2.07	2.56	(0.90)	39.48
Expenses	14.90	7.48	1.86	2.67	(0.90)	26.01
EBITDA[(1)]	12.80	0.57	0.21	(0.11)	0.00	13.47
EBITDA as a % of Revenue	46%	7%	10%	N/A	N/A	34%

	Three months ended November 30, 2014					
(In millions $)	Franchise	Corporate	Distribution	Processing	Intercompany transactions	Total
Revenues	22.66	3.54	1.95	2.30	(0.51)	29.94
Expenses	11.12	3.91	1.74	2.41	(0.51)	18.67
EBITDA	11.54	(0.37)	0.21	(0.11)	0.00	11.27
EBITDA as a % of Revenue	51%	N/A	11%	N/A	N/A	38%

[(1)]EBITDA (income before income taxes, interest, depreciation and amortization) is not an earnings measure recognized by IFRS and therefore may not be comparable to similar measures presented by other companies. EBITDA is defined as operating revenues less operating expenses. See reconciliation of EBITDA to Income before taxes on page 13.

Total EBITDA for the fourth quarter was $13.5 million, an increase of 20% compared to the same period in 2014.

During the period, the franchising operations generated $12.8 million in EBITDA, an 11% increase over the results of the same period last year. The increase is mainly attributable to the operations of the newly acquired concepts, which accounted for most of increase in EBITDA. Corporate stores also generated a higher EBITDA in 2015 mainly as a result of the new stores acquired in the last 12 months.

EBITDA as a % of revenues for the franchising operations has decreased during the fourth quarter, mainly as a result of the higher relative weight of turnkeys, rent and resale material during 2015.

Net income

For the three-month period ended November 30, 2015, the Company's net income attributable to owners decreased by 41% over the same period last year. MTY reported a net income attributable to its owners of $3.1 million or $0.16 per share ($0.16 per diluted share) compared to $5.3 million or $0.28 per share ($0.28 per diluted share) in 2014.

The decrease in net income is mostly attributable to the impairment charge taken on two of its concepts in the last quarter of 2015. On a normalized basis, net income attributable to owners excluding the impact of impairment charges would have been $8.9 million ($0.46 per diluted share) during the fourth quarter of 2015 and $7.0 million ($0.37 per diluted shares) in the fourth quarter of 2014.

Calculation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

(in thousands of dollars)

	Quarter ended November 30, 2015	Quarter ended November 30, 2014 (Restated)
Income before taxes	4,146	7,255
Depreciation – property, plant and equipment	397	227
Amortization – intangible assets	1,627	1,613
Interest on long-term debt	95	61
Foreign exchange losses	(91)	(90)
Interest income	(133)	(64)
Impairment charge	7,893	2,356
Gain on disposal of property, plant and equipment and intangibles	(459)	(89)
EBITDA	**13,475**	**11,269**

Other income and charges

During the fourth quarter, as a result of a decline in the financial performance of the Extreme Pita and Croissant Plus franchise network, the Company carried out a review of the recoverable amounts of the intangible assets related to those brands. The review led to the recognition of an impairment loss of $7.8 million and $0.1 million respectively in 2015 compared to an impairment loss of $2.4 million in 2014 for the impairment of the Country Style franchise network.

The Company also generated a non-recurring gain of $0.5 million on the disposal of certain corporate stores during the fourth quarter. This is an increase of $0.3 million compared to the same period in 2014.

Income taxes

The provision for income taxes as a percentage of income before taxes decreased from 26.3% in 2014 to 23.0% in 2015. This decrease is mainly due to variations in prior period adjustments.

Contractual obligations and long-term debt

The obligations pertaining to the long-term debt and the minimum rentals for the leases that are not subleased are as follows:

For the period ending *(In thousands $)*	Long term debt[1]	Net lease commitments	Total contractual obligations
12 months ending November 2016	6,420	5,506	11,926
12 months ending November 2017	883	4,708	5,591
12 months ending November 2018	558	3,675	4,233
12 months ending November 2019	196	3,056	3,252
12 months ending November 2020	8	2,424	2,432
Balance of commitments	33	7,597	7,630
	8,098	**26,966**	**35,064**

(1) Amounts shown represent the total amount payable at maturity and are therefore undiscounted. For total commitments, please refer to the November 30, 2015 consolidated financial statements

Long-term debt includes non-interest bearing holdbacks on acquisitions, non-interest bearing contract cancellation fees, as well as a balance of sale related to the acquisition of Madisons.

At the end of the quarter, the Company had drawn $6.3 million from its credit facilities. The credit facilities are subject to covenants of funded debt to EBITDA ratio of 2 to 1 and a minimum interest coverage ratio of 4.5 to 1. At November 30, 2015, the Company was in compliance with the facilities' covenants. The facilities, when used, bears interest at the bank's annual prime rate plus a margin not exceeding 0.5% established based on the Company's funded debt/EBITDA ratio.

Liquidity and capital resources

As of November 30, 2015, the amount held in cash net of the line of credit totalled $27.1 million, an increase of $32.2 million since the end of the 2014 fiscal period.

During the year, the Company finalized the acquisition of Manchu Wok and Big Smoke Burger, investing a total of $5.0 million and $2.6 million respectively. The Company also paid $7.6 million in dividends to its shareholders year-to-date. All those items had no significant impact on the cash position of the Company as a result of strong cash flows generated by operations.

Cash flows generated by operating activities were $51.1 million during the year, compared to $33.0 million for the same period in 2014. Excluding the variation in non-cash working capital items, income taxes and interest paid, operations generated $52.2 million in cash flows, compared to $42.8 million in 2014, which represents an increase of 22% compared to the same period last year. The main driver for the increase stems from the increase to recurring revenue streams.

In the short-term, Management will continue to open new locations that will be funded by new franchisees. MTY will continue its efforts to sell some of its existing corporate owned locations and will seek new opportunities to acquire other food service operations. MTY has an available line of credit of $40.0 million, of which $33.7 million was available as at November 30, 2015.

Financial position

Accounts receivable at the end of the quarter were at $18.7 million, compared to $16.8 million at the end of the 2014 fiscal period. The increase is mainly due to the growth in franchising revenues.

Property, plant and equipment, intangible assets and goodwill all increased during the year as a result of the acquisitions made during the first and fourth quarter of 2015. The Company has also built three corporate stores and renovated some others during the period, which contributed to the increase in property, plant and equipment. This was partially offset by the impairment charge taken during the year.

Accounts payable increased to $24.4 million as at November 30, 2015, from $14.2 million as at November 30, 2014. The increase is mainly due to the growth of the franchising business, to an increase in security and construction deposits and to an increase in the net balance of advertising funds.

Provisions, which are composed of litigation and dispute, closed store and gift card provisions, increased slightly to $3.5 million as at November 30, 2015 from $3.1 million as at November 30, 2014. The company saw an increase for closed stores and litigations provision. This was partially offset by a decrease in the gift card provision.

Deferred revenues consist of distribution rights which are earned on a consumption basis and include initial franchise fees to be earned once substantially all of the initial services have been performed. The balance as at November 30, 2015 was $5.7 million, an increase of $2.0 million since November 30, 2014. The increase stems from new supplier contributions received during the second quarter of 2015. These amounts will be recognized into revenues as they are earned.

Long-term debt is composed of non-interest bearing holdbacks on acquisitions and non-interest bearing contract cancellation fees. During the year, the Company added a non-interest bearing holdback on the acquisition of Manchu Wok and Big Smoke Burger.

Further details on the above statement of financial position items can be found in the notes to the November 30, 2015 consolidated financial statements.

Capital stock

No shares were issued during the quarter ended November 30, 2015. As at February 15, 2016 there were 19,120,567 common shares of MTY outstanding.

Location information

MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and iii) non-traditional format within petroleum retailers, convenience stores, cinemas, amusement parks, in other venues or retailer shared sites, hospitals, universities and airports. The non-traditional locations are typically smaller in size, require lower investment and generate lower revenue than the shopping malls, food courts and street front locations.

	Number of locations for the fiscal year ended	
	November 30, 2015	November 30, 2014
Franchises, beginning of year	**2,691**	2,565
Corporate owned, beginning of year	**36**	25
Opened during the period		
Mall	**49**	42
Street	**46**	40
Non-traditional	**25**	63
Closed during the period		
Mall	**(67)**	(42)
Street	**(99)**	(49)
Non-traditional	**(92)**	(84)
Acquired during the period	**149**	167
Total end of period	**2,738**	2,727
Franchises, end of period	**2,695**	2,691
Corporate owned, end of period	**43**	36
Total end of period	**2,738**	2,727

During 2015, the Company's network grew by 11 outlets. The increase is attributable to the acquisitions of the 132 stores added as a result of the acquisition of Manchu Wok, Wasabi Grill & Noodle and SenseAsian, and to the 17 stores added as a result of the Big Smoke Burger acquisition.

For the year, there were 258 store closures, compared to 175 store closures a year earlier. The high number of closures during 2015 was driven by a number of factors including closure of locations that had suboptimal real estate, that were under severe competitive pressures, for which landlords were renovating the premises and changing the usage of a location or for which the lease had expired and was not renewed. Including in the store closures were also 33 Yogen Fruz and TCBY locations, most of which were closed as a result of the termination by one franchisee of multiple locations.

During 2015, there were 120 new stores opened, which is slightly lower than the result achieved in 2014. There were more mall and street front locations opened, but fewer non-traditional ones.

The average monthly sales of the stores closed during 2015 were approximately $18,700, while the average monthly sales of stores opened during 2015 were approximately $34,000. The total combined sales of the stores opened during 2015 were approximately $0.5M more than the total combined sales of the stores that were closed, thus producing a net positive impact despite the large net loss in store count.

At the end of the period, the Company had 43 corporate stores, a net increase of 7 compared to the end of the 2014 fiscal year. During the period, 21 corporate-owned locations were acquired, 23 were franchised, 9 were closed and 18 were added.

The chart below provides the breakdown of MTY's locations and system sales by type:

	% of location count, November 30		% of system sales Year ended November 30	
Location type	**2015**	2014	**2015**	2014
Shopping mall & food court	**41%**	38%	**44%**	40%
Street front	**40%**	40%	**44%**	50%
Non-traditional format	**19%**	22%	**12%**	10%

The geographical breakdown of MTY's locations and system sales consists of:

	% of location count, November 30		% of system sales Year ended November 30	
Geographical location	**2015**	2014	**2015**	2014
Ontario	**39%**	41%	**29%**	31%
Quebec	**30%**	31%	**36%**	35%
Western Canada	**20%**	21%	**24%**	27%
Maritimes	**3%**	3%	**2%**	2%
International	**8%**	4%	**9%**	5%

System wide sales

For the first time in MTY's history, system wide sales have exceeded the $1 billion mark, reaching $1.07 billion, up 20% over the same period a year ago. Approximately 97% of the increase was attributable to acquisitions realized in 2014 and 2015.

For the fourth quarter, system sales were $274.7 million, up 16%. All of the increase was attributable to the acquisitions realized in late 2014 and during 2015.

System wide sales include sales for corporate and franchise locations and exclude sales realized by the distribution center or by the food processing plant. During 2015, only Thai Express represented more than 10% of the company's system sales. The Company's 10 biggest concepts combined represent 68% of system sales.

Same-store sales

During the quarter ended November 30, 2015, same-stores sales decreased by 1.2% over the same period last year. For the year, the decrease is 0.5%.

The fourth quarter was marked by weakness in Western Canada and to a lesser extent in Ontario, while Quebec was positive for the year. For the 12-month period, Western Canada remained positive however, the last few months of the year indicated that the decrease in oil prices and the resulting job losses affected the sales of the restaurants in the network. The fourth quarter rebound in Quebec was driven by strong sales in Mall locations, while street locations were flat for the period. Ontario was down both in the fourth quarter and for the year, with the results being impacted by declines in two major brands.

During the quarter, 17 of MTY's concepts produced positive same-store sales growth[1], compared to 15 in the third quarter.

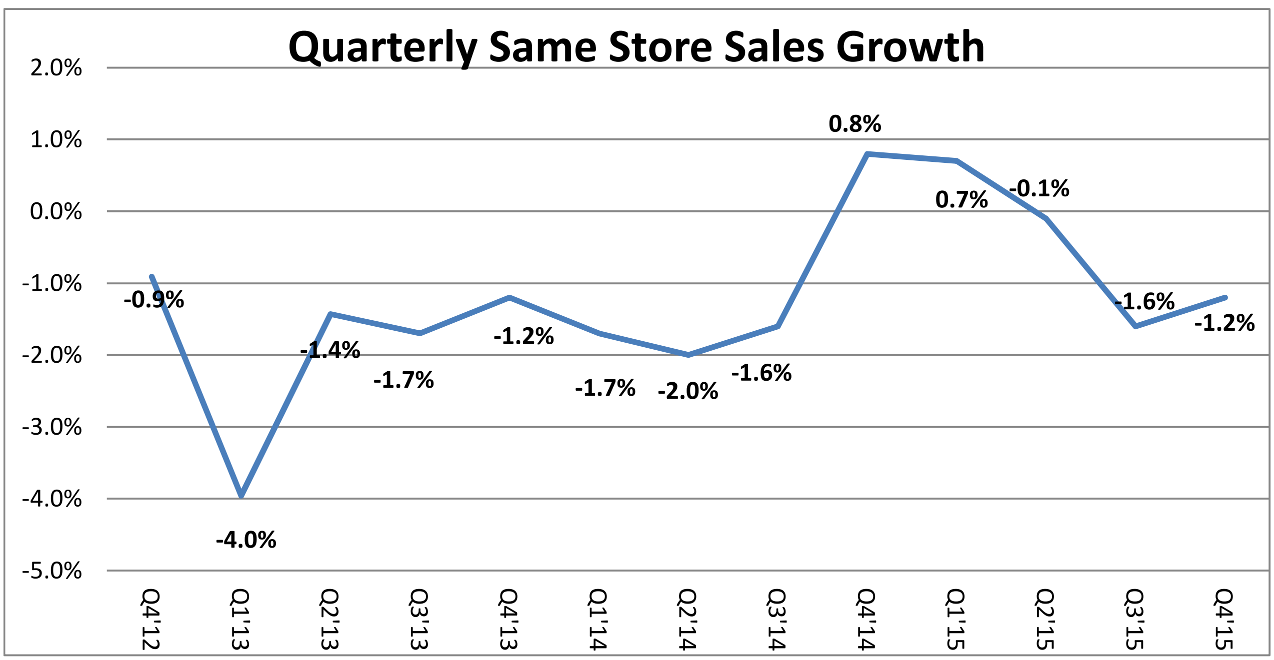
Of the top 10 brands in MTY's portfolio, 9 are included in the calculation of same store sales. On average, these 9 brands had flat same store sales for the year, and declined by 1.2% during the fourth quarter; 3 brands had positive same stores sales during the quarter (5 for the 12-month period), while 6 had negative same store sales (4 for the 12-month period).

Same store sales for those same 9 concepts ranged between -6.3% and +5.0% during the fourth quarter, and between -5.6% and +3.6% for the 2015 fiscal year.

The restaurant industry remains uncertain, as competition continues to intensify both from a price and an offering point of view. Some signs of weakness are materializing in Western Canada, with Alberta and Saskatchewan both experiencing above-average same-store sales declines resulting from job losses and reduced consumer spending.

Of all Canadian provinces, British Columbia fared the best during the fourth quarter, while Alberta, Saskatchewan and Newfoundland had the weakest performance. Once again this quarter, stores located in malls performed significantly better than other types of stores, especially in Quebec and Ontario.

The following table shows quarterly information on same-stores sales growth for the last 13 quarters:



[1] Includes only the concepts owned by MTY for more than twelve months.

Stock options

During the period, no options were granted or exercised. As at November 30, 2015 there were no options outstanding.

Seasonality

Results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will not be a material factor in the quarterly variation of its results. System sales fluctuate seasonally. During January and February sales are historically lower than average due to weather conditions. Sales are historically above average during May to August. This is generally as a result of higher traffic in the street front locations, higher sales from seasonal locations only operating during the summer months and higher sales from shopping centre locations. Sales for shopping mall locations are also higher than average in December during the Christmas shopping period.

Contingent liabilities

The Company is involved in legal claims associated with its current business activities, the outcome of which is not determinable. Management believes that these legal claims will have no significant impact on the financial statements of the Company.

Guarantee

The Company has provided a guarantee in the form of a letter of credit for an amount of $66.

Risks and uncertainties

Despite the fact that the Company has various numbers of concepts, diversified in type of locations and geographics across Canada and the United States, the performance of the Company is also influenced by changes in demographic trends, traffic patterns, occupancy level of malls and office towers and the type, number, and location of competing restaurants. In addition, factors such as innovation, increased food costs, labour and benefits costs, occupancy costs and the availability of experienced management and hourly employees may adversely affect the Company. Changing consumer preferences and discretionary spending patterns could oblige the Company to modify or discontinue concepts and/or menus and could result in a reduction of revenue and operating income. Even if the Company was able to compete successfully with other restaurant companies with similar concepts, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the concept profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors. The Company's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce customer traffic or impose practical limits on pricing, either of which could reduce revenue and operating income.

The growth of MTY is dependent on maintaining the current franchise system which is subject to the renewal of existing leases at sustainable rates, MTY’s ability to continue to expand by obtaining acceptable store sites and lease terms, obtaining qualified franchisees, increasing comparable store sales and completing acquisitions. The time, energy and resources involved in the integration of the acquired businesses into the MTY system and culture could also have an impact on MTY’s results.

Off-balance sheet arrangement

MTY has no off-balance sheet arrangements.

Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and other related parties are disclosed below.

Compensation of key management personnel

The remuneration of key management personnel and directors during the period was as follows:

	Three months ended November 30, 2015	**Fiscal year ended November 30, 2015**	Three months ended November 30, 2014	Fiscal year ended November 30, 2014
	$	**$**	$	$
Short-term benefits	**204**	**842**	188	809
Board member fees	**11**	**42**	10	40
Total remuneration of key management personnel	**215**	**884**	198	849

Key management personnel is composed of the Company's CEO, COO and CFO. The remuneration of directors and key executives is determined by the Board of directors having regard to the performance of individuals and market trends.

Given its widely held share base, the Company does not have an ultimate controlling party; its most important shareholder is its CEO, who controls 26% of the outstanding shares.

The Company also pays employment benefits to individuals related to members of the key management personnel described above. Their total remuneration was as follows:

	Three months ended November 30, 2015	**Fiscal year ended November 30, 2015**	Three months ended November 30, 2014	Fiscal year ended November 30, 2014
	$	**$**	$	$
Short-term benefits	**115**	**394**	119	538
Total remuneration of individuals related to key management personnel	**115**	**394**	119	538

A corporation owned by individuals related to key management personnel has non-controlling participation in one of the Company's subsidiaries, which has no operations.

Adoption of IFRS standards

The following standards issued by the IASB were adopted by the Company on December 1, 2014.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Company has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's consolidated financial statements.

Future accounting changes

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standard Board ("IASB") that are not yet effective for the period ended November 30, 2015, and have not been applied in preparing these consolidated financial statements.

The following standards may have a material impact on the consolidated financial statements of the Company:

IFRS 9 Financial Instruments	January 1, 2018	Early adoption permitted
IFRS 15 Revenue from contracts with customers	January 1, 2018	Early adoption permitted
IFRS 16 Leases	January 1, 2019	Early adoption permitted
IAS1 Presentation of financial statements	January 1, 2016	Early adoption permitted

Effective for annual periods beginning on or after:

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions; however, for a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before February 1, 2015. IFRS 9 does not replace the requirement for portfolio fair value hedge accounting for interest risk since this phase of the project was separated from IFRS project due to the longer term nature of the macro hedging project which is currently at the discussion paper phase of the due process Consequently, the exception in IAS 39 for fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

IFRS 15 replaces the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. This new standard sets out the requirements for recognizing and disclosing revenue that apply to all contracts with customers.

On January 13, 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019 with earlier application permitted for companies that have also adopted IFRS 15, Revenue from Contracts with Customers.

IAS 1 provides further clarification and amendments on note disclosure requirements.

The Company is in the process of determining the extent of the impact of these standards on its consolidated financial statements.

Economic environment risk

The business of the Company is dependent upon numerous aspects of a healthy general economic environment, from strong consumer spending to provide sales revenue, to available credit to finance the franchisees and the Company. In light of recent upheaval in economic, credit and capital markets, the Company's performance and market price may be adversely affected. The Company's current planning assumptions forecast that the quick service restaurant industry will be impacted by the current economic recession in the provinces in which it operates. However, management is of the opinion that the current economic situation will not have a major impact on the Company due to the following reasons: 1) the Company has strong cash flows; 2) quick service restaurants represent an affordable dining out option for consumers in an economic slowdown.

Financial instruments and financial risk exposure

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including market risk and the credit risk of non-performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

The classification, carrying value and fair value of financial instruments are as follows:

As at November 30, 2015

	Loans and receivables	Other financial liabilities at amortized cost	Total carrying Value	Fair value
	$	$	$	$
Financial assets				
Cash	33,417	-	33,417	33,417
Accounts receivable	18,734	-	18,734	18,734
Loans receivable	457	-	457	457
Deposits	242	-	242	242
	52,850	-	**52,850**	**52,850**
Financial liabilities				
Line of credit	-	6,300	6,300	6,300
Accounts payable and accrued liabilities	-	24,361	24,361	24,361
Long-term debt [1]	-	7,956	7,956	7,956
	-	**38,617**	**38,617**	**38,617**

As at November 30, 2014

	Loans and receivables	Other financial liabilities at amortized cost	Total carrying Value	Fair value
	$	$	$	$
Financial assets				
Cash	6,701	-	6,701	6,701
Accounts receivable	16,809	-	16,809	16,809
Loans receivable	686	-	686	686
Deposits	240	-	240	240
	24,436	**-**	**24,436**	**24,436**
Financial liabilities				
Line of credit	-	11,750	11,750	11,750
Accounts payable and accrued liabilities	-	14,151	14,151	14,151
Long-term debt [1]	-	10,668	10,668	10,668
	-	**36,569**	**36,569**	**36,569**

[1] Includes the current portion of long-term debt.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is established based on market information available at the date of the consolidated statement of financial position. In the absence of an active market for a financial instrument, the Company uses the valuation methods described below to determine the fair value of the instrument. To make the assumptions required by certain valuation models, the Company relies mainly on external, readily observable market inputs. Assumptions or inputs that are not based on observable market data are used in the absence of external data. These assumptions or factors represent management's best estimates of the assumptions or factors that would be used by market participants for these instruments. The credit risk of the counterparty and the Company's own credit risk have been taken into account in estimating the fair value of all financial assets and financial liabilities, including derivatives.

The following methods and assumptions were used to estimate the fair values of each class of financial instruments:

Cash, accounts receivable, accounts payable and accrued liabilities – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Loans receivable – The loans receivable generally bear interest at market rates and therefore it is management's opinion that the carrying value approximates the fair value.

Long-term debt – The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements based on the Company's current estimated borrowing rate for a similar debt.

Risk management policies

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2015.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the consolidated statement of financial position are net of allowances for bad debts, estimated by Company's management based on prior experience and their assessment of the current economic environment. The Company believes that the credit risk of accounts receivable is limited for the following reasons:

- Other than receivables from international locations, the Company's broad client base is spread mostly across Canada limits the concentration of credit risk.

- The Company accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual account receivable.

The credit risk on cash is limited because the Company invests its excess liquidity in high quality financial instruments and with credit-worthy counterparties.

The credit risk on the loans receivable is similar to that of accounts receivable. There is currently an allowance for doubtful accounts recorded for loans receivable of $11 (2014 - $9).

Foreign exchange risk

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values caused by fluctuations in exchange rates. The Company is mainly exposed to foreign exchange risk on sales denominated in foreign currencies. The Company's foreign operations use the U.S. dollar as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, other working capital items and the financial obligations of its foreign operations.

Other than the above-mentioned foreign transactions, the Company has minimal exposure to the US$ and is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in the currency. The Company considers this risk to be relatively limited.

As of November 30, 2015, the Company carried US$ cash of CAD$1,511, net accounts receivable of CAD$874 and net accounts payable of CAD$954 (CAD$1,766, CAD$945 and CAD$836 in 2014). All other factors being equal, a reasonable possible 1% rise in foreign currency exchange rates per Canadian dollar would result in a change on profit or loss and net comprehensive income of $15 (2014 - $18) Canadian dollars.

Interest rate risk

The Company is exposed to interest rate risk with its revolving credit facility and treasury risk facility. Both facilities bear interest at a variable rate and as such the interest burden could potentially become more important. $6,300 (2014 - $11,750) of the credit facility was used as at November 30, 2015. A 100 basis points increase in the bank's prime rate would result in additional interest of $63 per annum (2014 - $118) on the outstanding credit facility. The Company limits this risk by using short-term banker's acceptance from the credit facility.

Liquidity risk

The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

The following are the contractual maturities of financial liabilities as at November 30, 2015:

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	thereafter
	$	$	$	$	$	$
Line of credit	6,300	6,300	6,300	—	—	—
Accounts payable and accrued liabilities	24,361	24,361	24,361	—	—	—
Long-term debt	7,956	8,098	3,788	2,632	883	795
Interest on long-term debt	n/a	270	105	58	60	47
	38,617	**39,029**	**34,554**	**2,690**	**943**	**842**

Outlook

It is Management's opinion that the trend in the quick service restaurants industry will continue to grow in response to the demand from busy and on-the-go consumers.

In the very short term, management's primary focus will be on restoring positive same-store sales by generating more innovation, focusing on the quality of customer service in each of its outlets and maximizing the value offered to its customers. Management will also focus on finalizing the integration of the recently acquired brands.

The quick service restaurant industry will remain challenging in the future, and management believes that the focus on the food offering, consistency and store design will give MTY's restaurants a stronger position to face challenges. Given this difficult competitive context in which more restaurants compete for a finite amount of consumer dollars, each concept needs to preserve and improve the relevance of its offer to consumers.

Management will maintain its focus on maximizing shareholder value by adding new locations of its existing concepts and remains committed to seek potential acquisitions to increase its market share.

Controls and Procedures

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with the securities regulatory authorities are recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in such reports is then accumulated and communicated to the Company's management to ensure timely decisions regarding required disclosure. Management regularly reviews disclosure controls and procedures; however, they cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

The Company's Chief Executive Officer and the Chief Financial Officer have concluded that the design of the disclosure controls and procedures ("DC&P") as at November 30, 2015 provide reasonable assurance that significant information relevant to the Company, including that of its subsidiaries, is reported to them during the preparation of disclosure documents.

Internal controls over financial reporting

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal controls over financial reporting. The Company's internal controls over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Chief Executive Officer and the Chief Financial Officer, together with Management, after evaluating the effectiveness of the Company's internal controls over financial reporting as at November 30, 2015, have concluded that the Company's internal controls over financial reporting was effective.

The Chief Executive Officer and the Chief Financial Officer, together with Management, have concluded after having conducted an evaluation and to the best of their knowledge that, as at November 30, 2015, no change in the Company's internal controls over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal controls over financial reporting.

Limitations of Controls and Procedures

Management, including the President and Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Limitation on scope of design

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of the recently acquired operations of Big Smoke Burger (acquired September 18, 2015) and Manchu Wok, Wasabi Grill & Noodle and SenseAsian (acquired December 18, 2014). Excluding the goodwill created on the acquisitions, these operations respectively represent 3% and

4% of the Company's assets (2% and 3% of current assets, 3% and 4% of non-current assets); they also represent 2% and 7% of current liabilities and 11% and 8% of long-term liabilities, 1% and 10% of the Company's revenues and 0% and 12% of the Company's net earnings for the period ended November 30, 2015.

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of certain special purpose entities ("SPEs") on which the Company has the ability to exercise *de facto* control and which have as a result been consolidated in the Company's condensed interim consolidated financial statements. For the year ended November 30, 2015, these SPEs represent 0% of the Company's current assets, 0% of its non-current assets, 0% of the Company's current liabilities, 0% of long-term liabilities, 4% of the Company's revenues and 0% of the Company's net earnings.

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Stanley Ma, Chief Executive Officer

____
Eric Lefebvre, CPA, CA, MBA Chief Financial Officer

Consolidated financial statements of
MTY Food Group Inc.

November 30, 2015 and 2014

Deloitte.

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Independent auditor's report

To the Shareholders of MTY Food Group Inc.

We have audited the accompanying consolidated financial statements of MTY Food Group Inc., which comprise the consolidated statements of financial position as at November 30, 2015 and November 30, 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MTY Food Group Inc. as at November 30, 2015 and November 30, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP[1]

February 15, 2016

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[1] CPA auditor, CA, public accountancy permit No. A110972

MTY Food Group Inc.
Consolidated statements of income
Years ended November 30, 2015 and 2014
(In thousands of Canadian dollars, except per share amounts)

	Notes	2015	2014
		$	$
	5		*(Restated)*
Revenue	24 and 30	**145,203**	115,177
Expenses			
Operating expenses	25 and 30	**94,521**	72,518
Depreciation – property, plant and equipment	12	**1,535**	1,091
Amortization – intangible assets	13	**6,744**	5,985
Interest on long-term debt		**436**	422
		103,236	80,016
Other income (charges)			
Foreign exchange gain		**64**	106
Interest income		**144**	118
Gain on preferred share redemption		**—**	100
Impairment charge of intangible assets and goodwill	4, 13 and 14	**(8,093)**	(2,356)
Gain on disposal of property, plant and equipment and intangible assets		**1,821**	1,179
		(6,064)	(853)
Income before taxes		**35,903**	34,308
Income taxes	29		
Current		**10,454**	8,820
Deferred		**(774)**	303
		9,680	9,123
Net income		**26,223**	25,185
Net income (loss) attributable to:			
Owners		**26,015**	25,204
Non-controlling interests		**208**	(19)
		26,223	25,185
Earnings per share	21		
Basic		**1.36**	1.32
Diluted		**1.36**	1.32

The accompanying notes are an integral part of the consolidated financial statements.

MTY Food Group Inc.

Consolidated statements of comprehensive income

Years ended November 30, 2015 and 2014

(In thousands of Canadian dollars, except per share amounts)

	Notes	2015	2014
		$	$
	5		*(Restated)*
Net income		**26,223**	25,185
Items that may be reclassified subsequently to profit or loss			
Foreign exchange impact of foreign subsidiaries		**(97)**	(20)
Other comprehensive (loss) gain		**(97)**	(20)
Total comprehensive income		**26,126**	25,165
Total comprehensive income (loss) attributable to:			
Owners		**25,918**	25,184
Non-controlling interest		**208**	(19)
		26,126	25,165

The accompanying notes are an integral part of the consolidated financial statements.

MTY Food Group Inc.
Consolidated statements of changes in shareholders' equity
Years ended November 30, 2015 and 2014
(In thousands of Canadian dollars, except per share amounts)

	Equity attributable to owners						
	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total	Equity attributable to non-controlling interest	Total
	$	$	$	$ (Restated, Note 5)	$ (Restated, Note 5)	$ (Restated, Note 5)	$ (Restated, Note 5)
Balance as at November 30, 2013	19,792	481	6	106,035	126,314	4,549	130,863
Net income for the year ended November 30, 2014	—	—	—	25,204	25,204	(20)	25,184
Other comprehensive income	—	—	(20)	—	(20)	—	(20)
Acquisition of a portion of the non-controlling interest in 7687567 Canada Inc. (Note 5)	—	—	—	(407)	(407)	107	(300)
Acquisition of 8825726 Canada Inc.	—	—	—	—	—	300	300
Dividends	—	—	—	(6,501)	(6,501)	(55)	(6,556)
Balance as at November 30, 2014	19,792	481	(14)	124,331	144,590	4,881	149,471
Net income for the year ended November 30, 2015	—	—	—	**26,015**	**26,015**	**208**	**26,223**
Other comprehensive income	—	—	**(97)**	**—**	**(97)**	**—**	**(97)**
Acquisition of a portion of the non-controlling interest in 7687567 Canada Inc. (Note 5)	—	—	—	**(23)**	**(23)**	**123**	**100**
Acquisition of non-controlling interest in 9286-5591 Canada Inc.	—	—	—	**3,817**	**3,817**	**(4,617)**	**(800)**
Acquisition of 9410198 Canada Inc.(note 8)	—	—	—	**—**	**—**	**2,000**	**2,000**
Dividends	—	—	—	**(7,648)**	**(7,648)**	**(40)**	**(7,688)**
Balance as at November 30, 2015	**19,792**	**481**	**(111)**	**146,492**	**166,654**	**2,555**	**169,209**

The following dividends were declared and paid by the Company:

	2015	2014
	$	$
$0.40 per common share (2014 - $0.34 per common share)	**7,648**	6,501

The accompanying notes are an integral part of the consolidated financial statements.

MTY Food Group Inc.

Consolidated statements of financial position

As at November 30, 2015 and 2014

(In thousands of Canadian dollars, except per share amounts)

	Notes	2015	2014
		$	$
	5		*(Restated)*
Assets			
Current assets			
Cash		**33,417**	6,701
Accounts receivable	9	**18,734**	16,809
Inventories	10	**2,208**	2,294
Loans receivable	11	**240**	181
Prepaid expenses and deposits		**620**	1,045
		55,219	27,030
Loans receivable	11	**217**	505
Property, plant and equipment	12	**10,506**	9,855
Intangible assets	13	**103,925**	107,484
Goodwill	14	**55,520**	54,574
		225,387	199,448
Liabilities and Shareholders' equity			
Liabilities			
Current liabilities			
Line of credit	15	**6,300**	11,750
Accounts payable and accrued liabilities		**24,361**	14,151
Provisions	16	**3,468**	3,053
Income taxes payable		**2,334**	716
Deferred revenue and deposits	17	**5,660**	3,709
Current portion of long-term debt	18	**6,344**	6,854
		48,467	40,233
Long-term debt	18	**1,612**	3,814
Deferred income taxes	29	**6,099**	5,930
		56,178	49,977
Commitments, guarantee and contingent liabilities	26, 27 and 28		

(In thousands of Canadian dollars, except per share amounts)

	Notes	2015	2014
		$	$
	5		*(Restated)*
Shareholders' equity			
Equity attributable to owners			
Capital stock	19	**19,792**	19,792
Contributed surplus		**481**	481
Accumulated other comprehensive income		**(111)**	(14)
Retained earnings		**146,492**	124,331
		166,654	144,590
Equity attributable to non-controlling interest		**2,555**	4,881
		169,209	149,471
		225,387	199,448

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board on February 15, 2016

______________________________, Director

______________________________, Director

MTY Food Group Inc.
Consolidated statements of cash flows
Years ended November 30, 2015 and 2014
(In thousands of Canadian dollars, except per share amounts)

	Notes	2015	2014
		$	$
	5		(Restated)
Operating activities			
Net income		**26,223**	25,185
Items not affecting cash:			
Interest on long-term debt		**436**	422
Depreciation – property, plant and equipment		**1,535**	1,091
Amortization – intangible assets		**6,744**	5,985
Gain on disposal of property, plant and equipment and intangible assets		**(1,821)**	(1,179)
Impairment of intangible assets		**8,093**	2,356
Unrealized foreign exchange (loss) gain		**(145)**	27
Gain on preferred share redemption		**—**	(100)
Income tax expense		**9,680**	9,123
Deferred revenue		**1,439**	(95)
Other	5	**100**	—
		52,284	42,815
Income tax refunds received		**25**	508
Income taxes paid		**(8,930)**	(9,027)
Interest paid		**(188)**	(162)
Changes in non-cash working capital items	31	**8,046**	(1,175)
Cash flows provided by operating activities		**51,237**	32,959
Investing activities			
Net cash outflow on acquisitions	8	**(7,579)**	(25,100)
Share buyback paid to non-controlling shareholder		**—**	(300)
Acquisition of the non-controlling interest in 9286-5591 Quebec Inc.	5	**(800)**	—
Additions to property, plant and equipment		**(3,426)**	(610)
Additions to intangible assets		**(48)**	(247)
Proceeds on disposal of property, plant and equipment		**4,853**	2,034
Cash flows used in investing activities		**(7,000)**	(24,223)

(In thousands of Canadian dollars, except per share amounts)

	Notes	2015	2014
		$	$
	5		(Restated)
Financing activities			
Issuance of banker's acceptances		**17,300**	26,750
Repayment of banker's acceptances		**(22,750)**	(27,000)
Repayment of long-term debt		**(4,411)**	(1,655)
Issuance of shares to non-controlling interest of subsidiaries		**—**	300
Dividends paid to non-controlling shareholders of subsidiaries		**(40)**	(55)
Dividends paid		**(7,648)**	(6,501)
Cash flows used in financing activities		**(17,549)**	(8,161)
Net increase in cash		**26,688**	575
Cash, beginning of year		**6,701**	6,113
Cash acquired	8	**28**	13
Cash, end of year		**33,417**	6,701

The accompanying notes are an integral part of the consolidated financial statements.

1. Description of the business

MTY Food Group Inc. (the "Company") is a franchisor in the quick service food industry. Its activities consist of franchising and operating corporate-owned locations under a multitude of banners. The Company also operates a distribution center and a food processing plant, both of which are located in the province of Quebec.

The Company is incorporated under the Canada Business Corporations Act and is listed on the Toronto Stock Exchange. The Company's head office is located at 8150, Autoroute Transcanadienne, Suite 200, Ville Saint-Laurent, Quebec.

2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company, and tabular amounts are rounded to the nearest thousand ($000) except when otherwise indicated.

Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on February 15, 2016.

(In thousands of Canadian dollars, except per share amounts)

3. Accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries.

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Principal subsidiaries are as follows:

Principal subsidiaries	Percentage of equity interest
	%
MTY Tiki Ming Enterprises Inc.	100
MTY Franchising USA, Inc.	100
Mucho Burrito Franchising USA, Inc.	100
9286-5591 Quebec Inc.	100
154338 Canada Inc.	50
8825726 Canada Inc.	90
7687561 Canada Inc.	99
BSB Franchising USA, Inc.	60
9410198 Canada Inc.	60

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. Accounting policies (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intercompany transactions, balances, revenue and expenses are eliminated in full on consolidation.

Changes in the Company's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. This is calculated as the sum of the acquisition date fair values of the assets transferred by the Company and liabilities incurred by the Company to the former owners of the acquiree in exchange for control of the acquiree. Acquisition related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except for deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements, which are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

3. Accounting policies (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. These may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: recognition and measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Changes of ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, with no effect on net earnings or on other comprehensive income.

3. Accounting policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Where goodwill forms part of a cash-generating unit and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation and the portion of the cash-generating unit retained.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

Revenue is generally recognized on the sale of products or services when the products are delivered or the services are performed, all significant contractual obligations have been satisfied and the collection is reasonably assured.

i) Revenue from franchise locations

Royalties are based either on a percentage of gross sales as reported by the franchisees or on a fixed monthly fee. They are recognized on an accrual basis in accordance with the substance of the relevant agreement, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Initial franchise fees are recognized when substantially all of the initial services as required by the franchise agreement have been performed. This usually occurs when the location commences operations.

Revenue from the sale of franchise locations is recognized at the time the franchisee assumes control of the franchise location.

Restaurant construction and renovation revenue is recognized by reference to the stage of completion of the contract activity at the end of the reporting period. This is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. When it is probable that total contract costs will exceed contract revenue, the expected loss is recognized as an expense immediately. When the outcome of the project cannot be estimated reliably, revenue is recognized to the extent of expenses recognized in the period. The excess of revenue recognized over amounts billed is recorded as part of accounts receivable.

Master license fees are recognized when the Company has performed substantially all material initial obligations under the agreement, which usually occurs when the agreement is signed, which is recorded in initial franchise fees (Note 24).

Renewal and transfer fees are recognized when substantially all applicable services required by the Company under the franchise agreement have been performed. This generally occurs when the agreement is signed. This revenue is recorded in other revenue (Note 24).

The Company earns rent revenue on certain leases it holds and sign rental revenue; the Company's policy is described below.

3. Accounting policies (continued)

Revenue recognition (continued)

i) Revenue from franchise locations (continued)

The Company receives considerations from certain suppliers. Supplier contributions are recognized as revenue as they are earned and are recorded in other franchising revenue (Note 24).

ii) Revenue from distribution center

Distribution revenue is recognized when goods have been delivered or when significant risks and rewards of ownership have been transferred and it is probable that the economic benefit associated with the transaction will flow to the Company.

iii) Revenue from food processing

Food processing revenue is recognized when goods have been delivered to end-users or when significant risks and rewards of ownership have been transferred to distributors and it is probable that the economic benefit associated with the transaction will flow to the Company.

iv) Revenue from corporate-owned locations

Revenue from corporate-owned locations is recorded when goods are delivered to customers.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Functional and presentation currency

These consolidated financial statements are presented using the Company's functional currency, which is the Canadian dollar. Each entity of the Company determines its own functional currency, and the financial statement items of each entity are measured using that functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

3. Accounting policies (continued)

Foreign currencies

At the end of each reporting period, monetary assets and liabilities that are denominated in a currency other than the Company's functional currency are translated using the exchange rate prevailing at that date. Non-monetary items are translated using historical exchange rates. Revenue and expenses are translated at the exchange rate in effect on the transaction date, except for depreciation and amortization, which are translated using historical exchange rates. Exchange gains and losses are recognized in profit or loss in the period in which they arise in foreign exchange gain. The assets and liabilities of a foreign operation with a functional currency different from that of the Company are translated using the exchange rate in effect on the reporting date. Revenue and expenses are translated using the exchange rate in effect on the transaction date. Exchange differences arising from the translation of a foreign operation are recognized in other comprehensive income. Upon complete or partial disposal of the investment in the foreign operation, the foreign currency translation reserve or a portion of it will be recognized in the consolidated statement of income in other income (charges).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. Accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their historical costs less accumulated depreciation (buildings) and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use.

Equipment, leasehold improvements, rolling stock and computer hardware are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is based on the following terms:

Buildings		
Structure and components	Straight-line	25 to 50 years
Equipment	Straight-line	3 to 10 years
Leasehold improvements and signs	Straight-line	Term of the lease
Rolling stock	Straight-line	5 to 7 years
Computer hardware	Straight-line	3 to 7 years

3. Accounting policies (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if applicable. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization methods are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if applicable.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets having a finite life acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, if applicable, on the same basis as intangible assets that are acquired separately. Intangible assets having an indefinite life are not amortized and are therefore carried at cost less accumulated impairment losses, if applicable.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The Company currently carries the following intangible assets in its books:

Franchise rights and master franchise rights

The franchise rights and master franchise rights acquired through business combinations were recognized at the fair value of the estimated future cash inflows related to the acquisition of franchises. The franchise rights and master franchise rights are generally amortized on a straight line basis over the term of the agreements which typically range between 10 to 20 years.

Some master franchise rights have no specific terms; as a result, those are not amortized as they have an indefinite life.

Step-in rights

Step-in rights are the rights of the Company to take over the premises and associated lease of a franchised location in the event the franchise is in default of payments. These are acquired through business combinations and are recognized at their fair value at the time of the acquisition. They are amortized over the term of the franchise agreement.

Trademarks

Trademarks acquired through business combinations were recognized at their fair value at the time of the acquisition and are not amortized. Trademarks were determined to have an indefinite useful life based on their strong brand recognition and their ability to generate revenue through changing economic conditions with no foreseeable time limit.

3. Accounting policies (continued)

Intangible assets (continued)

Leases

Leases, which represent the value associated to preferential terms or locations, are amortized on a straight-line basis over the term of the leases.

Other

Included in other intangible assets are primarily purchased software, which are being amortized over their expected useful life on a straight-line basis.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. A majority of the Company's intangible assets do not have cash inflows independent of those from other assets and as such are tested within their respective cash generating units.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. The Company does not reduce the carrying value of an asset below the highest of its fair value less cost to sell and its value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. Accounting policies (continued)

Impairment of goodwill (continued)

At the end of each reporting period, the Company reviews the carrying amounts of goodwill to determine whether there is any indication that it has suffered an impairment loss. If any such indication exists, the recoverable amount of the cash-generating unit to which goodwill is allocated is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of income. An impairment loss recognized for goodwill is not reversed in subsequent periods. Regardless of whether there is an indication of impairment or not, goodwill is tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Cash and cash equivalents

Cash and cash equivalents item includes cash on hand and short-term investments, if any, with maturities upon acquisition of generally three months or less or that are redeemable at any time at full value and for which the risk of a change in value is not significant.

Inventories

Inventories are measured at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis and include acquisition costs, conversion costs and other costs incurred to bring inventories to their present location and condition. The cost of finished goods includes a pro rata share of production overhead based on normal production capacity.

In the normal course of business, the Company enters into contracts for the construction and sale of franchise locations. The related work in progress inventory includes all direct costs relating to the construction of these locations, and is recorded at the lower of cost and net realizable value.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured at the present value of the cash flows expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. This is recorded in cost of goods sold and rent (Note 25) on the consolidated statement of income.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. Accounting policies (continued)

Provisions (continued)

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Gift card and loyalty program liabilities

Gift card liability represents liabilities related to unused balances on reloadable payment cards. Loyalty program liabilities represent the dollar value of the loyalty points earned and unused by customers.

Litigation, disputes and closed stores

Provisions for the expected cost of litigation, disputes and the cost of settling leases for closed stores are recognized when it becomes probable the Company will be required to settle the obligation, at management's best estimate of the expenditure required to settle the Company's obligation.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognized less cumulative amortization recognized, if any.

Financial instruments

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The subsequent measurement of financial assets and financial liabilities is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments.

3. Accounting policies (continued)

Financial instruments (continued)

Classification

Cash	Loans and receivables
Accounts receivable	Loans and receivables
Deposits	Loans and receivables
Loans receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Line of credit	Other financial liabilities
Long-term debt	Other financial liabilities

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (“FVTPL”), ‘held-to-maturity’ investments and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, cash and deposits) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

3. Accounting policies (continued)

Financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past a certain credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

3. Accounting policies (continued)

Financial liabilities

Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Promotional funds

The Company manages the promotional funds of its banners. They are established specifically for each banner to collect and administer funds dedicated for use in advertising and promotional programs as well as other initiatives designed to increase sales and enhance the image and reputation of the banners. Contributions to the funds are made based on a percentage of sales. The revenue and expenses of the promotional funds are not included in the Company's Statement of income because the contributions to these funds are segregated and designated for specific purposes. The combined amount payable resulting from the promotional fund reserves amounts to a surplus of $1,270 (November 30, 2014 – deficit of $1,018). These amounts are included in accounts payable and accrued liabilities.

Segment disclosure

An operating segment is a distinguishable component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components, and for which separate financial information is available. Segment disclosures are provided for the Company's operating segments (Note 30). The operating segments are determined based on the Company's management and internal reporting structure. All operating segments' operating results are regularly reviewed by management to make decisions on resources to be allocated to the segment and to assess its performance. The Company operates in four separate segments: franchising, corporate, distribution and processing.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgements in applying accounting policies and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting period date. Doing so requires the identification of cash-generating units; the determination is done based on management's best estimation of what constitutes the lowest level at which an asset or group of asset has the possibility of generating cash inflows.

Revenue recognition

In making their judgement, management considers the detailed criteria for the recognition of revenue from the sale of goods and for construction contracts set out in IAS 18 Revenue and IAS 11 Construction contracts and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods.

Consolidation of special purpose entities

A special purpose entity (''SPE'') is consolidated if, based on an evaluation of the substance of its relationship with the Company and the SPE's risks and rewards, the Company concludes that it controls the SPE. A SPE controlled by the Company is established under terms that impose strict limitations on the decision-making powers of the SPE's management, resulting in the Company receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of the risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Business combinations

For business combinations, the Company must make assumptions and estimates to determine the purchase price allocation of the business being acquired. To do so, the Company must determine the acquisition date fair value of the identifiable assets acquired, including such intangible assets as franchise rights and master franchise rights, trademarks, step-in rights and liabilities assumed. Among other things, the determination of these fair market values involves the use of discounted cash flow analyses and future system sales growth. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. These assumptions and estimates have an impact on the asset and liability amounts recorded in the consolidated statement of financial position on the acquisition date. In addition, the estimated useful lives of the acquired amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's future profit or loss.

Impairment of non-financial assets

The recoverable amounts of the Company's assets is generally estimated based on value-in-use calculations using a discounted cash flow approach as this was determined to be higher than fair value less cost to sell, except for certain corporate store assets for which fair value less cost to sell was higher than their value in use. The fair value less cost to sell of corporate stores is generally determined by estimating the liquidation value of the restaurant equipment.

Other than the value of two of the Company's cash generating units ("CGUs"), the value in use of CGU's tested was higher or equal to the carrying value of the assets. Impairment assessments were established using a 17% discount rate on the corporate store CGU's and 15% on the trademarks and franchise rights. Discount rates are based on pre-tax rates that reflect the current market assessments, taking the time value of money and the risks specific to the CGU into account.

The total cumulative impairment on property, plant and equipment of $158 (2014 - $158) represents a write down of the carrying value of the leasehold improvements and equipment to their fair value less cost to sell, which was higher than their value in use.

These calculations take into account our best estimate of future cash flows, using previous year's cash flows for each CGU to extrapolate a CGU's future performance to the earlier of the termination of the lease (if applicable) or 5 years and a terminal value is calculated beyond this period, assuming no growth to the cash flows of previous periods. A cash flow period of 5 years was used as predictability for periods beyond this cannot be estimated with reasonable accuracy.

A 1% change to the discount rate used in the calculation of the impairment would not result in any additional significant impairment on the property, plant and equipment of our corporate stores.

During the year, the Company recognized an impairment on two of its CGU's following a decline in the performance of the related brand. The total impairment of $7,893 represents a write down of the carrying value to the value in use of the CGU's. A 1% change to the discount rate used in the calculation of the impairment would result in a change of $221 in the amount of the impairment.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires management 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. During the year, an impairment of $200 (2014 - $nil) was taken for the goodwill associated with 7687567 Canada Inc. upon the re-consolidation of the subsidiary (note 5). The original valuation of the goodwill was primarily associated to a contract that was contributed to the business by one of the minority shareholders at inception. This contract was terminated in 2015.

The Company used a 13% discount rate for its assessment of goodwill. No growth was applied to the cash flows used to estimate the terminal value.

Useful lives of property, plant and equipment and intangible assets

As described in Note 3 above, the Company reviews the estimated useful lives of property, plant and equipment and intangible assets with definite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended, due to various factors including technology, competition and revised service offerings. During the years ended November 30, 2015 and 2014, the Company was not required to adjust the useful lives of any assets based on the factors described above.

Provisions

The Company makes assumptions and estimations based on its current knowledge of future disbursements it will have to make in connection with various events that have occurred in the past and for which the amount to be disbursed and the timing of such disbursement are uncertain at the date of producing its financial statements. This includes provisions for onerous contracts, litigations and disputes and contingencies.

Revenue recognition for construction and renovation contracts

Restaurant construction and renovation revenue is recognized by reference to the stage of completion of the contract activity at the end of the reporting period. Management makes an estimate on the percentage of completion based on costs incurred to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

Consolidation of special purpose entities

The Company is required to consolidate a small number of special purpose entities. In doing so, the Company must make assumptions with respect to some information that is either not readily available or that is not available within reporting time frames. As a result, assumptions and estimates are made to establish a value for the current assets, current and long-term liabilities and results of operations in general.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Accounts receivable

The Company recognizes an allowance for doubtful accounts based on past experience, outlet-specific situation, counterparty's current financial situation and age of the receivables.

Trade receivables include amounts that are past due at the end of the reporting period and for which the Company has not recognized an allowance for doubtful accounts because there was no significant change in the credit quality of the counterparty and the amounts are therefore considered recoverable.

5. Consolidation

Changes in non-controlling interests
In March 2015, the Company acquired the remaining 20% non-controlling interests of 9286-5591 Quebec Inc. (Thaï Zone), for $800. Following the transaction, 9286-5591 Quebec Inc. has become a wholly-owned subsidiary.

Changes in basis of consolidation
In September 2013, the Company put its 51% investment in 7687567 Canada Inc., a food processing plant in Saint-Romuald, Quebec, up for sale. The investment was then reclassified as an investment in subsidiary held-for-sale.

In July 2014, the Company acquired the interest of one of the minority shareholders for $300 in order to facilitate a restructuring of the plant's operations. Following this transaction, the Company owned 91% of the shares of 7687567 Canada Inc.

In December 2014, the Company increased its ownership of 7687567 Canada Inc. to 99% through the conversion of a $750 investment, which diluted the minority shareholder's ownership. The cash call was required to help finance the operations of the subsidiary.

In May 2015, the Company deemed the future sale of 7687567 Canada Inc. no longer probable in the near future and as such, reclassified the investment from a subsidiary held-for-sale to a consolidated subsidiary. Prior year amounts on the consolidated statements of income and of comprehensive income, the statements of financial position and the statements of cash flows have been restated for the change in classification.

6. Accounting policy developments

The following standard issued by the IASB was adopted by the Company on December 1, 2014.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Company has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognized in the Company's consolidated financial statements.

(In thousands of Canadian dollars, except per share amounts)

7. Future accounting changes

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standard Board ("IASB") that are not yet effective for the period ended November 30, 2015, and have not been applied in preparing these consolidated financial statements.

The following standards may have a material impact on the consolidated financial statements of the Company:

IFRS 9 Financial Instruments	January 1, 2018	Early adoption permitted
IFRS 15 Revenue from contracts with customers	January 1, 2018	Early adoption permitted
IFRS 16 Leases	January 1, 2019	Early adoption permitted
IAS1 Presentation of financial statements	January 1, 2016	Early adoption permitted

Effective for annual periods beginning on or after:

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions; however, for a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before February 1, 2015. IFRS 9 does not replace the requirement for portfolio fair value hedge accounting for interest risk since this phase of the project was separated from IFRS project due to the longer term nature of the macro hedging project which is currently at the discussion paper phase of the due process Consequently, the exception in IAS 39 for fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

IFRS 15 replaces the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. This new standard sets out the requirements for recognizing and disclosing revenue that apply to all contracts with customers.

On January 13, 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019 with earlier application permitted for companies that have also adopted IFRS 15, Revenue from Contracts with Customers.

IAS 1 provides further clarification and amendments on note disclosure requirements.

The Company is in the process of determining the extent of the impact of these standards on its consolidated financial statements.

(In thousands of Canadian dollars, except per share amounts)

8. Business acquisitions

I) 2015 acquisition

On September 18, 2015, the Company acquired the assets of Big Smoke Burger for a total consideration of $5,000. The purpose of the transaction was to further diversify the Company's range of offering as well as to complement existing MTY brands.

	2015
	$
Consideration paid:	
Purchase price	5,000
Discount on non-interest bearing holdback	(38)
Net obligations assumed	(98)
Net purchase price	4,864
Issuance of shares to non-controlling interest	(2,000)
Holdback	(262)
Net cash outflow	2,602

The preliminary purchase price allocation is as follows:

	2015
	$
Net assets acquired:	
Current assets	
Cash	3
Inventories	44
Prepaid expenses and deposits	33
	80
Property, plant and equipment	853
Franchise rights	852
Trademark	3,305
Goodwill [(1)]	840
	5,930
Current liabilities	
Accounts payable and accrued liabilities	18
Deferred revenue	447
Deferred income taxes	601
	1,066
Net purchase price	4,864

[(1)] Goodwill is deductible for tax purposes

(In thousands of Canadian dollars, except per share amounts)

8. Business acquisitions (continued)

I) 2015 acquisition (continued)

Goodwill reflects how the acquisition will impact the Company's ability to generate future profits in excess of existing profits. The consideration paid mostly relates to combined synergies, related mainly to revenue growth. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Total expenses incurred related to acquisition costs amounted to $nil.

The purchase price allocation is still preliminary as post-closing adjustments have not been finalized.

II) 2015 acquisition

On December 18 2014, the Company acquired the assets of Manchu Wok, Wasabi Grill & Noodle and SenseAsian for a total consideration of $7,889. The purpose of the transaction was to further diversify the Company's range of offering as well as to complement existing MTY brands.

	2015
	$
Consideration paid:	
Purchase price	7,889
Discount on non-interest bearing holdback	(81)
Net obligations assumed	(1,662)
Net purchase price	6,146
Holdbacks	(1,169)
Net cash outflow	4,977

The purchase price allocation is as follows:

	2015
	$
Net assets acquired:	
Current assets	
Cash	25
Inventories	145
Prepaid expenses and deposits	309
	479
Property, plant and equipment	930
Franchise rights	1,217
Trademark	5,529
Goodwill (1)	306
	8,461

(In thousands of Canadian dollars, except per share amounts)

8. Business acquisitions (continued)

II) 2015 acquisition (continued)

	2015
	$
Current liabilities	
Accounts payable and accrued liabilities	**1,907**
Deferred revenue	**65**
Deferred income taxes	**343**
	2,315
Net purchase price	**6,146**

(1) Goodwill is deductible for tax purposes

Goodwill reflects how the acquisition will impact the Company's ability to generate future profits in excess of existing profits. The consideration paid mostly relates to combined synergies, related mainly to revenue growth. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Total expenses incurred related to acquisition costs amounted to $80 and are included in the Company's consolidated statement of income.

During the fourth quarter of 2015, the Company completed its comprehensive evaluation of the fair value of the net assets acquired from Manchu Wok, Wasabi Grill & Noodle and SenseAsian and the purchase price allocation. As a result, initial goodwill of $397 recognized upon the acquisition of Manchu Wok, Wasabi Grill & Noodle and SenseAsian on December 18, 2014 in the Business Acquisitions note to the February 28, 2015 condensed interim consolidated financial statements has been adjusted in the fourth quarter of 2015, as a result of the finalization of fair value measurements of intangible assets during the measurement period. Adjustments were made to the provisional amounts disclosed in the February 28, 2015 condensed interim consolidated financial statements for the recognition and measurement of intangible assets and deferred income taxes.

The following provides the changes in the carrying value of the goodwill on the acquisition of Manchu Wok, Wasabi Grill & Noodle and SenseAsian to November 30, 2015:

Initial Manchu Wok, Wasabi Grill & Noodle and SenseAsian goodwill, February 28, 2015 previously reported	**397**
Recognition and measurement of intangible assets	**(147)**
Adjustment to deferred income taxes	**56**
Adjusted balance, February 28, 2015	**306**

(In thousands of Canadian dollars, except per share amounts)

8. Business acquisitions (continued)

III) 2014 acquisition

On July 21, 2014, a 90% owned subsidiary of the Company acquired the Canadian assets of Madisons New York Grill & Bar. The total consideration for the transaction was $12,925. The transaction was effective July 18, 2014. The purpose of the transaction was to diversify the Company's range of offering as well as to complement existing MTY brands.

	2014
	$
Consideration paid:	
Purchase price	12,925
Net obligations assumed	(284)
Net purchase price	12,641
Balance of sale (Note 18)	(1,250)
Net cash outflow	11,391
Sources of funds:	
Cash	2,700
Issuance of shares to non-controlling interest	300
Balance of sale (Note 18)	1,250
Line of credit (Note 15)	7,141
	11,391

The purchase price allocation is as follows:

	2014
Net assets acquired:	$
Assets	
Lease deposits	66
Franchise rights	6,846
Trademark	3,410
Goodwill (1)	2,895
	13,217
Current liabilities	
Gift card liability	350
Deferred income taxes	226
	576
Net purchase price	12,641

(1) The goodwill is deductible for tax purposes

Goodwill reflects how Madisons acquisition will impact the Company's ability to generate future profits in excess of existing profits. The consideration paid mostly relates to combined synergies, related mainly to revenue growth. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Total expenses incurred related to acquisition costs amounted to $nil.

The purchase price allocation was finalized in 2015 and no post-closing adjustments were required.

(In thousands of Canadian dollars, except per share amounts)

8. Business acquisitions (continued)

IV) 2014 acquisition

On October 31, 2014, the Company acquires the assets of Café Depôt, Muffin Plus, Sushi-Man and Fabrika for a total consideration of $13,950. The purpose of the transaction was to further diversify the Company's range of offering.

	2014
	$
Consideration paid:	
Purchase price	13,950
Discount on non-interest bearing holdbacks	(75)
Net obligations assumed	(10)
Net purchase price	13,865
Holdbacks	(975)
Net cash outflow	12,890

The purchase price allocation is as follows:

	2014
	$
Net assets acquired:	
Current assets	
Cash	13
Accounts receivable	14
Inventories	77
Prepaid expenses and deposits	116
	220
Property, plant and equipment	1,743
Franchise rights	3,717
Trademark	3,763
Goodwill (1)	5,127
	14,570
Current liabilities	
Accrued liabilities	418
Deferred revenue	122
	540
Deferred income taxes	165
	705
Net purchase price	13,865

(1) The goodwill is deductible for tax purposes

(In thousands of Canadian dollars, except per share amounts)

8. Business acquisitions (continued)

IV) 2014 acquisition (continued)

Goodwill reflects how the acquisition will impact the Company's ability to generate future profits in excess of existing profits. The consideration paid mostly relates to combined synergies, related mainly to revenue growth. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Total expenses incurred related to acquisition costs amounted to $nil.

The purchase price allocation was finalized in 2015 and no post-closing adjustments were required.

V) 2014 acquisition

On November 7, 2014, the Company acquired the franchising operations of Van Houtte Café Bistros for a total consideration of $950. The purpose of the transaction was to further diversify the Company's range of offerings.

	2014
	$
Consideration paid	
Purchase price	950
Net obligations assumed	(153)
Net purchase price	797
Payable to vendor after closing	(185)
Net cash outflow	612

The purchase price allocation is as follows:

	2014
Assets	$
Accounts receivables	13
Inventories	1
	14
Property, plant and equipment	45
Franchise rights	518
Perpetual license	347
Goodwill (1)	50
	974
Current liabilities	
Provisions	19
Accounts payable and accrued liabilities	108
Deferred Revenue	27
	154
Deferred taxes	23
Net purchase price	797

(In thousands of Canadian dollars, except per share amounts)

8. Business acquisitions (continued)

V) 2014 acquisition

(1) The goodwill is deductible for tax purposes

Goodwill reflects how the acquisition will impact the Company's ability to generate future profits in excess of existing profits. The consideration paid mostly relates to combined synergies, related mainly to revenue growth. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Total expenses incurred related to acquisition costs amounted to $nil.

The purchase price allocation was finalized in 2015 and no post-closing adjustments were required.

9. Accounts receivable

The following table provides details on trade accounts receivable not past due, past due and the related allowance for doubtful accounts:

	2015	2014
	$	$ *(Restated, Note 5)*
Total accounts receivable	**24,122**	21,114
Less : Allowance for doubtful accounts	**5,388**	4,305
Total accounts receivable, net	**18,734**	16,809

Of which:

	2015	2014
	$	$ *(Restated, Note 5)*
Not past due	**13,069**	11,692
Past due for more than one day but for no more than 30 days	**1,620**	635
Past due for more than 31 days but for no more than 60 days	**766**	914
Past due for more than 61 days	**3,279**	3,568
Total accounts receivable, net	**18,734**	16,809
Allowance for doubtful accounts beginning of year	**4,305**	2,287
Additions	**1,829**	3,002
Reversals	**(233)**	(65)
Write-off	**(513)**	(919)
Allowance for doubtful accounts end of year	**5,388**	4,305

The Company has recognized an allowance for doubtful accounts based on past experience, outlet-specific circumstances, counterparty's current financial situation and age of the receivables.

(In thousands of Canadian dollars, except per share amounts)

9. Accounts receivable (continued)

Trade receivables disclosed above include amounts that are past due at the end of the reporting period and for which the Company has not recognized an allowance for doubtful accounts because there was no significant change in the credit quality of the counterparty and the amounts are therefore considered recoverable. The Company does not hold any collateral or other credit enhancements over these balances nor does it have the legal right of offset against any amounts owed by the Company to the counterparty.

The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

10. Inventories

	2015	2014
	$	$ *(Restated, Note 5)*
Raw materials	**1,210**	1,277
Work in progress	**70**	—
Finished goods	**928**	1,017
Total inventories	**2,208**	2,294

Inventories are presented net of a $22 allowance for obsolescence ($13 as at November 30, 2014). All of the inventories are expected to be sold within the next twelve months.

Inventories expensed during the year ended November 30, 2015 was $23,887 (2014 - $24,965).

11. Loans receivable

The loans receivable generally result from the sales of franchises and of various advances to certain franchisees and consist of the following:

	2015	2014
	$	$
Loans receivable, carrying no interest and without terms of repayment	**15**	15
Loans receivable bearing interest between nil and 11% per annum, receivable in monthly instalments of $16 in aggregate, including principal and interest, ending in March 2021	**442**	671
	457	686
Current portion	**(240)**	(181)
	217	505

(In thousands of Canadian dollars, except per share amounts)

11. Loans receivable (continued)

The capital repayments in subsequent years will be:

	$
2016	240
2017	131
2018	46
2019	10
2020	11
Thereafter	19
	457

12. Property, plant and equipment

Cost	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
	(restated, note 5)	*(restated, note 5)*	*(restated, note 5)*	*(restated, note 5)*	*(restated, note 5)*		*(restated, note 5)*
Balance at November 30, 2013	1,825	3,584	3,232	4,142	435	30	13,248
Additions	—	37	123	301	131	42	634
Disposals	—	—	(914)	(672)	(18)	—	(1,604)
Additions through business combinations	—	—	782	1,006	—	—	1,788
Balance at November 30, 2014	1,825	3,621	3,223	4,777	548	72	14,066
Additions	**—**	**124**	**1,936**	**1,281**	**85**	**—**	**3,426**
Disposals	**(589)**	**(447)**	**(1,494)**	**(1,406)**	**(143)**	**—**	**(4,079)**
Additions through business combinations	**—**	**—**	**768**	**1,015**	**—**	**—**	**1,783**
Balance at November 30, 2015	**1,236**	**3,298**	**4,433**	**5,667**	**490**	**72**	**15,196**

(In thousands of Canadian dollars, except per share amounts)

12. Property, plant and equipment (continued)

Accumulated depreciation	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
		(restated, note 5)	*(restated, note 5)*	*(restated, note 5)*	*(restated, note 5)*		*(restated, note 5)*
Balance at November 30, 2013	—	454	1,738	1,399	274	28	3,893
Eliminated on disposal of assets	—	—	(508)	(247)	(18)	—	(773)
Depreciation expense	—	140	424	462	62	3	1,091
Balance at November 30, 2014	—	594	1,654	1,614	318	31	4,211
Eliminated on disposal of assets	**—**	**(77)**	**(497)**	**(343)**	**(142)**	**—**	**(1,059)**
Foreign exchange	**—**	**—**	**1**	**2**	**—**	**—**	**3**
Depreciation expense	**—**	**138**	**567**	**744**	**81**	**5**	**1,535**
Balance at November 30, 2015	**—**	**655**	**1,725**	**2,017**	**257**	**36**	**4,690**

Carrying amounts	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
	(restated, note 5)	*(restated, note 5)*	*(restated, note 5)*	*(restated, note 5)*	*(restated, note 5)*		*(restated, note 5)*
November 30, 2014	1,825	3,027	1,569	3,163	230	41	9,855
November 30, 2015	**1,236**	**2,643**	**2,708**	**3,650**	**233**	**36**	**10,506**

(In thousands of Canadian dollars, except per share amounts)

13. Intangible assets

Cost	Franchise and master franchise rights(1)	Trademarks	Step-in rights	Leases	Other(2)	Total
	$	$	$	$	$	$
Balance at November 30, 2013	58,423	58,242	1,199	1,000	349	119,213
Additions	215	25	—	—	7	247
Impairment	—	(2,356)	—	—	—	(2,356)
Acquisition through business combinations	11,080	7,173	—	—	347	18,600
Balance at November 30, 2014	69,718	63,084	1,199	1,000	703	135,704
Additions	**—**	**12**	**—**	**—**	**36**	**48**
Disposals	**—**	**—**	**—**	**(92)**	**(132)**	**(224)**
Foreign exchange	**177**	**—**	**—**	**—**	**—**	**177**
Impairment	**(2,962)**	**(4,931)**	**—**	**—**	**—**	**(7,893)**
Acquisition through business combinations	**2,069**	**8,834**	**—**	**—**	**—**	**10,903**
Balance at November 30, 2015	**69,002**	**66,999**	**1,199**	**908**	**607**	**138,715**

Accumulated amortization	Franchise and master franchise rights(1)	Trademarks	Step-in rights	Leases	Other(2)	Total
	$	$	$	$	$	$
Balance at December 1, 2013	21,342	—	20	840	33	22,235
Amortization	5,704	—	120	83	78	5,985
Balance at November 30, 2014	27,046	—	140	923	111	28,220
Eliminated on disposal of assets	**—**	**—**	**—**	**(92)**	**(125)**	**(217)**
Foreign exchange	**43**	**—**	**—**	**—**	**—**	**43**
Amortization	**6,464**	**—**	**120**	**54**	**106**	**6,744**
Balance at November 30, 2015	**33,553**	**—**	**260**	**885**	**92**	**34,790**

(In thousands of Canadian dollars, except per share amounts)

13. Intangible assets (continued)

Carrying amounts	Franchise and master franchise rights[1]	Trademarks	Step-in rights	Leases	Other[2]	Total
	$	$	$	$	$	$
November 30, 2014	42,672	63,084	1,059	77	592	107,484
November 30, 2015	**35,449**	**66,999**	**939**	**23**	**515**	**103,925**

[1] Franchise and master franchise rights include an amount of $1,500 ($1,500 as at November 30, 2014) of unamortizable master franchise right. The master franchise right has no specific terms and is valid for as long as the Company does not default on the agreement.

[2] Other items include $347 ($347 as at November 30, 2014) of unamortizable licenses with an indefinite term.

During the year, as the result of a decline in the financial performance of the Extreme Pita and Croissant Plus franchise networks, the Company carried out a review of the recoverable amounts of the intangible assets related to these brands. The review led to the recognition of an impairment loss of $7,893, which has been recognized in the consolidated statement of income. Impairment charges of $2,356 were recognized in 2014 related to the decline in the financial performance of the Country Style franchise network.

Indefinite life intangibles, which consist of trademarks, master franchise rights and perpetual licenses have been allocated for impairment testing purposes to the following cash generating units:

	2015	2014
	$	$
Taco Time	1,500	1,500
La Crémière	9	9
Croissant Plus	—	125
Cultures	500	500
Thai Express	145	145
Mrs Vanelli's	2,700	2,700
Sushi Shop	1,600	1,600
Tutti Frutti	1,100	1,100
Koya	1,253	1,253
Country Style	1,740	1,740
Valentine	3,338	3,338
Jugo Juice	5,425	5,425
Mr. Sub	11,319	11,307
Koryo	1,135	1,135
Mr. Souvlaki	300	300

(In thousands of Canadian dollars, except per share amounts)

13. Intangible assets (continued)

	2015	2014
	$	$
Extreme Pita	3,194	8,000
Mucho Burrito	9,816	9,816
ThaïZone	7,417	7,417
Madisons New York Grill & Bar	3,410	3,410
Café Dépôt	2,959	2,959
Muffin Plus	371	371
Sushi-Man	434	434
Van Houtte	347	347
Manchu Wok	5,529	—
Big Smoke Burger	3,305	—
	68,846	64,931

14. Goodwill

The changes in the carrying amount of goodwill are as follows:

	2015	2014
	$	$ *(restated, note 5)*
Balance, beginning of year	**54,574**	46,295
Impairment of 7687567 Canada Inc. goodwill	**(200)**	—
Additional amounts recognized from business acquisitions (Note 8)	**1,146**	8,279
Balance, end of year	**55,520**	54,574

Goodwill was not allocated to individual CGUs; the Company has determined that the valuation of goodwill cannot be done at the CGU level, since the strength of the network comes from grouping the many banners from which the goodwill arose from. As a result, goodwill is tested as a whole, at the franchising operating segment level.

An impairment was taken for the goodwill associated with 7687567 Canada Inc. upon the re-consolidation of the subsidiary (note 5). The original valuation of the goodwill was primarily associated to a contract that was contributed to the business by one of the minority shareholders at inception. This contract was terminated in 2015.

(In thousands of Canadian dollars, except per share amounts)

15. Credit facilities

As at November 30, 2015, the Company has access to an authorized revolving credit facility of $30,000 and a treasury risk facility of $1,000. One of the Company's subsidiaries also has access to a $10,000 credit facility under the same terms and conditions. Bank indebtedness's are secured by a moveable hypothec on all the assets of the Company.

The revolving credit facility bears interest at the bank's prime rate for advances in C$ (or the bank's U.S. base rate for advance in US$) plus a margin not exceeding 0.5% established based on the Company's funded debt/EBITDA ratio. As at November 30, 2015, the bank's prime rate was 2.70%.

The treasury risk facility bears interest at the market rate as determined by the lender's treasury department.

Under the terms of the credit facilities, the Company must satisfy a funded debt to EBITDA ratio of 2 to 1 and a minimum interest coverage ratio of 4.5 to 1. The credit facility is payable on demand and is renewable annually. As at November 30, 2015, $6,300 (2014 - $11,750) was drawn from the facilities in the form of banker's acceptance, with maturity dates ranging from December 2015 to February 2016. The Company is in compliance with the facility's covenants.

16. Provisions

Included in provisions are the following amounts:

	2015	2014
	$	$
Litigations and disputes	**1,329**	546
Closed stores	**804**	768
	2,133	1,314
Gift card and loyalty programs liabilities	**1,335**	1,739
Total	**3,468**	3,053

The provision for litigation and disputes represent management's best estimate of the outcome of litigations and disputes that are on-going at the date of the statement of financial position. This provision is made of multiple items; the timing of the settlement of this provision is unknown given its nature, as the Company does not control the litigation timelines.

The payables related to closed stores mainly represent amounts that are expected to be disbursed to exit leases of underperforming or closed stores. The negotiations with the various stakeholders are typically short in duration and are expected to be settled within a few months following the recognition of the provision.

In the litigation and disputes and closed store provisions above, $229 (2014 - $239) was unused and reversed into income. The amounts used in the year include $1,269 (2014 - $657) of the provisions for disputes and closed stores; this amount was used for the settlement of litigation and for the termination of the leases of closed stores.

Additions during the year include $2,317 (2014 - $1,484) to the litigation and closed stores provisions. The provisions were increased to reflect new information available to management.

The gift card and loyalty programs liabilities are the estimated value in gift cards and points outstanding at the date of the statement of financial position. The timing of the reversal of this provision is dependent on customer behaviour and therefore outside of the Company's control.

(In thousands of Canadian dollars, except per share amounts)

17. Deferred revenue and deposits

	2015	2014
	$	$
Franchise fee deposits	**2,633**	2,388
Supplier contributions and other allowances	**3,027**	1,321
	5,660	3,709
Current portion	**(5,660)**	(3,709)
	—	—

18. Long-term debt

	2015	2014
	$	$ *(restated, note 5)*
Non-interest bearing holdbacks on acquisition of Mr. Souvlaki, repayable September 2015	**—**	88
Non-interest bearing holdbacks on acquisition of Extreme Brandz, repayable between December 2015 and March 2016	**4,430**	4,347
Non-interest bearing holdbacks on acquisition of ThaïZone, repayable September 2015	**—**	1,156
Non-interest bearing contract cancellation fees, payable in US dollars based on the performance of certain stores	**88**	96
Non-interest bearing holdbacks on acquisition of Café Dépôt, repayable between December 2015 and October 2016	**1,021**	974
Balance of sale on acquisition of Madisons, bearing interest at 7.00%, repayable in quarterly capital payments of $62 and expiring in July 2019	**937**	1,188
Bank loan bearing interest at the bank's prime plus 0.50%, secured by the property, plant and equipment of a subsidiary, repayable in fixed monthly capital repayments at $24 plus interest with a maturity date of November 1, 2015	**—**	2,819
Non-interest bearing holdbacks on acquisition of Manchu Wok, repayable between December 2015 and December 2016	**1,216**	—
Non-interest bearing holdbacks on acquisition of Big Smoke Burger, repayable September 2018	**264**	—
	7,956	10,668
Current portion	**(6,344)**	(6,854)
	1,612	3,814

(In thousands of Canadian dollars, except per share amounts)

19. Capital stock

Authorized, unlimited number of common shares without nominal or par value

	2015		2014	
	Number	**Amount**	Number	Amount
		$		$
Balance at beginning and end of year	**19,120,567**	**19,792**	19,120,567	19,792

20. Stock options

Under various plans, the Company may grant stock options on the common shares at the discretion of the Board of Directors, to senior executives, directors and certain key employees. Of the 3,000,000 common shares initially reserved for issuance, 699,500 were available for issuance under the share option plan as at November 30, 2015 and 2014. There are no options outstanding as at November 30, 2015 and 2014.

21. Earnings per share

The following table provides the weighted average number of common shares used in the calculation of basic earnings per share and for the purpose of diluted earnings per share:

	2015	2014
Weighted daily average number of common shares	**19,120,567**	19,120,567

22. Financial instruments

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including market risk and the credit risk of non-performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

(In thousands of Canadian dollars, except per share amounts)

22. Financial instruments (continued)

Fair value of recognized financial instruments

Following is a table which sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below:

	2015		2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$ *(restated, note 5)*	$ *(restated, note 5)*
Financial assets				
Cash	**33,417**	**33,417**	6,701	6,701
Accounts receivable	**18,734**	**18,734**	16,809	16,809
Loans receivable	**457**	**457**	686	686
Deposits	**242**	**242**	240	240
Financial liabilities				
Line of credit	**6,300**	**6,300**	11,750	11,750
Accounts payable and accrued liabilities	**24,361**	**24,361**	14,151	14,151
Long-term debt	**7,956**	**7,956**	10,668	10,668

Determination of fair value

The following methods and assumptions were used to estimate the fair values of each class of financial instruments:

Cash, accounts receivable, accounts payable and accrued liabilities – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Loans receivable – The loans receivable generally bear interest at market rates and therefore it is management's opinion that the carrying value approximates the fair value.

Long-term debt – The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements based on the Company's current estimated borrowing rate for a similar debt.

Risk management policies

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2015.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the consolidated statement of financial position are net of allowances for bad debts, estimated by the Company's management based on past experience and counterparty specific circumstances. The Company believes that the credit risk of accounts receivable is limited for the following reasons:

22. Financial instruments (continued)

Credit risk (continued)

- Other than receivables from international locations, the Company's broad client base is spread mostly across Canada, which limits the concentration of credit risk.
- The Company accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual account receivable.

The credit risk on cash is limited because the Company invests its excess liquidity in high quality financial instruments and with credit-worthy counterparties.

The credit risk on the loans receivable is similar to that of accounts receivable. There is currently an allowance for doubtful accounts recorded for loans receivable of $11 (2014 - $9).

Foreign exchange risk

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values caused by fluctuations in exchange rates. The Company is mainly exposed to foreign exchange risk on sales denominated in foreign currencies. The Company's foreign operations use the U.S. dollar as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, other working capital items and the financial obligations of its foreign operations.

Other than the above-mentioned foreign transactions, the Company has minimal exposure to the US$ and is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in the currency. The Company considers this risk to be relatively limited.

As of November 30, 2015, the Company carried US$ cash of CAD$1,511, net accounts receivable of CAD$874 and net accounts payable of CAD$954 (CAD$1,766, CAD$945 and CAD$836 in 2014). All other factors being equal, a reasonable possible 1% rise in foreign currency exchange rates per Canadian dollar would result in a change on profit or loss and net comprehensive income of $15 (2014 - $18) Canadian dollars.

Interest rate risk

The Company is exposed to interest rate risk with its revolving credit facility and treasury risk facility. Both facilities bear interest at a variable rate and as such the interest burden could potentially become more important. $6,300 (2014 - $11,750) of the credit facility was used as at November 30, 2015. A 100 basis points increase in the bank's prime rate would result in additional interest of $63 per annum (2014 - $118) on the outstanding credit facility. The Company limits this risk by using short-term banker's acceptance from the credit facility.

Liquidity risk

The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

(In thousands of Canadian dollars, except per share amounts)

22. Financial instruments (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities as at November 30, 2015:

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	thereafter
	$	$	$	$	$	$
Line of credit	**6,300**	**6,300**	**6,300**	—	—	—
Accounts payable and accrued liabilities	**24,361**	**24,361**	**24,361**	—	—	—
Long-term debt	**7,956**	**8,098**	**3,788**	**2,632**	**883**	**795**
Interest on long-term debt	**n/a**	**126**	**31**	**27**	**40**	**28**
	38,617	**38,885**	**34,480**	**2,659**	**923**	**823**

23. Capital disclosures

The Company's objectives when managing capital are:

(a) To safeguard the Company's ability to obtain financing should the need arise;

(b) To provide an adequate return to its shareholders;

(c) To maintain financial flexibility in order to have access to capital in the event of future acquisitions.

The Company defines its capital as follows:

(a) Shareholders' equity;

(b) Long-term debt including the current portion;

(c) Deferred revenue including the current portion;

(d) Cash

The Company's financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Company may invest in longer or shorter-term investments depending on eventual liquidity requirements.

The Company monitors capital on the basis of the debt-to-equity ratio. The debt-to-equity ratios at November 30, 2015 and 2014 were as follows:

	2015	2014
	$	$ *(restated, note 5)*
Debt	**56,178**	49,977
Equity	**169,209**	149,471
Debt-to-equity ratio	**0.33**	0.33

(In thousands of Canadian dollars, except per share amounts)

23. Capital disclosures (continued)

During the year ended November 30, 2015, the Company's debt-to-equity ratio remained stable compared to 2014. Maintaining a low debt to equity ratio is a priority in order to preserve the Company's ability to secure financing at a reasonable cost for future acquisitions.

As at November 30, 2015, the Company does not have any debt outstanding that is subject to its consolidated debt to equity ratio.

24. Revenue

The Company's revenue includes:

	2015	2014
	$	$
Royalties	**54,714**	45,565
Initial franchise fees	**2,881**	3,633
Rent	**3,984**	4,698
Sale of goods, including construction revenue	**57,612**	38,605
Other franchising revenue	**21,502**	19,454
Other	**4,510**	3,222
	145,203	115,177

25. Operating expenses

Operating expenses are broken down as follows:

	2015	2014
	$	$
Cost of goods sold and rent	**49,472**	41,888
Wages and benefits	**31,426**	18,244
Consulting and professional fees	**4,983**	3,855
Royalties	**1,083**	949
Other [(1)]	**7,557**	7,582
	94,521	72,518

[(1)] Other operating expenses are comprised mainly of travel & promotional costs, bad debt expense and other office administration expenses

(In thousands of Canadian dollars, except per share amounts)

26. Operating lease arrangements

Operating leases as lessee relate to leases of premises in relation to the Company's operations. Leases typically have terms ranging between 5 and 10 years at inception. The Company does not have options to purchase the premises on any of its operating leases.

The Company has entered into various long term leases and has sub leased substantially all of the premises based on the same terms and conditions as the original lease to unrelated franchisees. The minimum rentals, exclusive of occupancy and escalation charges, and additional rent paid on a percentage of sales basis, payable under the leases are as follows:

	Lease commitments	Sub-leases	Net commitments
	$	$	$
2016	80,610	75,104	5,506
2017	73,420	68,712	4,708
2018	65,800	62,125	3,675
2019	58,511	55,455	3,056
2020	47,133	44,709	2,424
Thereafter	118,196	110,599	7,597
	443,670	**416,704**	**26,966**

Payments recognized as a net expense during the year ended November 30, 2015 amount to $9,639 (2014 - $8,739).

Operating leases as lessor relate to the properties leased or owned by the Company, with lease terms ranging between 5 to 10 years. Some have options to extend the duration of the agreements, for periods ranging between 1 and 15 years. None of the agreements contain clauses that would enable the lessee or sub-lessee to acquire the property.

During the year ended November 30, 2015, the Company earned rental revenue of $3,984 (2014 - $4,698).

The Company has recognized a liability of $804 (2014 - $768) for the leases of premises in which it no longer has operations but retains the obligations contained in the lease agreement (Note 16).

27. Guarantee

The Company has provided guarantees in the form of letters of credit for an amount of $66 as at November 2015 (2014 - $45).

28. Contingent liabilities

The Company is involved in legal claims associated with its current business activities. The Company's estimate of the outcome of these claims is disclosed in Note 16. The timing of the outflows, if any, is out of the control of the Company and is as a result undetermined at the moment.

(In thousands of Canadian dollars, except per share amounts)

29. Income taxes

Variations of income tax expense from the basic combined applicable tax rates applicable to income from operations before income taxes are as follows:

	2015		2014	
	$	%	$	%
Combined income tax rate	**9,622**	**26.8**	9,092	26.5
Add effect of:				
Disposition of capital property	**(229)**	**(0.7)**	(156)	(0.5)
Non-deductible items	**24**	**0.1**	23	0.1
Losses in subsidiaries for which no deferred income tax asset was recorded	**218**	**0.6**	157	0.5
Variation in deferred taxes attributable to foreign exchange	**26**	**0.1**	—	—
Adjustment to prior year provisions	**25**	**0.1**	(6)	(0.0)
Other – net	**(6)**	**(0.0)**	13	0.0
Provision for income taxes	**9,680**	**27.0**	**9,123**	**26.6**

The statutory tax rate has increased in 2015 as a result of the higher proportion of the Company's income earned in the United States during the year.

(In thousands of Canadian dollars, except per share amounts)

29. Income taxes (continued)

The variation in deferred income taxes during the year were as follows:

	November 30, 2014	Recognized in profit or loss	Acquisition	November 30, 2015
	$	$	$	$
	(restated, note 5)			
Net deferred tax assets (liabilities) in relation to:				
Property, plant and equipment	167	**(670)**	**92**	**(411)**
Provisions	916	**(467)**	**—**	**449**
Long-term debt	(201)	**138**	**(32)**	**(95)**
Non-capital losses	187	**236**	**—**	**423**
Intangible assets	(6,999)	**1,537**	**(1,003)**	**(6,465)**
	(5,930)	**774**	**(943)**	**(6,099)**

As at November 30, 2015 there were approximately $6,706 (2014 – $6,706) of capital losses which may be applied against capital gains for future years and be carried forward indefinitely. The deferred income tax benefit of these capital losses has not been recognized.

As at November 30, 2015, there were approximately $1,241 (2014 - $406) in non-capital losses accumulated in one of the Company's subsidiaries for which no deferred income tax asset was recognized.

The deductible temporary difference in relation to an investment in a subsidiary for which a deferred tax asset has not been recognized amounts to $321 (2014 - $105).

30. Segmented information

The Company's activities are comprised of Franchise operations, Corporate store operations, Distribution operations and Food processing operations. Operating segments were established based on the differences in the types of products or services offered by each division.

The products and services offered by each segment are as follows:

Franchising operations

The franchising business mainly generates revenue from royalties, supplier contributions, franchise fees, rent and the construction and renovation of restaurants.

Corporate store operations

Corporate stores generate revenue from the direct sale of prepared food to customers.

Distribution operations

The distribution operations generate revenue by distributing raw materials to restaurants of our Valentine and Franx banners.

(In thousands of Canadian dollars, except per share amounts)

30. Segmented information (continued)

Food processing operations

The Food processing plant generates revenue from the sale of ingredients and prepared food to restaurant chains, distributors and retailers.

Below is a summary of each segment's performance during the years.

For the year ended November 30, 2015:

						2015
	Franchising	Corporate	Distribution	Processing	Inter-company	Total
	$	$	$	$	$	$
Operating revenue	101,712	30,363	6,432	8,769	(2,073)	145,203
Operating expenses	52,749	29,055	5,810	8,980	(2,073)	94,521
	48,963	1,308	622	(211)	—	50,682
Other expenses						
Depreciation - property, plant and equipment	430	835	6	264	—	1,535
Amortization – intangible assets	6,744	—	—	—	—	6,744
Interest on long-term debt	323	—	—	113	—	436
Other income						
Foreign exchange gain	64	—	—	—	—	64
Interest income	142	—	2	—	—	144
Impairment (charges) reversals	(7,893)	—	—	(200)	—	(8,093)
Gain on disposal of property, plant and equipment	1,821	—	—	—	—	1,821
Operating income	35,600	473	618	(788)	—	35,903
Current income taxes	10,161	127	166	—	—	10,454
Deferred income taxes	(774)	—	—	—	—	(774)
Net income	26,213	346	452	(788)	—	26,223
Total assets	221,559	2,061	1,173	608	(14)	225,387
Total liabilities	54,198	1,247	291	516	(74)	56,178

(In thousands of Canadian dollars, except per share amounts)

30. Segmented information (continued)

For the year ended November 30, 2014:

						2014 *(restated, Note 5)*
	Franchising	**Corporate**	**Distribution**	**Processing**	**Inter-company**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Operating revenue	89,962	12,062	6,023	8,487	(1,357)	115,177
Operating expenses	47,092	12,461	5,470	8,852	(1,357)	72,518
	42,870	(399)	553	(365)	—	42,659
Other expenses						
Depreciation - property, plant and equipment	495	372	2	222	—	1,091
Amortization – intangible assets	5,985			—	—	5,985
Interest on long-term debt	278	—	—	144	—	422
Other income						
Foreign exchange gain (loss)	142	—	—	(36)	—	106
Interest income	118	—	—	—	—	118
Gain on preferred share redemption	—	—	—	100	—	100
Impairment on intangible assets	(2,356)	—	—	—	—	(2,356)
Gain on disposal of property, plant and equipment	1,179	—	—	—	—	1,179
Operating income	35,195	(771)	551	(667)	—	34,308
Current income taxes	8,879	(207)	148	—	—	8,820
Deferred income taxes	303	—	—	—	—	303
Net income	26,013	(564)	403	(667)	—	25,185
Total assets	190,986	4,338	929	5,004	(1,809)	199,448
Total liabilities	46,048	701	254	4,783	(1,809)	49,977

(In thousands of Canadian dollars, except per share amounts)

31. Statement of cash flows

Net changes in non-cash working capital balances relating to continuing operations are as follows:

	2015	2014
	$	$
Accounts receivable	(1,925)	(1,927)
Inventories	275	15
Loans receivable	229	292
Prepaid expenses and deposits	767	(371)
Accounts payable and accrued liabilities	8,285	(427)
Provisions	415	1,243
	8,046	(1,175)

32. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and other related parties are disclosed below.

Compensation of key management personnel

The remuneration of key management personnel and directors during the years was as follows:

	2015	2014
	$	$
Short-term benefits	842	809
Board member fees	42	40
Total remuneration of key management personnel	884	849

Key management personnel is composed of the Company's CEO, COO and CFO. The remuneration of directors and key executives is determined by the Board of directors having regard to the performance of individuals and market trends.

Given its widely held share base, the Company does not have an ultimate controlling party; its most important shareholder is its CEO, who controls 26% of the outstanding shares.

(In thousands of Canadian dollars, except per share amounts)

32. Related party transactions (continued)

The Company also pays employment benefits to individuals related to members of the key management personnel described above. Their total remuneration was as follows:

	2015	2014
	$	$
Short-term benefits	**394**	538
Total remuneration of individuals related to key management personnel	**394**	538

A corporation owned by individuals related to key management personnel has non-controlling participation in two of the Company's subsidiaries. During the year ended November 30, 2015, dividends of $nil (2014 - $nil) were paid by those subsidiaries to the above-mentioned company.

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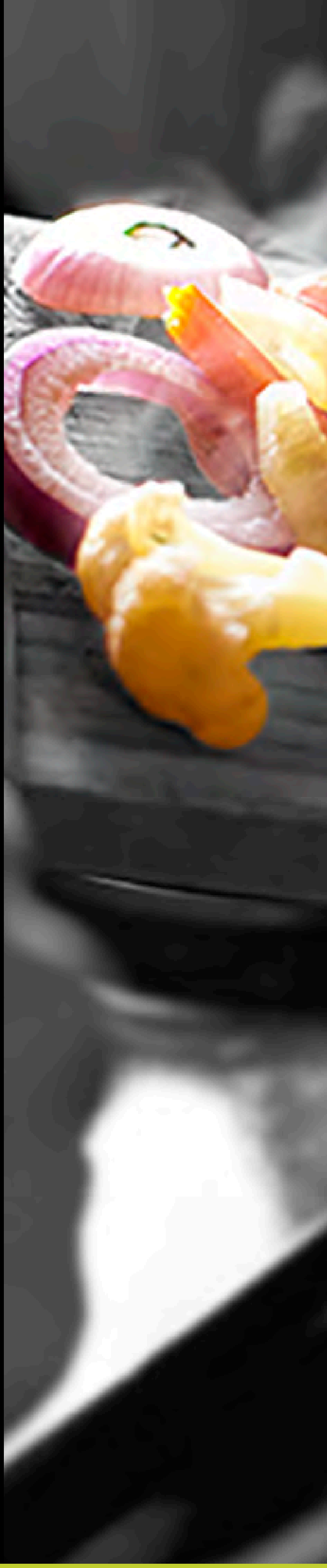

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