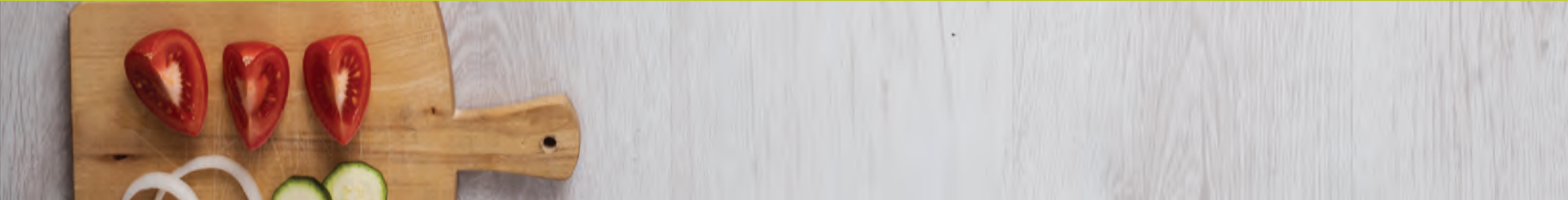
GROUPE MTY GROUP

ANNUAL REPORT 2018



OUR BANNERS

MTYGROUP.COM

Dear fellow Shareholders,

The year that just ended has been a transformational year for MTY. First, we have completed five transactions, investing $325 million and adding 702 locations to our network, bringing our system sales to $2.8 billion for 2018 and easily surpassing last year's record-breaking $2.3 billion. Second, our founder and our COO of Canadian operations have announced they would concentrate on their board of director duties while focusing on realizing additional acquisition opportunities for MTY. Last, in November we put a solid leadership team in place that will help MTY achieve its goals. Their experience and long list of past successes will all contribute to helping our franchisees prosper and accelerate MTY's growth.

Among the acquisitions realized during 2018, the acquisition of Imvescor Restaurant Group Inc. ("IRG") was the most significant in terms of total purchase consideration but also in terms of expanding MTY into the casual dining segment of the restaurant industry. The expertise we gained when the IRG team joined was invaluable and we hope they can help us grow further into a segment in which we had previously been less present.

The strong performance of IRG and The Counter Custom Burgers/Built Custom Burgers since their acquisition has largely driven the 36% growth in EBITDA realized during 2018. Our EBITDA surpassed the $100 million mark for the first time this year and reached $127.7 million. The business continues to provide a high conversion rate of our EBITDA into cash flows; our operating cash flows also reached a record high this year, at $97.6 million.

During 2018, the consolidation of our industry accelerated and MTY participated unfruitfully in many auction processes in which prices rose past our comfort zone. At certain times prices seem to become a secondary factor for some optimistic participants. Our love for acquisitions does not supersede the rigor we have imposed on ourselves since the beginning of MTY.

In this context, our commitment to financial discipline and patience were crucial, and our determination to pay a fair price for acquisitions was more important than ever. The consolidation of the industry continues at an accelerated pace as I write this message, and MTY is ready to expand its footprint further but is also prepared to remain on the sidelines when prices exceed our comfort zone.

Despite all the changes during 2018, MTY's DNA remains the same; we are an entrepreneurial and disciplined company driven by our core values of Excellence, Dedication, Innovation. The transformation we have initiated aims at ensuring our organization will continue to deliver solid cash flows whether we acquire new businesses or not.

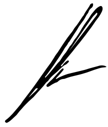
Over the years we have shifted from being predominantly in food courts to a more diversified store base; in 2016, we entered the US market with a sizeable acquisition that makes our presence robust and durable. In the past two years, we have approached the casual dining with increased intensity and have further diversified our portfolio.

Adjustments have happened in increments, allowing us time to learn and master the new business avenues we have been exploring. Our goal is to continue down that path in the future, with the hope that our actions will result in great rewards in the long term.

In 2019, MTY is entering into its 40th year, and the restaurant industry in North America has never been so competitive. Changes are happening faster than ever with the growth of delivery platforms, meal kits delivered at home, etc. However, the industry also provides tremendous opportunities to flourish for restaurants that provide the best food, stay ahead of food trends and offer the greatest value. As such, our team's focus is oriented towards improving every aspect of our customers' experience and helping our franchise partners succeed in a highly competitive environment.

Looking back at the year that just ended, I must say that I am very proud of the performance of MTY's team and of its franchise partners, they are truly the heart and soul of MTY, and I want to thank them for the dedication to achieve the best possible performance.

We will continue to grow and prosper with the help of our exceptional team, our franchisees, and our valued business partners, all of whom I want to thank personally and on behalf of the Board of Directors.



Eric Lefebvre
Chief Executive Officer
February 14, 2019

Management's Discussion and Analysis
For the fiscal year ended November 30, 2018

General

This Management's Discussion and Analysis of the financial position and financial performance ("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, 2018.

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, 2017.

This MD&A was prepared as of February 14, 2019. 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 2018. 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 as at February 14, 2019 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 14, 2019. 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 information on contingent liabilities and contingent assets 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; volatility in foreign exchange rates or borrowing rates; foodborne illness; 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 14, 2019. The financial impact of these transactions and non-recurring and other special items can be complex and depend 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 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. Same store sales growth provides information on the comparative performance of the restaurants in our network from one period to the next.

Similarly, the Company uses system sales to evaluate the size and performance of MTY's network, as well as to indicate its income-generation potential. System sales include the sales of existing restaurants, of the ones that have closed or have opened during the period, as well as the sales of new concepts acquired from the closing date of the transaction and forward.

These measures are widely accepted financial indicators but are not a measurement determined in accordance with IFRS and may not be comparable to those presented by other companies. These non-IFRS 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 IFRS.

The Company uses these measures to evaluate the performance of the business as they reflect its ongoing operations. Management believes 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 and

system sales provide additional information to investors about the performance of the network that is not available under IFRS. Both measures are components in the determination of short-term incentive compensation for some employees.

Highlights of significant events during the fiscal year

Acquisition of the limited liability interests in CB (Custom Burger) Franchise Systems LLC and Built Franchise Systems LLC

On December 1, 2017, the Company announced that it had completed the acquisition of the limited liability company interests in CB (Custom Burger) Franchise Systems LLC and Built Franchise Systems LLC. The purchase price was $30.0 million (US$ 23.5 million) of which $28.3 million (US$ 22.2 million) was paid at closing. At closing 41 franchised and 3 corporately owned restaurants were in operation.

Completion of combination agreement with Imvescor

On March 1, 2018, the Company, through the merger of a wholly owned subsidiary with Imvescor Restaurant Group Inc. ("IRG"), acquired all the outstanding shares of IRG. The total consideration for the transaction was $250.8 million, of which $53.1 million was settled in cash and the remaining in shares. At closing IRG operated 5 brands in Canada and had 261 locations in operation.

Acquisition of the assets of Grabbagreen®

On March 15, 2018, one of the Company's wholly owned subsidiaries acquired the assets of Grabbagreen®. The total consideration amounted to $3.4 million (US$ 2.6 million), of which $3.1 million (US$ 2.4 million) was paid on closing. At closing, there were 27 locations in operation in the United States.

Acquisition of the assets of Timothy's World Coffee® and Mmmuffins®

On April 4, 2018, one of the Company's wholly owned subsidiaries acquired the assets of Timothy's World Coffee® and Mmmuffins®. The total consideration amounted to $1.3 million, of which $1.2 million was paid on closing. At closing, there were 39 locations in operation in Canada.

Acquisition of non-controlling interest in Madison's

On September 7, 2018, the Company acquired the remaining 10% non-controlling interest of 8825726 Canada Inc. (Madison's) for a cash consideration of $1.1 million.

Acquisition of the SweetFrog Premium Frozen Yogurt Franchise

On September 25, 2018, the Company announced that it had completed the acquisition of substantially all of the assets of SweetFrog Premium Frozen Yogurt for $41.5 million (US$ 32.1 million). Of this total, $37.4 million (US$ 28.9 million) was paid on closing. At closing, there were 323 franchised/licensed locations in the US and 8 located internationally.

Core business

MTY franchises and operates quick service and casual dining restaurants under the following banners: Tiki-Ming, Sukiyaki, La Crémière, Au Vieux Duluth Express, Panini Pizza Pasta, Villa Madina, Cultures, Thaï Express, Vanellis, Kim Chi, "TCBY", 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, Tosto, Big Smoke Burger, Cold Stone Creamery, Blimpie, Surf City Squeeze, The Great Steak & Potato Company, NrGize Lifestyle Café, Samurai Sam's Teriyaki Grill, Frullati Café & Bakery, Rollerz, Johnnie`s New York Pizzeria, Ranch One, America's Taco Shop, Cereality, Tasti D-Lite, Planet Smoothie, Maui Wowi, Pinkberry, Baja Fresh Mexican Grill, La Salsa Fresh Mexican Grill, La Diperie, Steak Frites St-Paul, Giorgio Ristorante, The Works Gourmet Burger Bistro, Houston Avenue Bar & Grill and Industria Pizzeria + Bar, Dagwoods Sandwiches and Salads, The Counter Custom Burgers, Built Custom Burgers, Baton Rouge, Pizza Delight, Scores, Toujours Mikes, Ben & Florentine, Grabbagreen, Timothy's World Coffee, Mmmuffins and SweetFrog.

As at November 30, 2018, MTY had 5,984 locations in operation, of which 5,919 were franchised or under operator agreements and the remaining 65 locations were operated by MTY.

MTY's locations can be found in: i) mall and office tower food courts and shopping malls; ii) street front; and, iii) non-traditional format within airports, petroleum retailers, convenience stores, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities and food-truck carts. The street front locations are mostly made up of the Country Style, La Crémière, Sushi Shop, Taco Time, Tutti Frutti, Valentine, Mr. Sub, ThaïZone, Extreme Pita, Mucho Burrito, Madisons, Houston Avenue Bar & Grill, Industria Pizzeria + Bar, Steak Frites St-Paul, Giorgio Ristorante, The Works Gourmet Burger Bistro, Blimpie, Cold Stone Creamery, Baja Fresh Mexican Grill, The Counter Custom Burgers, Built Custom Burgers, Baton Rouge, Scores, Pizza Delight, Toujours Mikes, Ben & Florentine and Grabbagreen. La Crémière, "TCBY", La Diperie and SweetFrog operate primarily from April to September and the other banners generally 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[1]	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
ThaïZone	September 2013 March 2015	80% + 20%	25 and 3 mobile restaurants	—
Madisons	July 2014 September 2018	90% + 10%	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

[1] The Yogen Früz™ exclusive master franchise rights in Canada were disposed of on February 1st, 2017.

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
Manchu Wok, Wasabi Grill & Noodle and SenseAsian	December 2014	100%	115	17
Big Smoke Burger	September 2015 September 2016	60% + 40%	13	4
Kahala Brands Ltd - Cold Stone Creamery, Blimpie, Taco Time, Surf City Squeeze, The Great Steak & Potato Company, NrGize Lifestyle Café, Samurai Sam's Teriyaki Grill, Frullati Café & Bakery, Rollerz, Johnnie`s New York Pizzeria, Ranch One, America's Taco Shop, Cereality, Tasti D-Lite, Planet Smoothie, Maui Wowi and Pinkberry	July 2016	100%	2,839	40
BF Acquisition Holdings, LLC – Baja Fresh Mexican Grill and La Salsa Fresh Mexican Grill	October 2016	100%	167	16
La Diperie	December 2016	60%	5	—
Steak Frites St-Paul and Giorgio Ristorante	May 2017 September 2018	83.25% + 9.25%	15	—
The Works Gourmet Burger Bistro	June 2017	100%	23	4
Houston Avenue Bar & Grill and Industria Pizzeria + Bar	June 2017	80%	12	—
Dagwoods Sandwiches and Salads	September 2017	100%	20	2
The Counter Custom Burgers	December 2017	100%	36	3
Built Custom Burgers	December 2017	100%	5	—
Imvescor Restaurant Group - Baton Rouge, Pizza Delight, Scores, Toujours Mikes, and Ben & Florentine	March 2018	100%	253	8
Grabbagreen	March 2018	100%	26	1
Timothy's World Coffee and Mmmuffins - perpetual franchising license	April 2018	100%	32	7
SweetFrog Premium Frozen Yogurt	September 2018	100%	331	—

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 turnkey projects, rent, sign rental, supplier contributions, gift card breakage and program fees and sales of other goods and services, including those generated by products sold at various retailers and by the distribution centre that serves the Valentine franchisees. 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 turnkey projects, rent, supplies, finished products and equipment sold.

Revenues from corporate-owned locations include sales generated from corporate-owned locations. 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 prepared food sold in retail stores. The plant generates most of its revenues selling its products to distributors and retailers.

Description of recent acquisitions

On September 25, 2018, the Company announced that it had completed the acquisition of substantially all of the assets of SweetFrog Premium Frozen Yogurt for $41.5 million (US$ 32.1 million). Of this total, $37.4 million (US$ 28.9 million) was paid on closing. At closing, there were 323 franchised/licensed locations in the US and 8 located internationally.

On September 7, 2018, the Company acquired the remaining 10% non-controlling interest of 8825726 Canada Inc. (Madison's) for a cash consideration of $1.1 million.

On April 4, 2018, one of the Company's wholly owned subsidiaries acquired the assets of Timothy's World Coffee® and Mmmuffins®. The total consideration amounted to $1.3 million, of which $1.2 million was paid on closing. At closing, there were 39 locations in operation in Canada.

On March 15, 2018, one of the Company's wholly owned subsidiaries acquired the assets of Grabbagreen®. The total consideration amounted to $3.4 million (US$ 2.6 million), of which $3.1 million (US$2.4 million) was paid on closing. At closing, there were 27 locations in operation in the United States.

On March 1, 2018, the Company, through the merger of a wholly owned subsidiary with Imvescor Restaurant Group Inc. ("IRG"), acquired all the outstanding shares of IRG. The total consideration for the transaction was $250.8 million, of which $53.1 million was settled in cash and the remaining in shares. At closing IRG operated 5 brands in Canada and had 261 locations in operation.

On December 1, 2017, the Company announced that it had completed the acquisition of the limited liability company interests in CB Franchise Systems LLC and Built Franchise Systems LLC. The purchase price was $30.0 million (US$ 23.5 million) of which $28.3 million (US$ 22.2 million) was settled in cash. At closing 41 franchised and 3 corporately owned restaurants were in operation. The network has locations in the United States of America, Canada, Ghana, Ireland, Japan, Mexico, Saudi Arabia and the United Kingdom.

On September 29, 2017, the Company announced it had completed the acquisition of the assets of Dagwoods Sandwiches and Salads. The purchase price was $3.0 million of which $2.6 million was settled in cash. At closing, there were 22 locations in operation, all of them located in Canada.

On June 16, 2017, the Company announced it had completed through its 80% controlling interest in a subsidiary the acquisition of the assets of Houston Avenue Bar & Grill ("Houston") and Industria Pizzeria + Bar ("Industria"). The Company's share of the purchase consideration was $16.8 million of which $12.8 million was settled in cash. At closing 9 Houston and 3 Industria were in operation. All locations are located in Canada.

On June 9, 2017, the Company announced it had completed the acquisition of the assets of The Works Gourmet Burger Bistro. The purchase price was $8.2 million of which $7.1 million was settled in cash. At closing, there were 27 locations in operation, all of them located in Canada.

On May 8, 2017, the Company announced that it had completed the acquisition of the assets of Steak Frites St-Paul and Giorgio Ristorante for an amount of $0.4 million, of which $0.3 million was paid from cash on hand. At closing, 6 Giorgio Ristorante and 9 Steak Frites were in operation. All locations are located in Canada.

On April 19, 2017, the Company acquired the remaining non-controlling shareholder interest in 7687567 Canada Inc. (Lucky 8) for a non-material cash consideration.

On December 9, 2016, the Company announced that it had completed through its 60% controlling interest in a subsidiary the acquisition of the assets of La Diperie. The Company's share of the purchase consideration amounted to $0.9 million, satisfied by the payment of $0.8 million cash. At closing, La Diperie operated 5 stores in Canada.

Selected annual information

(in thousands $, except EPS, dividend per common share and number of common shares)	**Year ended November 30, 2018**	**Year ended November 30, 2017** *As adjusted [1]*	**Year ended November 30, 2016**
Total assets	1,230,307	855,013	852,650
Total long-term liabilities	388,369	342,444	359,512
Operating revenue	353,303	276,083	191,275
EBITDA[2]	127,743	93,726	65,841
Income before income taxes	82,900	62,664	68,686
Income before taxes, excluding impairment charges and reversals	88,431	63,664	68,686
Net income attributable to owners	98,580	49,507	54,421
Total comprehensive income attributable to owners	112,308	33,747	57,147
EPS basic	4.07	2.32	2.73
EPS diluted	4.06	2.32	2.73
Dividends paid on common stock	14,530	9,832	9,314
Dividends per common share	$0.60	$0.46	$0.46
Weighted daily average number of common shares	24,228,206	21,374,497	19,908,827
Weighted average number of diluted common shares	24,272,650	21,374,497	19,908,827

[1] Total assets and total liabilities have been adjusted to reflect a change to the Houston Bar & Grill and Industria Pizzeria + Bar preliminary purchase price calculation. The purchase price calculation has now been finalized. For more information, see note 6 IX to the November 30, 2018 consolidated financial statements

[2] 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 12.

Summary of quarterly financial information

(in thousands $, except EPS)	Quarters ended							
	February 2017	**May 2017**	**August 2017**	**November 2017**	**February 2018**	**May 2018**	**August 2018**	**November 2018**
Revenue	$64,016	$69,962	$72,372	$69,733	$63,715	$89,829	$91,236	$108,523
EBITDA[(1)]	$16,336	$24,595	$25,576	$27,219	$19,912	$35,506	$39,578	$32,747
Net income attributable to owners	$2,015	$16,033	$12,035	$19,424	$45,332	$18,040	$22,275	$12,933
Total comprehensive income (loss) attributable to owners	($1,192)	$20,145	($14,344)	$29,138	$43,852	$22,260	$25,547	$20,649
Earnings per share	$0.09	$0.75	$0.56	$0.91	$2.12	$0.72	$0.89	$0.34
Earnings per diluted share	$0.09	$0.75	$0.56	$0.91	$2.12	$0.72	$0.88	$0.34

(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 12.

Segment note disclosure

Management monitors and evaluates results of the Company based on geographical segments; these two segments being Canadian and United States of America/ International. The Company and its chief operating decision maker assess the performance of each operating segment based on its segment profitability.

Results of operations for the fiscal year ended November 30, 2018

Revenue
During the 2018 fiscal year, the Company's total revenue increased to $353.3 million, from $276.1 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	**Subdivision**	**November 30, 2018 ($ millions)**	**November 30, 2017 ($ millions)**	**Variation**
Canada	Franchise operation	169.1	107.9	57%
	Corporate stores	34.8	23.4	49%
	Food processing	15.6	14.7	6%
	Intercompany transactions	(4.2)	(4.1)	N/A
Total Canada		215.3	141.9	52%
USA & International	Franchise operation	113.4	107.7	5%
	Corporate stores	24.9	26.8	(7%)
	Intercompany transactions	(0.3)	(0.3)	N/A
Total USA/International		138.0	134.2	3%
Total operating revenues		**353.3**	**276.1**	**28%**

Canada revenue analysis:

As is shown in the table above, revenue from franchise locations in Canada increased by 57%. Several factors contributed to the variation, as listed below:

	$ millions
Revenues, 2017 fiscal year	107.9
Increase in recurring revenue streams	6.7
Increase in initial franchise fees, renewal fees and transfer fees	0.1
Decrease in turnkey, sales of material to franchisees and rent revenues	(2.0)
Increase due to the acquisitions	58.1
2017 one-time contract termination settlement	(1.9)
Other non-material variations	0.2
Revenues, 2018 fiscal year	169.1

Revenue from corporate-owned locations increased by 49% to $34.8 million during the period. The increase is mainly due to sales from the four corporate The Works Gourmet Burger Bistro locations acquired in the second quarter of 2017 and the 8 corporate Imvescor Restaurant Group restaurants acquired at the beginning of the second quarter.

Food processing revenues increased by 6% during 2018, mainly due to increased volumes of certain existing products as well as to the continuous addition of new product lines.

USA/International revenue analysis:

As is shown in the table in the previous page, revenue from franchise locations in the US increased by 5%. Several factors contributed to the variation, as listed below:

	$ millions
Revenues, 2017 fiscal year	107.7
Decrease in recurring revenue streams	(0.8)
Increase in initial franchise fees, renewal fees and transfer fees	0.8
Decrease due to the sale of material and services to franchisees	(0.9)
Decrease due to gift card breakage income	(0.4)
Increase due to acquisitions	7.4
Impact of variation in foreign exchange rates	0.1
Other non-material differences	(0.5)
Revenues, 2018 fiscal year	113.4

Revenue from corporate-owned locations decreased by 7%, to $24.9 million during the year due to a decrease in the number of corporate locations.

Cost of sales and other operating expenses
During the 2018 fiscal year operating expenses increased by 24% to $225.6 million, up from $182.4 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	November 30, 2018 ($ millions)	November 30, 2017 ($ millions)	Variation
Canada	Franchise operation	88.1	53.0	66%
	Corporate stores	35.4	23.2	53%
	Food processing	14.1	13.3	6%
	Intercompany transactions	(2.9)	(2.9)	N/A
Total Canada		134.7	86.6	55%
USA & International	Franchise operation	63.4	66.3	(4%)
	Corporate stores	29.1	31.0	(6%)
	Intercompany transactions	(1.6)	(1.5)	N/A
Total USA/International		90.9	95.8	(5%)
Total cost of sales and other operating expenses		**225.6**	**182.4**	**24%**

Canada cost of sales and other operating expenses analysis:

Expenses from franchise operations increased by $35.1 million or 66% when compared to fiscal year 2017. Excluding the impact from the acquisition of Imvescor Group, expenses from franchise operations decreased slightly compared to 2017. A decrease in lease termination costs and rent and a decrease in the number of turnkey projects which fluctuated in line with the associated revenues were partially offset by an increase in the wages and benefits resulting from acquisitions realized in 2017 and 2018 and in professional fees. During the year, the Company incurred approximately $1.7 million in non-recurring incremental costs related to the acquisition of Imvescor Restaurant Group Inc., which closed on March 1, 2018.

The variation of expenses from the corporate stores and food processing activities were both tightly correlated to the related revenues.

USA/International cost of sales and other operating expenses analysis:

During the 2018 fiscal year, the Company's expenses from US franchise operations decreased by $2.9 million or 4% when compared to the same period last year. The decrease predominantly results from a decrease in professional fees, rent and resale material expenses. The decrease was partially offset by an increase in wages and benefits.

Corporate stores costs decreased 6% for the year compared to the same period last year. The variation of expenses from the corporate stores was correlated to the related revenues.

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

Fiscal year ended November 30, 2018			
(In millions $)	Canada	USA & International	Total
Revenues	215.3	138.0	353.3
Expenses	134.7	90.9	225.6
EBITDA[1]	80.6	47.1	127.7
EBITDA as a % of Revenue	37%	34%	36%

Fiscal year ended November 30, 2017			
(In millions $)	Canada	USA & International	Total
Revenues	141.9	134.2	276.1
Expenses	86.6	95.8	182.4
EBITDA[(1)]	55.3	38.4	93.7
EBITDA as a % of Revenue	39%	29%	34%

[(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 12.

Below is a summary of performance segmented by product/service:

Fiscal year ended November 30, 2018

(In millions $)	Franchise	Corporate	Processing	Intercompany transactions	Total
Revenues	282.5	59.7	15.6	(4.5)	353.3
Expenses	151.5	64.5	14.1	(4.5)	225.6
EBITDA[1]	131.0	(4.8)	1.5	—	127.7
EBITDA as a % of Revenue	46%	N/A	10%	N/A	36%

Fiscal year ended November 30, 2017

(In millions $)	Franchise	Corporate	Processing	Intercompany transactions	Total
Revenues	215.6	50.2	14.7	(4.4)	276.1
Expenses	119.3	54.2	13.3	(4.4)	182.4
EBITDA[1]	96.3	(4.0)	1.4	—	93.7
EBITDA as a % of Revenue	45%	N/A	10%	N/A	34%

[(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 12.

Total EBITDA for the year ended November 30, 2018 was $127.7 million, an increase of 36% compared to the same period last year. Canada contributed 63% of total EBITDA and 74% of the total increase in EBITDA, mainly owing to the acquisitions realized in 2017 and 2018. The acquisition of Imvescor Restaurant Group, which contributed $20.1 million since the closing of the transaction on March 1st, 2018, was the largest contributor.

The USA & International EBITDA grew by 23% mainly as a result of the acquisitions during the year. Foreign exchange fluctuations had minimal impact year over year.

Net income
For the year ended November 30, 2018, net income attributable to owners increased to $98.6 million or $4.07 per share ($4.06 per diluted share) compared to $49.5 million or $2.32 per share ($2.32 per diluted share) for the same period last year.

The results were impacted favorably by an adjustment in the prospective income tax rate for the United States used to calculate the deferred income taxes. Excluding the impact of this non-recurring adjustment, net income attributable to owners would have been $63.1 million, or $2.60 per share ($2.60 per diluted share).

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

(in thousands $)	Year ended November 30, 2018	Year ended November 30, 2017
Income before taxes	82,900	62,664
Depreciation – property, plant and equipment	2,755	2,724
Amortization – intangible assets	24,749	20,178
Interest on long-term debt	11,717	10,314
Impairment on property, plant and equipment and intangible assets	5,531	1,000
Unrealized and realized foreign exchange gain	(11)	(2,004)
Interest income	(649)	(439)
Gain on disposal of property, plant and equipment and intangible assets	(710)	(1,120)
Loss on revaluation of financial liabilities recorded at fair value through profit and loss	1,461	409
EBITDA	**127,743**	**93,726**

Other income and charges
Amortization of intangible assets increased as a result of the 2018 acquisitions and the intangibles added as part of the purchase price.

Unrealized and realized foreign exchange gains decreased compared to prior year as 2017 saw higher fluctuations in foreign exchange rates when compared to 2018. 2018 stayed relatively constant year over year with only 1% average decrease in the rate.

During the year, as the result of a decline in their financial performance, the Company carried out a review of the recoverable amounts of the capital assets related to certain corporate stores and of intangibles related to multiple concepts. The review led to the recognition of a non-cash impairment loss of $5.5 million composed of $2.0 million in leasehold improvements and equipment and $5.8 million in franchise rights and trademarks offset by an impairment reversal of $2.3 million. The reversal of $2.3 million relates to a 2014 impairment taken on Country Style which has shown favourable performance in the last few years as a result of increases in the number of non-traditional locations opened.

Results of operations for the three-month period ended November 30, 2018

Revenue
During the fourth quarter of the 2018 fiscal year, the Company's total revenue increased by 56% to reach $108.5 million. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2018 ($ millions)	November 30, 2017 ($ millions)	Variation
Canada	Franchise operation	65.1	31.3	108%
	Corporate stores	9.5	6.2	52%
	Food processing	4.4	4.2	3%
	Intercompany transactions	(2.3)	(2.1)	N/A
Total Canada		76.7	39.6	93%
USA & International	Franchise operation	27.6	25.3	9%
	Corporate stores	4.3	4.9	(12%)
	Intercompany transactions	(0.1)	(0.1)	N/A
Total USA/International		31.8	30.1	6%
Total operating revenues		**108.5**	**69.7**	56%

Canada revenue analysis:

As is shown in the table on the previous page, revenue from franchise locations in Canada increased by 108% compared to prior year. Several factors contributed to the variation, as listed below:

	$ millions
Revenues, fourth quarter of 2017	31.3
Increase in recurring revenue steams	0.5
Increase in sales of material to franchisees and rent revenues	0.3
Increase due to the acquisitions	35.1
2017 one-time contract termination settlement	(1.9)
Other non-material variations	(0.2)
Revenues, fourth quarter of 2018	65.1

Revenue from corporate-owned locations increased by 52%, to $9.5 million during the three-month period. The increase is mainly due to sales from the 8 corporate Imvescor Restaurant Group restaurants acquired at the beginning of the second quarter of 2018.

USA/International revenue analysis:

As is shown in the table on the previous page, revenue from franchise locations in the US increased by 9%. Several factors contributed to the variation, as listed below:

	$ millions
Revenues, fourth quarter of 2017	25.3
Increase in recurring revenue streams	0.5
Increase in initial franchise fees, renewal fees and transfer fees	2.3
Decrease in sales of material and services to franchisees	(0.9)
Decrease due to gift card breakage income	(3.5)
Increase due to acquisitions	2.4
Impact of variation in foreign exchange rates	1.9
Other non-material differences	(0.4)
Revenues, fourth quarter of 2018	27.6

Revenue from corporate-owned locations decreased by 12%, to $4.3 million, mainly due to a decrease in the number of corporate restaurants.

Cost of sales and other operating expenses

During the fourth quarter of 2018, operating expenses increased by 79%. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	November 30, 2018 ($ millions)	November 30, 2017 ($ millions)	Variation
Canada	Franchise operation	40.7	12.4	227%
	Corporate stores	9.9	5.8	70%
	Food processing	4.0	3.6	9%
	Intercompany transactions	(0.8)	(0.6)	N/A
Total Canada		53.8	21.2	153%
USA & International	Franchise operation	18.3	17.0	8%
	Corporate stores	5.3	5.9	(10%)
	Intercompany transactions	(1.6)	(1.6)	N/A
Total USA/International		22.0	21.3	4%
Total cost of sales and other operating expenses		**75.8**	**42.5**	**79%**

Canada cost of sales and other operating expenses analysis:

Expenses from franchise operations increased by $28.3 million or 227% when compared to the same period in 2017. Excluding the impact from the acquisition of Imvescor Restaurant Group, expenses from franchise operations would have increased by $2.1 million. An increase in rent and lease termination costs as well as wages and benefits was offset by a decrease in consulting and professional fees.

Expenses from corporate stores and the food processing segment fluctuated mostly as a function of factors explained in the Revenue section above.

USA/International cost of sales and other operating expenses analysis:

During the fourth quarter, the Company's expenses from US franchise operations increased by $1.3 million or 8%. Expenses were impacted unfavourably by variations in foreign exchange rates between the two periods.

Corporate stores costs decrease by 10% for the fourth quarter when compared to the same period last year. The variation of expenses from the corporate stores was correlated to the related revenues.

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

	Three months ended November 30, 2018		
(In millions $)	Canada	USA & International	Total
Revenues	76.7	31.8	108.5
Expenses	53.8	22.0	75.8
EBITDA[(1)]	22.9	9.8	32.7
EBITDA as a % of Revenue	30%	31%	30%

	Three months ended November 30, 2017		
(In millions $)	Canada	USA & International	Total
Revenues	39.6	30.1	69.7
Expenses	21.2	21.3	42.5
EBITDA[(1)]	18.4	8.8	27.2
EBITDA as a % of Revenue	46%	29%	39%

Below is a summary of performance segmented by product/service:

	Three months ended November 30, 2018				
(In millions $)	Franchise	Corporate	Processing	Intercompany transactions	Total
Revenues	92.7	13.8	4.4	(2.4)	108.5
Expenses	59.0	15.2	4.0	(2.4)	75.8
EBITDA[(1)]	33.7	(1.4)	0.4	—	32.7
EBITDA as a % of Revenue	36%	N/A	9%	N/A	30%

(In millions $)	Franchise	Corporate	Processing	Intercompany transactions	Total
Three months ended November 30, 2017					
Revenues	56.6	11.1	4.2	(2.2)	69.7
Expenses	29.4	11.7	3.6	(2.2)	42.5
EBITDA[(1)]	27.2	(0.6)	0.6	—	27.2
EBITDA as a % of Revenue	48%	N/A	14%	N/A	39%

[(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 16

Total EBITDA for the three-month period ended November 30, 2018 was $32.7 million, an increase of $5.5 million compared to the same period last year. Canadian operations contributed to 82% while USA operations contributed to the remaining 18% increase.

In Canada, EBITDA for the fourth quarter of 2018 increased by $4.5 million compared to the same period last year mostly due to the acquisitions in the second half of 2017 and during 2018. The main contributor was the acquisition of Imvescor Restaurant Group at the beginning of the second quarter, which generated $6.5 million in EBITDA. Excluding Imvescor Restaurant Group, Canadian EBITDA decreased due to a one-time contract termination settlement in 2017 as well as an increase in 2018 wages.

Net income

For the three-month period ended November 30, 2018, net income attributable to owners decreased by $6.5 million, to $12.9 million or $0.34 per share ($0.34 per diluted share) compared to $19.4 million or $0.91 per share ($0.91 per diluted share) for the same period last year. The decrease is due to an impairment charge increase of $3.0 million pre-tax ($2.3 million after tax) compared to the same period last year, a $3.4 million pre-tax ($2.6 million after tax) 2017 gift card revenue catch-up adjustment as well as a $1.9 million pre-tax ($1.4 million after tax) one-time 2017 contract termination settlement offset by the increase in EBITDA from the 2018 acquisitions.

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

(in thousands of dollars)	Period ended November 30, 2018	Period ended November 30, 2017
Income before taxes	18,596	19,132
Depreciation – property, plant and equipment	699	576
Amortization – intangible assets	6,601	3,386
Interest on long-term debt	2,955	2,470
Impairment charge on property, plant and equipment and intangible assets	4,016	1,000
Unrealized and realized foreign exchange loss	16	360
Interest income	(156)	(66)
Gain on disposal of property, plant and equipment and intangible assets	(212)	(48)
Loss on revaluation of financial liabilities recorded at fair value	232	409
EBITDA	**32,747**	**27,219**

Other income and charges

Interest on long-term debt increased to $3.0 million from $2.5 million during the three-month period as a result of the interest on the credit facilities, from which the company has drawn additional funds since the fourth quarter of 2017.

Depreciation and amortization both increased significantly due to recent acquisitions, most notably that of Imvescor Restaurant Group which resulted in an increase in capital assets and amortizable franchise rights.

During the fourth quarter, as the result of a decline in their financial performance, the Company carried out a review of the recoverable amounts of the capital assets related to certain corporate stores and of intangibles related to multiple concepts. The review led to the recognition of a non-cash impairment loss of $4.0 million composed of $0.5 million in leasehold improvements and equipment and $3.5 million in franchise rights and trademarks.

Income taxes
The provision for income taxes as a percentage of income before taxes has increased significantly during the quarter compared to the same period last year. The increase mainly stems from a change in deferred income tax rates and adjustments made in 2017.

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 2019	8,893	10,379	19,272
12 months ending November 2020	4,326	9,472	13,798
12 months ending November 2021	260,453	8,708	269,161
12 months ending November 2022	4,781	8,001	12,782
12 months ending November 2023	8	5,922	5,930
Balance of commitments due after 2023	22	21,501	21,523
	278,483	**63,983**	**342,466**

(1) Amounts shown represent the total amount payable at maturity and are therefore undiscounted. For total commitments, please refer to the November 30, 2018 consolidated financial statements.

Long-term debt includes interest-bearing loans related to acquisitions, promissory notes, minority put options, non-interest-bearing holdbacks on acquisitions and non-interest-bearing contract cancellation fees.

Liquidity and capital resources

As of November 30, 2018, the amount held in cash totaled $32.3 million, a decrease of $24.2 million since the end of the 2017 fiscal period. The decrease is primarily explained by considerations paid for acquisitions from cash on hand, as well as debt repayments.

During the 2018 fiscal year, the Company paid $14.5 million in dividends to its shareholders. This had no significant impact on the cash position of the Company as a result of strong cash flows generated by operations.

During the year, cash flows generated by operating activities were $97.6 million, compared to $93.5 million in 2017. Excluding the variation in non-cash working capital items, income taxes and interest paid, operations generated $129.0 million in cash flows, compared to $96.6 million in 2017, which represents an increase of 34% year over year. The increase is mostly due to the increase in EBITDA detailed above.

The revolving credit facility has an authorized amount of $500,000 (November 30, 2017 - $305,000), of which $256,143 was drawn at November 30, 2018 (November 30, 2017 - $210,522).

The facility has the following financial covenants:
- The Debt to EBITDA ratio must be less than 3.00:1.00.
- The interest and rent coverage ratio must be at 2.00:1.00 at all times.

The credit agreement also contains various limitations on distributions and on the usage of the proceeds from the disposal of assets which are not expected to impact the Company during the term of the credit agreement.

The revolving facility is repayable without penalty with the balance due on the date of maturity July 21, 2021.

At quarter end, the Company was in compliance with the covenants of the credit agreement.

Financial position

Accounts receivable at the end of the year were $49.2 million, compared to $34.2 million at the end of the 2017 fiscal period. The increase is entirely attributable to the acquisition of IRG.

Intangible assets grew by $226.7 million. The increase is due to the acquisition of The Counter and Built Custom Burgers, Imvescor Restaurant Group, Grabbagreen and Timothy's World Coffee and Mmmuffins during the year. The increase was also caused by the impact of foreign exchange variations. This was offset by the amortization expense recorded during the year.

Accounts payable and accrued liabilities increased to $68.7 million as at November 30, 2018, from $57.6 million as at November 30, 2017. The full amount of the $11.1 million increase is due to the acquisition of Imvescor and was partially offset by a decrease in the other entities due to the timing of cash payments from suppliers.

Provisions, which are composed of litigation and dispute, closed store and gift card provisions, increased to $90.0 million as at November 30, 2018 from $75.3 million as at November 30, 2017. The increase is mainly due to the gift card liability from the acquisition of Imvescor Restaurant Group and an increase in the gift card liability.

Long-term debt increased by $47.8 million. The increase is attributable to the additional funds required for the acquisition of Imvescor Restaurant Group Inc. and SweetFrog and to the holdbacks payable in relation to the acquisitions of The Counter and Built Custom Burgers, Grabbagreen, Timothy's World Coffee and Mmmuffins and SweetFrog.

Deferred income tax balances were remeasured during the first quarter of 2018 using the new U.S statutory federal income tax rate, which decreased from 35% to 21%. This resulted in a decrease of the Company's net liability by $35.5 million. This net tax benefit is estimated based on the initial analysis of the "U.S. Tax Cuts and Job Act", and given the complexity of this act, this estimate is subject to adjustment when further guidance becomes available.

Further details on the above statement of financial position items can be found in the notes to the November 30, 2018 consolidated financial statements.

Capital stock

During the 2018 fiscal year the Company issued 3,795,281 shares in connection with the acquisition of Imvescor Restaurant Group. The Company did not redeem any shares. As at February 14, 2019, the Company had 25,169,778 shares 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	
	November 30, 2018	November 30, 2017
Franchises, beginning of the period	**5,402**	5,599
Corporate owned, beginning of period		
Canada	**29**	31
United States	**38**	51
Total, beginning of the period	**5,469**	5,681
Opened during the period	**269**	260
Closed during the period	**(456)**	(454)
Acquired during the period	**702**	81
Reduction due to sale of Yogen Früz	**—**	(99)
Total, end of the period	**5,984**	5,469
Franchises, end of the period	**5,919**	5,402
Corporate owned, end of the period		
Canada	**42**	29
United States	**23**	38
Total, end of the period	**5,984**	5,469

During 2018, the Company completed the following acquisitions:

Concept	Number of restaurants as at the date of the acquisition
The Counter and Built Custom Burger	44
Imvescor Restaurant Group	261
Grabbagreen	27
Timothy's and Mmmuffins	39
SweetFrog	331
Total number of restaurants acquired	**702**

Excluding the acquisitions mentioned above, the Company's network opened 269 locations (119 in Canada, 98 in the United States and 52 International) and closed 425 location (185 in Canada, 200 in the United States and 40 International) during 2018.

The net reduction of 187 (91 in the first quarter, 15 in the second quarter, 44 in the third quarter and 37 in the fourth quarter) results from a multitude of factors, which include landlords redeveloping their properties, competitive pressures, leases expiring, and closure of underperforming stores.

The Frozen Treats and Sandwiches and Coffee categories contributed the largest part of the decline on a year-to-date basis; during the fourth quarter, the Sandwiches and Coffee category remained the most challenging with a net reduction of 34 while the Frozen Treats category had a negative 5 locations.

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

Location type	% of location count		% of system sales year ended	
	November 30		**November 30**	
	2018	2017	**2018**	2017
Shopping mall & office tower food courts	**21%**	23%	**22%**	27%
Street front	**56%**	48%	**63%**	57%
Non-traditional format	**23%**	29%	**15%**	16%

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

Geographical location	% of location count		% of system sales year ended	
	November 30		**November 30**	
	2018	2017	**2018**	2017
Ontario	**15%**	17%	**14%**	14%
Quebec & Eastern Canada	**19%**	17%	**28%**	19%
Western Canada	**10%**	10%	**9%**	11%
California	**8%**	8%	**12%**	11%
Rest of the United States	**39%**	39%	**31%**	37%
International	**9%**	9%	**6%**	8%

In the United States, only the state of California exceeds 10% of the total system sales. Florida is the second largest contributor to the network's sales with 3%.

The West Coast of the United States contributes 21% of the Company's system sales (49% of the sales realized in the United States), while the states bordering the Atlantic represent 12% of the Company's system sales (27% of the sales realized in the United States).

During the 2018 fiscal year, casual dining concepts generated approximately 21% of system sales (up from 4% in 2017); this proportion has gone up following several acquisitions in the Casual Dining segment in the last two years. Quick Service locations currently represent two thirds of the network's sales, down from 80% in 2017, and fast casual locations represent the balance.

System wide sales

During the 2018 fiscal year, MTY's network generated $2,782.5 million in sales, an increase of 21% compared to sales generated in the prior year. The increase is distributed as follows:

(millions of $)	Sales	
	Three months	Twelve months
Reported sales – comparative period of 2017 fiscal year	544.2	2,301.8
Net increase in sales generated by concepts acquired during the last 24 months	153.4	516.6
Net decrease resulting from the sale of the Yogen Früz network	—	(2.2)
Net increase (decrease) resulting from stores opened or closed in the last 24 months	7.2	(13.0)
Impact of same store sales growth	(6.8)	(4.3)
Cumulative impact of foreign exchange variation	11.7	(11.8)
Other non-material variations	(2.3)	(4.6)
Reported sales – 2018 fiscal year	707.4	2,782.5

During the 2018 fiscal year, system sales totaled $2,782.5 million, compared to $2,301.8 million during 2017. The acquisitions realized during 2017 and 2018 were the main drivers for the growth in system sales. The relative strength of the Canadian dollar during the 2018 fiscal year resulted in an unfavorable variation of $11.8 million in reported sales, while the net impact of stores opened and closed in the past 24 months was a $13.0 million decrease in system sales.

Cold Stone Creamery is the only concept that currently represents more than 10% of system sales, generating approximately 21% of the total sales of MTY's network during the year. Thai Express, Taco Time and Baja Fresh Mexican Grill are the second, third and fourth largest concepts in terms of system sales, generating less than 10% each of the network's sales.

System wide sales include sales for corporate and franchise locations and exclude sales realized by the distribution center or by the food processing plant. System sales are converted from the currency in which they are generated into Canadian dollars for presentation purposes; they are therefore subject to variations in foreign exchange rates.

Same store sales

During the year ended November 30, 2018, same store sales decreased by 0.2% over the same period last year.

Same store sales growth was broken down as follows in MTY's main regions:

Region	**Quarter ended November 30, 2018**	**Year ended November 30, 2018**
Canada	+0.0%	+1.0%
United States	-1.9%	-0.9%
International	-8.9%	-4.9%
Total	-1.3%	-0.2%

During the fourth quarter, same store sales for Canadian locations increased slightly and has now been positive for the last five quarters. Ontario continues to show positive same store sales growth following the price increases resulting from the change in minimum wage regulation. British Columbia also continues on the momentum gained last year and posted positive results. Alberta had a third consecutive positive same store sales quarter, while Saskatchewan remains under significant pressure following the introduction of the meal tax in the second quarter of 2017.

In the United States, there were no abrupt movements in same store sales during the quarter; California continued to be slightly negative during the quarter, as were Arizona, Maryland and Oregon, which are important markets for the Company. California was negatively impacted by the extreme weather, including major forest fires which disrupted operations for a large part of the state. Given the weight of California on the US portion of MTY's network, the negative results of the quarter have translated into a negative performance for the United States as a whole.

During the fourth quarter, the concepts acquired in the Imvescor transaction have posted a positive same store sales growth of 1.9%, led by Ben & Florentine, Mikes and Scores which all posted strong performances. Those figures are excluded from the information presented above as MTY has not owned those networks for more than 12 months yet.

For 2019, management expects competition in both the Canadian and US markets to intensify further from a price, product, experience and delivery to end customer points of view. Restaurants are facing more and more competition for food dollars coming from various sources including retail stores "grab and go" and "meal kit deliveries" types of offering.

Drastic minimum wage increases in some regions are expected to cause some changes to the industry, and the reaction of customers to those changes cannot be anticipated at this moment. The Company continues to monitor the situation and assess the impact of price increases on customer traffic in the impacted regions.

Unusual weather patterns in North America have been affecting the Company and continue to affect it in unpredictable ways; the months of March, April and November have proven especially challenging in that regard in certain areas of the United States, causing sharp declines in sales and resulting in negative same store sales for that period. Similarly, sales from ribs and steak casual dining restaurants experienced a decline during the third quarter due to the unusually hot and dry summer in Eastern Canada which drove customers to enjoy more outdoor BBQ's. MTY's network has become more sensitive to the weather variations following the acquisition of Kahala; that sensitivity has been more noticeable recently as weather has been more volatile than in the past two years since we acquired Kahala.

Although consumer confidence and the current economic environment seem favorable at the moment, volatility in the price of commodities and currencies has a very material impact on employment rates and disposable income for MTY's customers, resulting in uncertainty with respect to the future.

Stock options

During the period, no options were granted. As at November 30, 2018 there were 200,000 options outstanding and none that are exercisable.

Subsequent Events

Acquisition of Casa Grecque

On December 11, 2018, the Company completed its acquisition of substantially most of the assets of Casa Grecque for a total consideration of $22.4 million, of which $20.8 million was financed from MTY's cash on hand and existing credit facilities, while $0.3 million in net liabilities was assumed and $1.3 million was held back. As at February 14, 2019, a preliminary purchase price allocation has not yet been completed.

Acquisition of South St. Burger

On December 11, 2018, the Company announced that one of its wholly owned subsidiaries had signed an agreement to acquire the assets of South St. Burger, a chain of gourmet burger restaurants. The acquisition is expected to be completed within 90 days of the announcement.

Dividends

On January 21, 2019, the Company approved a quarterly dividend of $0.165 per common share to be paid out February 15, 2019.

Seasonality

Results of operations for any interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will be a material factor in the quarterly variation of its results. During January and February sales are historically lower than average due to weather conditions. Sales are historically above average during May to August; given the addition of Cold Stone Creamery, which is now MTY's largest concept and which is also extremely seasonal, this pattern is expected to be more important in the future. 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 holiday shopping period.

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 15 of the consolidated financial statements as at November 30, 2018. The timing of the outflows, if any, is out of the control of the Company and is as a result undetermined at the moment.

Guarantee

The Company has provided a guarantee on certain leases for which it is not the lessee, for a cumulative amount of $9,330 (November 30, 2017 - $1,398).

Risks and uncertainties

Despite the fact that the Company has various numbers of concepts, diversified in type of locations and geographies 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 periods was as follows:

	2018	2017
	$	$
Short-term benefits	**2,051**	1,406
Share based payment	**659**	401
Board member fees	**64**	49
Total remuneration of key management personnel	**2,774**	1,856

Key management personnel is composed of the Company's CEO, COO's, 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 Chair of the Board of Directors, who controls 19% 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:

	2018	2017
	$	$
Short-term benefits	**452**	660
Share based payment	**20**	30
Consulting services	**13**	—
Total remuneration of individuals related to key management personnel	**485**	690

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, 2018 and have not been applied in preparing the consolidated financial statements.

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

Standard	**Issue date**	**Effective date for the Company**	**Impact**
IFRS 3 Business Combinations	October 2018	December 1, 2020	In assessment
IFRS 9 Financial Instruments	July 2014	December 1, 2018	In assessment
IFRS 15 Revenue from contracts with customers	May 2014	December 1, 2018	In assessment
IFRS 16 Leases	January 2016	December 1, 2019	In assessment
IFRIC 22 Foreign Currency Transactions and advance Consideration	December 2016	December 1, 2018	In assessment
IFRIC 23 uncertainty over income tax treatments	June 2017	December 1 2019	In assessment

In October 2018, the International Accounting Standards Board issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The Company is still in the process of assessing the impact.

IFRS 9 introduces a revised approach for the classification of financial assets based on how an entity manages financial assets and the characteristics of the contractual cash flows of the financial assets replacing the multiple rules in IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities have been carried forward in IFRS 9. IFRS 9 also introduces a new hedge accounting model that is more closely aligned with risk-management activities and a new expected credit loss model for calculating impairment on financial assets replacing the incurred loss model in IAS 39.

The Company will adopt IFRS 9 in its financial statements for the annual period beginning on December 1, 2018 and will apply the exemption from the requirement to restate comparative information.

The Company is still in the process of assessing the impact of the new standard. The Company does not expect that the adoption of this standard will have a significant impact on its consolidated financial statements.

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. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Company will adopt IFRS 15 in its financial statements for the annual period beginning on December 1, 2018. The standard allows for either a full retrospective or modified retrospective transition method. Management has elected to apply the modified retrospective transition method.

The Company has performed an assessment of the impact of the new standard and it has identified changes that will impact its consolidated financial statements.

The Company has determined that the new standard will change the way the Company recognizes initial franchise fees, master franchise fees, transfer fees and renewal fees. Under the current guidance the Company recognizes these fees when we have performed all material obligations and services. Under the new guidance the Company will defer these fees and recognize them over the term of the related franchise agreement. This will have no impact on the amount or timing of cash flows.

Moreover, under the current guidance the Company does not reflect promotional funds collected from franchisees and the related promotional expenditures in the consolidated statements of income. Upon adoption of the new standard, the promotional funds collected, and the related expenditures will be reported on a gross basis in the consolidated statements of income. To the extent that promotional funds received exceed the related promotional expenditures, the excess contributions will be recorded in accounts payable and accrued liabilities. We do not expect that there will be a material net income impact for this change.

Additionally, under the new guidance, incremental costs to obtain a contract must be deferred if they are expected to be recoverable. Accordingly, the Company will recognize those costs as an asset when incurred and will amortize this asset over the term of the related franchise agreement.

There will also be a change to the accounting for gift cards breakage for some of the gift card programs which were being accounted for based on the remote likelihood of a gift card being redeemed. Following the adoption of the new standard, all of the gift card programs will record breakage income on a prorated recognition basis.

Lastly, restaurant construction and renovation revenue were previously recognized by reference to the stage of completion of the contract activity; under the new standard, the criteria for recognizing revenue over time are not met and therefore, the Company will now recognize revenue for these services at a point in time, when the construction and renovation is completed.

As a result of the adoption of the new standard, the Company expects to record a pre-tax cumulative reduction adjustment of approximately $27.0 million to retained earnings as at December 1, 2018 primarily related to franchise, transfer and renewal fees. We do not expect a material adjustment to retained earnings related to the change in method for the restaurant construction and renovation.

We do not expect that there will be a change in the other categories of revenues, although the Company is still evaluating the impact of adopting this standard, which may result in additional changes to be identified to accounting policies upon adoption.

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. The Company anticipates a material change in the presentation of both the consolidated statement of financial position and the consolidated statement of income. As a result of IFRS 16, both assets and liabilities will significantly increase and there will be material changes to the presentation of expenses associated with the new lease standard.

In December 2016, the IASB issued IFRIC 22 which provides an interpretation on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The interpretation applies where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The date of the transaction determines the exchange rate to be used on initial recognition of the related asset, expense or income. This Interpretation provides guidance for when a single payment or receipt is made, as well as for situations where multiple payments or

receipts are made and aims to reduce diversity in practice. This standard is effective for annual reporting periods beginning on or after January 1, 2018.

On 7 June 2017, the IFRS Interpretations Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 Income taxes are applied where there is uncertainty over income tax treatments. This standard is effective for annual reporting periods beginning on or after January 1, 2019.

The Company continues to assess the impact of these standards on its consolidated financial statements. Although the extent of the impact has not yet been determined, the Company expects that the adoption of IFRS 16 will result in material changes to its consolidated statement of income and consolidated statement of financial position.

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:

		2018		2017
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans receivable	**8,104**	**8,104**	5,926	5,926
Financial liabilities				
Long-term debt[1]	**266,087**	**268,954**	219,739	221,889

[1] Excludes promissory notes and obligations to repurchase non-controlling interests

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:

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.

Promissory notes

The Company issued as part of its consideration for the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar promissory notes to the vendors and the minority shareholders of 10220396 Canada Inc. These promissory notes are subject to earn out provisions, which are based on future earnings. These promissory notes are repayable in October 2019 and June 2022. These promissory notes have been recorded at fair value and are remeasured on a recurring basis. Of the $7.0 million promissory note, $4.5 million is subject to an earn-out provision.

A discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Company, with respect to these promissory notes. These notes are subject to significant unobservable inputs such as discount rates and projected revenues and EBITDA. An increase or decrease by 1% in the discount rates used would have an impact of $0.1 million on the fair value, as at November 30, 2018 (November 30, 2017 - $0.3 million).

A fair value re-measurement loss of $1.0 million was recorded for these promissory notes for the period ended November 30, 2018 (November 30, 2017 - $0.2 million).

Obligations to repurchase non-controlling interests

The Company has entered into an agreement to purchase the shares of a minority interest shareholder of 9974644 Canada Inc. at the option of the holder at anytime after December 9, 2017. The consideration is based on a multiplier of EBITDA, as prescribed by the terms of the shareholder agreement. As a result, the Company recorded a liability at fair value remeasured at each reporting period.

A fair value remeasurement gain of $nil (2017- loss of $0.2 million) was recorded for this non-controlling interest obligation.

The Company, in conjunction with the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar, entered into an agreement to acquire the non-controlling interest in 10220396 Canada Inc., in June 2022. The consideration to be paid for this acquisition will be based on future earnings. As a result, the Company recorded a liability at fair value and is remeasured at each reporting period.

A discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Company with respect to this obligation. The non-controlling interest buyback obligation is subject to significant unobservable inputs such as discount rate and projected EBITDA. An increase or decrease by 1% in the discount rates used would have an impact of $0.1 million on the carrying amount as at November 30, 2018 (November 30, 2017 - $0.1 million).

A fair value re-measurement loss of $0.4 million (2017 - $0.1 million) was recorded for this non-controlling interest obligation.

Fair value hierarchy

	Level 3	
(In thousands $)	**2018**	**2017**
Financial liabilities		
Promissory notes related to the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	**7,034**	6,041
Non-controlling interest options	**2,495**	2,027
Financial Liabilities	**9,529**	8,068

The Company has determined that the fair value of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash, accounts receivables, accounts payable and accrued liabilities and deposits. The table below shows the fair value and the carrying value of other financial instruments as at November 30, 2018 and November 30, 2017. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

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, 2018.

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:

- Other than receivables from international locations, the Company's broad client base is spread mostly across Canada and USA, 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 the loans receivable is similar to that of accounts receivable.

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's exposure to foreign exchange risk mainly comes from sales denominated in foreign currencies. The Company's USA and foreign operations use the U.S. dollar (USD) as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, accounts receivable, long-term debt denominated in U.S. dollars, other working capital items and financial obligations from its USA operations.

Fluctuations in USD exchange rate are deemed to have minimal risk as they are mostly offset by the stand-alone operations of the Company's US entities.

Total US net income for the period was C$56.4 million, (2017 - C$18.9 million). A 5% change to foreign exchange would represent a gain or loss to the Company of C$2.8 million (2017 - C$0.9 million).

As at November 30, 2018, the Company has the following financial instruments denominated in foreign currencies:

	November 30, 2018		November 30, 2017	
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Financial assets				
Cash	**980**	**1,304**	160	206
Accounts receivable	**330**	**439**	313	403
Financial liabilities				
Accounts payable and deposits	**(32)**	**(43)**	(24)	(31)
Long-term debt	**(14,000)**	**(18,621)**	—	—
Net Financial (Liabilities) Assets	**(12,722)**	**(16,921)**	449	578

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a loss of C$0.8 million (November 30, 2017 - C$nil) change on the consolidated statements of income and comprehensive income.

Interest rate risk

Interest rate risk is the Company's exposure to increases and decreases in financial instrument values caused by the fluctuation in interest rates. The Company is exposed to cash flow risk due to the interest rate fluctuation in its floating-rate interest-bearing financial obligations.

Furthermore, upon refinancing of a borrowing, depending on the availability of funds in the market and lender perception of the Company's risk, the margin that is added to the reference rate, such as LIBOR or prime rates, could vary and thereby directly influence the interest rate payable by the Company.

Long-term debt stems mainly from acquisitions of long-term assets and business combinations. The Company is exposed to interest rate risk with its revolving credit facility which is used to finance the Company's acquisitions. Both facilities bear interest at a variable rate and as such the interest burden could change materially. $256.1 million (2017 - $210.5 million) of the credit facilities were used as at November 30, 2018. A 100 basis points increase in the bank's prime rate would result in additional interest of $2.6 million per annum (2017 - $2.1 million) on the outstanding credit facility.

Liquidity risk

Liquidity risk refers to the possibility of the Company not being able to meet its financial obligations when they become due. The Company has contractual and fiscal obligations as well as financial liabilities and is therefore exposed to liquidity risk. Such risk can result, for example, from a market disruption or a lack of liquidity. The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

As at November 30, 2018, the Company had an authorized revolving credit facility for which the available amount may not exceed $500,000 to ensure that sufficient funds are available to meet its financial requirements. The terms and conditions related to this revolving credit facility is described in note 14 of the consolidated financial statements as at November 30, 2018.

The following are the contractual maturities of financial liabilities as at November 30, 2018

(In thousands $)	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**68,700**	**68,700**	**68,700**	—	—	—
Long-term debt	**275,616**	**278,483**	**1,449**	**7,444**	**4,326**	**265,264**
Interest on long-term debt [(1)]	**n/a**	**24,581**	**4,609**	**4,609**	**9,218**	**6,145**
	344,316	**371,764**	**74,758**	**12,053**	**13,544**	**271,409**

[(1)] When future interest cash flows are variable, they are calculated using the interest rates prevailing at the end of the reporting period.

Outlook

In the very short term, management's primary focus will be on continuing to produce positive same store sales while alleviating some of the financial pressure on its franchise partners by optimizing processes and sourcing products at prices that are stable and competitive. Innovation, quality of food and of customer service in each of our outlets and maximizing the value offered to our customers are going to be main areas of focus for the coming year.

Management will also focus on the integration of the recently acquired brands. Following the closing of those acquisitions, MTY is well-positioned to expand in Canada and in the United States, including growing its existing Canadian brands into the United States.

The restaurant industry will remain challenging in the future, and management believes that the focus on the food offering, innovation, 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 some 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, 2018 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 are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Over the course of 2018, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's internal controls over financial reporting were not effective due to the identification of a material weakness related to controls over the accounting for non-routine and complex transactions, including accounting for purchase price allocations in respect of business acquisitions. The Company's review process did not sufficiently prevent or detect errors in the data inputs used or in the calculation of fair value. This control weakness lead to the correction of a preliminary purchase price. In the third quarter of 2018, the board of directors, Chief Executive Officer, and Chief Financial Officer implemented processes that significant purchase price allocations will be reviewed by a third-party expert to ensure the accuracy of the fair value of assets acquired and liabilities assumed in a business acquisition.

Since these changes, no such acquisitions have occurred that would require a purchase price allocation to be completed which would allow the Company to test the control. Management has added resources and tools in the internal audit department to test and assess the control environment in the existing and newly acquired businesses. Material weaknesses cannot be considered remediated until the remedial controls operate for a sufficient period of time and management has concluded through testing, that these controls are operating effectively.

Notwithstanding the outstanding assessment regarding the remediation actions as described above, the Chief Executive Officer and the Chief Financial Officer, together with Management have concluded the financial statements included in this report present fairly in all material respects its financial position, results of operations, capital position and cash flows for the periods presented in accordance with IFRS.

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, 2018, other than the material weakness mentioned above, 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 reality 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 is also 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:

Percentage of MTY Food Group Inc.	Company's assets	Current assets	Non-current assets	Current Liabilities	Long-term liabilities	Revenues	Net earnings
Imvescor Restaurant Group	26%	8%	27%	9%	9%	19%	15%
The Counter and Built Custom Burgers	3%	2%	3%	1%	0%	2%	5%
Timothy's World Coffee and Mmmuffins	0%	0%	0%	0%	0%	1%	1%
Grabbagreen	0%	0%	0%	0%	0%	0%	0%
SweetFrog	4%	0%	4%	2%	1%	0%	1%

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 consolidated financial statements. For the period ended November 30, 2018, 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, 2% of the Company's revenues and 0% of the Company's net earnings.

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Eric Lefebvre, CPA, CA, MBA Chief Executive Officer

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Renee St-Onge, CPA, CA Chief Financial Officer

Consolidated financial statements of
MTY Food Group Inc.

November 30, 2018 and 2017

February 14, 2019

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. and its subsidiaries, which comprise the consolidated statement of financial position as at November 30, 2018 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and the related notes, which comprise 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 audit. We conducted our audit 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 is sufficient and appropriate to provide a basis for our audit opinion.

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performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter
The consolidated financial statements of MTY Food Group Inc. and its subsidiaries for the year ended November 30, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on February 15, 2018.

PricewaterhouseCoopers LLP[1]

Montreal, Canada

[1] FCPA auditor, FCA, public accountancy permit No. A116853

MTY Food Group Inc.
Consolidated statements of income

Years ended November 30, 2018 and November 30, 2017

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

	Notes	2018	2017
		$	$
Revenue	23 & 29	**353,303**	276,083
Expenses			
Operating expenses	24 & 29	**225,560**	182,357
Depreciation – property, plant and equipment	11	**2,755**	2,724
Amortization – intangible assets	12	**24,749**	20,178
Interest on long-term debt		**11,717**	10,314
Impairment charge on property, plant and equipment and intangible assets	11 & 12	**5,531**	1,000
		270,312	216,573
Other income (charges)			
Unrealized and realized foreign exchange gain		**11**	2,004
Interest income		**649**	439
Gain on disposal of property, plant and equipment and intangible assets		**710**	1,120
Loss on revaluation of financial liabilities recorded at fair value through profit and loss	21	**(1,461)**	(409)
		(91)	3,154
Income before taxes		**82,900**	62,664
Income tax (recovery) expense	28		
Current		**18,721**	9,685
Deferred		**(34,812)**	3,125
		(16,091)	12,810
Net income		**98,991**	49,854
Net income attributable to:			
Owners		**98,580**	49,507
Non-controlling interests		**411**	347
		98,991	49,854
Income per share	20		
Basic		**4.07**	2.32
Diluted		**4.06**	2.32

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, 2018 and November 30, 2017

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

	Notes	2018	2017
		$	$
Net income		**98,991**	49,854
Items that may be reclassified subsequently to net income:			
Unrealized gain (loss) on translation of foreign operations		**14,748**	(17,307)
Deferred income tax (expense) recovery on foreign currency translation adjustments		**(1,020)**	1,547
Other comprehensive income (loss)		**13,728**	(15,760)
Total comprehensive income		**112,719**	34,094
Total comprehensive income attributable to:			
Owners		**112,308**	33,747
Non-controlling interest		**411**	347
		112,719	34,094

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, 2018 and November 30, 2017

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

		Reserves							
	Capital stock	Other	Contributed surplus	Foreign currency translation	Total reserves	Retained earnings	Total	Equity attributable to non-controlling interest	Total
	$	$	$	$	$	$	$	$	$
Balance as at November 30, 2016	114,545	—	481	2,615	3,096	192,543	310,184	682	310,866
Net income for the year ended November 30, 2017	—	—	—	—	—	49,507	49,507	347	49,854
Other comprehensive income	—	—	—	(15,760)	(15,760)	—	(15,760)	—	(15,760)
Total comprehensive income							33,747		34,094
Acquisition of La Diperie (note 6)	—	—	—	—	—	—	—	615	615
Acquisition of non-controlling interest in 7687567 Canada Inc (note 7)	—	—	—	—	—	(26)	(26)	(4)	(30)
Acquisition of Steak Frites and Giorgio (note 6)	—	—	—	—	—	—	—	16	16
Acquisition of Houston and Industria (note 6)	—	—	—	—	—	—	—	63	63
Dividends	—	—	—	—	—	(9,832)	(9,832)	(17)	(9,849)
Option granted to minority interest 9974644 Canada Inc.	—	(850)	—	—	(850)	—	(850)	—	(850)
Stock options (note 19)	—	—	401	—	401	—	401	—	401
Balance as at November 30, 2017	114,545	(850)	882	(13,145)	(13,113)	232,192	333,624	1,702	335,326
Net income for the year ended November 30, 2018	**—**	**—**	**—**	**—**	**—**	**98,580**	**98,580**	**411**	**98,991**
Other comprehensive income	**—**	**—**	**—**	**13,728**	**13,728**	**—**	**13,728**	**—**	**13,728**
Total comprehensive income							**112,308**		**112,719**
Acquisition of non-controlling interest in 8825726 Canada Inc (note 7)	**—**	**—**	**—**	**—**	**—**	**(257)**	**(257)**	**(802)**	**(1,059)**
Issuance of shares on acquisition of Imvescor Restaurant Group (note 6)	**197,616**	**—**	**—**	**—**	**—**	**—**	**197,616**	**—**	**197,616**
Dividends	**—**	**—**	**—**	**—**	**—**	**(14,530)**	**(14,530)**	**(30)**	**(14,560)**
Stock options (note 19)	**—**	**—**	**630**	**—**	**630**	**—**	**630**	**—**	**630**
Balance as at November 30, 2018	**312,161**	**(850)**	**1,512**	**583**	**1,245**	**315,985**	**629,391**	**1,281**	**630,672**

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, 2018 and November 30, 2017

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

	Notes	2018	2017
		$	$
			(Adjusted, note 6 IX)
Assets			
Current assets			
Cash		**32,304**	56,453
Accounts receivable	8	**49,168**	34,151
Inventories	9	**3,574**	3,281
Loans receivable	10	**2,134**	2,817
Income taxes receivable		**—**	1,408
Other assets		**692**	1,163
Prepaid expenses and deposits		**7,291**	5,461
		95,163	104,734
Loans receivable	10	**5,970**	3,109
Deferred income tax		**114**	351
Property, plant and equipment	11	**18,753**	13,081
Intangible assets	12	**733,660**	506,970
Goodwill	13	**376,647**	226,768
		1,230,307	855,013
Liabilities and Shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**68,700**	57,555
Provisions	15	**90,039**	75,331
Income taxes payable		**24,989**	19,273
Deferred revenue and deposits	16	**20,122**	20,844
Current portion of long-term debt	17	**7,416**	4,240
		211,266	177 243
Long-term debt	17	**268,200**	223,567
Deferred revenue and deposits	16	**705**	1,946
Deferred income taxes	28	**119,464**	116,931
		599,635	519,687

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

MTY Food Group Inc.

Consolidated statements of financial position (continued)

As at November 30, 2018 and November 30, 2017

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

	Notes	2018	2017
		$	$ *(Adjusted, note 6 IX)*
Shareholders' equity			
Equity attributable to owners			
Capital stock	18	**312,161**	114,545
Reserves		**1,245**	(13,113)
Retained earnings		**315,985**	232,192
		629,391	333,624
Equity attributable to non-controlling interest		**1,281**	1,702
		630,672	335,326
		1,230,307	855,013

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

Approved by the Board on February 14, 2019

Claude St-Pierre, Director

Stanley Ma, Director

MTY Food Group Inc.

Consolidated statements of cash flows

Years ended November 30, 2018 and November 30, 2017

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

	Notes	2018	2017
		$	$
Operating activities			
Net income		**98,991**	49,854
Adjusting items:			
Interest on long-term debt		**11,717**	10,314
Depreciation – property, plant and equipment		**2,755**	2,724
Amortization – intangible assets		**24,749**	20,178
Gain on disposal of property, plant and equipment and intangible assets		**(710)**	(1,120)
Impairment charge on property, plant and equipment and intangible assets	11 & 12	**5,531**	1,000
Loss on revaluation of financial liabilities recorded at fair value through profit and loss		**1,461**	409
Income tax (recovery) expense		**(16,091)**	12,810
Share based payments		**630**	401
		129,033	96,570
Income tax refunds received		**1,189**	—
Income taxes paid		**(13,865)**	(10,385)
Interest paid		**(9,448)**	(7,646)
Changes in non-cash working capital items	30	**(7,648)**	12,993
Other		**(1,631)**	1,999
Cash flows provided by operating activities		**97,630**	93,531
Investing activities			
Net cash outflow on acquisitions	6	**(123,243)**	(23,939)
Additions to property, plant and equipment	11	**(6,544)**	(2,815)
Additions to intangible assets	12	**(1,286)**	(453)
Proceeds on disposal of property, plant and equipment and intangible assets		**2,548**	3,758
Cash flows used in investing activities		**(128,525)**	(23,449)

MTY Food Group Inc.

Consolidated statements of cash flows (continued)

Years ended November 30, 2018 and November 30, 2017

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

	Notes	2018	2017
		$	$
Financing activities			
Issuance of long-term debt		**134,805**	13,000
Repayment of long-term debt		**(117,180)**	(48,452)
Cash acquired	6	**4,652**	—
Capitalized financing costs		**(455)**	(519)
Acquisition of the non-controlling interest	7	**(1,059)**	(30)
Dividends paid to non-controlling shareholders of subsidiaries		**(30)**	(17)
Dividends paid		**(14,530)**	(9,832)
Cash flows provided by (used in) financing activities		**6,203**	(45,850)
Net increase (decrease) in cash		**(24,692)**	24,232
Effect of foreign exchange rate changes on cash		**543**	(4,039)
Cash, beginning of period		**56,453**	36,260
Cash, end of period		**32,304**	56,453

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

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1. Description of the business

MTY Food Group Inc. (the "Company") is a franchisor in the quick service and casual dining food industry. Its activities consist of franchising and operating corporate-owned locations as well as the sale of retail products 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 8210, Autoroute Transcanadienne, Ville Saint-Laurent, Quebec.

2. Basis of preparation

The consolidated financial statements ("financial statements") have been prepared on the historical cost basis except for certain 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") as issued by the International Accounting Standard Board.

These consolidated financial statements were authorized for issue by the Board of Directors on February 14, 2019.

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 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
BF Acquisition Holdings, LLC	100
Kahala Brands Ltd.	100
Imvescor Restaurant Group Inc.	100
8825726 Canada Inc.	100
9974644 Canada Inc.	60
10179612 Canada Inc.	92.5
10220396 Canada Inc.	80

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.

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. For the purposes of consolidating Imvescor Restaurant Group Inc., a period end date of November 25, 2018 was used as per their original reporting setup prior to acquisition. It was deemed not practical or material to change the year-end reporting date for this entity.

3. Accounting policies (continued)

Basis of consolidation (continued)

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, which are recognized and measured in accordance with IAS 12 Income Taxes.

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.

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.

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.

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.

3. Accounting policies (continued)

Business combinations (continued)

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 at 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.

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.

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.

3. Accounting policies (continued)

Revenue recognition (continued)

i) Revenue from franchise locations (continued)

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 franchise and transfer fees (note 23).

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 franchise and transfer fees (note 23).

Revenue from equipment sale is recognized when the risk and rewards of ownership and title pass to buyer, generally upon the shipment of the equipment. This revenue is recorded in sale of goods, including construction revenues (note 23).

Depending on the gift card program, the Company recognizes breakage income either on a pro-rated recognition basis, which is based on the historical redemption pattern of the gift cards or based on the remote likelihood of a gift card being redeemed. The Company also charges various program fees to its franchisees as gift cards are redeemed. Notably, this does not apply to gift card liabilities assumed upon a business acquisition, which are accounted for at fair value.

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

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 23).

Distribution and retail 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. These revenues are recorded in sale of goods (note 23).

ii) 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.

iii) 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.

<u>The Company as lessor</u>

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

3. Accounting policies (continued)

Leasing (continued)

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.

The assets and liabilities of a foreign operation with a functional currency different from that of the Company are translated into the presentation currency using the exchange rate in effect on the reporting date. Revenue and expenses are translated into the presentation currency using the average exchange rate for the period. Exchange differences arising from the translation of a foreign operation are recognized in reserves. 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).

Foreign currency transactions

At the end of each reporting period, the Company's 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 (loss).

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 and adjustments to prior year provisions. 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. Accounting policies (continued)

Deferred tax (continued)

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.

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	Straight-line	25 to 50 years
Equipment	Straight-line	3 to 10 years
Leasehold improvements	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

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.

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.

Leases

Leases, which represent the value associated with 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.

3. Accounting policies (continued)

Intangible assets (continued)

Impairment of long-lived assets

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 of impairment. 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 of disposal 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 of disposal 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.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually as at August 31, or more frequently when there is an indication that the unit may be impaired. 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.

Recoverable amount is the higher of fair value less costs of disposal 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

Cash 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.

3. Accounting policies (continued)

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 24) 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.

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.

The Company’s various franchised and corporate owned locations, in addition to third-party companies, sell gift cards to be redeemed at the Company’s corporate and franchised locations for food and beverages only. Proceeds from the sale of gift cards are included in gift card liability until redeemed by the gift cardholder as a method of payment for good and beverage purchases.

The Company recognizes breakage on all material gift card programs in its consolidated statements of income based on historical load and redemption patterns. The redemption rate is established following an analysis performed over 10 years of the redemption patterns as well as expected future trends. The expected breakage is then recognized into income on a pro rata basis as gift cards are redeemed.

For all other non-material gift card programs, the Company estimates based on historical redemption patterns, the portion of gift cards that have a remote likelihood of being redeemed and recognizes the amount in its consolidated statements of income, except for those gift cards liabilities assumed upon a business acquisition.

3. Accounting policies (continued)

Provisions (continued)

Gift card and loyalty program liabilities (continued)

Due to the inherent nature of gift cards, it is not possible for the Company to determine what portion of the gift card liability will be redeemed in the next 12 months and, therefore, the entire unredeemed gift card liability is considered to be a current liability.

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.

Deferred revenue and deposits

The Company has deferred revenue and deposits for amounts received for which the service or sale of goods associated with these revenues have not yet been rendered. These are comprised mainly of franchise fee deposits, unearned rent, and supplier contributions. Revenues on these are recorded once the service or contract terms have been met and the services or goods have been delivered.

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.

<u>Classification</u>

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
Non-interest-bearing contract cancellation fees and holdbacks	Other financial liabilities
Revolving Credit Facility	Other financial liabilities
Promissory notes related to the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	FVTPL
Non-controlling interest buyback obligation	FVTPL
Non-controlling interest option	FVTPL

3. Accounting policies (continued)

Financial instruments (continued)

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.

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 reorganization; 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.

3. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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.

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

Financial instruments included in this category are initially recognized at fair value less transaction costs and are subsequently measured at amortized cost using the effective interest method.

FVTPL

Financial instruments included in this category are initially recognized at fair value and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is immediately recognized in the consolidated statements of income.

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.

3. Accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments

The Company, from time to time, uses derivative financial instruments in the form of foreign exchange swap contracts to manage its current and anticipated exposure to fluctuations in foreign exchange rates. The Company does not enter into derivative financial instruments for trading or speculative purposes.

Derivative financial instruments not designated within an effective hedging relationship are measured at fair value with changes recorded in the consolidated statements of income.

Derivative financial instruments that are designated within an effective hedging relationship are formally identified and the relationship between hedging instruments and hedged items are documented by the Company. Derivative financial instruments designated as cash flow hedges are measured at fair value with changes in fair value recorded in other comprehensive income. Effectiveness tests are performed to evaluate hedge effectiveness at inception and on a quarterly basis. If and when a derivative instrument is no longer expected to be effective, hedge accounting is discontinued, the derivative is held, sold or expired and the cumulative gain or loss previously recognized in accumulated other comprehensive income is transferred to the consolidated statements of income in the same period that the hedge item affects net income.

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 consolidated 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 $11,652 (November 30, 2017 – $8,836). These amounts are included in accounts payable and accrued liabilities.

Share-based payment arrangements

The Company measures stock options granted to employees that vest in specified installments over the service period based on the fair value of each tranche on the grant date by using the Black-Scholes pricing model. Based on the Company's estimate of equity instruments that will eventually vest, a compensation expense is recognized over the vesting period applicable to the tranche with a corresponding increase to contributed surplus. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 19.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in contributed surplus. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus.

Operating Segments

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 29). The operating segments are determined based on the Company's management and internal reporting structure. All operating segments' operating results are regularly reviewed by the Chief Operating Officers to make decisions on resources to be allocated to the segment and to assess its performance.

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.

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 long-lived assets

The Company assesses whether there are any indicators of impairment for all long-lived assets at each reporting period date. In addition, management is required to use judgement in determining the grouping of assets to identify 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 assets 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.

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.

Business combinations

For business combinations, the Company must make assumptions and estimates to determine the purchase price accounting 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 plant, property and equipment, franchise rights and trademarks

The Company performs an annual impairment test of its trademarks. The recoverable amounts of the Company's assets are 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 of disposal, except for certain corporate store assets for which fair value less cost of disposal was higher than their value in use. The fair value less cost of disposal of corporate stores is generally determined by estimating the liquidation value of the restaurant equipment.

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

Key sources of estimation uncertainty (continued)

Impairment of plant, property and equipment, franchise rights and trademarks (continued)

In the current year, the value in use of CGUs tested was higher or equal to the carrying value of the assets. Impairment assessments were established using discount rates of 7.7% in Canada and 8.3% in the United States of America (US) on the corporate stores, 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. In the US, a change in the discount rate applied of 1% would result in an additional impairment of approximately $1,500. This total additional impairment would be related to 5 different US brands. A change in the discount rate applied of 1% in Canada would not result in any additional impairment.

During the year, the Company recognized an impairment on four of its trademarks and on the franchise rights of three of its brands following a decline in the performance of the related brands. The total impairment of $5,827 (2017 - $1,000) represents a write down of the carrying value to the fair value of the trademarks and franchise rights. This was offset by a reversal of impairment of $2,356. The fair value was determined using significant unobservable inputs such as discount rates and projected revenues and EBITDA. The fair value is classified as level 3 in the fair value hierarchy.

During the year, the Company also recognized an impairment on property, plant and equipment for two of its brands. The cumulative impairment on property, plant and equipment of $2,060 (2017 - $158) represents a write down of the carrying value of the leasehold improvements and equipment to their fair value less cost of disposal, 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 CGUs 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of recoverable amount 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 or in prior year, no impairment charge on goodwill was required.

The Company used discount rates of 7.7% in Canada and 8.3% in the US for its assessment of goodwill. A growth of 1% was applied to the cash flows used to estimate the terminal value. A change in the discount rate applied of 1% would not result in an additional impairment.

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, 2018 and 2017, 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.

Gift card liabilities

Management is required to make certain assumptions in both the prorated recognition based on redemption pattern and remoteness recognition of gift card breakage. The significant estimates are breakage rate and the redemption patterns.

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

Key sources of estimation uncertainty (continued)

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.

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.

Supplier contributions

The Company recognizes certain revenues based on estimated considerations to be received from suppliers. These estimates are based on historical patterns of purchase and earned revenues.

5. 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, 2018, 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:

Standard	Issue date	Effective date for the Company	Impact
IFRS 3 Business Combinations	October 2018	December 1, 2020	In assessment
IFRS 9 Financial Instruments	July 2014	December 1, 2018	In assessment
IFRS 15 Revenue from contracts with customers	May 2014	December 1, 2018	In assessment
IFRS 16 Leases	January 2016	December 1, 2019	In assessment
IFRIC 22 Foreign Currency Transactions and advance Consideration	December 2016	December 1, 2018	In assessment
IFRIC 23 uncertainty over income tax treatments	June 2017	December 1 2019	In assessment

In October 2018, the International Accounting Standards Board issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The Company is still in the process of assessing the impact.

IFRS 9 introduces a revised approach for the classification of financial assets based on how an entity manages financial assets and the characteristics of the contractual cash flows of the financial assets replacing the multiple rules in IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities have been carried forward in IFRS 9. IFRS 9 also introduces a new hedge accounting model that is more closely aligned with risk-management activities and a new expected credit loss model for calculating impairment on financial assets replacing the incurred loss model in IAS 39.

5. Future accounting changes (continued)

The Company will adopt IFRS 9 in its financial statements for the annual period beginning on December 1, 2018 and will apply the exemption from the requirement to restate comparative information.

The Company is still in the process of assessing the impact of the new standard. The Company does not expect that the adoption of this standard will have a significant impact on its consolidated financial statements.

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. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Company will adopt IFRS 15 in its financial statements for the annual period beginning on December 1, 2018. The standard allows for either a full retrospective or modified retrospective transition method. Management has elected to apply the modified retrospective transition method.

The Company has performed an assessment of the impact of the new standard and it has identified changes that will impact its consolidated financial statements.

The Company has determined that the new standard will change the way the Company recognizes initial franchise fees, master franchise fees, transfer fees and renewal fees. Under the current guidance, the Company recognizes these fees when we have performed all material obligations and services. Under the new guidance, the Company will defer these fees and recognize them over the term of the related franchise agreement. This will have no impact on the amount or timing of cash flows.

Moreover, under the current guidance the Company does not reflect promotional funds collected from franchisees and the related promotional expenditures in the consolidated statements of income. Upon adoption of the new standard, the promotional funds collected, and the related expenditures will be reported on a gross basis in the consolidated statements of income. To the extent that promotional funds received exceed the related promotional expenditures, the excess contributions will be recorded in accounts payable and accrued liabilities. We do not expect that there will be a material net income impact for this change.

Additionally, under the new guidance, incremental costs to obtain a contract must be deferred if they are expected to be recoverable. Accordingly, the Company will recognize those costs as an asset when incurred and will amortize this asset over the term of the related franchise agreement.

There will also be a change to the accounting for gift cards breakage for some of the gift card programs which were being accounted for based on the remote likelihood of a gift card being redeemed. Following the adoption of the new standard, all of the gift card programs will record breakage income on a prorated recognition basis.

Lastly, restaurant construction and renovation revenues were previously recognized by reference to the stage of completion of the contract activity; under the new standard, the criteria for recognizing revenue over time are not met and therefore, the Company will now recognize revenue for these services at a point in time, when the construction and renovations are completed.

As a result of the adoption of the new standard, the Company expects to record a pre-tax cumulative reduction adjustment of approximately $27,000 to retained earnings as at December 1, 2018 primarily related to franchise, transfer and renewal fees. We do not expect a material adjustment to retained earnings related to the change in method for the restaurant construction and renovation.

We do not expect that there will be a change in the other categories of revenues, although the Company is still evaluating the impact of adopting this standard, which may result in additional changes to be identified to accounting policies upon adoption.

5. Future accounting changes (continued)

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. The Company anticipates a material change in the presentation of both the consolidated statement of financial position and the consolidated statement of income. As a result of IFRS 16, both assets and liabilities will significantly increase and there will be material changes to the presentation of expenses associated with the new lease standard.

In December 2016, the IASB issued IFRIC 22 which provides an interpretation on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The interpretation applies where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The date of the transaction determines the exchange rate to be used on initial recognition of the related asset, expense or income. This Interpretation provides guidance for when a single payment or receipt is made, as well as for situations where multiple payments or receipts are made and aims to reduce diversity in practice. This standard is effective for annual reporting periods beginning on or after January 1, 2018.

On 7 June 2017, the IFRS Interpretations Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 Income taxes are applied where there is uncertainty over income tax treatments. This standard is effective for annual reporting periods beginning on or after January 1, 2019.

The Company continues to assess the impact of these standards on its consolidated financial statements.

6. Business acquisition

I) Acquisition of the Counter Custom Burgers and Built Custom Burgers

On December 1, 2017, the Company's US operations completed the acquisition of all the limited liability company interests in CB Franchise Systems, LLC and Built Franchise Systems, LLC. The total consideration for the transaction was $29,971 (US$23,545). The purpose of the transaction was to diversify the Company's range of offering as well as to complement existing MTY brands.

	As previously reported	Adjustment	Adjusted Final Consideration
			$
Consideration paid:			
Purchase price	28,893	—	28,893
Repayment of external debt	1,261	—	1,261
Working capital	1,141	(990)	151
Discount on non-interest-bearing holdback	(334)	—	(334)
Net purchase price	30,961	(990)	29,971
Holdback	(2,625)	990	(1,635)
Less cash acquired	(34)	—	(34)
Net consideration paid/cash outflow	28,302	—	28,302

6. Business acquisitions (continued)

I) Acquisition of the Counter Custom Burgers and Built Custom Burgers (continued)

The purchase price allocation is as follows:

	As previously reported		Adjustment	Adjusted Purchase price allocation
Net assets acquired:				$
Current assets				
Cash	34		—	34
Accounts receivable	426		—	426
Inventory	71		—	71
Prepaid expenses and deposits	87		—	87
	618		—	618
Property, plant and equipment	633		—	633
Franchise rights	9,165		—	9,165
Trademarks	16,802		—	16,802
Goodwill [1]	5,146	(i)	(990)	4,156
	32,364		(990)	31,374
Current liabilities				
Accounts payable and accrued liabilities	956		—	956
Unredeemed gift card liability	291		—	291
Deferred revenues	104		—	104
Deferred income tax	52		—	52
	1,403		—	1,403
Net purchase price	30,961		(990)	29,971

[1] Goodwill is deductible for tax purposes.

(i) The Company has recorded an adjustment to its previously reported preliminary purchase price allocation during the period relating to working capital items.

Total expenses incurred related to acquisition costs amounted to $77.

The purchase price allocation is final.

6. Business acquisitions (continued)

II) Acquisition of Imvescor Restaurant Group Inc.

On March 1, 2018, the Company's Canadian operations, through the merger of a wholly owned subsidiary with Imvescor Restaurant Group Inc. ("IRG"), acquired all the outstanding shares of IRG. The purpose of the transaction was to diversify the Company's range of offering with a highly scalable portfolio of recognized restaurant brands and concepts.

Since the original preliminary purchase price allocation disclosure in the second quarter, the total consideration was adjusted to $250,814, to reflect an adjustment to the accounting treatment of certain stock options that were settled on acquisition and had previously been expensed as well as the additional issuance of shares to a shareholder.

	As previously reported		Adjustment	Adjusted Consideration
				$
Consideration paid:				
Cash and amount paid for early settlement of options	52,373		825	53,198
Shares issued	197,144	(i)	472	197,616
Total consideration	249,517		1,297	250,814
Less cash acquired	(4,702)		87	(4,615)
Total consideration	244,815		1,384	246,199

(i) Additional issuance of 9,285 shares to a shareholder.

6. Business acquisitions (continued)

II) Acquisition of Imvescor Restaurant Group Inc. (continued)

The preliminary purchase price allocation is as follows:

	As previously reported		Adjustment	Adjusted Purchase price allocation
Net assets acquired:	$		$	$
Current assets				
Cash	4,702	(i)	(87)	4,615
Accounts receivable	11,121	(i & ii)	(1,333)	9,788
Notes receivable	—	(ii)	367	367
Inventory	214		—	214
Prepaid expenses and deposits	387	(i)	(183)	204
	16,424		(1,236)	15,188
Notes receivable	915	(i)	219	1,134
Projects under construction	567	(i)	675	1,242
Property, plant and equipment	6,248	(iii)	(1,303)	4,945
Other intangible assets	—	(ii)	347	347
Franchise rights	70,200		—	70,200
Trademarks	125,700		14,900	140,600
Goodwill [1]	104,403		(11,374)	93,029
	324,457		2,228	326,685
Current liabilities				
Accounts payable and accrued liabilities	13,967	(i)	643	14,610
Unredeemed gift card liability and loyalty points	4,800	(iv)	357	5,157
Deferred revenues	549	(i)	(10)	539
Income tax payable	390	(i)	(215)	175
	19,706		775	20,481
Credit facility	20,000		—	20,000
Deferred revenues	—	(ii)	138	138
Deferred income tax	35,234	(iii)	18	35,252
	74,940		931	75,871
Net purchase price	249,517		1,297	250,814

[1] Goodwill is not deductible for tax purposes.

The Company has recorded adjustments to its previously reported preliminary purchase price allocation reported in prior quarters. The adjustments are as follows:

(i) Adjustment for working capital items.

(ii) Reclass of presentation.

(iii) Adjustment of fair value for certain items of property, plant and equipment and intangibles

(iv) To record loyalty points assumed.

6. Business acquisitions (continued)

II) Acquisition of Imvescor Restaurant Group Inc. (continued)

Total expenses incurred related to acquisition costs amounted to approximately $1,720 and are recorded as an operating expense on the consolidated statements of income.

The purchase price allocation is still preliminary and may be subject to revision.

III) Acquisition of Grabbagreen

On March 15, 2018, the Company's US operations completed its acquisition of the assets of Grabbagreen franchise system. The total consideration for the transaction was $3,409 (US$2,633). The purpose of the transaction was to diversify the Company's range of offering as well as to complement existing MTY brands.

	2018
	$
Consideration paid:	
Purchase price	**3,463**
Net obligations assumed	**(29)**
Discount on non-interest-bearing holdback	**(25)**
Net purchase price	**3,409**
Holdback	**(322)**
Net consideration paid/cash outflow	**3,087**

The preliminary purchase price allocation is as follows:

	As previously reported		Adjustment	Adjusted Purchase price allocation
Net assets acquired:				$
Current assets				
Prepaid expenses and deposits	17		—	17
Property, plant and equipment	73	(i)	(58)	15
Franchise rights	377		—	377
Trademarks	2,070	(i)	(130)	1,940
Goodwill [(1)]	918	(i)	188	1,106
	3,455		—	3,455
Current liabilities				
Unredeemed gift card liability	46		—	46
Net purchase price	3,409		—	3,409

[(1)] Goodwill is deductible for tax purposes

(i) The Company has recorded an adjustment to the fair value for certain items of property, plant and equipment and trademark from its previously reported preliminary purchase price allocation during the period.

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.

6. Business acquisitions (continued)

IV) Acquisition of Timothy's World Coffee and Mmmuffins

On April 4, 2018, the Company's Canadian operations completed its acquisition of the assets of Timothy's World Coffee and Mmmuffins. The total consideration for the transaction was $1,321. The purpose of the transaction was to diversify the Company's range of offering as well as to complement existing MTY brands.

	As previously reported	Adjustment	Adjusted Consideration
			$
Consideration paid:			
Purchase price	1,675	—	1,675
Net obligations assumed	(130)		(130)
Working capital	—	(208)	(208)
Discount on non-interest-bearing holdback	(16)	—	(16)
Net purchase price	1,529	(208)	1,321
Holdback	(301)	208	(93)
Less cash acquired	(3)	—	(3)
Net consideration paid/cash outflow	1,225	—	1,225

The preliminary purchase price allocation is as follows:

	As previously reported		Adjustment	Adjusted Purchase price allocation
Net assets acquired:				$
Current assets				
Cash	3		—	3
Inventory	64		—	64
Prepaid expenses and deposits	43		—	43
	110		—	110
Property, plant and equipment	100		—	100
Franchise rights	417		—	417
Perpetual license	232		—	232
Goodwill [1]	846	(i)	120	966
	1,705		120	1,825
Current liabilities				
Accounts payable and accrued liabilities	101		—	101
Unredeemed gift card liability	75	(i)	328	403
	176		328	504
Net purchase price	1,529		(208)	1,321

[1] Goodwill is deductible for tax purposes

(i) The Company has recorded an adjustment to its previously reported preliminary purchase price allocation during the period relating to working capital items.

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.

6. Business acquisitions (continued)

V) Acquisition of SweetFrog

On September 25, 2018, the Company's US operations completed its acquisition of the assets of SweetFrog Premium Frozen Yogurt ("SweetFrog"). The total consideration for the transaction was $41,507 (US$32,064). The purpose of the transaction was to diversify the Company's range of offering as well as to complement existing MTY brands.

	2018
	$
Consideration paid:	
Purchase price	45,307
Net obligations assumed	(3,383)
Discount on non-interest-bearing holdback	(417)
Net purchase price	41,507
Holdback	(4,113)
Net consideration paid/cash outflow	37,394

The preliminary purchase price allocation is as follows:

	2018
Net assets acquired:	$
Current assets	
Inventory	254
Prepaid expenses	30
	284
Goodwill [1 & 2]	44,155
	44,439
Current liabilities	
Accounts payable and accrued liabilities	146
Unredeemed gift card liability	2,757
Deferred revenue	29
	2,932
Net purchase price	41,507

(1) Goodwill is deductible for tax purposes

(2) Given the size of the transaction, the Company has not yet completed its fair value assessment of the intangibles assets and goodwill acquired. Consequently, part of the fair value adjustments, mainly relating to franchise rights and trademark, related to this acquisition are included in goodwill in the preliminary fair value assessment of the assets acquired.

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 and as such material adjustments will be made.

6. Business acquisitions (continued)

VI) Acquisition of La Diperie (2017)

On December 9, 2016, the Company announced it had completed through its 60% interest in 9974644 Canada Inc. the acquisition of the assets of La Diperie. The Company's share of the purchase consideration amounted to $917. The purpose of the transaction was to diversify the Company's range of offering as well as to complement existing MTY brands.

	2017
	$
Consideration paid:	
Purchase price	1,529
Discount on non-interest-bearing holdback	(13)
Net purchase price	1,516
Holdback (note 17)	(87)
Net consideration paid	1,429
Less: Issuance of shares to non-controlling interest	(615)
Net cash outflow	814

(1) Non-controlling interest was measured at fair value.

The price allocation is as follows:

	2017
Net assets acquired:	$
Current assets	
Inventory	12
	12
Franchise rights	63
Goodwill (1)	1,444
	1,507
Deferred income tax Liability	3
Net purchase price	1,516

(1) Goodwill is deductible for tax purposes

Total expenses incurred related to acquisition costs amounted to $nil. The purchase price has been finalized and no adjustments were recorded to the preliminary purchase price calculation.

VII) Acquisition of Steak Frites St-Paul and Giorgio Ristorante (2017)

On May 8, 2017, the Company announced it had completed through its 83.25% controlling interest in 10179612 Canada Inc., the acquisition of the assets of Steak Frites St-Paul and Giorgio Ristorante. The total consideration for the transaction was $467 of which $347 was settled in cash. The transaction resulted in an increase of $253 and $214 to goodwill and trademarks, respectively. The purchase price has been finalized and no adjustments were recorded to the preliminary purchase price calculation.

6. Business acquisitions (continued)

VIII) Acquisition of The Works Gourmet Burger Bistro (2017)

On June 9, 2017, the Company's Canadian operations announced it had completed through its 100% owned subsidiary MTY Tiki Ming Entreprises Inc., the acquisition of the assets of The Works Gourmet Burger Bistro. The purpose of the transaction was to diversify the Company's range of offering as well as to complement existing MTY brands.

	2017
	$
Consideration paid:	
Purchase price	8,200
Discount on non-interest-bearing holdback	(43)
Working capital and assumed obligations	(273)
Net purchase price	7,884
Holdback	(747)
Net consideration paid and net cash outflow	7,137

The final purchase price allocation is as follows:

	2017
Net assets acquired:	$
Current assets	
Inventory	75
Prepaid expenses	49
	124
Property, plant and equipment	1,398
Franchise rights	1,363
Trademark	3,481
Goodwill [1]	1,844
	8,210
Current liabilities	
Accounts payable and accrued liabilities and unredeemed gift card liability	95
Deferred revenue	231
	326
Net purchase price	7,884

[1] Goodwill is deductible for tax purposes

Total expenses incurred related to acquisition costs amounted to $79. The expenses are presented in operating expenses in consolidated statements of income.

The purchase price has been finalized and no adjustments were recorded to the preliminary purchase price calculation.

6. Business acquisitions (continued)

IX) Acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar (2017)

On June 16, 2017, the Company's Canadian operations announced it had completed through its 80% controlling interest in 10220396 Canada Inc., the acquisition of the assets of Houston Avenue Bar & Grill and Industria Pizzeria + Bar. The Company's share of the purchase consideration amounted to $19,631. The purpose of the transaction was to diversify the Company's range of offering as well as to complement existing MTY brands.

The purchase price has been finalized and adjustments to the preliminary purchase price calculation are as follows:

	As previously reported	Adjustment	Final Consideration
	$	$	$
Consideration paid:			
Purchase price	20,972	—	20,972
Undiscounted promissory notes	(7,910)	—	(7,910)
Contingent consideration in the form of promissory notes	5,248	605	5,853
Working capital	(304)	—	(304)
Non-controlling interest buyback obligation	957	—	957
Non-controlling interest [(1)]	63	—	63
Net purchase price	19,026	605	19,631
Promissory notes and non-controlling interest buyback obligation	(6,268)	(605)	(6,873)
Net cash outflow	12,758	—	12,758

The final purchase price allocation is as follows:	As previously reported	Adjustment	Final
	$	$	$
Net assets acquired:			
Franchise rights	5,833	369	6,202
Trademark	5,667	467	6,134
Goodwill [(2)]	7,975	(168)	7,807
	19,475	668	20,143
Current liabilities			
Accounts payable and accrued liabilities	4	—	4
Deferred revenue	300	—	300
	304	—	304
Deferred income tax liability	145	63	208
Net purchase price	19,026	605	19,631

(1) Non-controlling interest was measured at fair value which includes the use of discounted cash flow model which is subject to significant unobservable inputs such as discount rate and projected EBITDA. EBITDA is defined as earnings before interest, taxes, depreciation and amortization.

(2) Goodwill is deductible for tax purposes.

6. Business acquisitions (continued)

X) Acquisition of Dagwoods Sandwiches and Salads (2017)

On September 29, 2017, the Company announced it had completed through its 100% owned subsidiary MTY Tiki Ming Entreprises Inc., the acquisition of the assets of Dagwoods Sandwiches and Salads for a consideration of $2,916. The purpose of the transaction was to diversify the Company's range of offering as well as to complement existing MTY brands.

	2017
	$
Consideration paid:	
Purchase price	3,000
Discount on non-interest-bearing holdback	(20)
Working capital and assumed obligations	(64)
Net purchase price	2,916
Holdback	(330)
Net consideration paid and cash outflow	2,586

The final purchase price allocation is as follows:

	2017
Net assets acquired:	$
Franchise rights	640
Trademark	1,271
Goodwill [1]	1,070
	2,981
Current liabilities	
Accounts payable and accrued liabilities	11
Deferred revenue	54
	65
Net purchase price	2,916

[1] Goodwill is deductible for tax purposes

Total expenses incurred related to acquisition costs amounted to $nil. The purchase price has been finalized and no adjustments were recorded to the preliminary purchase price calculation.

7. Acquisition of non-controlling interest

In September 2018, the Company acquired the remaining 10% non-controlling interest of 8825726 Canada Inc. (Madison's) for a cash consideration of $1,059. Following the transaction, 8825726 Canada Inc. has become a wholly owned subsidiary.

In April 2017 the Company acquired the remaining 1% non-controlling interest of 7687567 Canada Inc. (Lucky 8 Foods), for a cash consideration of $30. Following the transaction, 7687567 Canada Inc. has become a wholly owned subsidiary.

8. Accounts receivable

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

	2018	2017
	$	$
Total accounts receivable	58,488	43,762
Less : Allowance for doubtful accounts	9,320	9,611
Total accounts receivable, net	49,168	34,151
Of which:		
Not past due	40,521	25,885
Past due for more than one day but for no more than 30 days	1,559	1,568
Past due for more than 31 days but for no more than 60 days	2,168	1,483
Past due for more than 61 days	4,920	5,215
Total accounts receivable, net	49,168	34,151

	2018	2017
	$	$
Allowance for doubtful accounts, beginning of year	9,611	8,007
Additions	315	2,566
Additions through acquisition	379	13
Reversals	208	402
Write-off	(1,193)	(1,377)
Allowance for doubtful accounts, end of year	9,320	9,611

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

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.

9. Inventories

	2018	2017
	$	$
Raw materials	**1,709**	1,966
Finished goods	**1,865**	1,315
Total inventories	**3,574**	3,281

Inventories are presented net of a $46 allowance for obsolescence ($17 as at November 30, 2017). All of the inventories are expected to be sold within the next twelve months.

Inventories expensed during the year ended November 30, 2018 were $65,289 (2017 - $43,047).

10. Loans receivable

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

	2018	2017
	$	$
Loans receivable bearing interest between nil to 9% per annum, receivable in monthly installments of $342 in aggregate, including principal and interest, ending in 2030	**8,104**	5,926
	8,104	5,926
Current portion	**(2,134)**	(2,817)
	5,970	3,109

The capital repayments in subsequent years will be:

	$
2019	2,134
2020	833
2021	2,718
2022	1,667
2023	202
Thereafter	550
	8,104

There is currently an allowance for doubtful accounts offset against the loans receivable balance of $2,928 (2017 - $1,182).

11. Property, plant and equipment

Cost	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
Balance at November 30, 2016	1,236	3,778	5,495	8,568	869	149	20,095
Additions	—	223	873	1,522	191	6	2,815
Disposals	—	(12)	(1,921)	(2,026)	(28)	(14)	(4,001)
Foreign exchange	—	—	1	(89)	(8)	(3)	(99)
Additions through business combinations	—	—	831	567	—	—	1,398
Balance at November 30, 2017	1,236	3,989	5,279	8,542	1,024	138	20,208
Additions	**—**	**1,077**	**1,855**	**3,130**	**419**	**63**	**6,544**
Disposals	**—**	**—**	**(1,053)**	**(1,149)**	**—**	**—**	**(2,202)**
Impairment [1]	**—**	**—**	**(867)**	**(1,193)**	**—**	**—**	**(2,060)**
Foreign exchange	**—**	**—**	**2**	**(53)**	**6**	**3**	**(42)**
Additions through business combinations	**—**	**—**	**3,695**	**1,270**	**461**	**267**	**5,693**
Balance at November 30, 2018	**1,236**	**5,066**	**8,911**	**10,547**	**1,910**	**471**	**28,141**

[1] During the year, as the result of a decline in the financial performance, the Company carried out a review of the recoverable amounts of the capital assets related to certain corporate stores. The review led to the recognition of a non-cash impairment loss of $2,060 composed of leasehold improvements and equipment. Of this amount, $1,515 was related to Canadian operations while $545 was related to the US operations.

11. Property, plant and equipment (continued)

Accumulated depreciation	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
Balance at November 30, 2016	—	804	1,934	2,852	386	32	6,008
Eliminated on disposal of assets	—	(7)	(836)	(720)	(12)	(14)	(1,589)
Foreign exchange	—	—	3	(17)	(2)	—	(16)
Depreciation expense	—	175	733	1,615	176	25	2,724
Balance at November 30, 2017	—	972	1,834	3,730	548	43	7,127
Eliminated on disposal of assets	**—**	**—**	**(120)**	**(393)**	**—**	**—**	**(513)**
Foreign exchange	**—**	**—**	**—**	**15**	**3**	**1**	**19**
Depreciation expense	**—**	**189**	**834**	**1,347**	**332**	**53**	**2,755**
Balance at November 30, 2018	**—**	**1,161**	**2,548**	**4,699**	**883**	**97**	**9,388**

Carrying amounts	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
November 30, 2017	1,236	3,017	3,445	4,812	476	95	13,081
November 30, 2018	**1,236**	**3,905**	**6,363**	**5,848**	**1,027**	**374**	**18,753**

12. Intangible assets

Cost	Franchise and master franchise rights	Trademarks	Step-in rights	Leases	Other[1]	Total
	$	$	$	$	$	$
Balance at November 30, 2016	245,055	323,261	1,199	908	1,294	571,717
Additions	97	5	—	—	351	453
Disposals	(3,050)	(24)	—	(170)	—	(3,244)
Acquisition through business combinations *(Adjusted, see note 6 IX)*	8,268	11,100	—	—	—	19,368
Foreign exchange	(7,229)	(10,421)	—	—	—	(17,650)
Impairment	(309)	(731)	—	—	—	(1,040)
Balance at November 30, 2017 *(Adjusted, see note 6 IX)*	242,832	323,190	1,199	738	1,645	569,604
Additions	**—**	**—**	**—**	**—**	**1,286**	**1,286**
Disposals	**—**	**—**	**—**	**—**	**(2)**	**(2)**
Acquisition through business combinations	**80,159**	**159,342**	**—**	**—**	**579**	**240,080**
Foreign exchange	**5,910**	**8,680**	**—**	**—**	**16**	**14,606**
Impairment net of reversal	**(1,248)**	**(2,223)**	**—**	**—**	**—**	**(3,471)**
Balance at November 30, 2018	**327,653**	**488,989**	**1,199**	**738**	**3,524**	**822,103**

12. Intangible assets (continued)

Accumulated amortization	Franchise and master franchise rights	Trademarks	Step-in rights	Leases	Other(1)	Total
	$	$	$	$	$	$
Balance at November 30, 2016	44,138	—	380	905	227	45,650
Disposals	(2,584)	—	—	(170)	—	(2,754)
Foreign exchange	(400)	—	—	—	—	(400)
Amortization	19,792	—	120	3	263	20,178
Impairment	(40)	—	—	—	—	(40)
Balance at November 30, 2017	60,906	—	500	738	490	62,634
Foreign exchange	**1,060**	**—**	**—**	**—**	**—**	**1,060**
Amortization	**24,187**	**—**	**120**	**—**	**442**	**24,749**
Balance at November 30, 2018	**86,153**	**—**	**620**	**738**	**932**	**88,443**

Carrying amounts	Franchise and master franchise rights	Trademarks	Step-in rights	Leases	Other(1)	Total
	$	$	$	$	$	$
November 30, 2017 (Adjusted, *see note 6 IX)*	181,926	323,190	699	—	1,155	506,970
November 30, 2018	**241,500**	**488,989**	**579**	**—**	**2,592**	**733,660**

(1) Other items include $579 ($347 as at November 30, 2017) of unamortizable licenses with an indefinite term.

12. Intangible assets (continued)

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

	2018	2017
	$	$ *(Adjusted, note 6 IX)*
Valentine	**3,338**	3,338
Jugo Juice	**5,425**	5,425
Mr. Sub	**11,320**	11,320
Extreme Pita	**3,179**	3,179
Mucho Burrito	**9,816**	9,816
ThaïZone	**7,417**	7,417
Madisons New York Grill & Bar	**3,410**	3,410
Manchu Wok (1)	**5,831**	5,772
Big Smoke Burger	**3,305**	3,305
Blimpie (1)	**6,112**	5,922
Cold Stone Creamery(1)	**155,674**	150,840
Great Steak (1)	**3,774**	3,657
Pinkberry (1)	**8,928**	8,650
Planet Smoothie(1)	**9,521**	9,226
Surf City Squeeze	**3,041**	2,946
Taco Time(1)	**35,068**	33,979
Baja Fresh (1)	**20,162**	19,536
The Works Gourmet Burger Bistro	**3,481**	3,481
Houston Avenue Bar & Grill	**3,963**	3,963
The Counter Custom Burger (2)	**12,503**	—
Built Custom Burger	**5,054**	—
Pizza Delight	**16,000**	—
Mikes	**33,300**	—
Scores	**29,400**	—
Baton Rouge	**32,000**	—
Ben & Florentine	**15,000**	—
Retail	**14,900**	—
Other	**28,646**	28,355
	489,568	323,537

(1) Variance from prior year due to foreign exchange conversion.

(2) Amount impacted by foreign exchange conversion since the acquisition date.

During the year, as the result of a decline in the financial performance of certain brands, the Company carried out a review of the recoverable amounts of the intangible assets. The review led to the recognition of a non-cash impairment loss of $1,248 in franchise rights and $4,579 in trademarks for the US segment, which have been recognized in the consolidated statement of income. This was offset by a $2,356 reversal of the Country Style impairment loss taken in 2014 in the Canadian segment. The reversal was the result of favourable performance in the last few years by the brand as a result of increases in the number of non-traditional locations opened.

13. Goodwill

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

	2018	2017
	$	$ *(Adjusted, note 6 IX)*
Balance, beginning of year	**226,768**	220,928
Additional amounts recognized from business acquisitions (note 6)	**143,412**	12,586
Houston Avenue Bar & Grill and Industria Pizzeria + Bar purchase price adjustment	**—**	(168)
Foreign Exchange	**6,467**	(6,578)
Balance, end of year	**376,647**	226,768

Goodwill was allocated to two CGU's in 2018, these two CGUs being Canada and the US & International. For the purpose of impairment testing, goodwill is allocated to the group of CGUs that are considered to represent the lowest level within the group at which the goodwill is monitored for internal management purposes. As at November 30, 2018, goodwill for Canada and the US represent $163,327 and $213,320 respectively (November 30, 2017 - $69,286 and $157,482 respectively).

14. Credit facilities

During the year the Company modified its existing credit facilities payable to a syndicate of lenders. The modification resulted in an increase to the revolving credit facility which now has an authorized amount of $500,000 (November 30, 2017 - $305,000). Transaction costs of $652 were incurred and will be deferred and amortized over the remaining 3 years of the life of the revolving credit facility. As at November 30, 2018, $256,143 was drawn from the revolving credit facility (November 30, 2017 - $210,522).

Interest rates are variable and are based on various financing instruments that have maturities from 1 to 180 days. Interest rates also depend on the Company's debt-to-equity ratio, where a lower indebtedness results in more favorable terms.

For amounts drawn in US dollars, the Company has the option to pay interest based on US base rates, 5.75% as at November 30, 2018 (4.75% as at November 30, 2017), plus a margin not exceeding 2.00%, or based on LIBOR plus a margin not exceeding 2.50% (November 30, 2017 – 2.00% and 3.00% respectively). For amounts drawn in Canadian dollars, the Company has the option to pay interest based on the Canada Prime rate, 3.95% as at November 30, 2018 (4.20% as at November 30, 2017), as determined by the Toronto-Dominion Bank of Canada, plus a margin not exceeding 2.00% or based on Banker's Acceptances, plus a margin not exceeding 3.00%.

Under this facility, the Company is required to comply with certain financial covenants, including a debt to EBITDA ratio and interest and rent coverage ratio. As at November 30, 2018, the Company was in compliance with those financial covenants.

15. Provisions

Included in provisions are the following amounts:

	2018	2017
	$	$
Litigations and disputes	2,390	3,168
Closed stores	1,250	1,413
	3,640	4,581
Gift card liabilities/loyalty programs liabilities	86,399	70,750
Total	90,039	75,331

The provision for litigation and disputes represents management's best estimate of the outcome of litigations and disputes that are ongoing 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.

The provisions also varied in part due to foreign exchange fluctuations related to the US subsidiaries.

	2018	2017
	$	$
Provision for litigation and disputes and closed stores, beginning balance	4,581	2,641
Reversals	(1,897)	(637)
Amounts used	(2,810)	(1,475)
Additions	3,710	4,134
Impact of foreign exchange	56	(82)
Provision for litigation and disputes and closed stores, ending balance	3,640	4,581

The gift card and loyalty programs liabilities are the estimated balance in gift cards and points outstanding at the date of the consolidated 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.

16. Deferred revenue and deposits

	2018	2017
	$	$
Franchise fee deposits	**8,682**	9,105
Unearned rent	**3,415**	3,377
Supplier contributions and other allowances	**8,730**	10,308
	20,827	22,790
Current portion	**(20,122)**	(20,844)
	705	1,946

17. Long-term debt

	2018	2017
	$	$ *(Adjusted, note 6 IX)*
Non-interest bearing contract cancellation fees and holdbacks on acquisitions	**11,898**	11,367
Fair value of promissory notes related to the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar, repayable October 2019 and June 2022 (note 6 and note 21)	**7,034**	6,041
Fair value non-controlling interest buyback obligation in 10220396 Canada Inc (note 6 and note 21)(1)	**1,501**	1,026
Fair value non-controlling interest option in La Diperie (note 21)(2)	**994**	1,001
Revolving credit facility payable to a syndicate of lenders (note 14)(3)	**256,143**	210,522
Credit facility financing costs	**(1,954)**	(2,150)
	275,616	227,807
Current portion	**(7,416)**	(4,240)
	268,200	223,567

(1) Payable at the earlier of 3 years from the date option is exercised or June 2022.
(2) Payable on demand.
(3) Under the revolving credit facility, the Company has the option to draw funds in Canadian or in US dollars, at its discretion. The facility's maturity is July 21, 2021 and must be repaid in full at that time. As at November 30, 2018, the Company had drawn C$237,522 and US$14,000 (C$18,621), (2017-US$ nil and C$210,522) and had elected to pay interest based on LIBOR and bankers' acceptances plus the applicable margins.

18. Capital Stock

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

	2018		2017	
	Number	**Amount**	Number	Amount
		$		$
Balance beginning of period	**21,374,497**	**114,545**	21,374,497	114,545
Shares issued as part of acquisition (note 6)	**3,795,281**	**197,616**	—	—
Balance end of year	**25,169,778**	**312,161**	21,374,497	114,545

19. Stock options

The Company offered for the benefit of the CEO a share option plan. In accordance with the terms of the plan the Company may grant stock options on the common shares at the discretion of the Board of Directors. 300,000 shares are available for issuance under the share option plan as of November 30, 2018 (2017- 300,000).

Under the Stock Option Plan of the Company, the following options were granted and are outstanding as at November 30:

	2018		2017	
	Number of Options	**Weighted average exercise price**	Number of Options	Weighted average exercise price
		$		$
Outstanding beginning of period	**200,000**	**48.36**	—	—
Granted	—	—	200,000	48.36
Outstanding end of year	**200,000**	**48.36**	200,000	48.36
Vested end of period	**—**	**—**	—	—

Options granted during the period ended November 30, 2017 have a service condition in order to vest and excluding the first year, will vest pro-rata over a service period of 10 years. The options will expire on April 11, 2027.

The fair value of the stock options granted for the period ended November 30, 2017 was $14.69 per option. The fair value of the options granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model.

19. Stock options (continued)

The following assumptions were used:

	2017
Acquisition date share price	**$48.36**
Exercise price	**$48.36**
Expected dividend yield	**1.0%**
Expected volatility	**24.9%**
Risk-free interest rate	**1.8%**
Expected life (in years)	**10 years**

A compensation expense of $630 was recorded for period ended November 30, 2018 (2017-$401). The expense is presented in wages and benefits that is included in operating expenses in the consolidated statements of income.

20. Income per share

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

	2018	2017
Weighted daily average number of common shares - basic	**24,228,206**	21,374,497
Assumed exercise of stock options [1]	**44,444**	—
Weighted daily average number of common shares - diluted	**24,272,650**	21,374,497

[1] The calculation of the assumed exercise of stock options includes the effect of the average unrecognized future compensation cost of dilutive options. The number of excluded options was 155,556 (November 30, 2017 – 200,000).

21. 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.

21. Financial instruments (continued)

Fair value of recognized financial instruments

Promissory notes

The Company issued as part of its consideration for the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar promissory notes to the vendors and the minority shareholders of 10220396 Canada Inc. These promissory notes are subject to earn out provisions, which are based on future earnings. These promissory notes are repayable in October 2019 and June 2022. These promissory notes have been recorded at fair value and are remeasured on a recurring basis. Of the $7,034 promissory note, $4,487 is subject to an earn-out provision.

A discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Company, with respect to these promissory notes. These notes are subject to significant unobservable inputs such as discount rates and projected revenues and EBITDA. An increase or decrease by 1% in the discount rates used would have an impact of $145 on the fair value, as at November 30, 2018 (November 30, 2017 - $254).

A fair value re-measurement loss of $993 was recorded for these promissory notes for the period ended November 30, 2018 (November 30, 2017 - $188).

Obligations to repurchase non-controlling interests

The Company has entered into an agreement to purchase the shares of a minority interest shareholder of 9974644 Canada Inc. at the option of the holder at any time after December 9, 2017. The consideration is based on a multiplier of EBITDA, as prescribed by the terms of the shareholder agreement. The Company records a liability at fair value (note 17) which is remeasured at each reporting period.

A fair value remeasurement gain of $7 (2017- loss of $152) was recorded for this non-controlling interest obligation.

The Company, in conjunction with the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar, entered into an agreement to acquire the non-controlling interest in 10220396 Canada Inc., in June 2022. The consideration to be paid for this acquisition will be based on future earnings. The Company recorded a liability at fair value (note 17) which is remeasured at each reporting period.

A discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Company with respect to this obligation. The non-controlling interest buyback obligation is subject to significant unobservable inputs such as a discount rate and projected EBITDA. An increase or decrease by 1% in the discount rates used would have an impact of $52 on the carrying amount as at November 30, 2018 (November 30, 2017 - $52).

A fair value re-measurement loss of $475 (2017 - $69) was recorded for this non-controlling interest obligation.

Fair value hierarchy

	Level 3	
	2018	**2017**
Financial liabilities		
Promissory notes related to the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	**7,034**	6,041
Non-controlling interest buyback options	**2,495**	2,027
Financial Liabilities	**9,529**	8,068

The Company has determined that the fair value of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash, accounts receivables, accounts payable and accrued liabilities and deposits. The table below shows the fair value and the carrying value of other financial instruments as at November 30, 2018 and November 30, 2017. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

21. Financial instruments (continued)

Fair value of recognized financial instruments (continued)

	2018		2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans receivable	**8,104**	**8,104**	5,926	5,926
Financial liabilities				
Long-term debt[1]	**266,087**	**268,954**	219,739	221,889

[1] Excludes promissory notes and obligations to repurchase non-controlling interests

Determination of fair value

The following methods and assumptions were used to estimate the fair values of each class of 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.

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, 2018.

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:

- Other than receivables from international locations, the Company's broad client base is spread mostly across Canada and USA, 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 the loans receivable is similar to that of accounts receivable.

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's exposure to foreign exchange risk mainly comes from sales denominated in foreign currencies. The Company's USA and foreign operations use the U.S. dollar (USD) as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, accounts receivable, long-term debt denominated in U.S. dollars, other working capital items and financial obligations from its USA operations.

Fluctuations in USD exchange rate are deemed to have minimal risk as they are mostly offset by the stand-alone operations of the Company's US entities.

21. Financial instruments (continued)

Foreign exchange risk (continued)

Total US net income for the period was C$56,424 (2017 - C$18,855). A 5% change to foreign exchange would represent a gain or loss to the Company of C$2,821 (2017 - C$942).

As at November 30, 2018, the Company has the following financial instruments denominated in foreign currencies:

	November 30, 2018		November 30, 2017	
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Financial assets				
Cash	**980**	**1,304**	160	206
Accounts receivable	**330**	**439**	313	403
Financial liabilities				
Accounts payable and deposits	**(32)**	**(43)**	(24)	(31)
Long-term debt	**(14,000)**	**(18,621)**	—	—
Net Financial (Liabilities) Assets	**(12,722)**	**(16,921)**	449	578

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a loss of C$846 (November 30, 2017 - C$29 gain) change on the consolidated statements of income and comprehensive income.

Interest rate risk

Interest rate risk is the Company's exposure to increases and decreases in financial instrument values caused by the fluctuation in interest rates. The Company is exposed to cash flow risk due to the interest rate fluctuation in its floating-rate interest-bearing financial obligations.

Furthermore, upon refinancing of a borrowing, depending on the availability of funds in the market and lender perception of the Company's risk, the margin that is added to the reference rate, such as LIBOR or prime rates, could vary and thereby directly influence the interest rate payable by the Company.

Long-term debt stems mainly from acquisitions of long-term assets and business combinations. The Company is exposed to interest rate risk with its revolving credit facility which is used to finance the Company's acquisitions. The facility bears interest at a variable rate and as such the interest burden could change materially. $256,143 (2017 - $210,522) of the credit facility was used as at November 30, 2018. A 100 basis points increase in the bank's prime rate would result in additional interest of $2,561 per annum (2017 - $2,105) on the outstanding credit facility.

Liquidity risk

Liquidity risk refers to the possibility of the Company not being able to meet its financial obligations when they become due. The Company has contractual and fiscal obligations as well as financial liabilities and is therefore exposed to liquidity risk. Such risk can result, for example, from a market disruption or a lack of liquidity. The Company actively maintains its credit facility to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

21. Financial instruments (continued)

Liquidity risk (continued)

As at November 30, 2018, the Company had an authorized revolving credit facility for which the available amount may not exceed $500,000 to ensure that sufficient funds are available to meet its financial requirements. The terms and conditions related to this revolving credit facility is described in note 14.

The following are the contractual maturities of financial liabilities as at November 30, 2018

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**68,700**	**68,700**	**68,700**	**—**	**—**	**—**
Long-term debt	**275,616**	**278,483**	**1,449**	**7,444**	**4,326**	**265,264**
Interest on long-term debt [1]	**n/a**	**24,581**	**4,609**	**4,609**	**9,218**	**6,145**
	344,316	**371,764**	**74,758**	**12,053**	**13,544**	**271,409**

[1] When future interest cash flows are variable, they are calculated using the interest rates prevailing at the end of the reporting period.

22. 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.

22. Capital disclosures (continued)

The Company monitors capital on the basis of the debt-to-equity ratio. The debt-to-equity ratios at November 30, 2018 and November 30, 2017 were as follows:

	2018	2017
	$	$
Debt	480,171	402,756
Equity	630,672	335,326
Debt-to-equity ratio	0.76	1.20

The decrease in debt-to-equity ratio is due to the increase in common shares outstanding as a result of the acquisition of Imvescor Restaurant Group. 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. MTY expects to maintain a low ratio by continuously using the expected cash flows from the newly acquired business in both the US and Canada to reduce the level of long-term debt.

The Company's credit facilities impose a maximum debt-to-EBITDA ratio of 3:1 until the maturity date of July 21, 2021.

23. Revenue

	2018	2017
	$	$
Royalties	141,040	118,655
Franchise and transfer fees	13,208	11,090
Rent	1,820	2,317
Sale of goods, including construction revenues	130,620	90,438
Gift card breakage income	6,815	6,528
Other franchising revenue	55,529	40,873
Other	4,271	6,182
	353,303	276,083

24. Operating expenses

	2018	2017
	$	$
Cost of goods sold, retail costs and rent	89,814	61,788
Wages and benefits	78,692	67,648
Consulting and professional fees	11,685	12,310
Gift cards related costs	7,452	8,132
Royalties	7,082	7,109
Other (1)	30,835	25,370
	225,560	182,357

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

25. 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
	$	$	$
2019	134,272	123,893	10,379
2020	119,617	110,145	9,472
2021	107,035	98,327	8,708
2022	91,606	83,605	8,001
2023	74,538	68,616	5,922
Thereafter	207,773	186,272	21,501
	734,841	**670,858**	**63,983**

Payments recognized as a net expense during the year ended November 30, 2018 amount to $18,331 (2017 - $21,608).

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, the Company earned rental revenue of $1,820 (2017 - $2,317).

The Company has recognized a liability of $1,250 (November 30, 2017 - $1,413) for the leases of premises in which it no longer has operations but retains the obligations contained in the lease agreement (note 15).

26. Guarantee

The Company has provided a guarantee on certain leases for which it is not the lessee, for a cumulative amount of $9,330 (November 30, 2017 - $1,398).

27. 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 15. The timing of the outflows, if any, is out of the control of the Company and is as a result undetermined at the moment.

28. Income taxes

On December 22, 2017, the United States enacted the "U.S. Tax Cuts and Job Act", commonly referred to as U.S. tax reform, which resulted in the U.S statutory federal income tax rate to be reduced to 21.0% from the previous rate of 35.0%, effective January 1, 2018.

Consequently, for its fiscal year ending on November 30, 2018, the Company estimated that its effective U.S. federal tax rate will be 22.19%. The Company recorded a net tax benefit of $35,491 during the year, which is primarily derived from the re measurement of the Company's deferred income tax balances. The benefit is estimated based on our initial analysis of the "U.S. Tax Cuts and Job Act", and given the complexity of this act, this estimate is subject to adjustment when further guidance becomes available.

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

	2018		2017	
	$	**%**	$	%
Combined income tax rate in Canada	**22,134**	**26.7**	16,794	26.8
Add effect of:				
Difference between Canadian and foreign statutory rate	**(4,033)**	**(4.9)**	(2,895)	(4.6)
Non-taxable portion of capital gains	**8**	**0.0**	(268)	(0.4)
Permanent differences	**1,356**	**1.6**	794	1.3
Recognition of previously unrecognized deferred tax assets	**(758)**	**(0.9)**	(327)	(0.5)
Losses in subsidiaries for which no deferred income tax assets is recognized	**132**	**0.2**	982	1.5
Rate variation on deferred income tax	**(35,491)**	**(42.8)**	(1,595)	(2.6)
Adjustment to prior year provisions	**649**	**0.8**	(586)	(1.0)
Other – net	**(88)**	**(0.1)**	(89)	(0.1)
Provision for income taxes	**(16,091)**	**(19.4)**	12,810	20.4

28. Income taxes (continued)

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

	November 30, 2017	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Acquisition**	**Foreign exchange**	**November 30, 2018**
	$ *Adjusted, note 6 IX*	**$**	**$**	**$**	**$**	**$**
Net deferred tax assets (liabilities) in relation to:						
Property, plant and equipment	801	**46**	**—**	**438**	**24**	**1,309**
Accounts receivable	1,929	**(932)**	**—**	**—**	**40**	**1,037**
Provisions	18,814	**(4,811)**	**—**	**591**	**473**	**15,067**
Long-term debt	(336)	**766**	**(1,020)**	**(54)**	**(2)**	**(646)**
Non-capital losses	461	**(194)**	**—**	**22**	**—**	**289**
Intangible assets	(145,625)	**42,835**	**—**	**(36,439)**	**(1,937)**	**(141,166)**
Accrued expenses	5,352	**(2,149)**	**—**	**138**	**102**	**3,443**
Deferred revenue	2,024	**(749)**	**—**	**—**	**42**	**1,317**
	(116,580)	**34,812**	**(1,020)**	**(35,304)**	**(1,258)**	**(119,350)**

	November 30, 2016	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Acquisition**	**Foreign exchange**	**November 30, 2017**
	$	**$**	**$**	**$** *Adjusted, note 6 IX*	**$**	**$**
Net deferred tax assets (liabilities) in relation to:						
Property, plant and equipment	625	62	—	141	(27)	801
Accounts receivable	1,500	497	—	—	(68)	1,929
Provisions	23,484	(3,797)	—	—	(873)	18,814
Long-term debt	(285)	(1,219)	1,547	(377)	(2)	(336)
Non-capital losses	280	181	—	—	—	461
Intangible assets	(152,418)	906	—	25	5,862	(145,625)
Accrued expenses	4,850	700	—	—	(198)	5,352
Deferred revenue	2,569	(455)	—	—	(90)	2,024
	(119,395)	(3,125)	1,547	(211)	4,604	(116,580)

28. Income taxes (continued)

As at November 30, 2018 there were approximately $311 (2017 – $275) 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, 2018, there were approximately $1,026 (2017 - $677) in non-capital losses accumulated in one of the Company's subsidiaries for which no deferred income tax asset was recognized. These capital losses will expire between 2035 to 2038.

The deductible temporary difference in relation to foreign exchange on intercompany loans for which a deferred tax asset has not been recognized amounts to $15 (2017 - $3,048).

No deferred income tax liability is recognized on unremitted earnings of $52,000 related to the investments in subsidiaries. Such unremitted earnings are reinvested in the subsidiaries and will not be repatriated in the foreseeable future.

29. Segmented information

Management monitors and evaluates results of the Company based on geographical segments; these two segments being Canada and US & International. The Company and its chief operating decision maker assess the performance of each operating segment based on its segment profit and loss which is equal to revenue less operating expenses.

29. Segmented information (continued)

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

	Canada	US & International	Total Consolidated 2018	Canada	US & International	Total Consolidated 2017
	$	$	$	$	$	$
Revenues	215,293	138,010	353,303	141,867	134,216	276,083
Operating expenses	134,629	90,931	225,560	86,615	95,742	182,357
Segment profit	80,664	47,079	127,743	55,252	38,474	93,726
Other expenses						
Depreciation – property, plant and equipment	2,353	402	2,755	1,645	1,079	2,724
Amortization – intangible assets	10,027	14,722	24,749	5,926	14,252	20,178
Interest on long-term debt	10,150	1,567	11,717	8,448	1,866	10,314
Impairment charge on property, plant and equipment and intangible assets	(841)	6,372	5,531	—	1,000	1,000
Other income (expense)						
Unrealized foreign exchange gain (loss)	22	(11)	11	2,013	(9)	2,004
Interest income	364	285	649	101	338	439
Gain on disposal of property, plant and equipment and intangible assets	520	190	710	584	536	1,120
Loss on revaluation on financial liabilities recorded at fair value	(1,461)	—	(1,461)	(409)	—	(409)
Income before taxes	58,420	24,480	82,900	41,522	21,142	62,664
Current income taxes	14,402	4,319	18,721	9,088	597	9,685
Deferred income taxes	1,451	(36,263)	(34,812)	1,435	1,690	3,125
Net income	42,567	56,424	98,991	30,999	18,855	49,854
Total assets	813,354	416,953	1,230,307	473,190	381,155	854,345
Total liabilities	375,116	224,519	599,635	269,612	249,407	519,019

30. Statement of cash flows

Changes in liabilities and assets arising from financing and investing activities:

	Revolving credit facility	Line of credit	Loan financing costs	Non-interest-bearing contracts and holdback	Promissory notes	Non -controlling interest buyback obligation	Non-controlling interest option	Total
	$		$	$	$	$	$	$
Balance as at November 30, 2017	210,522	—	(2,150)	11,367	6,041	1,026	1,001	227,807
		—						
Changes arising from financing activities:								
Increase in term revolving credit facility	**134,805**	—	—	—	—	—	—	**134,805**
Repayment in term revolving credit facility	**(89,512)**	**(20,000)**	—	—	—	—	—	**(109,512)**
Repayment of holdback	—	—	—	**(7,668)**	—	—	—	**(7,668)**
Payment of upfront fees	—	—	**(455)**	—	—	—	—	**(455)**
Changes from non-cash transactions:								
Amortization of transaction costs directly attributable to a financing arrangement	—		**651**	—	—	—	—	**651**
Accretion of interest on non-interest-bearing holdbacks	—	—	—	**1,618**	—	—	—	**1,618**
Revaluation of financial liabilities recorded at fair value through profit and loss (note 10)	—	—	—	—	**993**	**475**	**(7)**	**1,461**
Foreign exchange	**328**	—	—	**417**	—	—	—	**745**
		—						
Changes arising from investing activities:			—					
Issuance of holdback	—	—	—	**6,164**	—	—	—	**6,164**
Business acquisition (note 6)	—	**20,000**	—	—	—	—	—	**20,000**
Balance as at November 30, 2018	**256,143**	**—**	**(1,954)**	**11,898**	**7,034**	**1,501**	**994**	**275,616**

30. Statement of cash flows (continued)

Changes in non-cash operating activities are as follows:

	2018	2017
	$	$
Accounts receivable	**(4,349)**	1,249
Inventories	**1,569**	79
Loans receivable	**1,050**	32
Prepaid expenses and deposits	**(1,274)**	2,245
Other asset	**326**	(1,165)
Accounts payable and accrued liabilities	**(5,366)**	9,741
Provisions	**3,578**	(1,437)
Deferred revenue & deposits	**(3,182)**	2,249
	(7,648)	12,993

Other includes changes in non-cash proceeds from dispositions of capital assets amounting to $145 (2017-$242).

31. 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 periods was as follows:

	2018	2017
	$	$
Short-term benefits	**2,051**	1,406
Share based payment	**659**	401
Board member fees	**64**	49
Total remuneration of key management personnel	**2,774**	1,856

Key management personnel is composed of the Company’s CEO, COO’s, 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 Chair of the Board of Directors, who controls 19% of the outstanding shares.

31. 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:

	2018	2017
	$	$
Short-term benefits	**452**	660
Share based payment	**20**	30
Consulting services	**13**	—
Total remuneration of individuals related to key management personnel	**485**	690

32. Subsequent Events

Acquisition of Casa Grecque

On December 11, 2018, the Company completed its acquisition of substantially most of the assets of Casa Grecque for a total consideration of $22,352, of which $20,806 was financed from MTY's cash on hand and existing credit facilities, while $296 in net liabilities was assumed and $1,250 was held back. As at February 14, 2019, a preliminary purchase price allocation has not yet been completed.

Acquisition of South St. Burger

On December 11, 2018, the Company announced that one of its wholly owned subsidiaries had signed an agreement to acquire the assets of South St. Burger, a chain of gourmet burger restaurants operating 26 franchised and 14 corporate restaurants. The acquisition is expected to be completed within 90 days of the announcement.

Dividends

On January 21, 2019, the Company approved a quarterly dividend of $0.165 per common share to be paid out February 15, 2019.

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