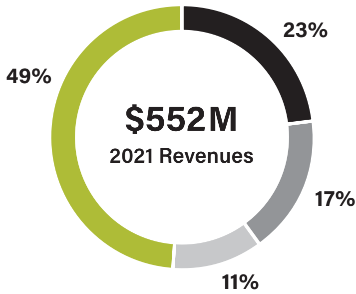
GROUPE
MTY
GROUP

EXCELLENCE. DEDICATION. INNOVATION.

2021 ANNUAL REPORT

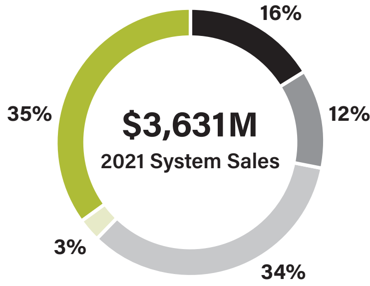
MTY Group franchises and operates quick-service, fast casual and casual dining restaurants under more than 80 different banners in Canada, the US and Internationally. Based in Montreal, MTY is a family whose heart beats to the rhythm of its brands, the very soul of its multi-branded strategy. For over 40 years, it has been increasing its presence by delivering new concepts of restaurants, making acquisitions, and forging strategic alliances, which have allowed it to reach new heights year after year. By combining new trends with operational know-how, the brands forming the MTY Group now touch the lives of millions of people every year. With 6,719 locations, the many flavours of the MTY Group hold the key to responding to the different tastes and needs of today's consumers as well as those of tomorrow.

REVENUE BY PRODUCT



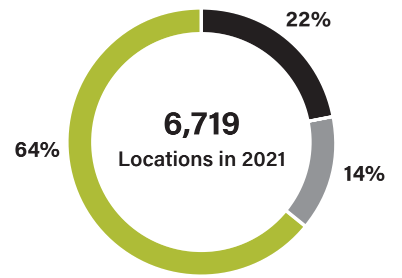
- Franchise operation
- Promotional funds
- Food processing, distribution & retail
- Corporate stores

SYSTEM SALES BY GEOGRAPHY



- Canada
- Central US
- East Coast US
- West Coast US
- International

LOCATIONS BY TYPE



- Street front
- Non-traditional format
- Shopping mall & office tower food court

$3,631M
SYSTEM SALES

$552M
REVENUE

$1.4B
MARKET CAPITALIZATION

6,719
LOCATIONS

218	489	13	2
Opened	Closed	Disposed	Net Joint Venture

124,200
LOST BUSINESS DAYS

2021 HIGHLIGHTS

ROBUST FINANCIAL RESULTS

- Record adjusted EBITDA of $168.6 million
- Healthy free cash flows of $139.0 million

OPERATIONAL CHALLENGES

- Locations temporarily closed due to COVID-19 pandemic
- COVID-19 government-imposed restrictions
- Supply chain disruptions
- Labour shortages
- Food price inflation

CAPITAL ALLOCATION

- $102.2 million for long-term debt repayments
- $9.1 million for dividend payments
- $2.2 million for share repurchases
- $6.8 million for capital expenditures & intangibles

HEALTHY FINANCIAL POSITION

- Net debt to adjusted EBITDA ratio of 2.1x
- Cash on hand of $61.2 million
- Available credit of $255.0 million

SIGNIFICANT NEWS

- Renewed Normal Course Issuer Bid until July 2022
- Restored quarterly dividend of $0.185 per share
- Acquired Küto Comptoir à Tartares (December 2021)
- Increased quarterly dividend by 14% to $0.21 per share (January 2022)
- Inaugural ESG report to be published in 2022

BOARD OF DIRECTORS CHANGES

- David K. Wong resigned effective March 31, 2021
- Suzan Zalter nominated effective May 13, 2021
- Gary O'Connor resigned effective November 16, 2021
- Victor Mandel nominated effective November 23, 2021

5-YEAR HIGHLIGHTS

For the years ended November 30 (in thousands of Canadian $, except where indicated)	**2021**	**2020**	**2019**	**2018**	**2017**
OPERATING RESULTS					
Revenue	**551,903**	511,117	550,942	412,346	276,083
Adjusted EBITDA [(1)]	**168,622**	137,819	147,395	124,851	93,726
Income (loss) before taxes	**112,072**	(51,949)	97,997	80,008	62,664
Net income (loss) attributable to owners	**85,639**	(37,108)	77,675	95,776	49,507
Total comprehensive income (loss) attributable to owners	**77,673**	(49,726)	76,489	109,327	33,747
Earnings per share – basic ($ per share)	**3.47**	(1.50)	3.09	3.95	2.32
Earnings per share – diluted ($ per share)	**3.46**	(1.50)	3.08	3.95	2.32
Weighted daily average number of common shares (in 000s of shares)	**24,705**	24,755	25,145	24,228	21,374
Weighted average number of diluted common shares (in 000s of shares)	**24,745**	24,755	25,186	24,273	21,374
Number of shares outstanding (in 000s of shares)	**24,670**	24,706	25,071	25,170	21,374
NETWORK METRICS					
System sales [(2)]	**3,631,300**	3,459,100	3,619,800	2,782,500	2,301,800
Digital sales [(2)]	**803,600**	636,400	199,200	n/a	n/a
Number of locations (#)	**6,719**	7,001	7,373	5,984	5,469
CASH FLOW					
Cash flows from operations	**139,299**	133,652	112,951	97,880	93,531
Cash flows from operations per diluted share ($ per share) [(2)]	**5.63**	5.40	4.48	4.03	4.38
Free cash flows [(1)]	**139,001**	140,652	116,938	92,598	94,021
Free cash flows per diluted share ($ per share) [(3)]	**5.62**	5.68	4.64	3.81	4.40
Dividends paid on common stock	**9,141**	4,633	16,713	14,530	9,832
Dividends per common share ($ per share)	**0.37**	0.185	0.66	0.60	0.46
Shares repurchased and cancelled	**2,184**	18,866	5,227	—	—
Number of shares repurchased and cancelled (#)	**36,600**	364,774	98,543	—	—
BALANCE SHEET					
Cash	**61,231**	44,302	50,737	32,304	56,453
Total assets	**1,904,594**	2,013,697	1,648,801	1,239,520	859,241
Long-term debt, including current portion	**360,728**	460,542	540,650	275,616	227,807
Shareholders' equity	**648,898**	582,514	665,480	610,895	318,530
TRADING DATA ON COMMON SHARES					
Close ($ per share)	**55.19**	51.65	55.92	65.58	52.24
52-week high ($ per share)	**72.10**	62.82	71.86	73.19	55.98
52-week low ($ per share)	**47.15**	14.23	51.61	44.97	44.75
Market capitalization (in millions $ per share)	**1,362**	1,276	1,402	1,651	1,117

(1) This is a non-GAAP measure. Please refer to section "Definition of non-GAAP measures" found in the Supplemental Information section of Management's Discussion and Analysis.

(2) This is a supplementary financial measure. Please refer to section "Definition of supplementary financial measures" found in the Supplemental Information section of Management's Discussion and Analysis.

(3) This is a non-GAAP ratio. Please refer to section "Definition of non-GAAP ratios" found in the Supplemental Information section of Management's Discussion and Analysis.

MESSAGE FROM **ÉRIC LEFEBVRE**

President and Chief Executive Officer

Dear Fellow Shareholders,

Despite the unprecedented and incredibly chaotic business environment of the last two years, I am proud to say 2021 was a great year for MTY.

Although we suffered from pandemic-related restrictions affecting our ability to conduct business normally with 124,000 lost business days in 2021 and reduced operations during extended periods of time, MTY produced record adjusted EBITDA of $168.6 million and cash flows from operations of $139.3 million. Our cash flows from operations per diluted share reached $5.63, providing a very healthy cash flow yield for our shareholders.

From a share price perspective, all our work hasn't translated into an equivalent performance on the stock markets. It was another year filled with significant fluctuations, but ultimately a discrepancy persisted between the market participants' perception of our performance and how we value it internally. There can be many reasons for that discrepancy, but we believe that if we continue to do the right things and deliver robust results, the market will rally around our stock and better appreciation will come.

All the efforts of the past to build a great and nimble organization have paid off in the volatile business environment that prevailed during the last fiscal period. MTY has always been proud to be an entrepreneurial company and to promote a decentralized organization in which each individual should be empowered

"

MTY produced record adjusted EBITDA of $168.6 million and cash flows from operations of $139.3 million.

"

> We started looking for accretive acquisitions more aggressively, resumed our NCIB and restored our dividend payments.

and creative. Most of our brands operate as single-brand operations by colleagues who are close to their operations, ensuring the right decisions are made with the right information and context. Our people represent our greatest resource and what separates MTY from other franchisors is the creativity, passion and skills of our empowered "intrapreneurs," combined with the resources and stability of a larger organization. This produces incredible strength for MTY and our franchise partners.

Fiscal 2021 was another year during which we had to roll with the punches and adjust to new restrictions swiftly. Different states and provinces had highly divergent and varying degrees of restrictions, going from total lockdown and curfews to completely lifted restrictions and back to lockdowns in only a few months. The disruptions caused by the lack of predictability will be felt for many years by our franchise partners, suppliers, landlords, employees and all other stakeholders.

These hardships were overcome by the diversified portfolio of brands and regions MTY has built over the last 40 years. While some brands, types of restaurants or regions were adversely affected, others gained from the recent changes in customer behaviours and habits. The overall impact of the pandemic on MTY was less than what many people had anticipated, mostly because they failed to recognize how the Company had changed in the last decade or so and how its diversity would help to face this type of adversity.

While our priority during 2021 remained focused on our existing network, we did shift our capital allocation strategy during the year. In the early days of the pandemic, we predominantly focused our capital resources towards paying down our debt and reducing the risk associated to leverage. As a result, we paid down a further $102.2 million of our debt in 2021. During 2021, we also started looking for accretive acquisitions more aggressively, resumed our NCIB and restored our dividend payments. We completed the acquisition of Küto Comptoir à Tartares shortly after the year-end and we now find ourselves in a good position to realize acquisitions of any size.

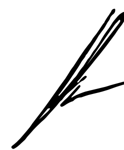
All this was largely made possible by the resilience and courage of our franchise partners, who faced constant uncertainty in many geographies. Our network did suffer some erosion in 2021, shrinking by approximately 4% in the last year. We ended 2021 with 6,719 locations, down from 7,001 at the end of the previous year. Although we don't like losing any location, the integrity of our network has been materially preserved in the last two years and will represent a strong foundation to achieve higher growth in future years.

In last year's letter, I mentioned our desire to continue investing in digital marketing, developing digital sales channels on a more global basis and investing in the technology that will enable a better digital performance. Our digital sales now make up almost one-quarter of total sales and, although we did not quite get where we hoped to be at year-end, we fully believe this is the right way to proceed and will continue to invest in 2022 to offer our customers a digital experience that will match their in-store experience.

We remain committed to deliver growth organically and via mergers and acquisitions in the future. As I write this letter, restrictions have been largely lifted everywhere in North America and our restaurants are finally operating at full capacity. Although the restaurant industry remains highly competitive, we are confident MTY and its franchise partners are in a solid position to take advantage of current trends and opportunities as well as gain market share in the coming years.

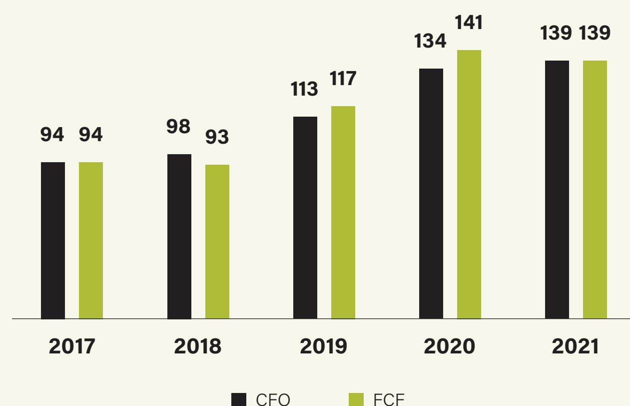
On a final note, I want to thank all our colleagues for their dedication and hard work, particularly those who come to work every day in our restaurants, distribution centers and production facilities. I would also like to sincerely thank our shareholders for their continued support.

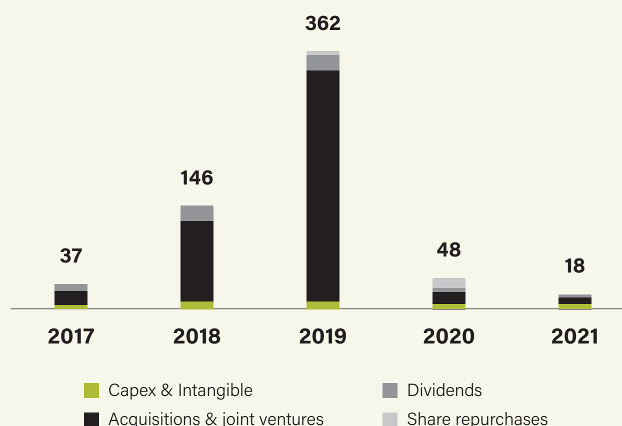
Thank you again for your trust and I wish you all good health as we move to the other side of the pandemic.



Éric Lefebvre
President and Chief Executive Officer

FINANCIAL PERFORMANCE





GENERATED ROBUST FREE CASH FLOWS

In fiscal 2021, cash flows generated by operating activities reached $139.3 million, compared to $133.7 million in 2020. Excluding the variation in non-cash working capital items, income taxes, interest paid and other, operations generated $170.1 million in cash flows, compared to $141.9 million in 2020.

Free cash flows amounted to $139.0 million in fiscal 2021, in line with $140.7 million generated for the same period last year, and higher than pre-pandemic levels.

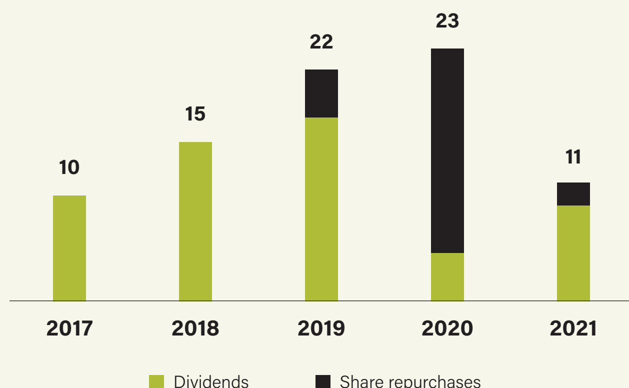
REVIEWED CAPITAL ALLOCATION STRATEGY

In July 2021, given an improved financial situation and a more favourable outlook MTY reviewed its capital allocation strategy. The Company reinstated its quarterly dividend and renewed its Normal Course Issuer Bid.

In December 2021 MTY announced the acquisition of Küto Comptoir à Tartares.

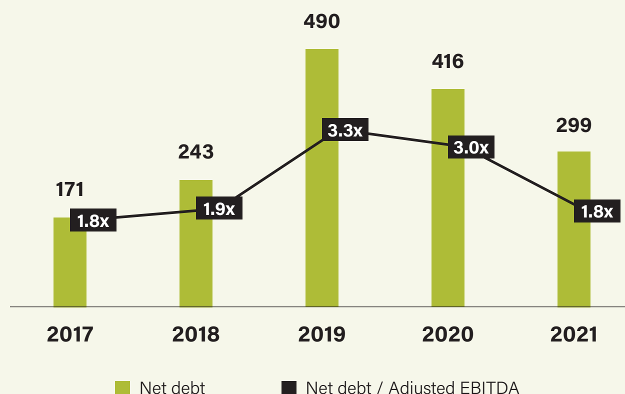
RETURN TO SHAREHOLDERS

(in millions of $)



NET DEBT TO ADJUSTED EBITDA

(in millions of $, except per ratio)



REINSTATED THE QUARTERLY DIVIDEND

MTY reinstated its quarterly dividend of $0.185 per share in August 2021, after having suspended it at the onset of the COVID-19 pandemic. In fiscal 2021, it paid $9.1 million in dividends.

MTY renewed its Normal Course Issuer Bid until July 2022. In fiscal 2021, it invested $2.2 million in share repurchases.

On January 18, 2022, the Company announced an increase of 14% of its quarterly dividend to $0.21 per share, continuing its trend of growth. This increase represents the 9th increase since the first quarterly dividend of $0.045 was declared in November 2020.

REDUCED DEBT AND IMPROVED LEVERAGE

In fiscal 2021, we repaid $102.2 million of long-term debt. We ended the year with a healthy financial position with a net debt to adjusted EBITDA ratio of 2.1x and available credit of $255.0 million.

GROUPE
MTY
GROUP

Management's Discussion and Analysis
For the year ended November 30, 2021
Key highlights

- **Adjusted EBITDA[1] of $42.8 million in the quarter, compared to $35.2 million in Q4-20.**
- **Cash flows from operating activities of $31.9 million in the quarter.**
- **Free cash flows per diluted share[2] reached $1.44.**
- **Net income attributable to shareholders of $24.9 million in the quarter, or $1.00 per diluted share, up from a net income attributable to shareholders of $20.1 million, or $0.81 per diluted share, in Q4-20.**
- **Long-term debt repayments of $22.7 million for the quarter.**
- **System sales[3] of $962.5 million, up 8% compared to Q4-20. System sales up 24% in Canada and 12% Internationally, down 1% in the US due to unfavourable impact of foreign exchange variation.**
- **164 restaurants were temporarily closed at the beginning of the quarter and 82 at the end of the quarter.**
- **Although temporary closures increased during the first quarter of 2022 due to additional government mandated restrictions, as at February 16, 2022, only 71 locations remained temporarily closed, a decrease of 11 since November 30, 2021.**
- **259 locations were closed one or more days during the quarter, representing approximately 9,500 lost business days.**
- **Repurchased and cancelled 36,600 shares for a total consideration of $2.2 million in Q4-21.**
- **Quarterly dividend payment of $0.185 per share on November 15, 2021.**
- **Acquisition of Küto Comptoir à Tartares in December 2021.**

[1] *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*
[2] *See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition.*
[3] *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

Management's Discussion and Analysis
For the fiscal year ended November 30, 2021

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, 2021.

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, 2020.

This MD&A was prepared as at February 16, 2022. 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 "Near-Term Outlook", "Same-Store Sales" and "Contingent Liabilities", 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 2021. 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 16, 2022 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. In addition, the impact of COVID-19 on the operational cash flows and financial condition of the industry in which the Company operates and on the Company itself continues to evolve and any forward-looking information set forth herein with respect to such matters is subject to change and actual impact may differ from expectations in a material way.

Forward-looking statements made in this MD&A are based on a number of assumptions that are believed to be reasonable on February 16, 2022. 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 duration and impact of the COVID-19 pandemic, its impact on the ability to re-open locations as well as on consumer demand upon re-opening and its macro-economic impact; 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, government orders and the event of the occurrence of epidemics, other pandemics and 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 16, 2022. 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 the business.

CORE BUSINESS

MTY franchises and operates quick service, fast casual and casual dining restaurants. MTY aims to be the franchisor of choice in North America and offers the market a range of offering through its many brands. MTY currently operates under the following banners: Tiki-Ming, Sukiyaki, La Crémière, 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, 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, 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, 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, SweetFrog, Casa Grecque, South Street Burger, Papa Murphy's, Yuzu Sushi, Allô! Mon Coco, La Boite Verte, Turtle Jack's Muskoka Grill and COOP Wicked Chicken.

As at November 30, 2021, MTY had 6,719 locations in operation, of which 6,603 were franchised or under operator agreements, 23 were operated through the joint venture and the remaining 93 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, grocery stores, and food-truck carts. Over the last 40 years, MTY has developed several restaurant concepts, including Tiki-Ming, which was the first concept it franchised. Details on other banners added through acquisitions can be found in the supplemental section of this MD&A.

In the wake of COVID-19, MTY has also launched multiple ghost kitchens in existing restaurant locations. These ghost kitchens and the pre-existing MTY restaurant locations are benefiting from the synergies of shared costs, streamlined workflows as well as being able to respond to the increase in delivery and takeout orders.

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. 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 and expenses from corporate owned locations include sales generated and cost incurred from their operations.

Promotional funds contributions are based on a percentage of gross sales as reported by the franchisees. The Company is not entitled to retain these promotional fund payments received and is obligated to transfer these funds to be used solely in promotional and marketing-related costs for specific restaurant banners.

MTY generates revenues from the food processing businesses discussed herein. The two plants produce 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 plants generate most of their revenues selling their products to distributors, retailers and franchisees. The Company also generates revenue from its distribution centers that serve primarily the Valentine and Casa Grecque franchisees. Furthermore, the Company generates revenues from the sale of retail products under various brand names, which are sold at a variety of retailers.

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Unless otherwise indicated, the financial information presented below, including tabular amounts, is prepared in accordance with IFRS. Definitions of all non-GAAP ("generally accepted accounting principles") measures, non-GAAP ratios and supplemental financial measures can be found in the supplemental information section of this MD&A. The non-GAAP measures, non-GAAP ratios and supplemental financial measures used within the context of this MD&A do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. The Company believes that non-GAAP measures, non-GAAP ratios and supplemental financial measures are useful because they are consistent with the indicators management uses internally to measure the Company's performance, to prepare operating budgets and to determine components of executive compensation. The Company also believes that these measures are used by securities analysts, investors and other interested parties and that these measures allow them to compare the Company's operations and financial performance from period to period and provide them with a supplemental measure of the operating performance and financial position and thus highlight trends in the core business that may not otherwise be apparent when relying solely on GAAP measures.

HIGHLIGHTS OF SIGNIFICANT EVENTS

COVID-19

During the year ended November 30, 2021, the COVID-19 pandemic continued to impact the markets in which MTY and its franchise partners and suppliers operate. Canada and certain parts of the United States ("US") continued to be impacted by the continuation of government-imposed restrictions including restrictions on dine-in guests, reduced operating hours and/or temporary closures. The year saw the ramp-up of the global vaccination campaign, which led to the gradual lifting of restrictions in some territories, including the resumption of indoor and outdoor dining, and the reopening of a number of restaurants. However, the end of the year saw the rise of a fourth wave driven by the Delta variant, resulting in more infections and certain additional public health measures, including the mandatory presentation of a vaccine passport for seated dining in restaurants in some territories. The disruptions are expected to persist into 2022 with uncertainty surrounding the rollout of the vaccine boosters and the spread of the Omicron variant. The longer-term impact on the economy and the rules and restrictions that will apply to MTY's restaurants are expected to fluctuate and impact the network for the foreseeable future.

As at November 30, 2021, MTY had 82 locations temporarily closed due to the pandemic, with many of those open operating with some restrictions. During the months of September, October and November of 2021, MTY's network lost approximately 9,500 days (approximately 8,000 in Canada and 1,500 in the US) of combined operations with a total of 259 locations closed one or more days during the quarter. Locations that are still temporarily closed are mostly located in malls, office towers and non-traditional locations such as airports, gyms and universities.

As previously reported, MTY is continuing its measures set out in 2020 to continually assist franchisees and ensure the safety and well-being of its employees, guests, and partners. Management continues to adapt and respond to the challenges presented by the current pandemic and monitors on a regular basis capital and operational spending to manage cash flows and ensure continued liquidity in the face of these uncertainties.

The consolidated financial statements have been impacted with respect to the following as a result of COVID-19:

- Changes to lease liabilities and finance lease receivables were made to reflect changes in lease payment terms;
- Reduction in wage expense, presented in Wage and rent subsidies as part of Operating expenses in the consolidated financial statements, for the year ending November 30, 2021, of $4.1 million (2020 – $6.8 million) resulting from the Canada Emergency Wage Subsidy, and of $0.3 million (2020 – nil) resulting from the Employee Retention Credit available to US taxpayers under the Coronavirus Aid, Relief and Economic Security Act; and
- Reduction in rent expense, presented in Wage and rent subsidies as part of Operating expenses in the consolidated financial statements for the year ending November 30, 2021, of $1.4 million (2020 – $0.2 million) resulting from the Canada Emergency Rent Subsidy.

Further information on these changes can be found in the November 30, 2021 consolidated financial statements.

DESCRIPTION OF RECENT ACQUISITION

On December 3, 2019, one of the Company's wholly owned subsidiaries completed its acquisition of a 70% interest in a joint venture that acquired Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina (together "Tortoise Group"), three casual dining concepts operating in the province of Ontario, for a consideration of $26.1 million. The consideration includes a deferred contingent consideration amounting to $4.1 million, an obligation for the repurchase of its partner in a joint venture of $2.9 million and cash consideration of $19.1 million. The Company has recorded its interest as an investment in a joint venture. The Company has guaranteed liabilities of the joint venture amounting to $7.9 million, which are payable to Tortoise Group, upon the repurchase of the 30% joint venture partner. At closing, there were 20 franchised restaurants in operation and three corporate-owned stores.

SUMMARY OF ANNUAL FINANCIAL METRICS

(In thousands $, except EPS, dividend per common share and number of common shares)	**Year ended November 30, 2021**	**Year ended November 30, 2020**
Total assets	1,904,594	2,013,697
Total long-term financial liabilities	347,612	447,654
Revenue	551,903	511,117
Income (loss) before taxes	112,072	(51,949)
Net income (loss) attributable to owners	85,639	(37,108)
Total comprehensive income (loss) attributable to owners	77,673	(49,726)
Cash flows from operations	139,299	133,652
Net income (loss) per share – basic	3.47	(1.50)
Net income (loss) per share – diluted	3.46	(1.50)
Dividends paid on common stock	9,141	4,633
Dividends per common share	0.370	0.185
Weighted daily average number of common shares	24,704,866	24,755,351
Weighted average number of diluted common shares	24,745,131	24,755,351

SUMMARY OF ANNUAL OPERATING METRICS

(In thousands $, except per share amounts)	Year ended November 30, 2021	Year ended November 30, 2020
Adjusted EBITDA [(1)]	168,622	137,819
Income before taxes, excluding impairment charges and reversals [(1)]	119,525	75,168
Cash flows from operations per diluted share [(2)]	5.63	5.40
Free cash flows [(1)]	139,001	140,652

(1) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*
(2) *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

SUMMARY OF QUARTERLY FINANCIAL METRICS

	Quarters ended							
(In thousands $, except per share information)	**February 2020**	**May 2020**	**August 2020**	**November 2020**	**February 2021**	**May 2021**	**August 2021**	**November 2021**
Revenue	150,780	97,808	135,366	127,163	118,960	135,857	150,801	146,285
Net income (loss) attributable to owners	19,008	(99,126)	22,932	20,078	13,397	23,028	24,337	24,877
Total comprehensive income (loss) attributable to owners	26,476	(80,422)	(10,691)	14,911	(953)	(7,588)	52,026	34,188
Net income (loss) per share	0.76	(4.01)	0.93	0.81	0.54	0.93	0.99	1.01
Net income (loss) per diluted share	0.76	(4.01)	0.93	0.81	0.54	0.93	0.98	1.00
Cash flows provided by operating activities	30,980	19,207	38,624	44,841	31,307	29,541	46,553	31,898

SUMMARY OF QUARTERLY OPERATING METRICS

(In thousands $, except system sales, # of locations and per share information)	Quarters ended							
	February 2020	**May 2020**	**August 2020**	**November 2020**	**February 2021**	**May 2021**	**August 2021**	**November 2021**
System sales [1 & 2]	999.5	670.7	897.5	891.4	761.1	891.5	1,016.2	962.5
# of locations	7,300	7,236	7,123	7,001	6,949	6,907	6,848	6,719
Adjusted EBITDA [3]	41,037	18,213	43,388	35,181	32,637	43,481	49,673	42,831
Free cash flows [3]	30,738	28,926	37,078	43,910	30,300	27,497	45,601	35,603
Free cash flows per diluted share [4]	1.23	1.17	1.50	1.78	1.23	1.11	1.84	1.44

(1) See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.
(2) In millions $.
(3) See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.
(4) See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition.

SEGMENT NOTE DISCLOSURE

Management monitors and evaluates the Company's results 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. Within those geographical segments, the Company's chief operating decision maker also assesses the performance of subdivisions based on the type of product or service provided. These subdivisions include franchising, corporate store, food processing, retail and distribution and promotional funds revenues and expenses.

RESULTS OF OPERATIONS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2021

Revenue

During the 2021 fiscal year, the Company's total revenue increased to $551.9 million, from $511.1 million a year earlier. Revenue for the two segments of business are broken down as follows:

Segment	**Subdivision**	**November 30, 2021 ($ millions)**	**November 30, 2020 ($ millions)**	**Variation**
Canada	Franchise operation	107.3	105.6	2%
	Corporate stores	19.4	18.4	5%
	Food processing, distribution and retail	125.0	104.2	20%
	Promotional funds	32.2	30.4	6%
	Intercompany transactions	(3.7)	(4.6)	N/A
Total Canada		280.2	254.0	10%
US & International	Franchise operation	167.2	152.2	10%
	Corporate stores	40.2	46.3	(13%)
	Food processing, distribution and retail	5.0	4.6	9%
	Promotional funds	61.2	56.4	9%
	Intercompany transactions	(1.9)	(2.4)	N/A
Total US & International		271.7	257.1	6%
Total revenue		**551.9**	**511.1**	**8%**

Canada revenue analysis:

Revenue from franchise locations in Canada increased by 2%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, 2020 fiscal year	105.6
Increase in recurring revenue streams [1]	3.9
Decrease in initial franchise fees, renewal fees and transfer fees	(0.7)
Decrease in turnkey, sales of material to franchisees and rent revenues	(0.4)
Other non-material variations	(1.1)
Revenue, 2021 fiscal year	107.3

[1] *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

The franchising segment in Canada benefitted from the re-opening of restaurants and gradual lifting of government-imposed restrictions, despite vaccine passport requirements in some provinces. System sales increased by 4.5% compared to prior year, which correlates to the increase in recurring revenue streams. This was partially offset by a decline in turnkey revenues. As at November 30, 2021, the Company still had 64 locations temporarily closed in Canada (2020 – 197 locations).

Revenue from corporate-owned locations increased by 5% to $19.4 million year-to-date. The increase is due to the gradual lifting of government-imposed restrictions, despite vaccine passport requirements in some provinces as well as an increase in the number of corporate restaurants held over the course of the year.

Food processing, distribution and retail revenues increased by 20%. The increase is partially explained by the re-opening of restaurants, which has increased sales in our distribution and food processing channels. The impact of increased consumer spending in grocery stores that has continued throughout the waves of the pandemic, coupled with the launch of new products in the retail division, as well as expansion into new provinces, also helped generate new sales channels. In 2021, 181 products were sold in the Canadian retail market, compared to 147 in 2020.

The promotional fund revenue increase of 6% is partly due to the 4.5% increase in system sales compared to prior year as well as the impact of the various contribution rates.

US & International revenue analysis:

Revenue from franchise locations in the US and International increased by 10%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, 2020 fiscal year	152.2
Increase in recurring revenue streams [1]	21.4
Increase in initial franchise fees, renewal fees and transfer fees	0.3
Increase in sales of material and services to franchisees	3.0
Increase in gift card breakage income	0.3
Impact of variation in foreign exchange rates	(9.2)
Other non-material variations	(0.8)
Revenue, 2021 fiscal year	167.2

[1] *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

The franchising segment benefited from the reopening and lifting of government-imposed restrictions in most of the states compared to 2020. Despite 18 US & International locations temporarily closed as at November 30, 2021, year-to-date system sales increased by 5.3% compared to prior year. Sales of material and services to franchisees also increased by $3.0 million, stemming primarily from the sale of equipment to franchisees. This was partially offset by an unfavourable impact of $9.2 million due to an unfavourable variation in the foreign exchange rate.

The decrease of $6.1 million in corporate-owned location revenues is explained by the sale of several Papa Murphy's corporately-owned locations that were converted into franchises as well as the negative impact of foreign exchange rates amounting to $2.9 million.

The promotional fund revenue increase of 9% is partly due to the increase in system sales as well as the impact of the various contribution rates.

Operating expenses

During the 2021 fiscal year, operating expenses increased by 2% to $382.6 million, from $373.8 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	November 30, 2021 ($ millions)	November 30, 2020 ($ millions)	Variation
Canada	Franchise operation	50.4	56.6	(11%)
	Corporate stores	17.3	17.7	(2%)
	Food processing, distribution and retail	114.0	92.5	23%
	Promotional funds	32.2	30.4	6%
	Intercompany transactions	(1.8)	(2.5)	N/A
Total Canada		212.1	194.7	9%
US & International	Franchise operation	71.4	78.9	(10%)
	Corporate stores	41.7	48.3	(14%)
	Promotional funds	61.2	56.4	9%
	Intercompany transactions	(3.8)	(4.5)	N/A
Total US & International		170.5	179.1	(5%)
Total operating expenses		**382.6**	**373.8**	**2%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada decreased by $6.2 million or 11%. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, 2020 fiscal year	56.6
Increase in non-controllable expenses [(1)]	2.0
Decrease in turnkey cost, cost of sale of material and services to franchisees and rent	(3.3)
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	2.5
Decrease in expected credit loss provision	(1.9)
Decrease due to impact of IFRS 16 on rent expense	(0.8)
Decrease due to impact of IFRS 16 on impairment of lease receivables	(4.7)
Operating expenses, 2021 fiscal year	50.4

[(1)] *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

Non-controllable expenses increased by $2.0 million compared to prior year due to a decrease in wage subsidies. The $3.3 million decrease in turnkey costs and cost of material and services to franchisees and rent is the impact of $1.8 million lease guarantee provision recorded at the onset of the pandemic with the remaining $1.5 million explained by a decrease in turnkeys' costs that are correlated with the decrease in revenues as well as a decrease in rent. Controllable expenses increased by $2.5 million, mostly due to an increase in wages, which was partially offset by a decrease in professional and consulting services. During the year, expenses were also favourably impacted by: higher expected credit loss provisions taken in the prior year at the onset of the pandemic; and reversals of expected credit loss provisions on accounts receivable and lease receivables, which stems from a change in the assessment of the collection risk and better than expected collection from franchisees.

Corporate store expenses for the year were favorably impacted by rent subsidies received from the government offset by an increase in operating expenses due to the gradual lifting of government-imposed restrictions as well as an increase in the number of corporate restaurants held over the course of the year.

Food processing, distribution and retail cost increased due to increases in revenues but also as a result of a retroactive environmental contribution rates adjustment during the first quarter that required a cumulative adjustment.

Promotional funds expense activities were tightly correlated to the related revenues.

US & International operating expenses analysis:

Operating expenses from franchise locations in the US & International decreased by $7.5 million. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, 2020 fiscal year	78.9
Increase in non-controllable expenses [1]	1.8
Increase in cost of sale of material and services to franchisees and rent	4.1
Decrease in recurring controllable expenses [1] including wages, professional and consulting services and other office expenses	(2.8)
Decrease in expected credit loss provision	(2.4)
Decrease due to impact of IFRS 16 on rent expense	(0.5)
Decrease due to impact of IFRS 16 on impairment of lease receivables	(2.6)
Impact of variation in foreign exchange rates	(4.7)
Other non-material variations	(0.4)
Operating expenses, 2021 fiscal year	71.4

(1) *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

The non-controllable expenses increase of $1.8 million stems from an increase in royalties paid to area developers. The $4.1 million increase in cost of sale of material and services to franchises and rent is primarily from the sale of equipment to franchisees, which is correlated with revenues, as well as an increase in rent expense and the costs related to the sale of gift cards.

The reduction in controllable expenses was due to reductions in wages, professional fees, franchising, and travel expenses, all of which were reduced as part of cost reduction initiatives put into place in response to COVID-19. Expenses were also favourably impacted by: higher expected credit loss provisions taken in the prior year at the onset of the pandemic; and reversals of expected credit loss provisions on accounts receivable and lease receivables, which stems from a change in the assessment of the collection risk and better than expected collection from franchisees.

The variations from corporate stores and promotional funds fluctuated in correlation to the related revenues.

Segment profit (loss) and Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") [1]

Fiscal year ended November 30, 2021			
(In millions $)	Canada	US & International	Total
Revenue	280.2	271.7	551.9
Operating expenses	212.1	170.5	382.6
Segment profit	68.1	101.2	169.3
Segment profit as a % of Revenue	24%	37%	31%
Segment profit	68.1	101.2	169.3
Net loss in joint venture	(0.7)	—	(0.7)
Adjusted EBITDA	67.4	101.2	168.6
Adjusted EBITDA as a % of Revenue [2]	24%	37%	31%

Fiscal year ended November 30, 2020			
(In millions $)	Canada	US & International	Total
Revenue	254.0	257.1	511.1
Operating expenses	194.7	179.1	373.8
Segment profit	59.3	78.0	137.3
Segment profit as a % of Revenue	23%	30%	27%
Segment profit	59.3	78.0	137.3
Net profit in joint venture	0.5	—	0.5
Adjusted EBITDA	59.8	78.0	137.8
Adjusted EBITDA as a % of Revenue [2]	24%	30%	27%

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

Fiscal year ended November 30, 2021						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	274.5	59.6	130.0	93.4	(5.6)	551.9
Operating expenses	121.8	59.0	114.0	93.4	(5.6)	382.6
Segment profit	152.7	0.6	16.0	—	—	169.3
Segment profit as a % of Revenue	56%	1%	12%	N/A	N/A	31%
Segment profit	152.7	0.6	16.0	—	—	169.3
Net loss in joint venture	(0.7)	—	—	—	—	(0.7)
Adjusted EBITDA	152.0	0.6	16.0	—	—	168.6
Adjusted EBITDA as a % of Revenue [(2)]	55%	1%	12%	N/A	N/A	31%

Fiscal year ended November 30, 2020						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	257.8	64.7	108.8	86.8	(7.0)	511.1
Operating expenses	135.5	66.0	92.5	86.8	(7.0)	373.8
Segment profit (loss)	122.3	(1.3)	16.3	—	—	137.3
Segment profit (loss) as a % of Revenue	47%	N/A	15%	N/A	N/A	27%
Segment profit (loss)	122.3	(1.3)	16.3	—	—	137.3
Net profit in joint venture	0.5	—	—	—	—	0.5
Adjusted EBITDA	122.8	(1.3)	16.3	—	—	137.8
Adjusted EBITDA as a % of Revenue [(2)]	48%	N/A	15%	N/A	N/A	27%

[(1)] *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*

[(2)] *See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition.*

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, 2020 fiscal year	59.3	78.0	137.3
Variance in recurring revenues and expenses [(1)]	0.3	23.3	23.6
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	2.9	(1.1)	1.8
Variance in initial franchise fees, renewal fees and transfer fees	(0.7)	0.3	(0.4)
Variance in nonrecurring non-controllable expenses [(1)]	(1.2)	0.3	(0.9)
Variance in expected credit loss provision	2.3	2.4	4.7
Variance due to impact of IFRS 16 on rent revenue & expense	1.0	(0.1)	0.9
Variance due to impact of IFRS 16 on impairment of lease receivables	4.7	2.6	7.3
Impact of variation in foreign exchange rates	—	(4.1)	(4.1)
Other non-material variations	(0.5)	(0.4)	(0.9)
Segment profit, 2021 fiscal year	68.1	101.2	169.3
Adjusted EBITDA [(2)], 2020 fiscal year	59.8	78.0	137.8
Variances in segment profit	8.8	23.2	32.0
Variance due to net impact of joint venture	(1.2)	—	(1.2)
Adjusted EBITDA [(2)], 2021 fiscal year	67.4	101.2	168.6

(1) See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.

(2) See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.

Total segment profit for the year ended November 30, 2021, was $169.3 million, an increase of 23% compared to the same period last year. Total adjusted EBITDA for the same period was $168.6 million, an increase of 22% compared to the same period last year. The loosening of COVID-19 restrictions in both geographic segments and positive system sales growth as well as the decrease in expected credit loss provisions are the primary reasons for the increase.

Canada contributed 40% of total adjusted EBITDA and a year-over-year increase of $7.6 million. This increase of 13% was mostly due to an increase in recurring revenues, which stems from higher systems sales, as well as the impact of one-time lease guarantee provisions taken in 2020, the reversals of expected credit loss provisions and lower professional and consulting fees.

The US & International adjusted EBITDA grew by 30% mainly from an increase in recurring revenue, in conjunction with cost reduction measures put in place and reversals of expected credit loss provisions on accounts receivable and lease receivables.

Net income (loss)

For the year ended November 30, 2021, a net income attributable to owners of $85.6 million was recorded, or $3.47 per share ($3.46 per diluted share) compared to a net loss attributable to owners of $37.1 million or $1.50 per share ($1.50 per diluted share) last year. The increase was primarily due to a non-cash impairment charge to the Company's property, plant and equipment, intangible assets and goodwill of $122.8 million recorded in the prior year. This compares to a non-cash net impairment charge of $5.9 million to the Company's property, plant and equipment and intangible assets recorded in the current year.

Calculation of Adjusted EBITDA [1]

(In thousands $)	**Year ended November 30, 2021**	**Year ended November 30, 2020**
Income (loss) before taxes	112,072	(51,949)
Depreciation – property, plant and equipment and right-of-use assets	16,174	16,998
Amortization – intangible assets	28,442	30,876
Interest on long-term debt	10,111	16,756
Net interest expense on leases	2,295	2,481
Impairment charge – right-of-use assets	1,550	4,291
Net impairment charge – property, plant and equipment, intangible assets and goodwill	5,903	122,826
Unrealized and realized foreign exchange loss (gain)	300	(3,230)
Interest income	(198)	(408)
Gain on de-recognition/lease modification of lease liabilities	(1,319)	(2,890)
(Gain) loss on disposal of property, plant and equipment and assets held for sale	(3,549)	466
Revaluation of financial liabilities recorded at fair value through profit and loss	(3,034)	1,602
Other income	(125)	—
Adjusted EBITDA	**168,622**	**137,819**

[1] *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*

Other income and expenses

Interest on long-term debt decreased by $6.6 million as a result of repayments made on the revolving credit facility over the course of the last 12 months and the positive impact of cross-currency interest rate swaps.

The Company recorded a gain on disposal of property, plant and equipment of $3.5 million during the year ended November 30, 2021, mostly resulting from the disposal of two portfolios of Papa Murphy's corporately-owned locations in the US that were converted into franchises upon completion of the sale. This compares to a loss on disposal of property, plant and equipment and assets held for sale of $0.5 million in the prior year.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED NOVEMBER 30, 2021

Revenue

During the fourth quarter of 2021, the Company's total revenue increased to $146.3 million, from $127.2 million a year earlier. Revenue for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2021 ($ millions)	November 30, 2020 ($ millions)	Variation
Canada	Franchise operation	33.7	27.7	22%
	Corporate stores	5.9	4.1	44%
	Food processing, distribution and retail	34.6	24.8	40%
	Promotional funds	9.6	8.0	20%
	Intercompany transactions	(2.7)	(3.4)	N/A
Total Canada		81.1	61.2	33%
US & International	Franchise operation	39.7	40.4	(2%)
	Corporate stores	9.4	11.1	(15%)
	Food processing, distribution and retail	1.3	1.1	18%
	Promotional funds	15.2	14.2	7%
	Intercompany transactions	(0.4)	(0.8)	N/A
Total US & International		65.2	66.0	(1%)
Total revenue		**146.3**	**127.2**	**15%**

Canada revenue analysis:

Revenue from franchise locations in Canada increased by 22%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, fourth quarter of 2020	27.7
Increase in recurring revenue streams [(1)]	6.3
Increase in initial franchise fees, renewal fees and transfer fees	0.2
Increase in turnkey, sales of material to franchisees and rent revenues	0.4
Other non-material variations	(0.9)
Revenue, fourth quarter of 2021	33.7

[(1)] *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

The increase to franchising revenues was mostly attributable to the recovery from the onset of the second wave and increased government-imposed restrictions in the fourth quarter of 2020. Malls and office towers outperformed prior year with sales growth of 41% and 58%, respectively, while street-front locations had a year-over-year growth of 21%. Street-front locations had the largest increase in the casual dining division, with a quarterly sales increase of 36%. The network's digital sales also continued to rise, reaching $60.6 million during the quarter, compared to $53.7 million in the same period last year.

Revenue from corporate-owned locations increased by 44% to $5.9 million during the quarter. The increase is mostly due to the re-opening of corporate locations in the fourth quarter compared to their temporary closures in the same period last year as a result of the onset of the second wave in the fourth quarter of 2020.

Food processing, distribution and retail revenues increased by 40% mainly due to new listings in retail and expansion to new territories, as well as higher revenues generated by our processing and distribution centers. The year-over-year improvement is the result of increased restaurant sales during the quarter, which is a driver for this segment.

The promotional fund revenue increase of 20% is partly due to the increase in system sales, which increased by 24%, as well as the impact of the various contribution rates.

US & International revenue analysis:

Revenue from franchise locations in the US and International decreased by 2%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, fourth quarter of 2020	40.4
Increase in recurring revenue streams [(1)]	1.8
Increase in initial franchise fees, renewal fees and transfer fees	0.3
Decrease in sales of material and services to franchisees	(0.2)
Impact of variation in foreign exchange rates	(1.7)
Other non-material variations	(0.9)
Revenue, fourth quarter of 2021	39.7

(1) *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

Despite the overall decrease in franchising revenues, mostly due to the unfavourable impact of variation in foreign exchange rates, recurring revenue streams were higher compared to the same period last year, partially attributable to the momentum in the recovery from the pandemic, with the removal of government-imposed restrictions in key states and territories. For the three-month period ended November 30, 2021, excluding the impact of foreign exchange rates, system sales increased by 4% compared to prior year. California, the largest territory in the US network, also saw an increase of 7% compared to prior year.

The decrease of $1.7 million in corporate-owned location revenues is due to the sale of several Papa Murphy's corporately-owned locations that were converted into franchises.

The promotional fund revenue increase of 7% is partly due to the impact of the various contribution rates.

Operating expenses

During the fourth quarter of 2021, operating expenses increased by 12% to $103.2 million, up from $92.0 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	November 30, 2021 ($ millions)	November 30, 2020 ($ millions)	Variation
Canada	Franchise operation	13.8	14.6	(5%)
	Corporate stores	5.8	3.6	61%
	Food processing, distribution and retail	32.0	21.8	47%
	Promotional funds	9.6	8.0	20%
	Intercompany transactions	(0.5)	(1.1)	N/A
Total Canada		60.7	46.9	29%
US & International	Franchise operation	19.2	22.2	(14%)
	Corporate stores	10.7	11.8	(9%)
	Promotional funds	15.2	14.2	7%
	Intercompany transactions	(2.6)	(3.1)	N/A
Total US & International		42.5	45.1	(6%)
Total operating expenses		**103.2**	**92.0**	**12%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada decreased by $0.8 million, due to several factors listed below:

	(In millions $)
Operating expenses, fourth quarter of 2020	14.6
Increase in non-controllable expenses [(1)]	0.8
Increase in turnkey cost, cost of sale of material and services to franchisees and rent	0.1
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	0.4
Increase in expected credit loss provision	0.3
Decrease due to impact of IFRS 16 on rent expense	(0.5)
Decrease due to impact of IFRS 16 on impairment of lease receivables	(1.5)
Other non-material variations	(0.4)
Operating expenses, fourth quarter of 2021	13.8

(1) See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.

Non-controllable expenses increased by $0.8 million compared to prior year due to a decrease in wage subsidies. Cost of sales and materials to franchisees overall increased, correlated with revenues, and were offset by a decrease in turnkey costs and rent.

Controllable expenses increased by $0.4 million as, in 2020, management took certain actions to reduce expenditures within the organization, many of which were scaled down as the segment recovers, which has resulted in the increase in recurring controllable expenses. The quarter also saw the reversals of expected credit loss provisions on lease receivables, which stems from a change in the assessment of the collection risk and better than expected collection from franchisees.

The variations of expenses from corporate stores were tightly correlated to the related revenues and partially offset by the impact of wage and rent subsidies received from the government.

Food processing, distribution and retail costs exceeded related revenue growth due to current supply chain costs and wage increases.

The variations of promotional funds expense were tightly correlated to the related revenues.

US & International operating expenses analysis:

Operating expenses from franchise locations in the US & International decreased by $3.0 million. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, fourth quarter of 2020	22.2
Increase in non-controllable expenses [(1)]	0.1
Decrease in cost of sale of material and services to franchisees and rent	(0.1)
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	0.2
Decrease in expected credit loss provision	(0.2)
Decrease due to impact of IFRS 16 on rent expense	(0.3)
Decrease due to impact of IFRS 16 on impairment of lease receivables	(1.3)
Impact of variation in foreign exchange rates	(0.9)
Other non-material variations	(0.5)
Operating expenses, fourth quarter of 2021	19.2

(1) See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.

Operating expenses for the fourth quarter decreased by $3.0 million, mostly due to the unfavourable variation in foreign exchange rates, as well as a reduction in expected credit losses on accounts receivable and lease receivables. The decrease in expected credit losses stems from a change in the assessment of the collection risk and better than expected collection from franchisees.

The decrease of $1.2 million in corporate-owned location revenues is due to the sale of several Papa Murphy's corporately-owned locations that were converted into franchises.

The variation from promotional funds fluctuated in correlation to the related revenues.

Segment profit (loss) and Adjusted EBITDA [1]

Three-month period ended November 30, 2021			
(In millions $)	Canada	US & International	Total
Revenue	81.1	65.2	146.3
Operating expenses	60.7	42.5	103.2
Segment profit	20.4	22.7	43.1
Segment profit as a % of Revenue	25%	35%	29%
Segment profit	20.4	22.7	43.1
Net loss in joint venture	(0.3)	—	(0.3)
Adjusted EBITDA	20.1	22.7	42.8
Adjusted EBITDA as a % of Revenue [2]	25%	35%	29%

Three-month period ended November 30, 2020			
(In millions $)	Canada	US & International	Total
Revenue	61.2	66.0	127.2
Operating expenses	46.9	45.1	92.0
Segment profit	14.3	20.9	35.2
Segment profit as a % of Revenue	23%	32%	28%
Segment profit	14.3	20.9	35.2
Net profit in joint venture	—	—	—
Adjusted EBITDA	14.3	20.9	35.2
Adjusted EBITDA as a % of Revenue [2]	23%	32%	28%

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

Three-month period ended November 30, 2021						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	73.4	15.3	35.9	24.8	(3.1)	146.3
Operating expenses	33.0	16.5	32.0	24.8	(3.1)	103.2
Segment profit (loss)	40.4	(1.2)	3.9	—	—	43.1
Segment profit (loss) as a % of Revenue	55%	N/A	11%	N/A	N/A	29%
Segment profit (loss)	40.4	(1.2)	3.9	—	—	43.1
Net loss in joint venture	(0.3)	—	—	—	—	(0.3)
Adjusted EBITDA	40.1	(1.2)	3.9	—	—	42.8
Adjusted EBITDA as a % of Revenue [(2)]	55%	N/A	11%	N/A	N/A	29%

Three-month period ended November 30, 2020						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	68.1	15.2	25.9	22.2	(4.2)	127.2
Operating expenses	36.8	15.4	21.8	22.2	(4.2)	92.0
Segment profit (loss)	31.3	(0.2)	4.1	—	—	35.2
Segment profit (loss) as a % of Revenue	46%	N/A	16%	N/A	N/A	28%
Segment profit (loss)	31.3	(0.2)	4.1	—	—	35.2
Net profit in joint venture	—	—	—	—	—	—
Adjusted EBITDA	31.3	(0.2)	4.1	—	—	35.2
Adjusted EBITDA as a % of Revenue [(2)]	46%	N/A	16%	N/A	N/A	28%

[(1)] *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*

[(2)] *See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition*

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, fourth quarter of 2020	14.3	20.9	35.2
Variance in recurring revenues and expenses [(1)]	4.8	0.7	5.5
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	0.3	(0.1)	0.2
Variance in initial franchise fees, renewal fees and transfer fees	0.2	0.3	0.5
Variance in nonrecurring non-controllable expenses [(1)]	(0.8)	—	(0.8)
Variance in expected credit loss provision	(0.3)	0.2	(0.1)
Variance due to impact of IFRS 16 on rent revenue & expense	0.4	—	0.4
Variance due to impact of IFRS 16 on impairment of lease receivables	1.5	1.3	2.8
Impact of variation in foreign exchange rates	—	(0.4)	(0.4)
Other non-material variations	—	(0.2)	(0.2)
Segment profit, fourth quarter of 2021	20.4	22.7	43.1
Adjusted EBITDA [(2)], fourth quarter of 2020	14.3	20.9	35.2
Variances in segment profit	6.1	1.8	7.9
Variance due to net impact of joint venture	(0.3)	—	(0.3)
Adjusted EBITDA [(2)], fourth quarter of 2021	20.1	22.7	42.8

(1) See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.

(2) See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.

Total segment profit for the three-month period ending November 30, 2021, was $43.1 million, up by 22% compared to the same period last year. Total adjusted EBITDA for the same period was $42.8 million, up by 22% compared to the same period last year. Canada contributed 47% of total adjusted EBITDA and a year-over-year increase of $5.8 million while the US & International adjusted EBITDA increased by 9% or $1.8 million. Major brands such as Cold Stone, SweetFrog, Baton Rouge, Thai Express and Sushi Shop, to name a few, greatly outperformed prior year as mall and street locations generated year-over-year growth of 31% and 4%, respectively. The network's overall scalability through cost management also allowed margins to increase to 55% for the franchising division, from 45% the year before.

Net income

For the three months ended November 30, 2021, a net income attributable to owners of $24.9 million was recorded, or $1.01 per share ($1.00 per diluted share) compared to net income attributable to owners of $20.1 million or $0.81 per share ($0.81 per diluted share) last year.

Calculation of Adjusted EBITDA [1]

(In thousands $)	Quarter ended November 30, 2021	Quarter ended November 30, 2020
Income before taxes	33,831	12,882
Depreciation – property, plant and equipment and right-of-use assets	4,073	3,904
Amortization – intangible assets	6,962	8,013
Interest on long-term debt	1,724	3,754
Net interest expense on leases	561	585
Impairment charge – right-of-use assets	628	1,170
Net impairment charge – property, plant and equipment, intangible assets and goodwill	549	2,560
Unrealized and realized foreign exchange loss (gain)	1,758	(599)
Interest expense (income)	(40)	(139)
Gain on de-recognition/lease modification of lease liabilities	(465)	(42)
(Gain) loss on disposal of property, plant and equipment and assets held for sale	(2,487)	297
Revaluation of financial liabilities recorded at fair value through profit and loss	(4,153)	2,796
Other income	(110)	—
Adjusted EBITDA	**42,831**	**35,181**

[1] *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*

Other income and expenses

Interest on long-term debt decreased by $2.0 million because of repayments made on the revolving credit facility over the course of the last 12 months.

The stronger Canadian dollar relative to the US dollar resulted in an unfavourable variation in the foreign exchange on intercompany loans. The Company recorded unrealized foreign exchange losses of $1.8 million on intercompany loans during the quarter ended November 30, 2021.

The Company recorded a gain on disposal of property, plant and equipment of $2.5 million in the fourth quarter, related to the sale of several Papa Murphy's corporately-owned locations that were converted into franchises, compared to a loss of $0.3 million in the same period last year.

The Company also recognized a gain on revaluation of financial liabilities recorded at fair value of $4.2 million in the fourth quarter related to its contingent consideration on investment in a joint venture and to its obligation to repurchase a partner in a joint venture. This compares to a loss of $2.8 million in the same period last year, primarily attributable to its contingent considerations on acquisitions and investment in a joint venture.

CONTRACTUAL OBLIGATIONS

The obligations pertaining to the long-term debt and the minimum net rentals for the leases are as follows:

(In millions $)	0 – 6 Months	6 – 12 Months	12 – 24 Months	24 – 36 Months	36 – 48 Months	48 – 60 Months	Thereafter
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	119.5	—	—	—	—	—	—
Long-term debt [1]	13.7	—	2.0	345.0	1.4	—	—
Interest on long-term debt [2]	2.9	2.9	5.7	2.3	—	—	—
Net lease liabilities [3]	6.3	6.3	11.3	9.7	8.8	7.9	22.3
Total contractual obligations	**142.4**	**9.2**	**19.0**	**357.0**	**10.2**	**7.9**	**22.3**

(1) Amounts shown represent the total amount payable at maturity and are therefore undiscounted. Long-term debt includes interest-bearing loans related to acquisitions, promissory notes, contingent consideration on acquisitions, minority put options, non-interest-bearing holdbacks on acquisitions and non-interest-bearing contract cancellation fees.

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

(3) Net lease liabilities include the total undiscounted lease payments of leases, offset by finance lease receivables and operating subleases.

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2021, the amount held in cash totaled $61.2 million, an increase of $16.9 million since the end of the 2020 fiscal period.

During the third and fourth quarters of 2021, MTY paid $9.1 million in dividends to its shareholders. The dividend payment had previously been suspended since the second quarter of 2020. The Company also repurchased and cancelled 36,600 (2020 – 364,774) of its shares for $2.2 million (2020 – $18.9 million) through its normal course issuer bid ("NCIB") during the 2021 fiscal year.

During the year ended November 30, 2021, cash flows generated by operating activities were $139.3 million, compared to $133.7 million in 2020. Excluding the variation in non-cash working capital items, income taxes, interest paid and other, operations generated $170.1 million in cash flows, compared to $141.9 million in 2020.

The revolving credit facility has an authorized amount of $600.0 million (November 30, 2020 – $700.0 million), of which $345.0 million was drawn as at November 30, 2021 (November 30, 2020 – $433.0 million).

Under this facility, the Company is required to comply with certain financial covenants, including:

- a debt to EBITDA ratio [1] that must be less than or equal to 3.50:1.00;
- a debt to EBITDA ratio [1] that must be less than or equal to 4.00:1.00 in the twelve months following acquisitions with a consideration exceeding $150.0 million; and
- an interest and rent coverage ratio that must be at least 2.00:1.00 at all times.

(1) See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition.

The revolving credit facility is repayable without penalty with the balance due on the date of maturity April 22, 2024.

As at November 30, 2021, the Company was in compliance with the covenants of the credit agreement.

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, grocery stores, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities and airports. The non-traditional locations are typically smaller in size, require lower investment and generate lower revenue than the shopping malls, food courts and street front locations.

Number of locations:

	Three months ended November 30,		Twelve months ended November 30,	
	2021	2020	**2021**	2020
Franchises, beginning of the period	**6,701**	6,989	**6,867**	7,229
Corporate-owned, beginning of the period				
Canada	**42**	35	**37**	50
US	**82**	78	**76**	94
Joint venture	**23**	21	**21**	—
Total, beginning of the period	**6,848**	7,123	**7,001**	7,373
Opened during the period	**60**	39	**218**	185
Closed during the period	**(189)**	(161)	**(489)**	(578)
Joint venture opened or acquired during the period	**—**	—	**3**	23
Joint venture closed during the period	**—**	—	**(1)**	(2)
Disposed of during the period	**—**	—	**(13)**	—
Total, end of the period	**6,719**	7,001	**6,719**	7,001
Franchises, end of the period			**6,603**	6,867
Corporate-owned, end of the period				
Canada			**42**	37
US			**51**	76
Joint venture			**23**	21
Total, end of the period			**6,719**	7,001

The Company's network opened 221 locations for the year ended November 30, 2021 (2020 – 185 locations opened and 23 joint venture locations acquired). For the fourth quarter of 2021, the Company's network opened 60 locations (2020 – 39 locations). The geographical breakdown is as follows:

	Three months ended November 30,		Twelve months ended November 30,	
	2021	2020	**2021**	2020
Canada	**27**	19	**102**	112
US	**24**	14	**73**	70
International	**9**	6	**46**	26
Opened or acquired	**60**	39	**221**	208

During the year ended November 30, 2021, the Company's network closed 490 locations (2020 – 578 locations and 2 locations through the joint venture). Of the locations closed during the period, 49% were located on street front, 23% in malls and office towers and 28% in other non-traditional formats. For the fourth quarter of 2021, the Company's network closed 189 locations (2020 – 161 locations). Of the locations closed during the quarter, 46% were located on street front, 26% in malls and office towers and 28% in other non-traditional formats. The geographical breakdown is as follows:

	Three months ended November 30,		Twelve months ended November 30,	
	2021	2020	**2021**	2020
Canada	**68**	85	**205**	262
US	**95**	68	**229**	276
International	**26**	8	**56**	42
Closed	**189**	161	**490**	580

As at November 30, 2021, the Company's network had a total of 82 locations temporarily closed as a result of COVID-19 (November 30, 2020 – 338 locations). Of these temporarily closed locations, 64 are in Canada (November 30, 2020 – 197 locations), 9 in the US (November 30, 2020 – 108 locations) and the remaining 9 are located Internationally (November 30, 2020 – 33 locations). As at February 16, 2022, MTY has 71 temporarily closed locations. Although these locations are expected to reopen, the timing of these re-openings is uncertain.

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

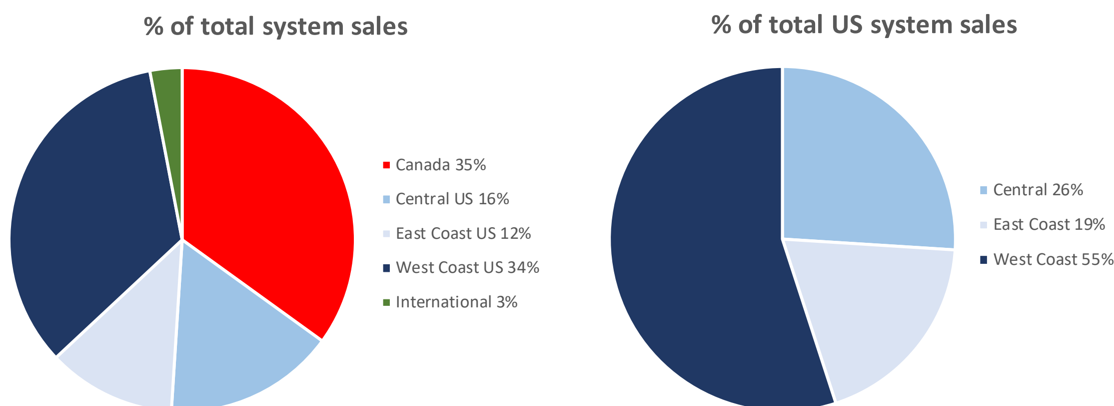
	% of location count		% of system sales Twelve months ended	
	November 30,		**November 30,**	
Location type	**2021**	2020	**2021**	2020
Shopping mall & office tower food courts	**14%**	15%	**9%**	10%
Street front	**64%**	63%	**82%**	82%
Non-traditional format	**22%**	22%	**9%**	8%

The geographical breakdown of MTY's locations and system sales is as follows:

	% of location count		% of system sales Twelve months ended	
	November 30,		**November 30,**	
Geographical location	**2021**	2020	**2021**	2020
Canada	**39%**	38%	**35%**	35%
US	**54%**	55%	**62%**	61%
International	**7%**	7%	**3%**	4%

In Canada, Quebec had the largest portion of total system sales with 18% followed by Ontario with 9%. In the US, only the state of California exceeded 10% of US system sales for the period, followed by Washington and Oregon, which contributed to the network's sales with 10% and 8% of US system sales respectively.

The geographical distribution of system sales is as follows:



The breakdown by the types of concepts for the system sales is as follows:

	% of location count		% of system sales Twelve months ended	
	November 30,		**November 30,**	
Concept type	**2021**	2020	**2021**	2020
Quick service restaurant	**83%**	83%	**73%**	73%
Fast casual	**10%**	10%	**13%**	12%
Casual dining	**7%**	7%	**14%**	15%

System sales

During the three and twelve-month periods ended November 30, 2021, MTY's network generated $962.5 million and $3,631.3 million in sales, respectively. The breakdown of system sales is as follows:

(millions of $)	Canada	US	International	**TOTAL**
First quarter of 2021	219.4	511.8	29.9	**761.1**
First quarter of 2020	425.2	530.5	43.8	**999.5**
Variance	(48%)	(4%)	(32%)	**(24%)**
Second quarter of 2021	270.9	592.3	28.3	**891.5**
Second quarter of 2020	173.2	477.0	20.5	**670.7**
Variance	56%	24%	38%	**33%**
Third quarter of 2021	391.3	594.2	30.7	**1,016.2**
Third quarter of 2020	302.6	566.2	28.7	**897.5**
Variance	29%	5%	7%	**13%**
Fourth quarter of 2021	378.9	551.3	32.3	**962.5**
Fourth quarter of 2020	305.7	556.8	28.9	**891.4**
Variance	24%	(1%)	12%	**8%**
Year-to-date 2021	1,260.5	2,249.6	121.2	**3,631.3**
Year-to-date 2020	1,206.7	2,130.5	121.9	**3,459.1**
Variance	4%	6%	(1%)	**5%**

The overall movement in sales is distributed as follows:

	Three month sales ended November 30				Twelve month sales ended November 30			
(millions of $)	Canada	US	International	TOTAL	Canada	US	International	**TOTAL**
Reported sales – 2020	305.7	556.8	28.9	891.4	1,206.7	2,130.5	121.9	**3,459.1**
Net variance in system sales	73.2	20.6	4.7	98.5	53.8	258.5	6.3	**318.6**
Cumulative impact of foreign exchange variation	—	(26.1)	(1.3)	(27.4)	—	(139.4)	(7.0)	**(146.4)**
Reported sales – 2021	378.9	551.3	32.3	962.5	1,260.5	2,249.6	121.2	**3,631.3**

System sales for the three-month period ended November 30, 2021 increased by 8% mainly due to the impacts of government-imposed restrictions during the second wave of COVID-19 in the prior year, and an increase in customer traffic. The casual dining concepts contributed $41.7 million to the increase, or a quarterly sales increase of 36%.

For the twelve-month period ended November 30, 2021, system sales were up by 5% compared to 2020. The quick service restaurant concepts drove the increase, representing 82% of the total year-over-year growth, or a 6% increase.

MTY started the quarter with 164 temporarily closed locations because of COVID-19 and ended with 82 closed as at November 30, 2021 (November 30, 2020 – 338 locations). This resulted in approximately 9,500 days of lost business. Of the closed locations, 64 were in Canada (November 30, 2020 – 197 locations), 9 in the US (November 30, 2020 – 108 locations) and 9 were Internationally located (November 30, 2020 – 33 locations).

During the three and twelve-month periods ended November 30, 2021, a stronger Canadian dollar relative to the US dollar also decreased sales and resulted in an unfavorable variation of $27.4 million and $146.4 million, respectively, in reported sales.

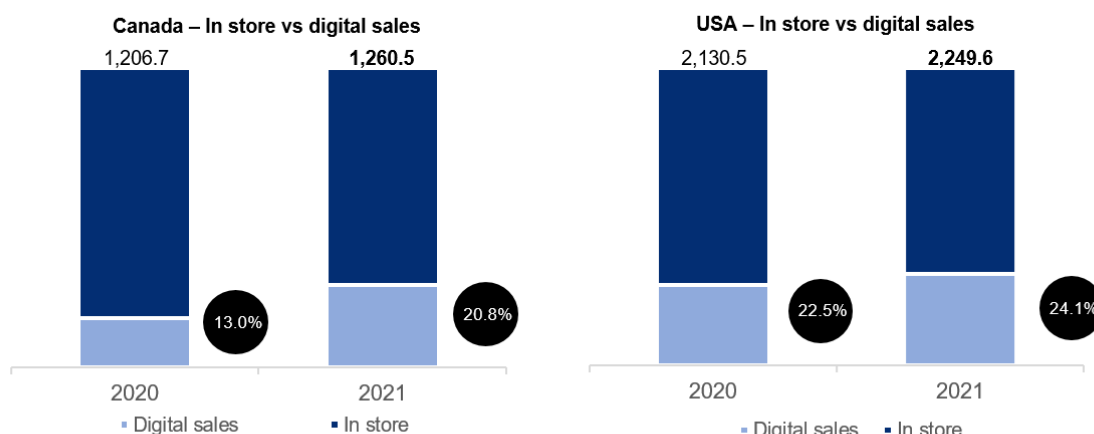
Papa Murphy's and Cold Stone Creamery are the only concepts that currently represent more than 10% of system sales, generating approximately 28% and 20% respectively of the total sales of MTY's network for the twelve-month period ended November 30, 2021. Taco Time, Thai Express and Sushi Shop are the third, fourth and fifth largest concepts in terms of systems sales, generating less than 10% each of the network's sales.

System wide sales include sales for corporate and franchise locations and excludes sales realized by the distribution centers, by the food processing plants and by the retail division. 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.

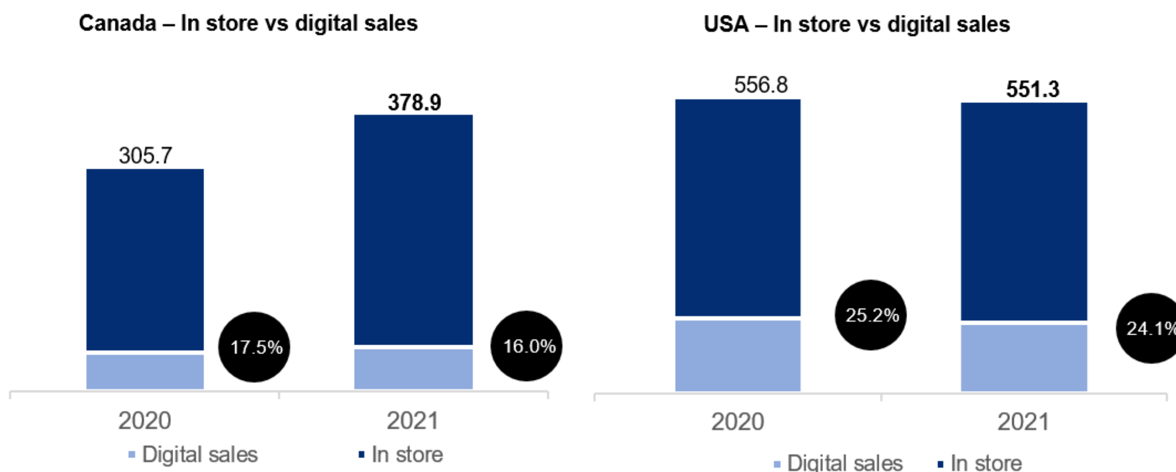
Digital sales

The pandemic accelerated consumer shifts to online ordering for delivery or take-out. For the year ended November 30, 2021, digital sales grew to $803.6 million, from $636.4 million the year before and represented 23% of sales. The digital sales pertained mostly to take-out orders, as well as delivery sales, which have benefited from the Company's increased investments in online ordering and third-party delivery options.

System sales versus digital sales breakdown is as follows for the fiscal years ended November 30, 2021, and 2020:



Digital sales for the fourth quarter decreased slightly to reach $193.7 million, compared to $194.2 million the year before. The breakdown for the three months ended November 30, 2021, and 2020 is as follows:



Although overall digital sales decreased for the quarter as a % of total sales, the Canadian segment continued to be strong with fourth quarter year-over-year improvement of 16% or $6.9 million. This is being driven by significant investment by MTY in online digital platforms for the Canadian market. The US decline was partially impacted by a negative foreign exchange impact of $6.5 million.

The lower proportion of digital sales as a % of total sales in the fourth quarter compared to the same period last year is mainly attributable to the re-opening of more traditional sales channels, which were affected by pandemic-related restrictions in the prior year. The Company continues to endeavor to grow digital sales in parallel with the resumption of in store sales as restrictions are gradually lifted.

Same-Store Sales

Due to the impacts of COVID-19 and the number of locations that have closed temporarily, providing same-store sales information could be misleading as what would be presented would not be a fair representation of the Company's royalty earning potential and would also not be a fair indication of the health of the network. Management directs investors to system sales as a better indication.

Management continues to expect system sales and same-store sales to be impacted well into 2022. Although the Company had great momentum prior to COVID-19, current world events will continue to have a drastic impact on both system and same-store sales in the quarters to come. The Company does expect however that results will eventually return to normal.

CAPITAL STOCK INFORMATION

Stock options

As at November 30, 2021, there were 440,000 options outstanding and 66,666 that are exercisable.

Share trading

MTY's stock is traded on the Toronto Stock Exchange ("TSX") under the ticker symbol "MTY". From December 1, 2020 to November 30, 2021, MTY's share price fluctuated between $47.15 and $72.10. On November 30, 2021, MTY's shares closed at $55.19.

Capital stock

The Company's outstanding share capital is comprised of common shares. An unlimited number of common shares are authorized.

As at February 16, 2022, the Company's issued and outstanding capital stock consisted of 24,422,361 shares (November 30, 2020 – 24,706,461) and 440,000 granted and outstanding stock options (November 30, 2020 – 400,000). During the year ended November 30, 2021, MTY repurchased 36,600 (2020 – 364,774) shares for cancellation through its NCIB.

Normal Course Issuer Bid Program

On June 28, 2021, the Company announced the renewal of the NCIB. The NCIB began on July 3, 2021 and will end on July 2, 2022 or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. The renewed period allows the Company to purchase 1,235,323 of its common shares. These purchases will be made on the open market plus brokerage fees through the facilities of the TSX and/or alternative trading systems at the prevailing market price at the time of the transaction, in accordance with the TSX's applicable policies. All common shares purchased pursuant to the NCIB will be cancelled.

During both the three and twelve-month periods ended November 30, 2021, the Company repurchased and cancelled a total of 36,600 common shares (2020 – nil and 364,774 common shares, respectively) under the current NCIB, at a weighted average price of $59.68 per common share (2020 – nil and $51.72 per common share, respectively), for a total consideration of $2.2 million (2020 – nil and $18.9 million, respectively). An excess of $1.7 million (2020 – nil and $14.3 million, respectively) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

SUBSEQUENT EVENTS

Acquisition of Küto Comptoir à Tartares

On December 1, 2021, one of the Company's wholly owned subsidiaries completed its acquisition of the assets of Küto Comptoir à Tartares, a fast-growing chain of tartare restaurants operating in the province of Quebec, for a total cash consideration of $9.0 million plus a deferred contingent consideration based on royalties and retail sales. There are currently 31 franchised Küto Comptoir à Tartares restaurants in operation.

Dividends

On January 18, 2022, the Company announced an increase to its quarterly dividend payment, from $0.185 per common share to $0.210 per common share. The dividend of $0.210 per common share was paid on February 15, 2022.

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 continue to be a factor in the quarterly variation of its results. For example, the Frozen treat category, which is a significant category in the US market, varies significantly during the winter season as a result of weather conditions. This risk is offset by other brands that have better performance during winter seasons such as Papa Murphy's, which typically does better during winter months. Sales for shopping mall locations are also higher than average in December during the holiday shopping period. For 2022, the normal seasonal trends might be affected by the shifts in consumer behavior caused by the pandemic or government regulations.

OFF-BALANCE SHEET ARRANGEMENTS

MTY has no off-balance sheet arrangements.

CONTINGENT LIABILITIES

The Company is involved in legal claims associated with its current business activities. The timing of the outflows, if any, is out of the control of the Company and is as a result undetermined at the moment. Contingent liabilities are disclosed as provisions on the consolidated statement of financial position.

Included in provisions are the following amounts:

(In thousands $)	**2021**	2020
	$	$
Litigations, disputes and other contingencies	**1,636**	2,878
Closed stores	**56**	187
	1,692	3,065

The provision for litigation, disputes and other contingencies 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.

GUARANTEE

The Company has guaranteed leases on certain franchise stores in the event the franchisees are unable to meet their remaining lease commitments. The maximum amount the Company may be required to pay under these agreements is $19.3 million as at November 30, 2021 (November 30, 2020 - $13.3 million). In addition, the Company could be required to make payments for percentage rents, realty taxes and common area costs. As at November 30, 2021, the Company has accrued $1.8 million (November 30, 2020 - $1.8 million), included in Accounts payable and accrued liabilities in the consolidated financial statements, with respect to these guarantees.

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.

Remuneration of key management personnel and directors

The remuneration of key management personnel and directors, presented in Wages and benefits and Other as part of Operating expenses in the consolidated financial statements, was as follows:

(In thousands $)	**2021**	2020
	$	$
Short-term benefits	**2,670**	2,619
Share-based compensation	**924**	963
Consulting fees	**57**	—
Board member fees	**78**	75
Total remuneration of key management personnel and directors	**3,729**	3,657

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

Given its widely held share base, the Company does not have an ultimate controlling party; one of its most important shareholders is its Chair of the Board of Directors, who controls 16.2% 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, presented in Wages and benefits as part of Operating expenses in the consolidated financial statements, was as follows:

(In thousands $)	**2021**	2020
	$	$
Short-term benefits	**489**	505
Share-based compensation	**19**	10
Total remuneration of individuals related to key management personnel	**508**	515

The Company has entered into a consulting agreement with one of its joint venture associates to perform corporate business development and management consulting services, and paid consulting fees to this associate of $0.2 million for the year ended November 30, 2021 (2020 – $0.2 million), presented in Consulting and professional fees as part of Operating expenses in the consolidated financial statements. The Company has a current net payable due to its joint venture associate of $0.1 million as at November 30, 2021 (November 30, 2020 – net receivable of $0.1 million), included in Accounts payable and accrued liabilities in the consolidated financial statements.

During the year ended November 30, 2021, the Company paid consulting fees to a commercial real estate consulting firm employing one of its Board members of $0.3 million (2020 – nil).

CHANGES IN ACCOUNTING POLICIES

Policies applicable beginning December 1, 2020

IFRS 3, Business Combinations

In October 2018, the International Accounting Standards Board ("IASB") issued amendments to the definition of a business in IFRS 3. 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 were adopted effective December 1, 2020 and did not result in any adjustment.

IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures

In September 2019, the IASB published Interest Rate Benchmark Reform (Amendments to IFRS 9, International Accounting Standard ("IAS") 39, and IFRS 7) as a first reaction to the potential effects the Interbank offered rates ("IBOR") reform could have on financial reporting. Recent market developments have brought into question the long-term viability of the IBOR benchmarks. The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 and IAS 39, which require forward-looking analysis. There are also amendments to IFRS 7 regarding additional disclosures around uncertainty arising from the interest rate benchmark reform.

The amendments to IFRS 9, IAS 39 and IFRS 7 were adopted effective December 1, 2020 and resulted in no significant adjustment.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Company's accounting policies, which are described in Note 3 of the consolidated financial statements, management is required to make judgments 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 judgments, 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 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 judgment in determining the grouping of assets to identify a cash-generating unit ("CGU"); 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.

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 year ended November 30, 2021, 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 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

The Company uses judgment in determining the grouping of assets to identify its CGUs for purposes of testing for impairment of property, plant and equipment, right-of-use assets, goodwill, trademarks and franchise rights.

In testing for impairment of property, plant and equipment and right-of-use assets, the Company determined that its CGUs mostly comprise of individual stores or groups of stores and the assets are thereby allocated to each CGU.

In testing for impairment, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the business combination. In testing for impairment, trademarks and franchise rights are allocated to the CGUs to which they relate. Furthermore, on a quarterly basis, judgment is used in determining whether there has been an indication of impairment, which would require the completion of a quarterly impairment test, in addition to the annual requirement.

Impairment of property, plant and equipment and right-of-use assets

The Company performs an impairment test of its property, plant and equipment and right-of-use assets when there is an indicator of impairment. The recoverable amounts of the Company's corporate store assets are generally estimated based on fair value less cost of disposal as this was determined to be 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 and any costs associated with exiting the lease.

During the years ended November 30, 2021 and 2020, the Company recognized impairment charges on its property, plant and equipment (Note 15 of the consolidated financial statements). The total impairment on property, plant and equipment of $0.1 million (2020 – $3.2 million) 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.

During the years ended November 30, 2021 and 2020, the Company also recognized impairment charges on its right-of-use assets (Note 10 of the consolidated financial statements) of $1.6 million (2020 – $4.3 million).

Impairment of franchise rights and trademarks

The Company performs at least annually an 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.

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.

During the years ended November 30, 2021 and 2020, the Company recognized net impairment charges on its franchise rights and trademarks (Note 15 of the consolidated financial statements). The total net impairment charge of $5.8 million (2020 – $51.7 million) includes: an impairment charge of $15.1 million (2020 – $51.7 million), representing a write-down of the carrying value to the fair value of the trademarks and franchise rights; partially offset by a reversal of impairment charge of $9.3 million (2020 – nil). The fair value was determined using significant unobservable inputs such as discount rates and projected operating cash flows. The fair value is classified as level 3 in the fair value hierarchy. During the year ended November 30, 2021, the Company also carried out a review of the recoverable amount allocated to the intangible assets associated with the "Houston Avenue Bar & Grill" and "Industria Pizza + Bar" brands, where the recoverable amount was measured at fair value less costs of disposal.

These calculations take into account our best estimate of projected operating cash flows. Projected operating cash flows are estimated based on a multiyear extrapolation of the most recent historical actual results or budgets and a terminal value calculated by discounting the final year in perpetuity.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount in use of the goodwill unit to which goodwill has been allocated. The value in use calculation requires management to estimate the projected operating cash flows expected to arise from the goodwill unit and a suitable discount rate in order to calculate present value.

During the year ended November 30, 2021, no impairment charge (2020 – impairment charge of $68.0 million) on goodwill was required (Note 15 of the consolidated financial statements).

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.

Impact of COVID-19

During the year ended November 30, 2021, the COVID-19 pandemic continued to impact the markets in which MTY and its franchise partners and suppliers operate. Canada and certain parts of the US continued to be impacted by the continuation of government-imposed restrictions including restrictions on dine-in guests, reduced operating hours and/or temporary closures. The year saw the ramp-up of the global vaccination campaign, which led to the gradual lifting of restrictions in some territories, including the resumption of indoor and outdoor dining, and the reopening of a number of restaurants. However, the end of the year saw the rise of a fourth wave driven by the Delta variant, resulting in more infections and certain additional public health measures, including the mandatory presentation of a vaccine passport for seated dining in restaurants in some territories. The disruptions are expected to persist into 2022 with uncertainty surrounding the rollout of the vaccine boosters and the spread of the Omicron variant. The longer-term impact on the economy and the rules and restrictions that will apply to MTY's restaurants are expected to fluctuate and impact the network for the foreseeable future.

As a result of the continued and uncertain economic and business impacts of the COVID-19 pandemic, the Company continues to monitor the estimates, judgments and assumptions used in the financial statements. For the year ended November 30, 2021, the Company determined that there was no indication of impairment attributable to COVID-19. Accordingly, the Company did not record impairment charges on its property, plant and equipment, intangible assets, and goodwill attributable to COVID-19. These estimates, judgments and assumptions are subject to change.

The consolidated financial statements have been impacted with respect to the following as a result of COVID-19:

- Changes to lease liabilities and finance lease receivables were made to reflect changes in lease payment terms;
- Reduction in wage expense, presented in Wage and rent subsidies in Note 27 of the consolidated financial statements, for the year ending November 30, 2021 of $3.6 million (2020 – $6.8 million) resulting from the Canadian Employment Wage Subsidies, and of $0.3 million (2020 – nil) resulting from the Employee Retention Credit available to US taxpayers under the Coronavirus Aid, Relief and Economic Security Act; and
- Reduction in rent expense, presented in Wage and rent subsidies in Note 27 of the consolidated financial statements, for the year ending November 30, 2021 of $1.4 million (2020 – $0.2 million) resulting from the Canadian Emergency Rent Subsidies.

FUTURE ACCOUNTING CHANGES

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for the year ended November 30, 2021 and have not been applied in preparing the consolidated financial statements.

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

Standard	Issue date	Effective date for the Company	Impact
IAS 37, Provisions, Contingent Liabilities and Contingent Assets	May 2020	December 1, 2022	In assessment
IAS 1, Presentation of Financial Statements	January 2020, July 2020 & February 2021	December 1, 2023	In assessment
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors	February 2021	December 1, 2023	In assessment
IAS 12, Income Taxes	May 2021	December 1, 2023	In assessment

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB published *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a

contract is onerous. The changes in *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments to IAS 37 are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company will adopt the amendments on December 1, 2022.

IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

In July 2020, the IASB published *Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1)* deferring the effective date of the January 2020 amendments to IAS 1 by one year.

In February 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. An entity is now required to disclose its material accounting policy information instead of its significant accounting policies and several paragraphs are added to IAS 1 to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. The amendments also clarify that: accounting policy information may be material because of its nature, even if the related amounts are immaterial; accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) with amendments that are intended to help entities to distinguish between accounting policies and accounting estimates. The changes to IAS 8 focus entirely on accounting estimates and clarify that: the definition of a change in accounting estimates is replaced with a definition of accounting estimates; entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty; a change in accounting estimate that results from new information or new developments is not the correction of an error; and a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The amendments to IAS 8 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

IAS 12, Income Taxes

In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)* that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption, which does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

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 US, 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 many factors including but not limited 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.

MTY is currently materially and adversely affected by the outbreak of COVID-19. Such a widespread health epidemic or pandemic, including arising from various strains of avian flu or swine flu, such as H1N1, or COVID-19, particularly if located in regions from which the Company derives a significant amount of revenue or profit could continue to impact the Company in the future. The occurrence of such an outbreak or other adverse public health developments can and could continue to materially disrupt the business and operations. Such events could also significantly impact the industry and cause a temporary closure of restaurants, which could severely disrupt MTY's or the Company's franchisees' operations and have a material adverse effect on the business, financial condition and results of operations.

At this time, the Company is unable to accurately predict the future impact that a pandemic, including that of COVID-19, will have on the results of operations due to uncertainties including the severity of the disease, the duration of the outbreak, and further actions that may be taken by governmental authorities to contain the virus or to treat its impact. However, while it is premature to accurately predict the ultimate impact of these developments, the Company expects the results for the 2022 fiscal year to continue to be impacted with potential continuing adverse impacts beyond this.

In addition, the operations can and could continue to be disrupted if any of MTY's employees or employees of MTY's business partners were suspected of having COVID-19, the avian flu or swine flu, or other illnesses such as hepatitis A, and other variants of the norovirus or coronavirus, since this could require the Company or business partners to quarantine some or all of such employees or disinfect the restaurant facilities. Outbreaks of avian flu occur from time to time around the world, and such outbreaks have resulted in confirmed human cases. Public concern over avian flu generally may cause fear about the consumption of chicken, eggs and other products derived from poultry, which could cause customers to consume less poultry and related products. Because poultry is a menu offering for many of the Company's Concepts, this would likely result in lower revenues and profits to both MTY and franchisee partners. Avian flu outbreaks could also adversely affect the price and availability of poultry, which could negatively impact profit margins and revenues.

Furthermore, other viruses may be transmitted through human contact, and the risk of contracting viruses could cause employees or guests to avoid gathering in public places, which could adversely affect restaurant guest traffic or the ability to adequately staff restaurants. MTY could also be adversely affected if government authorities impose mandatory closures, seek voluntary closures, impose restrictions on operations of restaurants, impose restrictions on customers via a vaccine passport to dine-in, or restrict the import or export of products, or if suppliers issue mass recalls of products. Even if such measures are not implemented and a virus or other disease does not spread significantly, the perceived risk of infection or health risk may adversely affect the business and operating results.

Labour is a key factor in the success of the Company. If the Company was unable to attract, motivate and retain a sufficient number of qualified individuals, this could materially disrupt the Company's business and operations and adversely impact its operating results, including the delay of planned restaurant openings, the Company's ability to grow sales at existing restaurants and expand its concepts effectively. 2021 saw a shortage of qualified workers, as well as an increase in labour costs due to competition and increased wages. Many individuals have left the restaurant industry altogether due to difficult pandemic-related operating demands and, in some cases, the availability of government subsidies and thus creating high employee turnover. These conditions have resulted in aggressive competition for talent, wage inflation and pressure to improve benefits and workplace conditions to remain competitive and attract talent affecting the Company and its franchisees. Restaurants in the Company's network could be short staffed, the ability to meet customer demand could be limited and operational efficiency could also be adversely impacted.

The Company's operating results substantially depend upon its ability to obtain frequent deliveries of sufficient quantities of products such as beef, chicken, and other products used in the production of items served and sold to customers. The COVID-19 pandemic has led to interruptions in the delivery of food or other supplies to the Company's restaurants, arising from delays or restrictions on shipping or manufacturing, closures of supplier or distributor facilities or financial distress or insolvency of suppliers or distributors. These delays or interruptions could impact the availability of certain food and packaging items at the Company's restaurants, including beef, chicken, pork and other core menu products and could require the Company's restaurants to serve a limited menu. The Company's results of operations and those of its franchisees could be adversely affected if its key suppliers or distributors are unable to fulfill their responsibilities

and the Company were unable to identify alternative suppliers or distributors in a timely manner or effectively transition the impacted business to new suppliers or distributors. If a disruption of service from any of its key suppliers or distributors were to occur, the Company could experience short-term increases in costs while supply and distribution channels were adjusted, and may be unable to identify or negotiate with new suppliers or distributors on terms that are commercially reasonable.

Please refer to the November 30, 2021 Annual Information Form for further discussion on all risks and uncertainties.

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 case of turmoil 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 restaurant industry will be impacted by the current economic uncertainty in certain regions in which it operates. Exposure to health epidemics and pandemics, such as the current COVID-19, are a risk to the Company and its franchise partners. Within a normal economic cycle, management is of the opinion that these risks will not have a major impact on the Company due to the following reasons: 1) the Company generates strong cash flows and has a healthy balance sheet; and 2) the Company has several concepts offering affordable dining out options for consumers in an economic slowdown. During extreme economic turmoil, management believes that the Company has the ability to overcome these risks until the economy re-establishes itself.

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.

The Company has determined that the fair values of its financial assets and financial liabilities with short-term and long-term maturities approximate their carrying value. These financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, deposits and other liabilities. The table below shows the fair value and the carrying amount of other financial instruments as at November 30, 2021 and 2020. 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.

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

(In thousands $)		**2021**		2020
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans and other receivables	**4,238**	**4,238**	4,760	4,760
Finance lease receivables	**399,269**	**399,269**	468,127	468,127
Financial liabilities				
Long-term debt [(1)]	**357,171**	**357,189**	445,500	455,045

(1) Excludes promissory notes, contingent consideration on acquisitions, interest rate swap, cross currency interest rate swaps, credit facility financing costs 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 instrument:

Loans and other receivables and Finance lease receivables – The carrying amount for these financial instruments approximates fair value due to the short-term maturity of these instruments and/or the use of market interest rates.

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 similar debt.

Promissory notes issued as part of its consideration for the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar

In 2021, the Company sold its 80% interest in 10220396 Canada Inc. and, as such, disposed of the promissory notes that were recorded as part of the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar.

A fair value remeasurement loss of $0.1 million was recorded for these promissory notes for the year ended November 30, 2021 (2020 – gain of $0.1 million).

Contingent considerations on acquisitions

The Company issued as part of its consideration for the acquisition of Yuzu Sushi and investment in Tortoise Group, contingent considerations to the vendors. These contingent considerations are subject to earn-out provisions, which are based on future earnings; the contingent consideration for Tortoise Group is repayable in December 2022. These contingent considerations have been recorded at fair value and are remeasured on a recurring basis. The contingent consideration for Yuzu Sushi was repaid during the year ended November 30, 2021 for a total repayment amount of $5.1 million.

A fair value remeasurement gain of $1.7 million was recorded for the contingent considerations for the year ended November 30, 2021 (2020 – loss of $1.0 million).

Obligation to repurchase non-controlling interest

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 20 of the consolidated financial statements) which is remeasured at each reporting period.

A fair value remeasurement loss of $0.4 million (2020 – loss of $0.2 million) was recorded for this non-controlling interest obligation.

Obligation to repurchase partner in a joint venture

The Company, in conjunction with the acquisition of its 70% interest in a joint venture that acquired Tortoise Group, entered into an agreement to acquire the remaining 30% interest by December 2025. The consideration to be paid for this acquisition will be based on future earnings. The Company recorded a liability at fair value (Note 20 of the consolidated financial statements) which is remeasured at each reporting period. An increase or decrease by 1% in the discount rates used would have an impact of less than $0.1 million on the carrying amount as at November 30, 2021 (2020 – $0.1 million).

A fair value remeasurement gain of $1.9 million (2020 – loss of $0.5 million) was recorded for this obligation to repurchase a partner in a joint venture.

Interest rate swap

The Company held an interest rate swap contracted to a fix rate on a notional amount of $100.0 million (2020 – $100.0 million) that matured on July 21, 2021. The Company recorded a fair value remeasurement loss of $0.1 million for the year ended November 30, 2021 (2020 – loss of $1.6 million). The Company classified this as level 2 in the fair value hierarchy.

Cross currency interest rate swaps

On November 26, 2021 and November 29, 2021, the Company entered into three (2020 – two) floating to floating 1-month cross currency interest rate swaps. A fair value of nil was recorded as at November 30, 2021 (2020 – nil). The Company has classified this as level 2 in the fair value hierarchy.

			2021		2020
Receive – Notional	**US$78.9 million**	**US$180.8 million**	**US$11.8 million**	US$137.6 million	US$95.4 million
Receive – Rate	**1.29%**	**1.29%**	**1.29%**	2.44%	1.85%
Pay – Notional	**CA$100.0 million**	**CA$230.0 million**	**CA$15.0 million**	CA$180.0 million	CA$125.0 million
Pay – Rate	**1.23%**	**1.09%**	**1.38%**	2.45%	1.94%

Fair value hierarchy

(In thousands $)	Level 3	
	2021	2020
	$	$
Promissory notes related to buyback obligation of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	**—**	2,928
Contingent consideration on acquisitions and investment in a joint venture	**1,961**	8,075
Non-controlling interest buyback options	**1,575**	1,171
Obligation to repurchase partner in a joint venture	**1,416**	3,364
Financial liabilities	**4,952**	15,538

FINANCIAL RISK EXPOSURE

The Company, through its financial assets and financial liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2021.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the consolidated statement of financial position represent the maximum exposure to credit risk for each respective financial asset as at the relevant dates. The Company believes that the credit risk of accounts receivable is limited as other than receivables from international locations, the Company's broad client base is spread mostly across Canada and the US, which limits the concentration of credit risk.

The credit risk on the Company's loans and other receivables is similar to that of its accounts receivable.

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. $345.0 million (November 30, 2020 – $433.0 million) of the credit facility was used as at November 30, 2021. A 100 basis points increase in the bank's prime rate would result in additional interest of $3.5 million per annum (November 30, 2020 – $4.3 million) on the outstanding credit facility.

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 US and foreign operations use the US dollar ("USD") as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, accounts receivable, long-term debt denominated in USD, other working capital items and financial obligations from its US operations. As at November 30, 2021, the long-term debt denominated in USD is not exposed to foreign exchange risk as a result of three (2020 – two) cross currency interest rate swaps.

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

As at November 30, 2021, the Company has the following financial instruments denominated in foreign currencies:

(In thousands $)	**2021**		2020	
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Financial assets				
Cash	**3,744**	**4,789**	4,748	6,156
Accounts receivable	**378**	**484**	645	836
Financial liabilities				
Accounts payable and deposits	**(82)**	**(105)**	(85)	(110)
Net financial assets	**4,040**	**5,168**	5,308	6,882

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a profit of C$0.2 million (2020 – profit of C$0.3 million) on the consolidated statements of income and comprehensive income.

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.

As at November 30, 2021, the Company had an authorized revolving credit facility for which the available amount may not exceed $600.0 million (November 30, 2020 – $700.0 million) to ensure that sufficient funds are available to meet its financial requirements.

The following are the contractual maturities of financial liabilities as at November 30, 2021:

(In millions $)	Carrying amount	Contractual cash flows	0 – 6 Months	6 – 12 Months	12 – 24 Months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	119.5	119.5	119.5	—	—	—
Long-term debt [(1)]	360.7	362.1	13.7	—	2.0	346.4
Interest on long-term debt [(1)]	n/a	13.8	2.9	2.9	5.7	2.3
Lease liabilities	473.5	510.8	56.3	56.2	100.5	297.8
Total contractual obligations	**953.7**	**1,006.2**	**192.4**	**59.1**	**108.2**	**646.5**

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

NEAR-TERM OUTLOOK

The Company is closely monitoring the global situation surrounding COVID-19 and taking proactive steps to adapt to the changes for the well-being and safety of its employees, franchisees and customers, and the continuity of its operations and businesses. Given the dynamic nature of the situation, it is not possible to ascertain what impact there may be on the Company's long-term financial performance. MTY is taking the necessary steps to mitigate the potential consequences that this situation may have on its operations, franchisees, partners and service to MTY's customers. Please refer to section "Highlights of Significant Events" for further details on actions taken in response to COVID-19.

Despite the lingering impacts of the pandemic and the obvious obligations to address the related short-term challenges, management's focus is now shifting back to a longer-term growth perspective. Sales are back to pre-pandemic levels for many of the brands and progressing in the right direction for the others. The restaurant industry will remain challenging in the future, with labour shortages and supply chain disruptions being felt across the network, adding to the existing pressure of competing in a market approaching saturation. Management believes however that the brands' continued focus on innovation, product quality, innovation, consistency and store design combined with the adjustments made during the pandemic to adjust to new customer expectations positions the network well for the future.

Before the pandemic, MTY's objectives were to generate organic growth while actively seeking potential accretive acquisitions. Those objectives have not changed and remain at the center of MTY's actions. To the extent possible, MTY's teams are focused on helping franchise partners generate positive same store sales, open new locations of existing concepts and ultimately achieve their profitability objectives. The individual success of franchisees is the basis for the success of MTY for the years to come. In the wake of COVID-19, MTY has diversified its sources of revenue by expanding into other sales channels, such as: launching multiple ghost kitchens in existing restaurant locations, thus benefitting from the synergies of shared costs, streamlined workflows as well as being able to respond to the increase in delivery and takeout orders; and launching new products in the retail division and expanding into new territories, in response to increased consumer spending in grocery stores that has continued throughout the waves of the pandemic.

Given the Company's capital allocation since the onset of the pandemic and the amount of debt that was repaid since, the Company is financially well positioned to seize acquisition opportunities that are presented to management. However, despite its appetite to make acquisitions and grow its network, the Company will remain disciplined in its search for the right acquisition targets, at the right price and with the right synergies.

CONTROLS & PROCEDURES

Disclosure controls and procedures

Disclosure controls and procedures should be designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. It should include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, namely the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure. The CEO and the CFO, along with Management, after evaluating the effectiveness of the Company's disclosure controls and procedures as at November 30, 2021, have concluded that the Company's disclosure controls and procedures were effective.

Internal controls over financial reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for establishing adequate internal control over financial reporting for the Company.

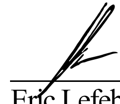
An evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting was conducted as of November 30, 2021. Based on the evaluation, the CEO and the CFO concluded that the internal control over financial reporting, as defined by National Instrument 52-109, was appropriately designed and was operating effectively. The evaluations were conducted in accordance with the framework and criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings.

Limitations of Controls and Procedures

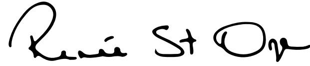
There are inherent limitations in the effectiveness of any control system, including the potential for human error and the possible circumvention or overriding of controls and procedures. Additionally, judgments in decision-making can be faulty and breakdowns can occur because of a simple error or mistake. An effective control system can provide only reasonable, not absolute, assurance that the control objectives of the system are adequately met. Accordingly, the management of the Company, including its Chief Executive Officer and Chief Financial Officer, does not expect that the control system can prevent or detect all error or fraud. Finally, projections of any evaluation or assessment of effectiveness of a control system to future periods are subject to the risks that, over time, controls may become inadequate because of changes in an entity's operating environment or deterioration in the degree of compliance with policies or procedures.

Limitation on scope of design

The Company's management, with the participation of its CEO and CFO, has limited the scope of the design of the Company's DC&P 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 year ended November 30, 2021, these SPEs represent less than 0.1% of the Company's current assets, less than 0.1% of its non-current assets, less than 0.1% of the Company's current liabilities, less than 0.1% of long-term liabilities, 0.3% of the Company's revenue and less than 0.1% of the Company's net income.



Eric Lefebvre, CPA, CA, MBA Chief Executive Officer



Renee St-Onge, CPA, CA Chief Financial Officer

SUPPLEMENTAL INFORMATION

List of acquisitions

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	—
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 US	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
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

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
BF Acquisition Holdings, LLC – Baja Fresh Mexican Grill and La Salsa Fresh Mexican Grill	October 2016	100%	167	16
La Diperie	December 2016 March 2019	60%+ 5%	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
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	—
Casa Grecque	December 2018	100%	31	—
South Street Burger	March 2019	100%	24	13
Papa Murphy's	May 2019	100%	1,301	103
Yuzu Sushi	July 2019	100%	129	—
Allô! Mon Coco	July 2019	100%	40	—
Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina	December 2019	70%	20	3

Definition of non-GAAP measures

Management discloses the following non-GAAP measures as they have been identified as relevant metrics to evaluate the performance of the Company.

The following non-GAAP measures can be found in the analysis of the MD&A:

Adjusted EBITDA	Represents net income (loss), excluding income tax, all other income (expenses), interest, depreciation and amortization, and net impairment charges. See reconciliation of adjusted EBITDA to Income before taxes on pages 13 and 20.
Income (loss) before taxes, excluding impairment charges and reversals	Represents net income (loss) before taxes, excluding impairment charges and reversals on right-of-use assets, property, plant and equipment, intangible assets and goodwill.
Free cash flows	Represents the sum total cash flows from operating activities less capital expenditures net of disposals.

Definition of non-GAAP ratios

Management discloses the following non-GAAP ratios as they have been identified as relevant metrics to evaluate the performance of the Company.

The following non-GAAP ratios can be found in the analysis of the MD&A:

Adjusted EBITDA as a % of revenue	Represents adjusted EBITDA divided by revenue.

Free cash flows per diluted share	Represents free cash flows divided by diluted shares.
Debt-to-EBITDA	Defined as current and long-term debt divided by EBITDA as defined in the credit agreement.

Definition of supplementary financial measures

Management discloses the following supplementary financial measures as they have been identified as relevant metrics to evaluate the performance of the Company.

The following supplementary financial measures can be found in the analysis of the MD&A:

Cash flows from operations per diluted share	Represents cash flows provided by operating activities divided by diluted shares.
Recurring revenue streams	Comprised of royalties and other franchising revenues that are earned on a regular basis in accordance with franchise agreements in place.
Non-controllable expenses	Comprised of government subsidies that are not directly in control of management and royalties paid to third parties.
Controllable expenses	Comprised of wages, professional and consulting services and other office expenses, that are directly in the control of management.
Variance in recurring revenue and expenses	Comprised of recurring revenue streams, controllable expenses, royalties paid to third parties, rent (excluding impact of IFRS 16), corporate store revenue and expenses, food processing, distribution and retail revenue and expenses, promotional fund revenue and expenses.
Nonrecurring non-controllable expenses	Comprised of government subsidies that are not directly in control of management.
Same-store sales	Comparative sales generated by stores that have been open for at least thirteen months or that have been acquired more than thirteen months ago.
System sales	System sales are sales of all existing restaurants including those 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.
Digital sales	Digital sales are sales made by customers through online ordering platforms.

Free cash flows [(1)] loop to cash flows provided by operating activities

	Three months ended							
(In thousands $)	**February 2020**	**May 2020**	**August 2020**	**November 2020**	**February 2021**	**May 2021**	**August 2021**	**November 2021**
Cash flows provided by operating activities	30,980	19,207	38,624	44,841	31,307	29,541	46,553	31,898
Additions to property, plant and equipment	(1,119)	(316)	(1,764)	(998)	(1,213)	(2,301)	(1,248)	(1,677)
Additions to intangible assets	(649)	(618)	(63)	(97)	(47)	(156)	(65)	(56)
Proceeds on disposal of assets held for sale	1,153	10,536	—	—	—	—	—	—
Proceeds on disposal of property, plant and equipment and intangible assets	373	117	281	164	253	413	361	5,438
Free cash flows [(1)]	**30,738**	**28,926**	**37,078**	**43,910**	**30,300**	**27,497**	**45,601**	**35,603**

(1) See section “Definition of non-GAAP measures” found in the Supplemental Information section for definition.

Income before taxes, excluding impairment charges and reversals [(1)]

(in thousands $)	**Year ended November 30, 2021**	**Year ended November 30, 2020**
Income (loss) before taxes	112,072	(51,949)
Impairment charge – right-of-use assets	1,550	4,291
Net impairment charge – property, plant and equipment, intangible assets and goodwill	5,903	122,826
Income before taxes, excluding impairment charges and reversals [(1)]	119,525	75,168

(1) See section “Definition of non-GAAP measures” found in the Supplemental Information section for definition.

System sales [1] to royalties

	Sales for the twelve months ended November 30, 2021						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	19.4	1,241.1	1,260.5	40.2	2,330.6	2,370.8	**3,631.3**
Franchise royalty income as a % of franchise sales	—	5.00%	—	—	5.09%	—	**N/A**
Royalties	—	62.1	—	—	118.6	—	**180.7**

	Sales for the twelve months ended November 30, 2020						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	18.4	1,188.3	1,206.7	46.3	2,206.1	2,252.4	**3,459.1**
Franchise royalty income as a % of franchise sales	—	4.86%	—	—	4.87%	—	**N/A**
Royalties	—	57.8	—	—	107.3	—	**165.1**

	Sales for the three months ended November 30, 2021						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	5.9	373.0	378.9	9.4	574.2	583.6	**962.5**
Franchise royalty income as a % of franchise sales	—	5.12%	—	—	5.03%	—	**N/A**
Royalties	—	19.1	—	—	28.9	—	**48.0**

	Sales for the three months ended November 30, 2020						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	4.1	301.6	305.7	11.1	574.6	585.7	**891.4**
Franchise royalty income as a % of franchise sales	—	4.74%	—	—	4.87%	—	**N/A**
Royalties	—	14.3	—	—	28.0	—	**42.3**

(1) See section “Definition of supplementary financial measures” found in the Supplemental Information section for definition.

Consolidated financial statements of
MTY Food Group Inc.

November 30, 2021 and 2020

Independent auditor's report

To the Shareholders of MTY Food Group Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of MTY Food Group Inc. and its subsidiaries (together, the Company) as at November 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of income (loss) for the years ended November 30, 2021 and 2020;
- the consolidated statements of comprehensive income (loss) for the years ended November 30, 2021 and 2020;
- the consolidated statements of changes in shareholders' equity for the years ended November 30, 2021 and 2020;
- the consolidated statements of financial position as at November 30, 2021 and 2020;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended November 30, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairments and reversals of impairment assessment of goodwill, trademarks and franchise and master franchise rights *Refer to note 3 – Accounting policies, note 5 – Critical accounting judgments and key sources of estimation uncertainty, note 13 – Intangible assets, note 14 – Goodwill and note 15 – Net impairment charge - property, plant and equipment, intangible assets and goodwill to the consolidated financial statements.* As at November 30, 2021, the Company had goodwill, trademarks (intangible assets with indefinite useful lives) and franchise and master franchise rights (intangible assets with definite useful lives) balances totalling \$428.4 million, \$608.4 million and \$199.9 million, respectively. For the purposes of impairment testing, goodwill is allocated to the Cash Generating Unit (CGU) or a group of CGUs (“goodwill unit”) that are considered to represent the lowest level within the group at which the goodwill is monitored for internal management purposes. For the purpose of the franchise and master franchise rights and trademarks, the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified is the brand level and constitutes the lowest level at which an asset or group of assets has the possibility of generating cash inflows.	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amounts of the goodwill units and CGUs, which included the following: – Tested the mathematical accuracy of the discounted cash flow models. – Tested the reasonableness of the projected operating cash flows applied by management in the discounted cash flow models by comparing them to the budget approved by the Board of Directors and by considering the past and current performance of the CGUs. – Professionals with specialized skill and knowledge in the field of valuation assisted in testing the appropriateness of the models used and the reasonableness of the discount rates applied by management based on available data of comparable companies. – Tested the underlying data used in the discounted cash flow models.

Key audit matter	How our audit addressed the key audit matter
Goodwill and trademarks are tested for impairment annually as at August 31, or more frequently when there is an indicator of impairment. Franchise and master franchise rights are tested annually in connection with goodwill and trademarks annual testing, or whenever there is an indication that the asset may be impaired. At the end of each reporting period, the Company reviews whether there is any indication that the events and circumstances which led to the prior years' impairment loss for its franchise rights, master franchise rights and trademarks may no longer exist. If any such indication exists, the Company shall estimate the recoverable amount of that asset. An impairment loss recognized for goodwill is not reversed in subsequent periods. If the recoverable amount of a CGU or a goodwill unit is estimated to be less than its carrying amount, the carrying amount of the CGU or goodwill unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. The recoverable amounts of the CGUs or goodwill units are estimated based on value-in-use calculations using a discounted cash flow model. The key assumptions used were the projected operating cash flows and the discount rates.	

Key audit matter	How our audit addressed the key audit matter
The annual impairment test resulted in an impairment charge of $9.9 million, offset by reversals of impairment of $9.4 million. We considered this a key audit matter due to (i) the significance of the goodwill, trademarks and franchise and master franchise rights balances and (ii) the significant judgment made by management in determining the recoverable amount of the goodwill units and CGUs, including the use of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures relating to the key assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sonia Boisvert.

/s/PricewaterhouseCoopers LLP[1]

Montréal Quebec
February 16, 2022

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

MTY Food Group Inc.
Consolidated statements of income (loss)

Years ended November 30, 2021 and 2020
(In thousands of Canadian dollars, except per share amounts)

	Notes	2021	2020
		$	$
Revenue	26 & 31	**551,903**	511,117
Expenses			
Operating expenses	27 & 31	**382,572**	373,806
Depreciation – property, plant and equipment and right-of-use assets	10 & 12	**16,174**	16,998
Amortization – intangible assets	13	**28,442**	30,876
Interest on long-term debt		**10,111**	16,756
Net interest expense on leases	10	**2,295**	2,481
Impairment charge – right-of-use assets	10	**1,550**	4,291
Net impairment charge – property, plant and equipment, intangible assets and goodwill	15	**5,903**	122,826
		447,047	568,034
Share of net (loss) profit of a joint venture accounted for using the equity method		**(709)**	508
Other (expenses) income			
Unrealized and realized foreign exchange (loss) gain		**(300)**	3,230
Interest income		**198**	408
Gain on de-recognition/lease modification of lease liabilities		**1,319**	2,890
Gain (loss) on disposal of property, plant and equipment and assets held for sale		**3,549**	(466)
Revaluation of financial liabilities recorded at fair value	24	**3,034**	(1,602)
Other income		**125**	—
		7,925	4,460
Income (loss) before taxes		**112,072**	(51,949)
Income tax expense (recovery)	30		
Current		**21,036**	8,360
Deferred		**5,093**	(23,414)
		26,129	(15,054)
Net income (loss)		**85,943**	(36,895)
Net income (loss) attributable to:			
Owners		**85,639**	(37,108)
Non-controlling interests		**304**	213
		85,943	(36,895)
Net income (loss) per share	23		
Basic		**3.47**	(1.50)
Diluted		**3.46**	(1.50)

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

MTY Food Group Inc.

Consolidated statements of comprehensive income (loss)

Years ended November 30, 2021 and 2020

(In thousands of Canadian dollars)

	Notes	**2021**	2020
		$	$
Net income (loss)		**85,943**	(36,895)
Items that may be reclassified subsequently to net income (loss)			
Unrealized loss on translation of foreign operations		**(7,966)**	(12,660)
Deferred tax recovery on foreign currency translation adjustments	30	**—**	42
Other comprehensive loss		**(7,966)**	(12,618)
Total comprehensive income (loss)		**77,977**	(49,513)
Total comprehensive income (loss) attributable to:			
Owners		**77,673**	(49,726)
Non-controlling interests		**304**	213
		77,977	(49,513)

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, 2021 and 2020

(In thousands of Canadian dollars)

	Capital stock	Reserves: Other	Reserves: Contributed surplus	Reserves: Foreign currency translation	Total reserves	Retained earnings	Equity attributable to owners	Equity attributable to non-controlling interests	Total
	$	$	$	$	$	$	$	$	$
Balance as at November 30, 2019	310,939	(850)	2,095	(736)	509	353,300	664,748	732	665,480
Adjustment on adoption of IFRS 16 (net of tax)	—	—	—	—	—	(10,692)	(10,692)	—	(10,692)
Adjusted balance as at November 30, 2019	310,939	(850)	2,095	(736)	509	342,608	654,056	732	654,788
Net (loss) income for the year ended November 30, 2020	—	—	—	—	—	(37,108)	(37,108)	213	(36,895)
Other comprehensive loss	—	—	—	(12,618)	(12,618)	—	(12,618)	—	(12,618)
Total comprehensive (loss) income							(49,726)	213	(49,513)
Shares repurchased and cancelled (Note 21)	(4,524)	—	—	—	—	(14,342)	(18,866)	—	(18,866)
Dividends	—	—	—	—	—	(4,633)	(4,633)	(186)	(4,819)
Share-based compensation (Note 22)	—	—	924	—	924	—	924	—	924
Balance as at November 30, 2020	306,415	(850)	3,019	(13,354)	(11,185)	286,525	581,755	759	582,514
Net income for the year ended November 30, 2021	**—**	**—**	**—**	**—**	**—**	**85,639**	**85,639**	**304**	**85,943**
Other comprehensive loss	**—**	**—**	**—**	**(7,966)**	**(7,966)**	**—**	**(7,966)**	**—**	**(7,966)**
Total comprehensive income							**77,673**	**304**	**77,977**
Disposal of interest in 10220396 Canada Inc. (Note 16)	**—**	**—**	**—**	**—**	**—**	**(1,300)**	**(1,300)**	**196**	**(1,104)**
Shares repurchased and cancelled (Note 21)	**(454)**	**—**	**—**	**—**	**—**	**(1,730)**	**(2,184)**	**—**	**(2,184)**
Dividends	**—**	**—**	**—**	**—**	**—**	**(9,141)**	**(9,141)**	**—**	**(9,141)**
Share-based compensation (Note 22)	**—**	**—**	**836**	**—**	**836**	**—**	**836**	**—**	**836**
Balance as at November 30, 2021	**305,961**	**(850)**	**3,855**	**(21,320)**	**(18,315)**	**359,993**	**647,639**	**1,259**	**648,898**

The following dividends were declared and paid by the Company:

	2021	2020
	$	$
$0.370 per common share (2020 – $0.185 per common share)	**9,141**	4,633

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, 2021 and 2020

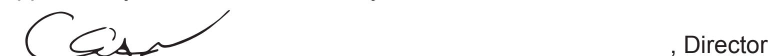
(In thousands of Canadian dollars)

	Notes	2021 $	2020 $
Assets			
Current assets			
Cash		**61,231**	44,302
Accounts receivable	7	**57,459**	55,886
Inventories	8	**10,707**	9,415
Current portion of loans and other receivables	9	**1,189**	1,527
Current portion of finance lease receivables	10	**89,046**	90,303
Income taxes receivable		**3,712**	420
Other assets		**2,403**	2,792
Prepaid expenses and deposits		**7,721**	6,750
		233,468	211,395
Loans and other receivables	9	**3,049**	3,233
Finance lease receivables	10	**310,223**	377,824
Contract cost asset		**5,631**	5,171
Deferred income taxes	30	**185**	207
Investment in a joint venture	11	**25,911**	26,612
Property, plant and equipment	12	**17,526**	16,551
Right-of-use assets	10	**59,937**	69,223
Intangible assets	13	**820,274**	864,029
Goodwill	14	**428,390**	439,452
		1,904,594	2,013,697
Liabilities and Shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**119,462**	111,372
Provisions	18	**1,692**	3,065
Gift card and loyalty program liabilities		**101,889**	95,233
Income taxes payable		**4,256**	18,335
Current portion of deferred revenue and deposits	19	**16,100**	13,747
Current portion of long-term debt	20	**13,116**	12,888
Current portion of lease liabilities	10	**101,973**	114,915
		358,488	369,555
Long-term debt	20	**347,612**	447,654
Lease liabilities	10	**371,575**	443,834
Deferred revenue and deposits	19	**44,339**	41,367
Deferred income taxes	30	**132,653**	128,773
Other liabilities		**1,029**	—
		1,255,696	1,431,183

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

	Notes	2021 $	2020 $
Shareholders' equity			
Equity attributable to owners			
Capital stock	21	**305,961**	306,415
Reserves		**(18,315)**	(11,185)
Retained earnings		**359,993**	286,525
		647,639	581,755
Equity attributable to non-controlling interests		**1,259**	759
		648,898	582,514
		1,904,594	2,013,697

Approved by the Board on February 16, 2022


_________________________________, Director

_________________________________, Director

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

MTY Food Group Inc.

Consolidated statements of cash flows

Years ended November 30, 2021 and 2020

(In thousands of Canadian dollars)

	Notes	2021	2020
		$	$
Operating activities			
Net income (loss)		**85,943**	(36,895)
Adjusting items:			
Interest on long-term debt		**10,111**	16,756
Net interest expense on leases	10	**2,295**	2,481
Depreciation – property, plant and equipment and right-of-use assets	10 & 12	**16,174**	16,998
Amortization – intangible assets	13	**28,442**	30,876
Impairment charge – property, plant and equipment	15	**131**	3,166
Impairment charge – right-of-use assets	10	**1,550**	4,291
Net impairment charge – intangible assets and goodwill	15	**5,772**	119,660
Share of net loss (profit) of a joint venture accounted for using the equity method		**709**	(508)
Gain on de-recognition/lease modification of lease liabilities		**(1,319)**	(2,890)
(Gain) loss on disposal of property, plant and equipment and assets held for sale		**(3,549)**	466
Revaluation of financial liabilities recorded at fair value through profit or loss	24	**(3,034)**	1,602
Other income		**(125)**	—
Income tax expense (recovery)		**26,129**	(15,054)
Share-based expense	22	**836**	924
		170,065	141,873
Income taxes paid		**(27,448)**	(10,303)
Interest paid		**(10,079)**	(15,832)
Other		**(3,797)**	573
Changes in non-cash working capital items	32	**10,558**	17,341
Cash flows provided by operating activities		**139,299**	133,652
Investing activities			
Proceeds on disposal of interest in 10220396 Canada Inc.	16	**7,500**	—
Additions to property, plant and equipment	12	**(6,439)**	(4,197)
Additions to intangible assets	13	**(324)**	(1,427)
Proceeds on disposal of property, plant and equipment		**6,465**	935
Proceeds on disposal of assets held for sale		**—**	11,689
Investment in a joint venture	11	**—**	(19,105)
Cash flows provided by (used in) investing activities		**7,202**	(12,105)

	Notes	2021	2020
		$	$
Financing activities			
Issuance of long-term debt		**—**	20,000
Repayment of long-term debt	32	**(102,238)**	(109,137)
Net lease payments	10	**(15,354)**	(13,026)
Shares repurchased and cancelled	21	**(2,184)**	(18,866)
Capitalized financing costs	32	**(665)**	(525)
Dividends paid to non-controlling shareholders of subsidiaries		**—**	(186)
Dividends paid		**(9,141)**	(4,633)
Cash flows used in financing activities		**(129,582)**	(126,373)
Net increase (decrease) in cash		**16,919**	(4,826)
Cash disposed of through disposal		**(131)**	—
Effect of foreign exchange rate changes on cash		**141**	(1,609)
Cash, beginning of period		**44,302**	50,737
Cash, end of period		**61,231**	44,302

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

Table of contents

Independent Auditor's Report		2
1.	Description of the business	14
2.	Basis of preparation	14
3.	Accounting policies	15
4.	Changes in accounting policies	27
5.	Critical accounting judgments and key sources of estimation uncertainty	28
6.	Future accounting changes	30
7.	Accounts receivable	32
8.	Inventories	32
9.	Loans and other receivables	33
10.	Leases	33
11.	Investment in a joint venture	35
12.	Property, plant and equipment	36
13.	Intangible assets	37
14.	Goodwill	38
15.	Net impairment charge – property, plant and equipment, intangible assets and goodwill	38
16.	Disposal of interest in 10220396 Canada Inc.	40
17.	Credit facility	41
18.	Provisions	41
19.	Deferred revenue and deposits	42
20.	Long-term debt	43
21.	Capital stock	43
22.	Stock options	44
23.	Net income (loss) per share	45
24.	Financial instruments	45
25.	Capital disclosures	49
26.	Revenue	50
27.	Operating expenses	51
28.	Guarantee	51
29.	Contingent liabilities	51
30.	Income taxes	52
31.	Segmented information	53
32.	Statement of cash flows	55
33.	Related party transactions	56
34.	Subsequent events	57

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 ("TSX"). The Company's head office is located at 8210, Trans-Canada Highway, 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 financial statements is determined on such a basis, except for:

- share-based payment transactions, that are within the scope of International Financial Reporting Standards ("IFRS") 2, Share-based Payment;
- leasing transactions, that are within the scope of IFRS 16, Leases; and
- measurements that have some similarities to fair value but are not fair value, such as net realizable value in International Accounting Standards ("IAS") 2, Inventories, or value in use in IAS 36, Impairment of Assets.

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 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 financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standard Board ("IASB").

These financial statements were authorized for issue by the Board of Directors on February 16, 2022.

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

3. Accounting policies

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:

	Percentage of equity interest	
Principal subsidiaries	2021	2020
	%	%
MTY Franchising Inc.	100	100
MTY Franchising USA, Inc.	100	100
BF Acquisition Holdings, LLC	100	100
Built Franchise Systems, LLC	100	100
CB Franchise Systems, LLC	100	100
Papa Murphy’s Holdings Inc.	100	100
9974644 Canada Inc.	65	65

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 statements of income and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

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

3. Accounting policies (continued)

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 (loss) 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 IFRS 9, Financial Instruments: Recognition and Measurement when applicable, or 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 interest are present ownership interests and entitle their holders to a proportionate share of the Company’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 IFRS 9 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 (loss) 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 ("CGU") 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 CGU retained.

Revenue recognition

The Company's accounting policies are summarized below:

Revenue from franchise locations

i) 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, as they are earned.

ii) Initial franchise fees are recognized on a straight-line basis over the term of the franchise agreement as the performance obligation relating to franchise rights is fulfilled. Amortization begins once the restaurant has opened.

iii) Upfront fees related to master license agreements are recognized over the term of the master license agreements on a straight-line basis.

iv) Renewal fees and transfer fees are recognized on a straight-line basis over the term of the related franchise agreement.

v) Restaurant construction and renovation revenue is recognized when the construction and renovation are completed.

vi) The Company earns rent revenue on certain leases it holds and sign rental revenue. Rental income that is not included in the measurement of the finance lease receivable under IFRS 16 is recognized on a straight-line basis over the term of the relevant lease.

vii) The Company recognizes breakage income proportionately as each gift card is redeemed, based on the historical redemption pattern of the gift cards. 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 in a business acquisition, which are accounted for at fair value at the acquisition date.

3. Accounting policies (continued)

Revenue recognition (continued)

Revenue from franchise locations (continued)

viii) The Company receives considerations from certain suppliers. Fees are generally earned based on the value of purchases during the year. Agreements that contain an initial upfront fee, in addition to ongoing fees, are recognized on a straight-line basis over the term of the respective agreement. Supplier contributions are recognized as revenue as they are earned and are recorded in other franchising revenue.

Revenue from food processing, distribution and retail

Food processing, distribution and retail revenue is recognized when the customer takes control of the product, which usually occurs upon shipment or receipt of the goods by the customer, depending on the specific terms of the agreement.

Revenue from promotional fund contributions

Promotional fund contributions are based on a percentage of gross sales as reported by the franchisees. Corresponding promotional fund transfers to the promotional funds are reported separately and included in accounts payable and accrued liabilities. The Company is not entitled to retain these promotional fund payments received and is obligated to transfer these funds to be used solely for use in promotional and marketing-related costs for specific restaurant banners. The Company sometimes charges a fee for the administration of the promotional funds. The combined amount payable resulting from the promotional fund reserves amounts to a surplus of $30,481 (2020 – $20,529). These amounts are included in accounts payable and accrued liabilities.

Revenue from corporate-owned locations

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

Contract cost asset

The Company recognizes incremental costs of obtaining a contract as an asset if they are expected to be recoverable, unless their amortization period would be less than one year, in which case a practical expedient is used to expense them as incurred. The costs are amortized to operating expenses over the term of the related franchise agreement.

Assets held for sale

Judgment is required in determining whether an asset meets the criteria for classification as "assets held for sale" in the consolidated statements of financial position. Criteria considered by management include the existence of and commitment to a plan to dispose of the assets, the expected selling price of the assets, the expected timeframe of the completion of the anticipated sale and the period of time any amounts have been classified within assets held for sale. The Company reviews the criteria for assets held for sale each period and reclassifies such assets to or from this category as appropriate. In addition, there is a requirement to evaluate and record assets held for sale at the lower of their carrying value and fair value less costs to sell.

Leasing

The Company enters into leases for franchised and corporately-owned locations, offices, and equipment in the normal course of business.

The Company as lessee

The Company recognizes lease liabilities with corresponding right-of-use assets, except for short-term leases and leases of low value assets, which are expensed on a straight-line basis over the lease term. The Company recognizes depreciation of right-of-use assets and interest on lease liabilities. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

3. Accounting policies (continued)

Leasing (continued)

The Company as lessor

When the Company enters into a sublease arrangement as an intermediate lessor, the Company accounts for the head lease and the sublease as two separate contracts. The Company is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease. For finance subleases, the Company derecognizes the right-of-use asset relating to the head lease that is transferred to the sublessee and recognizes a finance lease receivable in the sublease. As the intermediate lessor, the Company retains the lease liability on the head lease in its consolidated statement of financial position. During the term of the sublease, the Company recognizes both finance income on the sublease and interest expense on the head lease.

COVID-19 accounting implications on leases

In response to the COVID-19 pandemic, in May 2020 the IASB issued amendments to IFRS 16 to allow entities to not account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before June 30, 2021; and
- no other substantive changes have been made to the terms of the lease.

In March 2021, the IASB published COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16), extending the May 2020 amendments by one year. Accordingly, the amendment permits a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The Company has adopted these amendments and applied the practicable expedient to all eligible rent concessions. The Company has recognized negative variable lease payments of $933 (2020 – $617) as part of rent expense, presented in Cost of goods sold and rent in Note 27 of the consolidated financial statements.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

Functional and presentation currency

These 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 statement of income (loss) in other income (charges).

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year and adjustments to prior year provisions. Taxable profit differs from profit as reported in the consolidated statement of income (loss) 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.

3. Accounting policies (continued)

Taxation (continued)

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the 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 utilized. 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.

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 utilize 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 realized, 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 (loss) or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income (loss) 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.

3. Accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is based on the following terms:

Buildings	Straight-line	25 to 50 years
Equipment	Straight-line	Three to 10 years
Leasehold improvements	Straight-line	Lesser of the term of the lease or useful life
Rolling stock	Straight-line	Five to seven years
Computer hardware	Straight-line	Three to seven years

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 reviews each reporting period the amortization periods of its intangible assets with finite useful lives. The Company also reviews each reporting period the useful lives of its intangible assets with indefinite useful lives to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets.

The Company currently carries the following intangible assets on 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 terms 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.

3. Accounting policies (continued)

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.

Other

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

Impairment and reversal of 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 CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs 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 CGU. For the purpose of the franchise and master franchise rights and trademarks, the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified is the brand level and constitutes the lowest level at which an asset or group of assets has the possibility of generating cash inflows.

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. Franchise rights and master franchise rights are tested annually as part of the CGU annual testing or 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 projected operating 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 projected operating cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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.

At the end of each reporting period, the Company reviews whether there is any indication that the events and circumstances which led to prior years' impairment losses for its franchise rights, master franchise rights and trademarks may no longer exist. If any such indication exists, the Company shall estimate the recoverable amount of that asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Accounting policies (continued)

Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to the CGU or a group of CGUs ("goodwill unit") 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, 2021, goodwill is allocated as follows:

	Goodwill unit description
Canada goodwill	A group of CGUs comprised of acquired brands in Canada's operating segment
US & International excluding Papa Murphy's goodwill	A group of CGUs comprised of acquired brands in the US & International operating segment, excluding the Papa Murphy's brand
Papa Murphy's goodwill	One CGU comprised of Papa Murphy's brand

Goodwill and trademarks are tested for impairment annually as at August 31, or more frequently when there is an indicator of impairment. If the recoverable amount of the goodwill unit is less than its carrying amount, the impairment loss reduces the carrying amount of any goodwill allocated to the goodwill unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of income (loss). 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 projected operating 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 projected operating cash flows have not been adjusted.

Cash and restricted cash

Cash and restricted cash 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. As at November 30, 2021, cash and restricted cash included $462 of restricted cash (2020 – $468) that is required as part of guarantees on certain lease commitments.

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.

Financial instruments

Classification of financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss "FVTPL") are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

3. Accounting policies (continued)

Financial instruments (continued)

Classification of financial assets (continued)

On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost, Fair Value through Other Comprehensive Income "FVOCI" or FVTPL, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is subsequently measured at amortized cost if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest. Unless a financial asset is designated at FVTPL, a financial asset is subsequently measured at FVOCI if the asset is held within a business model in order to collect contractual cash flows and sell financial assets and the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest. Financial assets that do not meet either the contractual cash flow characteristics of solely payments of principal and interest or the business model of held to collect or held to collect and sell are measured at FVTPL. Financial assets measured at FVTPL and any subsequent changes therein are recognized in net income.

The Company currently classifies its cash, accounts receivable and loans receivable as assets measured at amortized cost.

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.

Impairment of financial assets

The Company uses the simplified expected credit-loss ("ECL") model for its trade receivables, as permitted by IFRS 9. The simplified approach under IFRS 9 permits the use of the lifetime expected loss provision for all trade receivables and also incorporates forward-looking information. Lifetime ECL represents the ECL that will result from all probable default events over the expected life of a financial instrument.

For its loans receivable balance carried at amortized cost, the Company has applied the general ECL model. Unlike the simplified approach, the general ECL model depends on whether there has been a significant increase in credit risk. The Company considers the probability of default upon initial recognition of the financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition of the financial asset.

A significant increase in credit risk is assessed based on changes in the probability of default since initial recognition along with borrower-specific qualitative information, or when loans are more than 30 days past due. Loans are considered impaired and in default when they are 90 days past due or there is sufficient doubt regarding the ultimate collectability of principal and/or interest. Loans that are 180 days past due are written down to the present value of the expected future cash flows. Impairment under the IFRS 9 general ECL model is assessed on an individual basis. In assessing the risk of default, the Company also incorporates available reasonable and supportive forward-looking information.

When credit risk is assessed as being low or when there has not been a significant increase in credit risk since initial recognition, the ECL is based on a 12-month ECL which represents the portion of lifetime ECL expected to occur from default events that are possible within 12 months after the reporting date. If a significant increase in credit risk has occurred throughout a reporting period, impairment is based on lifetime ECL.

3. Accounting policies (continued)

Financial instruments (continued)

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 (loss) and accumulated in equity is recognized in profit or loss.

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.

Classification of financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL. These financial liabilities, including derivative liabilities and certain obligations, are subsequently measured at fair value with changes in fair value recorded in net income in the period in which they arise. Financial liabilities designated as FVTPL are recorded at fair value with changes in fair value attributable to changes in the Company's own credit risk recorded in net income.

Financial liabilities classification:	
Accounts payable and accrued liabilities	Amortized cost
Revolving credit facility	Amortized cost
Non-interest-bearing contract cancellation fees and holdbacks	Amortized cost
Contingent consideration related to the acquisition of Allô! Mon Coco	FVTPL
Non-controlling interest buyback obligation	FVTPL
Non-controlling interest option	FVTPL
Obligation to repurchase a partner in a joint venture	FVTPL

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 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. 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 management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value when the effect is material. This is recorded in cost of goods sold and rent (Note 27) on the consolidated statement of income (loss).

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

3. Accounting policies (continued)

Provisions (continued)

Onerous contracts

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

Litigation, disputes and closed stores

Provisions for the expected cost of litigation, disputes and the cost of settling leases for closed stores, with the exception of lease liabilities already recorded pursuant to IFRS 16, 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 and the amount initially recognized less cumulative amortization recognized, if any.

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 food and beverage purchases.

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.

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

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 option-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 22.

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.

3. Accounting policies (continued)

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 31). 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 ("COOs") to make decisions on resources to be allocated to the segment and to assess its performance.

Joint arrangements

Joint arrangements are arrangements in which the Company exercises joint control as established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangement's returns. When the Company has the rights to the net assets of the arrangement, the arrangement is classified as a joint venture and is accounted for using the equity method. When the Company has rights to the assets and obligations for the liabilities relating to an arrangement, the arrangement is classified as a joint operation and the Company accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profits or losses and movements in other comprehensive income of the investee. When the Company's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Company does not recognize further losses unless it will incur obligations or make payments on behalf of the joint ventures.

Unrealized gains resulting from transactions with joint ventures are eliminated, to the extent of the Company's share in the joint venture. For sales of products or services from the Company to its joint ventures, the elimination of unrealized profits is considered in the carrying value of the investment in equity-accounted investees in the consolidated statements of financial position and in the share in profit or loss of equity-accounted investees in the consolidated statements of income.

Deferred consideration receivable

The Company's deferred consideration receivable consists of a deferred consideration in conjunction with the sale of its interest in 10220396 Canada Inc. The deferred consideration is a financial instrument measured at amortized cost and is included in Loans and other receivables.

4. Changes in accounting policies

IFRS 3, Business Combinations

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3. 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 were adopted effective December 1, 2020 and did not result in any adjustment.

IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures

In September 2019, the IASB published *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)* as a first reaction to the potential effects the Interbank offered rates ("IBOR") reform could have on financial reporting. Recent market developments have brought into question the long-term viability of the IBOR benchmarks. The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 and IAS 39, which require forward-looking analysis. There are also amendments to IFRS 7 regarding additional disclosures around uncertainty arising from the interest rate benchmark reform.

The amendments to IFRS 9, IAS 39 and IFRS 7 were adopted effective December 1, 2020 and resulted in no significant adjustment.

5. 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 judgments 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 judgments, 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 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 judgment in determining the grouping of assets to identify a CGU; 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.

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 year ended November 30, 2021, 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 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

The Company uses judgment in determining the grouping of assets to identify its CGUs for purposes of testing for impairment of property, plant and equipment, right-of-use assets, goodwill, trademarks and franchise rights.

In testing for impairment of property, plant and equipment and right-of-use assets, the Company determined that its CGUs mostly comprise of individual stores or groups of stores and the assets are thereby allocated to each CGU.

In testing for impairment, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the business combination. In testing for impairment, trademarks and franchise rights are allocated to the CGUs to which they relate. Furthermore, on a quarterly basis, judgment is used in determining whether there has been an indication of impairment, which would require the completion of a quarterly impairment test, in addition to the annual requirement.

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

Key sources of estimation uncertainty (continued)

Impairment (continued)

Impairment of property, plant and equipment and right-of-use assets

The Company performs an impairment test of its property, plant and equipment and right-of-use assets when there is an indicator of impairment. The recoverable amounts of the Company's corporate store assets are generally estimated based on fair value less cost of disposal as this was determined to be 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 and any costs associated with exiting the lease.

During the years ended November 30, 2021 and 2020, the Company recognized impairment charges on its property, plant and equipment (Note 15). The total impairment on property, plant and equipment of $131 (2020 – $3,166) 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.

During the years ended November 30, 2021 and 2020, the Company also recognized impairment charges on its right-of-use assets (Note 10) of $1,550 (2020 – $4,291).

Impairment of franchise rights and trademarks

The Company performs at least annually an 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.

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.

During the years ended November 30, 2021 and 2020, the Company recognized net impairment charges on its franchise rights and trademarks (Note 15). The total net impairment charge of $5,772 (2020 – $51,693) includes: an impairment charge of $15,135 (2020 – $51,693), representing a write-down of the carrying value to the fair value of the trademarks and franchise rights; partially offset by a reversal of impairment charge of $9,363 (2020 – nil). The fair value was determined using significant unobservable inputs such as discount rates and projected operating cash flows. The fair value is classified as level 3 in the fair value hierarchy. During the year ended November 30, 2021, the Company also carried out a review of the recoverable amount allocated to the intangible assets associated with the "Houston Avenue Bar & Grill" and "Industria Pizza + Bar" brands, where the recoverable amount was measured at fair value less costs of disposal.

These calculations take into account our best estimate of projected operating cash flows. Projected operating cash flows are estimated based on a multiyear extrapolation of the most recent historical actual results or budgets and a terminal value calculated by discounting the final year in perpetuity.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount in use of the goodwill unit to which goodwill has been allocated. The value in use calculation requires management to estimate the projected operating cash flows expected to arise from the goodwill unit and a suitable discount rate in order to calculate present value.

During the year ended November 30, 2021, no impairment charge (2020 – impairment charge of $67,967) on goodwill was required (Note 15).

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.

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

Impact of COVID-19

During the year ended November 30, 2021, the COVID-19 pandemic continued to impact the markets in which MTY and its franchise partners and suppliers operate. Canada and certain parts of the United States ("US") continued to be impacted by the continuation of government-imposed restrictions including restrictions on dine-in guests, reduced operating hours and/or temporary closures. The year saw the ramp-up of the global vaccination campaign, which led to the gradual lifting of restrictions in some territories, including the resumption of indoor and outdoor dining, and the reopening of a number of restaurants. However, the end of the year saw the rise of a fourth wave driven by the Delta variant, resulting in more infections and certain additional public health measures, including the mandatory presentation of a vaccine passport for seated dining in restaurants in some territories. The disruptions are expected to persist into 2022 with uncertainty surrounding the rollout of the vaccine boosters and the spread of the Omicron variant. The longer-term impact on the economy and the rules and restrictions that will apply to MTY's restaurants are expected to fluctuate and impact the network for the foreseeable future.

As a result of the continued and uncertain economic and business impacts of the COVID-19 pandemic, the Company continues to monitor the estimates, judgments and assumptions used in the financial statements. For the year ended November 30, 2021, the Company determined that there was no indication of impairment attributable to COVID-19. Accordingly, the Company did not record impairment charges on its property, plant and equipment, intangible assets, and goodwill attributable to COVID-19. These estimates, judgments and assumptions are subject to change.

The consolidated financial statements have been impacted with respect to the following as a result of COVID-19:

- Changes to lease liabilities and finance lease receivables were made to reflect changes in lease payment terms;
- Reduction in wage expense, presented in Wage and rent subsidies in Note 27 of these consolidated financial statements, for the year ending November 30, 2021 of $4,073 (2020 – $6,775) resulting from the Canadian Employment Wage Subsidies, and of $291 (2020 – nil) resulting from the Employee Retention Credit available to US taxpayers under the Coronavirus Aid, Relief and Economic Security Act; and
- Reduction in rent expense, presented in Wage and rent subsidies in Note 27 of these consolidated financial statements, for the year ending November 30, 2021 of $1,385 (2020 – $245) resulting from the Canadian Emergency Rent Subsidies.

6. Future accounting changes

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for the period ended November 30, 2021 and have not been applied in preparing these consolidated financial statements.

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

Standard	Issue date	Effective date for the Company	Impact
IAS 37, Provisions, Contingent Liabilities and Contingent Assets	May 2020	December 1, 2022	In assessment
IAS 1, Presentation of Financial Statements	January 2020, July 2020 & February 2021	December 1, 2023	In assessment
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors	February 2021	December 1, 2023	In assessment
IAS 12, Income Taxes	May 2021	December 1, 2023	In assessment

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB published *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The changes in *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments to IAS 37 are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company will adopt the amendments on December 1, 2022.

6. Future accounting changes (continued)

IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

In July 2020, the IASB published *Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1)* deferring the effective date of the January 2020 amendments to IAS 1 by one year.

In February 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. An entity is now required to disclose its material accounting policy information instead of its significant accounting policies and several paragraphs are added to IAS 1 to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. The amendments also clarify that: accounting policy information may be material because of its nature, even if the related amounts are immaterial; accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)* with amendments that are intended to help entities to distinguish between accounting policies and accounting estimates. The changes to IAS 8 focus entirely on accounting estimates and clarify that: the definition of a change in accounting estimates is replaced with a definition of accounting estimates; entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty; a change in accounting estimate that results from new information or new developments is not the correction of an error; and a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The amendments to IAS 8 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

IAS 12, Income Taxes

In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)* that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption, which does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

7. Accounts receivable

The following table provides details on trade accounts receivable not past due, past due and the related credit loss allowance.

	2021	2020
	$	$
Total accounts receivable	**65,915**	68,417
Less: Allowance for credit losses	**8,456**	12,531
Total accounts receivable, net	**57,459**	55,886
Of which:		
Not past due	**42,257**	35,946
Past due for more than one day but no more than 30 days	**2,549**	3,818
Past due for more than 31 days but no more than 60 days	**2,131**	2,731
Past due for more than 61 days	**10,522**	13,391
Total accounts receivable, net	**57,459**	55,886

	2021	2020
	$	$
Allowance for credit losses, beginning of year	**12,531**	8,176
(Decrease) increase to current year provision	**(1,324)**	5,459
Reversal of amounts previously written off	**41**	12
Write-offs	**(2,697)**	(1,950)
Impact of foreign exchange	**(95)**	834
Allowance for credit losses, end of year	**8,456**	12,531

8. Inventories

	2021	2020
	$	$
Raw materials	**4,057**	3,505
Work in progress	**513**	466
Finished goods	**6,137**	5,444
Total inventories	**10,707**	9,415

Inventories are presented net of a $27 allowance for obsolescence (2020 – $51). All of the inventories are expected to be sold within the next 12 months.

Inventories expensed during the year ended November 30, 2021 were $127,657 (2020 – $107,798).

9. Loans and other receivables

Loans and other receivables generally result from: the sales of franchises and of various advances to certain franchisees; and a deferred consideration receivable from the disposal of the Company's 80% interest in 10220396 Canada Inc. Loans and other receivables consist of the following:

	2021	2020
	$	$
Loans receivable bearing interest between 0% and 8% per annum, receivable in monthly installments of $156 in aggregate, including principal and interest, ending in 2028	**4,057**	6,871
Less: Allowance for credit losses on loans receivable	**1,569**	2,111
	2,488	4,760
Current portion of loans receivable	**(1,189)**	(1,527)
Loans receivable	**1,299**	3,233
Deferred consideration receivable	**1,750**	—
Loans and other receivables	**3,049**	3,233

The capital repayments of loans receivable in subsequent years will be:

	$
2022	1,189
2023	485
2024	283
2025	170
2026	360
Thereafter	1
	2,488

10. Leases

Leases as a lessee relate primarily to leases of premises in relation to the Company's operations and its corporate store locations. For many of the leases related to its franchised locations, the Company is on the head lease of the premises and a corresponding sublease contract was entered into between the Company and its unrelated franchisee. The sublease contract is substantially based on the same terms and conditions as the head lease.

Leases and subleases typically have terms ranging between five and 10 years at inception. The Company does not have options to purchase the premises on any of its leases.

10. Leases (continued)

Right-of-use assets

The following table provides the net carrying amounts of the right-of-use assets by class of underlying asset and the changes in the years ended November 30, 2021 and 2020:

	Offices, corporate and dark stores	Store locations subject to operating subleases	Other	Total
	$	$	$	$
Balance as at December 1, 2019	55,937	12,088	813	68,838
Additions	17,452	—	92	17,544
Depreciation expense	(10,951)	(1,120)	(273)	(12,344)
Impairment charge	(4,090)	(201)	—	(4,291)
De-recognition/lease modification of lease liabilities	893	(489)	3	407
Foreign exchange	(905)	—	(26)	(931)
Balance as at November 30, 2020	58,336	10,278	609	69,223
Additions	**14,658**	**—**	**834**	**15,492**
Depreciation expense	**(10,615)**	**(1,428)**	**(460)**	**(12,503)**
Impairment charge	**(1,550)**	**—**	**—**	**(1,550)**
De-recognition/lease modification of lease liabilities	**(14,493)**	**4,211**	**93**	**(10,189)**
Foreign exchange	**(538)**	**6**	**(4)**	**(536)**
Balance as at November 30, 2021	**45,798**	**13,067**	**1,072**	**59,937**

Finance lease receivables and lease liabilities

The following table provides the net carrying amounts of the finance lease receivables and lease liabilities, and the changes in the years ended November 30, 2021 and 2020:

	Finance lease receivables	Lease liabilities
	$	$
Balance as at December 1, 2019	526,421	(611,079)
Additions	22,792	(26,409)
Lease renewals and modifications	47,467	(51,303)
Lease terminations	(22,636)	15,781
Other adjustments	(3,090)	—
Interest income (expense)	13,234	(15,715)
(Receipts) payments	(113,016)	126,042
Foreign exchange	(3,045)	3,934
Balance as at November 30, 2020	468,127	(558,749)
Additions	**8,379**	**(14,649)**
Lease renewals and modifications	**35,622**	**(35,110)**
Lease terminations	**(16,082)**	**18,717**
Other adjustments	**1,722**	**4,037**
Interest income (expense)	**11,553**	**(13,848)**
(Receipts) payments	**(108,142)**	**123,496**
Foreign exchange	**(1,910)**	**2,558**
Balance as at November 30, 2021	**399,269**	**(473,548)**

10. Leases (continued)

Recorded in the consolidated statements of financial position as follows:

	Finance lease receivables	Lease liabilities
	$	$
Current portion	90,303	(114,915)
Long-term portion	377,824	(443,834)
November 30, 2020	468,127	(558,749)
Current portion	**89,046**	**(101,973)**
Long-term portion	**310,223**	**(371,575)**
November 30, 2021	**399,269**	**(473,548)**

Maturity analysis

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid or received after November 30, 2021:

	Lease liabilities	**Finance lease receivables**	**Operating subleases**
	$	**$**	**$**
2022	112,485	98,449	1,489
2023	100,480	87,889	1,282
2024	83,178	72,524	975
2025	68,361	58,648	873
2026	53,337	44,657	744
Thereafter	92,928	69,399	1,193
Total undiscounted lease payments	**510,769**	**431,566**	**6,556**
Unguaranteed residual values	—	2,636	—
Gross investment in the lease	**—**	**434,202**	**—**
Less: Unearned finance income	—	(30,995)	—
Present value of minimum lease payment receivables	**—**	**403,207**	**—**
Allowance for credit losses	—	(3,938)	—
Current portion of finance lease receivables	—	(89,046)	—
Finance lease receivables	**—**	**310,223**	**—**

The Company has recognized net rent expense of $2,914 (2020 – $5,839) related to its short-term leases, leases of low-value assets, and variable lease payments.

11. Investment in a joint venture

On December 3, 2019, one of the Company’s wholly owned subsidiaries completed its acquisition of a 70% interest in a joint venture that had acquired Turtle Jack’s Muskoka Grill, COOP Wicked Chicken and Frat’s Cucina (together, “Tortoise Group”), three casual dining concepts operating in the province of Ontario, for a consideration of $26,104. This consideration includes a deferred contingent consideration amounting to $4,129, an obligation for the repurchase of its partner in a joint venture of $2,870 and cash consideration of $19,105. The Company has recorded its interest as an investment in a joint venture. The Company has guaranteed liabilities of the joint venture amounting to $7,867, which is payable to Tortoise Group upon the repurchase of the 30% joint venture partner.

12. Property, plant and equipment

Cost	Land	Buildings	Leasehold improve-ments	Equipment [1]	Computer hardware [1]	Rolling stock	Total
	$	$	$	$	$	$	$
Balance as at November 30, 2019	1,236	5,223	11,537	12,562	2,612	567	33,737
Additions	—	30	707	2,802	658	—	4,197
Disposals	—	—	(309)	(1,918)	(6)	(13)	(2,246)
Impairment (Note 15)	—	—	(2,147)	(1,019)	—	—	(3,166)
Foreign exchange	—	—	(91)	(55)	(18)	(2)	(166)
Balance as at November 30, 2020	1,236	5,253	9,697	12,372	3,246	552	32,356
Additions	**—**	**12**	**1,336**	**3,811**	**1,170**	**110**	**6,439**
Disposals [2]	**—**	**(131)**	**(2,703)**	**(693)**	**(2)**	**(65)**	**(3,594)**
Impairment (Note 15)	**—**	**—**	**(20)**	**(111)**	**—**	**—**	**(131)**
Foreign exchange	**—**	**—**	**(75)**	**(16)**	**8**	**(1)**	**(84)**
Balance as at November 30, 2021	**1,236**	**5,134**	**8,235**	**15,363**	**4,422**	**596**	**34,986**

Accumulated depreciation	Land	Buildings	Leasehold improve-ments	Equipment [1]	Computer hardware [1]	Rolling stock	Total
	$	$	$	$	$	$	$
Balance as at November 30, 2019	—	1,393	3,726	5,758	1,337	160	12,374
Eliminated on disposal of assets	—	—	(162)	(945)	(1)	(13)	(1,121)
Foreign exchange	—	—	(42)	(52)	(7)	(1)	(102)
Depreciation expense	—	231	1,813	1,956	561	93	4,654
Balance as at November 30, 2020	—	1,624	5,335	6,717	1,890	239	15,805
Eliminated on disposal of assets [2]	**—**	**(32)**	**(1,819)**	**(89)**	**(14)**	**(38)**	**(1,992)**
Foreign exchange	**—**	**—**	**(10)**	**(15)**	**1**	**—**	**(24)**
Depreciation expense	**—**	**221**	**1,219**	**1,616**	**528**	**87**	**3,671**
Balance as at November 30, 2021	**—**	**1,813**	**4,725**	**8,229**	**2,405**	**288**	**17,460**

Carrying amounts	Land	Buildings	Leasehold improve-ments	Equipment [1]	Computer hardware [1]	Rolling stock	Total
	$	$	$	$	$	$	$
November 30, 2020	1,236	3,629	4,362	5,655	1,356	313	16,551
November 30, 2021	**1,236**	**3,321**	**3,510**	**7,134**	**2,017**	**308**	**17,526**

(1) Prior year amounts have been restated to reflect a reclassification between equipment and computer hardware.

(2) During the year ended November 30, 2021, the Company disposed of two (2020 – two) portfolios comprised of seven and 24 (2020 – seven and nine) corporately-owned locations in the US segment that were converted into franchises upon completion of the sale. The Company received a total consideration of $4,201 (2020 – $11,689) for both portfolios and recognized a gain on disposal of $1,374 (2020 – loss of $140), presented in Gain (loss) on disposal of property, plant and equipment and assets held for sale in its consolidated statements of income (loss).

13. Intangible assets

Cost	Franchise and master franchise rights	Trademarks	Step-in rights	Customer list	Other [1]	Total
	$	$	$	$	$	$
Balance as at November 30, 2019	393,234	663,394	1,199	10,318	6,612	1,074,757
Additions [2]	11	—	—	—	1,288	1,299
Foreign exchange	(5,367)	(9,244)	—	—	(53)	(14,664)
Impairment (Note 15)	(17,156)	(34,537)	—	—	—	(51,693)
Balance as at November 30, 2020	370,722	619,613	1,199	10,318	7,847	1,009,699
Additions [2]	**—**	**—**	**—**	**—**	**324**	**324**
Disposals	**(2,180)**	**(1,270)**	**—**	**—**	**—**	**(3,450)**
Foreign exchange	**(2,997)**	**(5,202)**	**—**	**—**	**(33)**	**(8,232)**
Net impairment (Note 15)	**(752)**	**(4,788)**	**—**	**—**	**(232)**	**(5,772)**
Balance as at November 30, 2021	**364,793**	**608,353**	**1,199**	**10,318**	**7,906**	**992,569**

Accumulated amortization	Franchise and master franchise rights	Trademarks	Step-in rights	Customer list	Other [1]	Total
	$	$	$	$	$	$
Balance as at November 30, 2019	113,545	—	740	819	1,554	116,658
Foreign exchange	(1,849)	—	—	—	(15)	(1,864)
Amortization	28,923	—	119	819	1,015	30,876
Balance as at November 30, 2020	140,619	—	859	1,638	2,554	145,670
Disposals	**(1,259)**	**—**	**—**	**—**	**—**	**(1,259)**
Foreign exchange	**(553)**	**—**	**—**	**—**	**(5)**	**(558)**
Amortization	**26,136**	**—**	**119**	**818**	**1,369**	**28,442**
Balance as at November 30, 2021	**164,943**	**—**	**978**	**2,456**	**3,918**	**172,295**

Carrying amounts	Franchise and master franchise rights	Trademarks	Step-in rights	Customer list	Other [1]	Total
	$	$	$	$	$	$
November 30, 2020	230,103	619,613	340	8,680	5,293	864,029
November 30, 2021	**199,850**	**608,353**	**221**	**7,862**	**3,988**	**820,274**

[1] Other items include $579 (2020 – $579) of licenses with an indefinite term that are not amortized.

[2] Non-cash items are included in additions to intangible assets amounting to nil (2020 – $128).

13. Intangible assets (continued)

Indefinite life intangible assets consist of trademarks and perpetual licenses, where each brand represents a separate CGU for impairment testing, for 56 CGUs (2020 – 58 CGUs) totalling $608,932 (2020 – $620,192).

14. Goodwill

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

	2021	2020
	$	$
Goodwill, beginning of year	502,531	510,171
Disposal (Note 16)	(7,807)	—
Foreign exchange	(4,097)	(7,640)
Goodwill, end of year	490,627	502,531
Accumulated impairment, beginning of year	63,079	—
Impairment (Note 15)	—	67,967
Foreign exchange	(842)	(4,888)
Accumulated impairment, end of year	62,237	63,079
Carrying amount	428,390	439,452

As at November 30, 2021, goodwill was allocated to three (2020 – three) goodwill units as follows:

	2021	2020
	$	$
Canada [(1)]	187,543	195,350
US & International excluding Papa Murphy's [(2)]	119,385	121,000
Papa Murphy's [(2)]	121,462	123,102
	428,390	439,452

(1) Variance from prior year due to disposal of interest in 10220396 Canada Inc. (see Note 16)
(2) Variance from prior year due to foreign exchange conversion.

15. Net impairment charge – property, plant and equipment, intangible assets and goodwill

During the year ended November 30, 2021, there were indicators of impairment that led the Company to carry out a review of the recoverable amount allocated to the intangible assets associated with the “Houston Avenue Bar & Grill” and “Industria Pizza + Bar” brands (see Note 16). The recoverable amount was measured at fair value less costs of disposal. The review led to the recognition of a non-cash impairment charge of $5,274 (comprised of $2,229 and $3,045 of impairment of franchise rights and trademarks, respectively) for the Canada geographical segment.

Furthermore, the Company performed its annual impairment test as at August 31, 2021:

- For seven of its brands (four and three brands in the Canada and US & International geographical segments, respectively), an additional impairment charge was required in the amount of $9,861.
- For five of its brands (three and two brands in the Canada and US & International geographical segments, respectively), the Company reversed the prior year’s impairment charges in the amount of $9,363, based on the Company’s conclusion that the events and circumstances which led to the previous year’s impairment charges no longer exist. Those events and circumstances, which included the expected adverse impacts of COVID-19, including temporary store closures and reduction in sales at franchised locations in the prior year, were favorably resolved, with the brands’ performances exceeding the sales forecasts for cash flows that had been used in the prior year’s impairment review.

15. Net impairment charge – property, plant and equipment, intangible assets and goodwill (continued)

Additionally, the Company recorded $131 of impairment losses on its property, plant and equipment, for a total of $5,903 of net impairment charges on its property, plant and equipment and intangible assets for the year ended November 30, 2021, which have been recognized in the consolidated statements of comprehensive income (loss).

Impairment charges were based on the amount by which the carrying values of the assets exceeded the recoverable amounts, determined using expected discounted projected operating cash flows for trademarks and franchise rights.

Impairment (reversal of impairment) by geographical segment for the year ended November 30, 2021:

		Intangible assets			
	Property, plant and equipment	**Franchise rights**	**Trademarks**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
Canada	**97**	**2,809**	**8,496**	**232**	**11,634**
US & International	**34**	**667**	**2,931**	**—**	**3,632**
Impairment charge	**131**	**3,476**	**11,427**	**232**	**15,266**
Canada	**—**	**(531)**	**(1,792)**	**—**	**(2,323)**
US & International	**—**	**(2,193)**	**(4,847)**	**—**	**(7,040)**
Reversal of impairment charge	**—**	**(2,724)**	**(6,639)**	**—**	**(9,363)**
Net impairment charge	**131**	**752**	**4,788**	**232**	**5,903**

Impairment by geographical segment for the year ended November 30, 2020:

		Intangible assets			
	Property, plant and equipment	**Franchise rights**	**Trademarks**	**Goodwill [1]**	**Total**
	$	$	$	$	**$**
Canada	2,379	10,898	22,003	—	35,280
US & International	787	6,258	12,534	67,967	87,546
Impairment charge	3,166	17,156	34,537	67,967	122,826

[1] Impairment was recorded on the goodwill allocated to the US & International excluding Papa Murphy's goodwill unit.

The key assumptions used, where the recoverable amount was measured as a goodwill unit's value in use, are those related to projected operating cash flows, as well as the discount rates. The sales forecasts for cash flows were based on the subsequent fiscal year's budgeted operating results, which were prepared by management and approved by the Board, and internal forecasts for subsequent years, which were prepared by management and developed from the budgeted operating results.

15. Net impairment charge – property, plant and equipment, intangible assets and goodwill (continued)

The following table presents the key assumptions used in the Company's impairment tests, as well as the recoverable amounts measured at value in use as at August 31, 2021 and 2020:

			2021			2020
($, except percentage data)	**Canada**	**US & International excluding Papa Murphy's**	**Papa Murphy's**	Canada	US & International excluding Papa Murphy's	Papa Murphy's
Discount rates after tax	**8.1%**	**8.0%**	**8.0%**	8.2%	8.3%	8.3%
Discount rates pre-tax	**10.4%**	**10.1%**	**10.2%**	10.7%	10.5%	10.5%
Recoverable amounts	**1,109,172**	**877,544**	**384,986**	1,113,541	563,568	422,463

Long-term growth rates ranging from 0% to 2% (2020 – 0% to 2%) were used in the impairment test for Canada. A change of 100 basis points in discount rates in Canada would result in additional impairment charges on intangible assets of four brands (2020 – four brands) representing 0.1% (2020 – 0.5%) of the total carrying value of the franchise rights and trademarks in that goodwill unit. A change of 100 basis points in discount rates in Canada would not result in additional impairment charges on goodwill for the years ended November 30, 2021 and 2020. For the Canada goodwill unit, an increase of 860 basis points in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

Long-term growth rates ranging from 0% to 2% (2020 – 0% to 2%) were used in the impairment test for the US & International excluding Papa Murphy's. A change of 100 basis points in discount rates in the US & International excluding Papa Murphy's would result in additional impairment charges on intangible assets of three brands (2020 – 11 brands) representing less than 0.1% (2020 – 2.9%) of the total carrying value of the franchise rights and trademarks in that goodwill unit. A change of 100 basis points in discount rates in the US & International excluding Papa Murphy's would not result in additional impairment charges on goodwill (2020 – additional impairment charges on goodwill representing 5.3% of the total carrying value of goodwill in that goodwill unit). For the US & International excluding Papa Murphy's goodwill unit, an increase of 500 basis points (2020 – 60 basis points) in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

A long-term growth rate of 1.5% (2020 – 1.5%) was used in the impairment test for Papa Murphy's. A change of 100 basis points in discount rates in Papa Murphy's would not result in additional impairment charges on intangible assets or goodwill for the years ended November 30, 2021 and 2020. For the Papa Murphy's goodwill unit, an increase of 230 basis points (2020 – 300 basis points) in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

16. Disposal of interest in 10220396 Canada Inc.

During the year ended November 30, 2021, the Company sold its 80% interest in 10220396 Canada Inc., whose activities consist of franchising for the banners "Houston Avenue Bar & Grill" and "Industria Pizza + Bar", for a cash consideration of $7,500 and a deferred consideration of $1,693. The deferred consideration has a contractual amount of up to $3,000, to be repaid in two tranches: the first tranche of $1,500 will be repaid in variable instalments based on royalties collected, beginning in July 2022; the second tranche will also be repaid in variable instalments based on royalties collected, which will begin once the first tranche is fully repaid, and will end on the earlier of such time $1,500 is repaid, or a period of 10 years has elapsed. The Company recorded a gain on the disposal of its shares of 10220396 Canada Inc. of $141, presented in Other income in the consolidated statement of income (loss).

17. Credit facility

During the year ended November 30, 2021, the Company modified its existing credit facility payable to a syndicate of lenders. The modification resulted in a decrease to the revolving credit facility, which now has an authorized amount of $600,000 (2020 – $700,000), an increase to the accordion feature, which now amounts to $300,000 (2020 – $200,000), and an extension of its maturity by three years, until April 22, 2024. Transaction costs of $665 were incurred and will be deferred and amortized over the remaining three years of the life of the revolving credit facility. As at November 30, 2021, $345,000 was drawn from the revolving credit facility (2020 – $433,000).

Under this facility, the Company is required to comply with certain financial covenants, including:

- a debt to EBITDA (earnings before interest, taxes, depreciation, and amortization) ratio that must be less than or equal to 3.50:1.00;
- a debt to EBITDA ratio that must be less than or equal to 4.00:1.00 in the twelve months following acquisitions with a consideration exceeding $150,000; and
- an interest and rent coverage ratio that must be at least 2.00:1.00 at all times.

As at November 30, 2021, the Company was in compliance with its financial covenants.

18. Provisions

Included in provisions are the following amounts:

	2021	2020
	$	$
Litigations, disputes and other contingencies	**1,636**	2,878
Closed stores	**56**	187
	1,692	3,065

The provision for litigation, disputes and other contingencies 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 Company has recognized a liability of $56 (2020 – $187) for the leases of premises in which it no longer has operations but retains the obligations contained in the lease agreement, with the exception of leases for which the lease liabilities are already recorded pursuant to IFRS 16.

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

	2021	2020
	$	$
Provision for litigations, disputes and closed stores, beginning balance	**3,065**	13,421
Reversals	**(541)**	(1,141)
Transfer to right-of-use assets upon application of IFRS 16	**—**	(1,274)
Amounts used	**(1,116)**	(10,169)
Additions	**305**	2,255
Impact of foreign exchange	**(21)**	(27)
Provision for litigations, disputes and closed stores, ending balance	**1,692**	3,065

19. Deferred revenue and deposits

	2021	2020
	$	$
Franchise fee deposits	**49,266**	44,279
Unearned rent, advances for restaurant construction and renovation	**2,364**	938
Supplier contributions and other allowances	**8,809**	9,897
	60,439	55,114
Less: Current portion	**(16,100)**	(13,747)
	44,339	41,367

Deferred revenues consist mostly of initial, transfer and renewal franchise fees paid by franchisees, as well as upfront fees paid by master franchisees, which are generally recognized on a straight-line basis over the term of the related agreement. Deferred revenues also include amounts paid in advance for restaurant construction and renovation, as well as upfront fees received from agreements with suppliers, which are amortized over the term of the related agreement.

There were no significant changes to contract liabilities during the year.

$12,853 (2020 – $16,927) of revenue recognized in the current year was included in the deferred revenue balance at the beginning of the year.

The following table provides estimated revenues expected to be recognized in future years related to performance obligations that are unsatisfied as at November 30, 2021:

Estimate for fiscal year:	$
2022	16,100
2023	8,192
2024	6,811
2025	4,809
2026	3,706
Thereafter	20,821
	60,439

20. Long-term debt

	2021	2020
	$	$
Non-interest-bearing contract cancellation fees and holdbacks on acquisitions [(1)]	**12,171**	12,500
Contingent consideration on acquisitions and investment in a joint venture [(2)]	**1,961**	8,075
Fair value of promissory notes related to buyback obligation of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	**—**	2,928
Fair value of non-controlling interest option in 9974644 Canada Inc. [(3)]	**1,575**	1,171
Fair value of obligation to repurchase partner in a joint venture [(4)]	**1,416**	3,364
Fair value of interest rate swap	**—**	1,152
Revolving credit facility payable to a syndicate of lenders [(5)]	**345,000**	433,000
Credit facility financing costs	**(1,395)**	(1,648)
	360,728	460,542
Less: Current portion	**(13,116)**	(12,888)
	347,612	447,654

(1) During the year ended November 30, 2021, the Company reclassified non-interest-bearing holdbacks acquired on acquisition of Kahala Brands Ltd. that were previously being applied to an income tax payable related to the acquisition of Kahala Brands Ltd. The holdbacks will be repaid within the next 12 months.
(2) The balance as at November 30, 2021, consisted of a joint venture interest (payable December 2022).
(3) Payable on demand.
(4) Maximum maturity date of December 2024.
(5) 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 April 22, 2024 and must be repaid in full at that time. The revolving credit facility has an authorized amount of $600,000 (2020 – $700,000). As at November 30, 2021, the Company had drawn US$271,470 (2020 – US$233,010 and CA$128,000) and has elected to pay interest based on the London Inter-Bank Offered Rate ("LIBOR") plus applicable margins.

21. Capital stock

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

	2021		2020	
	Number	**Amount**	Number	Amount
		$		$
Balance, beginning of year	**24,706,461**	**306,415**	25,071,235	310,939
Shares repurchased and cancelled	**(36,600)**	**(454)**	(364,774)	(4,524)
Balance, end of year	**24,669,861**	**305,961**	24,706,461	306,415

On June 28, 2021, the Company announced the renewal of the normal course issuer bid ("NCIB"). The NCIB began on July 3, 2021 and will end on July 2, 2022 or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. The renewed period allows the Company to purchase 1,235,323 of its common shares. These purchases will be made on the open market plus brokerage fees through the facilities of the TSX and/or alternative trading systems at the prevailing market price at the time of the transaction, in accordance with the TSX's applicable policies. All common shares purchased pursuant to the NCIB will be cancelled.

During the year ended November 30, 2021, the Company repurchased and cancelled a total of 36,600 common shares (2020 – 364,774 common shares) under the current NCIB, at a weighted average price of $59.68 per common share (2020 – $51.72 per common share), for a total consideration of $2,184 (2020 – $18,866). An excess of $1,730 (2020 – $14,342) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

22. Stock options

The Company offered for the benefit of certain key members of management and directors a stock 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. 60,000 shares are available for issuance under the stock option plan as at November 30, 2021 (2020 – 100,000).

Under the stock option plan of the Company, the following options were granted and are outstanding as at November 30:

	2021		2020	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**400,000**	**50.19**	400,000	50.19
Granted	**40,000**	**58.78**	—	—
Outstanding, end of year	**440,000**	**50.97**	400,000	50.19
Vested, end of year	**66,666**	**48.36**	44,444	48.36

As at November 30, 2021, the range of exercise prices and the weighted average remaining contractual life of options are as follows:

Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life**
$		**(years)**
48.36	**200,000**	**5.3**
52.01	**200,000**	**7.8**
58.78	**40,000**	**3.1**
	440,000	**6.3**

As at November 30, 2020, the range of exercise prices and the weighted average remaining contractual life of options were as follows:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life
$		(years)
48.36	200,000	6.3
52.01	200,000	8.8
	400,000	7.6

Options granted during the year ended November 30, 2021 have a service condition in order to vest. The options will vest and be exercisable as to one third of the grant on each of July 1, 2022, July 1, 2023, and July 1, 2024. The options will expire on December 31, 2024. No options were granted during the year ended November 30, 2020.

The weighted average fair value of the stock options granted for the year ended November 30, 2021 was $9.23 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.

22. Stock options (continued)

The following weighted average assumptions were used:

	2021
Acquisition date share price	**$ 58.78**
Exercise price	**$ 58.78**
Expected dividend yield	**1.26%**
Expected volatility	**26.1%**
Risk-free interest rate	**1.15%**
Expected life (in years)	**2.5 years**

A compensation expense of $836 was recorded for the year ended November 30, 2021 (2020 – $924). The expense is presented in wages and benefits in operating expenses in the consolidated statements of income (loss).

23. Net income (loss) per share

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

	2021	2020
Weighted daily average number of common shares – basic	**24,704,866**	24,755,351
Assumed exercise of stock options [1]	**40,265**	—
Weighted daily average number of common shares – diluted	**24,745,131**	24,755,351

(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 for the year ended November 30, 2021 was 200,000 (2020 – 400,000).

24. 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 and monitoring procedures.

Fair value of recognized financial instruments

Promissory notes issued as part of its consideration for the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar

In 2021, the Company sold its 80% interest in 10220396 Canada Inc. and, as such, disposed of the promissory notes that were recorded as part of the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar.

A fair value remeasurement loss of $104 was recorded for these promissory notes for the year ended November 30, 2021 (2020 – gain of $139).

24. Financial instruments (continued)

Fair value of recognized financial instruments (continued)

Contingent considerations on acquisitions

The Company issued as part of its consideration for the acquisition of Yuzu Sushi and investment in Tortoise Group, contingent considerations to the vendors. These contingent considerations are subject to earn-out provisions, which are based on future earnings; the contingent consideration for Tortoise Group is repayable in December 2022. These contingent considerations have been recorded at fair value and are remeasured on a recurring basis. The contingent consideration for Yuzu Sushi was repaid during the year ended November 30, 2021 for a total repayment amount of $5,071.

A fair value remeasurement gain of $1,656 was recorded for the contingent considerations for the year ended November 30, 2021 (2020 – loss of $997).

Obligation to repurchase non-controlling interest

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 20) which is remeasured at each reporting period.

A fair value remeasurement loss of $404 (2020 – loss of $207) was recorded for this non-controlling interest obligation.

Obligation to repurchase partner in a joint venture

The Company, in conjunction with the acquisition of its 70% interest in a joint venture that acquired Tortoise Group, entered into an agreement to acquire the remaining 30% interest by December 2025. The consideration to be paid for this acquisition will be based on future earnings. The Company recorded a liability at fair value (Note 20) which is remeasured at each reporting period. An increase or decrease by 1% in the discount rates used would have an impact of $14 on the carrying amount as at November 30, 2021 (2020 – $67).

A fair value remeasurement gain of $1,948 (2020 – loss of $494) was recorded for this obligation to repurchase a partner in a joint venture.

Interest rate swap

The Company held an interest rate swap contracted to a fix rate on a notional amount of $100,000 (2020 – $100,000) that matured on July 21, 2021. The Company recorded a fair value remeasurement loss of $62 for the year ended November 30, 2021 (2020 – loss of $1,592). The Company classified this as level 2 in the fair value hierarchy.

Cross currency interest rate swaps

On November 26, 2021 and November 29, 2021, the Company entered into three (2020 – two) floating to floating 1-month cross currency interest rate swaps. A fair value of nil was recorded as at November 30, 2021 (2020 – nil). The Company has classified this as level 2 in the fair value hierarchy.

			2021		2020
Receive – Notional	**US$78,920**	**US$180,761**	**US$11,789**	US$137,600	US$95,410
Receive – Rate	**1.29%**	**1.29%**	**1.29%**	2.44%	1.85%
Pay – Notional	**CA$100,000**	**CA$230,000**	**CA$15,000**	CA$180,000	CA$125,000
Pay – Rate	**1.23%**	**1.09%**	**1.38%**	2.45%	1.94%

24. Financial instruments (continued)

Fair value of recognized financial instruments (continued)

Fair value hierarchy

	Level 3	
	2021	2020
	$	$
Promissory notes related to buyback obligation of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	**—**	2,928
Contingent consideration on acquisitions and investment in a joint venture	**1,961**	8,075
Non-controlling interest buyback options	**1,575**	1,171
Obligation to repurchase partner in a joint venture	**1,416**	3,364
Financial liabilities	**4,952**	15,538

The Company has determined that the fair values of its financial assets and financial liabilities with short-term and long-term maturities approximate their carrying value. These financial instruments include cash, accounts receivables, accounts payable and accrued liabilities, deposits and other liabilities. The table below shows the fair value and the carrying amount of other financial instruments as at November 30, 2021 and 2020. 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.

		2021		2020
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans and other receivables	**4,238**	**4,238**	4,760	4,760
Finance lease receivables	**399,269**	**399,269**	468,127	468,127
Financial liabilities				
Long-term debt [(1)]	**357,171**	**357,189**	445,500	455,045

(1) Excludes promissory notes, contingent consideration on acquisitions, interest rate swap, cross currency interest rate swaps, credit facility financing costs 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 and other receivables and Finance lease receivables – The carrying amount for these financial instruments approximates fair value due to the short-term maturity of these instruments and/or the use of market interest rates.

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 similar debt.

The Company, through its financial assets and financial liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2021.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the consolidated statement of financial position represent the maximum exposure to credit risk for each respective financial asset as at the relevant dates. The Company believes that the credit risk of accounts receivable is limited as other than receivables from international locations, the Company's broad client base is spread mostly across Canada and the US, which limits the concentration of credit risk.

The credit risk on the Company's loans and other receivables is similar to that of its accounts receivable.

24. Financial instruments (continued)

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 US and foreign operations use the US dollar ("USD") as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, accounts receivable, long-term debt denominated in USD, other working capital items and financial obligations from its US operations. As at November 30, 2021, the long-term debt denominated in USD is not exposed to foreign exchange risk as a result of three (2020 – two) cross currency interest rate swaps.

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

As at November 30, 2021, the Company has the following financial instruments denominated in foreign currencies:

	2021		2020	
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Financial assets				
Cash	**3,744**	**4,789**	4,748	6,156
Accounts receivable	**378**	**484**	645	836
Financial liabilities				
Accounts payable and deposits	**(82)**	**(105)**	(85)	(110)
Net financial assets	**4,040**	**5,168**	5,308	6,882

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a profit of C$202 (2020 – profit of C$265) 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. $345,000 (2020 – $433,000) of the credit facility was used as at November 30, 2021. A 100 basis points increase in the bank's prime rate would result in additional interest of $3,450 per annum (2020 – $4,330) 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.

As at November 30, 2021, the Company had an authorized revolving credit facility for which the available amount may not exceed $600,000 (2020 – $700,000) to ensure that sufficient funds are available to meet its financial requirements. The terms and conditions related to this revolving credit facility are described in Note 17.

24. Financial instruments (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities as at November 30, 2021:

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**119,462**	**119,462**	**119,462**	**—**	**—**	**—**
Long-term debt (Note 20) [(1)]	**360,728**	**362,142**	**13,708**	**4**	**1,969**	**346,461**
Interest on long-term debt [(1)]	**n/a**	**13,786**	**2,852**	**2,852**	**5,705**	**2,377**
Lease liabilities	**473,548**	**510,769**	**56,243**	**56,242**	**100,480**	**297,804**
	953,738	**1,006,159**	**192,265**	**59,098**	**108,154**	**646,642**

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

25. Capital disclosures

The Company's objectives when managing capital are:

(a) To safeguard its ability to obtain financing should the need arise;

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

(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; and

(d) Cash

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

The Company monitors capital on the basis of the debt-to-equity ratio. The debt-to-equity ratios at November 30, 2021 and 2020 were as follows:

	2021	2020
	$	$
Debt	**360,728**	460,542
Equity	**648,898**	582,514
Debt-to-equity ratio	**0.56**	0.79

25. Capital disclosures (continued)

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. The Company 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 facility imposes a maximum debt-to-proforma EBITDA ratio of 4.00:1.00 after an acquisition in excess of $150,000 for a period of twelve months after acquisition; 3.50:1.00 anytime thereafter and until the maturity date of April 22, 2024.

26. Revenue

	For the year ended					
	November 30, 2021			November 30, 2020		
	Canada	**US & International**	**TOTAL**	Canada	US & International	TOTAL
	$	**$**	**$**	$	$	$
Royalties	**62,084**	**118,631**	**180,715**	57,798	107,333	165,131
Franchise and transfer fees	**5,019**	**4,353**	**9,372**	5,872	4,262	10,134
Retail, food processing and distribution revenues	**124,280**	**4,972**	**129,252**	103,765	4,593	108,358
Sale of goods, including construction revenue	**24,650**	**44,862**	**69,512**	24,095	48,029	72,124
Gift card breakage income	**228**	**4,518**	**4,746**	313	4,466	4,779
Promotional funds	**32,151**	**61,207**	**93,358**	30,401	56,406	86,807
Other franchising revenue	**28,598**	**25,648**	**54,246**	29,000	23,030	52,030
Other	**3,175**	**7,527**	**10,702**	2,836	8,918	11,754
	280,185	**271,718**	**551,903**	254,080	257,037	511,117

27. Operating expenses

	For the year ended					
	November 30, 2021			November 30, 2020		
	Canada	**US & International**	**TOTAL**	Canada	US & International	TOTAL
	$	**$**	**$**	$	$	$
Cost of goods sold and rent	**12,044**	**19,829**	**31,873**	15,888	20,315	36,203
Retail, food processing and distribution costs	**113,992**	**—**	**113,992**	91,865	—	91,865
Wages and benefits	**42,477**	**55,004**	**97,481**	39,619	62,412	102,031
Wage and rent subsidies (Note 5)	**(5,458)**	**(291)**	**(5,749)**	(7,020)	—	(7,020)
Consulting and professional fees	**6,760**	**7,018**	**13,778**	7,599	7,694	15,293
Gift cards – related costs	**—**	**6,245**	**6,245**	—	5,522	5,522
Royalties	**44**	**7,401**	**7,445**	16	5,890	5,906
Promotional funds [(1)]	**32,151**	**61,207**	**93,358**	30,401	56,406	86,807
(Reversal of) impairment for expected credit losses	**(1,219)**	**(1,975)**	**(3,194)**	5,497	3,300	8,797
Other [(2)]	**11,322**	**16,021**	**27,343**	10,870	17,532	28,402
	212,113	**170,459**	**382,572**	194,735	179,071	373,806

(1) Promotional fund expenses include wages and benefits.

(2) Other operating expenses are comprised mainly of travel and promotional costs, and other office administration expenses.

28. Guarantee

The Company has guaranteed leases on certain franchise stores in the event the franchisees are unable to meet their remaining lease commitments. The maximum amount the Company may be required to pay under these agreements was $19,260 as at November 30, 2021 (2020 – $13,374). In addition, the Company could be required to make payments for percentage rents, realty taxes and common area costs. As at November 30, 2021, the Company has accrued $1,796 (2020 – $1,796), included in Accounts payable and accrued liabilities, with respect to these guarantees.

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

30. Income taxes

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:

	2021		2020	
	$	**%**	$	%
Combined income tax rate in Canada	**29,699**	**26.5**	(13,766)	26.5
Add effect of:				
Difference between Canadian and foreign statutory rate	**(6,195)**	**(5.5)**	(4,313)	8.3
Non-taxable portion of capital gains	**16**	**—**	(511)	1.0
Permanent differences	**(238)**	**(0.2)**	12,196	(23.5)
Recognition of previously unrecognized deferred tax assets	**(20)**	**—**	(247)	0.5
Losses in subsidiaries for which no deferred income tax assets is recognized	**1,645**	**1.5**	161	(0.3)
Rate variation on deferred income tax	**1,851**	**2.4**	(2,655)	5.1
Adjustment to prior year provisions	**428**	**(0.4)**	183	(0.4)
Revision of estimates for tax exposures	**—**	**—**	(5,410)	10.4
Other – net	**(1,057)**	**(1.0)**	(692)	1.3
Provision for income taxes	**26,129**	**23.3**	(15,054)	28.9

The variation in deferred income taxes during the years ended November 30, 2020 and 2021 were as follows:

	November 30, 2020	**Recognized in profit or loss**	**Foreign exchange**	**November 30, 2021**
	$	**$**	**$**	**$**
Net deferred tax assets (liabilities) in relation to:				
Property, plant and equipment and assets held for sale	(1,600)	**(2,845)**	**8**	**(4,437)**
Finance lease receivables	(121,412)	**17,408**	**517**	**(103,487)**
Right-of-use assets	(17,560)	**2,144**	**149**	**(15,267)**
Accounts receivable	455	**(84)**	**(8)**	**363**
Deferred costs	(1,252)	**(46)**	**—**	**(1,298)**
Inventory	100	**(42)**	**—**	**58**
Provisions and gift cards	18,665	**1,487**	**(187)**	**19,965**
Long-term debt	282	**(1,539)**	**2**	**(1,255)**
Non-capital losses	828	**(720)**	**(30)**	**78**
Intangible assets	(168,598)	**(2,249)**	**1,538**	**(169,309)**
Accrued expenses	8,562	**1,502**	**(62)**	**10,002**
Deferred revenue	9,377	**491**	**(11)**	**9,857**
Lease liabilities	143,587	**(20,600)**	**(725)**	**122,262**
	(128,566)	**(5,093)**	**1,191**	**(132,468)**

30. Income taxes (continued)

	November 30, 2019	Recognized in profit or loss	Recognized in other comprehensive loss	Impact of initial application of IFRS 16	Foreign exchange	November 30, 2020
	$	$	$		$	$
Net deferred tax assets (liabilities) in relation to:						
Property, plant and equipment and assets held for sale	(2,383)	661	—	—	122	(1,600)
Finance lease receivables	—	15,926	—	(138,019)	681	(121,412)
Right-of-use assets	—	(187)	—	(17,573)	200	(17,560)
Accounts receivable	(51)	533	—	—	(27)	455
Deferred costs	(1,352)	123	—	—	(23)	(1,252)
Inventory	72	30	—	—	(2)	100
Provisions and gift cards	16,235	3,233	—	(329)	(474)	18,665
Long-term debt	1,124	(907)	42	—	23	282
Non-capital losses	2,344	(1,539)	—	—	23	828
Intangible assets	(191,027)	19,527	—	—	2,902	(168,598)
Accrued expenses	6,217	2,644	—	—	(299)	8,562
Deferred revenue	10,854	(848)	—	(538)	(91)	9,377
Lease liabilities	—	(15,782)	—	160,196	(827)	143,587
	(157,967)	23,414	42	3,737	2,208	(128,566)

As at November 30, 2021, there were approximately $857 (2020 – $910) 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, 2021, there were approximately $1,805 (2020 – $1,827) 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 2037 and 2040.

The deductible temporary difference in relation to foreign exchange on intercompany loans for which a deferred tax asset has not been recognized amounts to $7,609 (2020 – $4,237).

No deferred income tax liability is recognized on unremitted earnings of $39,846 (2020 – $4,716) related to the investments in subsidiaries. Such unremitted earnings are reinvested in the subsidiaries and will not be repatriated in the foreseeable future.

The Company has an uncertain tax risk related to pre-acquisition periods whereby tax returns were filed by previous owners.

31. 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. Within those geographical segments, the Company's chief operating decision maker also assesses the performance of subdivisions based on the type of product or service provided. These subdivisions include: franchising; corporate stores; processing, distribution and retail; and promotional fund revenues and expenses. This information is disclosed below.

31. Segmented information (continued)

Below is a summary of each geographical and operating segment's performance during the years ended November 30, 2021 and 2020.

November 30, 2021

	CANADA						US & INTERNATIONAL						
	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total Canada	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total US & International	Total consolidated
	$	$	$	$	$	$	$	$	$	$	$	$	$
Revenue	107,308	19,388	124,989	32,151	(3,651)	280,185	167,250	40,180	4,972	61,207	(1,891)	271,718	551,903
Operating expenses	50,413	17,297	114,034	32,151	(1,782)	212,113	71,363	41,649	—	61,207	(3,760)	170,459	382,572
Segment profit (loss)	56,895	2,091	10,955	—	(1,869)	68,072	95,887	(1,469)	4,972	—	1,869	101,259	169,331
Total assets	1,120,006	17,583	36,052	9,472	—	1,183,113	667,186	33,286	—	21,009	—	721,481	1,904,594
Total liabilities	796,589	18,351	10,810	9,472	—	835,222	388,934	10,531	—	21,009	—	420,474	1,255,696

November 30, 2020

	CANADA						US & INTERNATIONAL						
	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total Canada	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total US & International	Total consolidated
	$	$	$	$	$	$	$	$	$	$	$	$	$
Revenue	105,646	18,407	104,235	30,401	(4,609)	254,080	152,155	46,274	4,593	56,406	(2,391)	257,037	511,117
Operating expenses	56,703	17,685	92,451	30,401	(2,505)	194,735	78,819	48,341	—	56,406	(4,495)	179,071	373,806
Segment profit (loss)	48,943	722	11,784	—	(2,104)	59,345	73,336	(2,067)	4,593	—	2,104	77,966	137,311
Total assets	1,250,921	16,853	23,794	6,934	—	1,298,502	662,642	38,958	—	13,595	—	715,195	2,013,697
Total liabilities	940,270	17,163	7,476	6,934	—	971,843	427,831	17,914	—	13,595	—	459,340	1,431,183

32. Statement of cash flows

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

	Revolving credit facility	Loan financing costs	Non-interest-bearing contracts and holdbacks	Promissory notes	Non-controlling interest option	Contingent consideration	Obligation to repurchase partner in a joint venture	Interest rate swap	Total
	$	$	$	$	$	$			$
Balance as at November 30, 2020	433,000	(1,648)	12,500	2,928	1,171	8,075	3,364	1,152	**460,542**
Changes from financing activities:									
Repayments of term revolving credit facility, holdbacks and contingent consideration	(88,000)	—	(9,167)	—	—	(5,071)	—	—	**(102,238)**
Payment of upfront fees	—	(665)	—	—	—	—	—	—	**(665)**
Changes from operating activities:									
Interest paid	—	—	—	—	—	—	—	(1,214)	**(1,214)**
Changes from non-cash transactions:									
Amortization of transaction costs directly attributable to a financing arrangement	—	918	—	—	—	—	—	—	**918**
Accretion of interest on non-interest-bearing holdbacks	—	—	328	—	—	—	—	—	**328**
Revaluation of financial liabilities recorded at fair value through profit and loss (Note 24)	—	—	—	104	404	(1,656)	(1,948)	62	**(3,034)**
Reclassification from an income tax payable related to the acquisition of Kahala Brand Ltd.	—	—	8,956	—	—	—	—	—	**8,956**
Other income	—	—	(540)	—	—	613	—	—	**73**
Foreign exchange	—	—	34	—	—	—	—	—	**34**
Other	—	—	60	—	—	—	—	—	**60**
Changes from investing activities:									
Extinguishment on disposal of interest in 10220396 Canada Inc.	—	—	—	(3,032)	—	—	—	—	**(3,032)**
Balance as at November 30, 2021	**345,000**	**(1,395)**	**12,171**	**—**	**1,575**	**1,961**	**1,416**	**—**	**360,728**

32. Statement of cash flows (continued)

Changes in non-cash operating activities are as follows:

	2021	2020
	$	$
Accounts receivable	(3,746)	7,941
Inventories	(1,366)	(1,973)
Loans receivable	338	2,555
Other assets	389	(784)
Prepaid expenses and deposits	(1,512)	1,440
Accounts payable and accrued liabilities	4,128	11,597
Provisions	(1,348)	(9,161)
Gift card and loyalty program liabilities	7,749	4,625
Deferred revenue and deposits	5,926	1,101
	10,558	17,341

Non-cash items are included in proceeds from dispositions of capital assets amounting to $1,314 (2020 – $136).

Non-cash items are included in additions to intangible assets amounting to nil (2020 – $128).

The variation of accounts receivables includes non-cash transfers from long-term debt amounting to $2,465 (2020 – nil).

33. 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.

Remuneration of key management personnel and directors

The remuneration of key management personnel and directors, presented in Wages and benefits and Other in Note 27 of these consolidated financial statements, during the years ended November 30, 2021 and 2020 was as follows:

	2021	2020
	$	$
Short-term benefits	2,670	2,619
Share-based compensation	924	963
Consulting fees	57	—
Board member fees	78	75
Total remuneration of key management personnel and directors	3,729	3,657

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

Given its widely held share base, the Company does not have an ultimate controlling party; one of its most important shareholders is its Chair of the Board of Directors, who controls 16.24% of the outstanding shares.

33. 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, presented in Wages and benefits in Note 27 of these consolidated financial statements, was as follows:

	2021	2020
	$	$
Short-term benefits	**489**	505
Share-based compensation	**19**	10
Total remuneration of individuals related to key management personnel	**508**	515

The Company has entered into a consulting agreement with one of its joint venture associates to perform corporate business development and management consulting services, and paid consulting fees to this associate of $151 for the year ended November 30, 2021 (2020 – $155), presented in Consulting and professional fees in Note 27 of these consolidated financial statements. The Company has a current net payable due to its joint venture associate of $83 as at November 30, 2021 (2020 – net receivable of $135), included in Accounts payable and accrued liabilities.

During the year ended November 30, 2021, the Company paid consulting fees to a commercial real estate consulting firm employing one of its Board members of $277 (2020 – nil).

34. Subsequent events

Acquisition of Küto Comptoir à Tartares

On December 1, 2021, one of the Company's wholly owned subsidiaries completed its acquisition of the assets of Küto Comptoir à Tartares, a fast-growing chain of tartare restaurants operating in the province of Quebec, for a total cash consideration of $8,980 plus a deferred contingent consideration based on royalties and retail sales. There are currently 31 franchised Küto Comptoir à Tartares restaurants in operation.

Dividends

On January 18, 2022, the Company announced an increase to its quarterly dividend payment, from $0.185 per common share to $0.210 per common share. The dividend of $0.210 per common share was paid on February 15, 2022.

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