Management's Discussion and Analysis
For the fiscal year ended November 30, 2010

General

Management's Discussion and Analysis of the financial position and results of operations ("MD&A") of MTY Food Group Inc. ("MTY") is supplementary information and should be read in conjunction with the Company's consolidated financial statements and accompanying notes and with the most recent annual report, for the fiscal year ended November 30, 2010.

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.

This MD&A was prepared as at February 15, 2011. 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

This MD&A and, in particular, but without limitation, the sections of this MD&A entitled 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 2010. Forward-looking statements also include any other statements that do not refer to historical facts. A statement we make is forward-looking when it uses what we know and expect 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 by us, forward-looking statements in this MD&A describe our expectations at February 15, 2011 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do 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 our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and you 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 our business outlook and operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

Forward-looking statements made in this MD&A are based on a number of assumptions that we believed were reasonable on February 15, 2011. 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 we have used in making forward-looking statements contained in this MD&A. If our assumptions turn out to be inaccurate, our actual results could be materially different from what we expect.

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 our ability to attract customers' disposable income; our ability to secure advantageous locations and renew our existing leases at sustainable rates; the arrival of foreign concepts, our ability to attract new franchisees; changes in customer tastes, demographic trends and in the attractiveness of our 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, our products; our ability to implement our strategies and plans in order to produce the expected benefits; events affecting the ability of third-party suppliers to provide to us essential products and services; labour availability and cost; stock market volatility; operational constraints the event of the occurrence of epidemics, pandemics and other health risks.

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

We caution readers that the risks described above are not the only ones that could impact us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, financial condition or results of operations.

Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after February 15, 2011. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business.

Compliance with Generally Accepted Accounting Principles

Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). MTY uses income before income taxes, non-controlling interest and amortization ("EBITDA") because this measure enables management to assess the Company's operational performance. This measure is a widely accepted financial indicator but is not a measurement determined in accordance with GAAP and may not be comparable to the EBITDA presented by other companies.

Highlights of significant events during the fiscal year

On September 16, 2010, the Company acquired all of the issued and outstanding shares of Groupe Valentine Inc. ("Valentine") and 9180-7420 Quebec Inc, as well as seven properties, including a distribution center located in St-Hyacinthe, Quebec. At the time of the acquisition, Valentine had 95 stores in operation, including 9 corporate stores. Total consideration was $8,764,126, including holdbacks of $961,518.

On October 19, 2010, the Company announced that it had established a dividend policy and declared its first ever payment of dividends.

On November 30, 2010, the company amalgamated five of its wholly-owned subsidiaries in an effort to accelerate the use non-capital losses carried forward available in two of those subsidiaries.

Core business

MTY franchises and operates quick-service restaurants under the following banners: Tiki Ming, Sukiyaki, La Cremiere, Caferama, Au Vieux Duluth Express, Carrefour Oriental, Panini Pizza Pasta, Chick 'N' Chick, Franx Supreme, Croissant Plus, Villa Madina, Cultures, Thai Express, Mrs. Vanelli's, Kim Chi, "TCBY", Yogen Früz, Sushi Shop, Koya Japan, Vie & Nam, Tandori, O'Burger, Tutti Frutti, Taco Time, Country Style, Bunsmaster, and the newly acquired Valentine. During the second quarter of 2010, the Company completed the conversion of the remaining Veggirama outlets into Cultures outlets.

As at November 30, 2010, MTY had 1727 locations in operation, of which 1701 were franchised and the remaining 26 locations were operated by MTY.

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

MTY has developed several quick service restaurant concepts: Tiki Ming - Chinese cuisine, was its first banner, followed by Sukiyaki - A Japanese delight, Franx Supreme – hot dog/hamburger, Panini Pizza Pasta, Chick’n’Chick, Caferama, Carrefour Oriental, Villa Madina, Kim Chi, Vie & Nam, Tandori and O’Burger. Other banners added through acquisitions include: 18 locations from the Fontaine Sante/Veggirama chain in 1999, 74 locations from the La Cremiere ice cream chain in 2001, 20 locations from the Croissant Plus chain in 2002, 24 locations from the Cultures chain in 2003, 6 locations from the Thai Express chain in May 2004, 103 locations from the Mrs. Vanelli’s chain in June 2004, 91 locations of The Country’s Best Yogurt “TCBY” with the undertaking of the Canadian master franchise right in September 2005. On April 1, 2006, MTY acquired the exclusive master franchise rights to franchise Yogen Früz™ throughout Canada with its network of 152 existing locations. On September 1, 2006, MTY acquired the Sushi Shop banner with its 42 franchise locations and 5 corporate owned locations and on October 19, 2006, the Company acquired the Koya Japan banner with its 24 franchise locations and one corporate owned location. On September 1, 2007 MTY purchased 15 existing Sushi Shop franchise locations from an investor group. On September 15, 2008, MTY acquired the Tutti Frutti banner with its 29 outlets. This banner caters to the breakfast and lunch crowd. On October 31, 2008, MTY acquired the Canadian franchising rights of Taco Time in Canada. As at the date of acquisition, there were 117 Taco Time restaurants operating in Western Canada. On May 1, 2009, the Company acquired the outstanding shares of Country Style Food Services Holdings Inc. with the 480 outlets operated by its subsidiaries. On September 16, 2010, the Company acquired the outstanding shares of Groupe Valentine inc. and of its network of 95 stores. MTY also has an exclusive area development agreement with Restaurant Au Vieux Duluth to develop and sub-franchise Au Vieux Duluth Express quick-service restaurants in the Provinces of Ontario and Quebec.

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

Description of recent acquisition

On April 13, 2009, MTY announced that its wholly owned subsidiary MTY Tiki Ming Enterprises Inc. would be acquiring all the issued shares of Country Style Food Services

Holdings Inc. The acquisition was completed on May 1, 2009. The Company has paid $7,936,791 in cash and $6,750,000 as repayment of long-term debt on closing and retained the amounts of $997,868 and $794,576 as holdbacks and withholding taxes respectively. An amount of $2,697,762 of post-closing adjustments is to be reimbursed by the sellers to the Company in accordance with the provisions of the purchase agreement. The post-closing adjustments are under litigation.

As at the date of acquisition, there were 117 Country Style traditional restaurants, 348 non-traditional Country Style outlets as well as 15 Bunsmaster retail outlets. All these units were franchised with the exception of 5 corporate owned traditional restaurants.

As a result of the litigation regarding post-closing adjustments, the purchase price of Country Style has not been finalized as of October 1, 2010.

On September 16, 2010, the Company completed the acquisition of all of the issued and outstanding shares of Groupe Valentine Inc., 9180-7420 Quebec Inc., as well as seven real estate properties owned by an affiliated corporation. At the date of the closing, there were 95 Valentine outlets, including 86 franchise outlets and 9 corporate-owned restaurants.

Selected annual information

	Year ended November 30,2008	**Year ended November 30,2009**	**Year ended November 30,2010**
Total assets	$60,087,474	$76,535,459	$96,554,108
Total long-term liabilities*	$2,217,748	$2,463,229	$3,544,590
Revenue	$34,239,041	$51,537,788	$66,886,441
Income before income taxes and non-controlling interest	$14,327,700	$17,927,708	$22,303,714
Net income and comprehensive income	$9,911,506	$12,261,503	$15,446,794
EPS basic	$0.52	$0.64	$0.81
EPS diluted	$0.52	$0.64	$0.81
Weighted daily average number of common shares	19,120,567	19,120,567	19,120,567
Weighted average number of diluted common shares	19,120,567	19,120,567	19,120,567

* Total long-term liabilities exclude non-controlling interest

Summary of quarterly financial information

Quarters ended								
	February 2009	May 2009	August 2009	November 2009	February 2010	May 2010	August 2010	November 2010
Revenue	$9,777,233	$11,434,753	$14,838,378	$15,487,424	$14,313,553	$17,287,393	$15,941,775	$19,343,720
Net income and comprehen-sive income	$2,199,526	$2,901,760	$3,384,504	$3,775,712	$3,003,595	$3,809,139	$4,150,813	$4,483,247
Per share	$0.12	$0.15	$0.18	$0.20	$0.16	$0.20	$0.22	$0.23
Per diluted share	$0.12	$0.15	$0.18	$0.20	$0.16	$0.20	$0.22	$0.23

Results of operations for the fiscal year ended November 30, 2010

Revenue

During its 2010 fiscal year, the Company's total revenue increased by 30%, to $66.9 million, from $51.5 million during the same period last year.

For the same period, revenue from franchise locations increased by 38%, progressing from $42.2 million in 2009 to $58.2 million in 2010. While 59% of the increase comes from the impact of acquisitions, several other factors contributed to the growth in revenues, as listed below:

	$million
Revenues, 2009 fiscal year	42.2
Increase attributable to Country Style	7.5
Increase attributable to Valentine	2.0
Increase in revenues from turnkeys*	4.0
Increase in initial franchise fees*	1.1
Increase in royalties*	1.4
Decrease in other revenues*	-0.0
Revenues, 2010 fiscal year	58.2
* Excludes amounts attributable to Country Style and Valentine	

During fiscal 2010, the Company opened 191 new stores compared to 114 for the same period last year, generating a stronger volume of initial franchise fees and turnkey deliveries as compared to the same period last year. Royalties generated by new stores opened during the last 12 months contributed $1.4 million to the increase.

Revenue from corporate owned locations decreased to $8.7 million during our 2010 year, from $9.4 million for the same period last year, representing a reduction of 7%. This reduction is mainly due to the decrease in the number of corporate owned locations during the first three quarters of the period, before the acquisition of Valentine and of its nine corporate locations.

Cost of sales and other operating expenses

During 2010, other operating expenses increased by 56% to $33.4 million, from $21.3 million for the same period in 2009. Most of the variance is coming from a $7.8 million increase in the cost of sales in franchise locations, which are mainly composed of costs incurred to deliver turnkey locations and of rental expenses related to franchised locations. Both of these items are associated with a stream of revenues.

Labour costs increased by $2.0 million mainly because of the additions of Country Style and Valentine. Royalty payments and commissions, which are a function of revenue streams, account for $0.9 million of the increase. Office and general, advertising and professional fees account for the remainder.

Expenses for corporate owned locations decreased to $7.7 million from $8.8 million during the year, as the Company reduced the number of corporate-owned locations during the first three quarters of the period.

EBITDA

	Fiscal year ended November 30, 2009			Fiscal year ended November 30, 2010		
(In millions)	**Franchise**	**Corporate**	**Total**	**Franchise**	**Corporate**	**Total**
Revenues [(1)]	$42.52	$9.35	$51.87	$58.81	$8.65	$67.46
Expenses	$21.33	$8.81	$30.14	$33.36	$7.73	$41.09
EBITDA	$21.19	$0.54	$21.73	$25.45	$0.92	$26.37
EBITDA as a % of Revenue	**49.8%**	**5.8%**	**41.9%**	**43.3%**	**10.7%**	**39.1%**

EBITDA (income before income taxes, non-controlling interest and amortization) is not an earnings measure recognized by GAAP and therefore may not be comparable to similar measures presented by other companies.
[(1)]For purposes of the EBITDA analysis, interest income and gain on disposal of capital assets and on foreign exchange have been included with Franchise revenue. See reconciliation to net income and comprehensive income on page 18.

EBITDA increased by 21%, from $21.7 million to $26.4 million for the twelve months ended November 30, 2010.

For the same period, EBITDA from franchised locations increased from $21.2 million in 2009 to $25.5 million in 2010. The generic growth from stores opened in the last quarter of 2009 and during 2010 is the main driver of the increase.

EBITDA as a percentage of revenue decreased mainly due to a larger number of turnkey projects delivered and increased sales of products and services made to franchisees, which typically generate lower profit margins.

EBITDA from corporate owned locations increased from $0.5 million in 2009 to $0.9 million in 2010, mainly because of the stronger general performance of the remaining stores. For the same reason, EBITDA as a percentage of revenue from corporate owned locations increased to 11% for the period, compared to 6% in 2009.

Net income

For the year ended November 30, 2010, MTY reported a net income of $15.4 million or $0.81 per share ($0.81 per diluted share) compared to a net income of $12.3 million or $0.64 per share ($0.64 per diluted share) for the same period last year, representing a net income increase of 26%. The increase in net income for the period is mainly attributable to strong generic growth.

Amortization expense

Amortization of capital assets increased slightly by $0.1 million for during the year. The increase is due to the additional amortization of capital assets resulting from the acquisition of Country Style, which was partly offset by the reduction in amortization related to the disposal of the assets used in corporate stores that were franchised.

Amortization of intangible assets increased to $3.0 million for the period compared to $2.8 million in 2009. The increase is entirely attributable to the amortization of franchise rights and distribution rights that resulted from the acquisition of Country Style.

Other income

Interest income, which is generated from the Company's investments in short-term notes, was stable during 2010. The higher amount invested was offset by interest rates prevailing during 2010.

The gains on disposal of capital assets results from the sale of the assets of corporate stores, mainly in the fourth quarter of 2010.

Results of operations for the fourth quarter ended November 30, 2010

Revenue

For the quarter ended November 30, 2010, total revenue increased by 25%, to $19.3 million from $15.5 million in the fourth quarter of last year.

During the same period, revenue from franchise locations increased by 26% to $16.8 million from $13.3 million. Of this variance, $2.0 million came from the acquisition of Valentine; there was a generic growth of $0.8 million in royalties and an increase of $0.7 million in revenues from turnkeys and other revenues.

Revenue from corporate owned locations increased by 16% to $2.5 million for the quarter, from $2.2 million for the same quarter last year. The increase is mainly attributable to the acquisition of Valentine, which operated nine corporate stores at the date of the transaction and opened two more during the fourth quarter.

Cost of sales and other operating expenses

For the quarter ended November 30, 2010, other operating expenses increased by 43% to $10.0 million from $7.0 million for the same quarter in 2009. The aforementioned increase is mainly attributable to the acquisition of Valentine, while the higher number of turnkeys delivered during the quarter of 2010 also contributed to the variation.

Expenses for corporate owned locations were 16% higher for the fourth quarter of 2010 than they were for the same period a year before, at $2.6 million from $2.2 million. The increase is attributable to the increase in the number of corporate stores following the acquisition of Valentine.

EBITDA

	Fourth quarter ended November 30, 2009			Fourth quarter ended November 30, 2010		
(In millions)	**Franchise**	**Corporate**	**Total**	**Franchise**	**Corporate**	**Total**
Revenues [1]	$13.57	$2.18	$15.75	$17.39	$2.52	$19.91
Expenses	$7.00	$2.20	$9.20	$9.98	$2.56	$12.54
EBITDA	$6.57	-$0.02	$6.55	$7.41	-$0.04	$7.37
EBITDA as a % of revenue	**48.4%**	**-1.1%**	**41.6%**	**42.6%**	**-1.5%**	**37.0%**

EBITDA (income before income taxes, non-controlling interest and amortization) is not an earnings measure recognized by GAAP and therefore may not be comparable to similar measures presented by other companies.
[1]For purposes of the EBITDA analysis, interest income and gain on disposal of capital assets and on foreign exchange have been included with Franchise revenue. See reconciliation to net income and comprehensive income on page 18.

Total EBITDA grew by 13%, from $6.6 million to $7.4 million for the fourth quarter of 2010.

EBITDA from franchise locations for the quarter increased 13%, from $6.6 million in 2009 to $7.4 million in 2010. The main driver of that growth is the increase in royalties generated by stores opened in the last twelve months.

EBITDA as a percentage of revenue for franchise locations declined to 42.6% from 48.4% a year ago. The acquisition of Valentine, which earns a high proportion of its revenues from sale of products to franchisees at a lower profit margin, accounts for most of the variance.

EBITDA from corporate owned locations was stable with a slight negative contribution. This result is mainly due to the acquisition of certain stores presenting lower performance levels in the Valentine transaction.

Net income

For the quarter ended November 30, 2010, net income progressed 19% compared to the fourth quarter of 2009. MTY reported a net income of $4.5 million or $0.23 per share ($0.23 per diluted share) compared to a net income of $3.8 million or $0.20 per share ($0.20 per diluted share) for the same quarter last year.

Most of the increase in net income for the quarter is attributable to growth in royalties generated by outlets opened during the last twelve months.

Amortization

Amortization of capital assets was stable at $0.3 million for the fourth quarter. Amortization of intangible assets increased during the fourth quarter of 2010 at $0.8 million, compared to $0.7 million for the same quarter in 2009. This is attributable to the amortization of the franchise rights acquired in the Valentine transaction.

Other income

For the fourth quarter of 2010, gains on disposal of assets amounted to $0.5 million, compared to $0.2 for the same period last year. These gains are related to the disposition of the capital assets of certain corporate-owned stores during the quarter.

Contractual obligations and long-term debt

Long-term debt includes non-interest bearing holdbacks on acquisitions with a balance of $2,393,897 as well as $284,400 of debt of a partly-owned subsidiary to its non-controlling shareholders and bank loans in the amount of $125,916 contracted by subsidiaries of Valentine. The obligations pertaining to the long-term debt and the minimum rentals for the leases that are not subleased are as follows:

For the period ending	Long term debt	Net lease commitments	Total contractual obligations
12 months ending November 2011	$1,873,213	$1,933,629	$3,806,842
12 months ending November 2012	$558,000	$2,029,416	$2,587,416
12 months ending November 2013	$372,000	$1,752,725	$2,124,725
12 months ending November 2014	-	$1,621,269	$1,621,269
12 months ending November 2015	-	$1,449,878	$1,449,878
Balance of commitments	-	$4,910,718	$4,910,718
	$2,803,213	**$13,697,635**	**$16,500,848**

In addition to the above, the Company has entered into supplier agreements for purchases of coffee beans, wheat, sugar and shortening for delivery between December 2010 and March 2011. The total commitment amounts to $0.8 million.

In relation to the items listed above, the Company has entered into a contract to minimize the impact of variations in foreign currencies. The total commitment on this contract amounts to approximately $1.2 million.

Liquidity and capital resources

Cash and highly liquid temporary investments amounted to $29.0 million on November 30, 2010, compared $15.9 million at the end of the 2009 fiscal period.

During fiscal year 2010, cash flows generated by operating activities were $21.8 million, compared to $16.1 million during 2009. The main drivers of the increase in cash flows are the Company's growth during the period and the lower requirements for working capital.

For the fourth quarter of 2010, operating cash flows reached $5.5 million, compared to $5.1 million for the same period last year, an increase that is attributable to the growth in EBITDA.

During the fourth quarter of 2010, the Company disbursed $7.4 million to acquire Valentine and seven related properties and paid $0.9 million in dividends, both items affecting non-operating cash flows.

In the short-term, Management will continue to open new locations that will be funded by new franchisees. MTY will continue its efforts to sell some of its existing corporate owned locations and will seek new opportunities to acquire other food service operations. MTY has an available line of credit of $5.0 million that remained unused at November 30, 2010. The facility, when used, bears interest at the bank's annual prime rate plus 1.00%.

Balance sheet

Temporary investments increased to reach $23.4 million at the end of the fourth quarter, up from $14.6 million as at November 30, 2009. Strong cash flows generated by our operations are typically invested until they are needed to fund acquisitions.

These temporary investments are comprised of highly liquid, short-term notes valued at fair value. They have maturity dates between December 2010 and August 2011 and have rates of return between 0.82% and 1.45% (0.35% to 1.01% in November 2009).

Accounts receivable at the end of our 2010 fiscal period were at $7.6 million, an increase of $0.9 million compared to balance at the same period a year before. $0.4 million of this increase is attributable to the acquisition of Valentine, while the remainder is mainly driven by the increase in revenues.

Franchise locations under construction under construction increased $0.1 million during 2010. The balance at the end of the fourth quarter is $0.2 million higher than it was three months earlier, mainly because of the higher number of projects under construction and their respective stages of completion.

Loans receivable were up $0.7 million, reaching $1.2 million at the end of our 2010 fiscal year. During the year, six new loans were granted in relation to newly franchised restaurants while one was extinguished. The Company also acquired $0.4 million in loans receivable in the Valentine transaction.

Capital assets increased to $7.1 million at the end of the year, up $3.4 million compared to the balance at our 2009 fiscal period, because of the acquisition of Valentine and of the seven related properties, which account for a combined addition of $4.3 million. The impact of this acquisition was partly offset by the disposal of the assets of several corporate locations during the period.

Intangible assets increased from $35.1 million as at November 30, 2009 to $36.3 million at the end of 2010. Franchise rights and a trademark were acquired at a cost of $4.2 million in the acquisition of Valentine; this was partially offset by amortization charges of $3.0 million incurred during the year.

During the year, two transactions impacted goodwill; the first is a change in estimate recorded in the allocation of the purchase price of Country Style, causing future income tax assets to increase by $1.2 million and goodwill to decrease by a corresponding amount. The second transaction is the acquisition of Valentine, which included $1.4

million in goodwill. The combined effect of the above-mentioned transaction was an increase of $0.3 million in goodwill, which was $7.1 million at the end of our 2010 fiscal year.

Accounts payable increased from $9.3 million to $12.5 million between November 30, 2009 and November 30, 2010. Valentine accounts for $1.0 million of the variance. The remainder of the variance is mainly due to higher accruals and payables in relation to the construction of turnkey locations to be delivered later in the year.

Deferred revenues consist of distribution rights which are earned on a consumption basis and include initial franchise fees to be earned once substantially all of the initial services have been performed. Deferred revenues coming from distribution rights were up by $0.1 million, while unearned franchise fees declined by $0.3 million, for a net decrease of $0.2 million in deferred revenues. The balance at the end of the fiscal period was $1.5 million.

Long-term debt increased by $0.8 million, mainly because of $1.0 million in holdbacks conditionally owed to the former owners of Valentine. Settlements and legal fees paid by the Company and withdrawn from one of the holdbacks payables offset the increase described above. The long-term debt is composed of non-interest bearing holdbacks on acquisitions, of debt contracted by two of the company’s subsidiaries for the set up of their operations, and of two bank loans contracted by subsidiaries of Valentine prior to the acquisition.

With the exception of those created in the Valentine transaction, the holdbacks should be repaid over the next year, while the debt from the subsidiaries carry no terms of repayment and will be repaid when this subsidiary generates sufficient cash flow to repay its debt without impairing its operations. The two bank loans were repaid subsequent to year end and the subsidiaries are now financed by MTY’s cash on hand.

Further details on the above balance sheet items can be found in the notes to the November 30, 2010 consolidated financial statements.

Capital stock

No shares were issues during the Company’s 2010 fiscal period. As at February 15, 2011 there were 19,120,567 common shares of MTY outstanding.

Location information

	Number of locations 12 months November 2010	Number of locations 12 months November 2009
Franchises, beginning of year	**1,550**	996
Corporate owned, beginning of year	**20**	27
Opened during the year	**191**	114
Closed during the year	**(129)**	(47)
Additions by acquisition during the period	**95**	480
Total end of year	**1,727**	1,570
Franchises, end of year	**1,701**	1,550
Corporate owned, end of year	**26**	20
Total end of year	**1,727**	1,570

During 2010, the Company realized a net addition of 157 locations, compared to a net addition of 547 locations for the same period a year earlier. Excluding the impact of acquisitions, the net additions are 62 and 67 for 2010 and 2009 respectively.

Of the 129 locations closed, 66 were the result of a transaction between two petroleum retailers in which non-traditional stores are being replaced by one of the retailers' own outlets. Losses in relation to this transaction are expected to have been materially completed at the end of 2010.

Of the 191 stores opened during the year, 69 were in shopping malls and food courts, 43 were street front and 79 were non-traditional. In comparison, there were 88 non-traditional, 13 street front and 28 shopping mall and food court locations closed during the same period.

The net addition of 62 locations is therefore broken down as follows: 29 street front locations and 42 mall locations were added while there was a net loss of 9 non-traditional locations.

During the year, 12 corporate-owned locations were sold, 10 were added and 1 was closed. 9 others came from the acquisition of Valentine.

As at November 30, 2010, there were 2 test locations in operation, all of which were excluded from the numbers presented above. This is a decrease of 25 since the end of our 2009 fiscal year, resulting from 27 test outlets being closed and 2 opened during the period. Of the 27 outlets closed, 26 result from the losses of two contracts to competitors in a non-traditional environment.

MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and iii) non-traditional format within petroleum retailers, convenience stores, cinemas, amusement parks and in other venues or retailers shared sites. 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. The chart below provides the breakdown of MTY's locations by type as at November 30, 2010:

Location type	**% of total location count**	**% of system sales fiscal year 2010**
Shopping mall & food court	**39**%	**51%**
Street front	**27**%	**39%**
Non-traditional format	**34**%	**10%**

The geographical breakdown of MTY's locations at November 30, 2010 consists of:

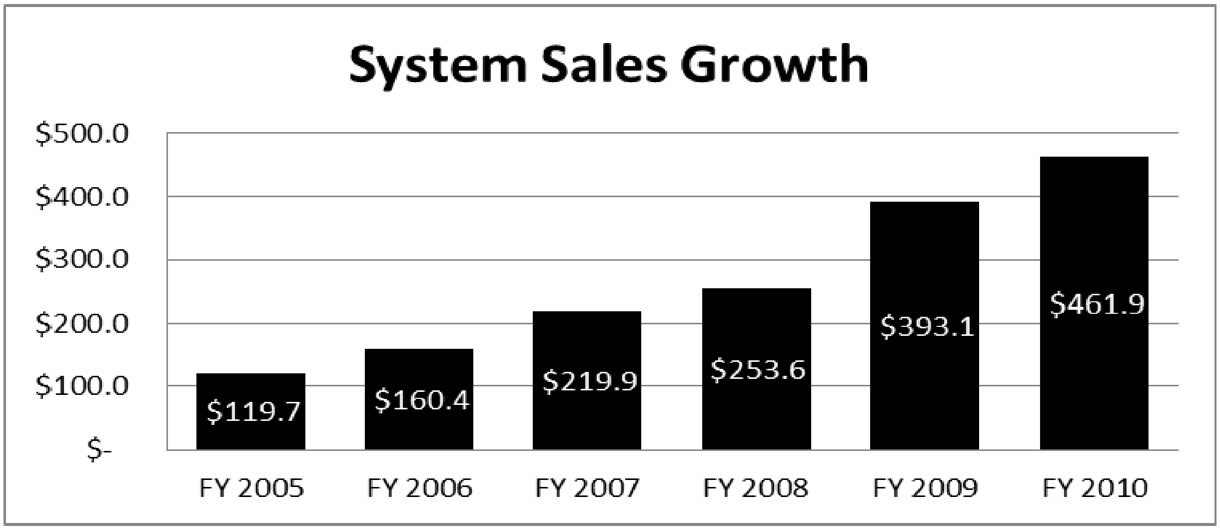
Geographical location	**% of total location count**	**% of system sales fiscal year 2010**
Ontario	**45%**	**36%**
Quebec	**33%**	**36%**
Western Canada	**16%**	**21%**
Maritimes	**2%**	**1%**
International	**4%**	**6%**

System wide sales

System wide sales reached to $461.9 million during the year ended November 30, 2010, compared to $393.1 million for the same period last year, representing an increase of 18%. System wide sales include sales for corporate and franchise locations, which are for the vast majority of them as reported by franchisees. Approximately half of the increase in system wide sales is attributable to the acquisition of Country Style, while one tenth of the increase comes from Valentine. The remainder is generated by new locations opened since the end of 2009.

For the fourth quarter of 2010, system sales amounted to $124.0 million, up 16% compared to the same period last year. While Valentine accounts for approximately 40% of the increase, the main driver of this growth is the increased number of stores opened in the last twelve months.

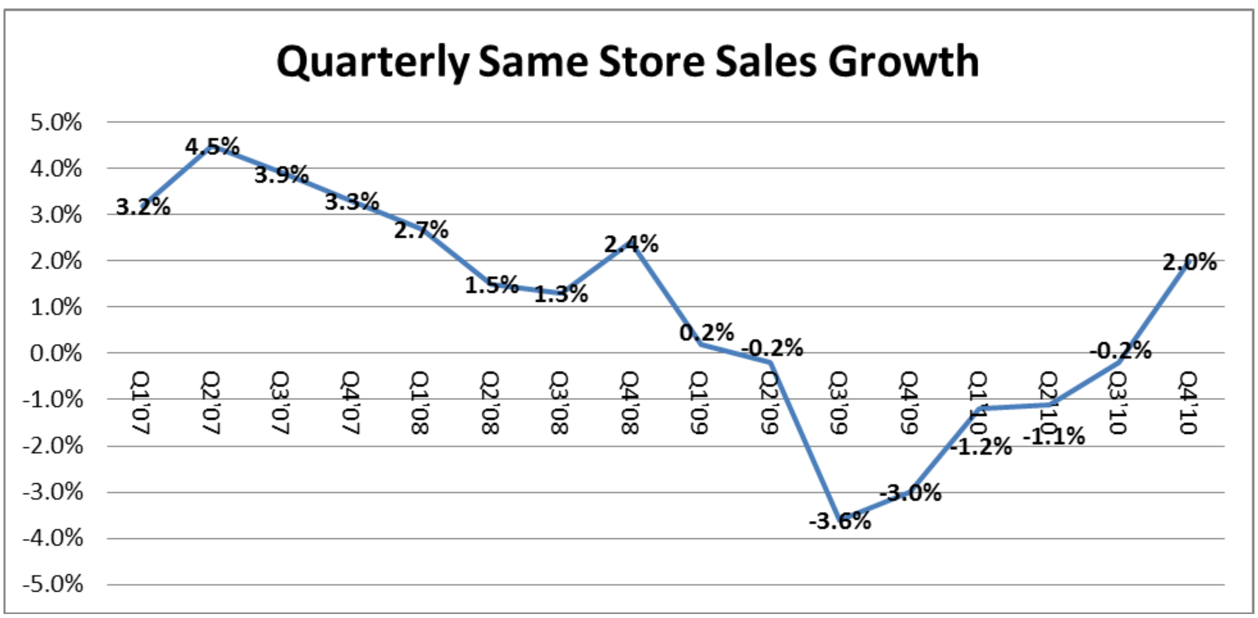
The following chart shows the growth in system sales in the fiscal years 2005 to 2010, in $ millions:



Same store sales

For the 2010 fiscal year, same store sales decreased 0.34%. During the fourth quarter, same store sales increased 2.03%, recording the Company's first positive growth quarter since the first quarter of 2009.

The following table shows quarterly information on same stores sales growth for fiscal periods 2007 to 2010:



Investors relations

On January 19, 2004, MTY appointed, for a 12 month-term, Mr. Jean-Francois Dube of Boxe Comm, as its investor relation's specialist. Mr. Dube is responsible for communicating to existing shareholders, potential investors and members of the brokerage community, for and on behalf of MTY. The Company further extended the contract with Boxe Comm to end in April 2011, subject to terms and conditions contained in the Agreement. For the twelve-month period ended November 30, 2010, MTY has paid an amount of $48,000 to Boxe Comm.

Stock options

During the year, no options were granted or exercised. As at November 30, 2010 there were no options outstanding.

Seasonality

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

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. Significant areas requiring the use of management estimates relate to the carrying value of long lived assets, valuation of allowances for accounts receivable and inventories, liabilities for potential claims and settlements, income taxes, the useful life of assets used when calculating amortization, the determination of fair value of assets and liabilities in business acquisitions and impairment testing on goodwill and trademarks. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

Contingent liabilities

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

Guarantee

The Company has provided a guarantee in the form of a letter of credit for an amount of $45,000. It has also guaranteed payment of construction costs incurred by an area developer in the amount of approximately $125,000.

EBITDA reconciliation to net income and comprehensive income

The following table provides reconciliation of EBITDA to net income and comprehensive income disclosed in this MD&A.

(In millions)	**3 months ended November 30, 2010**	**3 months ended November 30, 2009**	**12 months ended November 30, 2010**	**12 months ended November 30, 2009**
	$	$	$	$
EBITDA	7.37	6.55	26.37	21.73
Less:				
Amortization – capital assets	0.33	0.31	1.05	0.98
Amortization – intangible assets	0.76	0.68	3.02	2.83
Total income taxes	1.80	1.78	6.78	5.62
Non-controlling interest	0.00	0.00	0.07	0.05
Net income and comprehensive income	**4.48**	**3.78**	**15.45**	**12.26**

Risks and uncertainties

Despite the fact that the Company has a various number of concepts, diversified in type of locations and geographically across Canada, 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, 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 dependant on maintaining the current franchise system which is subject to the renewal of existing leases at sustainable rates, MTY’s ability to continue to expand by obtaining acceptable store sites and lease terms, obtaining qualified franchisees, increasing comparable store sales and completing acquisitions. The time, energy and resources involved in the integration of the acquired businesses into the MTY system and culture could also have an impact on MTY’s results.

Off-balance sheet arrangement

MTY has no off-balance sheet arrangements

Future accounting policies

International Financial Reporting Standards

In February 2008, Canada’s Accounting Standards Board (“AcSB”) confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by IFRS for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. For the Company, the conversion to IFRS will be required for interim and annual financial statements for the year ending November 30, 2012.

The following information is presented pursuant to the October 2008 recommendations of the Canadian Performance Reporting Board relating to pre-2011 communications about IFRS conversion and to comply with the guidance provided in Canadian Securities Administration Staff notice 52-320, Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards. This information is provided to enable investors and others to gain a better understanding of the Company’s transition plan and the resulting impacts on financial statements and financial reporting. This information reflects the Company’s most recent assumptions and expectations; circumstances may arise which would change these assumptions and expectations.

The change to IFRS will require restatements of the 2011 numbers used for comparative purposes so they are in accordance with IFRS for comparative purposes. In order to achieve a successful transition, the Company will be using two parallel sets of accounting records during its 2011 fiscal period.

The Company's transition plan is composed of the following phases:

1. Diagnostics and Scoping
2. Analysis and Evaluation
3. Design
4. Implementation and review

Diagnostics and Scoping Phase

A preliminary overview of the major differences between GAAP and IFRS in the context of MTY was completed during the third quarter of our 2010 fiscal period and updated following the acquisition of Groupe Valentine Inc. The objective of this phase was to determine, at a high level, the financial reporting differences under IFRS and the key areas that will be impacted. This identification will in turn largely influence the efforts deployed during the next phases of the project. The areas which have been identified to have a potential impact are as follows:

- Presentation of Financial Statements (IAS 1),
- Business Combinations (IFRS 3),
- Property, Plant and Equipment (IAS 16),
- Investment Property (IAS 40),
- Impairment of assets (IAS 36),
- Income Taxes (IAS 12),
- Leases (IAS 17),
- Revenues (IAS 18),
- Provisions and Contingent Liabilities (IAS 37),
- Customer Loyalty Programmes (IFRIC 13),
- Consolidated and separate financial statements (IAS 27 & SIC 12).

This list is not all-inclusive and remains subject to change as the Company's operations and accounting standards evolve.

Furthermore, IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to the general requirement of full retrospective application of IFRS which may differ from the requirements of the sections listed above. The Company will be analyzing the various accounting policy choices available and will implement those determined to be most appropriate in the Company's circumstances. The Company has not yet determined the aggregate financial impact of adopting IFRS 1 on its consolidated financial statements.

As part of this phase, the Company also assessed the impact of the transition on its Internal Controls over Financial Reporting (ICFR); at the moment, given the Company's structure, the organization of the work and the flow of the information, the Company's ICFR are expected to be materially impacted during transition from Canadian GAAP to IFRS.

Analysis and Evaluation Phase

A more detailed evaluation is currently underway to assess the impact of the above mentioned sections on our financial reporting and is expected to be completed during the first and second quarter of our 2011 fiscal period. Deliverables will include documentation of the rationale supporting accounting policy choices and where possible quantification of the impacts of the changeover. In cases in which quantification is not possible, an action plan will be established to ensure a timely resolution of any outstanding issues.

An important part of this phase involves producing a detailed evaluation of the choices that are available to the Company as part of IFRS 1. The Company has completed its analysis of the choices available under IFRS 1. Note that this assessment was based on existing standards and economic context in place today and could change before the changeover date. Below are a discussion and a preliminary guidance regarding the relevant optional exemptions provided by IFRS 1:

Relevant optional exemptions	Preliminary findings
Business combinations	The Company may elect not to apply IFRS 3 retrospectively to all of the acquisitions that occurred prior to transition date or to choose a date after which to apply the standard. Other than the impact of the changeover on deferred income taxes, the Company's past practices have been generally similar to the ones dictated by IFRS 3. The company will elect to apply IFRS 3 prospectively only, and as a result will not restate the acquisitions that have occurred prior to IFRS transition date.
Deemed cost	On transition, the Company may elect to use fair value as the deemed cost of its Property, Plant and Equipment, Investment Properties and Intangible Assets for which an active market exists. The Company does not intend to revalue its PP&E, Investment Properties or Intangible Assets at transition. Preliminary assessments suggest that the IRFS cost of the assets described above will be similar to the carrying

	amounts under Canadian GAAP at the date of transition.
Compound financial instruments	Some instruments contain both an equity and a liability component; under IAS 32, an entity is required to separate the two components. In cases in which the liability component is no longer outstanding, this exemption provides relief in that IAS 32 can be applied prospectively from the IFRS transition date and no retroactive restatement is required. The company intends to use this exemption and apply IAS 32 prospectively from the IFRS transition date.
Designation of previously recognized financial instruments	This exemption provides the opportunity to designate financial assets as either Available for Sale (AFS) or Fair Value through Profit or Loss (FVTPL). Gains or losses in fair value of financial assets designated as AFS flow through Other Comprehensive Income, whereas they would flow into the P&L under the FVTPL. The Company's temporary investments do not meet the criteria to be classified as FVTPL. As a result, the exemption does not apply to MTY and temporary investments will be classified as AFS.
Share-based payments	For equity-settled awards with non-employees, IFRS 2 requires that the transaction be measured at the fair value of the goods or services received rather than at the fair value of the equity instrument provided. As a result, some old share-based payments would have to be revisited. At year-end, no instruments issued as compensation to acquire assets were unvested. The company will elect to use this exemption and apply IFRS 2 prospectively after the IFRS transition date.

In addition to its assessment of IFRS 1, the Company has undertaken a thorough review of the potential changes to accounting policies arising from the changeover. Information regarding the relevant sections and of the status of the process is presented below:

Business combinations

As mentioned previously, the Company's past practices are generally similar to the requirements of IFRS 3; one area of difference is the measurement period which, under IFRS 3, is limited to twelve months following the business combination transaction, even in cases in which there remains unknown items.

The Company is still reviewing other potential impacts of the changeover.

Property, Plant and Equipment

We have assessed IFRS against our current accounting policies and at this time we do not foresee a major impact to our financial statements outside of additional disclosure. As mentioned previously, the Company will use IFRS historical costs as its measurement basis, and impairment will continue to be assessed annually if there is an indicator of impairment. Some assets currently categorized as Capital Assets on the Company's balance sheet could be reclassified as Investment Property.

Investment Property

As part of the acquisition of Groupe Valentine Inc., the Company has acquired assets that generate rental income. The Company is evaluating whether some of these properties will qualify as investment properties. The Company will apply the cost model to account for Investment Properties, if any. Additional disclosure will be required, including the fair value of the properties.

Impairment of assets

Under IAS 36, impairment tests are conducted using a one-step approach, in which the assets' or cash generating units' ("CGU") carrying value is compared to the assets' or CGU's discounted cash flows. This method is different from Canadian GAAP, which includes as a first step an undiscounted cash flow screen. This increases the likelihood that an impairment would have to be recognized under IFRS.

The Company is still in the process of identifying its cash generating units for impairment testing purposes. Once that is established, specific tests will be conducted to evaluate whether some assets are impaired or not.

Income Taxes

The conceptual approach under IFRS and Canadian GAAP with respect to accounting for deferred income taxes (referred to as future income taxes under Canadian GAAP) are consistent; both use the liability method in assessing the impact of temporary differences between the tax bases and carrying values for financial reporting purposes.

The Company is currently assessing the impact of IAS 12 specifically on deferred income taxes arising from indefinite life intangible assets such as Goodwill and Trademarks.

Leases

Under IFRS, more judgment is required when classifying leases due to the lack of quantitative guidance. The Company is currently assessing the impact of the transition on the existing leases.

Revenues

IAS 11 states that percentage of completion is required for construction contracts. The Company currently uses the completed contract method for revenues related to the delivery of turnkey restaurants. Early guidance obtained on the matter suggests that an accounting policy change with retroactive application and restatement of retained earnings will be required; more specifically, cost incurred on construction contracts will be recognized in the period in which they are incurred. Percentage of completion revenues will be recognized up to a maximum of the expensed costs and the profit will be recognized when the project is delivered.

Provisions and contingent liabilities

Provisions need to be recognized in the financial statements when there is a present obligation arising from a past event that is probable to require a cash outflow. Canadian GAAP required recognition when the outflow was likely, whereas IFRS requires recognition when it is probable (defined as more likely than not); as a result, more provisions could be required under IFRS than under Canadian GAAP. Additionally, disclosure will be more detailed and provisions will need to be presented specifically rather than being aggregated with other trade payables.

An analysis is currently being undertaken to quantify the impact of this requirement.

Customer loyalty programmes

IFRIC 13 is expected to have no significant impact on the Company's financials. The MTY Rewards program is in effect owned by the Company's clients; MTY collects the amounts that make up the amount payable for redemptions and recognizes a corresponding liability on its books.

As part of this phase, employees involved in accounting and financial reporting functions have been offered sufficient education and training to ensure that IFRS and the specific choices made by the Company are applied consistently and accurately. Furthermore, seminars will be offered throughout the transition period to members of the Audit Committee, management and finance and accounting staff. We expect to complete this phase during the first quarter of our 2011 fiscal period.

Design Phase

The objective of this phase of the transition project is to ensure that our accounting records reflect the choices made by the company and that the potential impacts on disclosure, financial reporting, information technology, internal controls over financial reporting and disclosure controls are assessed and addressed. The objective is to have this phase completed before the end of the third quarter of our 2011 fiscal period, with a final confirmation of the elections by the changeover date, December 1, 2011.

Implementation and Review Phase

This phase will involve the implementation of the changes to accounting policies and financial reporting and the compilation of the comparative financial data. The culmination of the process is expected to be the board approval of the 2011 financial statements presented under IFRS as comparative figures for our 2012 fiscal period.

The changes in accounting policies may impact the financial statements of the Company materially. The full impact of the change is not reasonably determinable at this time.

Critical accounting policies

MTY's significant accounting policies are those which are set forth in the notes to the consolidated financial statements as at November 30, 2010. There are no critical accounting estimates that, if changed, would materially affect MTY's overall financial condition or results of operations.

Inventories

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Cost is equivalent to acquisition costs, net of consideration received from suppliers.

Franchise locations under construction held for resale

The Company constructs franchise locations for resale. The Company capitalizes all direct costs relating to the construction of these franchise locations. If a franchisee is not immediately identified, the Company operates the franchise location as a corporate-owned location until a franchisee is identified. The franchise locations under construction and held for resale are carried at the lower of cost and estimated net realizable value.

Capital assets

Capital assets are recorded at cost. Amortization is based on their estimated useful life using the following methods and rates or terms:

Buildings		
Structure	Straight-line	50 years
Components	Straight-line	20 to 30 years
Equipment	Declining balance	10%-20%
Leasehold improvements	Straight-line	Term of lease
Rolling stock	Declining balance	15%-30%
Computer hardware	Declining balance	20%-30%
Computer software	Declining balance	50%
Signs	Straight-line	Term of lease

Goodwill

Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets acquired. Goodwill, which is not amortized, is tested for impairment annually or more frequently if impairment indicators arise to determine whether the fair value of each reporting unit to which goodwill has been attributed is less than the carrying value of the reporting unit's net assets including goodwill, thus indicating impairment. The fair value of a reporting unit is calculated based on future cash flows. Any impairment is then recorded as a separate charge against income and a reduction of the carrying value of goodwill. An impairment adjustment in the carrying value of goodwill was not required for the years ended November 30, 2010 and 2009.

Intangible assets

Franchise rights and master franchise rights

The franchise rights and master franchise rights represent the fair value of the future revenue stream related to the acquisition of franchises. The franchise rights and master franchise rights are generally amortized on a straight-line basis over the term of the agreements which range between 10 to 20 years. Master franchise rights with an indefinite life are not amortized. They are tested for impairment annually or more frequently when events or circumstances indicate that the master franchise rights might be impaired. An impairment adjustment in the carrying value of franchise rights was not required for the years ended November 30, 2010 and 2009.

Trademarks

Trademarks represent the cost incurred to operate under a trade name and are not amortized as they have an indefinite life. They are tested annually for impairment or more frequently when events or circumstances indicate that the trademarks might be impaired. The impairment test compares the carrying amount of the trademarks with their fair value. An impairment adjustment in the carrying amount of trademarks was not required for the years ended November 30, 2010 and 2009.

Leases

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

Other

Included in other intangible assets are a sponsorship fee and a licensing agreement acquired in the 2004 acquisition of Mrs. Vanelli's Restaurants Ltd., which are both fully amortized, and distributions rights obtained from the acquisition of Country Style Food Services Inc., which are being amortized over the remaining life of the contracts (three years at the date of acquisition).

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Revenue recognition

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

Revenue from franchise locations

Royalties are based either on a percentage of gross sales as reported by the franchisees or on a fixed monthly fee and are recognized as revenue in the period earned.

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

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

Restaurant construction and renovation revenue are accounted for in accordance with the completed contract method. Losses are fully recognized as they become probable.

Master license fees are recognized when the Company has performed substantially all material initial obligations under the agreement, which usually occurs when the agreement is signed.

Renewal and transfer fees are recognized when substantially all applicable services required by the Company under the franchise agreement have been performed. This generally occurs when the agreement is signed.

The Company earns rent revenues on certain leases it holds and sign rental revenues; both are recognized in the month they are earned.

The Company receives considerations from certain suppliers. Supplier contributions are recognized as revenues as they are earned.

Revenue from corporate-owned locations

Revenue from corporate-owned locations is recorded when services are rendered.

Foreign currency

Foreign currency transactions and balances are translated using the temporal method. Under this method, all monetary assets and liabilities are translated at the exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates.

Revenue and expenses are translated at the average exchange rates for the month, except for amortization which is translated on the same basis as the related assets. Translation gains and losses are reflected in net income.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the enacted and substantively enacted income tax rates for the years in which the differences are expected to reverse. Future income tax assets are recognized to the extent it is more likely than not they will be realized. The effect of changes in income tax rates on future income tax assets and liabilities is recognized in earnings in the year that includes the date of enactment or substantive enactment of the changes.

Financial instruments

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

Classification

Cash	Held for trading
Temporary investments	Held for trading
Accounts receivable	Loans and receivables
Deposits	Loans and receivables
Loans receivable	Loans and receivables
Other receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities other than derivative instruments.

Effective interest method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

Embedded derivatives

An embedded derivative is a component of a contract with characteristics similar to a derivative. Management of the Company conducted a review of its contracts and determined that no embedded derivatives exist as at November 30, 2010 and 2009.

Derivative financial instruments

Derivative financial instruments that are not eligible for hedge accounting are recognized on the balance sheet at their fair value, with changes in fair value recognized in net earnings.

Credit risk

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

- The Company's broad client base is spread mostly across Canada.
- The Company accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual account receivable.

The following table sets forth details of the age receivables that are not overdue as well as an analysis of overdue amounts and the related allowance for doubtful accounts:

	November 30, 2010	November 30, 2009
	$	$
Total accounts receivable	**8,360,696**	7,429,147
Less: Allowance for doubtful accounts	**783,261**	754,110
Total accounts receivable, net	**7,577,435**	6,675,037
Of which:		
Not past due	**5,665,888**	5,003,899
Past due for more than one day but for no more than 30 days	**255,948**	147,782
Past due for more than 31 days but for no more than 60 days	**217,314**	616,139
Past due for more than 61 days	**1,438,285**	907,217
Total accounts receivable, net	**7,577,435**	6,675,037
Allowance for doubtful accounts beginning of year	**754,110**	648,934
Additions	**384,531**	443,939
Acquisition	-	115,107
Write-off	**(355,380)**	(453,870)
Allowance for doubtful accounts end of period	**783,261**	754,110

The credit risk on cash and temporary investments is limited because the Company invests its excess liquidity in high quality financial instruments.

The credit risk on the loans receivable is similar to that of accounts receivable. There is currently no allowance for doubtful accounts applicable to the loans receivable.

Economic environment risk

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

Subsequent event

On December 17, 2010, the Company acquired a 51% interest in a food processing plant. The total value of the transaction was approximately $3.5 million and included land, a building, equipment and inventory. To finance the acquisition, the newly formed company contracted a $3.6 million loan from a third party lender.

Outlook

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

Management will maintain its focus on producing innovative menus and revamping the store designs of its banners which should result in positive same store sales growth when renovations are completed.

For 2011, management plans on of opening 85 new locations and remains committed in seeking potential acquisitions to further strengthen its market position.

Controls and Procedures

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with the securities regulatory authorities are recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in such reports is then accumulated and communicated to the Company's management to ensure timely decisions regarding required disclosure.

The Company's management, including the CEO and the CFO, does not expect that the Company's disclosure controls and procedures will prevent or detect all errors and all fraud. Because of the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

Based upon the evaluation of the disclosure controls and procedures, subject to the inherent limitations noted above, the Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective as at November 30, 2010, in providing reasonable assurance that the material information relating to the Company is made known to the Company's management.

Internal controls over financial reporting

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

The Chief Executive Officer and the Chief Financial Officer, together with Management, after evaluating the effectiveness of the Company’s internal control over financial reporting as at November 30, 2010, have concluded that the Company’s internal control over financial reporting was effective.

The Chief Executive Officer and the Chief Financial Officer, together with Management, have concluded after having conducted an evaluation and to the best of their knowledge that, as at November 30, 2010, no change in the Company’s internal control over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company’s internal control over financial reporting.

“*Stanley Ma”*

Stanley Ma, Chief Executive Officer

“Claude St-Pierre”

Claude St-Pierre, Chief Financial Officer

“*Eric Lefebvre”*

Eric Lefebvre, CA, Vice President Finance