Management's Discussion and Analysis
For the fiscal year ended November 30, 2012

General

Management's Discussion and Analysis of the financial position and results of operations ("MD&A") of MTY Food Group Inc. ("MTY") is supplementary information and should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the fiscal year ended November 30, 2012.

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 the current issued and adopted interpretations applied to fiscal years beginning on or after January 1, 2011. Comparative figures as at November 30, 2011 have been restated in accordance with IFRS.

As a result of the adoption of IFRS a number of areas of financial reporting are impacted by the changeover to IFRS; they are highlighted in the MD&A under the heading "Accounting policies adopted in 2012" and in note 34 of the consolidated financial statements.

This MD&A was prepared as at February 13, 2013. 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, Contingent Liabilities and Subsequent Event, contain forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to certain aspects of the business outlook of the Company during the course of 2012. Forward-looking statements also include any other statements that do not refer to independently verifiable 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 13, 2013 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 13, 2013. 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 and the event of the occurrence of epidemics, pandemics and other health risks.

These and other risk factors that could cause actual results or events to differ materially from 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 13, 2013. 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 International Financial Reporting Standards

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

These measures are widely accepted financial indicators but have no standardized definition as prescribed by GAAP. As a result, they may not be comparable to the EBITDA and same store-sales growth presented by other companies.

Highlights of significant events during the fiscal year

On September 26, 2012, the Company announced it had completed the acquisition of most of the assets of Souvlaki Ltd for an estimated consideration of $0.9 million.

Core business

MTY franchises and operates quick-service restaurants under the following banners: Tiki-Ming, Sukiyaki, La Crémière, Au Vieux Duluth Express, Carrefour Oriental, Panini Pizza Pasta, Chick 'n' Chick, Franx Supreme, Croissant Plus, Villa Madina, Cultures, Thaï Express, Vanellis, Kim Chi, "TCBY", Yogen Früz, Sushi Shop, Koya Japan, Vie & Nam, Tandori, O'Burger, Tutti Frutti, Taco Time, Country Style, Buns Master, Valentine, Jugo Juice, Mr. Sub, Koryo Korean Barbeque and Mr. Souvlaki.

As at November 30, 2012, MTY had 2,199 locations in operation, of which 2,179 were franchised or under operator agreements and the remaining 20 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 Crémière, "TCBY", Sushi Shop, Taco Time, Tutti Frutti, Valentine and Mr. Sub banners. La Crémière and "TCBY" operate primarily from April to September and the others banners operate year round.

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

Other banners added through acquisitions include:

- 18 locations from the Fontaine Santé/Veggirama chain in 1999,
- 74 locations from the La Crémière 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 Thaï 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,

- 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. 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. The transaction was effective September 1, 2010,
- On August 24, 2011, the Company acquired the assets of Jugo Juice International Inc. with 136 outlets in operation at the date of closing. The transaction was effective August 18, 2011,
- On November 1, 2011, the Company acquired the assets of Mr. Submarine Limited, with 338 stores in operations at the date of closing,
- On November 10, 2011, the Company acquired the assets of Koryo Korean BBQ Franchise Corp. with 20 stores in operations at the effective date of closing. The transaction was effective November 1, 2011.
- On September 26, 2012, the Company acquired the assets of Mr. Souvlaki Ltd. with 14 stores in operation at the effective date of closing.

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

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

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

The Company also generates revenues from its distribution center located on the south shore of Montreal. The distribution center mainly serves our Valentine and Franx

Supreme franchisees with a broad range of products required in the day-to-day operations of the restaurants.

Description of recent acquisitions

On September 26, 2012, the Company announced it had completed the acquisition of most of the assets of Mr. Souvlaki Ltd. for a total consideration of $0.9 million. At the date of closing, there were 14 Mr. Souvlaki stores in operation, all of which were franchised. Of the purchase price, MTY withheld an amount of $0.17 million in holdbacks.

On November 10, 2011, the Company acquired the assets of Koryo Korean BBQ Franchise Corp for an estimated total consideration of $1.8 million. At the effective date of closing, November 1, 2011, the Koryo network was composed of 19 franchised stores and 1 corporate store. Of the purchase price, MTY withheld an amount of $0.35 million in holdbacks.

On November 1, 2011, the Company acquired substantially all of the assets of Mr. Submarine Limited and Mr. Sub Realty Inc. for an estimated total consideration of $23.0 million. At the date of closing, there were 338 Mr. Sub stores in operations, all of which were franchised or subject to an operator agreement. MTY withheld an amount of $2.5 million as holdback, which will become payable in November 2013.

On August 24, 2011, the Company acquired all of the assets of Jugo Juice International Inc., Jugo Juice Canada Inc. and Jugo Juice Western Canada Inc. for an estimated total consideration of $15.45 million. At the effective date of closing, August 18, 2011, 136 Jugo Juice outlets were in operations, 2 of which we corporately owned and 134 were franchised. Of the total consideration, MTY withheld $1.735 million as holdbacks on the transaction.

On December 17, 2010, the Company acquired a 51% interest in a food processing plant. The total transaction value was estimated at approximately $3.5 million including land, building, equipment, inventories, existing workforce and certifications. The newly formed company contracted at $3.5 million bank loan to finance the acquisition.

As part of the transaction, one of the shareholders in the newly formed company brought in existing activities from another operating plant, in exchange for mandatorily redeemable preferred shares. One third of the preferred shares will be redeemed annually, at a value contingent on the performance of the plant. The value of such shares was estimated at $300,000 at the inception of the shareholders' agreement and subsequently revalued at $200,000 following changes in the purchase price allocation.

Summary of quarterly financial information

	Quarters ended							
in thousands of $	**February 2011**	**May 2011**	**August 2011**	**November 2011**	**February 2012**	**May 2012**	**August 2012**	**November 2012**
Revenue	$16,761	$18,629	$19,852	$23,116	$21,945	$23,689	$24,239	$26,347
Net income and comprehensive income attributable to owners	$3,490	$3,583	$4,388	$4,733	$4,392	$5,283	$6,129	$6,263
Per share	$0.18	$0.19	$0.23	$0.25	$0.23	$0.28	$0.32	$0.33
Per diluted share	$0.18	$0.19	$0.23	$0.25	$0.23	$0.28	$0.32	$0.33

Results of operations for the fiscal year ended November 30, 2012

Revenue

During the year ended November 30, 2012, the Company's total revenue increased by 23% to reach $96.2 million. Revenues for the four segments of business are broken down as follows:

	November 30,2012 ($ million)	November 30, 2011 ($ million)	Variation
Franchise operation	70.9	56.0	27%
Corporate stores	12.2	10.8	13%
Distribution	6.1	6.1	0%
Food processing	8.1	6.3	27%
Intercompany transactions	(1.0)	(0.8)	N/A
Total operating revenues	96.2	78.4	23%

As is shown in the table above, revenue from franchise locations progressed by 27%. Several factors contributed to the variation, as listed below:

	$million
Revenues, 2011 fiscal year	56.0
Increase in recurring revenue streams	13.0
Increase in turn-key, sales of material to franchisees and rent revenues	0.8
Increase in initial franchise fees	1.0
Other non-material variations	0.1
Revenues, 2012 fiscal year	70.9

During the 2012 fiscal year, the Company benefitted from the results of its most recent acquisitions, which account for $10.3 million of the increase in recurring streams of revenues. Other factors accounting for the increase in the recurring revenue streams include a favorable same-store-sales growth as well as the good performance of stores opened in the last 12 months.

Revenue from corporate owned locations increased 13%, to $12.2 million during the 2012 fiscal year. The increase is mainly due to the consolidation of certain Special Purpose Entities acquired with Mr. Sub during the fourth quarter of 2011, which generated approximately $4.5 million during the year. This increase was partly offset by the disposal of certain corporate stores during 2012.

The Company also generated food processing revenues of $8.1 million during the twelve-month period. The increase of 27% is attributable to the timing of the acquisition in the first quarter of 2011 as well as to the transition period which affected the performance of the plant in the early stages following the transaction.

Cost of sales and other operating expenses

During 2012, operating expenses increased by 18% to $61.3 million, from $51.9 million for the same period in 2011. Operating expenses for the four business segments were incurred as follows:

	November 30, 2012 ($ million)	November 30, 2011 ($ million)	Variation
Franchise operation	36.3	30.2	20%
Corporate stores	12.4	10.7	15%
Distribution	5.6	5.5	2%
Food processing	8.0	6.2	29%
Intercompany transactions	(1.0)	(0.8)	N/A
Total operating expenses	61.3	51.9	18%

Operating expenses related to the franchising operations increased by $6.1 million, mainly as a result the additional expenses created by the operations of the recent acquisitions.

During the year, expenses for corporate owned locations increased by $1.7 million. The increase is caused by the consolidation of the Special Purposes Entities of Mr Sub, which was partially offset by the divestiture of certain corporate stores during 2012.

The expenses of the food processing plant were up by 29%, for the reasons described in the Revenues section above.

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

	Fiscal year ended November 30, 2012					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues	$70.91	$12.17	$6.08	$8.05	($0.99)	$96.22
Expenses	$36.33	$12.35	$5.63	$7.97	($0.99)	$61.29
EBITDA[(1)]	$34.58	($0.18)	$0.45	$0.08	$0.00	$34.93
EBITDA as a % of Revenue	49%	N/A	7%	1%	N/A	36%

	Fiscal year ended November 30, 2011					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues	$55.95	$10.78	$6.06	$6.33	($0.76)	$78.36
Expenses	$30.23	$10.73	$5.53	$6.20	($0.76)	$51.93
Restructuring	$0.45	$0.00	$0.00	$0.00	$0.00	$0.45
EBITDA[(1)]	$25.27	$0.05	$0.53	$0.13	$0.00	$25.98
EBITDA as a % of Revenue	45%	0%	9%	2%	N/A	33%

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

Total EBITDA increased by 34%, from $26.0 million to $34.9 million for the 2012 fiscal year.

During the year, the franchising operations generated $34.6 million in EBITDA, a 37% increase over the results of the same period last year. The increase is mainly attributable to the contribution of the recent acquisitions which accounts for approximately three quarters of the growth, the increase in same-store-sales and the performance of stores opened in the last twelve months. The 2011 EBITDA also included a $0.45 million restructuring charge.

EBITDA from franchise operations as a percentage of revenue increased to 49% because of a change in the composition of the revenues that saw a reduced relative weight for revenues generated by the deliveries of turnkeys and materials to franchisees, which typically generate low profit margins.

EBITDA from corporate owned locations declined slightly during the twelve-month period, mainly because of the disposition of some profitable stores in 2012.

The food processing plant generated $0.1 million EBITDA in the 2012 and 2011 fiscal year. 2012 results had been affected by a low margin contract which has now been renegotiated.

Net income

For the fiscal year ended November 30, 2012, the Company's net income attributable to owners increased by 36% over the same period last year. MTY reported a net income and comprehensive income attributable to its owners of $22.1 million or $1.15 per share ($1.15 per diluted share) compared to $16.5 million or $0.85 per share ($0.85 per diluted share) in 2011.

The increase in net income is mostly attributable to the impact of recent acquisitions as well as to strong generic growth in revenues, which more than offset the decline in the non-recurring other income items.

Amortization expense

The amortization of intangible assets was up by $0.7 million in 2012 because of the amortization of the recently acquired franchise rights.

Other income and charges

The gain on disposal of assets, which results from the sale of the assets of corporate stores, was $0.5 million in 2012 compared to a gain of $0.9 million during 2011. The unusual 2011 gain was mainly caused by the sale of one corporate restaurant that generated above-average returns and thus commanded a higher sales price.

During the year, the Company took an impairment charge of $0.1 million on the assets of eight of its corporate stores, each one representing a cash-generating unit ("CGU"). The charge was taken following disappointing 2012 results, which indicated a potential impairment. The assets of all eight stores are now carried at their fair value less cost to sell, which was higher than their value in use based on discounted cash flows.

During the year, the Company recorded a gain of $0.1 million for the redemption of the preferred shares issued by one of its subsidiaries. The shares are mandatorily redeemable in three yearly instalments, with redemption values based on the performance of the subsidiary. Due to the financial performance of the subsidiary for 2012, the redemption value of the shares was $nil.

The Company also recorded a gain of $0.1 million on the loan forgiveness of non-controlling shareholders of a subsidiary.

Income taxes

The provision for income taxes for the 2012 fiscal year was 27.7% of the Company's income before taxes. This is higher than the average statutory rate of 26.9% applicable to the Company's income for the year. The discrepancy is mainly due to an income tax assessment that resulted in a charge of approximately $0.3 million.

Results of operations for the fourth quarter ended November 30, 2012

Revenue

During the fourth quarter of our 2012 fiscal year, the Company's total revenue increased by 14% to reach $26.3 million. Revenues for the four segments of business are broken down as follows:

	November 30,2012 ($ million)	November 30, 2011 ($ million)	Variation
Franchise operation	20.0	16.1	24%
Corporate stores	2.5	3.3	(24%)
Distribution	1.9	1.9	0%
Food processing	2.3	2.0	13%
Intercompany transactions	(0.3)	(0.2)	N/A
Total operating revenues	26.3	23.1	14%

As is shown in the table above, revenue from franchise locations progressed by 24%. Several factors contributed to the variation, as listed below:

	$million
Revenues, fourth quarter of 2011	16.1
Increase in recurring revenue streams	2.5
Increase in turn-key, sales of material to franchisees and rent revenues	1.2
Increase in initial franchise fees	0.5
Other non-material variations	(0.3)
Revenues, fourth quarter of 2012	20.0

During the fourth quarter of 2012, the Company benefited from the results of its most recent acquisitions, which account for $2.2 million of the increase in recurring streams of revenues. Other factors accounting for the increase in such revenues include the good performance of stores opened in the last 12 months and higher turnkey revenue.

Revenue from corporately-owned locations decreased 24%, to $2.5 million during the fourth quarter of our 2012 fiscal period. The decrease is due to the disposal of certain stores since the beginning of 2012.

The Company generated food processing revenues of $2.3 million during the fourth quarter of 2012, up 13% compared to the same period last year. The increase is mainly attributable to a new line of production that was put in place during the fourth quarter.

Cost of sales and other operating expenses

During the fourth quarter of 2012, operating expenses increased by 14% to $17.4 million, from $15.3 million for the same period in 2011. Operating expenses for the four business segments were incurred as follows:

	November 30, 2012 ($ million)	November 30, 2011 ($ million)	Variation
Franchise operation	11.0	8.6	28%
Corporate stores	2.7	3.3	(20%)
Distribution	1.7	1.7	0%
Food processing	2.3	1.9	23%
Intercompany transactions	(0.3)	(0.2)	N/A
Total operating expenses	17.4	15.3	13%

Operating expenses related to the franchising operations increased by $2.4 million, mainly as a result the additional expenses created by the operations of its recent acquisitions, which account for $0.7 million of this increase. The balance of the increase is due to the increase in revenues generated from turn-keys, sales of material to franchisees and rent.

During the period, expenses for corporate owned locations decreased by $0.6 million. The decrease was caused by the reduction in the number of corporate stores in the last 12 months.

The expenses of the food processing plant were up by 23%, increasing as a result of the additional revenues the plant generates.

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

	Three months ended November 30, 2012					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues	$20.05	$2.49	$1.87	$2.27	($0.33)	$26.35
Expenses	$11.02	$2.65	$1.74	$2.28	($0.33)	$17.37
EBITDA[1]	$9.03	($0.16)	$0.12	$(0.01)	$0.00	$8.98
EBITDA as a % of Revenue	45%	N/A	7%	N/A	N/A	34%

	Three months ended November 30, 2011					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues	$16.15	$3.29	$1.87	$2.01	($0.19)	$23.12
Expenses	$8.58	$3.34	$1.74	$1.85	($0.19)	$15.32
EBITDA[1]	$7.57	($0.06)	$0.13	$0.16	$0.00	$7.80
EBITDA as a % of Revenue	47%	N/A	7%	8%	N/A	34%

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

EBITDA increased by 15%, from $7.8 million in the fourth quarter of 2011 to $9.0 million for the three months ended November 30, 2012.

During the period, the franchising operations generated $9.0 million in EBITDA, a 19% increase over the results of the same period last year. The increase is mainly attributable to the contribution of recent acquisitions and the performance of stores opened in the last twelve months.

EBITDA from franchise operations as a percentage of revenue decreased to 45%, because of the higher relative weight of sales to franchises. These revenues typically generate lower profit margins.

Corporate stores had a loss of $0.2 million in EBITDA, a decrease of $0.1 million compared to the same period in 2011. This was mainly due to the disposition of some profitable stores in 2012.

The food processing plant generated a slightly negative EBITDA in the fourth quarter of 2012.

Net income

For the three months ended November 30, 2012, MTY reported a net income and comprehensive income attributable to its owners of $6.3 million or $0.33 per share ($0.33 per diluted share) compared to $4.7 million or $0.25 per share ($0.25 per diluted share) for the same period last year, representing a net income increase of 32%.

Amortization expense

The amortization of intangible assets in the fourth quarter of 2012 was comparable to the same period last year.

Other income and charges

During the fourth quarter, the Company took an impairment charge of $0.1 million on the assets of eight of its corporate stores (each one representing a cash-generating unit ("CGU"). The charge was taken following disappointing results in 2012. The assets of all eight stores are now carried at their fair value, which was higher than their value in use based on discounted cash flows.

During the fourth quarter, the Company recorded a gain of $0.1 million for the redemption of the preferred shares of its processing plant. The shares are mandatorily redeemable in three yearly instalments, with redemption values based on the performance of the processing plant. Due to the EBITDA generated by the processing plant, the redemption was valued at zero.

The Company also recorded a gain of $0.1 million on the loan forgiveness of non-controlling shareholders of a subsidiary which is owned at 45%.

Income taxes
The provision for income taxes as a percentage of income before taxes decreased slightly during the fourth quarter of 2012 compared to the same period last year. This was mainly due to reductions in the corporate tax rates in the territories in which the Company has permanent establishments, as well as a rate adjustment on non-capital losses carried forward accounted for in the fourth quarter of 2011.

Contractual obligations and long-term debt

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

For the period ending *(In thousands $)*	Long term debt[1]	Net lease commitments	Total contractual obligations
12 months ending November 2013	$7,334	$2,258	$9,592
12 months ending November 2014	$287	$2,202	$2,489
12 months ending November 2015	$-	$1,883	$1,883
12 months ending November 2016	$-	$1,670	$1,670
12 months ending November 2017	$-	$1,355	$1,355
Balance of commitments	$-	$3,918	$3,918
	$7,621	**$13,286**	**$20,907**

(1) Amounts shown represent the total amount payable at maturity and are therefore undiscounted.
For total commitments, please refer to November 30, 2012 consolidated financial statements

Long-term debt includes non-interest bearing holdbacks on acquisitions, a bank loan used to finance the acquisition of the food processing plant acquired in December 2010 as well as mandatorily redeemable preferred shares issued to a minority shareholder of a subsidiary.

The bank loan used to finance the acquisition of the food processing plant was classified as current in 2012 as two of the covenants were not met as at November 30, 2012.

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 2012 and March 2013. The total commitment amounts to $1.0 million.

In relation to the items listed above, the Company has entered into contracts to minimize the impact of variations in foreign currencies. The total commitment on these contracts amounts to approximately $0.4 million.

Liquidity and capital resources

As of November 30, 2012, the amount held in cash and cash equivalents totalled $33.0 million, an increase of $22.4 million over the cash and cash equivalents and temporary investments held at the end of our 2011 fiscal period. The increase is attributable to the strong cash flows generated by our operations during the 2012 fiscal year.

Cash flows generated by operating activities were $29.4 million during the 12 months of 2012. Excluding the variation in non-cash working capital items, income taxes and interest paid, our operations generated $35.8 million in cash flows, compared to $26.2 million in 2011, which represents an increase of 37% compared to the same period last year.

The main drivers for this increase are the 34% increase in EBITDA discussed above as well as the receipt of material amounts of deferred revenues that will be recognized into income in the coming quarters.

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 $10.0 million that remained unused at November 30, 2012. The facility, when used, bears interest at the bank's annual prime rate plus a margin not exceeding 0.5% established based on the Company's funded debt/EBITDA ratio.

Cash flows generated by our operations are typically held in high yield savings account or guaranteed investment certificates until they are required.

Statement of financial position

During the year, the Company has liquidated its remaining investments and has now allocated its cash and cash equivalents on hand in high yield savings accounts with various recognized institutions.

Accounts receivable at the end of the fourth quarter were at $13.6 million, compared to $10.5 million at the end of our 2011 fiscal period. The increase is mainly due to the increase in revenues and the related working capital requirements. The provision for doubtful accounts has increased by $0.3 million since November 30, 2011, mainly as a result of the unpredictable environment in which some of our franchisees operate that result in uncertain collection of amounts due.

Property, plant and equipment and intangible assets both decreased during the year. The decrease in property, plant and equipment is the result of the dispositions of some corporate stores during the period, as well as of the depreciation and amortization recorded during the period. The decrease in intangible assets, which is due to the amortization recorded during the period, was partially offset by the acquisition of franchise rights valued at $0.5 million and the acquisition of Mr. Souvlaki valued at $0.9 million.

Accounts payable remained consistent at $13.4 million from $13.5 million in 2011.

Deferred revenues consist of distribution rights which are earned on a consumption basis and include initial franchise fees to be earned once substantially all of the initial services have been performed. The balance as at November 30, 2012 was $2.2 million, an increase of $0.6 million compared to the balance at the end of 2011. The variation is due to increases in franchise fee deposits which are dependent on the level of activity and deliveries during a certain period. These amounts will be recognized into revenues as they are earned.

The long-term debt is composed of non-interest bearing holdbacks on acquisitions, of bank loans contracted by a subsidiary to finance an acquisition and of mandatorily redeemable preferred shares payable to a minority shareholder of a subsidiary. Repayments of $1.6 million were made on non-interest bearing holdbacks. In addition, payments were made on the bank loan of a subsidiary following a period during which only interest payments were required. There were no material issuances since the beginning of the year.

One third of the preferred shares will be redeemed annually at a value that is contingent on the performance of a subsidiary. Management expects that the value of the preferred shares at redemption will be approximately $100,000.

Further details on the above statement of financial position items can be found in the notes to the November 30, 2012 consolidated financial statements.

Capital stock

No shares were issued during the quarter ended November 30, 2012. As at February 13, 2013 there were 19,120,567 common shares of MTY outstanding.

Location information

MTY’s locations can be found in: i) food courts and shopping malls; ii) street front; and iii) non-traditional format within petroleum retailers, convenience stores, cinemas, amusement parks 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.

	Number of locations fiscal year ended November 2012	Number of locations fiscal year ended November 2011
Franchises, beginning of year	**2,233**	1,701
Corporate owned, beginning of year	**30**	26
Acquired during the year	**14**	494
Opened during the period		
Mall	**45**	41
Street	**33**	37
Non-traditional	**51**	49
Closed during the period		
Mall	**(49)**	(16)
Street	**(45)**	(21)
Non-traditional	**(113)**	(48)
Total end of period	**2,199**	2,263
Franchises, end of period	**2,179**	2,233
Corporate owned, end of period	**20**	30
Total end of period	**2,199**	2,263

During the fiscal year ended November 30, 2012, the Company’s network experienced a net reduction of 78 outlets, compared to a net addition of 42 stores for the same period a year ago, excluding those coming from the acquisitions completed during the two respective years. This net reduction is partially attributable to the loss of two non-traditional store contracts cancellations suffered during the first and third quarter of the year which resulted in a total reduction of 54 non-traditional outlets. During the year, the Company closed street and mall locations that were not seen viable in the long term. Some mall and street locations closures are also due to lease non renewals upon expiry.

At the end of the period, the Company had 20 corporate stores, a net decrease of ten. During the year, twelve corporate-owned locations were sold, five were added, and three were closed.

As at November 30, 2012, there were two test locations in operation, both which were excluded from the numbers presented above.

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

Location type	% of location count		% of system sales fiscal year ended	
	November 30, 2012	November 30, 2011	**November 30, 2012**	November 30, 2011
Shopping mall & food court	**38%**	36%	**50%**	50%
Street front	**36%**	36%	**41%**	40%
Non-traditional format	**26%**	28%	**9%**	10%

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

Geographical location	% of location count		% of system sales fiscal year ended	
	November 30, 2012	November 30, 2011	**November 30, 2012**	November 30, 2011
Ontario	**46%**	48%	**36%**	32%
Quebec	**28%**	27%	**34%**	40%
Western Canada	**20%**	20%	**24%**	22%
Maritimes	**2%**	2%	**1%**	1%
International	**4%**	3%	**4%**	5%

System wide sales

System wide sales for the year ended November 30, 2012 grew 31%, reaching $688.7 million during the period, compared to $527.6 million for the same period last year.

Approximately 80% of the increase in system wide sales for the year is attributable to the recent acquisitions. Approximately 4% of the increase comes from the growth in the same-store sales, and the rest is due to new restaurants opened in the last 12 months.

System wide sales include sales for corporate and franchise locations and exclude sales realized by the distribution center or by the food processing plant.

Same-store sales

During the 2012 fiscal year, same-stores sales improved by 1.08% over the same period last year. For the fourth quarter, same store sales have declined by 0.91%

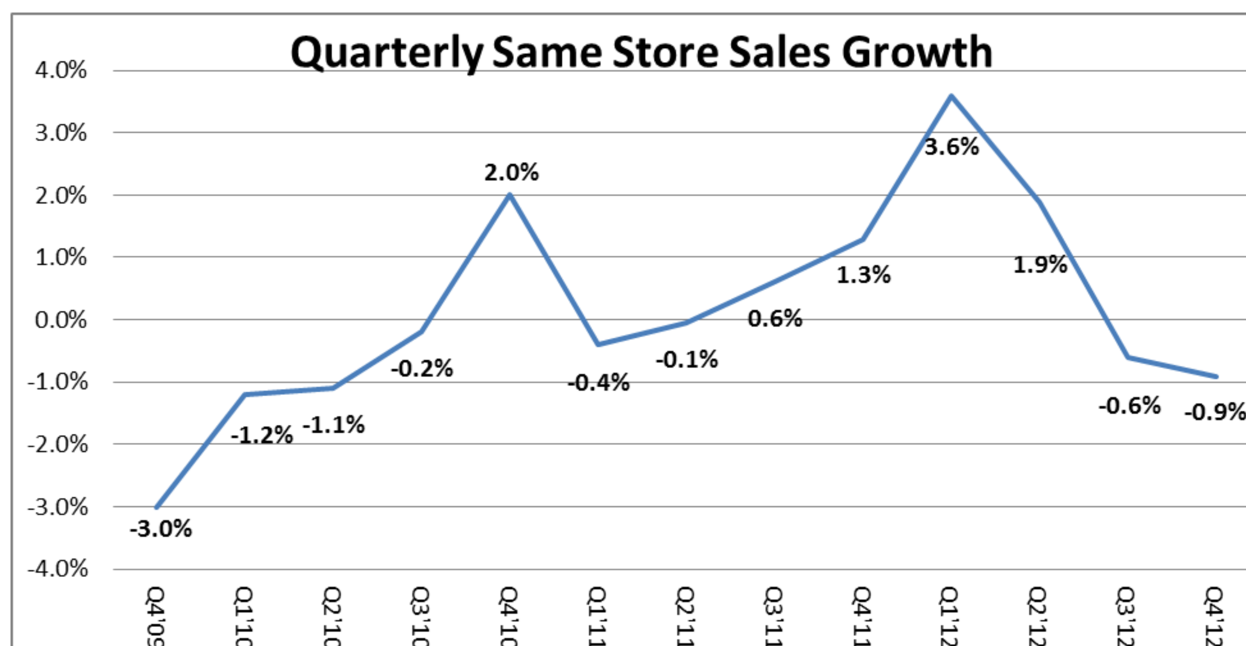
Most of our major concepts experienced growth in same-store sales during the year. The outlets located in western provinces continue to outperform the other regions, experiencing the strongest same-store sales growth, while those located in Ontario on average suffered a decrease.

Street front and mall locations showed stronger growth during the 2012 fiscal year, while non-traditional locations have experienced a slight decrease over the same period.

During the fourth quarter, same store sales performances declined compared to the previous quarters; this was felt across all regions in which our stores operate, and across all types of restaurants and concepts.

As discussed in our previous MD&A, we are witnessing high volatility on the market which seems to affect some of our brands more than others at various times. During the fourth quarter, this volatility has resulted in a downward pressure that was felt throughout the network.

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



Stock options

During the period, no options were granted or exercised. As at November 30, 2012 there were no options outstanding.

Seasonality

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

Contingent liabilities

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

Guarantee

The Company has provided a guarantee in the form of a letter of credit for an amount of $45,000.

Risks and uncertainties

Despite the fact that the Company has various numbers of concepts, diversified in type of locations and geographics 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 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 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

Related party transactions

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

Compensation of key management personnel

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

(in thousands)	Period ended November 30, 2012	Period ended November 30, 2011
	$	$
Short-term benefits	659	581
Post-employment benefits, share-based payments and other long-term benefits	Nil	Nil
Board member fees	40	40
Total remuneration of key management personnel	699	621

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

The increase in the remuneration of key management personnel is mainly due to the division in the COO/CFO role into two distinct positions.

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

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

(in thousands)	Period ended November 30, 2012	Period ended November 30, 2011
	$	$
Short-term benefits	472	447
Post-employment benefits, share-based payments and other long-term benefits	Nil	nil
Total remuneration of employees related to key management personnel	472	447

A corporation owned by individuals related to key management personnel has participation in two of the Company's subsidiaries. During the period, dividends of nil (2011- $140) were paid by those subsidiaries to the above-mentioned company, and advances of nil (2011- $78) were repaid. During the year, one of the Company's subsidiaries loan payable to its non-controlling shareholders was forgiven by individuals related to key management personnel for an amount of $50.

Critical accounting estimates

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

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

Critical judgments in applying accounting policies

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

Identification of cash-generating units

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

Revenue recognition

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

Consolidation of special purpose entities

In determining which entities are required to be consolidated in the fashion described below, the Company must exercise judgment to determine who has *de facto* control of the entities being considered. Such judgment is reassessed yearly to take into account the most recent facts relevant to each entity's situation.

Key sources of estimation uncertainty

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

Business combinations

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

Impairment of non-financial assets

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

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

During the year, the Company recognized impairments on the property, plant and equipment related to eight of its CGUs following a decline in their performance. All eight CGUs are groups of assets related to corporate-owned stores. The total impairment of $135 represents a write down of the carrying value of the leasehold improvements and equipment to their fair value less cost to sell, which was higher than their value in use.

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

A 1% change to the discount rate used in the calculation of the impairment would result in an additional impairment of $41 on the trademarks and franchise rights and $7 on the property, plant and equipment of our corporate stores.

During the year, the Company also reversed an impairment of $67 related to the trademark of one of its brands. The reversal, which is shown on the consolidated statement of comprehensive income on the "impairment of property, plant and equipment" line, represents the full original impairment taken on the asset and is based on new estimated future cash flows of the CGU.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. It was determined that goodwill is not impaired as at November 30, 2012, November 30, 2011 and December 1, 2010.

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

Useful lives of property, plant and equipment and intangible assets

As described in Note 3 above, the Company reviews the estimated useful lives of property, plant and equipment and intangible assets with definite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended, due to various factors including technology, competition and revised service offerings. During the years ended November 30, 2012 and 2011, the Company was not required to adjust the useful lives of any assets based on the factors described above.

Provisions

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

Valuation of financial instruments

The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

Management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Consolidation of special purpose entities

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

Onerous contracts

A provision for onerous contracts is recognized when the unavoidable costs of meeting our obligations under the contract exceed the expected benefits to be received from the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of completing the contract.

Contingencies

The Company is involved in various litigation and disputes as a part of the business that could affect some of its operating segments. Pending litigations represent potential loss to the business.

MTY accrues potential losses if it believes the loss is probable and can be reasonably estimated, based on information that is available at the time. Any accrual would be charged to earnings and included in accounts payable and accrued liabilities. Any cash settlement would be deducted from cash from operating activities. Management estimates the amount of the loss by analyzing potential outcomes and assuming various litigation and settlement strategies.

Accounts receivable

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

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

Accounting policies adopted in 2012

On December 1, 2010, MTY adopted International Financial Reporting Standards for its financial reporting, using December 1, 2010 as its transition date. Accordingly, the consolidated financial statements for the fiscal year ended November 30, 2012 and comparative figures have been prepared in accordance with IFRS 1 "First-Time Adoption of International Financial Reporting Standards" issued by the International Accounting Standards Board ("IASB").

The accounting policies used to prepare these financial statements and the comparative figures are presented in Note 3 of the consolidated financial statements for the year ended November 30, 2012. These accounting policies have been applied retrospectively to December 1, 2010. Reconciliations for the Company's income and financial position are presented in Note 34 of the consolidated financial statements.

The following standards had an impact on the financial information that had previously been presented in accordance with Canadian GAAP:

IFRS 3 "Business Combinations"

IFRS 3 eliminated the concept of negative goodwill and instead introduces "gain on bargain purchase". Under Canadian GAAP, when the consideration paid for an acquisition was lower than the fair value of the identifiable assets received, the difference was pro-rated over the non-financial assets acquired. Under IFRS 3, a gain needs to be recognized on the statement of comprehensive income. This resulted in the restatement of one of the acquisitions realized during our 2011 fiscal year; as a result, the historical cost of the non-financial assets acquired was increased by $0.1 million, deferred income taxes were restated to reflect the variation in the temporary differences and the depreciation charge on the increased cost of the property, plant and equipment was also restated. The net impact on the net income and comprehensive income was $0.1 million.

IAS 12 “Income Taxes”

Under IFRS, deferred taxes related to intangible assets and goodwill are accounted for differently than they were under Canadian GAAP when intangible assets are acquired through a business combination. Upon initial recognition of the business combination, a long-term deferred tax asset or liability must be recognized when a difference, temporary or permanent, exists between the fair value of an asset and its tax base according to the applicable corporate tax laws. Specifically, the Company had to restate the deferred taxes on its trademarks. Because the Company had elected not to apply IFRS 3 to acquisitions made prior to the transition date, the adjustment to deferred taxes related to this period was applied against retained earnings. For acquisitions subsequent to that date, the adjustment impacted the amount of goodwill recognized on each business combination.

In addition, IAS 12 eliminates the short-term portion of deferred income taxes. Consequently, short-term deferred tax assets are now reported with long term assets. As at December 1, 2010, the Company reclassified an amount of $3.6 million in such fashion.

IAS 16 “Property, Plant and Equipment”

The Company has elected to use the cost method of accounting for its property, plant and equipment (“PP&E”) and will continue to use this method to recognize such assets.

Other than the impact on property, plant and equipment (“PP&E”) of IFRS 3 discussed above, the Company has identified a conversion adjustment resulting from a difference in the consumption patterns of components of PP&E. Under IFRS, components of capitalized assets are required to be isolated and depreciated separately. Previously, components of one given asset were depreciated as a whole. The effect of this change has been to reduce the carrying value of PP&E by $0.04 million at the date of transition, December 1, 2010, reduce the deferred tax liability by $0.01 million and reduce retained earnings by the net of the two previously mentioned amounts. Subsequent depreciation and gains or losses on disposition were also impacted by the change in the depreciation policy.

IAS 18 “Revenue”

Under Canadian GAAP, the Company accounted for its turnkey projects using the completed contract method and as a result recognized revenues, expenses and profits from projects once they were delivered to the franchisees. Under IFRS, the Company is required to use the percentage of completion method, which accelerates the recognition of revenues and expenses on individual projects. Accordingly, accounts receivable, accounts payable and inventories of projects under construction held for resale had to be restated.

As of December 1, 2010, the Company had to increase its retained earnings by $0.10 million for amounts that should have been recognized in the previous fiscal period; as a result, the net income of the subsequent period, in which such profits had been recognized under Canadian GAAP, were reduced by the same amount. The reversal of revenues and expenses recognized in previous fiscal periods on transition date creates a reduction of revenues in the first quarter of 2011 of $1.08 million, a reduction of expenses of $0.94 million and a reduction of the income tax expense of $0.04 million. This change if partly offset by additional revenues and expenses recognized in the first quarter of 2011. The net impact is presented in Note 34 to the consolidated financial statements.

IAS 39 "Financial instruments: recognition and measurement"

Under Canadian GAAP, the Company did not discount the non-interest bearing holdbacks on its acquisitions because a specific exemption existed. Under IFRS, such exemption is no longer available; as a result, the Company discounted its non-interest bearing holdbacks and adjusted the consideration paid for its acquisitions accordingly, with the impact of the reduction in the fair value of the holdbacks being allocated to goodwill.

Because of the exemption available under IFRS 1, the Company did not, however, restate the purchase price of the Valentine acquisition; the differences between the carrying values of the holdbacks per Canadian GAAP and IFRS were offset into retained earnings. The impact on retained earnings was $0.1 million.

Future accounting changes

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" was issued in November 2009 and contains requirements for financial assets. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 "Financial Instruments: Recognition and Measurement" for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent they do not clearly represent a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

In October 2010, the IASB amended IFRS 9 "Financial Instruments," which replaced IFRS 9 "Financial Instruments" and IFRIC 9 "Reassessment of Embedded Derivatives." This change provides guidance on classification, reclassification and measurement of financial liabilities and on the presentation of gains and losses, through profit or loss, of financial liabilities designated as measured at fair value. The requirements for financial liabilities, added in October 2010, largely replicate the requirements of IAS 39 "Financial Instruments: Recognition and Measurement," except with respect to changes in fair value

attributable to credit risk for liabilities designated as measured at fair value through profit or loss, which would generally be recognized in other comprehensive income.

This new standard applies to fiscal years beginning on or after January 1, 2015. Early application is permitted.

IFRS 10 “Consolidated Financial Statements”

In May 2011, the IASB issued IFRS 10 “Consolidated Financial Statements,” which establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 provides a single consolidation model that identifies control as being the basis for consolidation. The new standard describes how to apply the principle of control to identify situations when a company controls another company and must therefore present consolidated financial statements. IFRS 10 also provides disclosure requirements for the presentation of consolidated financial statements. IFRS 10 cancels and replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation – Special Purpose Entities.”

This new standard applies to fiscal years beginning on or after January 1, 2013. Early application is permitted.

IFRS 12 “Disclosure of Interests in Other Entities”

In May 2011, the IASB issued IFRS 12 “Disclosure of Interests in Other Entities.” IFRS 12 incorporates, in a single standard, guidance on disclosing interests in subsidiaries, joint arrangements, associates and structured entities. The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate the basis of control, any restrictions on consolidated assets and liabilities, exposures to risks arising from interests in non-consolidated structured entities and the share of minority interests in the activities of consolidated entities.

This new standard applies to fiscal years beginning on or after January 1, 2013. Early application is permitted.

IFRS 13 “Fair Value Measurement”

In May 2011, the IASB issued a guide to fair value measurement providing note disclosure requirements. The guide is set out in IFRS 13 “Fair Value Measurement,” and its objective is to provide a single framework for measuring fair value under IFRS. It does not provide additional opportunities to use fair value.

This new standard applies to fiscal years beginning on or after January 1, 2013. Early application is permitted.

IAS 1 “Presentation of Financial Statements”

In June 2011, the IASB amended IAS 1 “Presentation of Financial Statements” requiring entities preparing financial statements in accordance with IFRS to group together items of other comprehensive income (OCI) that potentially may be reclassified to the profit or loss section of the income statement and to separately group items that will not be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that profit or loss and OCI be presented as either a single statement or two consecutive statements.

This amended version of this standard applies to fiscal years beginning on or after July 1, 2012. Early application is permitted.

IAS 19 “Employee Benefits”

In June 2011, the IASB amended IAS 19 “Employee Benefits” to improve the accounting for pensions and other post-employment benefits. The amendments make important improvements by:

- Eliminating the option to defer the recognition of gains and losses, known as the “corridor method” or the “deferral and amortization approach”;
- Simplifying the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income, thereby separating those changes from changes frequently perceived to be the result of day-to-day operations; and
- Enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks to which entities are exposed through their participation in those plans.

This amended version of this standard applies to fiscal years beginning on or after January 1, 2013. Early application is permitted.

IFRS 7 “Financial Instruments: Disclosures” and IAS 32 “Financial Instruments: Presentation”

In December 2011, the IASB amended IFRS 7 “Financial Instruments: Disclosures” and IAS 32 “Financial Instruments: Presentation” as part of its offsetting financial assets and financial liabilities project. IFRS 7 was amended to harmonize the disclosure requirements with those of the Financial Accounting Standards Board (FASB), while IAS 32 was amended to clarify certain items and address inconsistencies encountered upon practical application of the standard.

The amended versions of IFRS 7 and IAS 32 apply retrospectively to annual periods beginning on or after January 1, 2013 and on or after January 1, 2014, respectively. Early application is permitted.

The Company is assessing the impact of adopting these new standards on its consolidated financial statements and will determine whether it will opt for early application.

Economic environment risk

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

Financial instruments and financial risk exposure

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

Fair value of recognized financial instruments

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

In thousands of $

	At November 30, 2012		At November 30, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
Cash and cash equivalents	33,036	33,036	5,995	5,995
Temporary investments	-	-	4,632	4,632
Accounts receivable	13,631	13,631	10,496	10,496
Loans receivable	919	919	1,119	1,119
Prepaid and deposits	338	338	312	312
Financial liabilities				
Accounts payable and accrued liabilities	13,426	13,426	13,540	13,540
Long-term debt	7,476	7,476	9,008	9,008

Determination of fair value

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

Cash and cash equivalents, temporary investments, accounts receivable, deposits, accounts payable and accrued liabilities - The carrying amounts approximate fair values due to the short maturity of these financial instruments.

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

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

Risk management policies

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2012.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the statement of financial position 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:

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

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

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

The credit risk on the loans receivable is similar to that of accounts receivable. There is currently an allowance for doubtful accounts recorded for loans receivable of $55 ($nil as at November 30, 2011).

Foreign exchange risk

The Company has entered into a contract to minimize its exposure to fluctuations in foreign currencies, mainly on purchases of coffee. As of November 30, 2012, the total value of such contracts was approximately $458,000.

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

As of November 30, 2012, the Company carried US$ cash of CDN$425,000 and had net accounts receivable of CDN$429,000. As a result, a 1% change in foreign exchange rates would result in a change in net comprehensive income of approximately $9,000 Canadian dollars.

Interest rate risk

The Company is exposed to interest rate risk with regards temporary investments. Given the very short term nature of the temporary investments, the risk that changes in interest rates will cause material fluctuations in the fair value is considered limited.

The Company's is also exposed to interest rate risk with its operating line of credit and a bank loan contracted by a subsidiary. Both facilities bear interest at a variable rate and as such the interest burden could potentially become more important. The line of credit is not currently used by the Company; as a result, the exposure to interest rate risk in minimal.

A 100 basis points increase in the bank's prime rate would result in additional interest of $34,000 per annum on the outstanding bank loan.

Liquidity risk

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

The following are the contractual maturities of financial liabilities as at November 30, 2012:

In thousands of $

	Carrying Amount	Contractual Cash Flows	0 to 6 Months	6 to 12 Months	12 to 24 Months
	$	$	$	$	$
Accounts payable and accrued liabilities	13,426	13,426	13,426	-	-
Long-term debt	7,476	7,621	3,733	3,601	287
Interest on long-term debt	N/A	N/A	151	130	137
	20,902	21,047	17,310	3,731	424

Outlook

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

Management will maintain its focus on completing the integration of the latest acquisitions and maximizing the value of those new locations and concepts to our network.

Management also remains committed on offering its customers a wide range of innovative menus and modern store designs. The quick service restaurant industry will remain challenging in the future, and management believes that the focus on the food offering, consistency and store design will give MTY's restaurants a stronger position to face challenges.

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.

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, 2012, 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, 2012, 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.

Limitations of Controls and Procedures

Management, including the President and Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have

been prevented or detected. These inherent limitations include the realities judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

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

Limitation on scope of design

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, has limited the scope of the design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures and internal control 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 twelve-month period ended November 30, 2012, these SPEs represent 0% of the Company's current assets, 0% of its non-current assets, 1% of the Company's current liabilities, 0% of long-term liabilities, 5% of the Company's revenues and 0% of the Company's net earnings.

"*Stanley Ma"*

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Stanley Ma, Chief Executive Officer

"*Eric Lefebvre"*

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Eric Lefebvre, CPA, CA, MBA Chief Financial Officer