Condensed interim consolidated financial statements of
MTY Food Group Inc.

For the three-month periods ended February 28, 2015 and February 28, 2014

MTY Food Group Inc.

Condensed interim consolidated statements of income

For the three-month periods ended February 28, 2015 and February 28, 2014
(unaudited)
(In thousands of Canadian dollars, except per share amounts)

Notice : The condensed interim consolidated financial statements of MTY Food Group Inc. for the three-month periods ended February 28, 2015 and February 28, 2014 have not been reviewed by an external auditor.

	Notes	**February 28, 2015**	February 28, 2014
		$	$
Revenue	20 and 26	**32,364**	25,602
Expenses			
Operating expenses	21 and 26	**21,941**	16,116
Depreciation – property, plant and equipment		**307**	245
Amortization – intangible assets		**1,679**	1,452
Interest on long-term debt		**89**	91
		24,016	17,904
Other income (charges)			
Foreign exchange gain		**192**	58
Interest income		**20**	6
Gain (loss) on disposal of property, plant and equipment		**165**	(57)
Other income (charges)		**—**	(52)
		377	(45)
Income before taxes		**8,725**	7,653
Income taxes	25		
Current		**1,998**	831
Deferred		**388**	1,236
		2,386	2,067
Net income		**6,339**	5,586
Net income attributable to:			
Owners		**6,279**	5,537
Non-controlling interests		**60**	49
		6,339	5,586
Earnings per share	18		
Basic		**0.33**	0.29
Diluted		**0.33**	0.29

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

MTY Food Group Inc.

Condensed interim consolidated statements of comprehensive income

For the three-month periods ended February 28, 2015 and February 28, 2014

(unaudited)

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

	February 28, 2015	February 28, 2014
	$	$
Net income	**6,339**	5,586
Items that may be reclassified subsequently to profit or loss		
Foreign exchange impact of foreign subsidiaries	**(341)**	(18)
Other comprehensive loss	**(341)**	(18)
Total comprehensive income	**5,998**	5,568
Total comprehensive income attributable to:		
Owners	**5,938**	5,519
Non-controlling interest	**60**	49
	5,998	5,568

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

MTY Food Group Inc.

Condensed interim consolidated statements of changes in shareholders' equity

For the three-month periods ended February 28, 2015 and February 28, 2014
(unaudited)
(In thousands of Canadian dollars, except per share amounts)

	Equity attributable to owners						
	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total	Equity attributable to non-controlling interest	Total
	$	$	$	$	$	$	$
Balance as at November 30, 2013	19,792	481	6	105,993	126,272	4,537	130,809
Net income and comprehensive income for the year ended November 30, 2014	—	—	—	25,426	25,426	(19)	25,407
Other comprehensive income	—	—	(20)	—	(20)	—	(20)
Acquisition of a portion of the non-controlling interest in 7687567 Canada Inc. (note 10)	—	—	—	(407)	(407)	160	(247)
Acquisition of 8825726 Canada Inc.	—	—	—	—	—	300	300
Dividends	—	—	—	(6,501)	(6,501)	(55)	(6,556)
Balance as at November 30, 2014	19,792	481	(14)	124,511	144,770	4,923	149,693
Net income for the period ended February 28, 2015	**—**	**—**	**—**	**6,279**	**6,279**	**60**	**6,339**
Other comprehensive income	**—**	**—**	**(341)**	**—**	**(341)**	**—**	**(341)**
Acquisition of a portion of the non-controlling interest in 7687567 Canada Inc. (Note 10)	**—**	**—**	**—**	**(23)**	**(23)**	**123**	**100**
Dividends	**—**	**—**	**—**	**(1,912)**	**(1,912)**	**(30)**	**(1,942)**
Balance as at February 28, 2015	**19,792**	**481**	**(355)**	**128,855**	**148,773**	**5,076**	**153,849**

The following dividends were declared and paid by the Company:

	February 28, 2015	February 28, 2014
	$	$
$0.100 per common share (2014 - $0.085 per common share)	**1,912**	1,625

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

MTY Food Group Inc.

Condensed interim consolidated statements of financial position

As at February 28, 2015 and February 28, 2014

(unaudited)

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

	Notes	**February 28, 2015**	November 30, 2014
		$	$
Assets			
Current assets			
Cash		**4,548**	6,589
Accounts receivable	7	**16,262**	15,987
Income taxes receivable		**1,569**	—
Inventories	8	**1,307**	1,566
Loans receivable	9	**176**	181
Investment in subsidiary held-for-sale	10	**1,836**	1,691
Prepaid expenses and deposits		**1,004**	1,017
		26,702	27,031
Loans receivable	9	**453**	505
Property, plant and equipment	11	**7,694**	6,741
Intangible assets	12	**112,486**	107,484
Goodwill	13	**54,771**	54,374
		202,106	196,135
Liabilities and Shareholders' equity			
Liabilities			
Current liabilities			
Line of credit	14	**8,874**	11,750
Accounts payable and accrued liabilities		**16,782**	13,214
Provisions	15	**3,074**	3,053
Income taxes payable		**—**	716
Deferred revenue and deposits	16	**3,673**	3,709
Current portion of long-term debt	17	**4,666**	4,035
		37,069	36,477
Long-term debt	17	**4,361**	3,814
Deferred income taxes		**6,827**	6,151
		48,257	46,442
Commitments, guarantee and contingent liabilities	22, 23, 24		

MTY Food Group Inc.

Condensed interim consolidated statements of financial position (continued)

As at February 28, 2015 and February 28, 2014

(unaudited)

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

	Notes	**February 28, 2015**	November 30, 2014
		$	$
Shareholders' equity			
Equity attributable to owners			
Capital stock		**19,792**	19,792
Contributed surplus		**481**	481
Accumulated other comprehensive income		**(355)**	(14)
Retained earnings		**128,855**	124,511
		148,773	144,770
Equity attributable to non-controlling interest		**5,076**	4,923
		153,849	149,693
		202,106	196,135

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

Approved by the Board on April 8, 2015

____, Director

____, Director

MTY Food Group Inc.

Condensed interim consolidated statements of cash flows

For the three-month periods ended February 28, 2015 and February 28, 2014
(unaudited)
(In thousands of Canadian dollars, except per share amounts)

	Notes	**February 28, 2015**	February 28, 2014
		$	$
Operating activities			
Net income		**6,339**	5,586
Items not affecting cash:			
Interest on long-term debt		**89**	91
Depreciation – property, plant and equipment		**307**	245
Amortization – intangible assets		**1,679**	1,452
(Gain) loss on disposal of property, plant and equipment		**(165)**	57
Unrealized foreign exchange loss		**(67)**	(5)
Unrealized foreign exchange loss on other comprehensive income		**(341)**	(18)
Other income		**—**	52
Income tax expense		**2,386**	2,067
Deferred revenue		**(101)**	97
		10,126	9,624
Income tax refunds received		**—**	25
Income taxes paid		**(4,283)**	(2,590)
Interest paid		**(21)**	(23)
Variation in valuation of subsidiary classified as held for sale		**(45)**	—
Changes in non-cash working capital items	27	**2,191**	1,692
Cash flows provided by operating activities		**7,968**	8,728
Investing activities			
Net cash outflow on acquisitions		**(4,977)**	—
Additions to property, plant and equipment		**(920)**	(252)
Additions to intangible assets		**(4)**	(23)
Adjustment to price of acquisition		**—**	(207)
Proceeds on disposal of property, plant and equipment		**754**	244
Cash flows used in investing activities		**(5,147)**	(238)

MTY Food Group Inc.

Condensed interim consolidated statements of cash flows (continued)

For the three-month periods ended February 28, 2015 and February 28, 2014

(unaudited)

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

	Notes	February 28, 2015	February 28, 2014
		$	$
Financing activities			
Issuance of banker's acceptance		1,874	—
Repayment of banker's acceptance		(4,750)	—
Repayment of long-term debt		(69)	(371)
Dividends paid to non-controlling shareholders of subsidiaries		(30)	(30)
Dividends paid		(1,912)	(1,625)
Cash flows used in financing activities		(4,887)	(14,026)
Net decrease in cash		(2,066)	(5,536)
Cash, beginning of period		6,589	6,136
Cash acquired		25	—
Cash, end of period		4,548	600

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

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1. Description of the business

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

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

2. Basis of preparation

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value and for provisions that have been measured at management's best estimate. The condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company, and tabular amounts are rounded to the nearest thousand ($000) except when otherwise indicated.

Statement of compliance

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and apply the same accounting policies as those described in the Company's annual consolidated financial statements for the year ended November 30, 2014, prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements do not include all of the information required under IFRS for complete financial statements and should therefore be read in conjunction with the Company's annual consolidated financial statements for the year ended November 30, 2014. The Company's annual consolidated financial statements are available on the SEDAR website at www.sedar.com and on the Company's website at www.mtygroup.com.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on April 8, 2015.

Seasonality of interim operations

The operations of the Company can be seasonal and the results of operations for any interim period are not necessarily indicative of the results of operation for the full fiscal year or any future period.

2. Basis of preparation (continued)

Estimates, judgments and assumptions

The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. These estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are as those applied and described in the Company's audited annual consolidated financial statements for the year ended November 30, 2014.

3. Adoption of IFRS standards

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

Amendments to IAS 32, Financial Instruments: Presentation

The amendments to IAS32 clarify the requirements for offsetting a financial asset and liability in the financial statements. The implementation of these amendments did not have a significant impact on the Company's condensed interim consolidated financial statements.

4. Consolidation

a) Subsidiaries

An entity is considered as a subsidiary when it is controlled by the Company or indirectly through its subsidiaries. A Company controls an entity if and only if it has all of the following:

- Holds power over the entity;
- Is exposed or has rights to variable returns from its involvement with the entity; and
- Has the ability to use its power over the entity to affect the amount of returns it obtains.

Management must make significant judgments when it assesses these various elements and all related facts and circumstances as a whole to determine whether control exists.

The Company reassesses whether it controls an entity if facts and circumstances indicate that one or more of the above-listed points have changed. The consolidated financial statements include the Company's accounts and the accounts of its subsidiaries. Subsidiaries are consolidated from the date the Company obtains control until the date the Company ceases to have control. All intercompany balances, revenues and expenses and cash flows are fully eliminated upon consolidation. When necessary, adjustments are made to the financial statements of the subsidiaries in order to align their accounting policies with those of the Company.

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

4. Consolidation (continued)

b) Non-controlling interests

Non-controlling interests are recognized in equity separately from the equity attributable to the Company's shareholders. Changes in the Company's ownership interests in a subsidiary that do not result in loss of control over that subsidiary are recognized in equity. The carrying amounts of equity attributable to the Company's shareholders and of non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

5. Future accounting changes

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standard Board ("IASB") that are not yet effective for the period ended February 28, 2015, and have not been applied in preparing these condensed interim consolidated financial statements.

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

Effective for annual periods beginning on or after:

IFRS 9 Financial Instruments	January 1, 2018	Early adoption permitted
IFRS 15 Revenue from contracts with customers	January 1, 2017	Early adoption permitted

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

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

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

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

6. Business acquisitions

I) 2015 acquisition
On December 18, 2014, the Company acquired the assets of Manchu Wok, Wasabi Grill & Noodle and SenseAsian for a total consideration of $7,889. The purpose of the transaction was to further diversify the Company's range of offering.

	2015
	$
Consideration paid:	
Purchase price	7,889
Discount on non-interest bearing holdback	(81)
Net obligations assumed	(1,662)
Net purchase price	6,146
Holdbacks (Note 17)	(1,169)
Net cash outflow	4,977

The preliminary purchase price allocation is as follows:

	2015
	$
Net assets acquired:	
Current assets	
Cash	25
Inventories	146
Prepaid expense and deposits	309
	480
Property, plant and equipment	930
Franchise rights	1,003
Trademark	5,596
Goodwill [1]	397
	8,406
Current liabilities	
Security & construction deposits	1,768
Deferred revenues	65
Gift card liability	139
Deferred income taxes	288
	2,260
Net purchase price	6,146

[1] Goodwill is deductible for tax purposes

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

6. Business acquisitions (continued)

I) 2015 acquisition (continued)

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

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

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

II) 2014 acquisition

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

	2014
	$
Consideration paid:	
Purchase price	12,925
Net obligations assumed	(284)
Net purchase price	12,641
Balance of sale (Note 17)	(1,250)
Net cash outflow	11,391
Sources of funds:	
Cash	2,700
Issuance of shares to non-controlling interest	300
Balance of sale (Note 17)	1,250
Line of credit (Note 14)	7,141
	11,391

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

6. Business acquisitions (continued)

II) 2014 acquisition (continued)

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

[1] Goodwill is deductible for tax purposes

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

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

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

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

6. Business acquisitions (continued)

III) 2014 acquisition

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

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

The preliminary purchase price allocation is as follows:

	2014
	$
Net assets acquired:	
Current assets	
Cash	13
Accounts receivable	14
Inventories	77
Prepaid expense and deposits	116
	220
Property, plant and equipment	1,743
Franchise rights	3,717
Trademark	3,763
Goodwill (1)	5,127
	14,570

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

6. Business acquisitions (continued)

III) 2014 acquisition (continued)

	2014
	$
Current liabilities	
Accrued liabilities	418
Deferred revenues	122
	540
Deferred income taxes	165
	705
Net purchase price	13,865

(1) Goodwill is deductible for tax purposes

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

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

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

IV) 2014 acquisition

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

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

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

6. Business acquisitions (continued)

IV) 2014 acquisition (continued)

The purchase price allocation is as follows:

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

[1] Goodwill is deductible for tax purposes

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

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

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

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

7. Accounts receivable

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

	February 28, 2015	November 30, 2014
	$	$
Total accounts receivable	**21,428**	20,292
Less : Allowance for doubtful accounts	**5,166**	4,305
Total accounts receivable, net	**16,262**	15,987
Of which:		
Not past due	**9,228**	10,958
Past due for more than one day but for no more than 30 days	**1,827**	618
Past due for more than 31 days but for no more than 60 days	**1,341**	886
Past due for more than 61 days	**3,866**	3,525
Total accounts receivable, net	**16,262**	15,987
Allowance for doubtful accounts beginning of year	**4,305**	2,287
Additions	**905**	2,937
Write-off	**(44)**	(919)
Allowance for doubtful accounts end of period	**5,166**	4,305

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

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

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

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

8. Inventories

	February 28, 2015	November 30, 2014
	$	$
Raw materials	**1,036**	803
Finished goods	**271**	763
Total inventories	**1,307**	1,566

Inventories are presented net of a $7 allowance for obsolescence ($13 as at November 30, 2014). All of the inventories are expected to be sold within the next twelve months.

Inventories expensed during the three-month period ended February 28, 2015 was $5,207 (2014 - $5,558).

9. Loans receivable

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

	February 28, 2015	November 30, 2014
	$	$
Loans receivable, carrying no interest and without terms of repayment	**15**	15
Loans receivable bearing interest between nil and 11% per annum, receivable in monthly instalments of $20 in aggregate, including principal and interest, ending in March 2021	**614**	671
	629	686
Current portion	**(176)**	(181)
	453	505

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

9. Loans receivable (continued)

The capital repayments in subsequent years will be:

	$
2016	176
2017	264
2018	133
2019	19
2020	10
Thereafter	27
	629

10. Investment in subsidiary held-for-sale

In September, 2013, the Company put their 51% investment in 7687567 Canada Inc., a food processing plant in Saint-Romuald, Quebec, up for sale.

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

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

The value of the investment in subsidiary held-for-sale reported in the condensed interim consolidated statements of financial position is equal to 7687567 Canada Inc.'s net carrying value of assets less liabilities plus the value of a loan from the Company to 7687567 Canada Inc. No gains or losses were recognized in the Company's profit or loss. This investment represents a segment of the Company.

As at February 28, 2015, total assets and total liabilities for the investment were $4,919 and $3,366 respectively (2014 – $5,447 and $3,756 respectively).

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

11. Property, plant and equipment

Cost	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
Balance at November 30, 2013	1,135	2,276	3,179	2,349	598	30	9,567
Additions	—	22	211	171	18	42	464
Disposals	—	—	(914)	(672)	(18)	—	(1,604)
Additions through business combinations	—	—	782	1,006	—	—	1,788
Balance at November 30, 2014	1,135	2,298	3,258	2,854	598	72	10,215
Additions	**—**	**—**	**646**	**239**	**35**	**—**	**920**
Disposals	**(374)**	**(219)**	**(13)**	**(83)**	**—**	**—**	**(689)**
Additions through business combinations	**—**	**—**	**418**	**512**	**—**	**—**	**930**
Balance at February 28, 2015	**761**	**2,079**	**4,309**	**3,522**	**633**	**72**	**11,376**

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

11. Property, plant and equipment (continued)

Accumulated depreciation	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
Balance at November 30, 2013	—	236	1,713	979	398	28	3,354
Eliminated on disposal of assets	—	—	(485)	(247)	(18)	—	(750)
Depreciation expense	—	81	423	302	60	3	869
Balance at November 30, 2014	—	317	1,651	1,034	440	31	3,474
Eliminated on disposal of assets	—	**(31)**	**(59)**	**(9)**	**—**	**—**	**(99)**
Depreciation expense	—	**20**	**137**	**132**	**18**	**—**	**307**
Balance at February 28, 2015	—	**306**	**1,729**	**1,157**	**458**	**31**	**3,682**

Carrying amounts	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
November 30, 2014	1,135	1,981	1,607	1,820	158	41	6,741
February 28, 2015	**761**	**1,773**	**2,580**	**2,365**	**175**	**41**	**7,694**

Land, buildings and equipment with a carrying amount of $Nil as at February 28, 2015 (Nil as at November 30, 2014) have been pledged as security to secure borrowings of the Company's food processing division. The assets are grouped with the investment in subsidiary held-for-sale.

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

12. Intangible assets

Cost	Franchise and master franchise rights[1]	Trademarks	Step-in rights	Leases	Other[2]	Total
	$	$	$	$	$	$
Balance at November 30, 2013	58,423	58,242	1,199	1,000	349	119,213
Additions	215	25	—	—	7	247
Impairment	—	(2,356)	—	—	—	(2,356)
Acquisition through business combinations	11,080	7,173	—	—	347	18,600
Balance at November 30, 2014	69,718	63,084	1,199	1,000	703	135,704
Additions	**—**	**3**	**—**	—	**1**	**4**
Foreign exchange	**103**	**—**	**—**	—	—	**103**
Acquisition through business combinations	**1,003**	**5,596**	**—**	—	—	**6,599**
Balance at February 28, 2015	**70,824**	**68,683**	**1,199**	**1,000**	**704**	**142,410**

Accumulated amortization	Franchise and master franchise rights[1]	Trademarks	Step-in rights	Leases	Other[2]	Total
	$	$	$	$	$	$
Balance at November 30, 2013	21,342	—	20	740	33	22,235
Amortization	5,704	—	120	83	78	5,985
Balance at November 30, 2014	27,046	—	140	923	111	28,220
Foreign exchange	**25**	**—**	**—**	—	—	**25**
Amortization	**1,605**	**—**	**30**	**16**	**28**	**1,679**
Balance at February 28, 2015	**28,676**	**—**	**170**	**939**	**139**	**29,924**

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

12. Intangible assets (continued)

Carrying amounts	Franchise and master franchise rights[1]	Trademarks	Step-in rights	Leases	Other[2]	Total
	$	$	$	$	$	$
November 30, 2014	42,672	63,084	1,059	77	592	107,484
February 28, 2015	**42,148**	**68,683**	**1,029**	**61**	**565**	**112,486**

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

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

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

	February 28, 2015	November 30, 2014
	$	$
Taco Time	**1,500**	1,500
La Crémière	**9**	9
Croissant Plus	**125**	125
Cultures	**500**	500
Thai Express	**145**	145
Mrs Vanelli's	**2,700**	2,700
Sushi Shop	**1,600**	1,600
Tutti Frutti	**1,100**	1,100
Koya	**1,253**	1,253
Country Style	**1,740**	1,740
Valentine	**3,338**	3,338
Jugo Juice	**5,425**	5,425
Mr. Sub	**11,310**	11,307
Koryo	**1,135**	1,135
Mr. Souvlaki	**300**	300
Extreme Pita	**8,001**	8,001
Mucho Burrito	**9,816**	9,816
ThaïZone	**7,417**	7,417
Madisons New York Grill & Bar	**3,410**	3,410
Café Dépôt	**2,959**	2,959
Muffin Plus	**371**	371
Sushi-Man	**434**	434

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

12. Intangible assets (continued)

	February 28, 2015	November 30, 2014
	$	$
Van Houtte	347	347
Manchu Wok	5,596	—
	70,530	64,931

13. Goodwill

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

	February 28, 2015	November 30, 2014
	$	$
Balance, beginning of year	54,374	46,095
Additional amounts recognized from business acquisitions (Note 6)	397	8,279
Balance, end of year	54,771	54,374

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

14. Credit facilities

As at February 28, 2015, the Company has access to an authorized revolving credit facility of $30,000 and a treasury risk facility of $1,000. One of the Company's subsidiaries also has access to a $10,000 credit facility under the same terms and conditions. Bank indebtedness's are secured by a moveable hypothec on all the assets of the Company.

The revolving credit facility bears interest at the bank's prime rate for advances in C$ (or the bank's U.S. base rate for advance in US$) plus a margin not exceeding 0.5% established based on the Company's funded debt/EBITDA ratio. As at February 28, 2015, the bank's prime rate was 2.85%.

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

Under the terms of the credit facilities, the Company must satisfy a funded debt to EBITDA ratio of 2 to 1 and a minimum interest coverage ratio of 4.5 to 1. The credit facility is payable on demand and is renewable annually. As at February 28, 2015, $8,874 was drawn from the facilities in the form of banker's acceptance, with maturity dates ranging from March 2015 to August 2015. The Company is in compliance with the facility's covenants.

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

15. Provisions

Included in provisions are the following amounts:

	February 28, 2015	November 30, 2014
	$	$
Litigations and disputes	**751**	546
Closed stores	**720**	768
	1,471	1,314
Gift card liabilities/loyalty programs liabilities	**1,603**	1,739
Total	**3,074**	3,053

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

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

In the litigation and disputes and closed store provisions above, $34 (2014 - $0) was unused and reversed into income. The amounts used in the year include $91 (2014 - $110) of the provisions for disputes and closed stores; this amount was used for the settlement of litigation and for the termination of the leases of closed stores.

Additions during the year include $282 (2014 - $260) to the litigation and closed stores provisions. The provisions were increased to reflect new information available to management.

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

16. Deferred revenue and deposits

	February 28, 2015	November 30, 2014
	$	$
Franchise fee deposits	**2,220**	2,388
Supplier contributions and other allowances	**1,453**	1,321
	3,673	3,709
Current portion	**(3,673)**	(3,709)
	—	—

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

17. Long-term debt

	February 28, 2015	November 30, 2014
	$	$
Non-interest bearing holdbacks on acquisition of Mr. Souvlaki, repayable September 2015	**88**	88
Non-interest bearing holdbacks on acquisition of Extreme Brandz, repayable between March 2015 and March 2016.	**4,379**	4,347
Non-interest bearing holdbacks on acquisition of ThaïZone, repayable between March and September 2015.	**1,170**	1,156
Non-interest bearing contract cancellation fees, payable in US dollars based on the performance of certain stores	**99**	96
Non-interest bearing holdbacks on acquisition of Café Dépôt, repayable between July 2015 and October 2016.	**988**	974
Balance of sale on acquisition of Madisons, bearing interest at 7.00%, repayable in quarterly capital payments of $62 and expiring in July 2019	**1,125**	1,188
Non-interest bearing holdbacks on acquisition of Manchu Wok, repayable between December 2015 and December 2016.	**1,178**	—
	9,027	7,849
Current portion	**(4,666)**	(4,035)
	4,361	3,814

18. Earnings per share

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

	February 28, 2015	November 30, 2014
Weighted daily average number of common shares	**19,120,567**	19,120,567

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

19. Financial instruments

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

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:

	February 28, 2015		November 30, 2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Cash	**4,548**	**4,548**	6,589	6,589
Accounts receivable	**16,262**	**16,262**	15,987	15,987
Loans receivable	**629**	**629**	686	686
Financial liabilities				
Line of credit	**8,874**	**8,874**	11,750	11,750
Accounts payable and accrued liabilities	**16,782**	**16,782**	13,214	13,214
Long-term debt	**9,027**	**9,027**	7,849	7,849

Determination of fair value

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

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

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

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

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

20. Revenues

The Company's revenues include:

	February 28, 2015	February 28, 2014
	$	$
Royalties	**12,406**	10,234
Initial franchise fees	**571**	1,354
Rent	**1,043**	1,214
Sale of goods, including construction revenues	**12,479**	8,030
Other franchising revenue	**4,885**	3,951
Other	**980**	819
	32,364	25,602

21. Operating expenses

Operating expenses are broken down as follows:

	February 28, 2015	February 28, 2014
	$	$
Cost of goods sold and rent	**10,434**	8,146
Wages and benefits	**7,586**	4,580
Consulting and professional fees	**771**	772
Royalties	**270**	248
Other (1)	**2,880**	2,370
	21,941	16,116

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

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

22. Operating lease arrangements

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

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

	Lease commitments	Sub-leases	Net commitments
	$	$	$
2016	67,128	62,123	5,005
2017	73,276	68,081	5,195
2018	64,759	60,383	4,376
2019	57,384	53,982	3,402
2020	49,585	46,644	2,941
Thereafter	118,799	110,024	8,775
	430,931	**401,237**	**29,694**

Payments recognized as a net expense during the three-month period ended February 28, 2015 amount to $3,879 (2014 - $2,027).

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

During the period, the Company earned rental revenue of $1,043 (2014 - $1,214).

The Company has recognized a liability of $720 (November 30, 2014 - $768) for the leases of premises in which it no longer has operations but retains the obligations contained in the lease agreement (Note 15).

23. Guarantee

The Company has provided a guarantee in the form of a letter of credit for an amount of $45 (November 30, 2014 - $45).

24. Contingent liabilities

The Company is involved in legal claims associated with its current business activities. The Company's estimate of the outcome of these claims is disclosed in Note 15. The timing of the outflows, if any, is out of the control of the Company and is as a result undetermined at the moment.

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

25. Income taxes

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

	February 28, 2015		February 28, 2014	
	$	**%**	$	%
Combined income tax rate	**2,338**	**26.8**	2,028	26.5
Add effect of:				
Disposition of capital property	**—**	**—**	7	0.1
Non-deductible items	**4**	**0.0**	10	0.1
Losses of a subsidiary for which no future tax assets are recognized	**40**	**0.5**	—	—
Adjustment to prior year provisions			47	0.6
Other – net	**4**	**0.0**	(25)	(0.3)
Provision for income taxes	**2,386**	**27.3**	2,067	27.0

26. Segmented information

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

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

Franchising operations

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

Corporate store operations

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

Distribution operations

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

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

26. Segmented information (continued)

Food processing operations

The Food processing plant generates revenues from the sale of ingredients and prepared food to restaurant chains, distributors and retailers. In the last quarter of 2013, the food processing investment in subsidiary was reclassified as an investment in subsidiary held-for-sale.

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

For the three-month period ended February 28, 2015:

	Franchising	Corporate	Distribution	Processing[1]	Inter-company	Total
	$	$	$	$	$	$
Operating revenues	22,250	7,306	1,353	1,875	(420)	32,364
Operating expenses	11,986	7,244	1,235	1,896	(420)	21,941
	10,264	62	118	(21)	-	10,423
Other expenses						
Depreciation - property, plant and equipment	136	171	-	-	-	307
Amortization – intangible assets	1,679	-	-	-	-	1,679
Interest on long-term debt	89	-	-	-	-	89
Other income						
Foreign exchange gain (loss)	213	-	-	(21)	-	192
Interest income	9	-	-	11	-	20
Gain on disposal of property, plant and equipment	165	-	-	-	-	165
Operating income	8,747	(109)	118	(31)	-	8,725
Current income taxes	1,995	(29)	32	-	-	1,998
Deferred income taxes	388	-	-	-	-	388
Net income	6,364	(80)	86	(31)	-	6,339

[1] The assets and liabilities of the food processing plant are classified as Investment in subsidiary held for sale

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

26. Segmented information (continued)

For the three-month period ended February 28, 2014:

	Franchising	Corporate	Distribution	Processing[1]	Inter-company	Total
	$	$	$	$	$	$
Operating revenues	19,388	2,765	1,274	2,327	(152)	25,602
Operating expenses	10,096	2,669	1,184	2,319	(152)	16,116
	9,292	96	90	8	-	9,486
Other expenses						
Depreciation - property, plant and equipment	87	158	-	-	-	245
Amortization – intangible assets	1,452	-	-	-	-	1,452
Interest on long-term debt	91	-	-	-	-	91
Other income						
Foreign exchange gain (loss)	58	-	-	-	-	58
Interest income	6	-	-	-	-	6
Gain on disposal of property, plant and equipment	(52)	-	-	-	-	(52)
Investment income	(57)	-	-	-	-	(57)
Operating income	7,617	(62)	90	8	-	7,653
Current income taxes	824	(17)	24	-	-	831
Deferred income taxes	1,236	-	-	-	-	1,236
Net income	5,557	(45)	66	8	-	5,586

[1] The assets and liabilities of the food processing plant are classified as Investment in subsidiary held for sale

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

27. Statement of cash flows

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

	February 28, 2015	February 28, 2014
	$	$
Accounts receivable	**(275)**	1,365
Inventories	**405**	26
Loans receivable	**57**	141
Prepaid expenses and deposits	**322**	(284)
Accounts payable and accrued liabilities	**1,661**	(70)
Provisions	**21**	514
	2,191	1,692

28. Related party transactions

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

Compensation of key management personnel

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

	February 28, 2015	February 28, 2014
	$	$
Short-term benefits	**185**	183
Board member fees	**10**	11
Total remuneration of key management personnel	**195**	194

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

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

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

28. Related party transactions (continued)

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

	February 28, 2015	February 28, 2014
	$	$
Short-term benefits	**106**	111
Total remuneration of individuals related to key management personnel	**106**	111

A corporation owned by individuals related to key management personnel has non-controlling participation in two of the Company's subsidiaries. During the period ended February 28, 2015, dividends of $nil (2014 - $nil) were paid by those subsidiaries to the above-mentioned company.

29. Subsequent event

On March 23, 2015, the Company acquired the interest of the non-controlling shareholders of one of its subsidiaries (9286-5591 Quebec Inc., doing business as ThaïZone) for $800. Following this transaction, the Company has a 100% ownership of this subsidiary.