
Condensed
interim consolidated financial
statements of
MTY Food Group Inc.

For the three and six-month periods ended May 31, 2018 and May 31, 2017

MTY Food Group Inc.

Condensed interim consolidated statements of income

For the three and six-month periods ended May 31, 2018 and May 31, 2017

(unaudited)

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

Notice : The condensed interim consolidated financial statements of MTY Food Group Inc. for the three and six month periods ended May 31, 2017 have not been reviewed by an external auditor.

		Three months ended May 31		Six months ended May 31	
	Notes	2018	2017	2018	2017
		\$	\$	\$	\$
Revenue	13 and 17	89,829	69,962	153,544	133,978
Expenses					
Operating expenses	14 and 17	54,323	45,367	98,126	93,047
Depreciation – property, plant and equipment	7	846	571	1,382	1,557
Amortization – intangible assets	8	6,466	5,713	11,528	11,267
Interest on long-term debt		3,219	2,444	5,666	5,145
		64,854	54,095	116,702	111,016
Other income (charges)					
Unrealized and realized foreign exchange gain		89	5,984	49	619
Interest income		177	119	322	219
Gain on disposal of property, plant and equipment and intangible assets		172	458	181	744
Revaluation of financial liabilities recorded at fair value	12	(853)	—	(949)	—
Impairment of property, plant and equipment	7	(1,515)	—	(1,515)	—
		(1,930)	6,561	(1,912)	1,582
Income before taxes		23,045	22,428	34,930	24,544
Income tax (recovery) expense	16				
Current		4,278	5,920	10,770	7,854
Deferred		599	356	(39,389)	(1,537)
		4,877	6,276	(28,619)	6,317
Net income		18,168	16,152	63,549	18,227
Net income attributable to:					
Owners		18,040	16,033	63,372	18,048
Non-controlling interests		128	119	177	179
		18,168	16,152	63,549	18,227
Earnings per share	11				
Basic and diluted		0.72	0.75	2.72	0.84

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 and six-month periods ended May 31, 2018 and May 31, 2017

(unaudited)

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

	Three months ended May 31		Six months ended May 31	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net income	18,168	16,152	63,549	18,227
Items that may be reclassified subsequently to net income				
Unrealized gain on translation of foreign operations	4,565	4,855	2,889	904
Deferred tax expense on foreign currency translation adjustments	(345)	(743)	(149)	—
Other comprehensive income	4,220	4,112	2,740	904
Comprehensive income	22,388	20,264	66,289	19,131
Comprehensive income attributable to:				
Owners	22,260	20,145	66,112	18,952
Non-controlling interest	128	119	177	179
	22,388	20,264	66,289	19,131

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 and six-month periods ended May 31, 2018 and May 31, 2017

(unaudited)

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

	Reserves					Total Retained earnings	Total	Equity attributable to non-controlling interest	Total
	Capital stock	Other	Contributed surplus	Foreign currency translation	Total reserves				
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at November 30, 2016	114,545	—	481	2,615	3,096	192,543	310,184	682	310,866
Net income for the six-month period ended May 31, 2017	—	—	—	—	—	18,048	18,048	179	18,227
Other comprehensive income	—	—	—	904	904	—	904	—	904
Total comprehensive income							18,952		19,131
Dividends \$0.115 per common share per quarter	—	—	—	—	—	(4,916)	(4,916)	(17)	(4,933)
Acquisition of the non-controlling interest in 7687567 Canada Inc.	—	—	—	—	—	(26)	(26)	(4)	(30)
Acquisition of La Diperie	—	—	—	—	—	—	—	615	615
Acquisition of Steak Frites and Giorgio	—	—	—	—	—	—	—	16	16
Stock options	—	—	85	—	85	—	85	—	85
Balance as at May 31, 2017	114,545	—	566	3,519	4,085	205,649	324,279	1,471	325,750
Balance as at November 30, 2017	114,545	(850)	882	(13,145)	(13,113)	232,192	333,624	1,702	335,326
Net income for the six-month period ended May 31, 2018	—	—	—	—	—	63,372	63,372	177	63,549
Other comprehensive income	—	—	—	2,740	2,740	—	2,740	—	2,740
Total comprehensive income							66,112		66,289
Dividends \$0.15 per common share per quarter	—	—	—	—	—	(6,980)	(6,980)	(30)	(7,010)
Stock options	—	—	314	—	314	—	314	—	314
Acquisition of Imvescor (note 5)	197,144	—	—	—	—	—	197,144	—	197,144
Balance as at May 31, 2018	311,689	(850)	1,196	(10,405)	(10,059)	288,584	590,214	1,849	592,063

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 May 31, 2018 and November 30, 2017

(unaudited)

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

	Notes	May 31, 2018	November 30, 2017
		\$	\$
Assets			
Current assets			
Cash		45,748	56,453
Accounts receivable	6	45,173	34,151
Inventories		6,581	3,281
Loans receivable		2,483	2,817
Income taxes receivable		563	1,408
Other assets		970	1,163
Prepaid expenses and deposits		5,964	5,461
		107,482	104,734
Loans receivable		7,295	3,109
Deferred income tax		704	351
Property, plant and equipment	7	18,437	13,081
Intangible assets	8	722,469	506,134
Goodwill	9	339,053	226,936
		1,195,440	854,345
Liabilities and Shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		71,811	57,555
Provisions		80,129	75,331
Income taxes payable		21,592	19,273
Deferred revenue and deposits		23,379	20,844
Current portion of long-term debt	10	4,335	4,240
		201,246	177,243
Long-term debt	10	288,228	222,962
Deferred revenue and deposits		1,295	1,946
Deferred income taxes		112,608	116,868
		603,377	519,019

MTY Food Group Inc.**Condensed interim consolidated statements of financial position (continued)**

As at May 31, 2018 and November 30, 2017

(unaudited)

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

	May 31, 2018	November 30, 2017
	\$	\$
Shareholders' equity		
Equity attributable to owners		
Capital stock	311,689	114,545
Reserves	(10,059)	(13,113)
Retained earnings	288,584	232,192
	590,214	333,624
Equity attributable to non-controlling interest	1,849	1,702
	592,063	335,326
	1,195,440	854,345

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

Approved by the Board on July 10, 2018

_____, Director

_____, Director

MTY Food Group Inc.

Condensed interim consolidated statements of cash flows

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

	Three months ended May 31		Six months ended May 31	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating activities				
Net income	18,168	16,152	63,549	18,227
Adjusting items:				
Interest on long-term debt and amortization of deferred financing fees	3,219	2,652	5,666	5,559
Depreciation – property, plant and equipment	846	571	1,382	1,557
Amortization – intangible assets	6,466	5,713	11,528	11,267
Gain on disposal of property, plant and equipment and intangible assets	(172)	(458)	(181)	(744)
Impairment – property, plant and equipment	1,515	—	1,515	—
Loss on revaluation of financial liabilities recorded at fair value through profit and loss	853	—	949	—
Unrealized foreign exchange (loss)	(1,251)	(6,678)	(1,107)	(532)
Income tax expense (recovery)	4,877	6,276	(28,619)	6,317
Deferred revenue and deposits	1,203	3,256	1,231	2,964
Share based payments	159	85	314	85
	35,883	27,569	56,227	44,700
Income taxes paid	(3,082)	(2,902)	(7,565)	(8,513)
Interest paid	(2,632)	(1,946)	(4,524)	(4,111)
Changes in non-cash working capital items	(4,790)	5,137	(5,754)	12,578
Cash flows provided by operating activities	25,379	27,858	38,384	44,654
Investing activities				
Net cash outflow on acquisition	(55)	(674)	(80,285)	(1,497)
Additions to property, plant and equipment	(1,185)	(538)	(1,379)	(1,364)
Additions to intangible assets	(708)	(104)	(724)	(230)
Proceeds on disposal of property, plant and equipment and intangibles	354	2,357	385	3,144
Cash flows (used in) provided by investing activities	(1,594)	1,041	(82,003)	53

MTY Food Group Inc.**Condensed interim consolidated statements of cash flows (continued)**

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

	Three months ended May 31		Six months ended May 31	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financing activities				
Increase in term revolving credit facility	66,000	—	121,000	—
Repayment of long-term debt	(81,073)	(3,219)	(81,076)	(11,052)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	(30)	(17)
Dividends paid	(3,774)	(2,458)	(6,980)	(4,916)
Cash flows (used in) provided by financing activities	(18,847)	(5,677)	32,914	(15,985)
Net increase (decrease) in cash	4,938	23,222	(10,705)	28,722
Cash, beginning of period	40,810	41,760	56,453	36,260
Cash end of period	45,748	64,982	45,748	64,982

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

MTY Food Group Inc.

Table of contents

1.	Description of the business	10
2.	Basis of preparation	10
3.	Adoption of IFRS standards	12
4.	Future accounting changes	12
5.	Business acquisitions	14
6.	Accounts receivable	20
7.	Property, plant and equipment	21
8.	Intangible assets	22
9.	Goodwill	24
10.	Long-term debt	25
11.	Earnings per share	25
12.	Financial instruments	26
13.	Revenue	29
14.	Operating expenses	29
15.	Operating lease arrangements	30
16.	Income taxes	31
17.	Segmented information	32
18.	Statement of cash flows	35
19.	Related party transactions	36
20.	Subsequent Events	37

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

1. Description of the business

MTY Food Group Inc. (the “Company”) is a franchisor in the quick service and casual dining food industry. Its activities consist of franchising and operating corporate-owned locations 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 (“financial statements”) have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

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 International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including 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, 2017, prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”), with the exception of those identified in Note 3.

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

2. Basis of preparation (continued)

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, 2017. 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 July 10, 2018.

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.

The Company expects that seasonality will 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; given the addition of Cold Stone Creamery, which is now MTY's largest concept and which is also extremely seasonal, this pattern is expected to be more important in the future. This is generally as a result of higher traffic in the street front locations, higher sales from seasonal locations only operating during the summer months and higher sales from shopping centre locations. Sales for shopping mall locations are also higher than average in December during the Christmas shopping period.

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, 2017.

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

3. Adoption of IFRS standards

The following standards issued by the IASB were adopted by the Company on December 1, 2017.

Amendment to IAS 12, Income taxes

The amendment to IAS 12 provided further clarification with regards to the recognition of deferred tax assets for unrealized losses. The adoption amendment did not have a significant impact on the Company's financial statements.

IAS 7, Statement of Cash Flows

IAS 7 has been amended to provide additional presentation related to the changes in liabilities arising from financing activities such as: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The adoption of the amended version of this standard had no impact on the Company's financial statements, except for new disclosure requirements that are presented in note 18.

4. 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 May 31, 2018, 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:

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

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

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

4. Future accounting changes (continued)

IFRS 15 replaces the following standards: *IAS 11 Construction Contracts*, *IAS 18 Revenue*, *IFRIC 13 Customer Loyalty Programmes*, *IFRIC 15 Agreements for the Construction of Real Estate*, *IFRIC 18 Transfers of Assets from Customers* and *SIC-31 Revenue – Barter Transactions Involving Advertising Services*. This new standard sets out the requirements for recognizing and disclosing revenue that apply to all contracts with customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

On April 12, 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

On January 13, 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes *IAS 17 Leases* and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019 with earlier application permitted for companies that have also adopted *IFRS 15, Revenue from Contracts with Customers*.

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

IFRIC 23 clarifies the accounting for uncertainties in income taxes.

The Company is in the process of assessing the impact of these standards on its consolidated financial statements. Although the extent of the impact has not yet been determined, the Company expects that the adoption of IFRS 15 and IFRS 16 will result in material changes to its consolidated statement of income and consolidated statement of financial position.

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

5. Business acquisitions

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

On December 1, 2017, the Company completed the acquisition of all the limited liability company interests in CB Franchise Systems, LLC and Built Franchise Systems, LLC. The total consideration for the transaction was \$30,961 (US\$ 24,323). The acquisition remains subject to post-closing working capital adjustments. The purpose of the transaction was to diversify the Company's range of offering as well as to complement existing MTY brands.

	2018
	\$
Consideration paid:	
Purchase price	28,893
Repayment of external debt	1,261
Working capital	1,141
Discount on non-interest-bearing holdback	(334)
Net purchase price	30,961
Holdback	(2,625)
Less cash acquired	(34)
Net consideration paid/cash outflow	28,302

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

5. Business acquisitions (continued)

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

The preliminary purchase price allocation is as follows:

	2018
Net assets acquired:	\$
Current assets	
Cash	34
Accounts receivable	426
Inventory	71
Prepaid expenses and deposits	87
	618
Property, plant and equipment	633
Franchise rights	9,165
Trademarks	16,802
Goodwill ⁽¹⁾	5,146
	32,364
Current liabilities	
Accounts payable and accrued liabilities	956
Unredeemed gift card liability	291
Deferred revenues	104
Deferred income tax	52
	1,403
Net purchase price	30,961

⁽¹⁾ Goodwill is deductible for tax purposes

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

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

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

5. Business acquisitions (continued)

II) Acquisition of Invescor Restaurant Group Inc.

On March 1, 2018, the Company, through the merger of a wholly-owned subsidiary with Invescor Restaurant Group Inc. ("IRG"), acquired all the outstanding shares of IRG.

The total consideration for the transaction was \$249,517. The purpose of the transaction was to diversify the Company's range of offering with a highly scalable portfolio of recognized restaurant brands and concepts.

	2018
	\$
Consideration paid:	
Cash and amount paid for early settlement of options	52,373
Shares issued	197,144
Total consideration	249,517
Less cash acquired	(4,702)
Total merger consideration	244,815

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

5. Business acquisitions (continued)

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

The preliminary purchase price allocation is as follows:

	2018
Net assets acquired:	\$
Current assets	
Cash	4,702
Accounts receivable	11,121
Inventory	214
Prepaid expenses and deposits	387
	16,424
Notes receivable	915
Property, plant and equipment under construction	567
Property, plant and equipment	6,248
Franchise rights	70,200
Trademarks	125,700
Goodwill ⁽¹⁾	104,403
	324,457
Current liabilities	
Accounts payable and accrued liabilities	13,967
Unredeemed gift card liability	4,800
Deferred revenues	549
Income tax payable	390
	19,706
Credit facility	20,000
Deferred income tax	35,234
	74,940
Net purchase price	249,517

⁽¹⁾ Goodwill is not deductible for tax purposes

Total expenses incurred related to acquisition costs amounted to approximately \$1,600 which includes an amount for the unvested stock options that were settled on acquisition of \$703.

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

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

5. Business acquisitions (continued)

III) Acquisition of Grabbagreen

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

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

The preliminary purchase price allocation is as follows:

	2018
Net assets acquired:	\$
Current assets	
Prepaid expenses and deposits	17
Property, plant and equipment	73
Franchise rights	377
Trademarks	2,070
Goodwill ⁽¹⁾	918
	3,455
Current liabilities	
Unredeemed gift card liability	46
Net purchase price	3,409

⁽¹⁾ Goodwill is deductible for tax purposes

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.

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

5. Business acquisitions (continued)

IV) Acquisition of Timothy's World Coffee and Mmmuffins

On April 4, 2018, the Company completed its acquisition of the assets of Timothy's World Coffee and Mmmuffins. The total consideration for the transaction was \$1,529. The purpose of the transaction was to diversify the Company's range of offering as well as to complement existing MTY brands.

	2018
	\$
Consideration paid:	
Purchase price	1,675
Net obligations assumed	(130)
Discount on non-interest-bearing holdback	(16)
Net purchase price	1,529
Holdback	(301)
Less cash acquired	(3)
Net consideration paid/cash outflow	1,225

The preliminary purchase price allocation is as follows:

	2018
	\$
Net assets acquired:	
Current assets	
Cash	3
Inventory	64
Prepaid expenses and deposits	43
	110
Property, plant and equipment	100
Franchise rights	417
Perpetual license	232
Goodwill ⁽¹⁾	846
	1,705
Current liabilities	
Accounts payable and accrued liabilities	101
Unredeemed gift card liability	75
	176
Net purchase price	1,529

⁽¹⁾ Goodwill is deductible for tax purposes

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.

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

6. Accounts receivable

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

	May 31, 2018	November 30, 2017
	\$	\$
Total accounts receivable	55,298	43,762
Less: Allowance for doubtful accounts	(10,125)	(9,611)
Total accounts receivable, net	45,173	34,151
Of which:		
Not past due	38,014	25,885
Past due for more than one day but for no more than 30 days	2,236	1,568
Past due for more than 31 days but for no more than 60 days	504	1,483
Past due for more than 61 days	4,419	5,215
Total accounts receivable, net	45,173	34,151

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

7. Property, plant and equipment

Cost	Land	Buildings	Leasehold improve- ments	Equipment	Computer hardware	Rolling stock	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at November 30, 2016	1,236	3,778	5,495	8,568	869	149	20,095
Additions	—	223	873	1,522	191	6	2,815
Disposals	—	(12)	(1,921)	(2,026)	(28)	(14)	(4,001)
Foreign exchange	—	—	1	(89)	(8)	(3)	(99)
Additions through business combinations	—	—	831	567	—	—	1,398
Balance at November 30, 2017	1,236	3,989	5,279	8,542	1,024	138	20,208
Additions	—	58	9	1,245	35	31	1,378
Disposals	—	—	(35)	(457)	—	—	(492)
Additions through business combinations (note 5)	—	—	3,230	2,542	1,015	267	7,054
Foreign exchange	—	—	1	11	—	1	13
Impairment	—	—	(1,024)	(880)	—	—	(1,904)
Balance at May 31, 2018	1,236	4,047	7,460	11,003	2,074	437	26,257

Accumulated depreciation	Land	Buildings	Leasehold improve- ments	Equipment	Computer hardware	Rolling stock	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at November 30, 2016	—	804	1,934	2,852	386	32	6,008
Eliminated on disposal of assets	—	(7)	(836)	(720)	(12)	(14)	(1,589)
Foreign exchange	—	—	3	(17)	(2)	—	(16)
Depreciation expense	—	175	733	1,615	176	25	2,724
Balance at November 30, 2017	—	972	1,834	3,730	548	43	7,127
Eliminated on disposal of assets	—	—	(19)	(286)	—	—	(305)
Foreign exchange	—	—	—	5	—	—	5
Depreciation expense	—	90	416	677	163	36	1,382
Impairment	—	—	(157)	(232)	—	—	(389)
Balance at May 31, 2018	—	1,062	2,074	3,894	711	79	7,820

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

7. Property, plant and equipment (continued)

Carrying amounts	Land	Buildings	Leasehold improve- ments	Equipment	Computer hardware	Rolling stock	Total
	\$	\$	\$	\$	\$	\$	\$
November 30, 2017	1,236	3,017	3,445	4,812	476	95	13,081
May 31, 2018	1,236	2,985	5,386	7,109	1,363	358	18,437

During the three-month period ended May 31, 2018, as the result of a decline in the financial performance in certain corporate stores of its Canadian operations, the Company carried out a review of the recoverable amounts of the related capitals assets. The review led to the recognition of a non-cash impairment loss of \$1,515 composed of leasehold improvements and equipment.

8. Intangible assets

Cost	Franchise and master franchise rights	Trademarks	Step-in rights	Leases	Other ⁽¹⁾	Total
	\$	\$	\$	\$	\$	\$
Balance at November 30, 2016	245,055	323,261	1,199	908	1,294	571,717
Additions	97	5	—	—	351	453
Disposals	(3,050)	(24)	—	(170)	—	(3,244)
Acquisition through business combinations	7,899	10,633	—	—	—	18,532
Foreign exchange	(7,229)	(10,421)	—	—	—	(17,650)
Impairment	(309)	(731)	—	—	—	(1,040)
Balance at November 30, 2017	242,463	322,723	1,199	738	1,645	568,768
Additions	—	—	—	—	724	724
Acquisition through business combinations (note 5)	80,159	144,572	—	—	232	224,963
Foreign exchange	956	1,439	—	—	—	2,395
Balance at May 31, 2018	323,578	468,734	1,199	738	2,601	796,850

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

8. Intangible assets (continued)

Accumulated amortization	Franchise and master franchise rights	Trademarks	Step-in rights	Leases	Other ⁽¹⁾	Total
	\$	\$	\$	\$	\$	\$
Balance at November 30, 2016	44,138	—	380	905	227	45,650
Disposals	(2,584)	—	—	(170)	—	(2,754)
Foreign exchange	(400)	—	—	—	—	(400)
Amortization	19,792	—	120	3	263	20,178
Impairment	(40)	—	—	—	—	(40)
Balance at November 30, 2017	60,906	—	500	738	490	62,634
Disposals	—	—	—	—	—	—
Foreign exchange	219	—	—	—	—	219
Amortization	11,339	—	60	—	129	11,528
Balance at May 31, 2018	72,462	—	560	738	621	74,381

Carrying amounts	Franchise and master franchise rights	Trademarks	Step-in rights	Leases	Other ⁽¹⁾	Total
	\$	\$	\$	\$	\$	\$
November 30, 2017	181,557	322,723	699	—	1,155	506,134
May 31, 2018	251,116	468,734	639	—	1,980	722,469

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

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

9. Goodwill

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

	May 31, 2018	November 30, 2017
	\$	\$
Balance, beginning of year	226,936	220,928
Additional amounts recognized from business acquisitions (note 5)	111,313	12,586
Foreign exchange	804	(6,578)
Balance, end of period	339,053	226,936

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

10. Long-term debt

	May 31, 2018	November 30, 2017
	\$	\$
Non-interest bearing contract cancellation fees and holdbacks on acquisitions	15,487	11,367
Fair value of promissory notes related to the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar, repayable October 2019 and June 2022 (note 12)	6,742	5,436
Fair value non-controlling interest buyback obligation in 10220396 Canada Inc (note 12) ⁽¹⁾	1,036	1,026
Fair value non-controlling interest option in 9974644 Canada Inc. (note 12) ⁽²⁾	634	1,001
Revolving credit facility payable to a syndicate of lenders. ⁽³⁾	270,522	210,522
Credit facility financing costs	(1,858)	(2,150)
	292,563	227,202
Current portion	(4,335)	(4,240)
	288,228	222,962

(1) Payable at the earlier of 3 years from the date option is exercised or June 2022.

(2) Payable on demand

(3) Under the revolving credit facility, the Company has the option to draw funds in Canadian or in US dollars, at its discretion. The facility's maturity is July 21, 2021 and must be repaid in full at that time. As at May 31, 2018, the Company had drawn US\$-Nil and CA\$270,522 (2017-US\$Nil CA\$210,522) and had elected to pay interest based on LIBOR and CDOR plus the applicable margins.

11. Earnings per share

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

	Three months ended May		Six months ended May	
	2018	2017	2018	2017
Weighted daily average number of common shares ⁽¹⁾	25,160,493	21,374,497	23,288,297	21,374,497

(1) The 200,000 stock options outstanding did not have a dilutive effect for the three and six month periods ending May 31, 2018.

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

12. 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

Promissory notes

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

A fair value re-measurement of \$1,315 was recorded for these promissory notes for the three-month period ended and of \$1,306 for the six-month period ended May 31, 2018 (2017-\$nil).

Obligations to repurchase non-controlling interests

The Company has entered into an agreement to purchase the shares of a minority interest shareholder of 9974644 Canada Inc. at the option of the holder at anytime after December 9, 2017. The consideration is based on a multiplier of EBITDA, as prescribed by the terms of the shareholder agreement. As a result, the Company recorded a liability at fair value (note 10) re-measured at each reporting period.

A fair value re-measurement of \$(415) for the three-month period ended May 31, 2018 of \$(367) for the six-month period ended May 31, 2018 (2017-\$nil) was recorded for this non-controlling interest obligation.

The Company, in conjunction with the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar, entered into an agreement to acquire the non-controlling interest in 10220396 Canada Inc., in June 2022. The consideration to be paid for this acquisition will be based on future earnings. As a result, the Company recorded a liability at fair value (note 10) and is re-measured at each reporting period.

A fair value re-measurement of \$(47) for the three-month period ended and of \$10 for the six-month period ended May 31, 2018 May 31, 2018 (2017-\$ nil) was recorded for this non-controlling interest obligation.

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

12. Financial instruments (continued)

Fair value of recognized financial instruments (continued)

Fair value hierarchy as at May 31, 2018

	Level 1	Level 2	Level 3
Financial liabilities			
Promissory notes related to the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	—	—	6,742
Non-controlling interest options	—	—	1,670
Financial Liabilities	—	—	8,412

Fair value hierarchy as at November 30, 2017

	Level 1	Level 2	Level 3
Financial liabilities			
Promissory notes related to the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	—	—	5,436
Non-controlling interest options	—	—	2,027
Financial Liabilities	—	—	7,463

The table below shows the fair value and the carrying value of other financial instruments for which the carrying value does not approximate fair value as at May 31, 2018 and November 30, 2017. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	May 31, 2018		November 30, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Loans receivable	9,778	9,778	5,926	5,926
Financial liabilities				
Long-term debt ¹	284,152	286,010	219,739	221,889

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

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

12. Financial instruments (continued)

The Company, through its financial liabilities, is exposed to liquidity risk. The following analysis provides a measurement of liquidity as at May 31, 2018.

Liquidity risk

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

As at May 31, 2018, the Company had an authorized revolving credit facility for which the available amount may not exceed \$305,000 (effective June 27 the amount may not exceed \$500,000-note 20) to ensure that sufficient funds are available to meet its financial requirements. The terms and conditions related to this revolving credit facility are described in note 10.

The following are the contractual maturities of financial liabilities as at May 31, 2018

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	Thereafter
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	71,811	71,811	71,811	—	—	—
Long-term debt	292,563	296,855	5,209	104	8,919	282,623
Interest on long-term debt ⁽¹⁾	n/a	31,097	4,910	4,910	9,820	11,457
	364,374	399,763	81,930	5,014	18,739	294,080

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

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

13. Revenue

The Company's revenue includes:

	Three months ended May 31		Six months ended May 31	
	2018	2017	2018	2017
	\$	\$	\$	\$
Royalties	37,474	31,306	64,801	57,582
Franchise and transfer fees	3,215	3,146	5,984	6,193
Rent	444	550	918	1,145
Sale of goods, including construction revenues	29,175	22,104	49,457	45,175
Gift card program fees and breakage	1,750	732	3,546	1,429
Other franchising revenue	14,545	10,591	24,521	19,603
Other	3,226	1,533	4,317	2,851
	89,829	69,962	153,544	133,978

14. Operating expenses

Operating expenses are broken down as follows:

	Three months ended May 31		Six months ended May 31	
	2018	2017	2018	2017
	\$	\$	\$	\$
Cost of goods sold and rent	17,769	13,568	30,507	31,827
Wages and benefits	21,888	17,241	38,795	34,538
Consulting and professional fees	2,784	3,423	5,961	6,645
Gift cards costs	1,689	1,697	4,407	3,853
Royalties	1,667	3,424	3,113	3,485
Other ⁽¹⁾	8,526	6,014	15,343	12,699
	54,323	45,367	98,126	93,047

⁽¹⁾ Other operating expenses are comprised mainly of travel and promotional costs and other office administration expenses

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

15. Operating lease arrangements

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

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

	Lease commitments	Sub-leases	Net commitments
	\$	\$	\$
2019	137,613	124,461	13,152
2020	124,587	112,529	12,058
2021	110,949	99,568	11,381
2022	97,389	86,703	10,686
2023	80,520	72,195	8,325
Thereafter	233,615	206,712	26,903
	784,673	702,168	82,505

Payments recognized as a net expense during the three and six-month periods ended May 31, 2018 amounted to \$4,818 and \$9,966 (2017 - \$5,612 and \$12,189).

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 three and six-month periods ended May 31, 2018, the Company earned rental revenue of \$444 and \$918 (2017 - \$550 and \$1,145).

The Company has recognized a liability of \$2,009 (November 30, 2017 - \$1,413) for the leases of premises in which it no longer has operations but retains the obligations contained in the lease agreement.

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

16. Income taxes

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

Consequently, for its fiscal year ending on November 30, 2018, the Company estimated that its effective U.S. federal tax rate will be 22.19%. The Company recorded a net tax benefit of \$36,270 in its three-month period ended February 28, 2018, which is primarily derived from the re measurement of the Company’s deferred income tax balances. The benefit is estimated based on our initial analysis of the “U.S. Tax Cuts and Job Act”, and given the complexity of this act, this estimate is subject to adjustment when further guidance becomes available.

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

	May 31, 2018		May 31, 2017	
	\$	%	\$	%
Combined income tax rate	9,326	26.7	6,578	26.8
Add effect of:				
Difference between Canadian and foreign statutory rate	(1,741)	(5.0)	(426)	(1.7)
Impact capital gains treatment	—	—	(106)	(0.4)
Permanent differences	379	1.1	(386)	(1.6)
Recognition of previously unrecognized losses	(148)	(0.4)	—	—
Losses in a subsidiary for which no deferred income tax asset was recorded	29	0.1	79	0.3
Variation in current and deferred taxes attributable to foreign exchange	850	2.4	63	0.3
Adjustment to prior year provisions	(57)	(0.2)	632	2.6
Rate variation on deferred income tax	(37,168)	(106.4)	17	0.1
Other – net	(87)	(0.3)	(134)	(0.5)
Provision for income taxes	(28,619)	(82.0)	6,317	25.9

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

17. Segmented information

Management monitors and evaluates results of the Company based on geographical segments; these two segments being Canada and United States of America / International. Each geographical area is managed by their respective Chief Operating Officers (COO) whom brand leaders report to account for the results of their operations. The Company and its chief operating decision maker assess the performance of each operating segment based on its segment profit and loss which is equal to revenue less operating expenses. The other income and expenses and income taxes, are reported by segment solely for external reporting purposes.

MTY Food Group Inc.**Notes to the condensed interim consolidated financial statements**

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

Below is a summary of each geographical segment's performance during the three-month period ended May 31, 2018 and May 31, 2017.

	Canada	USA & International	Total May 31, 2018	Canada	USA & International	Total May 31, 2017
	\$	\$	\$	\$	\$	\$
Operating revenues	52,746	37,083	89,829	32,930	37,032	69,962
Operating expenses	31,605	22,718	54,323	21,388	23,979	45,367
	21,141	14,365	35,506	11,542	13,053	24,595
Other expenses						
Depreciation – property, plant and equipment	750	96	846	368	203	571
Amortization – intangible assets	2,888	3,578	6,466	1,511	4,202	5,713
Interest on long-term debt	2,792	427	3,219	1,951	493	2,444
Other income (expense)						
Foreign exchange gain (loss)	99	(10)	89	6,012	(28)	5,984
Interest income	102	75	177	19	100	119
Loss on revaluation of financial liabilities recorded at fair value through profit or loss	(853)	—	(853)	—	—	—
Gain on disposal of property, plant and equipment and intangibles	(4)	176	172	25	433	458
Impairment of property, plant and equipment	(1,515)	—	(1,515)	—	—	—
Operating income	12,540	10,505	23,045	13,768	8,660	22,428
Current income taxes	3,861	417	4,278	1,987	3,933	5,920
Deferred income taxes	(861)	1,460	599	580	(224)	356
Net income	9,540	8,628	18,168	11,201	4,951	16,152

MTY Food Group Inc.**Notes to the condensed interim consolidated financial statements**

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

17. Segmented information (continued)

Below is a summary of each geographical segment's performance during the six-month period ended May 31, 2018 and May 31, 2017.

	Canada	USA & International	Total May 31, 2018	Canada	USA & International	Total May 31, 2017
	\$	\$	\$	\$	\$	\$
Operating revenues	86,672	66,872	153,544	65,606	68,372	133,978
Operating expenses	52,030	46,096	98,126	42,417	50,630	93,047
	34,642	20,776	55,418	23,189	17,742	40,931
Other expenses						
Depreciation – property, plant and equipment	1,191	191	1,382	736	821	1,557
Amortization – intangible assets	4,400	7,128	11,528	2,894	8,373	11,267
Interest on long-term debt	4,838	828	5,666	4,122	1,023	5,145
Other income (expense)						
Foreign exchange gain (loss)	53	(4)	49	646	(27)	619
Interest income	170	152	322	34	185	219
Loss on revaluation of financial liabilities recorded at fair value through profit or loss	(949)	—	(949)	—	—	—
Gain on disposal of property, plant and equipment intangibles	14	167	181	294	450	744
Impairment of property, plant and equipment	(1,515)	—	(1,515)	—	—	—
Operating income	21,986	12,944	34,930	16,411	8,133	24,544
Current income taxes	6,025	4,745	10,770	3,622	4,232	7,854
Deferred income taxes	56	(39,445)	(39,389)	530	(2,067)	(1,537)
Net income	15,905	47,644	63,549	12,259	5,968	18,227

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

18. Statement of cash flows

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

	Revolving credit facility	Loan financing costs	Non- interest- bearing contracts and holdback	Promissory notes	Non - controlling interest buyback obligation	Non- controlling interest option	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at November 30, 2017	210,522	(2,150)	11,367	5,436	1,026	1,001	227,202
Changes arising from financing activities:							
Increase in term revolving credit facility	60,000	—	—	—	—	—	60,000
Repayment of holdback	—	—	(3)	—	—	—	(3)
Changes from non-cash transactions:							
Amortization of transaction costs directly attributable to a financing arrangement	—	292	—	—	—	—	292
Accretion of interest on non- interest-bearing holdbacks	—	—	850	—	—	—	850
Revaluation of financial liabilities recorded at fair value through profit and loss (note 12)	—	—	—	1,306	10	(367)	949
Foreign exchange	—	—	24	—	—	—	24
Changes arising from investing activities:							
Issuance of holdback	—	—	3,249	—	—	—	3,249
Balance as at May 31, 2018	270,522	(1,858)	15,487	6,742	1,036	634	292,563

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

19. 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:

	Three months ended		Six months ended	
	May 31		May 31	
	2018	2017	2018	2017
	\$	\$	\$	\$
Short-term benefits	457	456	841	703
Share based payment	159	85	314	85
Board member fees	13	12	25	24
Total remuneration of key management personnel	629	553	1,180	812

Key management personnel is composed of the Company's CEO, COO, CFO as well as the COO of the US operations. 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 19.4% of the outstanding shares.

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

	Three months ended		Six months ended	
	May 31		May 31	
	2018	2017	2018	2017
	\$	\$	\$	\$
Short-term benefits	160	149	352	331
Total remuneration of individuals related to key management personnel	160	149	352	331

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2018 and 2017

(unaudited)

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

20. Subsequent Events

Amendment to credit facilities

On June 27, 2018, the Company amended its credit agreement with a syndicate of lenders. Pursuant to this amendment the Company will have a revolving credit facility with an authorized amount of \$500,000. The remaining terms of the agreement were mostly unchanged.

Normal course issuer bid

On June 27, 2018, the Company announced its intention to repurchase its common shares. The Company may repurchase a maximum of 1,258,024 common shares during the period starting July 3, 2018 and ending July 2, 2019.