Consolidated financial statements of
MTY Food Group Inc.

November 30, 2021 and 2020

Independent auditor's report

To the Shareholders of MTY Food Group Inc.

Our opinion

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

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

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

Basis for opinion

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

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

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

Key audit matters

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

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

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

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

Other information

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

/s/PricewaterhouseCoopers LLP[1]

Montréal Quebec
February 16, 2022

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

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

Years ended November 30, 2021 and 2020

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

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

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

(In thousands of Canadian dollars)

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

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

MTY Food Group Inc.

Consolidated statements of changes in shareholders' equity

Years ended November 30, 2021 and 2020

(In thousands of Canadian dollars)

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

The following dividends were declared and paid by the Company:

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

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

MTY Food Group Inc.

Consolidated statements of financial position

As at November 30, 2021 and 2020

(In thousands of Canadian dollars)

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

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

MTY Food Group Inc.

Consolidated statements of financial position (continued)

As at November 30, 2021 and 2020

(In thousands of Canadian dollars)

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

Approved by the Board on February 16, 2022

____, Director

____, Director

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

MTY Food Group Inc.
Consolidated statements of cash flows
Years ended November 30, 2021 and 2020
(In thousands of Canadian dollars)

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

(In thousands of Canadian dollars)

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

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

Table of contents

1. Description of the business

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

The Company is incorporated under the *Canada Business Corporations Act* and is listed on the Toronto Stock Exchange ("TSX"). The Company's head office is located at 8210, Trans-Canada Highway, Ville Saint-Laurent, Quebec.

2. Basis of preparation

The consolidated financial statements ("financial statements") have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for:

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

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements are presented in Canadian dollars, which is the functional currency of the Company, and tabular amounts are rounded to the nearest thousand ($000) except when otherwise indicated.

Statement of compliance

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

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

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

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

3. Accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Principal subsidiaries are as follows:

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote-holders;
- potential voting rights held by the Company, other vote-holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of income and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

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

3. Accounting policies (continued)

Changes in the Company's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income (loss) in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, Financial Instruments: Recognition and Measurement when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. This is calculated as the sum of the acquisition date fair values of the assets transferred by the Company and liabilities incurred by the Company to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except for deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12, Income Taxes.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

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

Non-controlling interest are present ownership interests and entitle their holders to a proportionate share of the Company’s net assets in the event of liquidation. These may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as “measurement period” adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. Accounting policies (continued)

Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 or IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income (loss) are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Where goodwill forms part of a cash-generating unit ("CGU") and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation and the portion of the CGU retained.

Revenue recognition

The Company's accounting policies are summarized below:

Revenue from franchise locations

i) Royalties are based either on a percentage of gross sales as reported by the franchisees or on a fixed monthly fee. They are recognized on an accrual basis in accordance with the substance of the relevant agreement, as they are earned.

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

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

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

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

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

vii) The Company recognizes breakage income proportionately as each gift card is redeemed, based on the historical redemption pattern of the gift cards. The Company also charges various program fees to its franchisees as gift cards are redeemed. Notably, this does not apply to gift card liabilities assumed in a business acquisition, which are accounted for at fair value at the acquisition date.

3. Accounting policies (continued)

Revenue recognition (continued)

Revenue from franchise locations (continued)

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

Revenue from food processing, distribution and retail

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

Revenue from promotional fund contributions

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

Revenue from corporate-owned locations

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

Contract cost asset

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

Assets held for sale

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

Leasing

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

<u>The Company as lessee</u>

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

3. Accounting policies (continued)

Leasing (continued)

The Company as lessor

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

COVID-19 accounting implications on leases

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

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

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

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

Government grants

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

Functional and presentation currency

These financial statements are presented using the Company's functional currency, which is the Canadian dollar. Each entity of the Company determines its own functional currency, and the financial statement items of each entity are measured using that functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

The assets and liabilities of a foreign operation with a functional currency different from that of the Company are translated into the presentation currency using the exchange rate in effect on the reporting date. Revenue and expenses are translated into the presentation currency using the average exchange rate for the period. Exchange differences arising from the translation of a foreign operation are recognized in reserves. Upon complete or partial disposal of the investment in the foreign operation, the foreign currency translation reserve or a portion of it will be recognized in the statement of income (loss) in other income (charges).

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year and adjustments to prior year provisions. Taxable profit differs from profit as reported in the consolidated statement of income (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Accounting policies (continued)

Taxation (continued)

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income (loss) or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income (loss) or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their historical costs less accumulated depreciation (buildings) and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use.

Equipment, leasehold improvements, rolling stock and computer hardware are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3. Accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is based on the following terms:

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if applicable. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization methods are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if applicable.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets having a finite life acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, if applicable, on the same basis as intangible assets that are acquired separately. Intangible assets having an indefinite life are not amortized and are therefore carried at cost less accumulated impairment losses, if applicable.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

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

The Company currently carries the following intangible assets on its books:

Franchise rights and master franchise rights

The franchise rights and master franchise rights acquired through business combinations were recognized at the fair value of the estimated future cash inflows related to the acquisition of franchises. The franchise rights and master franchise rights are generally amortized on a straight-line basis over the terms of the agreements, which typically range between 10 to 20 years.

Step-in rights

Step-in rights are the rights of the Company to take over the premises and associated lease of a franchised location in the event the franchise is in default of payments. These are acquired through business combinations and are recognized at their fair value at the time of the acquisition. They are amortized over the term of the franchise agreement.

3. Accounting policies (continued)

Trademarks

Trademarks acquired through business combinations were recognized at their fair value at the time of the acquisition and are not amortized. Trademarks were determined to have an indefinite useful life based on their strong brand recognition and their ability to generate revenue through changing economic conditions with no foreseeable time limit.

Other

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

Impairment and reversal of impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. A majority of the Company’s intangible assets do not have cash inflows independent of those from other assets and as such are tested within their respective CGU. For the purpose of the franchise and master franchise rights and trademarks, the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified is the brand level and constitutes the lowest level at which an asset or group of assets has the possibility of generating cash inflows.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Franchise rights and master franchise rights are tested annually as part of the CGU annual testing or whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated projected operating cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of projected operating cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. The Company does not reduce the carrying value of an asset below the highest of its fair value less cost of disposal and its value in use.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Accounting policies (continued)

Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to the CGU or a group of CGUs ("goodwill unit") that are considered to represent the lowest level within the group at which the goodwill is monitored for internal management purposes. As at November 30, 2021, goodwill is allocated as follows:

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated projected operating cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of projected operating cash flows have not been adjusted.

Cash and restricted cash

Cash and restricted cash includes cash on hand and short-term investments, if any, with maturities upon acquisition of generally three months or less or that are redeemable at any time at full value and for which the risk of a change in value is not significant. As at November 30, 2021, cash and restricted cash included $462 of restricted cash (2020 – $468) that is required as part of guarantees on certain lease commitments.

Inventories

Inventories are measured at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis and include acquisition costs, conversion costs and other costs incurred to bring inventories to their present location and condition. The cost of finished goods includes a pro-rata share of production overhead based on normal production capacity.

In the normal course of business, the Company enters into contracts for the construction and sale of franchise locations. The related work in progress inventory includes all direct costs relating to the construction of these locations and is recorded at the lower of cost and net realizable value.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Classification of financial assets

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

3. Accounting policies (continued)

Financial instruments (continued)

Classification of financial assets (continued)

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

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

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

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Impairment of financial assets

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

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

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

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

3. Accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income (loss) and accumulated in equity is recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Classification of financial liabilities

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

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Company makes assumptions and estimations based on its current knowledge of future disbursements it will have to make in connection with various events that have occurred in the past and for which the amount to be disbursed and the timing of such disbursement are uncertain at the date of producing its financial statements. This includes provisions for onerous contracts, litigations and disputes and contingencies. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value when the effect is material. This is recorded in cost of goods sold and rent (Note 27) on the consolidated statement of income (loss).

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

3. Accounting policies (continued)

Provisions (continued)

Onerous contracts

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

Litigation, disputes and closed stores

Provisions for the expected cost of litigation, disputes and the cost of settling leases for closed stores, with the exception of lease liabilities already recorded pursuant to IFRS 16, are recognized when it becomes probable the Company will be required to settle the obligation, at management's best estimate of the expenditure required to settle the Company's obligation.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount initially recognized less cumulative amortization recognized, if any.

Gift card and loyalty program liabilities

Gift card liability represents liabilities related to unused balances on reloadable payment cards. Loyalty program liabilities represent the dollar value of the loyalty points earned and unused by customers.

The Company's various franchised and corporate-owned locations, in addition to third-party companies, sell gift cards to be redeemed at the Company's corporate and franchised locations for food and beverages only. Proceeds from the sale of gift cards are included in gift card liability until redeemed by the gift cardholder as a method of payment for food and beverage purchases.

Due to the inherent nature of gift cards, it is not possible for the Company to determine what portion of the gift card liability will be redeemed in the next 12 months and, therefore, the entire unredeemed gift card liability is considered to be a current liability.

Deferred revenue and deposits

The Company has deferred revenue and deposits for amounts received for which the service or sale of goods associated with these revenues have not yet been rendered. These are comprised mainly of franchise fee deposits, unearned rent, and supplier contributions. Revenues on these are recorded once the service or contract terms have been met and the services or goods have been delivered. The Company recognizes certain supplier contribution revenues based on estimated considerations to be received from suppliers. These estimates are based on historical patterns of purchase and earned revenues.

Share-based payment arrangements

The Company measures stock options granted to employees that vest in specified installments over the service period based on the fair value of each tranche on the grant date by using the Black-Scholes option-pricing model. Based on the Company's estimate of equity instruments that will eventually vest, a compensation expense is recognized over the vesting period applicable to the tranche with a corresponding increase to contributed surplus. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 22.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in contributed surplus. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus.

3. Accounting policies (continued)

Operating segments

An operating segment is a distinguishable component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components, and for which separate financial information is available. Segment disclosures are provided for the Company's operating segments (Note 31). The operating segments are determined based on the Company's management and internal reporting structure. All operating segments' operating results are regularly reviewed by the Chief Operating Officers ("COOs") to make decisions on resources to be allocated to the segment and to assess its performance.

Joint arrangements

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

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

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

Deferred consideration receivable

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

4. Changes in accounting policies

IFRS 3, Business Combinations

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments to IFRS 3 were adopted effective December 1, 2020 and did not result in any adjustment.

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

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

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

5. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

Impairment of long-lived assets

The Company assesses whether there are any indicators of impairment for all long-lived assets at each reporting period date. In addition, management is required to use judgment in determining the grouping of assets to identify a CGU; the determination is done based on management's best estimation of what constitutes the lowest level at which an asset or group of assets has the possibility of generating cash inflows.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the year ended November 30, 2021, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Business combinations

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

Impairment

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

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

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

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

Key sources of estimation uncertainty (continued)

Impairment (continued)

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

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

During the years ended November 30, 2021 and 2020, the Company recognized impairment charges on its property, plant and equipment (Note 15). The total impairment on property, plant and equipment of $131 (2020 – $3,166) represents a write-down of the carrying value of the leasehold improvements and equipment to their fair value less cost of disposal, which was higher than their value in use.

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

Impairment of franchise rights and trademarks

The Company performs at least annually an impairment test of its trademarks. The recoverable amounts of the Company's assets are generally estimated based on value in use calculations using a discounted cash flow approach as this was determined to be higher than fair value less cost of disposal.

Discount rates are based on pre-tax rates that reflect the current market assessments, taking the time value of money and the risks specific to the CGU into account.

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

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

Impairment of goodwill

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

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

Gift card liabilities

Management is required to make certain assumptions in both the prorated recognition based on redemption pattern and remoteness recognition of gift card breakage. The significant estimates are breakage rate and the redemption patterns.

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

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

Impact of COVID-19

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

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

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

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

6. Future accounting changes

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

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

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

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

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

6. Future accounting changes (continued)

IAS 1, Presentation of Financial Statements

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

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

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

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

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

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

IAS 12, Income Taxes

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

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

7. Accounts receivable

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

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

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

8. Inventories

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

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

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

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

9. Loans and other receivables

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

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

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

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

10. Leases

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

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

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

10. Leases (continued)

Right-of-use assets

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

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

Finance lease receivables and lease liabilities

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

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

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

10. Leases (continued)

Recorded in the consolidated statements of financial position as follows:

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

Maturity analysis

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

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

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

11. Investment in a joint venture

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

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

12. Property, plant and equipment

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

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

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

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

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

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

13. Intangible assets

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

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

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

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

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

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

13. Intangible assets (continued)

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

14. Goodwill

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. Disposal of interest in 10220396 Canada Inc.

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

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

17. Credit facility

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

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

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

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

18. Provisions

Included in provisions are the following amounts:

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

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

The payables related to closed stores mainly represent amounts that are expected to be disbursed to exit leases of underperforming or closed stores. The negotiations with the various stakeholders are typically short in duration and are expected to be settled within a few months following the recognition of the provision. The Company has recognized a liability of $56 (2020 – $187) for the leases of premises in which it no longer has operations but retains the obligations contained in the lease agreement, with the exception of leases for which the lease liabilities are already recorded pursuant to IFRS 16.

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

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

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

19. Deferred revenue and deposits

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

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

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

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

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

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

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

20. Long-term debt

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

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

21. Capital stock

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

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

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

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

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

22. Stock options

The Company offered for the benefit of certain key members of management and directors a stock option plan. In accordance with the terms of the plan the Company may grant stock options on the common shares at the discretion of the Board of Directors. 60,000 shares are available for issuance under the stock option plan as at November 30, 2021 (2020 – 100,000).

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

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

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

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

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

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

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

The weighted average fair value of the stock options granted for the year ended November 30, 2021 was $9.23 per option. The fair value of the options granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model.

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

22. Stock options (continued)

The following weighted average assumptions were used:

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

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

23. Net income (loss) per share

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

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

(1) The calculation of the assumed exercise of stock options includes the effect of the average unrecognized future compensation cost of dilutive options. The number of excluded options for the year ended November 30, 2021 was 200,000 (2020 – 400,000).

24. Financial instruments

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

Fair value of recognized financial instruments

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

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

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

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

24. Financial instruments (continued)

Fair value of recognized financial instruments (continued)

Contingent considerations on acquisitions

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

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

Obligation to repurchase non-controlling interest

The Company has entered into an agreement to purchase the shares of a minority interest shareholder of 9974644 Canada Inc. at the option of the holder at any time after December 9, 2017. The consideration is based on a multiplier of EBITDA, as prescribed by the terms of the shareholder agreement. The Company records a liability at fair value (Note 20) which is remeasured at each reporting period.

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

Obligation to repurchase partner in a joint venture

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

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

Interest rate swap

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

Cross currency interest rate swaps

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

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

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

24. Financial instruments (continued)

Fair value of recognized financial instruments (continued)

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

The Company has determined that the fair values of its financial assets and financial liabilities with short-term and long-term maturities approximate their carrying value. These financial instruments include cash, accounts receivables, accounts payable and accrued liabilities, deposits and other liabilities. The table below shows the fair value and the carrying amount of other financial instruments as at November 30, 2021 and 2020. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

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

(1) Excludes promissory notes, contingent consideration on acquisitions, interest rate swap, cross currency interest rate swaps, credit facility financing costs and obligations to repurchase non-controlling interests.

Determination of fair value

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

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

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

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

Credit risk

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

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

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

24. Financial instruments (continued)

Foreign exchange risk

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

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

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

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

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a profit of C$202 (2020 – profit of C$265) on the consolidated statements of income and comprehensive income.

Interest rate risk

Interest rate risk is the Company's exposure to increases and decreases in financial instrument values caused by the fluctuation in interest rates. The Company is exposed to cash flow risk due to the interest rate fluctuation in its floating-rate interest-bearing financial obligations.

Furthermore, upon refinancing of a borrowing, depending on the availability of funds in the market and lender perception of the Company's risk, the margin that is added to the reference rate, such as LIBOR or prime rates, could vary and thereby directly influence the interest rate payable by the Company.

Long-term debt stems mainly from acquisitions of long-term assets and business combinations. The Company is exposed to interest rate risk with its revolving credit facility which is used to finance the Company's acquisitions. The facility bears interest at a variable rate and as such the interest burden could change materially. $345,000 (2020 – $433,000) of the credit facility was used as at November 30, 2021. A 100 basis points increase in the bank's prime rate would result in additional interest of $3,450 per annum (2020 – $4,330) on the outstanding credit facility.

Liquidity risk

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

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

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

24. Financial instruments (continued)

Liquidity risk (continued)

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

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

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

25. Capital disclosures

The Company's objectives when managing capital are:

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

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

(c) To maintain financial flexibility in order to have access to capital in the event of future acquisitions.

The Company defines its capital as follows:

(a) Shareholders' equity;

(b) Long-term debt including the current portion;

(c) Deferred revenue including the current portion; and

(d) Cash

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

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

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

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

25. Capital disclosures (continued)

Maintaining a low debt-to-equity ratio is a priority in order to preserve the Company's ability to secure financing at a reasonable cost for future acquisitions. The Company expects to maintain a low ratio by continuously using the expected cash flows from the newly acquired business in both the US and Canada to reduce the level of long-term debt.

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

26. Revenue

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

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

27. Operating expenses

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

(1) Promotional fund expenses include wages and benefits.

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

28. Guarantee

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

29. Contingent liabilities

The Company is involved in legal claims associated with its current business activities. The Company's estimate of the outcome of these claims is disclosed in Note 18. The timing of the outflows, if any, is out of the control of the Company and is as a result undetermined at the moment.

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

30. Income taxes

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

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

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

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

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

30. Income taxes (continued)

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

As at November 30, 2021, there were approximately $857 (2020 – $910) of capital losses which may be applied against capital gains for future years and be carried forward indefinitely. The deferred income tax benefit of these capital losses has not been recognized.

As at November 30, 2021, there were approximately $1,805 (2020 – $1,827) in non-capital losses accumulated in one of the Company's subsidiaries for which no deferred income tax asset was recognized. These capital losses will expire between 2037 and 2040.

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

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

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

31. Segmented information

Management monitors and evaluates results of the Company based on geographical segments, these two segments being Canada and US & International. The Company and its chief operating decision maker assess the performance of each operating segment based on its segment profit and loss, which is equal to revenue less operating expenses. Within those geographical segments, the Company's chief operating decision maker also assesses the performance of subdivisions based on the type of product or service provided. These subdivisions include: franchising; corporate stores; processing, distribution and retail; and promotional fund revenues and expenses. This information is disclosed below.

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

31. Segmented information (continued)

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

November 30, 2021

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

November 30, 2020

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

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

32. Statement of cash flows

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

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

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

32. Statement of cash flows (continued)

Changes in non-cash operating activities are as follows:

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

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

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

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

33. Related party transactions

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

Remuneration of key management personnel and directors

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

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

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

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

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

33. Related party transactions (continued)

The Company also pays employment benefits to individuals related to members of the key management personnel described above. Their total remuneration, presented in Wages and benefits in Note 27 of these consolidated financial statements, was as follows:

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

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

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

34. Subsequent events

Acquisition of Küto Comptoir à Tartares

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

Dividends

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