Consolidated financial statements of
MTY Food Group Inc.

November 30, 2023 and 2022

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, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

- the consolidated statements of income for the years ended November 30, 2023 and 2022;
- the consolidated statements of comprehensive income for the years ended November 30, 2023 and 2022;
- the consolidated statements of changes in shareholders’ equity for the years ended on November 30, 2023 and 2022;
- the consolidated statements of financial position as at November 30, 2023 and 2022;
- the consolidated statements of cash flows for the years ended November 30, 2023 and 2022; 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.

PricewaterhouseCoopers LLP
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502, ca_montreal_main_fax@pwc.com

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, 2023. 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
Impairment assessment of goodwill, trademarks and franchise and master franchise rights *Refer to note 3 – Accounting policies, note 4 – Critical accounting judgments and key sources of estimation uncertainty, note 13 – Intangible assets, note 14 – Goodwill and note 15 – Impairment charge – property, plant and equipment and intangible assets to the consolidated financial statements.* As at November 30, 2023, the Company had goodwill, trademarks (intangible assets with indefinite useful lives), franchise and master franchise rights (intangible assets with definite useful lives) balances totalling $719.2 million, $892.8 million and $205.6 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 certain CGUs: - 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. 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. The recoverable amounts of the CGUs or goodwill unit 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. The annual impairment test resulted in an impairment charge of $9.2 million, related to franchise rights and trademarks. 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.	

Key audit matter	How our audit addressed the key audit matter
Valuation of the trademark and franchise rights acquired in the Wetzel's Pretzels business combination *Refer to note 3 – Accounting policies and note 7 – Business acquisitions to the consolidated financial statements.* On December 8, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of all of the issued and outstanding shares of COP WP Parent, Inc. (Wetzel's Pretzels) for a purchase price totaling $285.5 million. The fair values of identifiable assets acquired included $145.8 million of intangible assets, of which $97.4 million is related to one trademark and $48.4 million is related to franchise rights. The fair value of the trademark was estimated based on the relief from royalty method using a discounted cash flow model. In determining the fair value of the trademark, the Company developed key assumptions such as projected system sales, discount rate and royalty rate. The fair value of franchise rights were estimated based on the excess earnings method using a discounted cash flow model. In determining the fair value of the franchise rights, the Company developed key assumptions such as projected operating cash flows, average term life and discount rate. We considered this a key audit matter due to the judgment by management in estimating the fair value of the trademark and franchise rights, including the development of key assumptions.	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the fair values of the trademark and franchise rights, which included the following: - Read the purchase agreement. - Tested the underlying data used by management in the discounted cash flow models and the mathematical accuracy thereof. - Evaluated the reasonableness of significant assumptions used by management related to projected system sales, operating cash flows and average term life by considering the current and past performance of Wetzel's Pretzels and considering economic and industry data. - Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management's royalty relief method for the trademark valuation and the excess earnings method using the discounted cash flow model for the franchise rights valuation as well as in evaluating the reasonableness of certain key assumptions such as the discount rate and royalty rate.

Key audit matter	How our audit addressed the key audit matter
This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the key assumptions developed by management. 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 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 Andrew Popliger.

/s/PricewaterhouseCoopers LLP[1]

Montréal, Quebec
February 14, 2024

[1] CPA auditor, public accountancy permit No. A125677

MTY Food Group Inc.
Consolidated statements of income

Years ended November 30, 2023 and 2022
(In thousands of Canadian dollars, except per share amounts)

	Notes	2023	2022
		$	$
Revenue	26 & 31	**1,169,334**	716,522
Expenses			
Operating expenses	27 & 31	**898,588**	534,440
Depreciation – property, plant and equipment and right-of-use assets	11 & 12	**54,934**	21,548
Amortization – intangible assets	13	**34,559**	29,473
Interest on long-term debt		**52,142**	12,428
Net interest expense on leases	11	**11,402**	3,210
Impairment charge – right-of-use assets	11	**428**	969
Impairment charge – property, plant and equipment and intangible assets	15	**9,432**	13,916
		1,061,485	615,984
Other (expenses) income			
Unrealized and realized foreign exchange loss		**(2,632)**	(5,690)
Interest income		**1,048**	253
(Loss) gain on de-recognition/lease modification of lease liabilities		**(702)**	798
(Loss) gain on disposal of property, plant and equipment and intangible assets		**(1,448)**	108
Revaluation of financial liabilities and derivatives recorded at fair value	24	**3,676**	2,932
Loss on remeasurement of joint venture interest	8	**—**	(2,769)
Gain on contingent consideration from a business acquisition	7	**2,194**	—
		2,136	(4,368)
Income before taxes		**109,985**	96,170
Income tax expense	30		
Current		**12,459**	24,669
Deferred		**(6,998)**	(3,678)
		5,461	20,991
Net income		**104,524**	75,179
Net income attributable to:			
Owners		**104,082**	74,817
Non-controlling interests		**442**	362
Net income		**104,524**	75,179
Net income per share	23		
Basic		**4.26**	3.06
Diluted		**4.25**	3.06

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

MTY Food Group Inc.

Consolidated statements of comprehensive income

Years ended November 30, 2023 and 2022

(In thousands of Canadian dollars)

	2023	2022
	$	$
Net income	**104,524**	75,179
Other comprehensive income		
Items that may be reclassified subsequently to net income		
Translation adjustments		
Unrealized gain on translation of foreign operations	**7,644**	35,577
Cash flow hedges		
Change in fair value of financial instruments	**9,581**	—
Gain realized on financial instruments transferred to earnings	**(3,265)**	—
Deferred tax expense on foreign currency translation adjustments and cash flow hedges	**(2,256)**	(491)
	11,704	35,086
Total comprehensive income	**116,228**	110,265
Total comprehensive income attributable to:		
Owners	**115,786**	109,903
Non-controlling interests	**442**	362
	116,228	110,265

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

Consolidated statements of changes in shareholders' equity

Years ended November 30, 2023 and 2022
(In thousands of Canadian dollars)

		Reserves								
	Capital stock	Other	Contributed surplus	Accumulated other comprehensive (loss) income (Note 21)	Total reserves	Retained earnings	Equity attributable to owners	Equity attributable to non-controlling interests	Total
	$	$	$	$	$	$	$	$	$
Balance as at November 30, 2021	305,961	(850)	3,855	(21,320)	(18,315)	359,993	647,639	1,259	648,898
Net income for the year ended November 30, 2022	—	—	—	—	—	74,817	74,817	362	75,179
Other comprehensive income	—	—	—	35,086	35,086	—	35,086	—	35,086
Total comprehensive income							109,903	362	110,265
Shares repurchased and cancelled (Note 20)	(3,180)	—	—	—	—	(11,438)	(14,618)	—	(14,618)
Dividends	—	—	—	—	—	(20,518)	(20,518)	(403)	(20,921)
Share-based compensation (Note 22)	—	—	1,002	—	1,002	—	1,002	—	1,002
Balance as at November 30, 2022	302,781	(850)	4,857	13,766	17,773	402,854	723,408	1,218	724,626
Net income for the year ended November 30, 2023	**—**	**—**	**—**	**—**	**—**	**104,082**	**104,082**	**442**	**104,524**
Other comprehensive income	**—**	**—**	**—**	**11,704**	**11,704**	**—**	**11,704**	**—**	**11,704**
Total comprehensive income							**115,786**	**442**	**116,228**
Shares repurchased and cancelled (Note 20)	**(1,002)**	**—**	**—**	**—**	**—**	**(3,165)**	**(4,167)**	**—**	**(4,167)**
Dividends	**—**	**—**	**—**	**—**	**—**	**(24,407)**	**(24,407)**	**(183)**	**(24,590)**
Share-based compensation (Note 22)	**—**	**—**	**792**	**—**	**792**	**—**	**792**	**—**	**792**
Balance as at November 30, 2023	**301,779**	**(850)**	**5,649**	**25,470**	**30,269**	**479,364**	**811,412**	**1,477**	**812,889**

The following dividends were declared and paid by the Company:

	2023	2022
	$	$
$1.000 per common share (2022 – $0.840 per common share)	**24,407**	20,518

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, 2023 and 2022

(In thousands of Canadian dollars)

	Notes	**2023**	2022
		$	$
			Restated (Note 7)
Assets			
Current assets			
Cash		**58,895**	59,479
Accounts receivable	9	**82,998**	77,373
Inventories	10	**20,731**	18,517
Assets held for sale		**2,266**	2,111
Current portion of loans and other receivables		**924**	1,153
Current portion of finance lease receivables	11	**80,154**	83,500
Income taxes receivable		**12,543**	3,982
Current portion of derivative assets	24	**4,647**	—
Other assets		**3,824**	3,032
Prepaid expenses and deposits		**14,077**	14,906
		281,059	264,053
Loans and other receivables		**4,465**	3,407
Finance lease receivables	11	**253,552**	255,276
Contract cost asset		**7,324**	6,455
Deferred income taxes	30	**93**	224
Derivative assets	24	**3,242**	—
Property, plant and equipment	12	**112,801**	90,081
Right-of-use assets	11	**181,718**	159,815
Intangible assets	13	**1,116,577**	1,003,298
Goodwill	14	**719,187**	547,756
		2,680,018	2,330,365
Liabilities and Shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**147,557**	153,999
Provisions	17	**4,656**	1,490
Gift card and loyalty program liabilities		**147,952**	133,206
Income taxes payable		**—**	9,813
Current portion of deferred revenue and deposits	18	**14,918**	16,468
Current portion of long-term debt	19	**10,428**	9,530
Current portion of derivative liabilities	24	**2,626**	—
Current portion of lease liabilities	11	**112,446**	114,522
		440,583	439,028
Long-term debt	19	**756,936**	551,429
Lease liabilities	11	**422,751**	400,401
Deferred revenue and deposits	18	**53,025**	48,405
Deferred income taxes	30	**193,618**	165,834
Other liabilities		**216**	642
		1,867,129	1,605,739

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

(In thousands of Canadian dollars)

	Notes	2023	2022
		$	$ *Restated (Note 7)*
Shareholders' equity			
Equity attributable to owners			
Capital stock	20	**301,779**	302,781
Reserves		**30,269**	17,773
Retained earnings		**479,364**	402,854
		811,412	723,408
Equity attributable to non-controlling interests		**1,477**	1,218
		812,889	724,626
		2,680,018	2,330,365

Approved by the Board on February 14, 2024

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

(In thousands of Canadian dollars)

	Notes	**2023**	2022
		$	$
			Restated (Note 7)
Operating activities			
Net income		**104,524**	75,179
Adjusting items:			
Interest on long-term debt		**52,142**	12,428
Net interest expense on leases	11	**11,402**	3,210
Depreciation – property, plant and equipment and right-of-use assets	11 & 12	**54,934**	21,548
Amortization – intangible assets	13	**34,559**	29,473
Impairment charge – property, plant and equipment	15	**233**	535
Impairment charge – right-of-use assets	11	**428**	969
Impairment charge – intangible assets	15	**9,199**	13,381
Unrealized foreign exchange loss (1)		**2,632**	5,690
Loss (gain) on de-recognition/lease modification of lease liabilities		**702**	(798)
Loss (gain) on disposal of property, plant and equipment and intangible assets		**1,448**	(108)
Revaluation of financial liabilities and derivatives recorded at fair value	24	**(3,676)**	(2,932)
Loss on remeasurement of joint venture interest	8	**—**	2,769
Income tax expense		**5,461**	20,991
Share-based compensation		**792**	1,002
		274,780	183,337
Income taxes paid		**(29,015)**	(17,570)
Interest paid		**(50,287)**	(11,781)
Other		**(3,184)**	1,386
Changes in non-cash working capital items	32	**(7,708)**	(6,891)
Cash provided by operating activities		**184,586**	148,481
Investing activities			
Considerations on acquisitions	7	**(300,395)**	(261,768)
Cash acquired through acquisition and change in control	7 & 8	**9,349**	14,820
Issuance of loans and other receivables		**1,867**	61
Additions to property, plant and equipment	12	**(30,124)**	(8,670)
Additions to intangible assets	13	**(2,045)**	(3,988)
Proceeds on disposal of property, plant and equipment		**1,689**	1,131
Cash used in investing activities		**(319,659)**	(258,414)

(In thousands of Canadian dollars)

	Notes	**2023**	2022
		$	$
			Restated (Note 7)
Financing activities			
Issuance of long-term debt	32	**318,884**	275,626
Repayment of long-term debt	32	**(110,388)**	(80,214)
Net lease payments	11	**(43,639)**	(18,960)
Shares repurchased and cancelled	20	**(4,167)**	(14,618)
Capitalized financing costs	32	**(157)**	(1,817)
Dividends paid to non-controlling shareholders of subsidiaries		**(183)**	(403)
Repayment of long-term debt in business acquisition	7	**—**	(33,800)
Dividends paid		**(24,407)**	(20,518)
Cash provided by financing activities		**135,943**	105,296
Net increase (decrease) in cash		**870**	(4,637)
Effect of foreign exchange rate changes on cash [1]		**(1,454)**	2,885
Cash, beginning of year		**59,479**	61,231
Cash, end of year		**58,895**	59,479

[1] Prior year amounts have been adjusted to reflect a reclassification of $5,690 between cash flows provided by operating activities and the effect of foreign exchange rate changes on cash.

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

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1. Description of the business

MTY Food Group Inc. (the "Company") is a franchisor in the quick service 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 14, 2024.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, with the exception of:

- hedging and derivative financial instruments as disclosed in Note 3 to these consolidated financial statements;
- fixed interest rate swaps as disclosed in Note 3 to these consolidated financial statements; and
- IAS 37 as disclosed in Note 5 to these 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	2023	2022	Functional currency
	%	%	
MTY Franchising Inc.	100	100	Canadian dollar
MTY Franchising USA, Inc.	100	100	US dollar
Kahala Brands Inc.	100	100	US dollar
Papa Murphy’s Holdings Inc.	100	100	US dollar
BBQ Holdings, Inc. (Note 7)	100	100	US dollar
Wetzel’s Pretzels, LLC (Note 7)	100	—	US dollar
11554891 Canada Inc.	70	70	Canadian dollar
9974644 Canada Inc.	65	65	Canadian dollar

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, as of the acquisition date, of the 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.

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.

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.

3. Accounting policies (continued)

Business combinations (continued)

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.

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.

3. Accounting policies (continued)

Revenue recognition (continued)

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 $31,166 (November 30, 2022 – surplus of $33,819). 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.

The Company as lessee

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.

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.

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 recognized 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.

3. Accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

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.

Depreciation is based on the following terms:

Buildings	Straight-line	25 to 50 years
Equipment	Straight-line	3 to 10 years
Leasehold improvements	Straight-line	Lesser of the term of the lease or useful life
Rolling stock	Straight-line	5 to 7 years
Computer hardware	Straight-line	3 to 7 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.

3. Accounting policies (continued)

Intangible assets (continued)

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 fair value, based on the excess earnings method using discounted cash flow models. In determining the fair value of franchise rights and master franchise rights, the Company uses key assumptions such as projected operating cash flows, average term life and pre-tax discount rates. 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.

Trademarks

Trademarks acquired through business combinations were recognized at their fair value at the time of the acquisition, based on the relief from royalty method using discounted cash flow models, and are not amortized. In determining the fair value of trademarks, the Company uses key assumptions such as projected system sales, discount rates and royalty rates. 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 and liquor licences, which are being amortized over their expected useful life on a straight-line basis.

3. Accounting policies (continued)

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.

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, 2023, goodwill is allocated as follows:

	Goodwill unit description
Canada Goodwill Unit	A group of CGUs comprised of acquired brands in Canada's operating segment
US Goodwill Unit A	A group of CGUs comprised of acquired brands in the US & International operating segment, excluding Papa Murphy's, BBQ Holdings, Inc. ("BBQ Holdings") and Wetzel's Pretzels
US Goodwill Unit B	One CGU comprised of Papa Murphy's brand in the US & International operating segment
US Goodwill Unit C	A group of CGUs comprised of the BBQ Holdings brands in the US & International operating segment
US Goodwill Unit D	One CGU comprised of Wetzel's Pretzels brand in the US & International operating segment

3. Accounting policies (continued)

Impairment of goodwill (continued)

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, 2023, cash and restricted cash included $368 of restricted cash (November 30, 2022 – $680) 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, or “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.

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.

3. Accounting policies (continued)

Financial instruments (continued)

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.

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.

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.

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.

3. Accounting policies (continued)

Financial instruments (continued)

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 Küto Comptoir à Tartares	FVTPL
Contingent consideration related to the 70% interest in 11554891 Canada Inc.	FVTPL
Non-controlling interest buyback obligation	FVTPL
Obligation to repurchase 11554891 Canada Inc. partner	FVTPL
Derivative financial instruments	FVTPL
Derivative financial instruments designated as cash flow hedges	FVTPL subject to hedge accounting requirements

Hedging and derivative financial instruments

The Company applies general hedge accounting requirements of IFRS 9, Financial Instruments.

Fixed interest rate swaps

Periodically, the Company uses fixed interest rate swaps to manage the interest rate risk associated with its borrowings from its credit facility. Where the general hedge accounting requirements are met, the Company designates those fixed interest rate swaps as a cash flow hedge of the interest from its credit facility. Accordingly, changes in the fair value of the derivative financial instruments, which are included in Current portion of derivative assets and Derivative assets, are recognized in Other comprehensive income. Realized gains and losses in Accumulated other comprehensive income are reclassified to Interest on long-term debt over the same periods as the interest expense on the long-term debt is recognized in earnings.

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.

3. Accounting policies (continued)

Provisions (continued)

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.

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.

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.

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.

3. Accounting policies (continued)

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.

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.

4. 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.

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

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, 2023, 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, as of the acquisition date, the 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 key assumptions such as projected system sales, operating cash flows, discount rates, royalty rates and average term life. 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, at each reporting period, 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.

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, 2023 and 2022, the Company recognized impairment charges on its property, plant and equipment (Note 15). The total impairment on property, plant and equipment of $233 (2022 – $535) 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, 2023 and 2022, the Company also recognized impairment charges on its right-of-use assets (Note 11) of $428 and $969, respectively.

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 model 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.

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

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

Key sources of estimation uncertainty (continued)

Impairment (continued)

Impairment of franchise rights and trademarks (continued)

During the year ended November 30, 2023, the Company recognized impairment charges of $9,199 (2022 – $13,381) on its franchise rights and trademarks (Note 15) representing a write-down of the carrying value to the recoverable amount. The fair value was determined using key assumptions such as discount rates and projected operating cash flows. The fair value is classified as level 3 in the fair value hierarchy.

These calculations take into account the Company's 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 years ended November 30, 2023 and 2022, no impairment charge on goodwill was required.

5. Change in accounting policies

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 were adopted effective December 1, 2022 and resulted in no significant adjustment.

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 year ended November 30, 2023 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 1, Presentation of Financial Statements	January 2020, July 2020, February 2021 & October 2022	December 1, 2024	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
IFRS 16, Leases	September 2022	December 1, 2024	In assessment

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.

In October 2022, the IASB published *Non-current Liabilities with Covenants (Amendments to IAS 1)* to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments modify the requirements introduced by *Classification of Liabilities as Current or Non-current* on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments also defer the effective date of the 2020 amendments to January 1, 2024.

The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will adopt the amendments on December 1, 2024.

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)

6. Future accounting changes (continued)

IFRS 16, Leases

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)* with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15, Revenue from Contracts with Customers, to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments to IFRS 16 are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will adopt the amendments on December 1, 2024.

7. Business acquisitions

I) Sauce Pizza and Wine (2023)

On December 15, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of the assets of Sauce Pizza and Wine, an operator of fast casual restaurants operating in the state of Arizona in the US. As of the date of the acquisition, Sauce Pizza and Wine was operating 13 corporate-owned restaurants. The purpose of the transaction was to diversify the Company's range of offerings in the US.

The transaction included a purchase price totaling $15,228 (US$11,165) and a holdback on acquisition of $1,089 (US$798), as detailed below. The resulting aggregate cash outflow in connection with the Sauce Pizza and Wine acquisition was $13,539 (US$9,926).

	2023
	$
Consideration paid:	
Purchase price	15,228
Working capital	(547)
Cash	31
Discount on non-interest-bearing holdback	(53)
Total consideration	14,659
Cash	(31)
Holdback	(1,089)
Net cash outflow	13,539

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

7. Business acquisitions (continued)

I) Sauce Pizza and Wine (2023) (continued)

The final purchase price allocation is as follows:

	2023
	$
Net assets acquired:	
Current assets	
Cash	31
Inventories	250
Prepaid expenses and deposits	255
	536
Property, plant and equipment	5,212
Right-of-use assets	9,913
Intangible assets – Trademark	5,647
Goodwill [1]	4,989
	26,297
Current liabilities	
Accounts payable and accrued liabilities	107
Gift card and loyalty program liabilities	1,481
Current portion of lease liabilities	1,661
	3,249
Lease liabilities	8,389
	11,638
Net purchase price	14,659

(1) Goodwill is deductible for tax purposes.

Total expenses incurred related to acquisition costs amounted to $215.

From December 15, 2022 to November 30, 2023, the Company's consolidated statement of income included revenue of $32,927 and net income of $1,298 attributable to Sauce Pizza and Wine.

The acquisition of Sauce Pizza and Wine would not have had a significant impact on the Company's revenue and net income for the year ended November 30, 2023 if the acquisition had occurred on December 1, 2022.

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

7. Business acquisitions (continued)

II) Wetzel's Pretzels (2023)

On December 8, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of all of the issued and outstanding shares of COP WP Parent, Inc. ("Wetzel's Pretzels"), a franchisor and operator of quick service restaurants operating in the snack category across 25 states in the US, as well as in Canada and Panama. As of the date of the acquisition, Wetzel's Pretzels was operating 328 franchised and 38 corporate-owned restaurants. The purpose of the transaction was to diversify the Company's range of offerings in the US.

The transaction included a purchase price totaling $285,478 (US$210,189), as detailed below. The resulting aggregate cash outflow in connection with the Wetzel's Pretzels acquisition was $276,160 (US$203,328). The transaction consideration also includes US$3,000 held in escrow contingent on the execution of several lease contracts within 12 months of the acquisition. As at December 8, 2023, only a portion of the contracts were executed and therefore $2,194 (US$1,600) was released from escrow and recorded as a Gain on contingent consideration from a business acquisition in the consolidated statement of income.

	2023
	$
Consideration paid:	
Purchase price	285,478
Total consideration	285,478
Cash	(9,318)
Net cash outflow	276,160

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

7. Business acquisitions (continued)

II) Wetzel's Pretzels (2023) (continued)

The final purchase price allocation is as follows:

	2023
	$
Net assets acquired:	
Current assets	
Cash	9,318
Accounts receivable	1,364
Inventories	360
Current portion of loans and other receivables	61
Current portion of finance lease receivables	824
Income taxes receivable	1,863
Prepaid expenses and deposits	1,028
	14,818
Loans and other receivables	807
Finance lease receivables	10,389
Property, plant and equipment	6,903
Right-of-use assets	18,440
Intangible assets – Franchise rights	48,352
Intangible assets – Trademark	97,383
Goodwill [(1)]	161,142
	358,234
Current liabilities	
Accounts payable and accrued liabilities	8,721
Income taxes payable	743
Current portion of deferred revenue and deposits	91
Current portion of lease liabilities	1,271
	10,826
Lease liabilities	28,515
Deferred revenue and deposits	1,275
Deferred income taxes	32,140
	72,756
Net purchase price	285,478

[(1)] Goodwill is partially deductible for tax purposes.

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

7. Business acquisitions (continued)

II) Wetzel's Pretzels (2023) (continued)

Total expenses incurred related to acquisition costs amounted to $433.

From December 8, 2022 to November 30, 2023, the Company's consolidated statement of income included revenue of $77,005 and net income of $15,488 attributable to Wetzel's Pretzels.

The following pro forma information for the year ended November 30, 2023 represents the Company's results of operations as if the acquisition of Wetzel's Pretzels had occurred on December 1, 2022. This pro forma information does not purport to be indicative of the results that would have occurred for the period presented or that may be expected in the future.

	2023
	$
Revenue	**1,171,325**
Net income	**105,867**

III) BBQ Holdings (2022)

On September 27, 2022, the Company completed the acquisition of all of the issued and outstanding common shares of BBQ Holdings. BBQ Holdings is a franchisor and operator of casual and fast casual dining restaurants across 37 states in the US, Canada, and the United Arab Emirates. As of the date of the acquisition, BBQ Holdings was operating 198 franchised and 103 corporate-owned restaurants under 10 different brands. The purpose of the transaction was to diversify the Company's range of offerings in the US as well as to bring proficiency in operating corporate-owned restaurants.

The transaction included a purchase consideration totaling $250,443 (US$182,458), repayment of long-term debt of $33,800 (US$24,625) and early cash settlement of stock options and restricted stock units of $14,006 (US$10,204), as detailed below. The resulting aggregate cash outflow in connection with the BBQ Holdings acquisition was $284,298 (US$207,123).

	As previously reported	Adjustments	2022
	$	$	$
Consideration paid:			
Cash	250,443	—	250,443
Amount paid for early settlement of options	13,951	55	14,006
Total consideration	264,394	55	264,449
Cash consideration paid	250,443	55	250,498
Repayment of long-term debt	33,800	—	33,800
Net cash outflow	284,243	55	284,298

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

7. Business acquisitions (continued)

III) BBQ Holdings (2022) (continued)

The final purchase price allocation is as follows:

	As previously reported	Adjustments	2022
	$	$	$
Net assets acquired:			
Current assets			
Cash	28,269	—	28,269
Accounts receivable (1)	8,026	(738)	7,288
Inventories	5,289	—	5,289
Income taxes receivable	1,228	—	1,228
Other assets (1)	247	(247)	—
Prepaid expenses and deposits (1)	1,849	372	2,221
	44,908	(613)	44,295
Loans and other receivables (1)	196	120	316
Property, plant and equipment (1)	74,448	(810)	73,638
Right-of-use assets (1)	109,260	111	109,371
Intangible assets – Franchise rights (1)	11,159	(1,880)	9,279
Intangible assets – Trademarks (1)	166,689	(10,995)	155,694
Intangible assets – Other (1)	1,382	710	2,092
Goodwill (2)	72,039	18,500	90,539
	480,081	5,143	485,224
Current liabilities			
Accounts payable and accrued liabilities (1)	31,769	(1,061)	30,708
Gift card and loyalty program liabilities (1)	10,444	5,095	15,539
Current portion of deferred revenue and deposits (1)	583	(583)	—
Current portion of lease liabilities (1)	17,241	85	17,326
	60,037	3,536	63,573
Long-term debt	33,800	—	33,800
Lease liabilities (1)	92,019	26	92,045
Deferred income taxes (1)	29,000	1,440	30,440
Other liabilities (1)	831	86	917
	215,687	5,088	220,775
Net purchase price	264,394	55	264,449

(1) During the year ended November 30, 2023, the Company finalized the purchase price allocation of the BBQ Holdings acquisition and recorded adjustments to its previously reported preliminary purchase price allocation reported in the fourth quarter of 2022. The adjustments related to the fair values of accounts receivable, other assets, prepaid expenses and deposits, loans and other receivables, property, plant and equipment, right-of-use assets, franchise rights, trademarks, other intangible assets, accounts payable and accrued liabilities, gift card and loyalty program liabilities, current portion of deferred revenue and deposits, current portion of lease liabilities, lease liabilities, deferred income taxes and other liabilities.

(2) Goodwill is partially deductible for tax purposes.

Total expenses incurred related to acquisition costs during the year ended November 30, 2023 amounted to $509, for a total of $5,290 incurred for the BBQ Holdings acquisition.

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

7. Business acquisitions (continued)

III) BBQ Holdings (2022) (continued)

From September 27, 2022 to November 30, 2022, the Company's consolidated statement of income included revenue of $71,914 and net income of $2,149 attributable to BBQ Holdings.

IV) Küto Comptoir à Tartares (2022)

On December 1, 2021, the Company's Canadian operations completed the acquisition of the assets of Küto Comptoir à Tartares for a total consideration of $12,688. The purpose of the transaction was to diversify the Company's range of offering as well as to complement existing Company brands.

	2022
	$
Consideration paid:	
Purchase price	9,033
Contingent consideration	3,459
Working capital	196
Net purchase price	12,688
Contingent consideration	(3,459)
Holdback	(250)
Net cash outflow	8,979

The final purchase price allocation is as follows:

	2022
	$
Net assets acquired:	
Current assets	
Inventories	302
	302
Property, plant and equipment	145
Right-of-use assets	46
Intangible assets – Franchise rights	1,090
Intangible assets – Trademark	4,970
Intangible assets – Customer list	3,380
Goodwill [1]	2,908
	12,841
Current liabilities	
Accounts payable and accrued liabilities	40
Gift card liability	67
Current portion of lease liabilities	35
	142
Lease liabilities	11
	153
Net purchase price	12,688

[1] Goodwill is deductible for tax purposes.

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

7. Business acquisitions (continued)

IV) Küto Comptoir à Tartares (2022) (continued)

Total expenses incurred related to acquisition costs amounted to nil.

The purchase price allocation is final.

From December 1, 2021 to November 30, 2022, the Company's consolidated statement of income included revenue of $6,602 and net income of $1,730 attributable to Küto Comptoir à Tartares.

8. Change in control

On December 3, 2021, the Company gained control of 11554891 Canada Inc., previously a joint venture, as a result of a lapse of rights held by the minority shareholder that previously stopped the Company from controlling. Accordingly, the Company now has control over 11554891 Canada Inc., which triggers its deemed acquisition and thus fully consolidates 11554891 Canada Inc. starting December 3, 2021. There is no cash consideration for the acquisition and there is no change of participation of each partner in 11554891 Canada Inc.

The Company has an obligation to repurchase the interest of the minority shareholder of 11554891 Canada Inc. Under IFRS, this option gives the equity participation of this minority shareholder the characteristics of liability more than equity. As such, this minority shareholder's participation is classified in the current portion of long-term debt (Note 19).

The change in control provides for the revaluation of the previously held interest to its fair market value. The Company remeasured its pre-existing equity interest of 70% to its fair value of $23,142. As a result, the Company recorded a loss of $2,769 in its consolidated statement of income for the year ended November 30, 2022.

	2022
	$
Enterprise value of 11554891 Canada Inc.	37,093
Liabilities assumed and settlement of pre-existing relationships	(13,896)
Fair value of net assets acquired	23,197

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

8. Change in control (continued)

The final purchase price allocation is as follows:

	2022
	$
Net assets transferred:	
Current assets	
Cash	502
Accounts receivable	1,110
Inventories	87
Current portion of finance lease receivables	459
Income taxes receivable	70
Other assets	115
Prepaid expenses and deposits	71
	2,414
Finance lease receivables	2,399
Property, plant and equipment	406
Right-of-use assets	1,007
Intangible assets – Franchise rights	2,700
Intangible assets – Trademarks	16,200
Goodwill [(1)]	11,946
	37,072
Current liabilities	
Accounts payable and accrued liabilities	920
Gift card liability	268
Current portion of lease liabilities	678
	1,866
Long-term debt	7,867
Lease liabilties	3,238
Deferred income taxes	815
Deferred revenue	89
	13,875
	23,197

(1) Goodwill is deductible for tax purposes.

The purchase price allocation is final.

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

9. Accounts receivable

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

	2023	2022
	$	$
		Restated (Note 7)
Total accounts receivable	**91,861**	84,918
Less: Allowance for credit losses	**8,863**	7,545
Total accounts receivable, net	**82,998**	77,373
Of which:		
Not past due	**71,121**	64,333
Past due for more than one day but no more than 30 days	**2,118**	2,513
Past due for more than 31 days but no more than 60 days	**2,175**	1,841
Past due for more than 61 days	**7,584**	8,686
Total accounts receivable, net	**82,998**	77,373

	2023	2022
	$	$
		Restated (Note 7)
Allowance for credit losses, beginning of year	**7,545**	8,456
Increase to current year provision	**3,399**	1,017
Addition through business acquisition	**54**	957
Change in control over interest in 11554891 Canada Inc.	**—**	44
Reversal of amounts previously written off	**(9)**	22
Write-offs	**(1,999)**	(3,072)
Impact of foreign exchange	**(127)**	121
Allowance for credit losses, end of year	**8,863**	7,545

10. Inventories

	2023	2022
	$	$
Raw materials	**3,262**	2,386
Work in progress	**1,761**	1,011
Finished goods and supplies	**8,248**	7,326
Food and beverage	**7,460**	7,794
Total inventories	**20,731**	18,517

Inventories are presented net of a $26 allowance for obsolescence (November 30, 2022 – $26). All of the inventories are expected to be sold within the next 12 months.

Inventories expensed during the year ended November 30, 2023 were $271,014 (2022 – $178,768).

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

11. 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 has options to purchase the premises on some of its leases.

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, 2023 and 2022:

	Offices, corporate and dark stores	Store locations subject to operating subleases	Other	Total
	$	$	$	$
Balance as at November 30, 2021	45,798	13,067	1,072	59,937
Additions	17,304	—	150	17,454
Additions through business acquisitions (Restated – Note 7)	108,886	—	531	109,417
Change in control over interest in 11554891 Canada Inc. (Note 8)	999		8	1,007
Depreciation expense	(13,795)	(1,373)	(405)	(15,573)
Impairment charge	(969)	—	—	(969)
De-recognition/lease modification of lease liabilities	(10,749)	(193)	(41)	(10,983)
Foreign exchange	(657)	176	6	(475)
Balance as at November 30, 2022	146,817	11,677	1,321	159,815
Additions	**17,317**	**—**	**219**	**17,536**
Additions through business acquisitions (Note 7)	**28,353**	**—**	**—**	**28,353**
Depreciation expense	**(34,477)**	**(1,526)**	**(655)**	**(36,658)**
Impairment charge	**(428)**	**—**	**—**	**(428)**
De-recognition/lease modification of lease liabilities	**12,644**	**282**	**(5)**	**12,921**
Foreign exchange	**611**	**14**	**1**	**626**
Other	**(447)**	**—**	**—**	**(447)**
Balance as at November 30, 2023	**170,390**	**10,447**	**881**	**181,718**

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

11. Leases (continued)

Finance lease receivables

The following table provides the net carrying amount of the finance lease receivables and the changes in the years ended November 30, 2023 and 2022:

	2023	2022
	$	$
Finance lease receivables, beginning of year	338,776	399,269
Additions	22,205	17,001
Additions through business acquisitions (Note 7)	11,213	—
Change in control over interest in 11554891 Canada Inc. (Note 8)	—	2,858
Lease renewals and modifications	54,690	21,456
Lease terminations	(7,810)	(15,483)
Other adjustments	(76)	(800)
Interest income	11,438	10,210
Receipts	(97,236)	(101,051)
Foreign exchange	506	5,316
Finance lease receivables, end of year	333,706	338,776

Recorded in the consolidated statements of financial position as follows:

	2023	2022
	$	$
Current portion	80,154	83,500
Long-term portion	253,552	255,276
	333,706	338,776

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

11. Leases (continued)

Lease liabilities

The following table provides the net carrying amount of the lease liabilities and the changes in the years ended November 30, 2023 and 2022:

	2023	2022
	$	$ *Restated (Note 7)*
Lease liabilities, beginning of year	**514,923**	473,548
Additions	**25,221**	16,631
Additions through business acquisitions (Note 7)	**39,836**	109,417
Change in control over interest in 11554891 Canada Inc. (Note 8)	**—**	3,916
Lease renewals and modifications	**80,331**	21,869
Lease terminations	**(6,699)**	(9,226)
Other adjustments	**(1,547)**	334
Interest expense	**22,840**	13,420
Payments	**(140,875)**	(120,011)
Foreign exchange	**1,167**	5,025
Lease liabilities, end of year	**535,197**	514,923

Recorded in the consolidated statements of financial position as follows:

	2023	2022
	$	$ *Restated (Note 7)*
Current portion	**112,446**	114,522
Long-term portion	**422,751**	400,401
	535,197	514,923

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

11. Leases (continued)

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, 2023:

	Lease liabilities	Finance lease receivables	Operating subleases
	$	$	$
2024	133,706	91,843	1,482
2025	117,694	78,687	1,373
2026	98,288	64,411	785
2027	79,284	49,131	402
2028	58,784	33,292	257
Thereafter	128,145	57,085	235
Total undiscounted lease payments	**615,901**	**374,449**	**4,534**
Unguaranteed residual values	—	2,239	—
Gross investment in the lease	**—**	**376,688**	**—**
Less: Unearned finance income	—	(38,328)	—
Present value of minimum lease payment receivables	**—**	**338,360**	**—**
Allowance for credit losses	—	(4,654)	—
Current portion of finance lease receivables	—	(80,154)	—
Finance lease receivables	**—**	**253,552**	**—**

The Company has recognized net rent expense of $19,108 (2022 – $4,985) related to its short-term leases, leases of low-value assets, and variable lease payments.

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

12. Property, plant and equipment

Cost	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
Balance as at November 30, 2021	1,236	5,134	8,235	15,363	4,422	596	34,986
Additions	1,900	30	2,020	2,949	1,721	50	8,670
Transfer to assets held for sale	(1,055)	(993)	(63)	—	—	—	(2,111)
Disposals	—	—	(737)	(1,392)	(122)	(20)	(2,271)
Impairment (Note 15)	—	—	(282)	(253)	—	—	(535)
Foreign exchange	(174)	(65)	(508)	(185)	64	1	(867)
Change in control (Note 8)	—	—	307	99	—	—	406
Additions through business acquisitions (Restated – Note 7)	5,416	5,778	36,565	23,479	3,053	12	74,303
Balance as at November 30, 2022	7,323	9,884	45,537	40,060	9,138	639	112,581
Additions	**—**	**93**	**13,476**	**14,984**	**1,534**	**37**	**30,124**
Disposals	**—**	**(515)**	**(1,442)**	**(2,487)**	**(408)**	**(185)**	**(5,037)**
Impairment (Note 15)	**—**	**—**	**(21)**	**(193)**	**(19)**	**—**	**(233)**
Foreign exchange	**13**	**6**	**354**	**216**	**33**	**—**	**622**
Additions through business acquisitions (Note 7)	**—**	**—**	**7,535**	**4,771**	**(191)**	**—**	**12,115**
Balance as at November 30, 2023	**7,336**	**9,468**	**65,439**	**57,351**	**10,087**	**491**	**150,172**

Accumulated depreciation	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
Balance as at November 30, 2021	—	1,813	4,725	8,229	2,405	288	17,460
Eliminated on disposal of assets	—	—	(253)	(692)	(119)	(20)	(1,084)
Foreign exchange	—	—	53	51	45	—	149
Depreciation	—	279	2,438	1,811	1,343	104	5,975
Balance as at November 30, 2022	—	2,092	6,963	9,399	3,674	372	22,500
Eliminated on disposal of assets	**—**	**(290)**	**(1,197)**	**(1,711)**	**(249)**	**(137)**	**(3,584)**
Foreign exchange	**—**	**2**	**85**	**70**	**22**	**—**	**179**
Depreciation	**—**	**337**	**8,618**	**7,066**	**2,168**	**87**	**18,276**
Balance as at November 30, 2023	**—**	**2,141**	**14,469**	**14,824**	**5,615**	**322**	**37,371**

Carrying amounts	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
November 30, 2022 (Restated – Note 7)	7,323	7,792	38,574	30,661	5,464	267	90,081
November 30, 2023	**7,336**	**7,327**	**50,970**	**42,527**	**4,472**	**169**	**112,801**

(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 lists	Other [1]	Total
	$	$	$	$	$	$
Balance as at November 30, 2021	364,793	608,353	1,199	10,318	7,906	992,569
Additions	—	—	—	—	3,988	3,988
Additions through business acquisitions (Restated – Note 7)	10,369	160,664	—	3,380	2,092	176,505
Change in control (Note 8)	2,700	16,200	—	—	—	18,900
Foreign exchange	12,443	18,958	—	—	638	32,039
Net impairment (Note 15)	(3,842)	(9,539)	—	—	—	(13,381)
Balance as at November 30, 2022	386,463	794,636	1,199	13,698	14,624	1,210,620
Additions	**—**	**—**	**—**	**—**	**2,045**	**2,045**
Additions through business acquisitions (Note 7)	**48,352**	**103,030**	**—**	**—**	**—**	**151,382**
Disposals	**—**	**—**	**—**	**—**	**(303)**	**(303)**
Foreign exchange	**1,464**	**3,082**	**—**	**—**	**48**	**4,594**
Impairment (Note 15)	**(1,292)**	**(7,907)**	**—**	**—**	**—**	**(9,199)**
Balance as at November 30, 2023	**434,987**	**892,841**	**1,199**	**13,698**	**16,414**	**1,359,139**

Accumulated amortization	Franchise and master franchise rights	Trademarks	Step-in rights	Customer lists	Other [1]	Total
	$	$	$	$	$	$
Balance as at November 30, 2021	164,943	—	978	2,456	3,918	172,295
Foreign exchange	5,460	—	—	—	94	5,554
Amortization	26,724	—	120	966	1,663	29,473
Balance as at November 30, 2022	197,127	—	1,098	3,422	5,675	207,322
Disposals	**—**	**—**	**—**	**—**	**(61)**	**(61)**
Foreign exchange	**726**	**—**	**—**	**—**	**16**	**742**
Amortization	**31,516**	**—**	**100**	**966**	**1,977**	**34,559**
Balance as at November 30, 2023	**229,369**	**—**	**1,198**	**4,388**	**7,607**	**242,562**

Carrying amounts	Franchise and master franchise rights	Trademarks	Step-in rights	Customer lists	Other [1]	Total
	$	$	$	$	$	$
November 30, 2022 (Restated – Note 7)	189,336	794,636	101	10,276	8,949	1,003,298
November 30, 2023	**205,618**	**892,841**	**1**	**9,310**	**8,807**	**1,116,577**

[1] Other items include $2,372 (November 30, 2022 – $1,987) of licenses with an indefinite term that are not amortized.

(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 67 CGUs (November 30, 2022 – 66 CGUs) totaling $895,213 (November 30, 2022 – $796,623).

14. Goodwill

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

	2023	2022
	$	$ *Restated (Note 7)*
Goodwill, beginning of year	**613,477**	490,627
Business acquisitions (Note 7)	**167,579**	95,377
Change in control (Note 8)	**—**	11,946
Foreign exchange	**4,212**	15,527
Goodwill, end of year	**785,268**	613,477
Accumulated impairment, beginning of year	**65,721**	62,237
Foreign exchange	**360**	3,484
Accumulated impairment, end of year	**66,081**	65,721
Carrying amount	**719,187**	547,756

As at November 30, 2023, goodwill was allocated to five (November 30, 2022 – four) goodwill units as follows:

	2023	2022
	$	$ *Restated (Note 7)*
Canada Goodwill Unit	**204,327**	204,327
US Goodwill Unit A (1)	**126,761**	126,066
US Goodwill Unit B (1)	**128,963**	128,260
US Goodwill Unit C (2)	**97,994**	89,103
US Goodwill Unit D (3)	**161,142**	—
	719,187	547,756

(1) Variance from prior year due to foreign exchange conversion.
(2) Variance from prior year due to acquisition of Sauce Pizza and Wine (Note 7) and acquisition of the assets of two restaurants located in the state of California as well as foreign exchange conversion.
(3) Variance from prior year due to acquisition of Wetzel's Pretzels (Note 7).

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

15. Impairment charge – property, plant and equipment and intangible assets

The Company performed its annual impairment test as at August 31, 2023. For six (two and four brands in the Canada and US & International geographical segments, respectively) of its brands (2022 – five brands; two and three brands in the Canada and US & International geographical segments, respectively), an impairment charge on intangible assets was required in the amount of $9,199 (2022 – $13,381). Additionally, the Company recorded $233 (2022 – $535) of impairment losses on its property, plant and equipment, for a total of $9,432 (2022 – $13,916) of impairment charges on its property, plant and equipment and intangible assets for the year ended November 30, 2023, which have been recognized in the consolidated statements of comprehensive income.

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 by geographical segment for the year ended November 30, 2023:

		Intangible assets		
	Property, plant and equipment	**Franchise rights**	**Trademarks**	**Total**
	$	**$**	**$**	**$**
Canada	**—**	**525**	**3,104**	**3,629**
US & International	**233**	**767**	**4,803**	**5,803**
Impairment charge	**233**	**1,292**	**7,907**	**9,432**

Impairment by geographical segment for the year ended November 30, 2022:

		Intangible assets		
	Property, plant and equipment	**Franchise rights**	**Trademarks**	**Total**
	$	$	$	$
Canada	100	1,454	4,338	5,892
US & International	435	2,388	5,201	8,024
Impairment charge	535	3,842	9,539	13,916

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. Impairment charge – property, plant and equipment and intangible assets (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, 2023 and 2022:

	2023					2022		
($, except percentage data)	**Canada Goodwill Unit**	**US Goodwill Unit A**	**US Goodwill Unit B**	**US Goodwill Unit C**	**US Goodwill Unit D**	Canada Goodwill Unit	US Goodwill Unit A	US Goodwill Unit B
Discount rates after tax	**9.5%**	**10.5%**	**10.5%**	**10.5%**	**10.5%**	9.8%	10.3%	10.3%
Discount rates pre-tax	**12.4%**	**13.4%**	**13.8%**	**13.7%**	**13.6%**	12.7%	13.1%	13.2%
Recoverable amounts	**1,063,708**	**729,871**	**360,741**	**424,392**	**365,670**	1,071,847	675,843	328,712

Long-term growth rates ranging from 0% to 2% (2022 – 0% to 2%) were used in the impairment test for the Canada Goodwill Unit. A change of 100 basis points in discount rates in the Canada Goodwill Unit would result in additional impairment charges on intangible assets of four brands (2022 – four brands) representing 0.3% (2022 – 1.8%) 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 Canada Goodwill Unit would not result in additional impairment charges on goodwill for the years ended November 30, 2023 and 2022. For the Canada Goodwill Unit, an increase of 1,080 basis points (2022 – 950 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% (2022 – 0% to 2%) were used in the impairment test for US Goodwill Unit A. A change of 100 basis points in discount rates in US Goodwill Unit A would result in additional impairment charges on intangible assets of three brands (2022 – four brands) representing 0.7% (2022 – 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 US Goodwill Unit A would not result in additional impairment charges on goodwill for the years ended November 30, 2023 and 2022. For US Goodwill Unit A, an increase of 440 basis points (2022 – 320 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% (2022 – 1.5%) was used in the impairment test for US Goodwill Unit B. A change of 100 basis points in discount rates in US Goodwill Unit B would not result in additional impairment charges on intangible assets or goodwill for the years ended November 30, 2023 and 2022. For US Goodwill Unit B, an increase of 200 basis points (2022 – 110 basis points) in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

Long-term growth rates of 2.0% were used in the impairment test for US Goodwill Unit C. A change of 100 basis points in discount rates in US Goodwill Unit C would not result in additional impairment charges on intangible assets or goodwill for the year ended November 30, 2023. For US Goodwill Unit C, an increase of 200 basis points in the discount rate would have resulted in its recoverable amount being equal to its carrying value. For the year ended November 30, 2022, the Company performed its annual impairment test for US Goodwill Unit C, using the fair value less costs to sell method, as at November 30, 2022 due to the timing of the acquisition. For the year ended November 30, 2022, a long-term growth rate of 2.0%, a discount rate after tax of 10.6% and a pre-tax discount rate of 12.1% were used in the impairment test for US Goodwill Unit C, which was acquired on September 27, 2022.

A long-term growth rate of 2.0% was used in the impairment test for US Goodwill Unit D. A change of 100 basis points in discount rates in US Goodwill Unit D would not result in additional impairment charges on intangible assets or goodwill for the year ended November 30, 2023. For US Goodwill Unit D, an increase of 160 basis points in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

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

16. Credit facility

During the year ended November 30, 2022, the Company modified its existing credit facility payable to a syndicate of lenders. The modification resulted in an increase to the revolving credit facility, which now has an authorized amount of $900,000 (November 30, 2022 – $900,000), and an extension of its maturity by 18 months, until October 28, 2025. The accordion feature amounting to $300,000 (November 30, 2022 – $300,000) remained unchanged. Transaction costs of $1,817 were incurred during the year ended November 30, 2022 and will be deferred and amortized over the remaining three years of the life of the revolving credit facility. As at November 30, 2023, US$558,023 was drawn from the revolving credit facility (November 30, 2022 – US$408,850).

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, 2023, the Company was in compliance with its financial covenants.

17. Provisions

The provisions recorded on the Company's consolidated statements of financial position are related to litigations, disputes and other contingencies, representing management's best estimate of the outcome of litigations and disputes that are ongoing at the date of the statement of financial position, as well as self-insured liabilities related to health and workers' compensation and general liability claims. These provisions are made of multiple items; the timing of the settlement of these provisions is unknown given their nature, as the Company does not control the litigation timelines.

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

	2023	2022
	$	$
Provisions, beginning of year	**1,490**	1,692
Reversals	**(574)**	(517)
Amounts used	**(12,188)**	(404)
Additions	**15,895**	680
Impact of foreign exchange	**33**	39
Provisions, end of year	**4,656**	1,490

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

18. Deferred revenue and deposits

	2023	2022
	$	$
		Restated (Note 7)
Franchise fee deposits	**62,256**	55,646
Unearned rent, advances for restaurant construction and renovation	**1,949**	2,854
Supplier contributions and other allowances	**3,738**	6,373
	67,943	64,873
Less: Current portion	**(14,918)**	(16,468)
	53,025	48,405

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 royalties, 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.

$16,767 (2022 – $15,391) 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, 2023:

Estimate for fiscal year:	$
2024	14,918
2025	8,837
2026	8,004
2027	6,211
2028	4,666
Thereafter	25,307
	67,943

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

19. Long-term debt

	2023	2022
	$	$
Non-interest-bearing contract cancellation fees and holdbacks on acquisitions	**1,375**	142
Contingent considerations on Küto Comptoir à Tartares acquisition (Note 7) and 11554891 Canada Inc. (Note 8) (1)	**600**	3,626
Fair value of non-controlling interest option in 9974644 Canada Inc. (2)	**2,288**	1,853
Fair value of obligation to repurchase 11554891 Canada Inc. partner (Note 8) (3)	**7,179**	7,867
Revolving credit facility payable to a syndicate of lenders (4)	**757,759**	550,055
Credit facility financing costs	**(1,837)**	(2,584)
	767,364	560,959
Less: Current portion	**(10,428)**	(9,530)
	756,936	551,429

(1) The contingent considerations for the acquisition of Küto Comptoir à Tartares (payable November 2024) and 70% interest in 11554891 Canada Inc. (payable within the next 12 months) were subject to earn-out provisions and the calculations have now been finalized.
(2) Payable on demand.
(3) Payable on demand, with a maximum maturity date of December 2024.
(4) 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 October 28, 2025 and must be repaid in full at that time. The revolving credit facility has an authorized amount of $900,000 (November 30, 2022 – $900,000). As at November 30, 2023, the Company had drawn US$558,023 (November 30, 2022 – US$408,850) and has elected to pay interest based on the Secured Overnight Financing Rate ("SOFR") plus applicable margins. The credit facility bears interest at Canadian prime rate, US prime rate rate, Bankers' acceptances rate and eventually the Canadian Overnight Repo Rate Average, and SOFR plus an applicable margin that will vary depending on the type of advances. The Company pays a commitment fee on the available unused credit facility.

20. Capital stock

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

	2023		2022	
	Number	**Amount**	Number	Amount
		$		$
Balance, beginning of year	**24,413,461**	**302,781**	24,669,861	305,961
Shares repurchased and cancelled	**(80,800)**	**(1,002)**	(256,400)	(3,180)
Balance, end of year	**24,332,661**	**301,779**	24,413,461	302,781

On June 29, 2023, the Company announced the renewal of the normal course issuer bid ("NCIB"). The NCIB began on July 3, 2023 and will end on July 2, 2024 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 1,220,673 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, 2023, the Company repurchased and cancelled a total of 80,800 common shares (2022 – 256,400 common shares) under the current NCIB, at a weighted average price of $51.58 per common share (2022 – $57.01 per common share), for a total consideration of $4,167 (2022 – $14,618). An excess of $3,165 (2022 – $11,438) 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)

21. Accumulated other comprehensive (loss) income

The following table provides the net carrying amounts of Accumulated other comprehensive (loss) income by category and the changes in the years ended November 30, 2023 and 2022.

	Translation adjustments	Cash flow hedges	Deferred tax expense on foreign currency translation adjustments and cash flow hedges	Total
	$	$	$	$
Balance as at November 30, 2021	(22,134)	—	814	(21,320)
Unrealized gain on translation of foreign operations	35,577	—	—	35,577
Deferred tax expense on foreign currency translation adjustments and cash flow hedges	—	—	(491)	(491)
Balance as at November 30, 2022	13,443	—	323	13,766
Unrealized gain on translation of foreign operations	**7,644**	**—**	**—**	**7,644**
Change in fair value of financial instruments	**—**	**9,581**	**—**	**9,581**
Gain realized on financial instruments transferred to earnings	**—**	**(3,265)**	**—**	**(3,265)**
Deferred tax expense on foreign currency translation adjustments and cash flow hedges	**—**	**—**	**(2,256)**	**(2,256)**
Balance as at November 30, 2023	**21,087**	**6,316**	**(1,933)**	**25,470**

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, 2023 (November 30, 2022 – 60,000).

Under the stock option plan of the Company, the following options were granted and are outstanding as at November 30, 2023 and 2022:

	2023		2022	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning and end of year	**440,000**	**50.97**	440,000	50.97
Vested, end of year	**137,776**	**50.38**	102,221	49.72

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

22. Stock options (continued)

As at November 30, 2023, 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**	**3.3**
52.01	**200,000**	**5.8**
58.78	**40,000**	**1.1**
	440,000	**4.3**

As at November 30, 2022, 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	4.3
52.01	200,000	6.8
58.78	40,000	2.1
	440,000	5.3

No options were granted during the years ended November 30, 2023 and 2022.

A compensation expense of $792 was recorded for the year ended November 30, 2023 (2022 – $1,002). The expense is presented in Wages and benefits in Operating expenses in the consolidated statements of income.

23. Net income per share

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

	2023	2022
Weighted daily average number of common shares – basic	**24,409,176**	24,439,892
Assumed exercise of stock options (1)	**68,987**	25,846
Weighted daily average number of common shares – diluted	**24,478,163**	24,465,738

(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, 2023 was 13,334 (2022 – 240,000).

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

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

Contingent considerations on acquisitions

The Company issued as part of its consideration for the acquisition of Küto Comptoir à Tartares and 70% interest in 11554891 Canada Inc., contingent considerations to the vendors. These contingent considerations were subject to earn-out provisions and the calculations have now been finalized; the contingent considerations for Küto Comptoir à Tartares and 11554891 Canada Inc. are repayable in November 2024 and within the next 12 months, respectively. These contingent considerations have been recorded at fair value and are remeasured on a recurring basis.

A fair value remeasurement gain of $2,151 was recorded for the contingent considerations for the year ended November 30, 2023 (2022 – gain of $1,794).

On December 8, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of all of the issued and outstanding shares of Wetzel's Pretzels. The transaction consideration included US$3,000 held in escrow contingent on the execution of several lease contracts within 12 months of the acquisition. As at December 8, 2023, only a portion of the contracts were executed and therefore $2,194 (US$1,600) was released from escrow and recorded as a Gain on contingent consideration from a business acquisition in the consolidated statement of income.

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 19) which is remeasured at each reporting period.

A fair value remeasurement loss of $435 (2022 – loss of $278) was recorded for this non-controlling interest obligation.

Obligation to repurchase 11554891 Canada Inc. partner

The Company, in conjunction with the acquisition of its 70% interest in 11554891 Canada Inc., entered into an agreement to acquire the remaining 30% interest by December 2024. The consideration to be paid for this acquisition will be based on future earnings. The Company recorded a liability at fair value (Note 19) which is remeasured at each reporting period. An increase or decrease by 1% in the discount rates used would have an impact of nil on the carrying amount as at November 30, 2023 and 2022.

A fair value remeasurement gain of $688 (2022 – gain of $1,416) was recorded for this obligation to repurchase the 11554891 Canada Inc. partner.

Cross currency interest rate swaps

On October 27, 2023 and November 27, 2023, the Company entered into one floating to floating 3-month cross currency interest rate swap and one floating to floating 2-month cross currency interest rate swap, respectively (November 30, 2022 – one floating to floating 3-month cross currency interest rate swap and one floating to floating 2-month cross currency interest rate swap). A derivative liability fair value of $2,626 was recorded as at November 30, 2023 (November 30, 2022 – nil) in Current portion of derivative liabilities in the consolidated statements of financial position. The Company has classified this as level 2 in the fair value hierarchy.

	2023		2022	
	3-month	**2-month**	3-month	2-month
Receive – Notional	**US$51,114**	**US$142,909**	US$64,850	US$150,000
Receive – Rate	**7.14%**	**7.14%**	6.18%	6.18%
Pay – Notional	**CA$70,000**	**CA$196,000**	CA$87,000	CA$201,000
Pay – Rate	**6.66%**	**6.59%**	5.95%	5.80%

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

24. Financial instruments (continued)

Fair value of recognized financial instruments (continued)

Fixed interest rate swaps

On March 24, 2023, the Company entered into a three-year SOFR fixed interest rate swap for a notional amount of US$200,000. The period of three years ends on April 10, 2026. Under the terms of this swap, the interest rate is fixed at 3.32%. A derivative asset fair value of $6,617 was recorded as at November 30, 2023 (November 30, 2022 – nil). The Company has classified this as level 2 in the fair value hierarchy and has designated this as a cash flow hedge of the Company's interest rate risk from its credit facility. A fair value remeasurement gain of $6,316 was recorded in the Company's consolidated statement of comprehensive income for the year ended November 30, 2023 (2022 – nil).

On May 30, 2023, the Company entered into a two-year SOFR fixed interest rate swap for a notional amount of US$100,000. The period of two years ends on May 30, 2025. Under the terms of this swap, the interest rate is fixed at 3.64%, unless the 1-month term SOFR exceeds 5.50%; if the 1-month term SOFR exceeds 5.50%, the Company will pay the 1-month term SOFR. A derivative asset fair value of $1,272 was recorded as at November 30, 2023 (November 30, 2022 – nil). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement gain of $1,272 was recorded in the Company's consolidated statement of income for the year ended November 30, 2023 (2022 – nil).

The swaps were recorded in the consolidated statements of financial position as follows:

	3-year SOFR fixed interest rate swap	2-year SOFR fixed interest rate swap	Total
	$	$	$
Current portion	**4,647**	**—**	**4,647**
Long-term portion	**1,970**	**1,272**	**3,242**
November 30, 2023	**6,617**	**1,272**	**7,889**

(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

The changes in the carrying amount of the financial liabilities classified as level 3 in the fair value hierarchy are as follows:

	2023	2022
	$	$
Financial liabilities classified as level 3, beginning of year	**13,346**	4,952
Change in control over interest in 11554891 Canada Inc. (Note 8)	**—**	7,867
Repayment of contingent consideration on 11554891 Canada Inc.	**(875)**	—
Revaluation of financial liabilities recorded at fair value	**(2,404)**	(2,932)
Issuance of contingent consideration on Küto Comptoir à Tartares acquisition (Note 7)	**—**	3,459
Financial liabilities classified as level 3, end of year	**10,067**	13,346

As at November 30, 2023 and 2022, the financial liabilities classified as level 3 in the fair value hierarchy were comprised of the following:

	2023	2022
	$	$
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc.	**600**	3,626
Non-controlling interest buyback option	**2,288**	1,853
Obligation to repurchase 11554891 Canada Inc. partner	**7,179**	7,867
Financial liabilities classified as level 3	**10,067**	13,346

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 receivable, 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, 2023 and 2022. 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.

		2023		2022
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
			Restated (Note 7)	*Restated (Note 7)*
Financial assets				
Loans and other receivables	**5,389**	**5,389**	4,560	4,560
Finance lease receivables	**333,706**	**333,706**	338,776	338,776
Financial liabilities				
Long-term debt [(1)]	**759,134**	**759,134**	550,197	550,197

(1) Excludes contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc., credit facility financing costs, non-controlling interest option in 9974644 Canada Inc. and obligation to repurchase 11554891 Canada Inc. partner.

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

24. Financial instruments (continued)

Determination of fair value

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

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, 2023.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables and finance lease 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 and finance lease receivables 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 and finance lease receivables.

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, 2023, US$558,023 (November 30, 2022 – US$408,850) was drawn from the revolving credit facility. Of that amount, US$194,023 (November 30, 2022 – US$214,850) was not exposed to foreign exchange risk as a result of two (November 30, 2022 – two) cross currency interest rate swaps, and US$364,000 (November 30, 2022 – US$194,000) was exposed to foreign exchange risk.

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, 2023 and 2022, the Company has the following financial instruments denominated in foreign currencies:

		2023		2022
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Financial assets				
Cash	**2,593**	**3,522**	5,424	7,327
Accounts receivable	**988**	**1,342**	463	625
Financial liabilities				
Accounts payable and deposits	**(192)**	**(261)**	(212)	(286)
Long-term debt	**(364,000)**	**(494,385)**	(194,000)	(262,055)
Net financial liabilities	**(360,611)**	**(489,782)**	(188,325)	(254,389)

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

24. Financial instruments (continued)

Foreign exchange risk (continued)

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a loss of $18,031 (2022 – loss of $9,416) 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. The Company from time to time may enter into fixed interest rate derivatives to manage its cash flow risk exposure, with long-term commitments requiring Board approval to ensure compliance with the Company's risk management strategy. As at November 30, 2023, the Company holds floating-to-fixed interest rate swaps in order to hedge a portion of the interest rate cash flow risk associated with floating interest rate debt.

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 SOFR 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. $757,759 (November 30, 2022 – $550,055) of the credit facility was used as at November 30, 2023. A 100 basis points increase in the bank's prime rate would result in additional interest of $7,578 per annum (2022 – $5,501) 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, 2023, the Company had an authorized revolving credit facility for which the available amount may not exceed $900,000 (November 30, 2022 – $900,000) and including an accordion feature amounting to $300,000 (November 30, 2022 – $300,000) 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 16 and Note 19.

The following are the contractual maturities of financial liabilities as at November 30, 2023:

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**147,557**	**147,557**	**147,557**	**—**	**—**	**—**
Long-term debt (Note 19) [(1)]	**767,364**	**769,201**	**11,157**	**229**	**757,767**	**48**
Interest on long-term debt [(1)]	**n/a**	**102,597**	**26,877**	**26,877**	**49,605**	**(762)**
Lease liabilities	**535,197**	**615,901**	**66,853**	**66,853**	**117,694**	**364,501**
	1,450,118	**1,635,256**	**252,444**	**93,959**	**925,066**	**363,787**

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

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

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, 2023 and 2022 were as follows:

	2023	2022
	$	$
Debt	**767,364**	560,959
Equity	**812,889**	724,626
Debt-to-equity ratio	**0.94**	0.77

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 October 28, 2025.

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

26. Revenue

	For the year ended					
	November 30, 2023			November 30, 2022		
	Canada	**US & International**	**TOTAL**	Canada	US & International	TOTAL
	$	**$**	**$**	$	$	$
Royalties	**93,703**	**172,834**	**266,537**	83,860	128,968	212,828
Franchise and transfer fees	**5,567**	**6,746**	**12,313**	5,141	6,729	11,870
Retail, food processing and distribution revenues	**160,094**	**1,772**	**161,866**	162,467	5,996	168,463
Sale of goods, including construction revenue	**39,514**	**462,653**	**502,167**	35,410	94,821	130,231
Gift card breakage income	**393**	**6,337**	**6,730**	450	5,427	5,877
Promotional funds	**44,981**	**76,503**	**121,484**	42,394	68,890	111,284
Other franchising revenue	**40,141**	**41,598**	**81,739**	37,901	26,443	64,344
Other	**3,515**	**12,983**	**16,498**	3,000	8,625	11,625
	387,908	**781,426**	**1,169,334**	370,623	345,899	716,522

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

27. Operating expenses

	For the year ended					
	November 30, 2023			November 30, 2022		
	Canada	**US & International**	**TOTAL**	Canada	US & International	TOTAL
	$	**$**	**$**	$	$	$
Cost of goods sold and rent	**17,666**	**146,094**	**163,760**	15,800	36,355	52,155
Retail, food processing and distribution costs	**143,561**	**314**	**143,875**	145,534	—	145,534
Wages and benefits (1)	**61,559**	**230,412**	**291,971**	55,910	79,602	135,512
Other corporate store expenses (2)	**2,785**	**58,153**	**60,938**	2,881	11,448	14,329
Consulting and professional fees	**7,830**	**12,867**	**20,697**	7,750	12,897	20,647
Insurance and taxes	**1,591**	**6,545**	**8,136**	1,360	3,723	5,083
Utilities, repairs and maintenance	**1,990**	**23,567**	**25,557**	2,003	5,077	7,080
Advertising, travel, meals and entertainment	**4,947**	**14,148**	**19,095**	3,635	6,535	10,170
Gift cards – related costs	**—**	**9,037**	**9,037**	—	8,153	8,153
Royalties	**72**	**8,665**	**8,737**	49	7,972	8,021
Promotional funds (3)	**44,981**	**76,503**	**121,484**	42,394	68,890	111,284
Impairment (reversal of impairment) for expected credit losses	**2,289**	**904**	**3,193**	2,320	(216)	2,104
Other (2 & 4)	**10,267**	**11,841**	**22,108**	7,807	6,561	14,368
	299,538	**599,050**	**898,588**	287,443	246,997	534,440

(1) Wages and benefits are presented net of investment tax credit of nil (2022 – $459).

(2) During the year ended November 30, 2023, the Company began presenting its other operating expenses associated with its corporate stores in other corporate store expenses, to provide a more accurate overview of its operating expense categories. Accordingly, prior year amounts have been adjusted to reflect a reclassification of $14,329 from other operating expenses to other corporate store expenses.

(3) Promotional fund expenses include wages and benefits.

(4) Other operating expenses are comprised mainly of 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 $16,352 as at November 30, 2023 (November 30, 2022 – $18,648). In addition, the Company could be required to make payments for percentage rents, realty taxes and common area costs. As at November 30, 2023, the Company has accrued $1,570 (November 30, 2022 – $1,570), 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 17. 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:

	2023		2022	
	$	%	$	%
Combined income tax rate in Canada	**29,145**	**26.5**	25,486	26.5
Add effect of:				
Difference between Canadian and foreign statutory rate	**(17,710)**	**(16.3)**	(6,126)	(6.4)
Non-taxable portion of capital gains	**397**	**0.4**	505	0.5
Permanent differences	**303**	**0.3**	3,601	3.7
Credits generated and used in current year	**(3,197)**	**(2.9)**	—	—
Losses in subsidiaries for which no deferred income tax assets is recognized	**370**	**0.3**	2	—
Rate variation on deferred income tax	**(10)**	**—**	(754)	(0.8)
Adjustment to prior year provisions	**(3,136)**	**(2.9)**	(768)	(0.8)
Revision of estimates for tax exposures	**(959)**	**(0.9)**	(875)	(0.9)
Other – net	**258**	**0.3**	(80)	(0.1)
Provision for income taxes	**5,461**	**4.8**	20,991	21.7

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

30. Income taxes (continued)

The variation in deferred income taxes during the years ended November 30, 2023 and 2022 were as follows:

	November 30, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition	Foreign exchange	November 30, 2023
	$	$	$	$	$	$
Net deferred tax assets (liabilities) in relation to:						
Property, plant and equipment	(15,208)	1,157	—	(2,717)	(68)	(16,836)
Finance lease receivables	(88,159)	1,184	—	—	(144)	(87,119)
Right-of-use assets	(41,280)	(4,818)	—	—	(211)	(46,309)
Accounts receivable	308	476	—	14	10	808
Deferred costs	(1,359)	726	—	—	(3)	(636)
Inventory	56	(425)	—	17	(7)	(359)
Provisions and gift cards	24,808	(14,669)	—	(880)	(206)	9,053
Long-term debt	(2,214)	1,421	(2,256)	(7)	(3)	(3,059)
Non-capital losses	11,097	(11,270)	—	7,317	(110)	7,034
Capital losses	228	275	—	—	—	503
Intangible assets	(206,766)	6,135	—	(41,757)	(779)	(243,167)
Accrued expenses	8,994	30,470	—	5,533	594	45,591
Derivative assets	—	(1,777)	—	—	—	(1,777)
Deferred revenue	10,792	(4,692)	—	332	33	6,465
Lease liabilities	133,238	4,425	—	—	367	138,030
Other	(145)	(1,620)	—	—	18	(1,747)
	(165,610)	6,998	(2,256)	(32,148)	(509)	(193,525)

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

30. Income taxes (continued)

	November 30, 2021	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Acquisition**	**Foreign exchange**	**November 30, 2022**
	$	**$**	**$**	**$**	**$**	**$**
				Restated (Note 7)		
Net deferred tax assets (liabilities) in relation to:						
Property, plant and equipment	(4,437)	(1,527)	—	(8,905)	(339)	(15,208)
Finance lease receivables	(103,487)	15,726	—	1,045	(1,443)	(88,159)
Right-of-use assets	(15,267)	(25,633)	—	200	(580)	(41,280)
Accounts receivable	363	(67)	—	—	12	308
Deferred costs	(1,298)	(26)	—	—	(35)	(1,359)
Inventory	58	(5)	—	—	3	56
Provisions and gift cards	19,965	569	—	3,101	1,173	24,808
Long-term debt	(1,255)	1,095	(491)	(1,561)	(2)	(2,214)
Non-capital losses	78	438	—	11,719	(1,138)	11,097
Capital losses	—	228	—	—	—	228
Intangible assets	(169,309)	3,867	—	(35,326)	(5,998)	(206,766)
Accrued expenses	10,002	(1,389)	—	—	381	8,994
Deferred revenue	9,857	576	—	—	359	10,792
Lease liabilities	122,262	10,159	—	(1,257)	2,074	133,238
Other	—	(333)	—	—	188	(145)
	(132,468)	3,678	(491)	(30,984)	(5,345)	(165,610)

As at November 30, 2023, there were approximately $3,440 (November 30, 2022 – $2,170) in non-capital losses accumulated in one of the Company's subsidiaries for which no deferred income tax asset was recognized. These non-capital losses will expire between 2038 and 2043.

The deductible temporary difference in relation to foreign exchange on intercompany loans for which a deferred tax asset has not been recognized amounts to $1,313 (2022 – $987).

No deferred income tax liability is recognized on unremitted earnings of $105,739 (2022 – $80,931) 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, 2023 and 2022.

November 30, 2023

	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	**154,492**	**32,009**	**161,196**	**44,981**	**(4,770)**	**387,908**	**242,378**	**462,025**	**1,771**	**76,503**	**(1,251)**	**781,426**	**1,169,334**
Operating expenses	**79,303**	**32,901**	**144,387**	**44,981**	**(2,034)**	**299,538**	**117,380**	**408,840**	**314**	**76,503**	**(3,987)**	**599,050**	**898,588**
Segment profit (loss)	**75,189**	**(892)**	**16,809**	**—**	**(2,736)**	**88,370**	**124,998**	**53,185**	**1,457**	**—**	**2,736**	**182,376**	**270,746**
Total assets	**1,504,876**	**23,845**	**69,381**	**10,248**	**—**	**1,608,350**	**602,996**	**447,737**	**—**	**20,935**	**—**	**1,071,668**	**2,680,018**
Total liabilities	**1,146,662**	**20,779**	**13,795**	**10,248**	**—**	**1,191,484**	**360,675**	**294,035**	**—**	**20,935**	**—**	**675,645**	**1,867,129**

November 30, 2022

	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	141,127	29,353	163,141	42,394	(5,392)	370,623	182,086	89,967	5,996	68,890	(1,040)	345,899	716,522
Operating expenses	71,548	29,266	145,992	42,394	(1,757)	287,443	95,463	87,319	—	68,890	(4,675)	246,997	534,440
Segment profit (loss)	69,579	87	17,149	—	(3,635)	83,180	86,623	2,648	5,996	—	3,635	98,902	182,082
Total assets (Restated – Note 7)	1,299,304	22,253	51,612	11,761	—	1,384,930	740,092	183,284	—	22,059	—	945,435	2,330,365
Total liabilities (Restated – Note 7)	957,112	21,575	10,718	11,761	—	1,001,166	298,107	284,407	—	22,059	—	604,573	1,605,739

(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 for the years ended November 30, 2023 and 2022 were as follows:

	Revolving credit facility	Loan financing costs	Non-interest-bearing contracts and holdbacks	Non-controlling interest option	Contingent considerations	Obligation to repurchase 11554891 Canada Inc. partner	Total
	$	$	$	$	$		$
Balance as at November 30, 2022	550,055	(2,584)	142	1,853	3,626	7,867	**560,959**
Changes from financing activities:							
Increase in term revolving credit facility	**318,884**	**—**	**—**	**—**	**—**	**—**	**318,884**
Repayments of term revolving credit facility, holdbacks and contingent consideration	**(109,511)**	**—**	**(2)**	**—**	**(875)**	**—**	**(110,388)**
Payment of transaction costs	**—**	**(157)**	**—**	**—**	**—**	**—**	**(157)**
Changes from non-cash transactions:							
Amortization of transaction costs directly attributable to a financing arrangement	**—**	**904**	**—**	**—**	**—**	**—**	**904**
Accretion of interest on non-interest-bearing holdbacks	**—**	**—**	**47**	**—**	**—**	**—**	**47**
Revaluation of financial liabilities recorded at fair value through profit and loss (Note 24)	**—**	**—**	**—**	**435**	**(2,151)**	**(688)**	**(2,404)**
Foreign exchange	**957**	**—**	**(2)**	**—**	**—**	**—**	**955**
Derivative liability on cross currency interest rate swaps	**(2,626)**	**—**	**—**	**—**	**—**	**—**	**(2,626)**
Changes from investing activities:							
Issuance of holdbacks (Note 7)	**—**	**—**	**1,190**	**—**	**—**	**—**	**1,190**
Balance as at November 30, 2023	**757,759**	**(1,837)**	**1,375**	**2,288**	**600**	**7,179**	**767,364**

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

32. Statement of cash flows (continued)

	Revolving credit facility	Long-term debt in business acquisition	Loan financing costs	Non-interest-bearing contracts and holdbacks	Non-controlling interest option	Contingent considerations	Obligation to repurchase 11554891 Canada Inc. partner	Total
	$	$	$	$	$	$		$
Balance as at November 30, 2021	345,000	—	(1,395)	12,171	1,575	1,961	1,416	**360,728**
Changes from financing activities:								
Increase in term revolving credit facility	275,626	—	—	—	—	—	—	**275,626**
Repayments of term revolving credit facility and holdbacks	(67,807)	—	—	(12,407)	—	—	—	**(80,214)**
Repayment of long-term debt in business acquisition (Note 7)	—	(33,800)	—	—	—	—	—	**(33,800)**
Payment of transaction costs	—	—	(1,817)	—	—	—	—	**(1,817)**
Changes from non-cash transactions:								
Amortization of transaction costs directly attributable to a financing arrangement	—	—	628	—	—	—	—	**628**
Accretion of interest on non-interest-bearing holdbacks	—	—	—	19	—	—	—	**19**
Revaluation of financial liabilities recorded at fair value through profit and loss (Note 24)	—	—	—	—	278	(1,794)	(1,416)	**(2,932)**
Foreign exchange	(2,764)	—	—	109	—	—	—	**(2,655)**
Changes from investing activities:								
Change in control over interest in 11554891 Canada Inc. (Note 8)	—	—	—	—	—	—	7,867	**7,867**
Business acquisition (Note 7)	—	33,800	—	—	—	—	—	**33,800**
Issuance of holdback (Note 7)	—	—	—	250	—	—	—	**250**
Issuance of contingent consideration (Note 7)	—	—	—	—	—	3,459	—	**3,459**
Balance as at November 30, 2022	**550,055**	**—**	**(2,584)**	**142**	**1,853**	**3,626**	**7,867**	**560,959**

(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:

	2023	2022
	$	$
		Restated (Note 7)
Accounts receivable	**(3,393)**	(10,187)
Inventories	**(1,544)**	(2,049)
Other assets	**(2,561)**	(345)
Prepaid expenses and deposits	**1,238**	(5,027)
Accounts payable and accrued liabilities	**(18,623)**	(1,321)
Provisions	**3,146**	(251)
Gift card and loyalty program liabilities	**12,560**	9,368
Deferred revenue and deposits	**1,469**	2,921
	(7,708)	(6,891)

Non-cash items amounting to $1,684 (2022 – $164) are included in proceeds on disposal of property, plant and equipment. The non-cash items for the year ended November 30, 2023 were primarily related to commitments made as part of the disposal of a portfolio of corporately-owned locations in the US segment.

33. Subsequent event

Dividends

On January 24, 2024, the Company announced an increase to its quarterly dividend payment, from $0.250 per common share to $0.280 per common share. The dividend of $0.280 per common share will be paid on February 15, 2024.