
Condensed
interim consolidated financial statements of
MTY Food Group Inc.

For the three and six-month periods ended May 31, 2024 and 2023

MTY Food Group Inc.

Condensed interim consolidated statements of income

For the three and six-month periods ended May 31, 2024 and 2023

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

(Unaudited)

	Notes	Three months ended May 31		Six months ended May 31	
		2024	2023	2024	2023
		\$	\$	\$	\$
Revenue	12 & 14	303,739	305,219	582,383	591,222
Expenses					
Operating expenses	13 & 14	230,541	230,571	449,923	453,711
Depreciation – property, plant and equipment and right-of-use assets		14,982	15,602	29,642	28,728
Amortization – intangible assets		8,088	8,911	15,683	17,847
Interest on long-term debt		11,898	13,455	23,969	26,912
Net interest expense on leases	6	2,815	2,591	5,608	5,043
Impairment (reversal) charge – right-of-use assets	6	—	(30)	114	106
Impairment charge – property, plant and equipment and intangible assets	7	3,176	—	5,396	—
		271,500	271,100	530,335	532,347
Other income (expenses)					
Unrealized and realized foreign exchange (loss) gain		(3,366)	329	(2,853)	(3,578)
Interest income		123	428	272	619
Loss on de-recognition/lease modification of lease liabilities		(251)	(134)	(171)	(240)
(Loss) gain on disposal of property, plant and equipment		(34)	133	(80)	(994)
Revaluation of financial liabilities and derivatives recorded at fair value		611	(432)	659	(839)
Restructuring		(356)	—	(843)	—
Gain on extinguishment of debt		—	—	131	—
		(3,273)	324	(2,885)	(5,032)
Income before taxes		28,966	34,443	49,163	53,843
Income tax expense					
Current		3,654	6,295	4,934	8,784
Deferred		(2,144)	(2,309)	(617)	(3,891)
		1,510	3,986	4,317	4,893
Net income		27,456	30,457	44,846	48,950
Net income attributable to:					
Owners		27,278	30,359	44,583	48,746
Non-controlling interests		178	98	263	204
Net income		27,456	30,457	44,846	48,950
Net income per share	10				
Basic		1.13	1.24	1.84	2.00
Diluted		1.13	1.24	1.84	1.99

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

MTY Food Group Inc.

Condensed interim consolidated statements of comprehensive income

For the three and six-month periods ended May 31, 2024 and 2023

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended May 31		Six months ended May 31	
		2024	2023	2024	2023
		\$	\$	\$	\$
Net income		27,456	30,457	44,846	48,950
Other comprehensive income					
Items that may be reclassified subsequently to net income					
Translation adjustments					
Unrealized gain (loss) on translation of foreign operations		5,657	(595)	2,905	9,389
Cash flow hedges					
Change in fair value of financial instruments	11	2,254	4,706	3,485	4,706
Gain realized on financial instruments transferred to earnings	11	(1,393)	(604)	(2,758)	(604)
Deferred tax expense on foreign currency translation adjustments and cash flow hedges		—	(999)	(330)	(1,917)
		6,518	2,508	3,302	11,574
Total comprehensive income		33,974	32,965	48,148	60,524
Total comprehensive income attributable to:					
Owners		33,796	32,867	47,885	60,320
Non-controlling interests		178	98	263	204
		33,974	32,965	48,148	60,524

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

MTY Food Group Inc.

Condensed interim consolidated statements of changes in shareholders' equity

For the six-month periods ended May 31, 2024 and 2023

(In thousands of Canadian dollars)

(Unaudited)

	Reserves					Retained earnings	Equity attributable to owners	Equity attributable to non-controlling interests	Total
	Capital stock	Other	Contributed surplus	Accumulated other comprehensive income	Total reserves				
	\$	\$	\$	\$	\$	\$	\$	\$	\$
For the six months ended May 31, 2024									
Balance, beginning of period	301,779	(850)	5,649	25,470	30,269	479,364	811,412	1,477	812,889
Net income	—	—	—	—	—	44,583	44,583	263	44,846
Other comprehensive (loss) income	—	—	—	3,302	3,302	—	3,302	—	3,302
Total comprehensive income							47,885	263	48,148
Shares repurchased and cancelled (Note 9)	(4,186)	—	—	—	—	(12,172)	(16,358)	—	(16,358)
Dividends	—	—	—	—	—	(13,554)	(13,554)	(328)	(13,882)
Share-based compensation	—	—	360	—	360	—	360	—	360
Balance, end of period	297,593	(850)	6,009	28,772	33,931	498,221	829,745	1,412	831,157

	Reserves					Retained earnings	Equity attributable to owners	Equity attributable to non-controlling interests	Total
	Capital stock	Other	Contributed surplus	Accumulated other comprehensive income	Total reserves				
	\$	\$	\$	\$	\$	\$	\$	\$	\$
For the six months ended May 31, 2023									
Balance, beginning of period	302,781	(850)	4,857	13,766	17,773	402,854	723,408	1,218	724,626
Net income	—	—	—	—	—	48,746	48,746	204	48,950
Other comprehensive income	—	—	—	11,574	11,574	—	11,574	—	11,574
Total comprehensive income							60,320	204	60,524
Dividends	—	—	—	—	—	(12,207)	(12,207)	(183)	(12,390)
Share-based compensation	—	—	421	—	421	—	421	—	421
Balance, end of period	302,781	(850)	5,278	25,340	29,768	439,393	771,942	1,239	773,181

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

MTY Food Group Inc.

Condensed interim consolidated statements of financial position

As at May 31, 2024 and November 30, 2023

(In thousands of Canadian dollars)

(Unaudited)

	Notes	May 31, 2024	November 30, 2023
		\$	\$
Assets			
Current assets			
Cash		52,253	58,895
Accounts receivable	5	82,454	82,998
Inventories		19,324	20,731
Assets held for sale		130	2,266
Current portion of loans and other receivables		808	924
Current portion of finance lease receivables	6	77,024	80,154
Income taxes receivable		19,211	12,543
Current portion of derivative assets	11	4,835	4,647
Other assets		5,252	3,824
Prepaid expenses and deposits		16,090	14,077
		277,381	281,059
Loans and other receivables			
Loans and other receivables		4,288	4,465
Finance lease receivables	6	233,798	253,552
Contract cost asset		7,480	7,324
Deferred income taxes		93	93
Derivative assets	11	4,074	3,242
Property, plant and equipment		111,444	112,801
Right-of-use assets	6	180,013	181,718
Intangible assets		1,103,460	1,116,577
Goodwill		721,282	719,187
		2,643,313	2,680,018
Liabilities and Shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		140,568	147,557
Provisions		3,766	4,656
Gift card and loyalty program liabilities		153,861	147,952
Income taxes payable		944	—
Current portion of deferred revenue and deposits		16,067	14,918
Current portion of long-term debt	8	8,444	10,428
Current portion of derivative liabilities	11	1,262	2,626
Current portion of lease liabilities	6	109,423	112,446
		434,335	440,583
Long-term debt			
Long-term debt	8	724,565	756,936
Lease liabilities	6	402,730	422,751
Deferred revenue and deposits		54,403	53,025
Deferred income taxes		196,123	193,618
Other liabilities		—	216
		1,812,156	1,867,129

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

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

As at May 31, 2024 and November 30, 2023

(In thousands of Canadian dollars)

(Unaudited)

		May 31, 2024	November 30, 2023
	Notes	\$	\$
Shareholders' equity			
Equity attributable to owners			
Capital stock	9	297,593	301,779
Reserves		33,931	30,269
Retained earnings		498,221	479,364
		829,745	811,412
Equity attributable to non-controlling interests		1,412	1,477
		831,157	812,889
		2,643,313	2,680,018

Approved by the Board on July 10, 2024

_____, Director

_____, Director

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

MTY Food Group Inc.

Condensed interim consolidated statements of cash flows

For the three and six-month periods ended May 31, 2024 and 2023

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended May 31		Six months ended May 31	
		2024	2023	2024	2023
		\$	\$	\$	\$
			<i>Adjusted⁽¹⁾</i>		<i>Adjusted⁽¹⁾</i>
Operating activities					
Net income		27,456	30,457	44,846	48,950
Adjusting items:					
Interest on long-term debt		11,898	13,455	23,969	26,912
Net interest expense on leases	6	2,815	2,591	5,608	5,043
Depreciation – property, plant and equipment and right-of-use assets		14,982	15,602	29,642	28,728
Amortization – intangible assets		8,088	8,911	15,683	17,847
Impairment charge – property, plant and equipment and intangible assets	7	3,176	—	5,396	—
Impairment (reversal) charge – right-of-use assets	6	—	(30)	114	106
Unrealized foreign exchange loss (gain)		3,366	(329)	2,853	3,578
Loss on de-recognition/lease modification of lease liabilities		251	134	171	240
Loss (gain) on disposal of property, plant and equipment		34	(133)	80	994
Revaluation of financial liabilities and derivatives recorded at fair value		(611)	432	(659)	839
Gain on extinguishment of debt		—	—	(131)	—
Income tax expense		1,510	3,986	4,317	4,893
Share-based compensation		179	209	360	421
		73,144	75,285	132,249	138,551
Income taxes paid		(7,673)	(8,044)	(10,665)	(17,323)
Interest paid		(11,261)	(12,606)	(23,609)	(25,864)
Other		(278)	817	(1,133)	(2,305)
Changes in non-cash working capital items	15	(13,374)	(3,592)	(2,106)	(7,732)
Cash provided by operating activities		40,558	51,860	94,736	85,327
Investing activities					
Considerations on acquisitions		—	—	—	(298,365)
Cash acquired through acquisitions		—	—	—	9,349
Issuance of loans and other receivables		215	571	251	1,703
Additions to property, plant and equipment		(7,265)	(11,030)	(14,276)	(18,927)
Additions to intangible assets		(356)	(393)	(654)	(513)
Proceeds on disposal of property, plant and equipment		2,320	246	2,884	727
Cash used in investing activities		(5,086)	(10,606)	(11,795)	(306,026)

MTY Food Group Inc.

Condensed interim consolidated statements of cash flows (continued)

For the three and six-month periods ended May 31, 2024 and 2023

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended May 31		Six months ended May 31	
		2024	2023	2024	2023
		\$	\$	\$	\$
			<i>Adjusted⁽¹⁾</i>		<i>Adjusted⁽¹⁾</i>
Financing activities					
Issuance of long-term debt		14,785	2,449	14,785	306,660
Repayment of long-term debt		(16,331)	(26,812)	(50,960)	(56,414)
Net lease payments	6	(10,936)	(11,136)	(21,447)	(21,634)
Shares repurchased and cancelled	9	(12,803)	—	(16,358)	—
Capitalized financing costs		(1,052)	(60)	(1,052)	(60)
Dividends paid to non-controlling shareholders of subsidiaries		—	(88)	(330)	(138)
Dividends paid		(6,746)	(6,104)	(13,552)	(12,207)
Cash (used in) provided by financing activities		(33,083)	(41,751)	(88,914)	216,207
Net increase (decrease) in cash		2,389	(497)	(5,973)	(4,492)
Effect of foreign exchange rate changes on cash		(710)	4,372	(669)	7,609
Cash, beginning of period		50,574	58,721	58,895	59,479
Cash, end of period		52,253	62,596	52,253	62,596

⁽¹⁾ Prior year amounts have been adjusted to reflect a reclassification of \$4,051 and \$6,256, respectively, between cash flows provided by operating activities, cash flows used in investing activities and the effect of foreign exchange rate changes on cash for the three and six-month periods ended May 31, 2023.

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

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MTY Food Group Inc.

Notes to the consolidated financial statements

For the three and six-month periods ended May 31, 2024 and 2023

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

1. Description of the business

MTY Food Group Inc. (the “Company”) is a franchisor in the quick service and casual dining food industry. Its activities consist of franchising and operating corporate-owned locations as well as the sale of retail products under a multitude of banners. The Company also operates two distribution centers and two food processing plants, all 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 unaudited condensed interim consolidated financial statements (“financial statements”) have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, 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 applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and apply the same accounting policies as those described in the Company’s annual consolidated financial statements for the year ended November 30, 2023, prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”), with the exception of:

- IAS 8 as disclosed in Note 3 to these financial statements; and
- IAS 12 as disclosed in Note 3 to these financial statements.

These financial statements do not include all the information required under IFRS for complete financial statements and should therefore be read in conjunction with the Company’s annual consolidated financial statements for the year ended November 30, 2023.

The financial statements were authorized for issue by the Board of Directors on July 10, 2024.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the three and six-month periods ended May 31, 2024 and 2023

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

2. Basis of preparation (continued)

Seasonality

Results of operations for any interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will continue to be a factor in the quarterly variation of its results. For example, the Frozen treat category, which is a significant category in the United States ("US") market, varies significantly during the winter season as a result of weather conditions. This risk is offset by other brands that have better performance during winter seasons such as Papa Murphy's, which typically does better during winter months. Sales for shopping mall locations are also higher than average in December during the holiday shopping period.

3. Changes in accounting policies

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 new definition. 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 were adopted effective December 1, 2023 and resulted in no significant adjustment.

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 were adopted effective December 1, 2023 and resulted in no significant adjustment.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2022 and 2021

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

4. 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 three and six-month periods ended May 31, 2024 and have not been applied in preparing these financial statements.

The following amendments may have a material impact on the 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
IFRS 16	Leases	September 2022	December 1, 2024	In assessment
IAS 21	The Effects of Changes in Foreign Exchange Rates	August 2023	December 1, 2025	In assessment
IFRS 18	Presentation and Disclosure of Financial Statements	April 2024	December 1, 2028	In assessment
IFRS 9 & IFRS 7	Financial Instruments & Financial Instruments and Disclosures	May 2024	December 1, 2026	In assessment

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.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the three and six-month periods ended May 31, 2024 and 2023

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

4. 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.

IAS 21, The Effects of Changes in Foreign Exchange Rates

In August 2023, the IASB published *Lack of Exchangeability (Amendments to IAS 21)*. The amendments specify when a currency is exchangeable into another currency and when it is not, specify how an entity determines the exchange rate to apply when a currency is not exchangeable, and require the disclosure of additional information when a currency is not exchangeable. The amendments to IAS 21 are effective for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. The Company will adopt the amendments on December 1, 2025.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB published a new standard: IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements. New requirements have been introduced for presentation in the statement of profit and loss, increased disclosure of management defined performance measures and defining the way information is aggregated and disaggregated in the financial statements. The application of IFRS 18 is effective for annual reporting beginning on or after January 1, 2027. Earlier application is permitted. The Company will adopt the amendments on December 1, 2027.

IFRS 9 Financial Instruments and IFRS 7 Financial Instrument Disclosures

In May 2024, the IASB published Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures). The amendments to IFRS 9 clarify de-recognition and classification of specific financial assets and liabilities respectively while the amendments to IFRS 7 clarify the disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and contractual terms that could change the timing or amount of contractual cash flows on the occurrence or non-occurrence of a contingent event. The amendments to IFRS 9 and IFRS 7 are effective for annual reporting beginning on or after January 1, 2026. Earlier application is permitted. The Company will adopt the amendments on December 1, 2026.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the three and six-month periods ended May 31, 2024 and 2023

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

5. Accounts receivable

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

	May 31, 2024	November 30, 2023
	\$	\$
Total accounts receivable	91,999	91,861
Less: Allowance for credit losses	9,545	8,863
Total accounts receivable, net	82,454	82,998
Of which:		
Not past due	65,404	71,121
Past due for more than one day but no more than 30 days	5,290	2,118
Past due for more than 31 days but no more than 60 days	2,159	2,175
Past due for more than 61 days	9,601	7,584
Total accounts receivable, net	82,454	82,998

6. 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 six-month period ended May 31, 2024:

	Offices, corporate and dark stores	Store locations subject to operating subleases	Other	Total
	\$	\$	\$	\$
Balance as at November 30, 2023	170,390	10,447	881	181,718
Additions	11,633	—	121	11,754
Depreciation expense	(17,327)	(602)	(231)	(18,160)
Impairment charge	(114)	—	—	(114)
De-recognition/lease modification of lease liabilities	5,856	(1,681)	(56)	4,119
Foreign exchange	684	10	2	696
Balance as at May 31, 2024	171,122	8,174	717	180,013

MTY Food Group Inc.

Notes to the consolidated financial statements

For the three and six-month periods ended May 31, 2024 and 2023

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

6. Leases (continued)

Finance lease receivables

The following table provides the carrying amount of the finance lease receivables and the changes in the six-month period ended May 31, 2024:

	<u>2024</u>
	\$
Balance as at November 30, 2023	333,706
Additions	8,760
Lease renewals and modifications	17,464
Lease terminations	(9,644)
Other adjustments	(79)
Interest income ⁽¹⁾	6,198
Receipts	(45,968)
Foreign exchange	385
Balance as at May 31, 2024	310,822

⁽¹⁾ During the six-month period ended May 31, 2023, the Company recorded interest income on finance lease receivables of \$5,443.

Recorded in the condensed interim consolidated statements of financial position as follows:

	<u>Finance lease receivables</u>
	\$
Current portion	80,154
Long-term portion	253,552
November 30, 2023	333,706
Current portion	77,024
Long-term portion	233,798
May 31, 2024	310,822

MTY Food Group Inc.

Notes to the consolidated financial statements

For the three and six-month periods ended May 31, 2024 and 2023

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

6. Leases (continued)

Lease liabilities

The following table provides the carrying amount of the lease liabilities and the changes in the six-month period ended May 31, 2024:

	<u>2024</u>
	\$
Balance as at November 30, 2023	535,197
Additions	10,914
Lease renewals and modifications	27,527
Lease terminations	(5,942)
Other adjustments	(1,068)
Interest expense ⁽¹⁾	11,806
Payments	(67,415)
Foreign exchange	1,134
Balance as at May 31, 2024	512,153

⁽¹⁾ During the six-month period ended May 31, 2023, the Company recorded interest expense on lease liabilities of \$10,486.

Recorded in the condensed interim consolidated statements of financial position as follows:

	<u>Lease liabilities</u>
	\$
Current portion	112,446
Long-term portion	422,751
November 30, 2023	535,197
Current portion	109,423
Long-term portion	402,730
May 31, 2024	512,153

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

The Company performed its quarterly impairment indicator test to identify if any property, plant and equipment or intangible assets were potentially at risk for impairment. Based on the results obtained, the Company recorded \$3,176 (2023 - nil) of impairment losses on its property, plant and equipment for certain corporate owned locations in the US & International and Canadian geographical segment. During the three-month period ended February 29, 2024 the Company recorded an impairment loss of \$1,340 (2023 – nil) on one brand in the Canada geographical segment related to its trademark. The total of \$3,176 of impairment charges on its property, plant and equipment and intangible assets for the three- month period and \$5,396 for the six-month period ended May 31, 2024 (2023 – nil for both periods) has been recognized in the condensed interim consolidated statements of 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.

MTY Food Group Inc.

Notes to the consolidated financial statements

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8. Long-term debt

	May 31, 2024	November 30, 2023
	\$	\$
Non-interest-bearing contract cancellation fees and holdbacks on acquisitions	77	1,375
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc. ⁽¹⁾	246	600
Fair value of non-controlling interest option in 9974644 Canada Inc. ⁽²⁾	1,877	2,288
Fair value of obligation to repurchase 11554891 Canada Inc. partner ⁽³⁾	7,554	7,179
Revolving credit facility payable to a syndicate of lenders ⁽⁴⁾	725,578	757,759
Credit facility financing costs	(2,323)	(1,837)
	733,009	767,364
Less: Current portion	(8,444)	(10,428)
	724,565	756,936

(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 was extended on March 15, 2024 for a period of 3 years with a new maturity date of March 15, 2027 and must be repaid in full at that time. The revolving credit facility has an authorized amount of \$900,000 (November 30, 2023 – \$900,000). As at May 31, 2024, the Company had drawn CAD\$8,000 and US\$526,200 (November 30, 2023 – US\$558,023) on the facility and has elected to pay interest based on the Canadian Overnight Repo Rate Average (“CORRA”) and the Secured Overnight Financing Rate (“SOFR”) plus applicable margins. The credit facility bears interest at Canadian prime rate, US prime rate, CORRA, 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.

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 May 31, 2024, the Company was in compliance with its financial covenants.

9. Capital stock

On June 28, 2024, the Company announced the renewal of the normal course issuer bid (“NCIB”). The NCIB began on July 3, 2024 and will end on July 2, 2025 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 1,196,513 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 three and six-month period ended May 31, 2024, the Company repurchased and cancelled a total of 266,700 and 337,500 common shares, respectively (2023 – nil), under the current NCIB, at a weighted average price of \$48.01 and \$48.47 per common share, respectively (2023 – nil). A total consideration of \$12,804 and \$16,358, respectively (2023 – nil) was paid and an excess of \$9,496 and \$12,172, respectively (2023 – nil) of the shares’ repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

MTY Food Group Inc.

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

10. 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 used for the purpose of diluted income per share:

	Three months ended May 31		Six months ended May 31	
	2024	2023	2024	2023
Weighted daily average number of common shares – basic	24,148,100	24,413,461	24,226,693	24,413,461
Assumed exercise of stock options ⁽¹⁾	864	70,187	8,562	77,138
Weighted daily average number of common shares – diluted	24,148,964	24,483,648	24,235,255	24,490,599

⁽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 three and six-month periods ended May 31, 2024 was 280,002 and 257,780, respectively, (2023 – 13,334 for both periods).

11. 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

Swaps

Cross currency interest rate swaps

On April 29, 2024, the Company entered into one floating to floating 3-month cross currency interest rate swap (November 30, 2023 – 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 at fair value of \$1,262 was recorded as at May 31, 2024 (November 30, 2023 – derivative liability of \$2,626) in the current portion of derivative liabilities in the condensed interim consolidated statements of financial position. The Company has classified this as level 2 in the fair value hierarchy.

	May 31, 2024	November 30, 2023	
	3-month	3-month	2-month
Receive – Notional	US\$191,200	US\$51,114	US\$142,909
Receive – Rate	7.12%	7.14%	7.14%
Pay – Notional	CA\$262,000	CA\$70,000	CA\$196,000
Pay – Rate	6.71%	6.66%	6.59%

MTY Food Group Inc.

Notes to the consolidated financial statements

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

11. 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 \$7,361 was recorded as at May 31, 2024 (November 30, 2023 – \$6,617). 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 \$861 and \$727 was recorded in the Company's condensed interim consolidated statement of comprehensive income for the three and six-month period ended May 31, 2024, respectively (2023 – 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 \$1,488 was recorded as at May 31, 2024 (November 30, 2023 – \$1,272). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement gain of \$139 and \$212 was recorded in the Company's condensed interim consolidated statement of income for the three and six-month period ended May 31, 2024, respectively (2023 – \$5).

On January 22, 2024, the Company entered into a three-year SOFR fixed interest rate swap for a notional amount of US\$50,000. The period of three years ends on January 22, 2027. Under the terms of this swap, the Company will receive 0.25% unless the 1-month term SOFR falls below 2.95% or exceeds 5.50%. If the term SOFR falls below 2.95%, the Company will pay the difference between the current rate and 2.95%. A derivative asset of \$60 was recorded as at May 31, 2024 (November 30, 2023 – nil). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement gain of \$230 and \$57 was recorded in the Company's condensed interim consolidated statement of income for the three and six-month period ended May 31, 2024, respectively (2023 – nil).

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

	Cross currency interest rate swaps	3-year SOFR fixed interest rate swap US\$200,000	2-year SOFR fixed interest rate swap US\$100,000	3-year SOFR fixed interest rate swap US\$50,000	Total
	\$	\$	\$	\$	\$
Current portion of derivative assets	—	4,835	—	—	4,835
Current portion of derivative liabilities	(1,262)	—	—	—	(1,262)
Long-term portion of derivative assets	—	2,526	1,488	60	4,074
May 31, 2024	(1,262)	7,361	1,488	60	7,647

MTY Food Group Inc.

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

11. 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:

	<u>2024</u>
	\$
Financial liabilities classified as level 3 as at November 30, 2023	10,067
Revaluation of financial liabilities recorded at fair value	(390)
Financial liabilities classified as level 3 as at May 31, 2024	<u>9,677</u>

As at May 31, 2024 and November 30, 2023, the financial liabilities classified as level 3 in the fair value hierarchy were comprised of the following:

	<u>May 31, 2024</u>	November 30, 2023
	\$	\$
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc.	246	600
Non-controlling interest buyback option	1,877	2,288
Obligation to repurchase 11554891 Canada Inc. partner	7,554	7,179
Financial liabilities classified as level 3	<u>9,677</u>	<u>10,067</u>

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 May 31, 2024 and November 30, 2023. 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.

	<u>May 31, 2024</u>		November 30, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Loans and other receivables	5,096	5,096	5,389	5,389
Finance lease receivables	310,822	310,822	333,706	333,706
Financial liabilities				
Long-term debt ⁽¹⁾	725,654	725,654	759,134	759,134

⁽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.

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Notes to the consolidated financial statements

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

11. 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.

12. Revenue

	Three months ended					
	May 31, 2024			May 31, 2023		
	US &		TOTAL	US &		TOTAL
	Canada	International		Canada	International	
	\$	\$	\$	\$	\$	
Royalties	22,404	46,502	68,906	23,524	45,423	68,947
Franchise and transfer fees	1,525	1,789	3,314	1,296	1,650	2,946
Retail, food processing and distribution revenues	37,563	704	38,267	41,342	132	41,474
Sale of goods, including construction revenue	13,258	121,039	134,297	9,519	124,469	133,988
Gift card breakage income	101	1,988	2,089	85	1,454	1,539
Promotional funds	11,136	20,276	31,412	11,579	19,254	30,833
Other franchising revenue	9,931	11,597	21,528	9,913	12,527	22,440
Other	385	3,541	3,926	646	2,406	3,052
	96,303	207,436	303,739	97,904	207,315	305,219

	Six months ended					
	May 31, 2024			May 31, 2023		
	US &		TOTAL	US &		TOTAL
	Canada	International		Canada	International	
	\$	\$	\$	\$	\$	
Royalties	43,785	87,485	131,270	46,204	86,761	132,965
Franchise and transfer fees	2,986	3,933	6,919	2,694	3,133	5,827
Retail, food processing and distribution revenues	72,383	1,236	73,619	79,301	1,312	80,613
Sale of goods, including construction revenue	22,976	234,177	257,153	19,897	239,819	259,716
Gift card breakage income	274	4,030	4,304	257	2,997	3,254
Promotional funds	21,507	39,088	60,595	22,196	37,881	60,077
Other franchising revenue	19,573	20,443	40,016	19,536	20,357	39,893
Other	1,469	7,038	8,507	1,676	7,201	8,877
	184,953	397,430	582,383	191,761	399,461	591,222

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

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

13. Operating expenses

	Three months ended					
	May 31, 2024			May 31, 2023		
	Canada	US & International	TOTAL	Canada	US & International	TOTAL
	\$	\$	\$	\$	\$	\$
Cost of goods sold and rent	5,607	36,930	42,537	3,126	38,157	41,283
Retail, food processing and distribution costs	33,915	237	34,152	37,104	99	37,203
Wages and benefits	17,330	60,010	77,340	15,488	60,335	75,823
Other corporate store expenses	752	15,142	15,894	688	15,432	16,120
Consulting and professional fees	2,017	2,293	4,310	2,143	3,706	5,849
Insurance and taxes	352	1,972	2,324	323	1,674	1,997
Utilities, repairs and maintenance	480	5,363	5,843	483	5,776	6,259
Advertising, travel, meals and entertainment	1,163	3,407	4,570	1,134	3,430	4,564
Gift cards – related costs	—	1,674	1,674	—	1,839	1,839
Royalties	34	2,566	2,600	24	2,474	2,498
Promotional funds ⁽¹⁾	11,136	20,276	31,412	11,579	19,254	30,833
Impairment for expected credit losses	333	306	639	758	359	1,117
Other ⁽²⁾	3,676	3,570	7,246	2,482	2,704	5,186
	76,795	153,746	230,541	75,332	155,239	230,571

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

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

13. Operating expenses (continued)

	Six months ended					
	May 31, 2024			May 31, 2023		
	Canada	US & International	TOTAL	Canada	US & International	TOTAL
	\$	\$	\$	\$	\$	\$
Cost of goods sold and rent	10,746	72,372	83,118	8,085	76,435	84,520
Retail, food processing and distribution costs	65,425	334	65,759	71,126	175	71,301
Wages and benefits	33,008	118,548	151,556	30,415	118,857	149,272
Other corporate store expenses	1,507	29,807	31,314	1,314	29,606	30,920
Consulting and professional fees	4,163	5,176	9,339	3,977	6,409	10,386
Insurance and taxes	824	3,839	4,663	813	3,344	4,157
Utilities, repairs and maintenance	897	10,863	11,760	1,042	11,958	13,000
Advertising, travel, meals and entertainment	2,324	6,857	9,181	2,235	6,896	9,131
Gift cards – related costs	—	5,263	5,263	—	4,227	4,227
Royalties	51	4,345	4,396	29	4,197	4,226
Promotional funds ⁽¹⁾	21,507	39,088	60,595	22,196	37,881	60,077
Impairment for expected credit losses	1,264	308	1,572	1,165	630	1,795
Other ⁽²⁾	5,087	6,320	11,407	4,381	6,318	10,699
	146,803	303,120	449,923	146,778	306,933	453,711

⁽¹⁾ Promotional fund expenses include wages and benefits.⁽²⁾ Other operating expenses are comprised mainly of other office administration expenses.

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Notes to the condensed interim consolidated financial statements

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

(Unaudited)

14. 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.

Below is a summary of each geographical and operating segment's performance for the three-month period ended May 31, 2024.

	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	35,920	11,761	37,816	11,136	(330)	96,303	65,044	121,519	703	20,276	(106)	207,436	303,739
Operating expenses	20,251	11,786	34,050	11,136	(428)	76,795	28,491	104,750	237	20,276	(8)	153,746	230,541
Segment profit (loss)	15,669	(25)	3,766	—	98	19,508	36,553	16,769	466	—	(98)	53,690	73,198

Below is a summary of each geographical and operating segment's performance for the three-month period ended May 31, 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	36,900	8,166	41,647	11,578	(387)	97,904	63,134	125,149	132	19,254	(354)	207,315	305,219
Operating expenses	19,006	8,064	37,169	11,578	(485)	75,332	29,096	107,046	99	19,254	(256)	155,239	230,571
Segment profit (loss)	17,894	102	4,478	—	98	22,572	34,038	18,103	33	—	(98)	52,076	74,648

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

(Unaudited)

14. Segmented information (continued)

Below is a summary of each geographical and operating segment's performance for the six-month period ended May 31, 2024.

	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	71,070	20,195	72,938	21,507	(757)	184,953	122,466	234,918	1,236	39,088	(278)	397,430	582,383
Operating expenses	39,704	20,723	65,815	21,507	(946)	146,803	58,561	205,226	334	39,088	(89)	303,120	449,923
Segment profit (loss)	31,366	(528)	7,123	—	189	38,150	63,905	29,692	902	—	(189)	94,310	132,460

Below is a summary of each geographical and operating segment's performance for the six-month period ended May 31, 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	74,706	15,784	79,809	22,196	(734)	191,761	120,926	240,055	1,312	37,881	(713)	399,461	591,222
Operating expenses	38,379	15,894	71,230	22,196	(921)	146,778	59,040	210,363	175	37,881	(526)	306,933	453,711
Segment profit (loss)	36,327	(110)	8,579	—	187	44,983	61,886	29,692	1,137	—	(187)	92,528	137,511

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Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2024 and 2023

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

(Unaudited)

15. Condensed interim consolidated statement of cash flows

Changes in non-cash operating activities are as follows:

	Three months ended May 31		Six months ended May 31	
	2024	2023	2024	2023
	\$	\$	\$	\$
		<i>Adjusted ⁽¹⁾</i>		<i>Adjusted ⁽¹⁾</i>
Accounts receivable	(3,423)	(1,017)	939	(5,931)
Inventories	222	(200)	1,433	333
Other assets	655	439	(1,366)	(730)
Prepaid expenses and deposits	664	(203)	(2,089)	(1,452)
Accounts payable and accrued liabilities	(8,092)	362	(7,749)	(10,451)
Provisions	(530)	(382)	(917)	1,102
Gift card and loyalty program liabilities	(2,991)	(2,419)	5,315	6,525
Deferred revenue and deposits	121	(172)	2,328	2,872
	(13,374)	(3,592)	(2,106)	(7,732)

⁽¹⁾ Prior year amounts have been adjusted to reflect a reclassification of \$4,051 and \$6,256, respectively, between cash flows provided by operating activities, cash flows used in investing activities and the effect of foreign exchange rate changes on cash for the three and six-month periods ended May 31, 2023.

For the three and six-month periods ended May 31, 2024, non-cash items amounting to \$368 and \$5, respectively (2023 – \$163 and \$1,304, respectively) are included in proceeds on disposal of property, plant and equipment, primarily related to commitments made as part of the disposal of a portfolio of corporately-owned locations in the US segment.

16. Subsequent event

Sale of fixed interest rate swap

On June 5, 2024, the Company sold its US\$200,000 3-year SOFR fixed interest rate swap for a total consideration of US\$4,794.

Revolving credit facility amendment

On July 10, 2024, the Company amended its existing revolving credit facility and removed the \$50,000 maximum distribution covenant. The new agreement no longer contains a maximum threshold, however imposes limitations on distributions when the debt to EBITDA ratio is above 3.50:1.00.