Management's Discussion and Analysis
For the quarter ended February 28, 2011

General

Management's Discussion and Analysis of the financial position and results of operations ("MD&A") of MTY Food Group Inc. ("MTY") is supplementary information and should be read in conjunction with the Company's consolidated financial statements and accompanying notes and with the most recent annual report, for the fiscal year ended November 30, 2010.

In the MD&A, MTY Food Group Inc., MTY, or the Company, designates, as the case may be, MTY Food Group Inc. and its Subsidiaries, or MTY Food Group Inc., or one of its subsidiaries.

The consolidated financial statements contained in this interim report have not been reviewed by MTY's external auditors.

This MD&A was prepared as at April 1, 2011. Supplementary information about MTY, including its latest annual and quarterly reports, and press releases, is available on SEDAR's website at www.sedar.com.

Forward looking statements

This MD&A and, in particular, but without limitation, the sections of this MD&A entitled Outlook, Same Store Sales and Contingent Liabilities, contain forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to certain aspects of the business outlook of the Company during the course of 2011. Forward-looking statements also include any other statements that do not refer to historical facts. A statement we make is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target and will. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this MD&A describe our expectations at April 1, 2011 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives,

plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and you are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are provided in this MD&A for the purpose of giving information about management's current strategic priorities, expectations and plans and allowing investors and others to get a better understanding of our business outlook and operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

Forward-looking statements made in this MD&A are based on a number of assumptions that we believed were reasonable on April 1, 2011. Refer, in particular, to the section of this MD&A entitled Risks and Uncertainties for a description of certain key economic, market and operational assumptions we have used in making forward-looking statements contained in this MD&A. If our assumptions turn out to be inaccurate, our actual results could be materially different from what we expect.

Unless otherwise indicated in this MD&A, the strategic priorities, business outlooks and assumptions described in the previous MD&A remain substantially unchanged.

Important risk factors that could cause actual results or events to differ materially from those expressed in or implied by the above-mentioned forward-looking statements and other forward-looking statements included in this MD&A include, but are not limited to: the intensity of competitive activity, and the resulting impact on our ability to attract customers' disposable income; our ability to secure advantageous locations and renew our existing leases at sustainable rates; the arrival of foreign concepts, our ability to attract new franchisees; changes in customer tastes, demographic trends and in the attractiveness of our concepts, traffic patterns, occupancy cost and occupancy level of malls and office towers; general economic and financial market conditions, the level of consumer confidence and spending, and the demand for, and prices of, our products; our ability to implement our strategies and plans in order to produce the expected benefits; events affecting the ability of third-party suppliers to provide to us essential products and services; labour availability and cost; stock market volatility; operational constraints the event of the occurrence of epidemics, pandemics and other health risks.

These and other risk factors that could cause actual results or events to differ materially from our expectations expressed in or implied by our forward-looking statements are discussed in this MD&A.

We caution readers that the risks described above are not the only ones that could impact us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, financial condition or results of operations.

Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after April 1, 2011. The financial impact of

these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business.

Compliance with Generally Accepted Accounting Principles

Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). MTY uses income before income taxes, non-controlling interest and amortization ("EBITDA") because this measure enables management to assess the Company's operational performance. This measure is a widely accepted financial indicator but is not a measurement determined in accordance with GAAP and may not be comparable to the EBITDA presented by other companies.

Highlights of significant events during the first quarter

Other than the acquisition described below, there were no significant events during the first quarter of our 2011 fiscal year.

Core business

MTY franchises and operates quick-service restaurants under the following banners: Tiki Ming, Sukiyaki, La Cremiere, Caferama, Au Vieux Duluth Express, Carrefour Oriental, Panini Pizza Pasta, Chick 'N' Chick, Franx Supreme, Croissant Plus, Villa Madina, Cultures, Thai Express, Mrs. Vanelli's, Kim Chi, "TCBY", Yogen Früz, Sushi Shop, Koya Japan, Vie & Nam, Tandori, O'Burger, Tutti Frutti, Taco Time, Country Style, Bunsmaster and Valentine.

As at February 28, 2011, MTY had 1741 locations in operation, of which 1714 were franchised and the remaining 27 locations were operated by MTY.

MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and, iii) non-traditional format within petroleum retailers, convenience stores, cinemas, amusement parks and in other venues or retailers shared sites. The non-traditional locations are typically smaller in size, require a lower investment and generate lower revenues than the locations found in shopping malls, food courts or street front locations. The street front locations are mostly made up of the Country Style, La Cremiere, "TCBY", Sushi Shop, Taco Time, Tutti Frutti and Valentine banners. La Cremiere and "TCBY" operate primarily from April to September and the others banners operate year round.

MTY has developed several quick service restaurant concepts: Tiki Ming - Chinese cuisine, was its first banner, followed by Sukiyaki - A Japanese delight, Franx Supreme – hot dog/hamburger, Panini Pizza Pasta, Chick'n'Chick, Caferama, Carrefour Oriental,

Villa Madina, Kim Chi, Vie & Nam, Tandori and O'Burger. Other banners added through acquisitions include: 18 locations from the Fontaine Sante/Veggirama chain in 1999, 74 locations from the La Cremiere ice cream chain in 2001, 20 locations from the Croissant Plus chain in 2002, 24 locations from the Cultures chain in 2003, 6 locations from the Thai Express chain in May 2004, 103 locations from the Mrs. Vanelli's chain in June 2004, 91 locations of The Country's Best Yogurt "TCBY" with the undertaking of the Canadian master franchise right in September 2005. On April 1, 2006, MTY acquired the exclusive master franchise rights to franchise Yogen Früz™ throughout Canada with its network of 152 existing locations. On September 1, 2006, MTY acquired the Sushi Shop banner with its 42 franchise locations and 5 corporate owned locations and on October 19, 2006, the Company acquired the Koya Japan banner with its 24 franchise locations and one corporate owned location. On September 1, 2007 MTY purchased 15 existing Sushi Shop franchise locations from an investor group. On September 15, 2008, MTY acquired the Tutti Frutti banner with its 29 outlets. This banner caters to the breakfast and lunch crowd. On October 31, 2008, MTY acquired the Canadian franchising rights of Taco Time in Canada. As at the date of acquisition, there were 117 Taco Time restaurants operating in Western Canada. On May 1, 2009, the Company acquired the outstanding shares of Country Style Food Services Holdings Inc. with the 480 outlets operated by its subsidiaries. On September 16, 2010, the Company acquired the outstanding shares of Groupe Valentine inc. and of its network of 95 stores. MTY also has an exclusive area development agreement with Restaurant Au Vieux Duluth to develop and sub-franchise Au Vieux Duluth Express quick-service restaurants in the Provinces of Ontario and Quebec.

Revenues from franchise locations are generated from royalty fees, franchise fees, sales of turn key projects, rent, sign rental and sales of other goods and services to franchisees. Revenues from corporate owned locations include sales generated from corporate owned locations. Operating expenses related to franchising include salaries, general and administrative costs associated with existing and new franchisees, expenses in the development of new markets, costs of setting up turn key projects, rent, supplies and equipment sold to franchisees. Corporate owned location expenses include the costs to operate corporate owned locations.

MTY generates revenues from the food processing business discussed herein. The plant produces various products that range from ingredients and ready to eat food sold to restaurants or other food processing plants to microwavable meals sold in retail stores. The plant generates most of its revenues selling its products to distributors.

The Company also generates revenues from its distribution center located on the south shore of Montreal. The distribution center mainly serves our Valentine and Franx franchises with a broad range of products required in the day-to-day operations of the restaurants.

Description of recent acquisition

On September 16, 2010, the Company completed the acquisition of all of the issued and outstanding shares of Groupe Valentine Inc., 9180-7420 Quebec Inc., as well as seven

real estate properties owned by an affiliated corporation. At the date of the closing, there were 95 Valentine outlets, including 86 franchise outlets and 9 corporate-owned restaurants.

On December 17, 2010, the Company acquired a 51% interest in a food processing plant. The total transaction value was estimated at approximately $3.5 million including land, building, equipment, inventories, existing workforce and certifications. The newly formed company contracted at $3.5 million bank loan to finance the acquisition.

As part of the transaction, one of the shareholders in the newly formed company brought in existing activities from another operating plant, in exchange for mandatorily redeemable preferred shares. One third of the preferred shares will be redeemed annually, at a value contingent on the performance of the plant. The value of such shares was estimated at $300,000 at the inception of the shareholders' agreement.

Selected annual information

	Year ended November 30,2008	Year ended November 30,2009	Year ended November 30,2010
Total assets	$60,087,474	$76,535,459	$96,554,108
Total long-term liabilities*	$2,217,748	$2,463,229	$3,544,590
Revenue	$34,239,041	$51,537,788	$66,886,441
Income before income taxes and non-controlling interest	$14,327,700	$17,927,708	$22,303,714
Net income and comprehensive income	$9,911,506	$12,261,503	$15,446,794
EPS basic	$0.52	$0.64	$0.81
EPS diluted	$0.52	$0.64	$0.81
Weighted daily average number of common shares	19,120,567	19,120,567	19,120,567
Weighted average number of diluted common shares	19,120,567	19,120,567	19,120,567

* Total long-term liabilities exclude non-controlling interest

Summary of quarterly financial information

Quarters ended								
	May 2009	August 2009	November 2009	February 2010	May 2010	August 2010	November 2010	February 2011
Revenue	$11,434,753	$14,838,378	$15,487,424	$14,313,553	$17,287,393	$15,941,775	$19,343,720	$17,476,037
Net income and comprehen-sive income	$2,901,760	$3,384,504	$3,775,712	$3,003,595	$3,809,139	$4,150,813	$4,483,247	$3,468,337
Per share	$0.15	$0.18	$0.20	$0.16	$0.20	$0.22	$0.23	$0.18
Per diluted share	$0.15	$0.18	$0.20	$0.16	$0.20	$0.22	$0.23	$0.18

Results of operations for the first quarter ended February 28, 2011

Revenue

During the first quarter of our 2011 fiscal year, the Company's total revenue increased by 22%, cumulating to $17.5 million in 2011 compared to $14.3 million last year. Revenues for the four segments of business are broken down as follows:

	February 28, 2011 ($ million)	February 28, 2010 ($ million)	Variation
Franchise operation	12.78	12.33	4%
Corporate stores	2.50	1.99	26%
Distribution	1.18	nil	N/A
Food processing	1.02	nil	N/A
Total operating expenses	17.48	14.31	22%

For the same period, revenue from franchise locations progressed from $12.3 million in 2010 to $12.8 million in 2011. Several factors contributed to the growth in revenues, as listed below:

	$million
Revenues, first quarter of 2010	12.3
Increase attributable to Valentine	0.8
Increase in royalties*	0.3
Decrease in turn-key, rent and sales to franchisees*	-0.4
Decrease in initial franchise fees*	-0.1
Other non-material decreases*	-0.1
Revenues, first quarter of 2011	12.8

* excludes results of Valentine outlets

Revenue from Valentine's franchise operations accounted for $0.8 million of the increase, while royalties generated by new stores opened during the last 12 months contributed $0.3 million to the increase.

Weaker performance from Country Style explains the decrease in revenue from turn-key projects, rent and products sold to franchisees.

During the first quarter of 2011, the Company opened 28 new stores compared to 34 during the same period last year, hence generating slightly lower initial franchise fees.

Revenue from corporate owned locations increased to $2.5 million during the first three months of our 2011 fiscal period, from $2.0 million for the same period last year. This increase is due to the $0.7 million generated by the Valentine corporate stores acquired in the third quarter of 2010, which was partially offset by the decrease in the number of corporate stores of other banners, which went from 21 a year ago to 15 at the end of the first quarter.

During the first quarter of 2011, the Company also generated distribution and food processing revenues of $1.2 million and $1.0 million respectively. There were no such revenues streams in the first quarter of 2010. The food processing business has been ramping up its activities throughout the three-month period, going through a transition period between the former management and the new team that was put in place in the months following the acquisition.

Cost of sales and other operating expenses

During the first quarter of 2011, operating expenses increased by 37% to $12.0 million, from $8.8 million for the same period in 2010. Operating expenses for the four business segments can be broken down as follows:

	February 28, 2011 ($ million)	February 28, 2010 ($ million)	Variation
Franchise operation	7.33	6.96	5%
Corporate stores	2.48	1.83	35%
Distribution	1.07	nil	N/A
Food processing	1.16	nil	N/A
Total operating expenses	12.04	8.79	37%

Operating expenses related to the franchising operations increased by $0.4 million, mainly because of additional costs related to Valentine's franchise operations.

Expenses for corporate owned locations increased to $2.5 million from $1.8 million during the quarter, in large part due to the addition of the Valentine corporate stores.

Our distribution center incurred $1.1 million in operating expenses during the quarter, while the food processing plant incurred $1.2 million in operating expenses, of which approximately $0.1 million are one-time fees related to the acquisition and to the transition from the former owners to the current management of the plant.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

	Three months ended February 28, 2011				
(In millions)	Franchise	Corporate	Distribution	Processing	Total
Revenues [(1)]	$13.54	$2.50	$1.18	$1.02	$18.24
Expenses	$7.33	$2.48	$1.07	$1.16	$12.04
EBITDA	$6.21	$0.02	$0.11	-$0.14	$6.19
EBITDA as a % of Revenue	46%	1%	9%	-14%	34%

	Three months ended February 28, 2010				
(In millions)	Franchise	Corporate	Distribution	Processing	Total
Revenues [(1)]	$12.26	$1.99	$nil	$nil	$14.25
Expenses	$6.96	$1.83	$nil	$nil	$8.79
EBITDA	$5.30	$0.16	$nil	$nil	$5.46
EBITDA as a % of Revenue	43%	8%	N/A	N/A	38%

EBITDA (income before income taxes, non-controlling interest and amortization) is not an earnings measure recognized by GAAP and therefore may not be comparable to similar measures presented by other companies.
[(1)] For purposes of the EBITDA analysis, interest income and gain on disposal of capital assets and on foreign exchange have been included with Franchise revenue. See reconciliation to net income and comprehensive income on page 17.

EBITDA increased by 13%, from $5.5 million to $6.2 million for the three months ended February 28, 2011.

For the same period, EBITDA from franchised locations increased from $5.3 million in 2010 to $6.2 million in 2011. Two main elements drove this 17% increase; the increase in mainstream revenues such as royalties, which are mainly attributable to the stores opened in the last twelve months, and a $0.7 million gain realized on the sale of assets by one of the Company's subsidiaries, which was operating a corporate restaurant.

The gain realized on the sale of assets described above accounts for a 5% increase in the EBITDA as a percentage of revenue; the same measure for the recurring franchise operations was slightly lower resulting from lower revenues as mentioned above.

EBITDA from corporate owned locations decreased from $0.2 million in 2010 to $0.0 million in 2011, mainly due to some relatively weaker stores recently acquired. For the

same reason, EBITDA as a percentage of revenue from corporate owned locations decreased to 1% for the period, compared to 8% a year before.

EBITDA from the Company's distribution center was $0.1 million for the three-month period, which represents and EBITDA margin of 9%.

The newly acquired food processing plant generated a negative EBITDA of $0.1 million. The loss is mainly attributable to one-time costs incurred to transition the business from its former owners to the current management and to establish adequate environment and structure to accommodate future growth. During the quarter, management also worked on expanding sales and transitioning some existing business brought in by one of the minority shareholders; the latter was completed during the last week of the period, while the former will be an ongoing priority given the low percentage of capacity currently utilized.

Net income

For the quarter ended February 28, 2011, MTY reported a net income of $3.5 million or $0.18 per share ($0.18 per diluted share) compared to a net income of $3.0 million or $0.16 per share ($0.16 per diluted share) for the same period last year, representing a net income increase of 15%. The increase in net income for the period is mainly attributable to generic growth as well as to the gain on sale of assets discussed above, while there was some downward pressure caused by the transition period in the food processing plant and the weak performance of some corporate stores.

Amortization expense

Amortization of capital assets increased slightly by $0.1 million for during the quarter. The increase is due to the additional amortization of capital assets resulting from the acquisitions of Valentine and of the food processing plant.

Amortization of intangible assets was stable at $0.8 million for the period.

Other income

Interest income, which is generated from the Company's investments in short-term notes, increased by $0.1 million in the first quarter of 2011 compared to the same period a year earlier; the increase is entirely attributable to the higher amount invested.

The gains on disposal of capital assets, which result from the sale of the assets of corporate stores, increased to $0.7 million in 2011 compared to a loss of $0.1 million during the first quarter of 2010. This is mainly attributable to the sale of the assets of one of the Company's subsidiaries, which resulted in a gain of $0.7 million.

Income taxes

The provision for income taxes as a percentage of income before taxes decreased by 4.5% in the first quarter of 2011 compared to the same period in 2010. This represents a saving in income tax expense of $0.2 million.

There were several factors driving this decrease, among which the most material were the decrease in the statutory tax rates, the advantageous tax treatment of capital gains and the shift in the proportion of income and salaries attributable to certain territories in which tax rates are lower.

Contractual obligations and long-term debt

The obligations pertaining to the long-term debt and the minimum rentals for the leases that are not subleased are as follows:

For the period ending	Long term debt	Net lease commitments	Total contractual obligations
12 months ending February 2012	$1,843,520	$1,812,986	$3,656,506
12 months ending February 2013	$949,667	$1,912,874	$2,922,541
12 months ending February 2014	$763,667	$1,709,330	$2,472,997
12 months ending February 2015	$291,667	$1,562,907	$1,854,574
12 months ending February 2016	$291,667	$1,405,931	$1,697,598
Balance of commitments	$2,260,415	$5,293,619	$7,554,034
	$6,400,603	**$13,697,647**	**$20,158,250**

Long-term debt includes non-interest bearing holdbacks on acquisitions, shareholder loans contracted by subsidiaries with the minority shareholders, a bank loan used to finance the acquisition of the food processing plant acquired in December 2010 as well as mandatorily redeemable preferred shares issued to a minority shareholder of a subsidiary.

In addition to the above, the Company has entered into supplier agreements for purchases of coffee beans, wheat, sugar and shortening for delivery in March 2011. The total commitment amounts to $0.6 million.

In relation to the items listed above, the Company has entered into a contract to minimize the impact of variations in foreign currencies. The total commitment on this contract amounts to approximately $1.6 million.

Liquidity and capital resources

Cash and highly liquid temporary investments amounted to $31.2 million on February 28, 2011, an increase of $2.2 million compared to the $29.0 million balance at the end of the 2010 fiscal period.

During the first quarter of 2011, cash flows generated by operating activities were $2.2 million, compared to $4.3 million during the same period last year. Excluding the variation in non-cash working capital items, our operations generated $5.3 million in cash flows, compared to $3.9 million in the first quarter of 2010.

The main drivers of the increase in cash flows before non-cash working capital items are the growth in net income and the reduced requirements in income tax payments. Working capital requirements have increased by $3.0 million during the first quarter, mainly because of a reduction in the accounts payable, of the payment of 2010 tax balances of the advance payment of income taxes that will be due later this year if the Company extinguishes the available losses carried forward.

In the short-term, Management will continue to open new locations that will be funded by new franchisees. MTY will continue its efforts to sell some of its existing corporate owned locations and will seek new opportunities to acquire other food service operations. MTY has an available line of credit of $5.0 million that remained unused at February 28, 2011. The facility, when used, bears interest at the bank's annual prime rate plus 1.00%.

Balance sheet

Temporary investments increased to reach $25.5 million at the end of the first quarter, up from $23.4 million as at November 30, 2010. Cash flows generated by our operations are typically invested until they are needed to fund acquisitions.

These temporary investments are comprised of highly liquid, short-term notes valued at fair value. They have maturity dates between March 2011 and December 2011 and have rates of return between 0.80% and 1.41% (0.82% to 1.45% in November 2010).

Accounts receivable at the end of our first quarter of 2011 were at $7.4 million, a decrease of $0.2 million compared to the balance at the period at the end of our 2010 fiscal period.

Franchise locations under construction held for resale decreased $0.7 million during the first quarter, to reach $0.4 million. The decrease is mainly due to the delivery of projects that were in their late stages of completion at year end, while current projects are at an earlier stage of completion.

Loans receivable were at $1.3 million at the end of our first quarter, up slightly by $0.1 million. During the period, one new loan was granted in relation to a newly franchised restaurant while one was extinguished.

Capital assets increased to $9.8 million at the end of the quarter, an increase of $2.7 million compared to the balance at November 30, 2010. The acquisition of the food processing plant contributed $3.3 million to our capital assets, an addition that was partially offset by the disposal of some assets and the amortization recorded for the period.

Intangible assets decreased from $36.3 million as at November 30, 2010 to $35.5 million at the end of the first quarter, solely because of the amortization of $0.8 taken on such assets.

Goodwill increased by $0.3 million as a result the contribution of some existing business by one of the minority shareholders to the food processing plant, of which the value is recorded as goodwill. The valuation of this contribution has not yet been finalized.

Accounts payable decreased from $12.5 million to $11.3 million between November 30, 2010 and February 28, 2011. The stage of completion of franchise location under construction contributed the biggest share of this decrease.

Deferred revenues consist of distribution rights which are earned on a consumption basis and include initial franchise fees to be earned once substantially all of the initial services have been performed. The balance at the end of the first quarter was $1.4 million, a decrease of $0.1 million compared to the balance three months earlier. The variation is partly due to decreases in both unearned distribution rights and franchise fees.

The long-term debt is composed of non-interest bearing holdbacks on acquisitions, of a bank loans contracted by a subsidiary to finance an acquisition, of loans payable by subsidiaries to their minority shareholders and of mandatorily redeemable preferred shares.

Long-term debt increased by $3.6 million during the first quarter, with the acquisition of the food processing plant contribution $3.8 million of this variance, in the form of a bank loan of $3.5 million and of $0.3 million in mandatorily redeemable preferred shares. Bank loans contracted by two of Valentine's subsidiaries were completely repaid during the quarter, and a portion of the holdbacks resulting from the Valentine acquisition was repaid.

With the exception of those created in the Valentine transaction, the holdbacks should be repaid over the next year, while the debt from the subsidiaries carry no terms of repayment and will be repaid when this subsidiary generates sufficient cash flow to repay its debt without impairing its operations. One third of the preferred shares will be redeemed annually at a value that is contingent on the performance of a subsidiary.

Further details on the above balance sheet items can be found in the notes to the February 28, 2011 consolidated financial statements.

Capital stock

No shares were issues during the first quarter of the Company's 2011 fiscal period. As at April 1, 2011 there were 19,120,567 common shares of MTY outstanding.

Location information

	Number of locations 3 months February 2011	Number of locations 3 months February 2010
Franchises, beginning of year	**1,701**	1,550
Corporate owned, beginning of year	**26**	20
Opened during the year	**28**	34
Closed during the year	**(14)**	(7)
Total end of year	**1,741**	1,597
Franchises, end of year	**1,714**	1,576
Corporate owned, end of year	**27**	21
Total end of year	**1,741**	1,597

During the first quarter of 2011, the Company realized a net addition of 13 locations, compared to a net addition of 27 locations for the same period a year earlier. The decrease in the number of net openings can be explained by a strong performance in 2010 and closure of some low-performance stores in some of our concepts.

Of the 28 stores opened during the quarter, 7 were in shopping malls and food courts (17 in 2010), 11 were street front (4 in 2010) and 10 were non-traditional (13 in 2010).

During the same period, there were 4 non-traditional (none in 2010), 7 street front (2 in 2010) and 3 shopping mall and food court locations (5 in 2010) closed.

During the first quarter, 1 corporate-owned location was sold, 3 were added and 1 was closed.

As at February 28, 2011, there were 3 test locations in operation, all of which were excluded from the numbers presented above. This is an increase of 1 since the end of our 2010 fiscal year, as the Company is testing some cross-banner concepts.

MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and iii) non-traditional format within petroleum retailers, convenience stores, cinemas, amusement parks and in other venues or retailers shared sites. The non-traditional locations are typically smaller in size, require lower investment and generate lower revenue than the shopping malls, food courts and street front locations. The chart below provides the breakdown of MTY's locations by type as at February 28, 2011:

Location type	**% of total location count**	**% of system sales 3 months ended February 28, 2011**
Shopping mall & food court	**39**%	**54%**
Street front	**27**%	**38%**
Non-traditional format	**34**%	**8%**

The geographical breakdown of MTY's locations at February 28, 2011 consists of:

Geographical location	% of total location count	% of system sales 3 months ended February 28, 2011
Ontario	**45%**	**33%**
Quebec	**33%**	**39%**
Western Canada	**16%**	**21%**
Maritimes	**2%**	**1%**
International	**4%**	**6%**

System wide sales

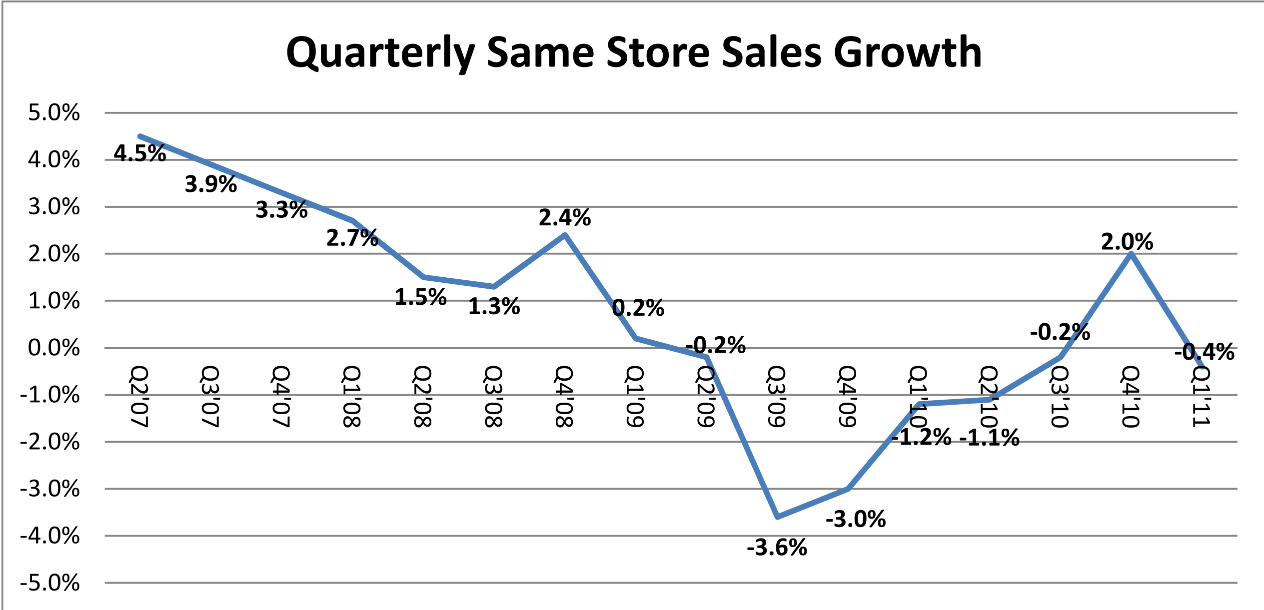
System wide sales reached to $117.7 million during the first quarter of 2011, compared to $105.0 million for the same period last year, representing an increase of 12%. System wide sales include sales for corporate and franchise locations, which are for the vast majority of them as reported by franchisees. Approximately half of the increase in system wide sales is attributable to the acquisition of Valentine. The remainder is generated by new locations opened in the last twelve months.

Same store sales

For the first quarter of our 2011 fiscal period, same store sales decreased 0.41%.

As a general tendency, our mall locations did well with a growth in same store sales, while street front and, to a greater extent, non-traditional locations lost ground compared to the first quarter of last year. We were heavily impacted in some parts of Canada by factors such as the colder weather in the first three months of our 2011 fiscal period than for the same period last year. In addition to colder than usual weather, free coffee and other ongoing promotions initiated by some of players in the quick service industry have had an adverse impact on the sales of Country Style. Weaker local economies in the different parts of the territory covered by our concepts were also a factor.

The following table shows quarterly information on same stores sales growth for fiscal periods 2007 to the first quarter of 2011:



Investors relations

On January 19, 2004, MTY appointed, for a 12 month-term, Mr. Jean-Francois Dube of Boxe Comm, as its investor relation's specialist. Mr. Dube is responsible for communicating to existing shareholders, potential investors and members of the brokerage community, for and on behalf of MTY. The Company further extended the contract with Boxe Comm to end in April 2011, subject to terms and conditions contained in the Agreement. For the three-month period ended February 28, 2011, MTY has paid an amount of $12,000 to Boxe Comm.

Stock options

During the year, no options were granted or exercised. As at February 28, 2011 there were no options outstanding.

Seasonality

Results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will not to be a material factor in the quarterly variation of its results. System sales fluctuate seasonally, during January and February sales are historically lower than average due to weather conditions. Sales are historically above average during May to August. This is generally as a result of higher traffic in the street front locations, higher sales from seasonal

locations only operating during the summer months and higher sales from shopping centre locations. Sale for shopping malls locations are also higher than average in December during the Christmas shopping period.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. Significant areas requiring the use of management estimates relate to the carrying value of long lived assets, valuation of allowances for accounts receivable and inventories, liabilities for potential claims and settlements, income taxes, the useful life of assets used when calculating amortization, the determination of fair value of assets and liabilities in business acquisitions and impairment testing on goodwill and trademarks. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

Contingent liabilities

The Company is involved in legal claims associated with its current business activities, the outcome of which is not determinable. Management believes that these legal claims will have no significant impact on the financial statements of the Company.

Guarantee

The Company has provided a guarantee in the form of a letter of credit for an amount of $45,000.

EBITDA reconciliation to net income and comprehensive income

The following table provides reconciliation of EBITDA to net income and comprehensive income disclosed in this MD&A.

(In millions)	3 months ended February 28, 2011	3 months ended February 28, 2010
EBITDA	$ 6.19	$ 5.46
Less:		
Amortization – capital assets	0.35	0.29
Amortization – intangible assets	0.76	0.79
Interest on long-term debt	0.03	-
Total income taxes	1.35	1.37
Non-controlling interest	0.24	0.01
Net income and comprehensive income	**3.47**	**3.00**

Risks and uncertainties

Despite the fact that the Company has a various number of concepts, diversified in type of locations and geographically across Canada, the performance of the Company is also influenced by changes in demographic trends, traffic patterns, occupancy level of malls and office towers and the type, number, and location of competing restaurants. In addition, factors such as innovation, increased food, labour and benefits costs, occupancy costs and the availability of experienced management and hourly employees may adversely affect the Company. Changing consumer preferences and discretionary spending patterns could oblige the Company to modify or discontinue concepts and/or menus and could result in a reduction of revenue and operating income. Even if the Company was able to compete successfully with other restaurant companies with similar concepts, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the concept profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors. The Company's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce customer traffic or impose practical limits on pricing, either of which could reduce revenue and operating income.

The growth of MTY is dependant on maintaining the current franchise system which is subject to the renewal of existing leases at sustainable rates, MTY's ability to continue to expand by obtaining acceptable store sites and lease terms, obtaining qualified franchisees, increasing comparable store sales and completing acquisitions. The time, energy and resources involved in the integration of the acquired businesses into the MTY system and culture could also have an impact on MTY's results.

Off-balance sheet arrangement

MTY has no off-balance sheet arrangements

Future accounting policies

International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by IFRS for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. For the Company, the conversion to IFRS will be required for interim and annual financial statements for the year ending November 30, 2012.

The following information is presented pursuant to the October 2008 recommendations of the Canadian Performance Reporting Board relating to pre-2011 communications about IFRS conversion and to comply with the guidance provided in Canadian Securities Administration Staff notice 52-320, Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards. This information is provided to enable investors and others to gain a better understanding of the Company's transition plan and the resulting impacts on financial statements and financial reporting. This information reflects the Company's most recent assumptions and expectations; circumstances may arise which would change these assumptions and expectations.

The change to IFRS will require restatements of the 2011 numbers used for comparative purposes so they are in accordance with IFRS for comparative purposes. In order to achieve a successful transition, the Company will be using two parallel sets of accounting records during its 2011 fiscal period.

The Company's transition plan is composed of the following phases:

1. Diagnostics and Scoping
2. Analysis and Evaluation
3. Design
4. Implementation and review

Diagnostics and Scoping Phase

A preliminary overview of the major differences between GAAP and IFRS in the context of MTY was completed during the third quarter of our 2010 fiscal period and updated following the acquisition of Groupe Valentine Inc. The objective of this phase was to determine, at a high level, the financial reporting differences under IFRS and the key areas that will be impacted. This identification will in turn largely influence the efforts deployed during the next phases of the project. The areas which have been identified to have a potential impact are as follows:

- Presentation of Financial Statements (IAS 1),
- Business Combinations (IFRS 3),
- Property, Plant and Equipment (IAS 16),
- Investment Property (IAS 40),
- Impairment of assets (IAS 36),
- Income Taxes (IAS 12),
- Leases (IAS 17),
- Revenues (IAS 18),
- Provisions and Contingent Liabilities (IAS 37),
- Customer Loyalty Programmes (IFRIC 13),
- Consolidated and separate financial statements (IAS 27 & SIC 12).

This list is not all-inclusive and remains subject to change as the Company's operations and accounting standards evolve.

Furthermore, IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to the general requirement of full retrospective application of IFRS which may differ from the requirements of the sections listed above. The Company will be analyzing the various accounting policy choices available and will implement those determined to be most appropriate in the Company's circumstances. The Company has not yet determined the aggregate financial impact of adopting IFRS 1 on its consolidated financial statements.

As part of this phase, the Company also assessed the impact of the transition on its Internal Controls over Financial Reporting (ICFR); at the moment, given the Company's structure, the organization of the work and the flow of the information, the Company's ICFR are expected to be materially impacted during transition from Canadian GAAP to IFRS.

Analysis and Evaluation Phase

A more detailed evaluation is currently underway to assess the impact of the above mentioned sections on our financial reporting and is expected to be completed during the first and second quarter of our 2011 fiscal period. Deliverables will include documentation of the rationale supporting accounting policy choices and where possible quantification of the impacts of the changeover. In cases in which quantification is not

possible, an action plan will be established to ensure a timely resolution of any outstanding issues.

An important part of this phase involves producing a detailed evaluation of the choices that are available to the Company as part of IFRS 1. The Company has completed its analysis of the choices available under IFRS 1. Note that this assessment was based on existing standards and economic context in place today and could change before the changeover date. Below are a discussion and a preliminary guidance regarding the relevant optional exemptions provided by IFRS 1:

Relevant optional exemptions	Preliminary findings
Business combinations	The Company may elect not to apply IFRS 3 retrospectively to all of the acquisitions that occurred prior to transition date or to choose a date after which to apply the standard. Other than the impact of the changeover on deferred income taxes, the Company's past practices have been generally similar to the ones dictated by IFRS 3. The company will elect to apply IFRS 3 prospectively only, and as a result will not restate the acquisitions that have occurred prior to IFRS transition date.
Deemed cost	On transition, the Company may elect to use fair value as the deemed cost of its Property, Plant and Equipment, Investment Properties and Intangible Assets for which an active market exists. The Company does not intend to revalue its PP&E, Investment Properties or Intangible Assets at transition. Preliminary assessments suggest that the IRFS cost of the assets described above will be similar to the carrying amounts under Canadian GAAP at the date of transition.
Compound financial instruments	Some instruments contain both an equity and a liability component; under IAS 32, an entity is required to separate the two components. In cases in which the liability component is no longer outstanding, this exemption provides relief in that IAS 32 can be applied prospectively from the IFRS transition date and no retroactive restatement is required. The company intends to use this exemption and apply IAS

	32 prospectively from the IFRS transition date.
Designation of previously recognized financial instruments	This exemption provides the opportunity to designate financial assets as either Available for Sale (AFS) or Fair Value through Profit or Loss (FVTPL). Gains or losses in fair value of financial assets designated as AFS flow through Other Comprehensive Income, whereas they would flow into the P&L under the FVTPL. The Company's temporary investments do not meet the criteria to be classified as FVTPL. As a result, the exemption does not apply to MTY and temporary investments will be classified as AFS.
Share-based payments	For equity-settled awards with non-employees, IFRS 2 requires that the transaction be measured at the fair value of the goods or services received rather than at the fair value of the equity instrument provided. As a result, some old share-based payments would have to be revisited. At year-end, no instruments issued as compensation to acquire assets were unvested. The company will elect to use this exemption and apply IFRS 2 prospectively after the IFRS transition date.

In addition to its assessment of IFRS 1, the Company has undertaken a thorough review of the potential changes to accounting policies arising from the changeover. Information regarding the relevant sections and of the status of the process is presented below:

Business combinations

As mentioned previously, the Company's past practices are generally similar to the requirements of IFRS 3; one area of difference is the measurement period which, under IFRS 3, is limited to twelve months following the business combination transaction, even in cases in which there remains unknown items.

The Company is still reviewing other potential impacts of the changeover.

Property, Plant and Equipment

We have assessed IFRS against our current accounting policies and at this time we do not foresee a major impact to our financial statements outside of additional disclosure. As mentioned previously, the Company will use IFRS historical costs as its measurement basis, and impairment will continue to be assessed annually if there is an indicator of impairment. Some assets currently categorized as Capital Assets on the Company's balance sheet could be reclassified as Investment Property.

Investment Property

As part of the acquisition of Groupe Valentine Inc., the Company has acquired assets that generate rental income. The Company is evaluating whether some of these properties will qualify as investment properties. The Company will apply the cost model to account for Investment Properties, if any. Additional disclosure will be required, including the fair value of the properties.

Impairment of assets

Under IAS 36, impairment tests are conducted using a one-step approach, in which the assets' or cash generating units' ("CGU") carrying value is compared to the assets' or CGU's discounted cash flows. This method is different from Canadian GAAP, which includes as a first step an undiscounted cash flow screen. This increases the likelihood that an impairment would have to be recognized under IFRS.

The Company is still in the process of identifying its cash generating units for impairment testing purposes. Once that is established, specific tests will be conducted to evaluate whether some assets are impaired or not.

Income Taxes

The conceptual approach under IFRS and Canadian GAAP with respect to accounting for deferred income taxes (referred to as future income taxes under Canadian GAAP) are consistent; both use the liability method in assessing the impact of temporary differences between the tax bases and carrying values for financial reporting purposes.

The Company is currently assessing the impact of IAS 12 specifically on deferred income taxes arising from indefinite life intangible assets such as Goodwill and Trademarks.

Leases

Under IFRS, more judgment is required when classifying leases due to the lack of quantitative guidance. The Company is currently assessing the impact of the transition on the existing leases.

Revenues

IAS 11 states that percentage of completion is required for construction contracts. The Company currently uses the completed contract method for revenues related to the delivery of turnkey restaurants. Early guidance obtained on the matter suggests that an accounting policy change with retroactive application and restatement of retained earnings will be required; more specifically, cost incurred on construction contracts will be recognized in the period in which they are incurred. Percentage of completion revenues will be recognized up to a maximum of the expensed costs and the profit will be recognized when the project is delivered.

Provisions and contingent liabilities

Provisions need to be recognized in the financial statements when there is a present obligation arising from a past event that is probable to require a cash outflow. Canadian GAAP required recognition when the outflow was likely, whereas IFRS requires recognition when it is probable (defined as more likely than not); as a result, more provisions could be required under IFRS than under Canadian GAAP. Additionally, disclosure will be more detailed and provisions will need to be presented specifically rather than being aggregated with other trade payables.

An analysis is currently being undertaken to quantify the impact of this requirement.

Customer loyalty programmes

IFRIC 13 is expected to have no significant impact on the Company's financials. The MTY Rewards program is in effect owned by the Company's clients; MTY collects the amounts that make up the amount payable for redemptions and recognizes a corresponding liability on its books.

As part of this phase, employees involved in accounting and financial reporting functions have been offered sufficient education and training to ensure that IFRS and the specific choices made by the Company are applied consistently and accurately. Furthermore, seminars will be offered throughout the transition period to members of the Audit Committee, management and finance and accounting staff. We expect to complete this phase during the first quarter of our 2011 fiscal period.

<u>Design Phase</u>

The objective of this phase of the transition project is to ensure that our accounting records reflect the choices made by the company and that the potential impacts on disclosure, financial reporting, information technology, internal controls over financial reporting and disclosure controls are assessed and addressed. The objective is to have this phase completed before the end of the third quarter of our 2011 fiscal period, with a final confirmation of the elections by the changeover date, December 1, 2011.

Implementation and Review Phase

This phase will involve the implementation of the changes to accounting policies and financial reporting and the compilation of the comparative financial data. The culmination of the process is expected to be the board approval of the 2011 financial statements presented under IFRS as comparative figures for our 2012 fiscal period.

The changes in accounting policies may impact the financial statements of the Company materially. The full impact of the change is not reasonably determinable at this time.

Critical accounting policies

MTY's significant accounting policies are those which are set forth in the notes to the consolidated financial statements as at February 28, 2011. There are no critical accounting estimates that, if changed, would materially affect MTY's overall financial condition or results of operations.

Inventories

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Cost is equivalent to acquisition costs, net of consideration received from suppliers.

Franchise locations under construction held for resale

The Company constructs franchise locations for resale. The Company capitalizes all direct costs relating to the construction of these franchise locations. If a franchisee is not immediately identified, the Company operates the franchise location as a corporate-owned location until a franchisee is identified. The franchise locations under construction and held for resale are carried at the lower of cost and estimated net realizable value.

Capital assets

Capital assets are recorded at cost. Amortization is based on their estimated useful life using the following methods and rates or terms:

Buildings		
Structure	Straight-line	50 years
Components	Straight-line	20 to 30 years
Equipment	Declining balance	10%-20%
Leasehold improvements	Straight-line	Term of lease
Rolling stock	Declining balance	15%-30%
Computer hardware	Declining balance	20%-30%
Computer software	Declining balance	50%
Signs	Straight-line	Term of lease

Goodwill

Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets acquired. Goodwill, which is not amortized, is tested for impairment annually or more frequently if impairment indicators arise to determine whether the fair value of each reporting unit to which goodwill has been attributed is less than the carrying value of the reporting unit's net assets including goodwill, thus indicating impairment. The fair value of a reporting unit is calculated based on future cash flows. Any impairment is then calculated as the difference between the fair value of the reporting unit and the carrying value, and is then recorded as a separate charge against income and a reduction of the carrying value of goodwill.

Intangible assets

Franchise rights and master franchise rights

The franchise rights and master franchise rights represent the fair value of the future revenue stream related to the acquisition of franchises. The franchise rights and master franchise rights are generally amortized on a straight-line basis over the term of the agreements which range between 10 to 20 years. Master franchise rights with an indefinite life are not amortized. They are tested for impairment annually or more frequently when events or circumstances indicate that the master franchise rights might be impaired.

Trademarks

Trademarks represent the cost incurred to operate under a trade name and are not amortized as they have an indefinite life. They are tested annually for impairment or more frequently when events or circumstances indicate that the trademarks might be impaired. The impairment test compares the carrying amount of the trademarks with their fair value.

Leases

Leases, which represent the value associated to preferential terms or locations, are amortized on a straight-line basis over the term of the leases.

Other

Included in other intangible assets are a sponsorship fee and a licensing agreement acquired in the 2004 acquisition of Mrs. Vanelli's Restaurants Ltd., which are both fully amortized, and distributions rights obtained from the acquisition of Country Style Food Services Inc., which are being amortized over the remaining life of the contracts (three years at the date of acquisition).

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total

undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Revenue recognition

Revenue is generally recognized on the sale of products or services when the products are delivered or the services performed, all significant contractual obligations have been satisfied and the collection is reasonably assured.

Revenue from franchise locations

Royalties are based either on a percentage of gross sales as reported by the franchisees or on a fixed monthly fee and are recognized as revenue in the period earned.

Initial franchise fees are recognized when substantially all of the initial services as required by the franchise agreement have been performed. This usually occurs when the location commences operations.

Revenue from the sale of franchise locations is recognized at the time the franchisee assumes control of the franchise location.

Restaurant construction and renovation revenue are accounted for in accordance with the completed contract method. Losses are fully recognized as they become probable.

Master license fees are recognized when the Company has performed substantially all material initial obligations under the agreement, which usually occurs when the agreement is signed.

Renewal and transfer fees are recognized when substantially all applicable services required by the Company under the franchise agreement have been performed. This generally occurs when the agreement is signed.

The Company earns rent revenues on certain leases it holds and sign rental revenues; both are recognized in the month they are earned.

The Company receives considerations from certain suppliers. Supplier contributions are recognized as revenues as they are earned.

Revenue from corporate-owned locations

Revenue from corporate-owned locations is recorded when services are rendered.

Revenue from distribution center

Distribution revenues are recognized when goods have been delivered and accepted by customers.

Revenue from food processing

Food processing revenues are recognized when goods have been delivered to end-users or when the risks and rewards of ownership have been transferred to distributors.

Foreign currency

Foreign currency transactions and balances are translated using the temporal method. Under this method, all monetary assets and liabilities are translated at the exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates.

Revenue and expenses are translated at the average exchange rates for the month, except for amortization which is translated on the same basis as the related assets. Translation gains and losses are reflected in net income.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the enacted and substantively enacted income tax rates for the years in which the differences are expected to reverse. Future income tax assets are recognized to the extent it is more likely than not they will be realized. The effect of changes in income tax rates on future income tax assets and liabilities is recognized in earnings in the year that includes the date of enactment or substantive enactment of the changes.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments.

Classification

Cash	Held for trading
Temporary investments	Held for trading
Accounts receivable	Loans and receivables
Deposits	Loans and receivables
Loans receivable	Loans and receivables
Other receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities other than derivative instruments.

Effective interest method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

Embedded derivatives

An embedded derivative is a component of a contract with characteristics similar to a derivative. Management of the Company conducted a review of its contracts and determined that no embedded derivatives exist as at February 28, 2011 and 2010.

Derivative financial instruments

Derivative financial instruments that are not eligible for hedge accounting are recognized on the balance sheet at their fair value, with changes in fair value recognized in net earnings.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the balance sheet are net of allowances for bad debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment. The Company believes that the credit risk of accounts receivable is limited for the following reasons:

- The Company's broad client base is spread mostly across Canada.
- The Company accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual account receivable.

The following table sets forth details of the age receivables that are not overdue as well as an analysis of overdue amounts and the related allowance for doubtful accounts:

	February 28, 2011	November 30, 2010
	$	$
Total accounts receivable	**8,297,633**	8,360,696
Less: Allowance for doubtful accounts	**885,361**	783,261
Total accounts receivable, net	**7,412,272**	7,577,435
Of which:		
Not past due	**5,195,500**	5,665,888
Past due for more than one day but for no more than 30 days	**260,923**	255,948
Past due for more than 31 days but for no more than 60 days	**359,657**	217,314
Past due for more than 61 days	**1,596,192**	1,438,285
Total accounts receivable, net	**7,412,272**	7,577,435
Allowance for doubtful accounts beginning of year	**783,261**	754,110
Additions	**156,274**	384,531
Write-off	**(54,174)**	(355,380)
Allowance for doubtful accounts end of period	**885,361**	783,261

The credit risk on cash and temporary investments is limited because the Company invests its excess liquidity in high quality financial instruments.

The credit risk on the loans receivable is similar to that of accounts receivable. There is currently no allowance for doubtful accounts applicable to the loans receivable.

Economic environment risk

The business of the Company is dependent upon numerous aspects of a healthy general economic environment, from strong consumer spending to provide sales revenue, to available credit to finance the franchisees and the Company. In light of recent upheaval in economic, credit and capital markets, the Company's performance and market price may be adversely affected. The Company's current planning assumptions forecast that the quick service restaurant industry will be impacted by the current economic recession in the provinces in which it operates. However, management is of the opinion that the current economic situation will not have a major impact on the Company due to the following reasons: 1) the Company has strong cash flows; 2) quick service restaurants represent an affordable dining out option for consumers in an economic slowdown.

Outlook

It is Management's opinion that the trend in the quick service restaurants industry will continue to grow in response to the demand from busy and on-the-go customers.

Management will maintain its focus on producing innovative menus and revamping the store designs of its banners which should result in positive same store sales growth when renovations are completed.

For 2011, management plans on of opening 85 new locations and remains committed in seeking potential acquisitions to further strengthen its market position.

Controls and Procedures

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with the securities regulatory authorities are recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in such reports is then accumulated and communicated to the Company's management to ensure timely decisions regarding required disclosure.

The Company's management, including the CEO and the CFO, does not expect that the Company's disclosure controls and procedures will prevent or detect all errors and all fraud. Because of the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

Based upon the evaluation of the disclosure controls and procedures, subject to the inherent limitations noted above, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as at February 28, 2011, in providing reasonable assurance that the material information relating to the Company is made known to the Company's management.

Internal controls over financial reporting

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The Chief Executive Officer and the Chief Financial Officer, together with Management, after evaluating the effectiveness of the Company's internal control over financial reporting as at February 28, 2011, have concluded that the Company's internal control over financial reporting was effective.

The Chief Executive Officer and the Chief Financial Officer, together with Management, have concluded after having conducted an evaluation and to the best of their knowledge that, as at February 28, 2011, no change in the Company's internal control over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

"*Stanley Ma"*

Stanley Ma, Chief Executive Officer

"Claude St-Pierre"

Claude St-Pierre, Chief Financial Officer

"*Eric Lefebvre"*

Eric Lefebvre, CA, Vice President Finance