

A&W Revenue Royalties Income Fund

Q1

First Quarter Report to Unitholders
for the period ended
March 27, 2022

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Chairman's Report to Unitholders

On behalf of the Trustees of the A&W Revenue Royalties Income Fund (the "Fund"), I am pleased to report the results for the first quarter ended March 27, 2022.

The Fund's royalty income increased by 13.5% in the first quarter of 2022 as compared to the first quarter of 2021. The increase in royalty income was driven by the Royalty Pool Same Store Sales Growth⁽¹⁾ of 11.5% and the additional gross sales from the 21 net new restaurants that were added to the Royalty Pool on January 5, 2022.

The growth in Royalty Pool same store sales primarily resulted from there being fewer public health restrictions related to COVID-19 in place across Canada during the first quarter of 2022 as compared to the first quarter of 2021. In Q1 2021 there were a number of A&W restaurants that were temporarily closed or were not able to offer dine-in services due COVID-19 restrictions. We are pleased to report that there were no temporary closures of A&W restaurants due to COVID-19 restrictions in Q1 2022, however, many A&W restaurants were still required to operate under varying levels of COVID-19 related restrictions for all, or a portion, of the quarter. These restrictions included, but were not limited to, capacity limits on dine-in guests, reduced hours of operation and requirements for dine-in guests to show proof of vaccination.

A&W is backed by a strong and resilient network of franchisees and suppliers and I believe that network, along with A&W's strategic initiatives and unwavering commitment to its mission "To become #1 with millennial burger lovers, chosen and trusted for truly good food and the convenience they crave", will help A&W to continue to rebound from the impacts of COVID-19.

On behalf of the Trustees, I would like to extend my sincerest thanks to our unitholders for the continued trust and confidence that they have placed in the Fund as well as my gratitude to each of A&W's loyal guests, franchisees and employees.



John R. McLernon

Chairman

A&W Revenue Royalties Income Fund

⁽¹⁾ "Royalty Pool Same Store Sales Growth" is a non-IFRS supplementary financial measures. See the "Non-IFRS Measures" section of the Fund's MD&A for the first quarter ended March 27, 2022, for further details on how this measure is calculated and used to assess the Fund's performance.



A&W Revenue Royalties Income Fund Management Discussion and Analysis

This Management Discussion and Analysis (“MD&A”) covers the first quarter period from January 1, 2022 to March 27, 2022. This MD&A is dated May 3, 2022. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the A&W Revenue Royalties Income Fund (the “Fund”) for the quarter ended March 27, 2022 and the audited annual consolidated financial statements of the Fund for the year ended December 31, 2021. Readers are also referred to the unaudited interim condensed consolidated financial statements of A&W Food Services of Canada Inc. (“Food Services”) for the quarter ended March 27, 2022 and the audited annual consolidated financial statements of Food Services for the 52 week year ended January 2, 2022. Such financial statements and additional information about the Fund and Food Services are available at www.sedar.com or www.awincomefund.ca.

The financial results reported in this MD&A are derived from the unaudited interim condensed consolidated financial statements of the Fund, which are prepared in accordance with International Financial Reporting Standards (“IFRS”) as applicable to interim financial reports, including International Accounting Standards 34, Interim Financial Reporting. The accounting policies applied in the unaudited interim condensed consolidated financial statements and this MD&A are consistent with those followed in the preparation of the Fund’s annual consolidated financial statements for the year ended December 31, 2021.

The Fund uses a fiscal year ending December 31. Food Services uses a fiscal year comprising a 52- or 53-week period ending on the Sunday nearest December 31. Food Services’ fiscal 2021 year was 52 weeks and ended January 2, 2022 (2020 – 53 weeks ended January 3, 2021). The Fund aligns its quarterly financial reporting with that of Food Services and therefore the Fund’s first quarter of 2022 ended March 27, 2022 (2021 – March 28, 2021), 12 weeks after Food Services’ fiscal year end. Readers should be aware that the 2022 quarterly results are not directly comparable to the 2021 quarterly results, as there were 86 days of sales in Q1 2022 compared to 87 days of sales in Q1 2021. Royalty Pool Same Store Sales Growth is based on an equal number of days in the quarter and year.

HIGHLIGHTS

- Royalty income increased by 13.5% in Q1 2022 as compared to Q1 2021.
- Royalty Pool Same Store Sales Growth⁽ⁱ⁾ was +11.5% for Q1 2022 as compared to Q1 2021.

⁽ⁱ⁾ “Royalty Pool Same Store Sales Growth” is a non-IFRS supplementary financial measure. Refer to the “Non-IFRS Measures” section of this MD&A for further details on how this measure is calculated and used to assess the Fund’s performance.

SELECTED INFORMATION

The following selected information, other than “Royalty Pool Same Store Sales Growth”, “Gross sales reported by A&W restaurants in the Royalty Pool”, “Distributable cash generated”, “Distributable cash per equivalent unit”, “Distributions and dividends declared per equivalent unit” and information with respect to numbers of restaurants and equivalent units have been derived from financial statements prepared in accordance with IFRS and all dollar amounts are reported in Canadian currency. See “Non-IFRS Measures”.

(dollars in thousands except per unit amounts)	Period from Jan 1, 2022 to Mar 27, 2022	Period from Jan 1, 2021 to Mar 28, 2021
Royalty Pool Same Store Sales Growth ⁽ⁱ⁾	11.5%	-5.6%
Number of restaurants in the Royalty Pool	1,015	994
Gross sales reported by A&W restaurants in the Royalty Pool ⁽ⁱ⁾	\$352,614	\$310,726
Royalty income	\$10,578	\$9,322
General and administrative expenses	\$266	\$206
Term loan and other interest (net)	\$574	\$606
Current income tax provision	\$3,755	\$2,032
Distributable cash generated ⁽ⁱⁱ⁾	\$5,983	\$6,478
Number of equivalent units ⁽ⁱⁱⁱ⁾	19,813,593	19,132,830
Distributable cash per equivalent unit ^(iv)	\$0.302	\$0.339
Distributions and dividends declared per equivalent unit ^(iv)	\$0.310	\$0.235
Payout ratio ^(iv)	145.0%	111.5%
Net cash generated from operating activities	\$7,942	\$4,818
Net income ^(v)	\$9,688	\$6,739

⁽ⁱ⁾ “Royalty Pool Same Store Sales Growth” and “Gross sales reported by A&W restaurants in the Royalty Pool” are non-IFRS supplementary financial measures. Refer to the “Non-IFRS Measures” section of this MD&A for further details on how these measures are calculated and used to assess the Fund’s performance.

⁽ⁱⁱ⁾ “Distributable cash generated” is a non-IFRS financial measure. Refer to the table on the following page for a reconciliation of this measure to the most comparable IFRS measure and the “Non-IFRS Measures” section of this MD&A for further details on how it is used to assess the Fund’s performance.

⁽ⁱⁱⁱ⁾ Equivalent units include Units and Limited Voting Units of the Fund (“Limited Voting Units” and together with the Units, the “Trust Units”) and common shares of Trade Marks (as defined below) that are exchangeable for Trust Units. The number of equivalent units in 2022 is calculated on a fully-diluted basis and includes the 111,082 LP units (as defined below) that are exchangeable for 222,164 common shares of Trade Marks representing the remaining 20% of the initial consideration for the January 5, 2022 adjustment to the Royalty Pool, which LP units are held back until the number of LP units is determined in December 2022 based on the actual annual sales reported by the new restaurants. See “Adjustment to the Royalty Pool”. The number of equivalent units in 2021 is calculated on a fully-diluted basis and includes 116,329 LP units, exchangeable for 232,658 common shares of Trade Marks representing the remaining 20% of the initial consideration for the January 5, 2021 adjustment to the Royalty Pool but does not include the adjustment to increase the final consideration by 125,354 LP units,

equivalent to 250,708 common shares of Trade Marks, made in December 2021 based on the actual system sales for the A&W Restaurants added to the Royalty Pool as part of the January 5, 2021 adjustment to the Royalty Pool.

(iv) “Distributable cash per equivalent unit”, “Distributions and dividends declared per equivalent unit” and “Payout ratio” are non-IFRS ratios. Refer to the “Non-IFRS Measures” section of this MD&A for further details on how these ratios are calculated and used to assess the Fund’s performance.

(v) Net income includes unrealized gains and losses on interest rate swaps, amortization of financing fees and deferred income taxes. These non-cash items have no impact on the Fund’s ability to pay distributions to unitholders.

The following table provides a reconciliation of “Distributable cash generated” to “Net cash generated from operating activities”, the most comparable IFRS measure, for the periods indicated.

(dollars in thousands)	Period from Jan 1, 2022 to Mar 27, 2022	Period from Jan 1, 2021 to Mar 28, 2021
Net cash generated from operating activities	\$7,942	\$4,818
Interest expense	(574)	(606)
Current income tax provision	(3,755)	(2,032)
Net changes in items of non-cash working capital	346	(119)
Interest paid	684	661
Income tax paid	1,340	3,756
Distributable cash generated	\$5,983	\$6,478

NON-IFRS MEASURES

This MD&A makes references to certain non-IFRS measures. The Fund believes that disclosing these non-IFRS measures provides readers of this MD&A with important information regarding the Fund’s financial performance and its ability to pay distributions to unitholders. By considering these measures in combination with IFRS measures, the Fund believes that readers are provided with additional and more useful information about the Fund than readers would have if they simply considered IFRS measures alone. The non-IFRS measures reported by the Fund do not have a standardized meaning prescribed by IFRS and the Fund’s method of calculating these measures may differ from those of other issuers or companies and may not be comparable to similar measures used by other issuers or companies.

Non-IFRS financial measures

The following non-IFRS financial measure is disclosed in this MD&A:

Distributable cash generated. Distributable cash generated is a non-IFRS financial measure and is calculated as royalty income less cash expenses. Distributable cash generated can be reconciled to net cash flows generated from operating activities by adjusting for interest, current income taxes, financing fees paid and net changes in items of working capital. Changes in items of working capital are excluded as the Fund’s working capital requirements are not permanent and are primarily due to the timing of payments between related parties. Financing fees are deducted as they are capitalized and amortized over the term of the credit facility. No deduction is made for capital expenditures as the Fund has no capital expenditures. As discussed under “Income Taxes”, A&W Trade Marks Inc.’s (“Trade Marks”) provision for income

taxes includes refundable income tax paid or recoverable. This refundable income tax is not deducted in calculating the amount of Distributable cash generated, in order to more accurately reflect the actual amount of cash generated by the business to pay distributions to unitholders and dividends to Food Services. The Fund expects that net refundable income tax paid in prior years will be recovered in future years when sufficient dividends are paid by Trade Marks. The Fund believes that Distributable cash generated is a useful measure for investors as it reflects the amount of actual cash generated to pay distributions to unitholders and dividends to Food Services.

Refer to the “Selected Information” sections for reconciliations of Distributable cash generated to net cash generated from operating activities, the most comparable IFRS measure, for the current and comparable reporting periods.

Non-IFRS ratios

The following non-IFRS ratios are disclosed in this MD&A:

Distributable cash per equivalent unit. Distributable cash per equivalent unit is a non-IFRS ratio and is calculated as distributable cash generated divided by the number of equivalent units outstanding during the relevant period on a fully diluted basis. The Fund believes that Distributable cash per equivalent unit is a useful measure for investors as it reflects the amount of actual cash generated per equivalent unit to pay distributions to unitholders and dividends to Food Services.

Distributions and dividends declared per equivalent unit. Distributions and dividends declared per equivalent unit is a non-IFRS ratio and is calculated as the sum of the distributions and dividends divided by the number of equivalent units outstanding during the relevant period on a fully diluted basis. The Fund believes that Distributions and dividends declared per equivalent unit is a useful measure for investors as it provides them with the amount of total cash distributions declared during the reporting period.

Distributions and dividends declared and accrued per equivalent unit. Distributions and dividends declared and accrued per equivalent unit is a non-IFRS ratio and is calculated as the sum of (i) distributions and dividends declared per equivalent unit in respect of each full calendar month in the applicable period, and (ii) the aggregate run-rate amount of the current monthly distribution for the remainder of the calendar year, with the sum of (i) and (ii) pro-rated based on the number of days in the reporting period. The Fund believes that Distributions and dividends declared and accrued per equivalent unit is a useful measure for investors as it provides them with the amount per equivalent unit of distributions paid to date and payable for the balance of the year, at the distribution rate in effect at the end of the reporting period, prorated based on the number of days in the reporting period.

Payout ratio. Payout ratio is a non-IFRS ratio and is calculated by dividing total distributions declared and accrued per equivalent unit, by the Distributable cash per equivalent unit generated in that period. The Fund believes that the Payout ratio provides investors with useful information on the extent to which the Fund distributes the Distributable cash generated.

Non-IFRS supplementary financial measures:

The following non-IFRS supplementary financial measures are disclosed in this MD&A:

Gross sales reported by A&W restaurants in the Royalty Pool. Gross sales reported by A&W restaurants in the Royalty Pool (the “Royalty Pool”) reflects the sum of (i) the gross sales reported to Food Services by franchisees of A&W restaurants that are in the Royalty Pool without audit, verification or other form of independent assurance and (ii) the gross sales of A&W restaurants owned and operated by Food Services that are in the Royalty Pool. The Gross sales reported by A&W restaurants in the Royalty Pool reflect sales after deducting amounts for discounts for coupons and other promotional offerings and applicable sales taxes. Gross sales reported by A&W restaurants in the Royalty Pool is the basis for which the royalty is payable by Food Services to A&W Trade Marks Limited Partnership (the “Partnership”) and therefore is a key performance indicator for the Fund.

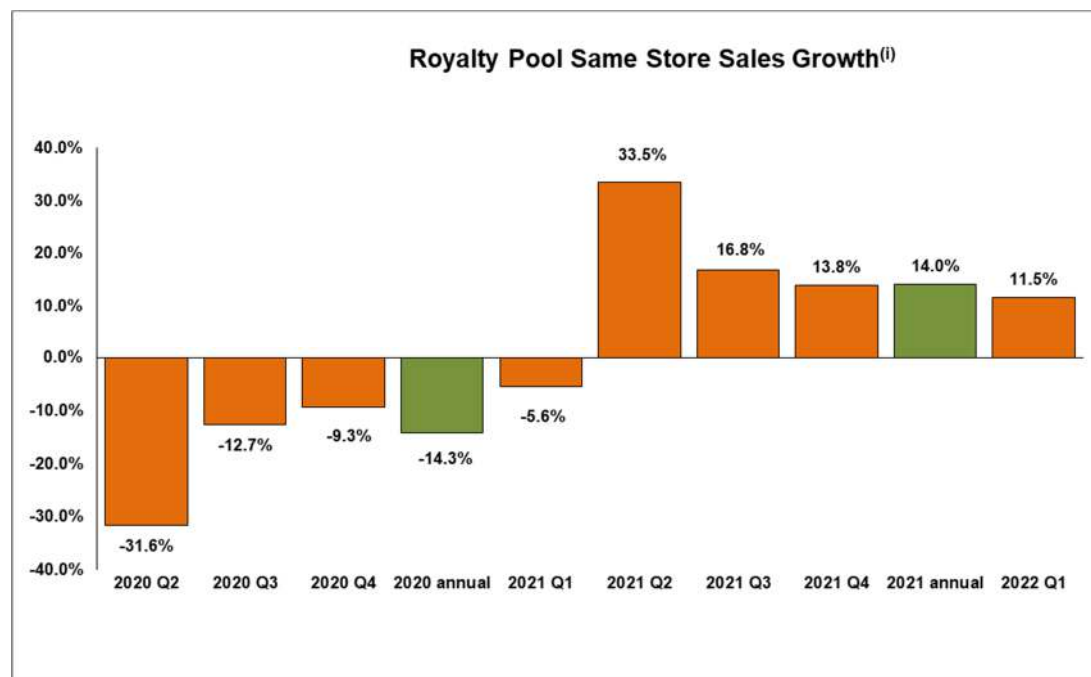
Royalty Pool Same Store Sales Growth. Royalty Pool Same Store Sales Growth reflects the change in gross sales of A&W restaurants in the Royalty Pool that operated, or were temporarily closed at any point due to COVID-19, during the entirety of the first quarters ending March 27, 2022 and March 28, 2021, and is based on an equal number of days in each quarter. This measure is a key performance indicator for the Fund as it highlights the performance of the existing A&W restaurants in the Royalty Pool.

SALES PERFORMANCE

Royalty Pool Same Store Sales Growth⁽ⁱ⁾ for the first quarter of 2022 was +11.5% as compared to the same quarter of 2021. The Royalty Pool Same Store Sales Growth was primarily driven by there being fewer public health restrictions related to COVID-19 in place across Canada during the first quarter of 2022 as compared to the first quarter of 2021. In Q1 2021 there were a number of A&W restaurants that were temporarily closed or were not able to offer dine-in services due restrictions. There were no temporary closures of A&W restaurants due to COVID-19 restrictions in Q1 2022, however, many A&W restaurants were still required to operate with reduced operating hours and capacity limits on dine-in guests for all, or a portion, of quarter. See “Impact of COVID-19”.

Since March 2020, COVID-19 has adversely impacted A&W restaurant operations across Canada, particularly for those restaurants located on urban street fronts and in shopping centres. However, since the second quarter of 2020 when COVID-19 impacts on A&W were at their peak, the impact of COVID-19 on Royalty Pool Same Store Sales Growth has steadily declined.

The chart below shows the Royalty Pool Same Store Sales Growth by A&W restaurants in the Royalty Pool for the eight most recently completed quarters and two most recently completed years.



Gross sales reported by A&W restaurants in the Royalty Pool⁽ⁱ⁾ for the first quarter of 2022 were \$352,614,000, a 13.5% increase against gross sales of \$310,726,000 for the first quarter of 2021.

The increase in Gross sales reported by A&W restaurants in the Royalty Pool is driven by the Royalty Pool Same Store Sales Growth in addition to the gross sales from the 21 net new restaurants added to the Royalty Pool on January 5, 2022. The increase was partially offset by there being one less day in the first quarter of 2022 as compared to the first quarter of 2021. See “Impact of COVID-19” and “Adjustment to the Royalty Pool”.

⁽ⁱ⁾ “Royalty Pool Same Store Sales Growth” and “Gross sales reported by A&W restaurants in the Royalty Pool” are non-IFRS supplementary financial measures. Refer to the “Non-IFRS Measures” section of this MD&A for further details on how these measures are calculated and used to assess the Fund’s performance.

OVERVIEW

The Fund is a limited purpose trust established in 2001 under the laws of the Province of British Columbia pursuant to the Amended and Restated Declaration of Trust (the “Declaration of Trust”). The Units trade on the Toronto Stock Exchange under the symbol AW.UN. The Fund’s place of business is located at 300 – 171 West Esplanade, North Vancouver, BC. The Fund was established to invest in Trade Marks, which through its ownership interest in the Partnership, owns the A&W trade-marks used in the A&W quick service restaurant business in Canada. The Partnership has granted Food Services a licence (the “Amended and Restated Licence and Royalty Agreement”) to use the A&W trade-marks in Canada for a term expiring December 30, 2100, for which Food Services is required to pay a royalty of 3% of the gross sales reported to Food Services by A&W restaurants in the Royalty Pool. Food Services is a leading franchisor of hamburger quick service restaurants in Canada.

The Partnership distributes its available cash, after satisfaction of any debt service, provision for operating and other expenses and any amounts retained as reserves, by way of distributions on limited partnership units (“LP units”) held by Trade Marks. Trade Marks subsequently distributes its available cash, after satisfaction of debt service and income tax obligations, provisions for administrative expenses of Trade Marks and the Fund, and retention of reasonable reserves, by way of dividends on its common shares held by the Fund and Food Services and one special share held by Food Services. The Fund in turn makes distributions to unitholders, after allowing for reasonable reserves.

Trade Marks’ general and administrative expenses include the expenses of the Fund as the Fund has entered into an administration agreement with Trade Marks whereby Trade Marks, at its expense, provides or arranges for the provision of services required in the administration of the Fund. On April 8, 2022, Trade Marks and Food Services entered into an agreement for Food Services to provide administrative services to Trade Marks (the “Services Agreement”). Under the terms of the Services Agreement, Food Services is entitled to be paid an annual fee, on a quarterly basis, for the services provided in each fiscal year in an amount approved by the board of directors of Trade Marks that is based on a prescribed time and effort computation. The Services Agreement will remain in effect for the duration of the Administration Agreement dated February 15, 2002 between Trade Marks and the Fund, unless terminated by either party by giving 5 years advance written notice to the other party.

A key attribute of the Fund is that the distributable cash available to make distributions to unitholders is based on the Gross sales of the A&W restaurants in the Royalty Pool, less operating expenses associated with operating the Fund, interest and taxes and an allowance for reasonable reserves. The Fund is a top-line fund, meaning it is not subject to variability of earnings or expenses associated with an operating business, but is subject to variability in revenues of the A&W restaurants in the Royalty Pool.

Another important aspect of the Fund is that, as at March 27, 2022, Food Services owned the equivalent of 26.0% (December 31, 2021 – 24.3%) of the Units on a fully-diluted basis through its ownership of Limited Voting Units and common shares of Trade Marks, both of which are exchangeable, at the option of Food Services, for Units. As a result, the interests of Food Services are closely aligned with the interests of unitholders.

Growth in the Fund is achieved in two ways: first, and most importantly, by growing same store sales of the A&W restaurants in the Royalty Pool, and second by increasing the number of A&W restaurants in the Royalty Pool each year.

The Royalty Pool is adjusted annually to reflect Gross sales from new A&W restaurants added to the Royalty Pool, net of the gross sales of any A&W restaurants that have permanently closed. Food Services is paid for the additional royalty stream related to the gross sales of the net new restaurants add to the Royalty Pool, based on a formula set out in the Amended and Restated Licence and Royalty Agreement. The formula provides for a payment to Food Services based on 92.5% of the amount of estimated gross sales from the net new A&W restaurants and the current yield on the Units, adjusted for income taxes payable by Trade Marks. The consideration is paid to Food Services in the form of additional units in the Partnership. The additional LP units are, at the option of Food Services, exchangeable for additional common shares of Trade Marks, which are in turn exchangeable for Trust Units on the basis of two common shares for one Trust Unit.

IMPACT OF COVID-19

COVID-19 has significantly impacted many businesses across Canada, especially restaurants, and the future effect of COVID-19 continues to be uncertain. Since the onset in March 2020, jurisdictions across Canada have had varying levels of COVID-19 related restrictions in place and many of those restrictions have been modified multiple times in response to the fluctuating number of COVID-19 cases. During the first quarter of 2022 many A&W restaurants continued to operate under varying levels of COVID-19 related restrictions which included but were not limited to, capacity limits on dine-in guests, reduced hours of operation and requirements for dine-in guests to show proof of vaccination.

Actions required in response to the COVID-19 pandemic have adversely affected A&W restaurant operations in Canada, including the temporary closure of A&W restaurants in 2020 and 2021. At its peak impact in the second quarter of 2020, a total of 230 A&W restaurants (out of the then 971 restaurants in the Royalty Pool) were temporarily closed due to public health measures in response to COVID-19. The COVID-19 related public health restrictions began to ease in the second quarter of 2021, by the end of 2021 all of the A&W restaurants that were temporarily closed due to restrictions had reopened. The chart below shows the reported number of A&W restaurants that were temporarily closed due to COVID-19 restrictions at specified dates.



Throughout the pandemic, Food Services and its franchisees have worked together on initiatives to help accelerate sales recovery. These initiatives include, but are not limited to promotional activity, strengthening and expanding partnerships with third party delivery service providers, increasing the speed of service for drive-thru and innovating to serve the increasing number of guests on the A&W mobile app. Food Services and its franchisees also continue to take and maintain significant measures in their restaurants and broader operations to protect the health of employees and guests in compliance with physical distancing recommendations and other mandates of relevant public health authorities, such as the

requirement for dine-in guests to show proof of vaccination in jurisdictions where required and the requirement for restaurant staff who have contracted, or been exposed to, COVID-19 to self-isolate.

During the pandemic to date, various levels of government have offered a number of important financial programs which have helped support individual restaurant businesses, including A&W franchisees; however, most of those programs have now ceased. See “Risks and Uncertainties”.

In response to the sudden onset of COVID-19, the Fund temporarily suspended monthly distributions on the Units in March 2020 and accordingly no distributions were declared by the Fund in the second quarter of 2020. Regular monthly distributions to unitholders resumed at 10¢ per Unit in the third quarter of 2020 and special distributions totaling 50¢ per Unit were paid in the fourth quarter of 2020. In 2021, the monthly distribution rate was increased three times, with the last increase bringing the monthly distribution rate to 15.5¢ per Unit. The Fund also paid a special distribution of 5.0¢ per Unit on December 31, 2021. The monthly distribution rate remained at 15.5¢ per Unit for the duration of the first quarter of 2022.

ADJUSTMENT TO THE ROYALTY POOL

The 2022 annual adjustment to the Royalty Pool took place on January 5, 2022. The number of A&W restaurants in the Royalty Pool was increased by 34 new restaurants less 13 restaurants that permanently closed during 2021. The estimated annual sales of the 34 new A&W restaurants were \$50,688,000 at the time they were added to the Royalty Pool and annual sales for the 13 permanently closed restaurants were \$7,536,000 based on their sales during the first year such restaurants were included in the Royalty Pool. The initial consideration for the estimated additional royalty stream was \$21,472,000, calculated by discounting the estimated additional royalties by 7.5% and dividing the result by the yield on the Units for the 20 trading days ending November 1, 2021. The yield was adjusted to reflect the income tax payable by Trade Marks. The Partnership paid Food Services 80% of the initial consideration or \$17,178,000, by issuance of 444,327 LP units which were subsequently exchanged for 888,654 non-voting common shares of Trade Marks. The remaining consideration payable to Food Services for the January 5, 2022 adjustment to the Royalty Pool of \$4,294,000 is to be paid by issuance of additional LP units, which issuance is held back until the number of LP units is determined in December 2022 based on the actual annual sales reported by the new restaurants. The actual amount of the consideration paid in December 2022 may differ from this amount depending on the actual annual sales reported by the new A&W restaurants.

COMMON SHARES OF TRADE MARKS

The common shares of Trade Marks are owned by the Fund and Food Services, with their respective ownership as at the end of the two most recently completed financial years and the current quarter being as follows:

(dollars in thousands)	Fund			Food Services			Total	
	Number of shares	Trade Marks' book value \$	%	Number of shares	Trade Marks' book value \$	%	Number of shares	Trade Marks' book value \$
Balance as at December 31, 2020	28,129,271	164,605	75.8	8,973,023	124,220	24.2	37,102,294	288,825
January 5, 2021 adjustment to the Royalty Pool ⁽¹⁾	-	-	(2.9)	1,413,998	20,164	2.9	1,413,998	20,164
April 16, 2021 exchange of common shares for Trust Units ⁽²⁾	4,056,040	63,193	10.6	(4,056,040)	(63,193)	(10.6)	-	-
Balance as at December 31, 2021	32,185,311	227,798	83.5	6,330,981	81,191	16.5	38,516,292	308,989
January 5, 2022 adjustment to the Royalty Pool ⁽³⁾	-	-	(1.9)	888,654	17,178	1.9	888,654	17,178
Balance as at March 27, 2022	32,185,311	227,798	81.7	7,219,635	98,369	18.3	39,404,946	326,167

⁽¹⁾ The number of common shares includes the 241,683 LP units exchanged for 483,366 common shares of Trade Marks representing the remaining consideration paid in December 2021 for the January 5, 2021 adjustment to the Royalty Pool.

⁽²⁾ On April 16, 2021, A&W of Canada Inc., an indirect shareholder of Food Services, completed a reorganization to provide liquidity for some of its shareholders and to simplify the indirect ownership of Food Services (the "Reorganization"). Further details regarding the Reorganization can be found in the Fund's MD&A for the fourth quarter ended December 31, 2021, available at www.sedar.com or www.awincomefund.ca.

⁽³⁾ The number of common shares does not include any LP units exchangeable for common shares of Trade Marks in respect of the remaining consideration payable to Food Services for the January 5, 2022 adjustment to the Royalty Pool, which LP units, if any, are held back until the number of LP units is determined in December 2022 based on the actual annual sales reported by the new restaurants. See "Adjustment to the Royalty Pool"

OWNERSHIP OF THE FUND

The table below shows the ownership of the Fund as of March 27, 2022 and December 31, 2021 on a fully-diluted basis, where the ownership of the Fund as at March 27, 2022 includes the issuance of the excess exchangeable LP units that represent the remaining 20% of the initial consideration for the January 5, 2022 adjustment to the Royalty Pool that are payable to Food Services in December 2022.

	March 27, 2022		December 31, 2021	
	Number of units	%	Number of units	%
Units held by public unitholders	14,585,673	73.6	14,585,673	75.7
Limited Voting Units held by Food Services ⁽¹⁾	1,507,020	7.6	1,507,020	7.8
Number of Trust Units issuable upon exchange of securities of Trade Marks held by Food Services ⁽²⁾	3,720,900	18.8	3,165,491	16.5
Total equivalent units	19,813,593	100.0	19,258,184	100.0

⁽¹⁾ Limited Voting Units in the Fund held by Food Services may be exchanged for Units on the basis of one Limited Voting Unit for one Unit.

⁽²⁾ Common shares of Trade Marks held by Food Services may be exchanged for Trust Units on the basis of two common shares for one Trust Unit.

FINANCIAL RESULTS

INCOME

Royalty income for the first quarter of 2022 was \$10,578,000 based on Gross sales reported by restaurants in the Royalty Pool⁽ⁱ⁾ of \$352,614,000, compared to royalty income of \$9,322,000 and Gross sales reported by A&W restaurants in the Royalty Pool⁽ⁱ⁾ of \$310,726,000 for the first quarter of 2021.

The increase in royalty income is driven by the Royalty Pool Same Store Sales Growth and the gross sales from the 21 net new restaurants added to the Royalty Pool on January 5, 2022. The increase was partially offset by there being one less day in 2022 than in 2021. See “Sales Performance”, “Impact of COVID-19”, “Risks and Uncertainties” and “Outlook”.

⁽ⁱ⁾ “Gross sales reported by A&W restaurants in the Royalty Pool” is a non-IFRS supplementary financial measure. Refer to the “Non-IFRS Measures” section of this MD&A for further details on how this measure is calculated and used to assess the Fund’s performance.

EXPENSES

The Fund’s cash expenses excluding income taxes were as follows:

(dollars in thousands)	Period from Jan 1, 2022 to Mar 27, 2022	Period from Jan 1, 2021 to Mar 28, 2021
General and administrative expenses	\$266	\$206
Term loan and other interest (net)	\$574	\$606

The \$60,000 year over year increase in general and administrative expenses is primarily attributable to the \$44,000 expense (2021 - \$nil) related to administrative services received from Food Services and

inflationary increases in fees for other professional services.

The \$32,000 year over year decrease in term loan and other interest (net) was due to a lower effective interest rate on the term loan due to a decrease in the stamping fee. Interest rate swap agreements are used to manage risks from fluctuations in interest rates and facilitate uniform monthly distributions when paid. See “Unrealized Gain on Interest Rate Swaps” and “Liquidity and Capital Resources”.

UNREALIZED GAIN ON INTEREST RATE SWAPS

Trade Marks uses interest rate swap agreements to manage risks from fluctuations in interest rates. To manage the interest rate risk associated with the \$60,000,000 term loan Trade Marks has entered into two interest rate swap arrangements, one swap with an effective date of December 22, 2015 and a maturity date of December 22, 2022 (the “Existing Swap”) and another swap, which was entered into simultaneously with the renewal of Trade Marks’ Credit Facility on September 10, 2021, with an effective date of December 22, 2022 and a maturity date of September 10, 2026 (the “Forward Start Swap”). See “Liquidity and Capital Resources”.

The Fund’s net income included unrealized gains on the two interest rate swaps that are equal to the change in the fair value of the swaps. These non-cash gains had no impact on the Fund’s cash available to pay distributions.

(dollars in thousands)	Period from Jan 1, 2022 to Mar 27, 2022	Period from Jan 1, 2021 to Mar 28, 2021
Gain on Existing Swap	\$619	\$364
Gain on Forward Start Swap	2,318	-
Total gain on interest rate swaps	\$2,937	\$364

INCOME TAXES

The Fund’s provision for income taxes was as follows:

(dollars in thousands)	Period from Jan 1, 2022 to Mar 27, 2022	Period from Jan 1, 2021 to Mar 28, 2021
Current		
Current income tax provision	\$3,755	\$2,032
Refundable income tax	422	354
Deferred income tax recovery	(1,206)	(259)
Total provision for income taxes	\$2,971	\$2,127

The Fund as a legal entity is not subject to the Specified Investment Flow-Through (“SIFT”) tax as its only source of income is dividends from Trade Marks which are not subject to SIFT tax. The provision for income taxes on the Fund’s consolidated statement of income is the expected current and deferred tax payable by Trade Marks as a legal entity.

Trade Marks' taxable income is taxed at an effective rate of 20.0% (2021 – 20.0%), plus an additional tax of 30.67% (2021 – 30.67%) on investment income which is refundable at a rate of 38.33% (2021 – 38.33%) for each dollar Trade Marks pays out in taxable dividends to its shareholders. Trade Marks' provision for income taxes for 2022 includes a payable of refundable income tax of \$422,000 based on its first quarter share of annual estimated annual taxable income and dividends paid in 2022. Under IFRS, refundable income tax is recognized on the income statement when it is paid or payable and subsequently when it is received or receivable. Management expects that the net refundable income tax paid in prior years will be recovered in future years when sufficient dividends are paid by Trade Marks.

Deferred income tax is recorded on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is a non-cash item and has no impact in the current year on the Fund's cash available to pay distributions.

NET INCOME AND COMPREHENSIVE INCOME

Net income and comprehensive income was as follows:

(dollars in thousands)	Period from Jan 1, 2022 to Mar 27, 2022	Period from Jan 1, 2021 to Mar 28, 2021
Net income and comprehensive income attributable to public unitholders of the Fund	\$7,183	\$4,994
Net income and comprehensive income attributable to Food Services' ownership of Limited Voting Units	742	-
Net income and comprehensive income attributable to Food Services' non-controlling interest that arises from Food Services' ownership of common shares of Trade Marks	1,763	1,745
Total net income and comprehensive income	\$9,688	\$6,739

DISTRIBUTABLE CASH

(dollars in thousands)	Period from Jan 1, 2022 to Mar 27, 2022	Period from Jan 1, 2021 to Mar 28, 2021
Distributable cash generated ⁽ⁱⁱⁱ⁾	\$5,983	\$6,478
Number of equivalent units	19,813,593	19,132,830
Distributable cash per equivalent unit ^(iv)	\$0.302	\$0.339
Distributions and dividends declared per equivalent unit ^{(i) (iv)}	\$0.310	\$0.235
Distributions and dividends declared and accrued per equivalent unit ^(iv)	\$0.438	\$0.378
Payout ratio ^(iv)	145.0%	111.5%

Distributable cash generated⁽ⁱⁱⁱ⁾ in the first quarter of 2022 to pay distributions to unitholders and dividends to Food Services was \$5,983,000 compared to \$6,478,000 in the first quarter of 2021. The \$495,000 decrease in Distributable cash generated⁽ⁱ⁾ was attributable to the \$1,723,000 increase in the current tax

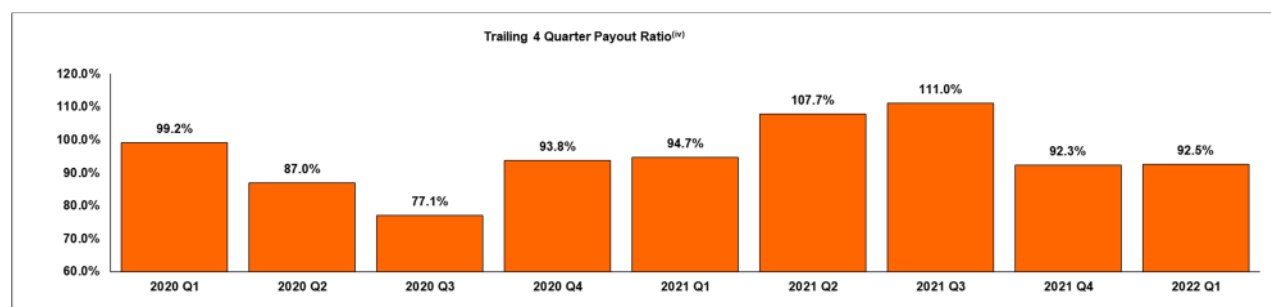
expense, partially offset by the \$1,256,000 increase in royalty income. The increase in the current tax expense in 2022 is largely driven by a timing difference related to when income from the Partnership is captured in Trade Mark's taxable income.

Distributable cash per equivalent unit^(iv) decreased by 3.7¢ to 30.2¢ per Unit in the first quarter of 2022 from 33.9¢ per Unit for the first quarter of 2021. The decrease in Distributable cash per equivalent unit is a result of the decrease in Distributable cash generated discussed above and the increase in the number of equivalent units that is a result of the 2022 annual adjustment to the Royalty Pool. (See "Adjustment to the Royalty Pool").

Two monthly distributions totaling 31.0¢ per Unit were declared in the first quarter of 2022 compared to two monthly distributions totaling 23.5¢ per Unit in the first quarter of 2021.

The Payout ratio for the first quarter of 2022 was 145.0% compared to 111.5% for the first quarter of 2021. The Fund's long-term objective is to maintain an annual Payout ratio at or below 100%; however, as the Fund strives to provide unitholders with regular monthly distributions (absent unique circumstances, such as those resulting in the declaration of special distributions or a temporary suspension due to COVID-19), and as a result of seasonality of sales in A&W restaurants and the timing of current income taxes, the Fund historically experiences seasonal fluctuations in its Payout ratio. The Payout ratio of 145.0% for the first quarter of 2022 is higher than the trailing four quarter Payout ratio of 92.5% due primarily to the timing impact of current income taxes.

The following table shows the trailing four quarter Payout ratios for 2020, 2021 and 2022.



⁽ⁱ⁾ In accordance with the Fund's Declaration of Trust, the Fund declares and records distributions in respect of any particular calendar month at the beginning of the immediate subsequent month, with the exception of the distribution for December of each year, which is declared and recorded in December of each year. Distributions in respect of any particular calendar month are paid on the last business day of the immediate subsequent month. The distributions declared in the first quarter of each year are in respect of the calendar months January and February.

⁽ⁱⁱ⁾ "Distributable cash generated" is a non-IFRS financial measure. Refer to the table in the "Selected Information" section for a reconciliation of this measure to the most comparable IFRS measure and the "Non-IFRS Measures" section of this MD&A for further details on how it is used to assess the Fund's performance.

^(iv) "Distributable cash per equivalent unit", "Distributions and dividends declared per equivalent unit", "Distributions and dividends declared and accrued per equivalent unit" and "Payout ratio" are non-IFRS ratios. Refer to the "Non-IFRS Measures" section of this MD&A for further details on how these ratios are calculated and used to assess the Fund's performance.

DISTRIBUTIONS TO UNITHOLDERS

Distributions declared during 2022 were as follows:

(dollars in thousands except per unit amounts)					
Month	Record date	Per Trust Unit	Amount paid/payable to public Unitholders	Amount paid/payable to Food Services	Total amount paid/payable
January	February 15, 2022	\$0.155	\$2,261	\$234	\$2,495
February	March 15, 2022	0.155	2,261	\$233	2,494
		\$0.310	\$4,522	\$467	\$4,989

The February 2022 distribution of \$2,494,000 was declared on March 7, 2022 and paid subsequent to quarter end on March 31, 2022, and is reported as a current liability as at March 27, 2022.

On April 6, 2022, the Fund declared a distribution to Unitholders of \$0.155 per Trust Unit or \$2,494,000 payable on April 29, 2022 to unitholders of record as at April 15, 2022.

TAX TREATMENT OF DISTRIBUTIONS

All of the distributions declared in 2022 are designated as non-eligible dividends.

DIVIDENDS ON TRADE MARKS' COMMON SHARES

Trade Marks declared and paid non-eligible dividends on its voting and non-voting common shares during 2022 as follows:

(dollars in thousands except per unit amounts)				
Month declared/paid	Per Share	Amount paid/payable to the Fund	Amount paid/payable to Food Services	Total amount paid/payable
January	\$0.0775	\$2,495	\$559	\$3,054
February	0.0775	2,494	560	3,054
	\$0.1550	\$4,989	\$1,119	\$6,108

On April 6, 2022, Trade Marks declared dividends on its voting and non-voting common shares equal to \$0.775 per share, or \$3,054,000, payable to Food Services and the Fund on April 29, 2022.

SUMMARY OF QUARTERLY RESULTS

The following selected quarterly results, other than “Distributable cash generated”, “Distributable cash per equivalent unit”, “Distributions and dividends declared per equivalent unit” and information with respect to numbers of restaurants, equivalent units and days have been prepared in accordance with IFRS and all dollar amounts are reported in Canadian currency. See “Non-IFRS Measures”.

	Q1	Q4	Q3	Q2
(dollars in thousands except per unit amounts)	2022	2021	2021	2021
Number of restaurants in the Royalty Pool	1,015	994	994	994
Royalty income	\$10,578	\$14,956	\$12,284	\$10,519
General and administrative expenses	\$266	412	103	96
Term loan and other interest (net)	\$574	717	580	611
Amortization of financing fees	16	21	8	7
(Gain) loss on interest rate swaps	(2,937)	(1,606)	102	(381)
Current income tax provision	3,755	1,265	2,087	1,893
Refundable income tax expense (recovery)	422	(1,794)	296	54
Deferred income tax expense (recovery)	(1,206)	1,817	212	144
Net income	9,688	14,124	8,896	8,095
Net cash generated from operating activities	7,942	11,713	9,042	8,540
Distributable cash generated ⁽ⁱⁱ⁾	5,983	12,387	9,514	\$7,919
Number of equivalent units	19,813,593	19,258,184	19,132,830	19,132,830
Distributable cash per equivalent unit ^(iv)	\$0.302	\$0.643	\$0.497	\$0.414
Distributions and dividends declared per equivalent unit ^(iv)	\$0.310	\$0.665	\$0.435	\$0.405
Number of days in the quarter	86	110	84	84
	Q1	Q4	Q3	Q2
(dollars in thousands except per unit amounts)	2021	2020	2020	2020
Number of restaurants in the Royalty Pool	994	971	971	971
Royalty income	\$9,322	\$13,350	\$10,216	\$7,596
General and administrative expenses	206	463	124	214
Term loan and other interest (net)	606	681	444	543
Amortization of financing fees	8	11	7	8
(Gain) loss on interest rate swaps	(364)	(342)	(232)	99
Current income tax provision	2,032	2,798	1,447	1,967
Refundable income tax expense (recovery)	354	(1,165)	507	1,145
Deferred income tax expense (recovery)	(259)	(290)	527	(620)
Net income	6,739	11,194	7,392	4,240
Net cash generated from (used in) operating activities	4,818	14,629	\$9,211	\$(716)
Distributable cash generated ⁽ⁱⁱ⁾	6,478	9,408	8,201	4,872
Number of equivalent units	19,132,830	18,551,185	18,556,378	18,556,378
Distributable cash per equivalent unit ^(iv)	\$0.339	\$0.508	\$0.442	\$0.262
Distributions and dividends declared per equivalent unit ⁽ⁱⁱⁱ⁾	\$0.235	\$0.900	\$0.300	-
Number of days in the quarter	87	116	84	84

⁽ⁱⁱ⁾ “Distributable cash generated” is a non-IFRS financial measure. Refer to the table on the following page for a reconciliation of this measure to the most comparable IFRS measure and the “Non-IFRS Measures” section of this MD&A for further

details on how it is used to assess the Fund's performance.

(iii) The distribution for December of each year, which is paid on the last business day of January of the following year, is declared and recorded in the year in which it is earned. Therefore, four monthly distributions are declared in the fourth quarter of each year, and two monthly distributions are declared in the first quarter of each year. No distributions were declared in the third quarter of 2020 due to the impact of COVID-19. The Trustees approved the resumption of monthly distributions on July 7, 2020 commencing with the June distribution of 10¢ per Unit that was paid on July 31, 2020 to unitholders of record as of the close of business on July 15, 2020.

(iv) "Distributable cash per equivalent unit" and "Distributions and dividends declared per equivalent unit" are non-IFRS ratios. Refer to the "Non-IFRS Measures" section of this MD&A for further details on how these ratios are calculated and used to assess the Fund's performance.

The following table provides a reconciliation of "Total distributable cash generated" to "Net cash generated from (used in) operating activities", the most comparable IFRS measure, for the periods indicated.

(dollars in thousands)	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Net cash generated from operating activities	\$7,942	\$11,713	\$9,042	\$8,540
Interest expense	(574)	(717)	(580)	(611)
Current income tax provision	(3,755)	(1,265)	(2,087)	(1,893)
Net changes in items of non-cash working capital	346	(1,045)	490	516
Financing fees paid	-	(175)	-	-
Interest paid	684	1,195	636	26
Income tax paid	1,340	2,681	2,013	1,341
Distributable cash generated	\$5,983	\$12,387	\$9,514	\$7,919
(dollars in thousands)	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Net cash generated from (used in) operating activities	\$4,818	\$14,629	\$9,211	\$(716)
Interest expense	(606)	(681)	(444)	(543)
Current income tax provision	(2,032)	(2,798)	(1,447)	(1,967)
Net changes in items of non-cash working capital	(119)	(7,881)	535	7,684
Financing fees paid	-	-	-	-
Interest paid	661	1,099	346	414
Income tax paid	3,756	5,040	-	-
Distributable cash generated	\$6,478	\$9,408	\$8,201	\$4,872

SEASONALITY

Sales at A&W restaurants typically fluctuate seasonally however since the onset of COVID-19 in March 2020, the impact of seasonality has been less pronounced. In typical years for A&W restaurants in shopping centres, sales tend to fluctuate due to, among other things, higher traffic during the back-to-school, “Black Friday” and Christmas shopping seasons. In the freestanding and other concepts of A&W restaurants, weather and summer travel, among other things, typically impact sales.

LIQUIDITY AND CAPITAL RESOURCES

Modifications to the operations of A&W restaurants in the Royalty Pool in response to COVID-19, as well as temporary restaurant closures, have impacted and may continue to impact system sales at A&W restaurants and therefore, gross sales of A&W restaurants in the Royalty Pool and royalty income of the Fund. There is the potential that COVID-19 and related restrictions imposed on restaurant operations could drive future reductions of system sales which have a direct impact on the amount of royalties payable to and earned by the Fund, and correspondingly, funds available to distribute to unitholders of the Fund.

The Fund’s normal policy is to distribute all available cash, after allowing for reasonable reserves, in order to maximize returns to unitholders over time. In light of seasonal variances inherent to the restaurant industry and fluctuations in business performance, the Fund’s normal policy is to make equal distribution payments to unitholders on a monthly basis (absent unique circumstances, such as those resulting in the declaration of special distributions or a temporary suspension due to COVID-19) in order to smooth out these fluctuations. The Trustees review distribution levels on a regular basis and any change in monthly distributions is expected to be implemented with a view to maintain the continuity of uniform monthly distributions. It is expected that any future distributions will be funded entirely by cash flow from operations and the cash reserve.

Trade Marks has a \$60,000,000 term loan, \$2,000,000 demand operating loan, and an interest rate swap facility (collectively the “Credit Facility”) with HSBC Bank Canada (the “Bank”). On September 10, 2021, Trade Marks renewed and extended the Credit Facility for an additional five years on terms and conditions substantially consistent with those of the previous credit facility in place with the Bank and entered into the Forward Start Swap simultaneously.

The \$2,000,000 demand operating loan facility is used to fund working capital requirements and for general corporate purposes. Amounts advanced under the facility bear interest at the Bank’s prime rate plus 0.4% and are repayable on demand. As at May 3, 2022 and March 27, 2022, the amount of the facility available was \$2,000,000 (December 31, 2021 - \$2,000,000).

The \$60,000,000 term loan with the Bank is in the form of a banker’s acceptance. The term loan is repayable on September 10, 2026. The term loan contains covenants including the requirement to meet certain earnings before interest, taxes, depreciation, amortization and non-cash charges/income (“EBITDA”) levels and debt to EBITDA ratios during each trailing four quarter period. Interest only is payable monthly, providing that Trade Marks’ EBITDA tested quarterly on a trailing four quarter basis is not less than specified amounts. In the event that EBITDA is less than these specified amounts, the term loan will be fully amortized over the greater of three years and the remaining term and repayment will be by way of blended monthly instalments of principal and interest. Trade Marks was in compliance with all of its financial covenants as at May 3, 2022, March 27, 2022 and December 31, 2021.

Financing fees of \$175,000 that were incurred related to the September 10, 2021 Credit Facility amendment were capitalized in 2021 and are presented as a reduction to the carrying amount of the \$60,000,000 term loan. The financing fees will be amortised over the remainder of the five-year term of the amended Credit Facility.

Trade Marks uses interest rate swap agreements to manage risks from fluctuations in interest rates. To manage the interest rate risk associated with the \$60,000,000 term loan, Trade Marks has entered into two interest rate swaps. The Existing Swap has an effective date of December 22, 2015 and a maturity date of December 22, 2022 and the Forward Start Swap, which was entered into simultaneously with the renewal of the Credit Facility on September 10, 2021, has an effective date of December 22, 2022 and a maturity date of September 10, 2026.

Under the Existing Swap, as at March 27, 2022, the term loan's effective interest rate was 3.95% per annum (December 31, 2021 – 3.95%), comprising 2.80% per annum which is fixed under the swap agreement until December 22, 2022 plus a 1.15% per annum stamping fee. Depending on the performance of the business of Trade Marks, the stamping fee can range between 0.90% and 1.40% in accordance with the following:

Debt to EBITDA Ratio	Credit Charge
< 1.00:1	0.90% per annum
≥ 1.00:1 and < 1.50:1	1.15% per annum
≥ 1.50:1	1.40% per annum

The fair value of the Existing Swap as at March 27, 2022 was \$364,000 unfavourable (December 31, 2021 - \$983,000 unfavourable) and the change in fair value is recorded in the consolidated statements of income and comprehensive income.

Under the Forward Start Swap, effective December 22, 2022, the term loan's effective interest rate will be 1.74% per annum which is fixed under the Forward Start Swap agreement until September 10, 2026 plus a stamping fee that ranges from 0.90% and 1.40%, depending on Trade Marks' debt to EBITDA ratio in accordance with the table above. The fair value of the Forward Start Swap as at March 27, 2022 was \$2,878,000 favourable (December 31, 2021 – \$560,000 favourable) and the change in fair value is recorded in the consolidated statements of income and comprehensive income.

A general security agreement over the assets of Trade Marks has been provided as collateral for the demand operating loan facility and term loan. The Partnership has provided its guarantee in favour of the Bank of all of the indebtedness, covenants and obligations of Trade Marks to the Bank. Trade Marks is currently, and based upon projections, expects to remain, in compliance with all covenants related to its term loan.

The following is a summary of contractual obligations payable by the Fund:

Payments due by period (dollars in thousands)	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Term loan	\$60,000	\$0	\$0	\$60,000	\$0

The Fund, Trade Marks and the Partnership have no other contractual or purchase obligations except as described under the section "Related Party Transactions and Balances". The Fund, Trade Marks and the

Partnership do not have any capital expenditures; their operating and administrative expenses are expected to be stable and reasonably predictable and are considered to be in the ordinary course of business.

OFF-BALANCE SHEET ARRANGEMENTS

The Fund, Trade Marks and the Partnership have no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS AND BALANCES

During the first quarter of 2022 royalty income of \$10,578,000 (2021 - \$9,322,000) was earned from Food Services of which \$3,703,000 is receivable at March 27, 2022 (December 31, 2021 - \$3,332,000).

During the first quarter of 2022, Trade Marks declared two dividends payable to Food Services totaling \$1,119,000 (2021 - \$1,164,000) as a result of Food Services' ownership of Trade Marks' common shares. The second dividend amounted to \$560,000 and was declared on March 7, 2022 but paid to Food Services subsequent to the period end on March 31, 2022 and is therefore reported as a current liability as at March 27, 2022 (December 31, 2021 – \$nil).

During the first quarter of 2022, the Fund declared two distributions payable to Food Services totaling \$467,000 (2021 – n/a) as a result of Food Services' ownership of Limited Voting Units. The second distribution amounted to \$234,000 and was declared on March 7, 2022 but paid to Food Services subsequent to the period end on March 31, 2022 and is therefore reported as a current liability as at March 27, 2022 (December 31, 2021 – \$234,000).

During the first quarter of 2022, Trade Marks recognized an expense of \$44,000 (2021 - \$nil) related to administrative services received from Food Services, all of which is reported in accounts payable and accrued liabilities as at March 27, 2022 (December 31, 2021 - \$40,000).

Other related party transactions and balances are referred to elsewhere in this MD&A, including, without limitation, under the headings “Adjustment to the Royalty Pool”, “Common Shares of Trade Marks” and “Ownership of the Fund”.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Significant areas requiring the use of a management estimate are the fair value of the interest rate swaps and of the indefinite life intangible assets. The fair value of the interest rate swaps is not a “critical accounting estimate” as (i) it does not require the Fund to make assumptions about matters that are highly uncertain at the time the estimate is made, and (ii) a different estimate that could have been used, or changes in the accounting estimates that are reasonably likely to occur from period to period, would not have had a material impact on the Fund's financial condition, changes in financial condition or financial performance. The fair value of the Existing Swap as at March 27, 2022 was \$364,000 unfavourable (December 31, 2021 - \$983,000 unfavourable) and the fair value of the Forward Start Swap as at March 27, 2022 was \$2,878,000 favourable (December 31, 2021 – \$560,000 favourable). The change in fair value of both swaps is recorded as a gain on interest rate swaps in the consolidated statements of income and comprehensive income.

FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable to Food Services, distributions payable to unitholders,

income taxes payable/recoverable, the demand operating loan facility, the term loan, and interest rate swaps. The Fund classifies its financial instruments as follows:

- Cash and cash equivalents and accounts receivable as financial assets at amortized cost, which are initially measured at the amount expected to be received, less, when material, a discount to reduce the assets to fair value. Subsequently, financial assets at amortized cost are measured at amortized cost using the effective interest method less a provision for impairment.
- Accounts payable and accrued liabilities, income taxes payable, distributions payable to unitholders, and the term loan as financial liabilities at amortized cost. Accounts payable and accrued liabilities and income taxes payable are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Dividends payable to Food Services and distributions payable to unitholders are recognized at the amount required to be paid. The term loan is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.
- Derivatives as a financial asset at fair value through profit or loss. The Fund's derivatives are interest rate swaps with changes in fair value recorded in the consolidated statements of income.

Management estimates that the fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable to Food Services, distributions payable to unitholders, income taxes payable, and the term loan approximate their carrying values given the short term to maturity of these instruments. The fair value of the Existing Swap as at March 27, 2022 was \$364,000 unfavourable (December 31, 2021 - \$983,000 unfavourable) and the fair value of the Forward Start Swap as at March 27, 2022 was \$2,878,000 favourable (December 31, 2021 - \$560,000 favourable).

The Trustees have oversight responsibilities for risk management policies. The Trustees closely monitor the cash position and internal controls, along with the level of distributions of the Fund. The Fund, through dividends from Trade Marks, is expected to have sufficient financial resources to pay future distributions.

The Fund's exposure to credit risk is as indicated by the carrying amount of its accounts receivable. All of the accounts receivable as at March 27, 2022 relate to royalties due from Food Services to the Partnership which were paid in full by Food Services on April 22, 2022.

The primary sources of liquidity risk are the monthly distributions to unitholders and dividends to Food Services. The Fund's primary source of funds to pay distributions and dividends is the 3% royalty income it receives from Food Services. Additionally, the Fund manages liquidity risk by actively monitoring forecast and actual cash flows.

The demand operating loan facility and the term loan bear floating rates of interest. Trade Marks has used interest rate swaps to fix the rate of interest on the term loan. Cash and cash equivalents earn interest at market rates. All of the Fund's other financial instruments are non-interest bearing.

CAPITAL DISCLOSURE

The Fund's capital consists of unitholders' equity and the term loan. The Fund's capital management objectives are to have sufficient cash and cash equivalents to pay distributions to its unitholders, after satisfaction of its debt service and income tax obligations; provisions for general and administrative expenses; retention of reasonable working capital reserves; and amounts that may be paid by the Fund in

connection with any cash redemptions of Units. The Fund manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Fund may adjust the amount of distributions paid to its unitholders.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Fund's financial reporting and the preparation of its financial statements for external purposes in accordance with the Fund's generally accepted accounting principles. The control framework used to design the Fund's internal control over financial reporting is "Internal Control – Integrated Framework: 2013" which was released in May 2013 by the Committee of Sponsoring Organizations of the Treadway Commission.

There has been no change in the Fund's internal controls over financial reporting during the period covered by this MD&A that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

RISKS AND UNCERTAINTIES

International Conflict

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes, and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in the global supply chain and financial markets. On February 24, 2022, Russia commenced a military invasion of Ukraine. In response, many jurisdictions have imposed strict economic sanctions against Russia and its interests, including Canada, the United States, the European Union, the United Kingdom, and others, which may have a destabilizing effect on commodity prices, supply chain and global economies more broadly. Supply chain disruptions may adversely affect the business, financial condition, and results of operations for Food Services, its franchisees and the Fund. The extent and duration of the current Russian-Ukrainian conflict and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified herein and in the Fund's most recent Annual Information Form.

COVID-19

Since March 2020, the COVID-19 pandemic has had significant impacts on the Canadian economy, the QSR industry, and the willingness of the general public to dine outside their homes and travel. These have negatively impacted Food Services, its franchisees and the Fund (including Trade Marks and the Partnership), and have adversely affected each of their respective investments, results of operations and financial condition. Restrictions on the operations of A&W restaurants in response to COVID-19, as well as vaccine passport mandates, continued to impact system sales at A&W restaurants in the first quarter of 2022. System sales drive the fees payable to Food Services by its franchisees and the amount of royalties payable to the Fund (through the Partnership), and correspondingly, the funds available to be paid as dividends by Trade Marks to Food Services and the Fund and available to distribute to unitholders of the Fund. Food Services may become liable for the lease obligations of certain of its franchisees, if such

franchisees default on their leases as a result of the impacts of COVID-19 or otherwise, and such obligations may be significant and Food Services may be unsuccessful in seeking recovery from such franchisees, all of which may adversely affect Food Services' investments, results of operations and financial condition. Food Services' projections may be inaccurate, and do not represent a financial forecast and actual results may differ materially from those anticipated by the projections. Monthly distributions on Units are not guaranteed and may be reduced, suspended or terminated at any time. Recent sales improvements for restaurants in the Royalty Pool may not continue and may slow or regress. A&W restaurant locations may close temporarily or permanently due to the impacts of COVID-19. Government restrictions related to COVID-19 may have their durations extended, or may be reinstated in the case of those that have recently been lifted, which measures may restrict the ability of A&W restaurants to operate, or result in forced closures, further reduced guest traffic, supply interruptions or staff shortages. Most of the government programs that have been helpful to A&W franchisees are winding down or have ceased.

In addition, it is unknown if and to what extent the COVID-19 pandemic will alter consumer behaviour and demand for QSR services. Health epidemics or pandemics can adversely affect consumer spending and confidence levels and supply availability and costs, as well as the local operations in impacted markets, all of which can adversely affect the financial results, condition and outlook of Food Services and A&W franchisees. Importantly, the global pandemic resulting from COVID-19 has disrupted global health, economic and market conditions, consumer behavior and A&W restaurant operations beginning in early 2020. Local and national governmental mandates or recommendations and public perceptions of the risks associated with the COVID-19 pandemic have caused, and may continue to cause, consumer behavior to change, which could continue to adversely affect Food Services' and A&W franchisees' business. Food Services and A&W franchisees could also be adversely impacted by the worsening or increased volatility of economic conditions.

The COVID-19 pandemic may also heighten other risks disclosed herein, such as, but not limited to, those related to consumer behavior, consumer perceptions of the A&W brand, supply chain interruptions, inflation, interest rates, commodity costs and labor availability and cost. See "Impact of COVID-19".

Information regarding the other risks and uncertainties applicable to the business operations of the Fund is contained elsewhere in this MD&A, including under the heading "Forward-Looking Information", and in the Fund's most recent Annual Information Form under the heading "Risk Factors". Additional risks and uncertainties not currently known to the Trustees or that are currently not considered to be material may also impair the Fund's business operations. If any of the risks actually occur, the Fund's business, results of operations and financial condition, and the amount of cash available for distribution to unitholders, could be adversely affected.

OUTLOOK

Food Services believes that the food service industry, and more particularly the quick service restaurant (QSR) segment of the industry, will recover from the impact of COVID-19. However, the timing and strength of the recovery cannot yet be predicted with any degree of certainty. Against this backdrop, the success of the A&W brand and individual franchised A&W restaurants is paramount to the long-term success of the overall A&W system and, in turn, to the Fund. Both Food Services and its franchisees have worked diligently to develop and implement plans and programs to mitigate the effects of the COVID-19 pandemic. Food Services' objective is to ensure that A&W's 1,031 restaurants (as at March 27, 2022) are able to safely operate (as permitted by health authorities and government regulations mandated from time

to time) and have the ability to emerge from this period of uncertainty in a financial condition that enables them to compete effectively and grow their businesses.

Food Services believes that its mission “To become #1 with millennial burger lovers, chosen and trusted for truly good food and the convenience they crave” will help it to continue to rebound from the impact of COVID-19. Strategic initiatives, including repositioning and differentiating the A&W brand through the use of natural ingredients; continued new restaurant growth, and delivering an industry leading guest experience, have all contributed to A&W’s strong appeal and the trust it has built with Canadian consumers over many years. These strengths will be key to delivering strong results and improved market share as the QSR industry and the QSR burger market resume growth.

A&W is proud to be a Canadian company, 100% Canadian owned and operated, and a leader in sourcing simple, great-tasting ingredients, farmed with care. In 2013, Food Services launched an initiative to focus on using natural ingredients and became the first and only national burger chain in Canada to serve beef raised without artificial hormones or steroids. This was then followed by the introduction of countless other natural ingredient firsts; including chicken raised without the use of antibiotics, Organic Fairtrade coffee, bacon from pork raised without the use of antibiotics, real cheese on all burgers and breakfast sandwiches, and A&W Root Beer served in restaurants made from natural cane sugar and all-natural flavours.

In 2018, A&W further strengthened its positioning as a leader in food and innovation with the introduction of the Beyond Meat⁽¹⁾ branded plant-based burger. Food Services was very excited to be the first national burger chain in Canada to offer burger lovers across Canada this burger patty made using 100% plant-based protein with peas, rice, mung beans, coconut oil, pomegranates, potatoes, apples and beets. A&W continues to enhance its position as a leader in great tasting plant-based options with regular introductions of new recipes and products to its plant-based line-up.

⁽¹⁾ Trademark of Beyond Meat, Inc., used under license.

In 2020, A&W announced that all of its beef is grass-fed and grass-finished, from cattle that graze on grass and other forage, like hay.

In 2021, Food Services announced that it is expanding the beverage offerings at A&W restaurants with the phased rollout of the A&W Brew BarTM. The A&W Brew Bar offers a variety of frozen beverages as well as hot and cold espresso-based beverages. The A&W Brew Bar is now available in over 160 A&W restaurants across the country.

TM trademark of A&W Trade Marks Limited Partnership, used under license.

A&W is committed to reducing its environmental impact through conscious use of packaging, waste, energy and water, and high-efficiency equipment is being introduced into A&W restaurants to use less energy. In October 2021, A&W launched the “A&W Cup Crew”, an exchangeable cup pilot at A&W restaurants in Vancouver and in March 2022, A&W launched a pilot program in Toronto for its “Zero Cup” which is a fully compostable, plastic-free cup that requires no lid or straw.

A&W also continues to innovate to serve the increasing number of guests that are mobile app users.

Food Services has continued to grow new A&W restaurants, particularly in the key Ontario and Quebec markets. Five new A&W restaurants opened during the Fund's first quarter of 2022, and an additional twenty-six restaurants were under construction as at March 27, 2022.

A&W's brand positioning is strong. Growth of new locations, industry leading innovation, a safe and stable supply chain, and continued efforts to consistently deliver great food and a better guest experience are all expected to contribute to building loyalty and enhancing performance over the long term. Food Services remains committed to the long-term health and success of its franchise network and the Fund.

On October 25, 2021 Food Services announced that it had entered into a non-binding term sheet reflecting an agreement in principle (the "Agreement") with UK-based Pret A Manger (Europe) Limited ("Pret"), which sets forth the general terms and conditions of a proposed Country Agreement with Pret that would grant Food Services master franchisor rights to Canada (the "Country Agreement").

Pursuant to the Agreement, Food Services will be granted the exclusive right to use the Pret brand in Canada for a two-year pilot (the "Trial Phase") during which Food Services will introduce the Pret brand within A&W restaurants in select markets in Canada. If the Trial Phase is successful, Food Services will have the exclusive right to expand the Pret brand across Canada (the "Expansion Phase") pursuant to an agreed development plan. The proposed exclusive Canadian rights to be granted to Food Services during both the Trial Phase and Expansion Phase remains subject to the negotiation and completion of the definitive Country Agreement, which is subject to board approval.

The royalty payable to the Fund will apply to Pret products sold within A&W restaurants during the Trial Phase to the extent that such restaurants are in the Royalty Pool. Should the Trial Phase prove successful, the Royalty will also be earned by the Fund on the sales of any Pret products made within A&W restaurants thereafter.

FORWARD LOOKING INFORMATION

Certain statements in this MD&A contain forward-looking information within the meaning of applicable securities laws in Canada (forward-looking information). The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this MD&A includes, but is not limited to: the expectation that the Trustees will continue to review distribution levels on a regular basis and that any change in monthly distributions will be implemented with a view to maintain the continuity of uniform monthly distributions; the impact of COVID-19, including its impact on the global economy in general and on the businesses of Food Services and A&W franchisees in particular; statements with respect to government restrictions on business operations, and in particular restaurants; statements regarding the extent to which COVID-19 will alter consumer behaviour and demand for QSR services; expectations regarding improvements in sales trends at the A&W restaurants in the Royalty Pool; statements regarding future adjustments to the Royalty Pool; statements regarding the duration of various government support programs; Food Services' expectation that the food service industry, and more particularly the QSR segment, will recover; the success of the A&W brand and individual franchised restaurants being paramount to the long-term success of the overall A&W system and, in turn, to the unitholders of the Fund; statements regarding the potential impact

of international conflicts; Food Services' objectives with respect to the A&W restaurants and its planned strategies to achieve those objectives; statements regarding future restrictions on the operations of A&W restaurants as well as temporary restaurant closures and the corresponding reductions to the amounts of royalties payable to and earned by the Fund, as well as funds available to distribute to unitholders of the Fund; the expectation that Trade Marks will remain in compliance with all covenants related to its term debt based on current projections; the Fund's long-term objective to maintain an annual Payout ratio at or below 100%; Food Services' belief that its mission "to become #1 with millennial burger lovers, chosen and trusted for truly good food and the convenience they crave" will help it to continue to rebound from the impact of COVID-19; Food Services' belief that strategic initiatives will be key to delivering strong results and improved market share as the QSR industry and the QSR burger market resume growth; growth of new locations, industry leading innovation, a safe and stable supply chain, and continued efforts to consistently deliver great food and a better guest experience are all expected to contribute to building loyalty and enhancing performance over the long term; Food Services remaining committed to the long-term health and success of its franchise network and the Fund; the expectation that Food Services will open Pret locations and that the Fund will earn royalty income from the sale of Pret products; the expectation that the Trial Phase will be successful and that Food Services will expand the Pret brand across Canada; the Fund's expectations that future distributions will continue to be funded entirely by cash flow from operations and the cash reserve; and statements regarding the stability and predictability of the operating and administrative expenses of the Fund, Trade Marks and the Partnership.

The forward-looking information is based on various assumptions that include, but are not limited to:

- the general risks that affect the restaurant industry will not arise, other than those related to COVID-19;
- there are no changes in availability of experienced management and hourly employees;
- there are no material changes in government regulations concerning menu labelling and disclosure and drive-thru restrictions;
- no publicity from any food borne illness;
- no material changes in competition;
- no material increases in food and labour costs;
- the continued availability of quality raw materials;
- continued additional franchise sales and maintenance of franchise operations;
- Food Services is able to maintain and grow the current system of franchises;
- Food Services is able to locate new retail sites in desirable locations;
- Food Services is able to obtain qualified operators to become A&W franchisees;
- no material impact from new or increased sales taxes upon gross sales;
- continued availability of key personnel;
- continued ability to preserve intellectual property;
- no material litigation from guests at A&W restaurants;
- Food Services continues to pay the royalty;
- Food Services can continue to comply with its obligations under its credit arrangements;
- Trade Marks can continue to comply with its obligations and covenants under its credit arrangements;
- current store closures will be temporary and restaurant performance will continue to improve;
- the Fund will receive sufficient revenue in the future (in the form of royalty payments from Food Services) to maintain the payment of monthly distributions;

- the projections for the A&W business provided by Food Services are accurate;
- the impacts of the COVID-19 pandemic on the A&W system will not significantly worsen; and
- Food Services will be successful in executing on its business strategies and such strategies will achieve their intended results.

The forward-looking information is subject to risks, uncertainties and other factors related to the quick service restaurant industry that include, but are not limited to:

- the general risks that affect the restaurant industry in general and the quick service segment in particular, including competition with other well-capitalized franchisors and operators of quick service restaurants;
- changes in consumer preferences that adversely affect the consumption of quick service restaurant hamburgers, chicken, fries, breakfast items or soft drinks;
- negative publicity, litigation or complaints from perceived or actual food safety events or other events involving the foodservice industry in general or A&W restaurants in particular;
- changes in the availability and quality of raw materials, including A&W's natural ingredients;
- the possible lack of success of new products and advertising campaigns;
- changes in climate or increases in environmental regulation;
- changes in Food Services' ability to continue to grow same store sales, locate new retail sites in desirable locations and obtain qualified operators to become A&W franchisees;
- increases in closures of A&W restaurants adversely affecting the royalty;
- decreases in traffic at shopping centres and other retail modes;
- changes in Food Services' ability to pay the royalty due to changes in A&W franchisees' ability to generate sales and pay franchise fees and other amounts to Food Services;
- changes in government regulation that affect the restaurant industry in general or the quick service restaurant industry in particular, including franchise legislation and sales tax legislation;
- changes in the availability of key personnel, including qualified franchise operators;
- changes in the ability to enforce or maintain intellectual property;
- technological breakdowns, cybersecurity breaches and the security of consumer and personal information;
- the amplificatory effects of media and social media;
- risks related to global health crises, disease outbreaks (including COVID-19), and other unexpected events which could affect Food Services' and A&W franchisees' supply chains, business continuity, and financial results;
- risks related to international conflicts;
- the availability and adequacy of insurance coverage;
- occurrence of catastrophic events; and
- risks related to COVID-19 set forth in this MD&A, including under the headings "Risks and Uncertainties – COVID-19" and "Impact of COVID-19".

The forward-looking information is subject to risks, uncertainties and other factors related to the structure of the Fund that include, but are not limited to:

- dependence of the Fund on Trade Marks, Partnership and Food Services;
- dependence of the Partnership on Food Services;
- risks related to leverage and restrictive covenants;

- the risk that cash distributions are not guaranteed and will fluctuate with the Partnership's performance and could be reduced or suspended at any time;
- risks related to the unpredictability and volatility of Unit prices;
- risks related to the nature of Units;
- risks related to the distribution of securities on redemption or termination of the Fund;
- risks related to the Fund issuing additional Units diluting existing unitholders' interests;
- risks related to income tax matters and investment eligibility;
- risks related to the limitations of internal controls over financial reporting;
- risks related to COVID-19 set forth in this MD&A, including under the headings "Risks and Uncertainties – COVID-19" and "Impact of COVID-19";
- risks related to international conflicts set forth in this MD&A under the heading "Risks and Uncertainties – International Conflicts"; and
- risks related to Food Services not meeting its objectives, and the possibility that its strategies to meet its objectives may not be successful.

These risks, uncertainties and other factors are more particularly described above under the heading "Risks and Uncertainties" and in the Fund's most recent Annual Information Form under the heading "Risk Factors".

All forward-looking information in this MD&A is qualified in its entirety by this cautionary statement and, except as required by law, the Fund undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

A&W Revenue Royalties Income Fund
Interim Condensed Consolidated Financial Statements
(Unaudited)
For the First Quarter ended March 27, 2022
with comparative figures
for the First Quarter ended March 28, 2021

(in thousands of dollars)

The accompanying notes form an integral part of these financial statements.

A&W Revenue Royalties Income Fund
Interim Condensed Consolidated Balance Sheets
Unaudited

(in thousands of dollars)

	Note	March 27 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		\$ 12,458	\$ 10,064
Accounts receivable	10	3,703	3,332
Prepaid interest		307	197
Income taxes recoverable		-	2,350
		16,468	15,943
Non-current assets			
Derivative financial assets	4	2,878	560
Intangible assets	3	382,343	360,871
Total assets		\$ 401,689	\$ 377,374
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 656	\$ 631
Dividends payable to A&W Food Services of Canada Inc.	10	560	-
Distributions payable to Unitholders	8,10	2,494	2,494
Derivative financial liabilities	4	364	983
Income taxes payable		487	-
		4,561	4,108
Non-current liabilities			
Term loan	4	59,819	59,803
Deferred income tax liabilities		14,660	15,866
Other liabilities	3	4,294	-
		83,334	79,777
Unitholders' Equity			
Trust Units	6	398,884	398,884
Accumulated deficit		(178,591)	(181,527)
		220,293	217,357
Non-controlling interest			
		98,062	80,240
Total equity		318,355	297,597
Total liabilities and equity		\$ 401,689	\$ 377,374

Subsequent events

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The accompanying notes form an integral part of these financial statements.

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Statement of Income and Comprehensive Income

Unaudited

(in thousands of dollars except per Unit amounts)

	Note	Period from Jan 1, 2022 to Mar 27, 2022	Period from Jan 1, 2021 to Mar 28, 2021
Royalty income	10	\$ 10,578	\$ 9,322
Expenses			
General and administrative	10	266	206
Interest expense			
Term loan and other interest (net)	5	574	606
Amortization of financing fees		16	8
		856	820
Operating income		9,722	8,502
Gain on interest rate swaps	4	(2,937)	(364)
Net income before income taxes		12,659	8,866
Provision for income taxes			
Current			
Current income tax provision	7	3,755	2,032
Refundable income tax	7	422	354
Deferred	7	(1,206)	(259)
		2,971	2,127
Net income and comprehensive income for the period		\$ 9,688	\$ 6,739
Net income and comprehensive income attributable to:			
Unitholders of A&W Revenue Royalties Income Fund		\$ 7,925	\$ 4,994
A&W Food Services of Canada Inc.'s non-controlling interest in A&W Trade Marks Inc.		1,763	1,745
		\$ 9,688	\$ 6,739
Basic and diluted income per weighted average Trust Unit outstanding		\$ 0.492	\$ 0.355
Weighted average number of Trust Units outstanding		16,092,693	14,064,673

The accompanying notes form an integral part of these financial statements.

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Statement of Unitholders' Equity

Unaudited

(in thousands of dollars)

	Note	Trust Units	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance - December 31, 2020		\$ 332,950	\$ (181,586)	\$ 151,364	\$ 121,724	\$ 273,088
Net income for the period		-	4,994	4,994	1,745	6,739
Distributions on Trust Units		-	(3,304)	(3,304)	-	(3,304)
Dividends on common shares of a subsidiary	10	-	-	-	(1,164)	(1,164)
Issue of common shares of a subsidiary		-	-	-	13,271	13,271
Balance - March 28, 2021		\$ 332,950	\$ (179,896)	\$ 153,054	\$ 135,576	\$ 288,630
Net income for the period		-	25,057	25,057	6,058	31,115
Distributions on Trust Units		-	(23,947)	(23,947)	-	(23,947)
Dividends on common shares of a subsidiary		-	-	-	(5,094)	(5,094)
Issue of common shares of a subsidiary		-	-	-	6,893	6,893
Common shares exchanged for Trust Units	6	65,934	(2,741)	63,193	(63,193)	-
Balance - December 31, 2021		\$ 398,884	\$ (181,527)	\$ 217,357	\$ 80,240	\$ 297,597
Net income for the period		-	7,925	7,925	1,763	9,688
Distributions on Trust Units	8	-	(4,989)	(4,989)	-	(4,989)
Dividends on common shares of a subsidiary	10	-	-	-	(1,119)	(1,119)
Issue of common shares of a subsidiary	3	-	-	-	17,178	17,178
Balance - March 27, 2022		\$ 398,884	\$ (178,591)	\$ 220,293	\$ 98,062	\$ 318,355

The accompanying notes form an integral part of these financial statements.

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Statement of Cash Flows

Unaudited

(in thousands of dollars)

		Period from Jan 1, 2022 to Mar 27, 2022	Period from Jan 1, 2021 to Mar 28, 2021
Operating activities			
Net income for the period	\$	9,688	\$ 6,739
Adjustments for:			
Non-cash gain on interest rate swaps	4	(2,937)	(364)
Amortization of financing fees		16	8
Interest expense	5	574	606
Deferred income taxes	7	(1,206)	(259)
Refundable income tax	7	422	354
Current income tax provision	7	3,755	2,032
Net changes in items of non-cash working capital		(346)	119
Interest paid		(684)	(661)
Income tax paid		(1,340)	(3,756)
Net cash generated from operating activities		7,942	4,818
Financing activities			
Dividends paid to non-controlling interest	10	(559)	(496)
Distributions paid to Unitholders		(4,989)	(2,812)
Net cash used in financing activities		(5,548)	(3,308)
Increase in cash and cash equivalents		2,394	1,510
Cash and cash equivalents - beginning of period		10,064	8,548
Cash and cash equivalents - end of period	\$	12,458	\$ 10,058

The accompanying notes form an integral part of these financial statements.

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

March 27, 2022

(figures in tables are expressed in thousands of dollars)**1. General information**

A&W Revenue Royalties Income Fund (the Fund) is a limited purpose trust established on December 18, 2001 with an unlimited number of Units and Limited Voting Units, (collectively the “Trust Units”), under the laws of the Province of British Columbia pursuant to the Declaration of Trust. The Fund is listed on the Toronto Stock Exchange under the symbol AW.UN. The Fund’s place of business is located at 300 – 171 West Esplanade, North Vancouver, BC. The Fund was established to invest in A&W Trade Marks Inc. (“Trade Marks”), which through its ownership interest in A&W Trade Marks Limited Partnership (“the Partnership”) owns the A&W trade-marks used in the A&W quick service restaurant business in Canada.

2. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including International Accounting Standards (“IAS”) 34, Interim Financial Reporting. The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund’s audited annual consolidated financial statements as at December 31, 2021.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Fund’s annual consolidated financial statements for the year ended December 31, 2021.

These interim condensed consolidated financial statements were authorized for issue by the Board of Trustees of the Fund on May 3, 2022.

3. Intangible assets

	Number of restaurants in Royalty Pool	Amount \$
Balance as at December 31, 2021	994	360,871
Annual adjustment January 5, 2022	21	21,472
Balance as at March 27, 2022	<u>1,015</u>	<u>382,343</u>

The intangible assets are the A&W trade-marks used in the A&W quick service restaurant business in Canada. The Partnership has granted A&W Food Services of Canada Inc. (“Food Services”) a licence (the Amended and Restated Licence and Royalty Agreement) to use the A&W trade-marks in Canada

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

March 27, 2022

(figures in tables are expressed in thousands of dollars)

for a term expiring December 30, 2100, for which Food Services pays a royalty of 3% of sales reported to Food Services by specific A&W restaurants (the “Royalty Pool”).

The gross sales reported by the 1,015 (2021 - 994) A&W restaurants in the Royalty Pool for the period ended March 27, 2022 were \$352,614,000 (2021 - \$310,726,000).

The Fund performed its annual impairment test on the indefinite life intangible asset as at December 31, 2021, using a value-in-use model to determine the recoverable amount of the indefinite life intangible assets. The calculations were based on the Fund’s and Food Services’ internal forecasts and represent management’s best estimates at a specific point in time, and as a result are subject to estimation uncertainty. In arriving at its estimated future cash flows, the Fund and Food Services considered past experience, economic trends and forecasted industry trends. The Fund projected royalties from the gross sales of A&W restaurants in the Royalty Pool, gross profit and cash flows for a period of five years and extrapolated cash flows beyond that using an estimated terminal growth rate of 2%. The Fund assumed a pre-tax discount rate of 10.2% in order to calculate the present value of its projected cash flows. As a result of this test, it was concluded that no impairment was required. There was no impairment as at March 27, 2022.

Annual Adjustment to the Royalty Pool

The Royalty Pool is adjusted annually to reflect sales from new A&W restaurants, net of the sales of any A&W restaurants that have permanently closed. Food Services is paid for the additional royalty stream related to the sales of the net new restaurants, based on a formula set out in the Amended and Restated Licence and Royalty Agreement. The formula provides for a payment to Food Services based on 92.5% of the amount of estimated sales from the net new restaurants and the current yield on the Units, adjusted for income taxes payable by Trade Marks. The consideration is paid to Food Services in the form of additional limited partnership units (“LP units”). The additional LP units are, at the option of Food Services, exchangeable for additional shares of Trade Marks which are in turn exchangeable for Trust Units on the basis of two common shares for one Trust Unit. The consideration paid for the annual adjustment to the Royalty Pool is recorded as an increase in the value of the A&W trade-marks.

The 2022 annual adjustment to the Royalty Pool took place on January 5, 2022. The number of A&W restaurants in the Royalty Pool was increased by 34 new restaurants less 13 restaurants that permanently closed during 2021. The estimated annual sales of the 34 new A&W restaurants were \$50,688,000 at the time they were added to the Royalty Pool and annual sales for the 13 permanently closed restaurants were \$7,536,000 based on their sales during the first year such restaurants were included in the Royalty Pool. The initial consideration for the estimated additional royalty stream was \$21,472,000, calculated by discounting the estimated additional royalties by 7.5% and dividing the

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

March 27, 2022

(figures in tables are expressed in thousands of dollars)

result by the yield on the Units for the 20 trading days ending November 1, 2021. The yield was adjusted to reflect the income tax payable by Trade Marks. The Partnership paid Food Services 80% of the initial consideration or \$17,178,000, by issuance of 444,327 LP units which were subsequently exchanged for 888,654 non-voting common shares of Trade Marks. The remaining consideration payable to Food Services for the January 5, 2022 adjustment to the Royalty Pool of \$4,294,000 is to be paid by issuance of additional LP units, which issuance is held back until the number of LP units is determined in December 2022 based on the actual annual sales reported by the new restaurants. The Fund has recorded the \$4,294,000 as a non-current liability as at March 27, 2022 (December 31, 2021 - \$nil). The actual amount of the consideration paid in December 2022 may differ from this amount depending on the actual annual sales reported by the new A&W restaurants.

4. Term loan, operating loan facility and interest rate swaps

Trade Marks has a \$60,000,000 term loan, \$2,000,000 demand operating loan and an interest rate swap facility (collectively the “Credit Facility”) with HSBC Bank Canada (the “Bank”). On September 10, 2021, Trade Marks renewed and extended the Credit Facility for an additional five years on terms and conditions substantially consistent with those of the previous credit facility in place with the Bank.

The \$2,000,000 demand operating loan facility is used to fund working capital requirements and for general corporate purposes. Amounts advanced under the facility bear interest at the Bank’s prime rate plus 0.4% and are repayable on demand. As at March 27, 2022, the amount of the facility available was \$2,000,000 (December 31, 2021 - \$2,000,000).

The \$60,000,000 term loan with the Bank is in the form of a banker’s acceptance. The term loan is repayable on September 10, 2026. The term loan contains covenants including the requirement to meet certain earnings before interest, taxes, depreciation, amortization and non-cash charges/income (“EBITDA”) levels and debt to EBITDA ratios during each trailing four quarter period. Interest only is payable monthly, providing that Trade Marks’ EBITDA tested quarterly on a trailing four quarter basis is not less than specified amounts. In the event that EBITDA is less than these specified amounts, the term loan will be fully amortized over the greater of three years and the remaining term and repayment will be by way of blended monthly instalments of principal and interest. Trade Marks was in compliance with all of its financial covenants as March 27, 2022 and December 31, 2021.

Financing fees of \$177,000 that were incurred related to the September 10, 2021 Credit Facility amendment were capitalized in 2021 and are presented as a reduction to the carrying amount of the \$60,000,000 term loan. The financing fees will be amortised over the remainder of the five-year term of the amended Credit Facility.

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

March 27, 2022

(figures in tables are expressed in thousands of dollars)

Trade Marks uses interest rate swap agreements to manage risks from fluctuations in interest rates. To manage the interest rate risk associated with the \$60,000,000 term loan Trade Marks has entered into two interest rate swap arrangements, one swap with an effective date of December 22, 2015 and a maturity date of December 22, 2022 (the “Existing Swap”) and one forward start swap with an effective date of December 22, 2022 and a maturity date of September 10, 2026 (the “Forward Start Swap”).

Under the Existing Swap, as at March 27, 2022, the term loan’s effective interest rate was 3.95% per annum (December 31, 2021 – 3.95%), comprising 2.80% per annum which is fixed under the Existing Swap agreement until December 22, 2022 plus a 1.15% per annum stamping fee. The stamping fee ranges from 0.90% and 1.40%, depending on Trade Mark’s debt to EBITDA ratio. The fair value of the Existing Swap as at March 27, 2022 was \$364,000 unfavourable (December 31, 2021 - \$983,000 unfavourable) and the change in fair value is recorded in the consolidated statements of income and comprehensive income.

Under the Forward Start Swap, effective December 22, 2022, the term loan’s effective interest rate will be 1.74% per annum which is fixed under the Forward Start Swap agreement until September 10, 2026 plus a stamping fee that ranges from 0.90% and 1.40%, depending on Trade Mark’s debt to EBITDA ratio. The fair value of the Forward Start Swap as at March 27, 2022 was \$2,878,000 favourable (December 31, 2021 – \$560,000 favourable) and the change in fair value is recorded in the consolidated statements of income and comprehensive income.

The following gains, representing the change in the fair value of the interest rate swaps, are recorded in the consolidated statements of income and comprehensive income:

	Period from Jan 1, 2022 to Mar 27, 2022	Period from Jan 1, 2021 to Mar 28, 2021
	\$	\$
Gain on Existing Swap	619	364
Gain on Forward Start Swap	2,318	-
Total gain on interest rate swaps	<u>2,937</u>	<u>364</u>

A general security agreement over the assets of Trade Marks has been provided as collateral for the demand operating loan facility and term loan. The Partnership has provided its guarantee in favour of the Bank of all the indebtedness, covenants and obligations of Trade Marks to the Bank

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

March 27, 2022

(figures in tables are expressed in thousands of dollars)

The term loan comprises:

	Mar 27, 2022	Dec 31, 2021
	\$	\$
Term loan	60,000	60,000
Financing fees	(181)	(197)
	<u>59,819</u>	<u>59,803</u>

5. Term loan and other interest (net)

	Period from Jan 1, 2022 to Mar 27, 2022	Period from Jan 1, 2021 to Mar 28, 2021
	\$	\$
Interest income on cash	(3)	-
Standby fees	1	-
Interest expense - term loan	576	606
Term loan and other interest (net)	<u>574</u>	<u>606</u>

6. Trust Units

The Trust Units are comprised of two classes, Units and Limited Voting Units. Both Units and Limited Voting Units have equal undivided beneficial interests in any distributions of the Fund and in the net assets of the Fund. Limited Voting Units and Units have equal rights and privileges except that holders of the Limited Voting Units, together with the common shares of Trade Marks that are exchangeable for Limited Voting Units, are not entitled in the aggregate to cast more than 40% of the votes cast upon a resolution with respect to the appointment or removal of Trustees of the Fund and are not entitled to cast votes upon a resolution to amend the Declaration of Trust.

On April 16, 2021, A&W of Canada Inc. ("A&W Canada"), an indirect shareholder of Food Services, completed a reorganization to provide liquidity for some of its shareholders and to simplify the indirect ownership of Food Services (the "Reorganization").

As part of the Reorganization, and pursuant to the Amended and Restated Declaration of Trust and the Amended and Restated Exchange Agreement, Food Services exchanged 1,042,000 common shares of Trade Marks for 521,000 Units, which were then purchased by shareholders of A&W Canada at a price of \$36.42 per Unit. The 521,000 Units sold were subject to a four-month statutory hold period under applicable securities laws. This hold period expired on August 16, 2021. After the exchange and sale of these Units, and as at December 31, 2021 and March 27, 2022, there were 14,585,673 Units outstanding.

A&W Revenue Royalties Income Fund

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(Unaudited)

March 27, 2022

(figures in tables are expressed in thousands of dollars)

In addition, on April 16, 2021, Food Services exchanged 3,014,040 of its common shares of Trade Marks for 1,507,020 Limited Voting Units.

The 4,056,040 common shares of Trade Marks exchanged by Food Services for 2,028,020 Trust Units had a book value of \$63,193,000 and the 2,028,020 Trust Units issued by the Fund had a book value of \$65,934,000. The difference of \$2,741,000 was recognized in accumulated deficit as the exchange reduced Food Services' proportional ownership in Trade Marks which resulted in a \$63,193,000 decrease in non-controlling interest in 2021.

Prior to the Reorganization, Food Services owned 26.0% of the common shares of Trade Marks which were exchangeable into 26.0% of the total outstanding voting securities of the Fund on a fully diluted basis. Following the Reorganization, but excluding the issuance of the excess exchangeable LP units that represented the remaining 20% of the initial consideration for the January 5, 2021 Adjustment to the Royalty Pool that were paid in December 2021, Food Services owned 15.4% of the exchangeable common shares of Trade Marks and 9.4% of the Trust Units. Taken together, Food Services' ownership of exchangeable common shares of Trade Marks and Trust Units equated to Food Services owning 23.3% of the total outstanding voting securities of the Fund on a fully diluted basis, before the inclusion of the issuance of the excess exchangeable LP units.

Overall, the Reorganization was not dilutive to unitholders of the Fund because the calculation of the number of the fully diluted Trust Units did not change. Post Reorganization, Food Services holds both Limited Voting Units and exchangeable common shares of Trade Marks, whereas prior to the Reorganization, Food Services only held exchangeable common shares of Trade Marks.

The Fund did not receive any proceeds from the Reorganization and Food Services paid for the expenses of the Reorganization.

Following the 2022 annual adjustment to the Royalty Pool on January 5, 2022 (note 3), but excluding the issuance of the excess exchangeable LP units that represent the remaining 20% of the initial consideration for the January 5, 2022 Adjustment to the Royalty Pool that are payable in December 2022, Food Services owned 18.3% of the exchangeable common shares of Trade Marks and 9.4% of the Trust Units. Taken together, as at March 27, 2022, Food Services' ownership of exchangeable common shares of Trade Marks and Trust Units equated to Food Services owning 26.0% of the total outstanding voting securities of the Fund on a fully diluted basis, before the inclusion of the issuance of the excess exchangeable LP units.

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

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(figures in tables are expressed in thousands of dollars)

	Number of Units	Number of Limited Voting Units	Total Number of Trust Units
Balance as at December 31, 2021	14,585,673	1,507,020	16,092,693
Balance as at March 27, 2022	14,585,673	1,507,020	16,092,693

	Equity – Units \$	Equity - Limited Voting Units \$	Total Equity - Trust Units \$
Balance as at December 31, 2021	351,925	46,959	398,884
Balance as at March 27, 2022	351,925	46,959	398,884

7. Income taxes

The Fund as a legal entity is not subject to the Specified Investment Flow-Through (“SIFT”) tax, as its only source of income is dividends from Trade Marks which are not subject to SIFT tax. The provision for income taxes shown in the consolidated statements of income is the expected current and deferred tax payable by Trade Marks, and differs from the amount obtained by applying statutory tax rates to Trade Marks’ income before income taxes for the following reasons:

	Period from Jan 1, 2022 to Mar 27, 2022 \$	Period from Jan 1, 2021 to Mar 28, 2021 \$
Statutory combined federal and provincial income tax rates on investment income	20.0%	20.0%
Provision for current income taxes	3,755	2,032
Recovery of deferred income taxes	(1,206)	(259)
Provision for income taxes based on statutory income tax rates	2,549	1,773
Adjustment to prior year refundable income tax	-	298
Refundable income tax	422	56
Provision for income taxes	2,971	2,127

Trade Marks’ taxable income is taxed at an effective rate of 20.0% (2021 – 20.0%), plus an additional tax of 30.67% on investment income that has not been distributed to its shareholders as dividends. This additional tax is refundable in a future year when Trade Marks pays sufficient dividends. Under IFRS, refundable income tax is required to be expensed on the income statement when paid or payable.

A&W Revenue Royalties Income Fund

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Subsequently, these amounts are recognized on the income statement as income taxes recoverable when received or receivable.

8. Distributions

During the period ended March 27, 2022, the Fund declared distributions to its Unitholders of \$4,989,000 or \$0.310 per Trust Unit. The record dates and amounts of these distributions are as follows:

Month	Record date	Amount	Per Trust Unit
		\$	\$
January 2022	February 15, 2022	2,495	0.155
February 2022	March 15, 2022	2,494	0.155
		<u>4,989</u>	<u>0.310</u>

The February 2022 distribution was declared on March 7, 2022 and paid subsequent to the period end on March 31, 2022, and is reported as a current liability of \$2,494,000 as at March 27, 2022 (December 31, 2021 - \$2,494,000).

9. Compensation to key management

Key management personnel are the Trustees of the Fund. During the period ended March 27, 2022, the Trustees earned \$39,000 (2021 - \$32,000).

10. Related party transactions and balances

During the period ended March 27, 2022 royalty income of \$10,578,000 (2021 - \$9,322,000) was earned from Food Services of which \$3,703,000 is receivable at March 27, 2022 (December 31, 2021 - \$3,332,000).

During the period ended March 27, 2022, Trade Marks declared two dividends payable to Food Services totaling \$1,119,000 (2021 - \$1,164,000) as a result of Food Services' ownership of Trade Marks' common shares. The second dividend amounted to \$560,000 and was declared on March 7, 2022 but paid to Food Services subsequent to the period end on March 31, 2022 and is therefore reported as a current liability as at March 27, 2022 (December 31, 2021 - \$nil).

During the period ended March 27, 2022, the Fund declared two distributions payable to Food Services totaling \$467,000 (2021 - n/a) as a result of Food Services' ownership of Limited Voting Units. The second distribution amounted to \$234,000 and was declared on March 7, 2022 but paid to Food

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(figures in tables are expressed in thousands of dollars)

Services subsequent to the period end on March 31, 2022 and is therefore reported as a current liability as at March 27, 2022 (December 31, 2021 – \$234,000).

During the period ended March 27, 2022, Trade Marks recognized an expense of \$44,000 (2021 - \$nil) related to administrative services received from Food Services, all of which is reported in accounts payable and accrued liabilities as at March 27, 2022 (December 31, 2021 - \$40,000).

Other related party transactions and balances are referred to in note 6.

11. Subsequent events

On April 6, 2022, the Fund declared a distribution to Unitholders of \$0.155 per Trust Unit or \$2,494,000 payable on April 29, 2022 to unitholders of record as at April 15, 2022. Of the \$2,494,000 payable, \$234,000 is payable to Food Services.

On April 6, 2022, Trade Marks declared dividends on its common shares equal to \$3,054,000, payable to Food Services and the Fund on April 29, 2022. Of the \$3,054,000 payable, \$560,000 is payable to Food Services.

On April 8, 2022, Trade Marks and Food Services entered into an agreement for Food Services to provide administrative services to Trade Marks (the “Services Agreement”). Under the terms of the Services Agreement, Food Services is entitled to be paid an annual fee, on a quarterly basis, for the services provided in each fiscal year in an amount approved by the board of directors of Trade Marks that is based on a prescribed time and effort computation. The Services Agreement will remain in effect for the duration of the Administration Agreement dated February 15, 2002 between Trade Marks and the Fund, unless terminated by either party by giving 5 years advance written notice to the other party.

Unitholder Information

Corporate Head Office

A&W Trade Marks Inc.

Registered Office and Records Office:

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Mailing Address

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North Vancouver, BC, V7M 3K9

A&W Revenue Royalties Income Fund Board of Trustees

John R. McLernon ⁽¹⁾ ⁽²⁾
Fern Glowinsky ⁽¹⁾ ⁽²⁾
Kevin Mahoney ⁽¹⁾ ⁽²⁾

A&W Trade Marks Inc. Board of Directors

John R. McLernon (Chairman)
Fern Glowinsky
Kevin Mahoney
Paul F.B. Hollands
David A. Mindell

Committees of the Board

- ⁽¹⁾ Audit Committee and
- ⁽²⁾ Governance Committee

Market Information

Units Listed: Toronto Stock Exchange
Symbol: AW.UN

Registrar and Transfer Agent

Computershare Investor Services Inc.

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