

A&W Revenue Royalties Income Fund

Q3

Third Quarter Report to Unitholders
for the period ended
September 10, 2023

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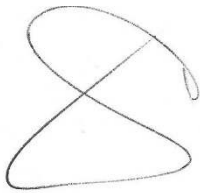
Chairman's Report to Unitholders

On behalf of the trustees (the "Trustees") of the A&W Revenue Royalties Income Fund (the "Fund"), it is my pleasure to report the results for the third quarter ended September 10, 2023.

The Fund's royalty income increased by 3.8% in the third quarter of 2023 and increased by 5.4% year to date, as compared to the comparable periods in 2022. The increase in royalty income was driven by the Royalty Pool Same Store Sales Growth⁽¹⁾ of 3% for the year to date period coupled with the additional gross sales from 22 net new restaurants that were added to the Royalty Pool on January 5, 2023.

We are pleased with the Royalty Pool Same Store Sales Growth⁽¹⁾ of 3% for the year to date period, particularly in comparison to the strong quarterly results in 2022.

On behalf of the Trustees, I sincerely thank A&W's guests, franchisees and employees for their continued loyalty to A&W. To the Fund's Unitholders, I thank you for the trust you continue to place in us to deliver value and growth on your investment in the Fund.

A handwritten signature in black ink, appearing to read 'Kevin Mahoney', with a stylized, cursive-like script.

Kevin Mahoney
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 third quarter ended September 10, 2023, 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 third quarter period from June 19, 2023 to September 10, 2023 and the year to date period from January 1, 2023 to September 10, 2023. This MD&A is dated October 17, 2023. 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 and year to date period ended September 10, 2023 and the audited annual consolidated financial statements of the Fund for the year ended December 31, 2022. 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 and year to date period ended September 10, 2023 and the audited annual consolidated financial statements of Food Services for the 52 week year ended January 1, 2023. Such financial statements and additional information about the Fund and Food Services are available at www.sedarplus.ca 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, 2022.

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 2022 year was 52 weeks and ended January 1, 2023 (2021 – 52 weeks ended January 2, 2022). The Fund aligns its quarterly financial reporting with that of Food Services and therefore the Fund’s third quarter of 2023 ended September 10, 2023 (2022 – September 11, 2022), 36 weeks after Food Services’ fiscal year end. Readers should be aware that the 2023 quarterly results are not directly comparable to the 2022 quarterly results, as there were 85 days of sales in Q1 2023 compared to 86 days of sales in Q1 2022. The second and third quarters of both years had 84 days. Royalty Pool Same Store Sales Growth is based on an equal number of days in the quarter and year.

HIGHLIGHTS

- Royalty income increased by 3.8% in Q3 2023 and 5.4% year to date, as compared to the comparable periods in 2022.
- Royalty Pool Same Store Sales Growth⁽ⁱ⁾ was +1.1% for Q3 2023 and +3.0% year to date.

⁽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”, “Distributions and dividends declared and accrued 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” for further details on how these non-IFRS measures are calculated and used to assess the Fund’s performance.

(dollars in thousands except per unit amounts)	Period from Jun 19, 2023 to Sep 10, 2023	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jan 1, 2023 to Sep 10, 2023	Period from Jan 1, 2022 to Sep 11, 2022
Royalty Pool Same Store Sales Growth ⁽ⁱ⁾	1.1%	4.0%	3.0%	8.9%
Number of restaurants in the Royalty Pool	1,037	1,015	1,037	1,015
Gross sales reported by A&W restaurants in the Royalty Pool ⁽ⁱ⁾	\$456,842	\$439,950	\$1,263,908	\$1,198,779
Royalty income	\$13,705	\$13,198	\$37,917	\$35,963
General and administrative expenses	134	121	509	507
Term loan and other interest (net)	272	489	872	1,583
Current income tax provision	2,223	2,036	7,256	7,821
Distributable cash generated ⁽ⁱⁱ⁾	\$11,076	\$10,552	\$29,280	\$26,052
Number of equivalent units ⁽ⁱⁱⁱ⁾	20,368,874	19,813,593	20,368,874	19,813,593
Distributable cash per equivalent unit ^(iv)	\$0.544	\$0.533	\$1.437	\$1.315
Distributions and dividends declared per equivalent unit ^(iv)	\$0.480	\$0.465	\$1.280	\$1.240
Distributions and dividends declared and accrued per equivalent unit ^(iv)	\$0.442	\$0.428	\$1.331	\$1.294
Payout Ratio ^(iv)	81.3%	80.3%	92.6%	98.4%
Net cash generated from operating activities	\$10,077	\$10,678	\$21,628	\$31,079
Net income ^(v)	\$10,636	\$9,568	\$29,502	\$29,528

⁽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 (“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 2023 is calculated on a fully-diluted basis and includes the 95,092 LP units (as defined below) that are exchangeable for 190,184 common shares of Trade Marks representing the remaining 20% of the initial consideration for the January 5, 2023 adjustment to the Royalty Pool (as defined below), which LP units are held back until the number of LP units is determined in December 2023 based on the actual annual sales reported by the new restaurants. See “Adjustment to the Royalty Pool”. The number of equivalent units in 2022 is calculated on a fully-diluted basis and includes 111,082 LP units, 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 but does not include the adjustment to increase the final consideration by 79,821 LP units, equivalent to 159,642 common shares of Trade Marks, made in December 2022 based on the actual system sales for the A&W Restaurants added to the Royalty Pool as part of the January 5, 2022 adjustment to the Royalty Pool.

(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.

(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 Jun 19, 2023 to Sep 10, 2023	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jan 1, 2023 to Sep 10, 2023	Period from Jan 1, 2022 to Sep 11, 2022
Net cash generated from operating activities	\$10,077	\$10,678	\$21,628	\$31,079
Interest expense	(272)	(489)	(872)	(1,583)
Current income tax provision	(2,223)	(2,036)	(7,256)	(7,821)
Net changes in items of non-cash working capital	136	137	964	1,283
Interest paid	358	762	628	1,431
Income tax paid	3,000	1,500	14,188	1,663
Distributable cash generated	\$11,076	\$10,552	\$29,280	\$26,052

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 and 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 cumulative refundable income tax paid 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" section 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 declared 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.

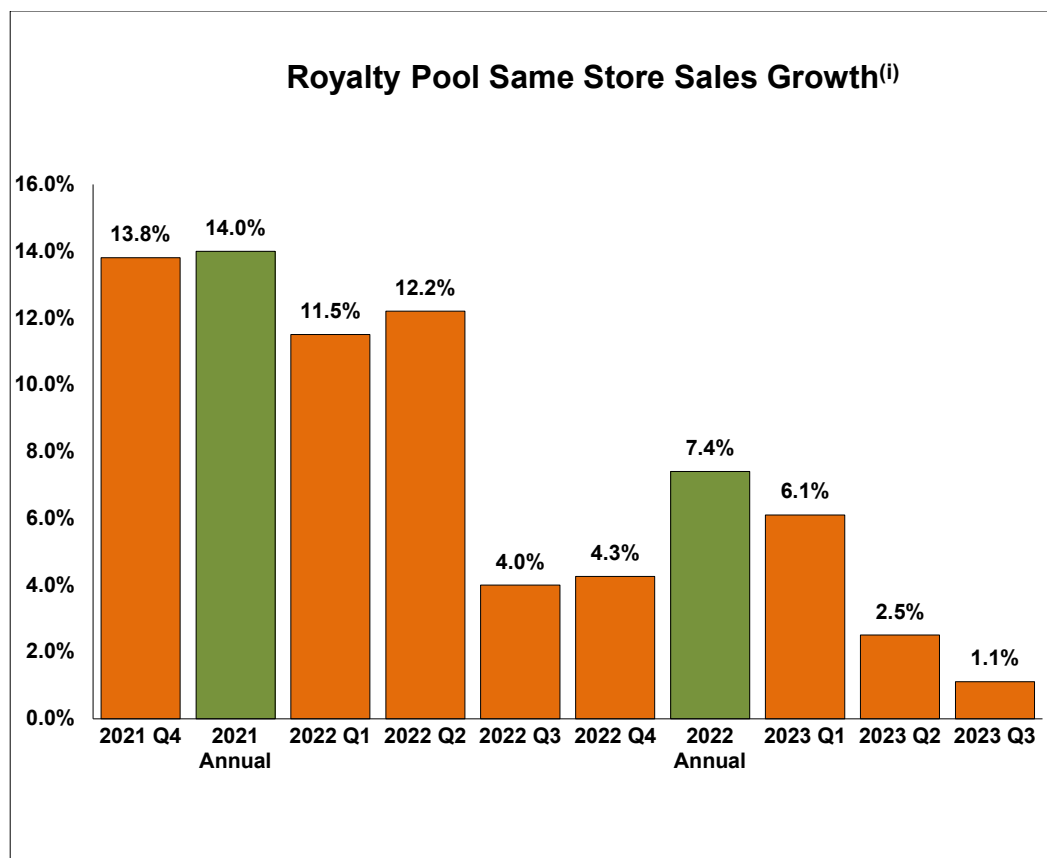
Royalty Pool Same Store Sales Growth. Royalty Pool Same Store Sales Growth reflects the change in gross sales of A&W restaurants in the Royalty Pool that operated during the entire quarter and year to date periods ending September 10, 2023 and September 11, 2022, and is based on an equal number of days 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 third quarter of 2023 was +1.1% as compared to the same quarter of 2022. Royalty Pool Same Store Sales Growth⁽ⁱ⁾ for the year to date period ended September 10, 2023 was +3.0% as compared to the comparable period in 2022. Royalty Pool Same Store Sales Growth is a function of changes in guest counts and check size, both of which are impacted by sales mix and menu price changes.

The Royalty Pool Same Store Sales Growth in both the quarter and year to date period was primarily driven by growth in average check size which was mainly attributable to modest increases in response to industry-wide inflation on goods, services, and labour.

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. The quarterly results in 2021 and 2022 were affected by COVID-19 related impacts and the reader is directed to look to the 2021 and 2022 annual reports which provide more details on the quarterly results for those years. Such financial information is available at www.sedarplus.ca or www.awincomefund.ca.



Gross sales reported by A&W restaurants in the Royalty Pool⁽ⁱ⁾ for the third quarter of 2023 were \$456,842,000, a 3.8% increase against gross sales of \$439,950,000 for the third quarter of 2022. Year to date gross sales reported by A&W restaurants in the Royalty Pool⁽ⁱ⁾ were \$1,263,908,000, a 5.4% increase against gross sales of \$1,198,779,000 for the comparable period in 2022.

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 22 net new restaurants added to the Royalty Pool on January 5, 2023. The increase was partially offset by there being one less day in the year to date period of 2023 as compared to the year to date period of 2022. See “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 September 10, 2023, Food Services owned the equivalent of 28.1% (December 31, 2022 – 26.7%) 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. This excludes the excess exchangeable LP units that represent the remaining 20% of the initial consideration for the January 5, 2023 adjustment to the Royalty Pool that are payable to Food Services in December 2023. 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 added 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.

ADJUSTMENT TO THE ROYALTY POOL

The 2023 annual adjustment to the Royalty Pool took place on January 5, 2023. The number of A&W restaurants in the Royalty Pool was increased by 29 new restaurants less 7 restaurants that permanently closed during 2022. The estimated annual sales of the 29 new A&W restaurants were \$44,339,000 at the time they were added to the Royalty Pool and annual sales for the 7 permanently closed restaurants were \$3,424,000 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 \$16,118,000, 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 October 31, 2022. The yield was adjusted to reflect the income tax payable by Trade Marks. The Partnership paid Food Services 80% of the initial consideration or \$12,895,000, by issuance of 380,368 LP units which were subsequently exchanged for 760,736 non-voting common shares of Trade Marks. The remaining consideration payable to Food Services for the January 5, 2023 adjustment to the Royalty Pool of \$3,224,000 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 2023 based on the actual annual sales reported by the new restaurants. The Fund has recorded the \$3,224,000 as a current liability as at September 10, 2023 (December 31, 2022 - \$nil). The actual amount of the consideration paid in December 2023 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, 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 ⁽¹⁾	-	-	(2.6)	1,270,460	24,558	2.6	1,270,460	24,558
Balance as at December 31, 2022	32,185,311	227,798	80.9	7,601,441	105,749	19.1	39,786,752	333,547
January 5, 2023 adjustment to the Royalty Pool ⁽²⁾	-	-	(1.5)	760,736	12,895	1.5	760,736	12,895
Balance as at September 10, 2023	32,185,311	227,798	79.4	8,362,177	118,644	20.6	40,547,488	346,442

- (1) The number of common shares includes the 190,903 LP units exchanged for 381,806 common shares of Trade Marks representing the remaining consideration paid in December 2022 for the January 5, 2022 adjustment to the Royalty Pool.
- (2) 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, 2023 adjustment to the Royalty Pool, which LP units, if any, are held back until the number of LP units is determined in December 2023 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 September 10, 2023 and December 31, 2022 on a fully-diluted basis, where the ownership of the Fund as at September 10, 2023 includes the issuance of the excess exchangeable LP units that represent the remaining 20% of the initial consideration for the January 5, 2023 adjustment to the Royalty Pool that are payable to Food Services in December 2023.

	September 10, 2023		December 31, 2022	
	Number of units	%	Number of units	%
Units held by public unitholders	14,585,673	71.6	14,585,673	73.3
Limited Voting Units held by Food Services ⁽¹⁾	1,507,020	7.4	1,507,020	7.6
Number of Trust Units issuable upon exchange of securities of Trade Marks held by Food Services ⁽²⁾	4,276,181	21.0	3,800,721	19.1
Total equivalent units	20,368,874	100.0	19,893,414	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 third quarter of 2023 was \$13,705,000 based on gross sales reported by A&W restaurants in the Royalty Pool⁽ⁱ⁾ of \$456,842,000, compared to royalty income of \$13,198,000 and gross sales reported by A&W restaurants in the Royalty Pool⁽ⁱ⁾ of \$439,950,000 for the third quarter of 2022. Year to date royalty income was \$37,917,000 based on gross sales reported by restaurants in the Royalty Pool⁽ⁱ⁾ of \$1,263,908,000, compared to royalty income of \$35,963,000 and gross sales reported by A&W restaurants in the Royalty Pool⁽ⁱ⁾ of \$1,198,779,000 for the comparable period in 2022.

The increase in royalty income is driven by the Royalty Pool Same Store Sales Growth and the gross sales from the 22 net new restaurants added to the Royalty Pool on January 5, 2023. The increase in the year to date period was partially offset by there being one less day in 2023 than in 2022. See “Sales Performance”, “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 Jun 19, 2023 to Sep 10, 2023	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jan 1, 2023 to Sep 10, 2023	Period from Jan 1, 2022 to Sep 11, 2022
General and administrative expenses	\$134	\$121	\$509	\$507
Term loan and other interest (net)	\$272	\$489	\$872	\$1,583

General and administrative expenses are consistent year over year.

The \$711,000 year over year decrease in term loan and other interest (net) was due to a lower effective interest rate on the Current Swap (as defined below) and a \$253,000 increase in interest income due to rising interest rates. An interest rate swap agreement is 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 an interest rate swap agreement 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 an interest rate swap arrangement (the "Current Swap"). See "Liquidity and Capital Resources".

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

(dollars in thousands)	Period from Jun 19, 2023 to Sep 10, 2023	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jan 1, 2023 to Sep 10, 2023	Period from Jan 1, 2022 to Sep 11, 2022
Gain on matured swap	-	\$(133)	-	\$(1,170)
Gain on Current Swap	\$(116)	\$234	\$(704)	\$(3,483)
Total gain on interest rate swaps	\$(116)	\$101	\$(704)	\$(4,653)

INCOME TAXES

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

(dollars in thousands)	Period from Jun 19, 2023 to Sep 10, 2023	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jan 1, 2023 to Sep 10, 2023	Period from Jan 1, 2022 to Sep 11, 2022
Current				
Current income tax provision	\$2,223	\$2,036	\$7,256	\$7,821
Refundable income tax	90	410	271	1,240
Deferred	459	458	188	(109)
Total provision for income taxes	\$2,772	\$2,904	\$7,715	\$8,952

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% (2022 – 20.0%), plus an additional tax of 30.67% (2022 – 30.67%) on investment income which is refundable at a rate of 38.33% (2022 – 38.33%) for each dollar Trade Marks pays out in taxable dividends to its shareholders. Trade Marks' provision for income taxes for 2023 includes a payable of refundable income tax of \$271,000 based on its year to date share of annual estimated annual taxable income and dividends paid in 2023. Under IFRS, refundable income tax is recognized on the income statement when it is paid or payable or 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 Jun 19, 2023 to Sep 10, 2023	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jan 1, 2023 to Sep 10, 2023	Period from Jan 1, 2022 to Sep 11, 2022
Net income and comprehensive income attributable to public unitholders of the Fund	\$7,653	\$7,085	\$21,237	\$21,874
Net income and comprehensive income attributable to Food Services' ownership of Limited Voting Units	792	732	2,195	2,260
Net income and comprehensive income attributable to Food Services' non-controlling interest that arises from Food Services' ownership of common shares of Trade Marks	2,191	1,751	6,070	5,394
Total net income and comprehensive income	\$10,636	\$9,568	\$29,502	\$29,528

DISTRIBUTABLE CASH

(dollars in thousands)	Period from Jun 19, 2023 to Sep 10, 2023	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jan 1, 2023 to Sep 10, 2023	Period from Jan 1, 2022 to Sep 11, 2022
Distributable cash generated ⁽ⁱⁱⁱ⁾	\$11,076	\$10,552	\$29,280	\$26,052
Number of equivalent units	20,368,874	19,813,593	20,368,874	19,813,593
Distributable cash per equivalent unit ^(iv)	\$0.544	\$0.533	\$1.437	\$1.315
Distributions and dividends declared per equivalent unit ^{(i) (iv)}	\$0.480	\$0.465	\$1.280	\$1.240
Distributions and dividends declared and accrued per equivalent unit ^(iv)	\$0.442	\$0.428	\$1.331	\$1.294
Payout Ratio ^(iv)	81.3%	80.3%	92.6%	98.4%

Distributable cash generated⁽ⁱⁱⁱ⁾ in the third quarter of 2023 to pay distributions to unitholders and dividends to Food Services was \$11,076,000 compared to \$10,552,000 in the third quarter of 2022. Distributable cash generated⁽ⁱⁱⁱ⁾ in the year to date period was \$29,280,000 compared to \$26,052,000 in the comparable period in 2022. The \$3,228,000 year to date increase in Distributable cash generated⁽ⁱⁱⁱ⁾ was attributable to the \$1,954,000 increase in royalty income, \$711,000 decrease in term loan and other interest expense and \$565,000 decrease in the current income tax expense. The decrease in the current tax expense in 2023 is largely driven by a timing difference related to when income from the Partnership is captured in Trade Mark's taxable income.

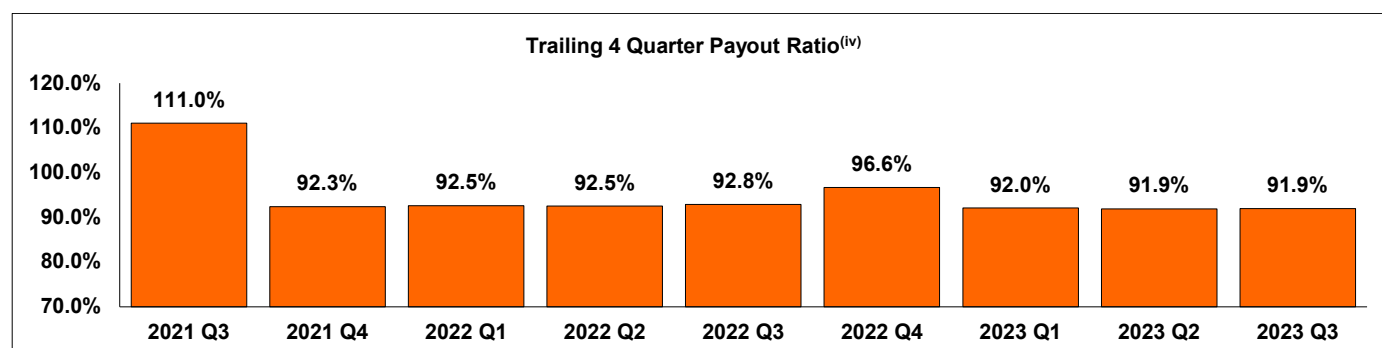
Distributable cash per equivalent unit^(iv) increased by 1.1¢ to 54.4¢ per Unit in the third quarter of 2023 from 53.3¢ per Unit for the third quarter of 2022. Year to date Distributable cash per equivalent unit^(iv)

increased by 12.2¢ to \$1.437 per Unit for 2023 from \$1.315 per Unit for the comparable period in 2022. The increase in Distributable cash per equivalent unit is a result of the increase in Distributable cash generated discussed above, partially offset by the increase in the number of equivalent units that is a result of the 2023 annual adjustment to the Royalty Pool. (See “Adjustment to the Royalty Pool”).

Three monthly distributions totaling 48.0¢ per Unit were declared in the third quarter of 2023 compared to three monthly distributions totaling 46.5¢ per Unit in the third quarter of 2022. Eight monthly distributions totaling \$1.280 per Unit were declared in the 2023 year to date period compared to eight monthly distributions totaling \$1.240 per Unit for the comparable period in 2022. Total distributions declared and accrued per equivalent unit year to date were \$1.331 cents for 2023 compared to \$1.294 for the comparable period in 2022.

The Payout Ratio^(iv) for the third quarter of 2023 was 81.3% compared to 80.3% for the third quarter of 2022. The year to date Payout Ratio^(iv) for 2023 was 92.6% compared to 98.4% for the comparable period in 2022. 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, 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^(iv) of 92.6% for the year to date period in 2023 is higher than the trailing four quarter Payout Ratio^(iv) of 91.9% due to both the seasonality of sales and the timing impact of current income taxes.

The following table shows the trailing four quarter Payout Ratios for 2021, 2022 and 2023.



(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 2023 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, 2023	\$0.160	\$2,334	\$241	\$2,575
February	March 15, 2023	0.160	2,334	\$241	2,575
March	April 15, 2023	0.160	2,334	\$241	2,575
April	May 15, 2023	0.160	2,334	\$241	2,575
May	June 15, 2023	0.160	2,334	\$241	2,575
June	July 15, 2023	0.160	2,334	\$241	2,575
July	August 15, 2023	0.160	2,334	\$242	2,574
August	September 15, 2023	0.160	2,334	\$241	2,575
		\$1.280	\$18,672	\$1,929	\$20,599

The August 2023 distribution of \$2,575,000 was declared on September 8, 2023 and paid subsequent to quarter end on September 29, 2023, and is reported as a current liability as at September 10, 2023.

On October 6, 2023, the Fund declared a distribution to unitholders of \$0.160 per Trust Unit or \$2,575,000 payable on October 31, 2023 to unitholders of record as at October 15, 2023.

TAX TREATMENT OF DISTRIBUTIONS

All of the distributions declared in 2023 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 2023 as follows:

(dollars in thousands except per unit amounts)		Amount paid/payable to the Fund	Amount paid/payable to Food Services	Total amount paid/payable
Month declared/paid	Per Share			
January	\$0.0800	\$2,575	\$669	\$3,244
February	0.0800	2,575	669	3,244
March	0.0800	2,575	669	3,244
April	0.0800	2,575	670	3,245
May	0.0800	2,575	669	3,244
June	0.0800	2,575	669	3,244
July	0.0800	2,574	669	3,243
August	0.0800	2,575	669	3,244
	\$0.6400	\$20,599	\$5,353	\$25,952

The August 2023 dividend of 3,244,000 was declared on September 8, 2023 and paid subsequent to quarter end on September 29, 2023, \$669,000 is reported as a current liability payable to Food Services as at September 10, 2023.

On October 6, 2023, Trade Marks declared dividends on its voting and non-voting common shares equal to \$0.800 per share, or \$3,244,000, payable to Food Services and the Fund on October 31, 2023.

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” for further details on how these non-IFRS measures are calculated and used to assess the Fund’s performance.

	Q3	Q2	Q1	Q4
(dollars in thousands except per unit amounts)	2023	2023	2023	2022
Number of restaurants in the Royalty Pool	1,037	1,037	1,037	1,015
Royalty income	\$13,705	\$12,773	\$11,439	\$16,218
General and administrative expenses	134	126	249	476
Term loan and other interest (net)	272	295	305	530
Amortization of financing fees	7	8	8	21
(Gain) loss on interest rate swaps	(116)	(1,883)	1,295	(251)
Current income tax provision	2,223	2,220	2,813	2,650
Refundable income tax expense (recovery)	90	88	93	492
Deferred income tax expense (recovery)	459	626	(897)	439
Net income	\$10,636	\$11,293	\$7,573	\$11,861
Net cash generated from operating activities	\$10,077	\$9,253	\$2,298	\$13,185
Distributable cash generated ⁽ⁱⁱ⁾	\$11,076	\$10,132	\$8,072	\$12,562
Number of equivalent units	20,368,874	20,368,874	20,368,874	19,893,414
Distributable cash per equivalent unit ^(iv)	\$0.544	\$0.497	\$0.396	\$0.631
Distributions and dividends declared per equivalent unit ^{(iii)(iv)}	\$0.480	\$0.480	\$0.320	\$0.635
Number of days in the quarter	84	84	85	111
	Q3	Q2	Q1	Q4
(dollars in thousands except per unit amounts)	2022	2022	2022	2021
Number of restaurants in the Royalty Pool	1,015	1,015	1,015	994
Royalty income	\$13,198	\$12,187	\$10,578	\$14,956
General and administrative expenses	121	120	266	412
Term loan and other interest (net)	489	520	574	717
Amortization of financing fees	15	15	16	21
Gain on interest rate swaps	101	(1,817)	(2,937)	(1,606)
Current income tax provision	2,036	2,030	3,755	1,265
Refundable income tax expense (recovery)	410	408	422	(1,794)
Deferred income tax expense (recovery)	458	639	(1,206)	1,817
Net income	\$9,568	\$10,272	\$9,688	\$14,124
Net cash generated from operating activities	\$10,678	\$12,459	\$7,942	\$11,713
Distributable cash generated ⁽ⁱⁱ⁾	\$10,552	\$9,517	\$5,983	\$12,387
Number of equivalent units	19,813,593	19,813,593	19,813,593	19,258,184
Distributable cash per equivalent unit ^(iv)	\$0.533	\$0.480	\$0.302	\$0.643
Distributions and dividends declared per equivalent unit ^{(iii)(iv)}	\$0.465	\$0.465	\$0.310	\$0.665
Number of days in the quarter	84	84	86	110

⁽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.
- (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 operating activities”, the most comparable IFRS measure, for the periods indicated.

(dollars in thousands)	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Net cash generated from operating activities	\$10,077	\$9,253	\$2,298	\$13,185
Interest expense	(272)	(295)	(305)	(530)
Current income tax provision	(2,223)	(2,220)	(2,813)	(2,650)
Net changes in items of non-cash working capital	136	498	330	(775)
Interest (received) paid	358	(104)	374	1,332
Income tax paid	3,000	3,000	8,188	2,000
Distributable cash generated	\$11,076	\$10,132	\$8,072	\$12,562

(dollars in thousands)	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Net cash generated from operating activities	\$10,678	\$12,459	\$7,942	\$11,713
Interest expense	(489)	(520)	(574)	(717)
Current income tax provision	(2,036)	(2,030)	(3,755)	(1,265)
Net changes in items of non-cash working capital	137	800	346	(1,045)
Financing fees paid	-	-	-	(175)
Interest (received) paid	762	(15)	684	1,195
Income tax (recovered) paid	1,500	(1,177)	1,340	2,681
Distributable cash generated	\$10,552	\$9,517	\$5,983	\$12,387

SEASONALITY

Sales at A&W restaurants typically fluctuate seasonally however, because of COVID-19, the impact of seasonality on 2020, 2021 and 2022 quarterly results was 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

The Fund's 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 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) 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 Current 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 October 17, 2023 and September 10, 2023, the amount of the facility available was \$2,000,000 (December 31, 2022 - \$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, 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 October 17, 2023, September 10, 2023 and December 31, 2022.

Financing fees of \$176,000 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 an interest rate swap agreement 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 an interest rate swap arrangement (the "Current Swap"). Under the Current Swap, as at September 10, 2023, the term loan's effective interest rate was 2.85% per annum (December 31, 2022 – 2.85%), comprising 1.74% per annum which is fixed under the Current Swap agreement until September 10, 2026 plus a 1.15% per annum stamping fee. The stamping fee ranges from 0.90% to 1.40%, depending on Trade Mark's debt to EBITDA ratio.

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 Current Swap as at September 10, 2023 was \$5,185,000 favourable (December 31, 2022 - \$4,481,000 favourable) and the change in fair value is recorded in the interim 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	\$60,000	\$0	\$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 year to date period ended September 10, 2023 royalty income of \$37,917,000 (2022 - \$35,963,000) was earned from Food Services of which \$4,512,000 is receivable at September 10, 2023 (December 31, 2022 - \$3,792,000). Royalty income earned during the quarter was \$13,705,000 (2022 - \$13,198,000).

During the year to date period ended September 10, 2023, Trade Marks declared eight dividends payable to Food Services totaling \$5,353,000 (2022 - \$4,476,000) as a result of Food Services’ ownership of Trade Marks’ common shares. The eight dividend amounted to \$669,000 and was declared on September 8, 2023 but paid to Food Services subsequent to the period end on September 29, 2023 and is therefore reported as a current liability as at September 10, 2023 (December 31, 2022 – \$nil). During the quarter Trade Marks declared three dividends payable to Food Services totaling \$2,007,000 (2022 - \$1,679,000).

During the year to date period ended September 10, 2023, the Fund declared eight distributions payable to Food Services totaling \$1,929,000 (2022 – \$1,869,000) as a result of Food Services’ ownership of Limited Voting Units. The eighth distribution amounted to \$241,000 and was declared on September 8, 2023 but paid to Food Services subsequent to the period end on September 29, 2023 and is therefore reported as a

current liability as at September 10, 2023 (December 31, 2022 – \$241,000). During the quarter the Fund declared three distributions payable to Food Services totaling \$723,000 (2022 - \$701,000).

During the year to date period ended September 10, 2023, Trade Marks recognized an expense of \$143,000 (2022 - \$131,000) related to administrative services received from Food Services. During the quarter, Trade Marks recognized an expense of \$48,000 (2022 - \$44,000) related to administrative services received from Food Services.

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 Current Swap as at September 10, 2023 was \$5,185,000 favourable (December 31, 2022 - \$4,481,000 favourable). The change in fair value of both swaps is recorded as a gain on interest rate swaps in the interim 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 swap. 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 financial assets/liabilities 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 Current Swap as at September 10, 2023 was \$5,185,000 favourable (December 31, 2022 - \$4,481,000 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 September 10, 2023 relate to royalties due from Food Services to the Partnership which were paid in full by Food Services on October 5, 2023.

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

Economic Conditions

Food Services' profitability 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, are indirectly impacted by consumer discretionary spending which is influenced by general economic conditions. These economic conditions could include economic recession or changes in the rate of inflation or deflation, unemployment rates and household debt, political uncertainty, interest rates, currency exchange rates or derivative or commodity prices, such as fuel and energy costs. A number of these conditions could impact consumer spending and, as a result, payment patterns could deteriorate or remain unpredictable due to global, national, regional or local economic volatility. Uncertain economic conditions may adversely impact demand for A&W's products and services which could adversely affect the Fund's financial performance.

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 available under its SEDAR+ profile at www.sedarplus.ca.

OUTLOOK

2023 has yielded more challenging general economic conditions in Canada than there were in fiscal 2022. Interest rate increases, current rates of inflation, consumer confidence and diminishing disposable income are all impactful on consumer discretionary spending.

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 grow and better position it to withstand the risks associated with current economic conditions. 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 as the quick service restaurant ("QSR") industry and the QSR burger market continues growth post pandemic but in the face of more challenging general economic conditions.

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.

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 580 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 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. In late 2021, A&W introduced the Cup Crew exchangeable cup program in Vancouver and expanded the program to Montreal in 2023 with plans to expand nationwide.

Food waste is very common in the restaurant business and beginning in 2021, A&W partnered with Second Harvest, an organization dedicated to ensuring more people have access to healthy food, to redirect unused food in A&W restaurants and distribution centres across Canada to charities and organizations that can use it in their programming. Today, over 300 A&W restaurants are participating in this program bringing a meaningful impact to food waste reduction and allowing more people to have access to healthy food.

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

Joining the roster of A&W classics, Food Services announced a new lineup of Chicken Cruncher sandwiches on October 2, 2023 including the tasty Nashville Hot Chicken CruncherTM.

Food Services has continued to grow new A&W restaurants, particularly in the key Ontario and Quebec markets. Ten new A&W restaurants opened in 2023, two of which were opened during the third quarter of 2023, and an additional thirteen restaurants were under construction as at September 10, 2023.

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 June 2, 2022 Food Services announced that it had signed a Country Agreement (the "Country Agreement") with UK-based Pret A Manger (Europe) Limited ("Pret"), which sets forth the general terms and conditions granting Food Services master franchisor rights to Canada for Pret.

Pursuant to the Country Agreement, Food Services has been granted the exclusive right to use the Pret brand in Canada for a two-year pilot (the "Trial Phase") during which Food Services is introducing 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 pursuant to an agreed upon development plan. As at September 10, 2023, eight A&W locations (five in Toronto and three in Vancouver) were offering Pret products in their restaurants.

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 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 net cumulative refundable income tax paid will be recovered in future years when sufficient dividends are paid by Trade Marks; estimates regarding annual sales; 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; timing for the payout of distributions; timing for the repayment of the government loans; 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 government support programs; Food Services' expectation that the food service industry, and more particularly the QSR segment, will continue to recover and grow; 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; the expectation that operating and administrative expenses will be stable and reasonably predictable; 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; 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 grow and better position it to withstand the risks associated with current economic conditions and international conflicts; the economic conditions that could impact consumer spending; Food Services' belief that strategic initiatives will be key to delivering strong results as the QSR industry and the QSR burger market continue resumed growth post pandemic; 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 additional 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:

- 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;
- existing franchisees are able to successfully operate and grow their businesses and maintain profitability;
- 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;
- 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; 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 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;
- failure to anticipate and address industry trends;
- the impacts of fluctuations in consumer discretionary spending;

- 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 QSR 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 or disruptions, 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, 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;
- risks related to inflation;
- the availability and adequacy of insurance coverage;
- occurrence of catastrophic events; and
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, political uncertainty, interest rates, currency exchange rates or derivative and commodity prices.

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 international conflicts set forth in this MD&A under the heading "Risks and Uncertainties – International Conflicts";

- risks related to economic conditions set forth in this MD&A under the heading “Risks and Uncertainties – Economic Conditions”; 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 Third Quarter ended September 10, 2023
with comparative figures
For the Third Quarter ended September 11, 2022
(in thousands of Canadian dollars)

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

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

(in thousands of dollars)

	Note	September 10, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		\$ 13,454	\$ 17,109
Accounts receivable	11	4,512	3,792
Prepaid interest		603	847
Income tax recoverable		472	-
		19,041	21,748
Non-current assets			
Derivative financial assets	4	5,185	4,481
Intangible assets	3	401,547	385,429
Total assets		\$ 425,773	\$ 411,658
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 337	\$ 583
Dividends payable to A&W Food Services of Canada Inc.	11	669	-
Distributions payable to Unitholders	9,11	2,575	2,575
Income taxes payable		-	6,190
Other liabilities	3	3,224	-
		6,805	9,348
Non-current liabilities			
Term loan	4	59,895	59,870
Deferred income tax liabilities		16,384	16,196
		83,084	85,414
Unitholders' Equity			
Trust Units	6	398,884	398,884
Accumulated deficit		(175,067)	(177,900)
		223,817	220,984
Non-controlling interest			
		118,872	105,260
Total equity		342,689	326,244
Total liabilities and equity		\$ 425,773	\$ 411,658
Subsequent events			
	12		

The accompanying notes form an integral part of these interim condensed consolidated 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)

		Period from Jun 19, 2023 to Sep 10, 2023	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jan 1, 2023 to Sep 10, 2023	Period from Jan 1, 2022 to Sep 11, 2022
	Note				
Royalty income	11	\$ 13,705	\$ 13,198	\$ 37,917	\$ 35,963
Expenses					
General and administrative	11	134	121	509	507
Interest expense					
Term loan and other interest (net)	5	272	489	872	1,583
Amortization of financing fees		7	15	23	46
		413	625	1,404	2,136
Operating income		13,292	12,573	36,513	33,827
Gain on interest rate swaps	4	(116)	101	(704)	(4,653)
Net income before income taxes		13,408	12,472	37,217	38,480
Provision for (recovery of) income taxes					
Current					
Current income tax provision	7	2,223	2,036	7,256	7,821
Refundable income tax	7	90	410	271	1,240
Deferred	7	459	458	188	(109)
		2,772	2,904	7,715	8,952
Net income and comprehensive income for the period		\$ 10,636	\$ 9,568	\$ 29,502	\$ 29,528
Net income and comprehensive income attributable to:					
Unitholders of A&W Revenue Royalties Income Fund		\$ 8,445	\$ 7,817	\$ 23,432	\$ 24,134
A&W Food Services of Canada Inc.'s non-controlling interest in A&W Trade Marks Inc.		2,191	1,751	6,070	5,394
		\$ 10,636	\$ 9,568	\$ 29,502	\$ 29,528
Basic and diluted income per weighted average Trust Unit outstanding		\$ 0.525	\$ 0.486	\$ 1.456	\$ 1.500
Weighted average number of Trust Units outstanding		16,092,693	16,092,693	16,092,693	16,092,693

The accompanying notes form an integral part of these interim condensed consolidated 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, 2021		\$ 398,884	\$ (181,527)	\$ 217,357	\$ 80,240	\$ 297,597
Net income for the period		-	24,134	24,134	5,394	29,528
Distributions on Trust Units		-	(19,955)	(19,955)	-	(19,955)
Dividends on common shares of a subsidiary	11	-	-	-	(4,476)	(4,476)
Issue of common shares of a subsidiary		-	-	-	17,178	17,178
Balance - September 11, 2022		\$ 398,884	\$ (177,348)	\$ 221,536	\$ 98,336	\$ 319,872
Net income for the period		-	9,667	9,667	2,194	11,861
Distributions on Trust Units		-	(10,219)	(10,219)	-	(10,219)
Dividends on common shares of a subsidiary		-	-	-	(2,650)	(2,650)
Issue of common shares of a subsidiary		-	-	-	7,380	7,380
Balance - December 31, 2022		\$ 398,884	\$ (177,900)	\$ 220,984	\$ 105,260	\$ 326,244
Net income for the period		-	23,432	23,432	6,070	29,502
Distributions on Trust Units	9	-	(20,599)	(20,599)	-	(20,599)
Dividends on common shares of a subsidiary	11	-	-	-	(5,353)	(5,353)
Issue of common shares of a subsidiary	3	-	-	-	12,895	12,895
Balance - September 10, 2023		\$ 398,884	\$ (175,067)	\$ 223,817	\$ 118,872	\$ 342,689

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

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Statement of Cash Flows

Unaudited

(in thousands of dollars)

	Period from Jun 19, 2023 to Sep 10, 2023		Period from Jun 20, 2022 to Sep 11, 2022		Period from Jan 1, 2023 to Sep 10, 2023		Period from Jan 1, 2022 to Sep 11, 2022	
Operating activities								
Net income for the period	\$	10,636	\$	9,568	\$	29,502	\$	29,528
Adjustments for:								
Non-cash gain on interest rate swaps	4	(116)		101	(704)			(4,653)
Amortization of financing fees		7		15	23			46
Interest expense	5	272		489	872			1,583
Deferred income taxes	7	459		458	188			(109)
Refundable income tax	7	90		410	271			1,240
Current income tax provision	7	2,223		2,036	7,256			7,821
Net changes in items of non-cash working capital	8	(136)		(137)	(964)			(1,283)
Interest paid		(358)		(762)	(628)			(1,431)
Income tax paid		(3,000)		(1,500)	(14,188)			(1,663)
Net cash generated from operating activities		10,077		10,678	21,628			31,079
Financing activities								
Dividends paid to non-controlling interest	11	(2,007)		(1,678)	(4,684)			(3,916)
Distributions paid to Unitholders		(7,724)		(7,483)	(20,599)			(19,955)
Net cash used in financing activities		(9,731)		(9,161)	(25,283)			(23,871)
Increase (decrease) in cash and cash equivalents		346		1,517	(3,655)			7,208
Cash and cash equivalents - beginning of period		13,108		15,755	17,109			10,064
Cash and cash equivalents - end of period	\$	13,454	\$	17,272	\$	13,454	\$	17,272

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

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

September 10, 2023

(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 (the “Units”) and limited voting units (the “Limited Voting Units” and collectively with the Units, 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 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, 2022.

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, 2022.

These interim condensed consolidated financial statements were authorized for issue by the Board of Trustees of the Fund on October 17, 2023.

3. Intangible assets

	Number of restaurants in Royalty Pool	Amount \$
Balance as at December 31, 2022	1,015	385,429
Annual adjustment January 5, 2023	22	16,118
Balance as at September 10, 2023	<u>1,037</u>	<u>401,547</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

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

September 10, 2023

(figures in tables are expressed in thousands of dollars)

Canada for a term expiring on 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 1,037 (2022 – 1,015) A&W restaurants in the Royalty Pool for the year to date period ended September 10, 2023 were \$1,263,908,000 (2022 - \$1,198,779,000). The gross sales reported by A&W restaurants in the Royalty Pool during the quarter were \$456,842,000 (2022 - \$439,950,000).

The Fund performed its annual impairment test on the indefinite life intangible asset as at December 31, 2022, 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 12% 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 September 10, 2023.

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 of Trade Marks 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 2023 annual adjustment to the Royalty Pool took place on January 5, 2023. The number of A&W restaurants in the Royalty Pool was increased by 29 new restaurants less 7 restaurants that permanently closed during 2022. The estimated annual sales of the 29 new A&W restaurants were \$44,339,000 at the time they were added to the Royalty Pool and annual sales for the 7 permanently closed restaurants were \$3,424,000 based on their sales during the first year such restaurants were included in the Royalty

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

September 10, 2023

(figures in tables are expressed in thousands of dollars)

Pool. The initial consideration for the estimated additional royalty stream was \$16,118,000, 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 ended October 31, 2022. The yield was adjusted to reflect the income tax payable by Trade Marks. The Partnership paid Food Services 80% of the initial consideration or \$12,895,000, by issuance of 380,368 LP units which were subsequently exchanged for 760,736 non-voting common shares of Trade Marks. The remaining consideration payable to Food Services for the January 5, 2023 adjustment to the Royalty Pool of \$3,224,000 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 2023 based on the actual annual sales reported by the new restaurants. The Fund has recorded the \$3,224,000 as a current liability as at September 10, 2023 (December 31, 2022 - \$nil). The actual amount of the consideration paid in December 2023 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 September 10, 2023, the amount of the facility available was \$2,000,000 (December 31, 2022 - \$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 September 10, 2023 and December 31, 2022.

Financing fees of \$176,000 that were incurred related to the 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 Credit Facility.

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

September 10, 2023

(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 an interest rate swap arrangement (the “Current Swap”). Under the Current Swap, as at September 10, 2023, the term loan’s effective interest rate is 2.85% per annum (December 31, 2022 – 2.85%), comprising 1.74% per annum which is fixed under the Current Swap agreement until September 10, 2026 plus a 1.15% per annum stamping fee. The stamping fee ranges from 0.90% to 1.40%, depending on Trade Marks’ debt to EBITDA ratio. The fair value of the Current Swap as at September 10, 2023 was \$5,185,000 favourable (December 31, 2022 - \$4,481,000 favourable) and the change in fair value is recorded in the interim condensed 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 Jun 19, 2023 to Sep 10, 2023 \$	Period from Jun 20, 2022 to Sep 11, 2022 \$	Period from Jan 1, 2023 to Sep 10, 2023 \$	Period from Jan 1, 2022 to Sep 11, 2022 \$
Gain on matured swap	-	(133)	-	(1,170)
Gain on Current Swap	(116)	234	(704)	(3,483)
Total gain on interest rate	<u>(116)</u>	<u>101</u>	<u>(704)</u>	<u>(4,653)</u>

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

The term loan comprises:

	September 10, 2023 \$	Dec 31, 2022 \$
Term loan	60,000	60,000
Financing fees	(105)	(130)
	<u>59,895</u>	<u>59,870</u>

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

September 10, 2023

(figures in tables are expressed in thousands of dollars)

5. Term loan and other interest (net)

	Period from Jun 19, 2023 to Sep 10, 2023 \$	Period from Jun 20, 2022 to Sep 11, 2022 \$	Period from Jan 1, 2023 to Sep 10, 2023 \$	Period from Jan 1, 2022 to Sep 11, 2022 \$
Interest income on cash	(128)	(61)	(334)	(80)
Standby fees	1	1	3	3
Interest expense - term loan	399	549	1,203	1,660
Term loan and other interest (net)	<u>272</u>	<u>489</u>	<u>872</u>	<u>1,583</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.

Following the 2023 annual adjustment to the Royalty Pool on January 5, 2023 (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, 2023 adjustment to the Royalty Pool that is payable in December 2023, Food Services owned 20.6% of the exchangeable common shares of Trade Marks and 9.4% of the Trust Units. Taken together, as at September 10, 2023, Food Services' ownership of exchangeable common shares of Trade Marks and Trust Units equated to Food Services owning 28.1% 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.

	Number of Units	Number of Limited Voting Units	Total Number of Trust Units
Balance as at December 31, 2022	<u>14,585,673</u>	<u>1,507,020</u>	<u>16,092,693</u>
Balance as at September 10, 2023	<u>14,585,673</u>	<u>1,507,020</u>	<u>16,092,693</u>

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

September 10, 2023

(figures in tables are expressed in thousands of dollars)

	Equity – Units \$	Equity - Limited Voting Units \$	Total Equity - Trust Units \$
Balance as at December 31, 2022	351,925	46,959	398,884
Balance as at September 10, 2023	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 Jun 19, 2023 to Sep 10, 2023 \$	Period from Jun 20, 2022 to Sep 11, 2022 \$	Period from Jan 1, 2023 to Sep 10, 2023 \$	Period from Jan 1, 2022 to Sep 11, 2022 \$
Statutory combined federal and provincial income tax rates on investment income	20.0%	20.0%	20.0%	20.0%
Provision for current income taxes	2,223	2,036	7,256	7,821
Provision for (recovery of) deferred income taxes	459	458	188	(109)
Provision for income taxes based on statutory income tax rates	2,682	2,494	7,444	7,712
Refundable income tax	90	410	271	1,240
Provision for income taxes	2,772	2,904	7,715	8,952

Trade Marks’ taxable income is taxed at an effective rate of 20.0% (2022 – 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. Subsequently, these amounts are recognized on the income statement as income taxes recoverable when received or receivable.

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

September 10, 2023

(figures in tables are expressed in thousands of dollars)

8. Working capital

Net changes in items of non-cash working capital are as follows:

	Period from Jun 19, 2023 to Sep 10, 2023	Period from Jun 20, 2022 to Sep 11, 2022	Period from Jan 1, 2023 to Sep 10, 2023	Period from Jan 1, 2022 to Sep 11, 2022
	\$	\$	\$	\$
Accounts receivable	(156)	(201)	(720)	(1,025)
Accounts payable and accrued liabilities	20	64	(244)	(258)
	<u>(136)</u>	<u>(137)</u>	<u>(964)</u>	<u>(1,283)</u>

9. Distributions

During the year to date period ended September 10, 2023, the Fund declared distributions to its unitholders (“Unitholders”) of \$20,599,000 or \$1.280 per Trust Unit. The record dates and amounts of these distributions are as follows:

Month	Record date	Amount	Per Trust Unit
		\$	\$
January 2023	February 15, 2023	2,575	0.16
February 2023	March 15, 2023	2,575	0.16
March 2023	April 15, 2023	2,575	0.16
April 2023	May 15, 2023	2,575	0.16
May 2023	June 15, 2023	2,575	0.16
June 2023	July 15, 2023	2,575	0.16
July 2023	August 15, 2023	2,574	0.16
August 2023	September 15, 2023	2,575	0.16
		<u>20,599</u>	<u>1.280</u>

The August 2023 distribution was declared on September 8, 2023 and paid subsequent to the period ended September 29, 2023 and is reported as a current liability of \$2,575,000 as at September 10, 2023 (December 31, 2022 - \$2,575,000).

10. Key management compensation

Key management personnel are the Trustees of the Fund. During the year to date period ended September 10, 2023, the Trustees earned \$104,000 (2022 - \$104,000). During the quarter, the Trustees earned \$31,000 (2022 - \$34,000).

A&W Revenue Royalties Income Fund

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

September 10, 2023

(figures in tables are expressed in thousands of dollars)

11. Related party transactions and balances

During the year to date period ended September 10, 2023 royalty income of \$37,917,000 (2022 - \$35,963,000) was earned from Food Services of which \$4,512,000 is receivable at September 10, 2023 (December 31, 2022 - \$3,792,000). Royalty income earned during the quarter was \$13,705,000 (2022 - \$13,198,000).

During the year to date period ended September 10, 2023, Trade Marks declared eight dividends payable to Food Services totaling \$5,353,000 (2022 - \$4,476,000) as a result of Food Services' ownership of Trade Marks' common shares. The eighth dividend amounted to \$669,000 and was declared on September 8, 2023 but paid to Food Services subsequent to the period ended September 29, 2023 and is therefore reported as a current liability as at September 10, 2023 (December 31, 2022 – \$nil). During the quarter Trade Marks declared three dividends payable to Food Services totaling \$2,007,000 (2022 - \$1,679,000).

During the year to date period ended September 10, 2023, the Fund declared eight distributions payable to Food Services totaling \$1,929,000 (2022 – \$1,869,000) as a result of Food Services' ownership of Limited Voting Units. The eighth distribution amounted to \$241,000 and was declared on September 8, 2023 but paid to Food Services subsequent to the period ended September 29, 2023 and is therefore reported as a current liability as at September 10, 2023 (December 31, 2022 – \$241,000). During the quarter the Fund declared three distributions payable to Food Services totaling \$723,000 (2022 - \$701,000).

During the year to date period ended September 10, 2023, Trade Marks recognized an expense of \$143,000 (2022 - \$131,000) related to administrative services received from Food Services. During the quarter, Trade Marks recognized an expense of \$48,000 related to administrative services received from Food Services (2022 - \$44,000).

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

12. Subsequent events

On October 6, 2023, the Fund declared a distribution to Unitholders of \$0.16 per Trust Unit or \$2,575,000 payable on October 31, 2023 to Unitholders of record as at October 15, 2023. Of the \$2,575,000 payable, \$241,000 is payable to Food Services.

On October 6, 2023, Trade Marks declared dividends on its common shares equal to \$3,244,000, payable to Food Services and the Fund on October 31, 2023. Of the \$3,244,000 payable, \$669,000 is payable to Food Services.

Unitholder Information

Corporate Head Office

A&W Trade Marks Inc.

Registered Office and Records Office:

Mailing and Delivery Address: 2200 HSBC Building,
885 West Georgia Street, Vancouver, BC Canada V6C 3E8

Mailing Address

A&W Revenue Royalties Income Fund
300 – 171 West Esplanade
North Vancouver, BC, V7M 3K9

A&W Revenue Royalties Income Fund Board of Trustees

Kevin Mahoney ⁽¹⁾⁽²⁾
Fern Glowinsky ⁽¹⁾⁽²⁾
Andrew Dunn ⁽¹⁾⁽²⁾

A&W Trade Marks Inc. Board of Directors

Kevin Mahoney (Chairman)
Fern Glowinsky
Andrew Dunn
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.

Investor Enquiries

Kelly Blankstein
Chief Financial Officer

Tel: 604-988-2141
Fax: 604-988-5531

E-mail: investorrelations@aw.ca
Website: www.awincomefund.ca

