A&W Revenue Royalties Income Fund

Q2

Second Quarter Report to Unitholders
for the period ended
June 17, 2018

To our Unitholders

On behalf of the Trustees of the A&W Revenue Royalties Income Fund (the Fund), I am pleased to report the results of the quarter ended June 17, 2018.

During the second quarter, same store sales grew by 6.6% compared to the same quarter of 2017 continuing to build on the momentum gained last year. Growth was achieved in every province, except in Saskatchewan which continues to be affected by a weaker economy. This same store sales growth combined with an increase in the number of restaurants in the Royalty Pool generated an increase in royalty income of 11.3% in the second quarter. Distributable cash per unit increased by 3.4 cents per unit to 41.6 cents per unit.

Same store sales increases are the primary driver of growth in distributable cash per unit. The strategic initiatives underlying A&W Food Services' mission to "delight time-crunched Canadian burger lovers with the joy of great tasting natural food, made by people they trust" are key to driving future same store sales growth. Recently A&W further strengthened its positioning as a leader in food and innovation with the introduction of the Beyond Meat Burger. A&W is very excited to be the first national burger chain in Canada to offer burger lovers across Canada this delicious burger patty made using 100% plant-based protein including peas, rice, mung beans, coconut oil, pomegranates, potatoes, apples and beets. The Beyond Meat Burger is great for anyone who wants more plant-based options in their diet.

As a result of the same store sales growth achieved and the strong performance through the first half of the year, we are pleased to be able to increase monthly distributions, from 13.8¢ per unit to 14.1¢ per unit. This brings the annualized rate of distribution to $1.692.

Also of note, is the effort that has been taken to further reduce A&W's environmental footprint. During the quarter Food Services announced that all plastic straws will be eliminated from all restaurants by the end of the year. A&W is the first quick service restaurant chain in North America to make this commitment. The switch to paper straws, which are 100% biodegradable, compostable and are sustainably sourced, will keep 82 million plastic straws out of landfills every year.

In closing, we are encouraged with the impact that A&W's strategy is having and the results that have been delivered so far this year. Looking forward, we have confidence that the focus on consistently delivering great food and a better Guest Experience will continue to grow royalty income for the Fund.

John R. McLernon
Chairman, A&W Revenue Royalties Income Fund
On behalf of the Board of Trustees

A&W Revenue Royalties Income Fund
Management Discussion and Analysis

This Management Discussion and Analysis (MD&A) covers the second quarter period from March 26, 2018 to June 17, 2018, and is dated July 24, 2018. This MD&A should be read in conjunction with the unaudited interim condensed financial statements of A&W Revenue Royalties Income Fund (the Fund) for the quarter ended June 17, 2018 and the audited annual consolidated financial statements of the Fund for the year ended December 31, 2017. Readers are also referred to the unaudited interim condensed consolidated financial statements of A&W Food Services of Canada Inc. (Food Services) for the quarter ended June 17, 2018 and the audited annual consolidated financial statement of Food Services for the 52 week year ended December 31, 2017. Such financial statements and additional information about the Fund and Food Services are available at www.sedar.com or www.awincomefund.ca.

The financial results reported in this MD&A are derived from the unaudited interim condensed 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 (IAS) 34, Interim Financial Reporting. The accounting policies applied in the interim condensed financial statements and this report are consistent with those followed in the preparation of the Fund's annual consolidated financial statements for the year ended December 31, 2017, with the exception of the adoption of IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers.

IFRS 9 – Financial Instruments
The Fund has adopted IFRS 9 effective January 1, 2018, retrospectively without restatement of comparatives. The new standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Fund classifies all its financial assets and liabilities at amortized cost. Under IFRS 9, the Fund assesses on a forward looking basis the expected credit losses associated with financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Fund applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The adoption of this standard had no impact on the consolidated financial statement and no adjustments to opening retained earnings as at January 1, 2018 were necessary.

IFRS 15 – Revenue from Contracts with Customers
The Fund has adopted IFRS 15 effective January 1, 2018, using the full retrospective method without the use of practical expedients. The timing of the recognition of revenue has not changed as a result of adopting the new guidance. The adoption of this standard had no impact on the consolidated financial statement and no adjustments to opening retained earnings as at January 1, 2018 were necessary.

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 2017 year was 52 weeks and ended December 31, 2017 (2016 – 52 weeks ended January 1, 2017). To align its financial reporting with that of Food Services, the Fund's second quarter of 2018 ended June 17, 2018 (2017 – June 18, 2017), 12 weeks after Food Services' fiscal year end. Readers should be aware that 2018 year to date results are not directly comparable to 2017 year to date results, as there were 84 days of sales in Q1, 2018 compared to 85 days in Q1, 2017. The second quarter of both years had 84 days. Same store sales growth is based on an equal number of days in each quarter.

HIGHLIGHTS

- Same store sales[(1)] for the second quarter of 2018 grew by +6.6% as compared to the same quarter of 2017. Year to date same store sales growth is +6.0%.
- Total sales in the Royalty Pool (as hereinafter defined) and royalty income increased by 11.3% in the quarter and 10.3% year to date.
- Net income increased by 10.7% in the quarter and 13.3% year to date.
- Distribution to be increased by 2.2%.

(1) Same store sales and same store sales growth do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. This important information is provided as it is a key driver of growth in the Fund. Same store sales growth is based on an equal number of days in each quarter and year. See "Sales Performance".

The following selected information, other than "Same store sales growth", "Total distributable cash generated for distributions and dividends", "Distributable cash per equivalent unit" and "Net income, excluding non-cash items" have been derived from financial statements prepared in accordance with IFRS and all dollar amounts are reported in Canadian currency.

(dollars in thousands except per unit amounts)	**Period from Mar 26, 2018 to Jun 17, 2018**	Period from Mar 27, 2017 to Jun 18, 2017	**Period from Jan 1, 2018 to Jun 17, 2018**	Period from Jan 1, 2017 to Jun 18, 2017
Same store sales growth[(1)]	**+6.6%**	+0.7%	**+6.0%**	+0.2%
Number of restaurants in the Royalty Pool	**896**	861	**896**	861
Sales reported by the restaurants in the Royalty Pool	**$305,132**	$274,140	**$572,820**	$519,297
Royalty income	**$9,154**	$8,224	**$17,185**	$15,579
General and administrative expenses	**90**	78	**397**	349
Net third party interest expense	**592**	597	**1,186**	1,201
Current income tax provision	**1,503**	1,456	**2,863**	2,649
Total distributable cash generated for distributions and dividends[(2)]	**$6,969**	$6,094	**$12,739**	$11,382
Distributable cash per equivalent unit (2018 – 16,760,352 units; 2017 – 16,015,038 units)[(2)(3)]	**$0.416**	$0.382	**$0.760**	$0.714
Distributions and dividends declared per equivalent unit	**$0.412**	$0.399	**$0.684**	$0.665
Net income[(4)]	**$7,082**	$6,395	**$13,387**	$11,819
Net income, excluding non-cash items[(4)]	**$7,254**	$6,169	**$13,137**	$11,606

(1) Same store sales growth does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. This information is provided as it is a key driver of growth in the Fund. Same store sales growth is based on an equal number of days in each quarter and year. See “Sales Performance”.

(2) Distributable cash and distributable cash per equivalent unit do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. This information is provided as it identifies the amount of actual cash generated to pay distributions to unitholders and dividends to Food Services. See “Distributable Cash”.

(3) The number of equivalent units and distributable cash per equivalent unit in 2018 includes the 149,063 LP units (as hereinafter defined) exchangeable for 298,126 common shares of Trade Marks (as hereinafter defined) representing the remaining 20% of the consideration for the January 5, 2018 adjustment to the Royalty Pool which is held back until December 2018 when the actual annual sales are reported by the new restaurants. The number of equivalent units and distributable cash per equivalent unit in 2017 includes the 150,665 LP units exchanged for 301,330 common shares of Trade Marks representing the final consideration paid in December 2017 for the January 5, 2017 adjustment to the Royalty Pool.

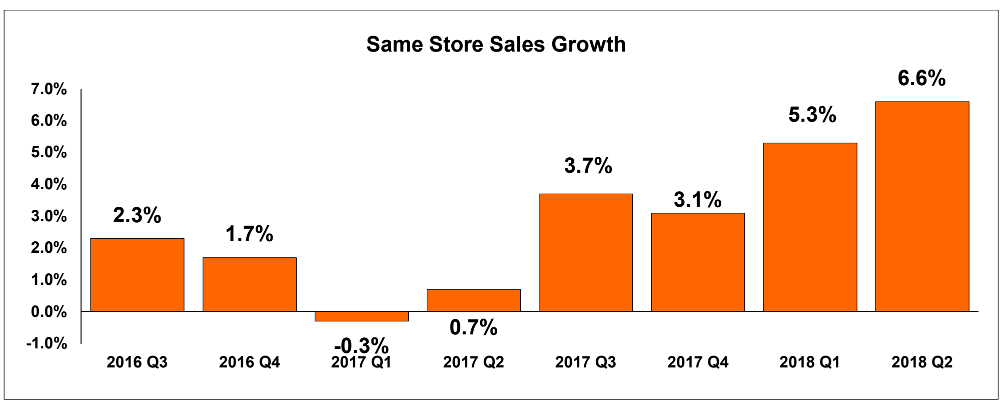
(4) Net income in 2018 and 2017 includes non-cash gains and losses on an interest rate swap, amortization of deferred financing fees and deferred income taxes. These non-cash items have no impact on the Fund’s ability to pay distributions to unitholders. The Fund’s net income excluding these non-cash items is presented for information purposes only. Net income excluding non-cash items does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

SALES PERFORMANCE

Same store sales growth by A&W restaurants for which the royalty is payable (the Royalty Pool) by Food Services to A&W Trade Marks Limited Partnership (the Partnership) is a key performance indicator for the Fund. Same store sales growth is the change in sales of A&W restaurants in the Royalty Pool that operated during the entire 26 4-week periods ending June 17, 2018.

Same store sales for the second quarter of 2018 increased by 6.6% as compared to the same quarter of 2017 continuing to build on the momentum gained last year. Year to date same store sales growth was +6.0% compared to 2017 year to date. Despite unfavourable weather in several parts of the country, the improvement was seen in every province, except in Saskatchewan which continues to be affected by a weaker economy.

The chart below shows the percentage change in same store sales by A&W restaurants for the eight most recently completed quarters.



Total sales reported by A&W restaurants in the Royalty Pool for the second quarter of 2018 were $305,132,000, an increase of 11.3% from sales of $274,140,000 for the second quarter of 2017. Year to date sales were $578,820,000, an increase of 10.3% from the sales of $519,297,000 for 2016 year to date. The increase in sales was due to the increase in the number of A&W restaurants in the Royalty Pool and same store sales growth, partially offset by the decrease in the number of days of sales in the year to date period.

The Fund is pleased to announce that, as a result of the performance by restaurants in the Royalty Pool, the monthly distribution to unitholders will increase from 13.8¢ per unit to 14.1¢ per unit beginning with the July 2018 distribution which is payable on August 31, 2018. The new distribution rate translates into an annualized distribution rate of $1.692 per unit, an increase of 2.2% from the prior level of $1.656 per unit.

OVERVIEW

The Fund is a limited purpose trust established in 2001 under the laws of the Province of British Columbia pursuant to the Declaration of Trust. The units of the Fund 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 A&W Trade Marks Inc. (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 pays a royalty of 3% of the 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 working capital reserves, by way of dividends on its common shares held by the Fund and Food Services. The Fund in turn makes distributions to unitholders.

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.

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

Another important aspect of the Fund is that Food Services owns the equivalent of 24.7% (2017 – 21.2%) of the units of the Fund through its ownership of common shares of Trade Marks. As a result, 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 increasing the same store sales of the A&W restaurants in the Royalty Pool, and second by adding new A&W restaurants to the Royalty Pool each year.

The Royalty Pool is adjusted annually to reflect sales from new A&W restaurants added to the Royalty Pool, 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 A&W restaurants and the current yield on the units of the Fund, adjusted for income taxes payable by Trade Marks. The consideration is paid to Food Services in the form of additional LP units. 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 units of the Fund on the basis of two common shares for one unit of the Fund.

ADJUSTMENT TO THE ROYALTY POOL

The 2018 adjustment to the Royalty Pool took place on January 5, 2018. The number of A&W restaurants in the Royalty Pool was increased by 42 new restaurants less seven restaurants that permanently closed during 2017. The addition of these 35 net new restaurants brings the total number of A&W restaurants in the Royalty Pool to 896. The estimated annual sales of the 42 new A&W restaurants are $55,642,000 and annual sales for the seven permanently closed restaurants were $3,210,000. The initial consideration for the estimated additional royalty stream was $25,989,000, calculated by discounting the estimated additional royalties by 7.5% and dividing the result by the yield on units of the Fund for the 20 trading days ending October 30, 2017. The yield was adjusted to reflect income tax payable by Trade Marks. The Partnership paid Food Services 80% of the initial consideration or $20,791,000 by issuance of 596,251 LP units which were subsequently exchanged for 1,192,502 non-voting common shares of Trade Marks. The remaining 20% of the consideration or $5,198,000 will be paid in December 2018 by issuance of additional LP units, which may be exchanged for non-voting common shares of Trade Marks. The actual amount of the consideration paid in December 2018 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. On March 3, 2017, Food Services exchanged 746,600 common shares of Trade Marks for 373,300 units of the Fund, which were then sold at a price of $39.25 per unit. The Fund did not receive any proceeds of the sale of the units. The common shares of Trade Marks are owned by the Fund and Food Services 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, 2016	24,262,671	114,680	78.2	6,773,229	66,099	21.8	31,035,900	180,779
January 5, 2017 adjustment to the Royalty Pool(1)	-	-	(2.4)	994,102	17,273	2.4	994,102	17,273
March 3, 2017 exchange of common shares for units of the Fund	746,600	7,814	2.3	(746,600)	(7,814)	(2.3)	-	-
Balance as at December 31, 2017	25,009,271	122,494	78.1	7,020,731	75,558	21.9	32,030,002	198,052
January 5, 2018 adjustment to the Royalty Pool(1)	-	-	(2.8)	1,192,502	20,791	2.8	1,192,502	20,791
Balance as at June 17, 2018	25,009,271	122,494	75.3	8,213,233	96,349	24.7	33,222,504	218,843

(1) The number of common shares does not include the 149,063 LP units exchangeable for 298,126 common shares of Trade Marks representing the remaining 20% of the consideration for the January 5, 2018 adjustment to the Royalty Pool which is held back until December 2018 when the actual annual sales are reported by the new restaurants.

OWNERSHIP OF THE FUND

The ownership of the Fund, on a fully-diluted basis, is as follows:

	June 17, 2018		December 31, 2017	
	Number of units	%	Number of units	%
Fund units held by public unitholders	12,504,673	75.3	12,504,673	78.1
Number of Fund units issuable upon exchange of securities of Trade Marks held by Food Services(1)	4,106,616	24.7	3,510,365	21.9
Total equivalent units	16,611,289	100.0	16,015,038	100.0

(1) Common shares of Trade Marks held by Food Services may be exchanged for units of the Fund on the basis of two common shares for a unit of the Fund.

The following chart shows the ownership of the Fund, on a fully-diluted basis, when the remaining 20% of the consideration for the January 5, 2018 adjustment to the Royalty Pool is expected to be paid in December 2018, by issuance of 149,063 LP units exchangeable for 298,126 common shares of Trade Marks. The actual amount of the consideration paid in December 2018 may differ from this amount depending on the actual annual sales reported by the new A&W restaurants.

	Number of units	%
Fund units held by public unitholders	12,504,673	74.6
Number of Fund units issuable upon exchange of securities of Trade Marks held by Food Services	4,255,679	25.4
Total equivalent units	16,760,352	100.0

FINANCIAL RESULTS

INCOME

Royalty income for the second quarter of 2018 was $9,154,000 based on sales of $305,132,000. This was an increase of 11.3% from royalty income of $8,224,000 and sales of $274,140,000 for the second quarter of 2017. Year to date royalty income was $17,185,000 based on sales of $572,820,000, an increase of 10.3% from royalty income of $15,579,000 and sales of $519,297,000 for 2017 year to date. There were 168 days of sales in the first half of 2018 as compared to 169 days in the same period of 2017. The increase in sales and royalty income was due to the additional net 35 new A&W restaurants in the Royalty Pool and the 6.0% increase in same store sales, less the impact of one less day in the year to date period.

EXPENSES

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

(dollars in thousands)	**Period from Mar 26, 2018 to Jun 17, 2018**	Period from Mar 27, 2017 to Jun 18, 2017	**Period from Jan 1, 2018 to Jun 17, 2018**	Period from Jan 1, 2017 to Jun 18, 2017
General and administrative	**$90**	$78	**$397**	$349
Net interest on term loan and other	**$592**	$597	**$1,186**	$1,201

General and administrative expenses for the second quarter of 2018 increased by $12,000 to $90,000 compared to $78,000 for the second quarter of 2017. Year to date general and administrative expenses were $397,000 compared to $349,000 for the same period of 2017. The increase was primarily due to higher TSX filing fees and professional fees.

Interest on the term loan was $592,000 for the second quarter of 2018, $5,000 lower compared to the second quarter of 2017, and decreased by $15,000 to $1,186,000 for 2018 year to date compared to $1,201,000 for 2017 year to date. An interest rate swap agreement is used to manage risks from fluctuations in interest rates and facilitate uniform monthly distributions (see "Liquidity and Capital Resources").

GAIN ON INTEREST RATE SWAP

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

(dollars in thousands)	**Period from Mar 26, 2018 to Jun 17, 2018**	Period from Mar 27, 2017 to Jun 18, 2017	**Period from Jan 1, 2018 to Jun 17, 2018**	Period from Jan 1, 2017 to Jun 18, 2017
Gain on interest rate swap	**($30)**	($260)	**($689)**	($298)

See “Liquidity and Capital Resources”.

INCOME TAXES

The Fund’s provision for (recovery of) income taxes was as follows:

(dollars in thousands)	**Period from Mar 26, 2018 to Jun 17, 2018**	Period from Mar 27, 2017 to Jun 18, 2017	**Period from Jan 1, 2018 to Jun 17, 2018**	Period from Jan 1, 2017 to Jun 18, 2017
Current				
Current income tax provision	**$1,503**	$1,456	**$2,863**	$2,649
Refundable income tax	**(285)**	(76)	**(398)**	(226)
Deferred	**195**	27	**424**	70
Total provision for income taxes	**$1,413**	$1,407	**$2,889**	$2,493

The Fund as a legal entity is not currently taxed on its income as dividends received from Trade Marks are not subject to the tax on Specified Investment Flow-Through (SIFT) trusts which applies to income trusts such as the Fund. 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% (2017 – 19.0%), plus an additional tax of 30.67% (2017 – 30.67%) on investment income which is refundable at a rate of 38.33% (2016 – 38.33%) of each dollar Trade Marks pays out in taxable dividends to its shareholders. Trade Marks’ provision for income taxes for the 2018 year to date period includes a recovery of refundable income tax of $398,000 based on its 2018 year to date share of annual estimated taxable income and dividends in 2018. Under IFRS, refundable income tax is recognized on the income statement when it is paid or payable and subsequently when it is received or receivable. Management expects that the remaining $1,260,000 refundable income tax paid in 2016 will be recovered in future years when sufficient dividends are paid by Trade Marks.

The current income tax provision excluding refundable income tax is $47,000 higher for the second quarter of 2018 compared to the second quarter of 2017 and $214,000 higher for the 2018 year to date period than the prior year due to an increase in earnings before income taxes and from the increase in British Columbia’s general corporate tax rate from 19% in 2017 to 20% in 2018.

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 Mar 26, 2018 to Jun 17, 2018**	Period from Mar 27, 2017 to Jun 18, 2017	**Period from Jan 1, 2018 to Jun 17, 2018**	Period from Jan 1, 2017 to Jun 18, 2017
Net income and comprehensive income attributable to unitholders of the Fund	**$5,156**	$5,015	**$10,080**	$9,198
Net income and comprehensive income attributable to Food Services' non-controlling interest in Trade Marks	**1,926**	1,380	**3,307**	2,621
Total net income and comprehensive income	**$7,082**	$6,395	**$13,387**	$11,819

DISTRIBUTABLE CASH

The distributable cash and payout ratio measures are provided as they identify the amount of actual cash generated to pay distributions to unitholders and dividends to Food Services and provide information regarding the extent to which the Fund distributes cash. The distributable cash and payout ratios do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

Distributable cash is calculated as the operating cash flows of the Fund, adjusted for 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. No deduction is made for capital expenditures as the Fund has no capital expenditures. There are no restrictions on distributions arising from compliance with financial covenants. The payout ratio is calculated by dividing the total of (i) distributions declared per unit plus (ii) accrued distributions per unit to the last day of the quarter or year, as applicable, by the distributable cash per unit generated in that period.

As discussed under "Income Taxes", 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. In 2016 the refundable income tax expense was $2,029,000. There was a sufficient surplus of cash on hand to pay the refundable income tax. Trade Marks' provision for income taxes for 2017 includes a recovery of refundable income tax of $371,000. The year to date 2018 provision includes an additional recovery of $398,000. Management expects that the remaining $1,260,000 refundable income tax paid in 2016 will be recovered in future years when sufficient dividends are paid by Trade Marks.

The following chart reconciles distributable cash to net cash generated from operating activities including net changes in items of working capital, the most directly comparable measure calculated in accordance with IFRS.

(dollars in thousands except per unit amounts)	**Period from Mar 26, 2018 to Jun 17, 2018**	Period from Mar 27, 2017 to Jun 18, 2017	**Period from Jan 1, 2018 to Jun 17, 2018**	Period from Jan 1, 2017 to Jun 18, 2017
Net cash generated from operating activities	**$7,037**	$6,725	**$12,886**	$12,166
Changes in non-cash working capital including interest and tax	(68)	(631)	(147)	(786)
Distributable cash generated[(1)]	**$6,969**	$6,094	**$12,739**	$11,382
Cumulative surplus – beginning of period	**2,951**	1,926	**3,363**	2,417
Distributable cash for unitholders at current annual distribution rate (2018 - $1.632 per unit, 2017 - $1.596 per unit) [(1)]	**(4,800)**	(4,593)	**(9,497)**	(9,139)
Distributable cash for Food Services at equivalent annual distribution rate (2018 - $1.632 per equivalent unit, 2017 - $1.596 per equivalent unit)[(1)]	**(1,634)**	(1,266)	**(3,232)**	(2,648)
Refundable income tax (see "Income Taxes")	**285**	76	**398**	226
Cumulative surplus – end of period	**$3,771**	$2,237	**$3,771**	$2,237
Number of equivalent units[(1)]	**16,760,352**	15,950,970	**16,760,352**	15,950,970
Distributable cash generated per equivalent unit[(1)]	**$0.416**	$0.382	**$0.760**	$0.714
Monthly distributions declared per unit[(2)]	**$0.412**	$0.399	**$0.684**	$0.665
Total distributions declared and accrued per unit	**$0.383**	$0.367	**$0.759**	$0.739
Payout ratio [(3)]	**92.1%**	96.1%	**99.9%**	103.5%

(1) The number of equivalent units and distributable cash per equivalent unit in 2018 includes the 149,063 LP units (as hereinafter defined) exchangeable for 298,126 common shares of Trade Marks (as hereinafter defined) representing the remaining 20% of the consideration for the January 5, 2018 adjustment to the Royalty Pool which is held back until December 2018 when the actual annual sales are reported by the new restaurants. The number of equivalent units and distributable cash per equivalent unit in 2017 includes the 150,665 LP units exchanged for 301,330 common shares of Trade Marks representing the final consideration paid in December 2017 for the January 5, 2017 adjustment to the Royalty Pool.

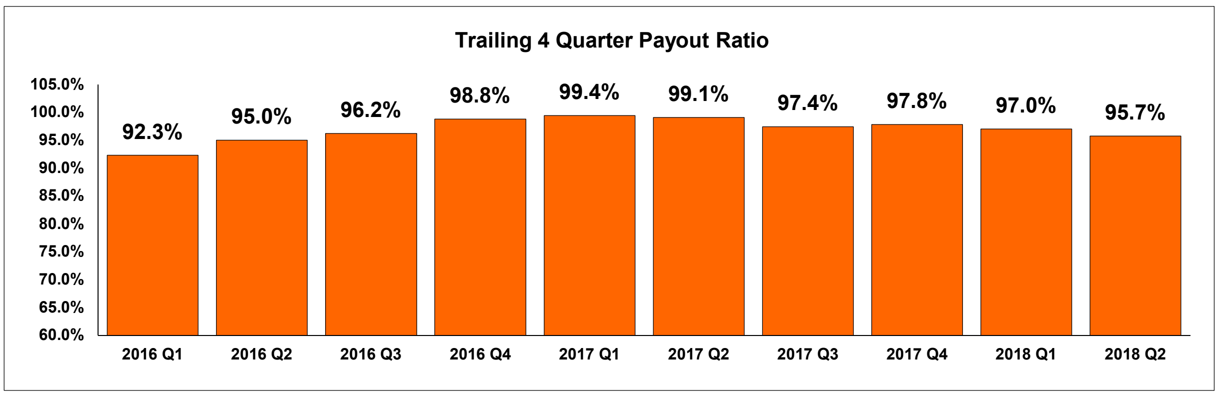
(2) In accordance with the Fund's Declaration of Trust, the Fund declares and records distributions in respect of any particular calendar month at the beginning of the immediate subsequent month, with the exception of the distribution for December of each year, which is declared and recorded in December 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.

(3) The payout ratio is calculated by dividing the total distributions per unit (which includes distributions declared and distributions accrued to the last day of the quarter or year, as applicable) by distributable cash per unit generated in that period. This information is provided as it identifies the extent to which distributable cash is distributed to unitholders and Food Services.

Distributable cash generated in the second quarter of 2018 to pay distributions to unitholders and dividends to Food Services was $6,969,000 compared to $6,094,000 in the second quarter of 2017. Distributable cash generated in 2018 year to date was $12,739,000 compared to $11,382,000 in 2017 year to date. The $1,357,000 increase in distributable cash was primarily comprised of the $1,606,000 increase in royalty income less the $33,000 net increase in general and administrative expenses and interest expense and a $214,000 increase in the current income tax provision (excluding refundable income tax).

Distributable cash generated per equivalent unit increased by 3.4¢ to 41.6¢ per unit in the second quarter of 2018 from 38.2¢ for the second quarter of 2017. Year to date distributable cash per unit increased by 4.6¢ to 76.0¢ per unit in 2017 from 71.4¢ for 2017 year to date. The year to date increase in distributable cash per equivalent unit was due to the increase in royalty income less increases in cash expenses and taxes.

Three monthly distributions totalling 41.2¢ per unit were declared in the second quarter of 2018 compared to 39.9¢ per unit in the same quarter of 2017. 2018 year to date distributions were 68.4¢ per unit compared to 66.5¢ per unit in 2017 year to date. The payout ratio for the second quarter of 2018 was 92.1% compared to 96.1% for the same quarter of 2017 and the year to date payout ratio was 99.9% compared to 103.5% for 2017 year to date. The Fund's 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, the Fund historically experiences seasonal fluctuations in its payout ratio. The trailing four quarter payout ratio as at the end of the second quarter of 2018 was 95.7% (2017 – 99.1%). The following table shows the trailing four quarter payout ratios for 2016, 2017 and 2018.



The cumulative surplus of distributable cash at the end of the second quarter of 2018 was $3,771,000, compared to a cumulative surplus of $3,363,000 at the beginning of the year, an increase of $408,000.

The current monthly distribution rate of 13.8¢ per unit translates into an annualized distribution rate of $1.656 per unit. Due to the performance by restaurants in the Royalty Pool, the monthly distribution to unitholders will increase from 13.8¢ per unit to 14.1¢ per unit beginning with the July 2018 distribution which is payable on August 31, 2018. The new distribution rate translates into an annualized distribution rate of $1.692 per unit, an increase of 2.2% from the prior level of $1.656 per unit.

The Fund's policy is to distribute all available cash in order to maximize returns to unitholders over time, after allowing for reasonable reserves. The Fund's trustees review distribution levels on a regular basis and any change in distributions will be implemented with a view to maintain the continuity of uniform monthly distributions.

DISTRIBUTIONS TO UNITHOLDERS

Distributions declared and paid during 2018 year to date were as follows:

(dollars in thousands except per unit amounts) Month	Record date	Amount	Per unit
January	February 15, 2018	$1,701	$0.136
February	March 15, 2018	1,701	0.136
March	April 15, 2018	1,701	0.136
April	May 15, 2018	1,726	0.138
May	June 15, 2018	1,726	0.138
		$8,555	$0.684

The May 2018 distribution was declared on June 5, 2018 and paid on June 29, 2018 and is reported as a current liability as at June 17, 2018. On July 3, 2018 the Fund declared the June 2018 monthly distribution to unitholders of 13.8¢ per unit or $1,726,000, payable on July 31, 2018.

TAX TREATMENT OF DISTRIBUTIONS

All of the distributions declared in 2018 year to date are designated as non-eligible dividends.

DIVIDENDS ON TRADE MARKS' COMMON SHARES

During 2018 year to date, Trade Marks declared and paid dividends on its voting and non-voting common shares as follows:

(dollars in thousands except per share amounts) Month declared/paid	Per share	Aggregate amount paid to the Fund	Aggregate amount paid to Food Services
January	$0.0680	$1,701	$559
February	0.0680	1,701	559
March	0.0680	1,701	558
April	0.0690	1,726	566
May	0.0690	1,726	567
	$0.3420	$8,555	$2,809

The May dividend was declared on June 5, 2018 and paid on June 30, 2018 and Food Services' share of $567,000 is reported as a current liability as at June 17, 2018. On July 3, 2018 Trade Marks declared an aggregate dividend on its voting and non-voting common shares of $2,292,000 payable to Food Services and the Fund on July 31, 2018.

SUMMARY OF QUARTERLY RESULTS

The following selected quarterly results, other than "Distributable cash" and "Distributable cash per equivalent unit", have been prepared in accordance with IFRS and all dollar amounts are reported in Canadian currency.

(dollars in thousands except per unit amounts)	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Number of restaurants in the Royalty Pool	896	896	861	861
Royalty income	$9,154	$8,031	$11,181	$8,905
General and administrative expenses	90	307	228	75
Term loan and other interest expense	592	594	789	593
Amortization of deferred financing fees	7	8	11	8
Non cash gain on interest rate swap	(30)	(659)	(464)	(1,945)
Current income tax expense	1,503	1,360	1,879	1,457
Refundable income tax recovery	(285)	(113)	(145)	(-)
Deferred income tax expense	195	229	723	476
Net income	$7,082	$6,305	$8,160	$8,241
Distributable cash[(1)]	$6,969	$5,770	$8,119	$6,779
Number of equivalent units[(2)]	16,760,352	16,760,352	16,015,038	15,950,970
Distributable cash per equivalent unit[(1)(2)]	$0.416	$0.344	$0.507	$0.425
Monthly distributions declared per unit[(3)]	$0.412	$0.272	$0.541	$0.399
Number of days in the quarter	84	84	112	84
(dollars in thousands except per unit amounts)	**Q2 2017**	**Q1 2017**	**Q4 2016**	**Q3 2016**
Number of restaurants in the Royalty Pool	861	861	838	838
Royalty income	$8,224	$7,355	$10,545	$8,354
General and administrative expenses	78	271	214	56
Term loan and other interest expense	597	604	781	593
Amortization of deferred financing fees	7	8	10	7
Non cash gain on interest rate swap	(260)	(38)	(1,986)	(26)
Current income tax expense	1,456	1,193	1,982	1,596
Refundable income tax (recovery) expense	(76)	(150)	363	400
Deferred income tax (recovery) expense	27	43	208	(128)
Net income	$6,395	$5,424	$8,973	$5,856
Distributable cash[(1)]	$6,094	$5,287	$7,568	$6,109
Number of equivalent units[(2)]	15,950,970	15,950,970	15,517,988	15,517,988
Distributable cash per equivalent unit[(1)(2)]	$0.382	$0.331	$0.488	$0.393
Monthly distributions declared per unit[(3)]	$0.399	$0.266	$0.532	$0.396
Number of days in the quarter	84	85	111	84

(1) Distributable cash and distributable cash per equivalent unit do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. This information is provided as it identifies the amount of actual cash available to pay distributions to unitholders and dividends to Food Services. See "Distributable Cash".

(2) The number of equivalent units and distributable cash per equivalent unit in 2018 includes the 149,063 LP units (as hereinafter defined) exchangeable for 298,126 common shares of Trade Marks (as hereinafter defined) representing the remaining 20% of the consideration for the January 5, 2018 adjustment to the Royalty Pool which is held back until December 2018 when the actual annual sales are reported by the new restaurants. The number of equivalent units and distributable cash per equivalent unit in 2017 includes the 150,665 LP units exchanged for 301,330 common shares of Trade Marks representing the final consideration paid in December 2017 for the January 5, 2017 adjustment to the Royalty Pool.

(3) The distribution for December of each year, which is paid on January 31 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.

SEASONALITY

Sales at A&W restaurants fluctuate seasonally. In freestanding A&W restaurants, weather impacts sales. In A&W restaurants in shopping centres, sales fluctuate due to higher traffic during the back-to-school and Christmas shopping seasons.

LIQUIDITY AND CAPITAL RESOURCES

The Fund's policy is to distribute all available cash in order to maximize returns to unitholders over time, after allowing for reasonable reserves. 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 in order to smooth out these fluctuations. The Fund's trustees review distribution levels on a regular basis and any change in distributions will be implemented with a view to maintain the continuity of uniform monthly distributions. It is expected that future distributions will continue to be funded entirely by cash flow from operations and the cash reserve.

Trade Marks has a $2,000,000 demand operating loan facility with a Canadian chartered bank (the Bank) to fund working capital requirements and for general corporate purposes. Amounts advanced under the facility bear interest at bank prime rate plus 0.4% and are repayable on demand. As at July 24, 2018 and June 17, 2018, the amount of the facility available was $2,000,000 (December 31, 2017 - $2,000,000).

On December 22, 2017 Trade Marks entered into an agreement to refinance its $60,000,000 term loan with the Bank. The new term loan is repayable on December 22, 2022, and contains the same covenants as the original term loan 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 quarters 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 is generally prohibited from paying dividends on its common shares if those dividends would result in a breach of the term loan. Trade Marks was in compliance with all of its financial covenants as at July 24, 2018, June 17, 2018 and December 31, 2017.

Trade Marks uses an interest rate swap agreement to manage risks from fluctuations in interest rates and facilitate uniform monthly distributions. This instrument is used only for risk management purposes. Under the interest rate swap, the term loan bears interest at 4.2% per annum, comprised of 2.8% per annum which is fixed under the swap agreement until December 22, 2022, plus a 1.4% per annum credit charge which, depending on the future performance of the business will be reduced to 1.15% or as low as 0.9%. The fair value of this interest rate swap as at June 17, 2018 was $776,000 unfavourable (December 31, 2017 - $1,465,000 unfavourable) and the change in fair value is recorded in the consolidated statements of income as a gain on the interest rate swap.

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.

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

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

The Fund, Trade Marks and the Partnership have no other contractual or purchase obligations except as described under the section "Related Party Transactions and Balances". The Fund, Trade Marks and the Partnership do not have any capital expenditures; their operating and administrative expenses are expected to be stable and reasonably predictable and are considered to be in the ordinary course of business.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS AND BALANCES

During the year to date period, royalty income of $17,185,000 (2017 - $15,579,000) was earned from Food Services of which $3,162,000 (December 31, 2017 - $2,742,000) is receivable at June 17, 2018. Royalty income earned during the quarter was $9,154,000 (2017 – $8,224,000).

During the year to date period, Trade Marks declared and paid dividends to Food Services of $2,809,000 (2017 - $2,284,000). Dividends declared payable to Food Services during the quarter were $1,691,000 (2017 - $1,341,000). The $567,000 dividend declared on June 5, 2018 and paid on June 30, 2018 is reported as a current liability as at June 17, 2018 (December 31, 2017 - $nil).

Other related party transactions and balances are referred to elsewhere in this MD&A.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

A significant area requiring the use of a management estimate is the fair value of the interest rate swap. However, this estimate 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 interest rate swap as at June 17, 2018 was $776,000 unfavourable (December 31, 2017 - $1,465,000 unfavourable) and the change in fair value is recorded in the consolidated statements of income as a gain on interest rate swaps.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer 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 (COSO).

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

Information with regards to the risks and uncertainties applicable to the business operations of the Fund is contained in the Fund's most recent Annual Information Form under the heading "Risk Factors". Additional risks and uncertainties not currently known to the Trustees of the Fund or that are currently not considered to be material also may impair the Fund's business operations. If any of the risks actually occur, the Fund's business, results of operations and financial condition, and the amount of cash available for distribution to Unitholders, could be adversely affected.

OUTLOOK

Food Services is committed to its mission "to delight time-crunched Canadian burger lovers with the joy of great tasting natural food, made by people they trust." Strategic initiatives, including repositioning and differentiating the A&W brand through the use of "better ingredients"; accelerating new restaurant growth, and delivering an industry leading guest experience, are key to delivering strong results and improved market share in the quick service restaurants (QSR) burger market.

A&W has been a leader in the QSR industry, sourcing simple, all-natural ingredients that guests can feel good about since 2013 when Food Services became the first national QSR in Canada to use only beef raised without the use of hormones and steroids, free of additives, fillers or preservatives. A&W's beef is primarily grass-fed and any feed provided is strictly vegetarian. And the whole Burger Family — from Baby to Uncle® to Grandpa® — contains 100% pure beef. The following year, Food Services began to serve only chicken raised without the use of antibiotics and fed a grain-based diet without animal by-products. All of the chicken menu items on Food Services' menu are made with seasoned 100% chicken breast, without fillers. Also in 2014, Food Services enhanced its breakfast menu by moving to eggs from hens fed a fully vegetarian diet without animal by-products. In January 2015 organic and Fair Trade coffee was introduced, another first for a national QSR in Canada. In 2016, Food Services became the first national QSR in Canada to use bacon from pork that is raised without the use of antibiotics, and announced that A&W restaurants switched to French's ketchup and mustard, made with 100% Canadian tomatoes and 100% Canadian mustard seeds. In 2017, A&W launched the new Root Beer Guarantee. A&W Root Beer served in the restaurants is now made from natural cane sugar and all-natural flavours - another first for the QSR industry. On July 14th 2018, A&W celebrated its second annual Free Root Beer Day when guests were welcomed into our restaurants to try a frosty mug of creamy A&W Root Beer for free.

Recently A&W further strengthened its positioning as a leader in food and innovation with the introduction of the Beyond Meat Burger. Food Services is 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 including peas, rice, mung beans, coconut oil, pomegranates, potatoes, apples and beets. The Beyond Meat Burger is great for anyone who wants more plant-based options in their diet.

Menu innovations are important to A&W's success. In February 2017, all-day breakfast was launched. In 2018, breakfast promotions have featured the All Canadian Special and the Classic Breakfast Combo. Additional limited time offers in 2018 have included Wild Caught Cod Burgers, Spicy Guacamole Burgers and Topped Fries, Cheddar Jalapeno Burgers and Eggers and 56 Burgers. A&W continues to offer the "Pick Your Perfect Size" first introduced in 2017 in connection with the limited time burger promotions, allowing guests to enjoy feature burgers in a size of their choice. These menu items have been well received by Food Services' guests.

Food Services' second strategic initiative is accelerating the pace of growth of new A&W restaurants, particularly in the key Ontario and Quebec markets. Fourteen new A&W restaurants were opened across the country year to date by the end of Q2 2018. As of June 17, 2018, an additional seventy-one are under construction or in varying stages of permitting.

A third strategic initiative of Food Services is to deliver an industry leading guest experience. To ensure each guest at an A&W restaurant has a positive experience, Food Services has introduced changes in its satisfaction measurement and feedback systems, system level processes, staffing, CLIMATE, and restaurant equipment. This initiative also includes the ongoing re-imaging and modernizing of our existing restaurants, and innovation in technology. Including the new restaurants opened in the new design since the beginning of the re-image program, approximately 96% of A&W's restaurants now have the new design. New "Good Food Makes Good Food" interior elements are also being introduced in restaurants to communicate Food Services' ingredients guarantee to its guests. During the second quarter, innovative designs for the next generation of A&W restaurants were introduced, and the first of these have begun to roll out. Costs of re-imaging A&W restaurants are borne by the franchisees and there is no cost to the Fund.

Food Services is also striving to lead the industry in minimizing its environmental footprint. Changes have been made to food packaging and dine-in customers are served with ceramic and glass mugs for hot and cold beverages, metal baskets for fries and onion rings, ceramic bowls for poutine and ceramic plates and stainless steel cutlery for breakfast in an effort to reduce waste going to landfills. In Q2 2018, Food Services announced that all plastic straws will be eliminated from all restaurants by the end of the year. A&W is the first QSR chain in North America to make this commitment. The switch to paper straws, which are 100% biodegradable, compostable and are sustainably sourced, will keep 82 million plastic straws out of landfills every year.

A&W's brand positioning is strong. The rapid growth of new locations is fueling momentum and providing more visibility and convenience for guests, while helping to build awareness. Continued effort to consistently deliver great food and a better Guest Experience, in combination with Reimage progress, is contributing to winning guest visits and building loyalty, and to enhancing performance over the long term.

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: expected future consideration payable on adjustments to the Royalty Pool; management’s expectation that its refundable income tax will be recovered in future years when sufficient dividends are paid by Trade Marks; the Fund’s objective to maintain an annual payout ratio at or below 100%; Food Services’ plans to reposition and differentiate A&W in the QSR industry through its use of “better ingredients”, accelerating new restaurant growth, and delivering an industry leading guest experience; the Fund’s policy to distribute all available cash in order to maximize returns to unitholders over time, after allowing for reasonable reserves; any change in the Fund’s distributions will be implemented with a view to maintain the continuity of uniform monthly distributions; the Fund expects that future distributions will continue to be funded entirely by cash flow from operations and the cash reserve; the operating and administrative expenses of the Fund, Trade Marks and the Partnership are expected to be stable and reasonably predictable; the Fund, through dividends from Trade Marks, is expected to have sufficient financial resources to pay future distributions; and, the number of new A&W restaurants under construction and the expected timing for their opening.

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

- the general risks that affect the restaurant industry will not arise;
- 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 changes in the quick service restaurant burger market including as a result of changes in consumer taste or health concerns or changes in economic conditions or unemployment or a disease outbreak;
- no material impact on sales from closures of “anchor” stores in shopping centres;
- 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 continue to grow same store sales;
- Food Services is able to maintain and grow the current system of franchises;
- Food Services is able to locate new retail sites in prime locations;
- Food Services is able to obtain qualified operators to become A&W franchisees;
- no closures of A&W restaurants that materially affect the amount of the Royalty;
- no material changes in traffic patterns at shopping centres;
- no supply disruptions;
- franchisees duly pay franchise fees and other amounts;
- 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;

- Trade Marks continues to pay dividends on the common shares and the Partnership continues to make distributions on its units;
- Trade Marks can continue to comply with its obligations under its credit arrangements; and,
- Trade Marks' performance does not fluctuate such that cash distributions are affected.

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

- the general risks that affect the restaurant industry in general and the quick service segment in particular;
- changes in consumer preferences that adversely affect the consumption of quick service restaurant hamburgers, chicken, fries, breakfast items or soft drinks;
- negative publicity, litigation or complaints from perceived or actual food safety events or other events involving the foodservice industry in general or A&W restaurants in particular;
- changes in the availability and quality of raw materials, including A&W's "better ingredients;
- 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 prime 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 centers;
- 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 affects the restaurant industry in general or the quick service restaurant industry in particular;
- changes in the availability of key personnel, including qualified franchise operators;
- changes in the ability to enforce or maintain intellectual property;
- risks related to technological breakdowns and cybersecurity breaches;
- risks related to the amplificatory effects of media and social media; and,
- increases in catastrophic events.

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;
- 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; and,
- risks related to income tax matters.

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 Balance Sheets
Unaudited

(in thousands of dollars)

	Note	June 17 2018	December 31 2017
Assets			
Current assets			
Cash and cash equivalents		**$ 4,648**	$ 2,534
Accounts receivable	**9**	**3,162**	2,742
Prepaid interest		**-**	391
		7,810	5,667
Non-current assets			
Intangible assets	**3**	**275,922**	249,933
Total assets		**$ 283,732**	$ 255,600
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**$ 368**	$ 476
Dividends payable to A&W Food Services of Canada Inc.	**9**	**567**	-
Distributions payable to Unitholders	**7**	**1,726**	1,701
Income taxes payable		**39**	154
		2,700	2,331
Non-current liabilities			
Term loan	**4**	**59,851**	59,836
Fair value of interest rate swaps	**4**	**776**	1,465
Deferred income tax liabilities		**13,209**	12,784
Other liabilities	**3**	**5,198**	-
		81,734	76,416
Unitholders' Equity			
Fund Units	**5**	**263,452**	263,452
Accumulated deficit		**(155,064)**	(156,589)
		108,388	106,863
Non-controlling interest		**93,610**	72,321
Total equity		**201,998**	179,184
Total liabilities and equity		**$ 283,732**	$ 255,600
Subsequent events	**10**		

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

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Statement of Income and Comprehensive Income

Unaudited

(in thousands of dollars except per Unit amounts)

	Note	**Period from Mar 26, 2018 to Jun 17, 2018**	Period from Mar 27, 2017 to Jun 18, 2017	**Period from Jan 1, 2018 to Jun 17, 2018**	Period from Jan 1, 2017 to Jun 18, 2017
Gross sales reported by A&W restaurants in the Royalty Pool		**$ 305,132**	$ 274,140	**$ 572,820**	$ 519,297
Royalty income	**9**	**$ 9,154**	$ 8,224	**$ 17,185**	$ 15,579
Expenses					
General and administrative		**90**	78	**397**	349
Interest expense					
Term loan and other		**592**	597	**1,186**	1,201
Amortization of financing fees		**7**	7	**15**	15
		689	682	**1,598**	1,565
Operating income		**8,465**	7,542	**15,587**	14,014
Gain on interest rate swaps	**4**	**(30)**	(260)	**(689)**	(298)
Net income before income taxes		**8,495**	7,802	**16,276**	14,312
Provision for (recovery of) income taxes	**6**				
Current					
Current income tax provision		**1,503**	1,456	**2,863**	2,649
Refundable income tax		**(285)**	(76)	**(398)**	(226)
Deferred		**195**	27	**424**	70
		1,413	1,407	**2,889**	2,493
Net income and comprehensive income for the period		**$ 7,082**	$ 6,395	**$ 13,387**	$ 11,819
Net income and comprehensive income attributable to:					
Unitholders of A&W Revenue Royalties Income Fund		**$ 5,156**	$ 5,015	**$ 10,080**	$ 9,198
A&W Food Services of Canada Inc.'s non-controlling interest in A&W Trade Marks Inc.		**1,926**	1,380	**3,307**	2,621
		$ 7,082	$ 6,395	**$ 13,387**	$ 11,819
Basic and diluted income per weighted average Unit outstanding		**$ 0.412**	$ 0.401	**$ 0.806**	$ 0.744
Weighted average number of Units outstanding		**12,504,673**	12,504,673	**12,504,673**	12,367,723

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

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Statement of Unitholders' Equity

Unaudited

(in thousands of dollars)

	Note	Fund Units	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance - December 31, 2016		$ 248,800	$ (151,694)	$ 97,106	$ 62,289	$ 159,395
Net income for the period		-	9,198	9,198	2,621	11,819
Distributions on Units		-	(8,266)	(8,266)	-	(8,266)
Dividends on common shares		-	-	-	(2,284)	(2,284)
Issue of common shares		-	-	-	12,037	12,037
Common shares exchanged for units	**5**	14,652	(6,838)	7,814	(7,814)	-
Balance - June 18, 2017		$ 263,452	$ (157,600)	$ 105,852	$ 66,849	$ 172,701
Net income for the period		-	12,765	12,765	3,636	16,401
Distributions on Units		-	(11,754)	(11,754)	-	(11,754)
Dividends on common shares		-	-	-	(3,400)	(3,400)
Issue of common shares		-	-	-	5,236	5,236
Balance - December 31, 2017		$ 263,452	$ (156,589)	$ 106,863	$ 72,321	$ 179,184
Net income for the period		-	10,080	10,080	3,307	13,387
Distributions on Units	**7**	-	(8,555)	(8,555)	-	(8,555)
Dividends on common shares	**9**	-	-	-	(2,809)	(2,809)
Issue of common shares	**3**	-	-	-	20,791	20,791
Balance - June 17, 2018		$ 263,452	$ (155,064)	$ 108,388	$ 93,610	$ 201,998

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Statement of Cash Flows

Unaudited

(in thousands of dollars)

	Note	**Period from Mar 26, 2018 to Jun 17, 2018**	Period from Mar 27, 2017 to Jun 18, 2017	**Period from Jan 1, 2018 to Jun 17, 2018**	Period from Jan 1, 2017 to Jun 18, 2017
Operating activities					
Net income for the period		**$ 7,082**	$ 6,395	**$ 13,387**	$ 11,819
Adjustments for:					
Non-cash gain on interest rate swaps	**4**	**(30)**	(260)	**(689)**	(298)
Amortization of financing fees		**7**	7	**15**	15
Deferred income taxes		**195**	27	**424**	70
Refundable income tax		**(285)**	(76)	**(398)**	(226)
Interest expense		**592**	597	**1,186**	1,201
Current income tax provision		**1,503**	1,456	**2,863**	2,649
Net changes in items of non-cash working capital		**(676)**	(253)	**(644)**	(290)
Interest paid		**-**	-	**(678)**	(646)
Income tax paid		**(1,351)**	(1,168)	**(2,580)**	(2,128)
Net cash generated from operating activities		**7,037**	6,725	**12,886**	12,166
Financing activities					
Repayment of demand operating loan facility	**4**	**-**	-	**-**	(490)
Dividends paid to non-controlling interest		**(1,683)**	(1,341)	**(2,242)**	(1,837)
Distributions paid to Unitholders		**(5,128)**	(4,990)	**(8,530)**	(8,215)
Net cash used in financing activities		**(6,811)**	(6,331)	**(10,772)**	(10,542)
Increase in cash and cash equivalents		**226**	394	**2,114**	1,624
Cash and cash equivalents - beginning of period		**4,422**	2,981	**2,534**	1,751
Cash and cash equivalents - end of period		**$ 4,648**	$ 3,375	**$ 4,648**	$ 3,375

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

(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 Trust Units (Units) under the laws of the Province of British Columbia pursuant to the Declaration of Trust. The Fund is listed on the Toronto Stock Exchange under the symbol AW.UN. The Fund's place of business is located at 300 – 171 West Esplanade, North Vancouver, BC. The Fund was established to invest in A&W Trade Marks Inc. (Trade Marks), which through its ownership interest in A&W Trade Marks Limited Partnership (the Partnership) owns the A&W trade-marks used in the A&W quick service restaurant business in Canada.

2. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as applicable to interim financial reports including International Accounting Standards (IAS) 34, Interim Financial Reporting. The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's audited annual consolidated financial statements as at December 31, 2017.

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, 2017, with the exception of the adoption of IFRS 9, Financial Instrument and IFRS 15, Revenue from Contracts with Customers.

IFRS 9 – Financial Instruments
The Fund has adopted IFRS 9 effective January 1, 2018, retrospectively without restatement of comparatives. The new standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Fund classifies all its financial assets and liabilities at amortized cost. Under IFRS 9, the Fund assesses on a forward looking basis the expected credit losses associated with financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Fund applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The adoption of this standard had no impact on the consolidated financial statement and no adjustments to opening retained earnings as at January 1, 2018 were necessary.

IFRS 15 – Revenue from Contracts with Customers
The Fund has adopted IFRS 15 effective January 1, 2018, using the full retrospective method without the use of practical expedients. The timing of the recognition of revenue has not changed as a result of adopting the new guidance. The adoption of this standard had no

(in thousands of dollars)

impact on the consolidated financial statement and no adjustments to opening retained earnings as at January 1, 2018 were necessary.

These interim condensed consolidated financial statements were authorized for issue by the Board of Trustees of the Fund on July 24, 2018.

3. Intangible assets

	Royalty Pool	Amount $
Balance as at December 31, 2017	861	249,933
Annual adjustment January 5, 2018	35	25,989
Balance as at June 17, 2018	896	275,922

The intangible assets are the A&W trade-marks used in the A&W quick service restaurant business in Canada. The Partnership has granted A&W Food Services of Canada Inc. (Food Services) a licence (the Amended and Restated Licence and Royalty Agreement) to use the A&W trade-marks in Canada for a term expiring December 30, 2100, for which Food Services pays a royalty of 3% of sales reported to Food Services by specific A&W restaurants (the Royalty Pool).

The 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 of the Fund, 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 Units of the Fund on the basis of two common shares for one Unit of the Fund. 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 2018 annual adjustment to the Royalty Pool took place on January 5, 2018. The number of A&W restaurants in the Royalty Pool was increased by 42 new restaurants less seven restaurants that permanently closed during 2017. The estimated annual sales of the 42 new A&W restaurants are $55,642,000 and annual sales for the seven permanently closed restaurants were $3,210,000. The initial consideration for the estimated additional royalty stream was $25,989,000, calculated by discounting the estimated additional royalties by 7.5% and dividing the result by the yield on the units of the Fund for the 20 trading days ending October 30, 2017. The yield was adjusted to reflect the income tax payable by Trade Marks. The Partnership paid Food Services 80% of the initial consideration or $20,791,000,

(in thousands of dollars)

by issuance of 596,251 LP units which were subsequently exchanged for 1,192,502 non-voting common shares of Trade Marks. The remaining 20% of the consideration or $5,198,000 will be paid in December 2018 by issuance of additional LP units, which may be exchanged for non-voting common shares of Trade Marks. The actual amount of the consideration paid in December 2018 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 swap

Trade Marks has a $2,000,000 demand operating loan facility with HSBC Bank Canada (the Bank) to fund working capital requirements and for general corporate purposes. Amounts advanced under the facility bear interest at the bank prime rate plus 0.4% and are repayable on demand. As at June 17, 2018, the amount of the facility available was $2,000,000 (December 31, 2017 - $2,000,000).

On December 22, 2017, Trade Marks entered into an agreement to refinance its $60,000,000 term loan with the Bank. The original term loan matured on December 22, 2017 and the new term loan is repayable on December 22, 2022. The new term loan contains the same covenants as the original term loan, 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 June 17, 2018 and December 31, 2017.

Trade Marks uses interest rate swap agreements to manage risks from fluctuations in interest rates. Trade Marks has entered into an interest rate swap, with an effective date of December 22, 2015 and a maturity date of December 22, 2022. Under this interest rate swap, the term loan bears interest at 4.2% per annum, comprising 2.8% per annum which is fixed under the swap agreement until December 22, 2022 plus a 1.4% per annum credit charge. The fair value of this interest rate swap as at June 17, 2018 was $776,000 unfavourable (December 31, 2017 - $1,465,000 unfavourable) and the change in fair value is recorded in the consolidated statements of income as a gain on interest rate swaps.

Trade Marks continues to fair value the interest rate swap as a Level 3 financial instrument. There have been no changes to the valuation techniques in the period.

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

(in thousands of dollars)

The term loan comprises:

	March 25, 2018 $	December 31, 2017 $
Term loan	60,000	60,000
Financing fees	(149)	(164)
	59,851	59,836

5. Fund Units

On March 3, 2017, Food Services exchanged 746,600 common shares of Trade Marks for 373,300 Units of the Fund, which were then sold at a price of $39.25 per Unit. The Fund did not receive any proceeds of the sale of the Units. Following the sale of these Units, Food Services owned approximately 21.2% of the Units of the Fund on a fully-diluted basis.

	Number of Units	Equity $
Balance - December 31, 2016	12,131,373	248,800
Units issued in exchange for common shares of A&W Trade Marks Inc.	373,300	14,652
Balance - December 31, 2017	12,504,673	263,452
Balance – June 17, 2018	12,504,673	263,452

Following the 2018 annual adjustment to the Royalty Pool on January 5, 2018, Food Services owns approximately 24.7% of the Units of the Fund on a fully-diluted basis.

6. 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:

(in thousands of dollars)

	Period from Mar 26, 2018 to Jun 17, 2018 $	Period from Mar 27, 2017 to Jun 18, 2017 $	**Period from Jan 1, 2018 to Jun 17, 2018 $**	Period from Jan 1, 2017 to Jun 18, 2017 $
Statutory combined federal and provincial income tax rates on investment income	20.0%	19.0%	20.0%	19.0%
Provision for current income tax provision	1,503	1,456	2,863	2,649
Provision for deferred income taxes	195	27	424	70
Provision for income taxes based on statutory income tax rates	1,698	1,483	3,287	2,719
Refundable income tax	(285)	(76)	(398)	(226)
Provision for income taxes	1,413	1,407	2,889	2,493

Trade Marks' taxable income is taxed at an effective rate of 20.0% (2017 – 19.0%), 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.

7. Distributions

During the period ended June 17, 2018, the Fund declared distributions to its Unitholders of $8,555,000 or $0.684 per Unit. The record dates and amounts of these distributions are as follows:

Month	**Record date**	**Amount $**	**Per unit $**
January 2018	February 15, 2018	1,701	0.136
February 2018	March 15, 2018	1,701	0.136
March 2018	April 15, 2018	1,701	0.136
April 2018	May 15, 2018	1,726	0.138
May 2018	June 15, 2018	1,726	0.138
		8,555	0.684

The May 2018 distribution was declared on June 5, 2018 and paid on June 29, 2018, and is reported as a current liability as at June 17, 2018.

(in thousands of dollars)

8. Compensation to key management

Key management personnel are the Trustees of the Fund. During the year to date period, the Trustees earned $63,000 (2017 - $53,000). During the quarter, the Trustees earned $32,000 (2017 - $28,000).

9. Related party transactions and balances

During the year to date period, royalty income of $17,185,000 (2017 - $15,579,000) was earned from Food Services of which $3,162,000 (December 31, 2017 - $2,742,000) is receivable at June 17, 2018. Royalty income earned during the quarter was $9,154,000 (2017 – $8,224,000).

During the year to date period, Trade Marks declared common share dividends payable to Food Services of $2,809,000 (2017 - $2,284,000). Dividends declared payable to Food Services during the quarter were $1,691,000 (2017- $1,341,000). The $567,000 dividend declared on June 5, 2018 and paid to Food Services on June 30, 2018 is reported as a current liability as at June 17, 2018 (December 31, 2017 - $nil).

Other related party transactions and balances are referred to elsewhere in these notes.

10. Subsequent events

On July 3, 2018, the Fund declared a distribution to Unitholders of $0.138 per unit or $1,726,000, payable on July 31, 2018 to Unitholders of record as at July 15, 2018.

On July 3, 2018, Trade Marks declared common share dividends of $567,000 payable to Food Services and the Fund on July 31, 2018.

Unitholder Information

Corporate Head Office

A&W Trade Marks Inc.
c/o 26th Floor
Toronto-Dominion Bank Tower
700 West Georgia Street
Vancouver, BC, V7Y 1B3

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

John R. McLernon (1)
Richard N. McKerracher (1)
Hugh R. Smythe (1)

A&W Trade Marks Inc.
Board of Directors

John R. McLernon (2)
Chairman

Richard N. McKerracher (2)

Hugh R. Smythe (2)

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

Don Leslie
Chief Financial Officer

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

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