



A&W REVENUE ROYALTIES INCOME FUND

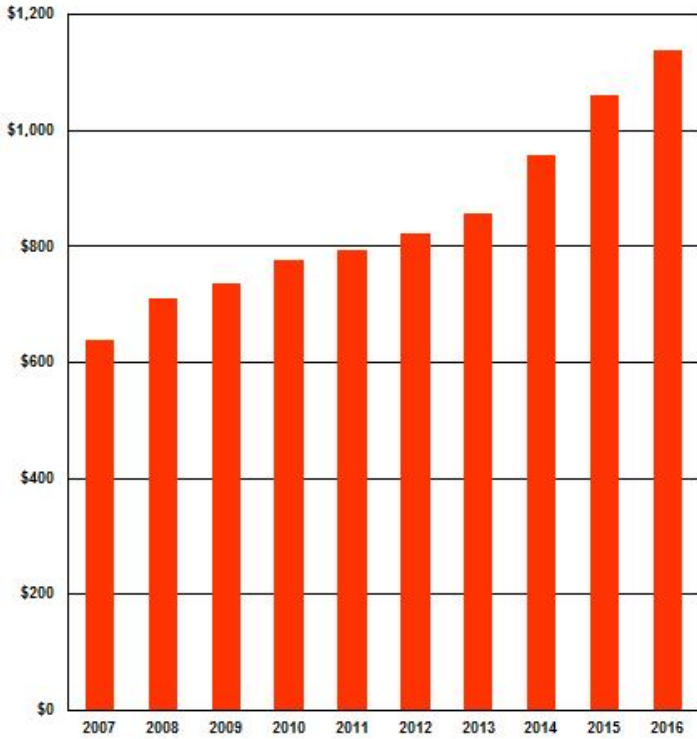


2016
Annual
Report



Royalty Pool Sales

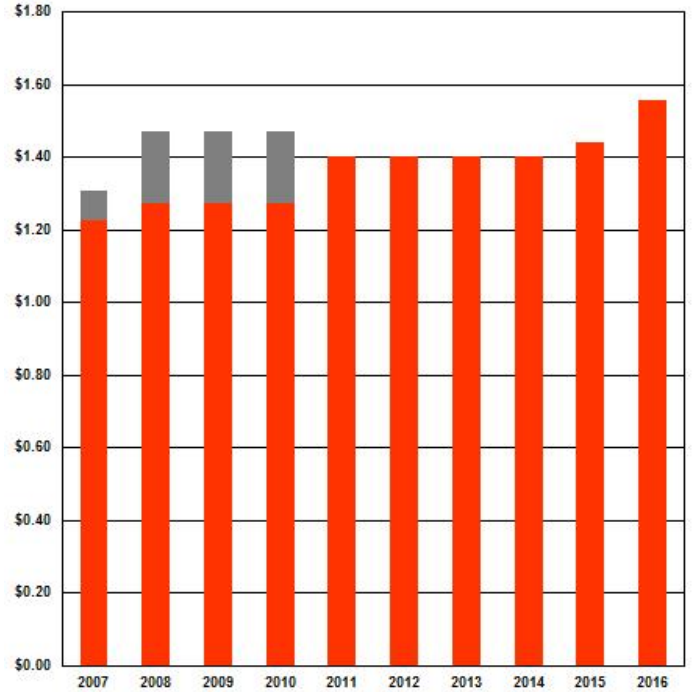
(in millions of dollars)



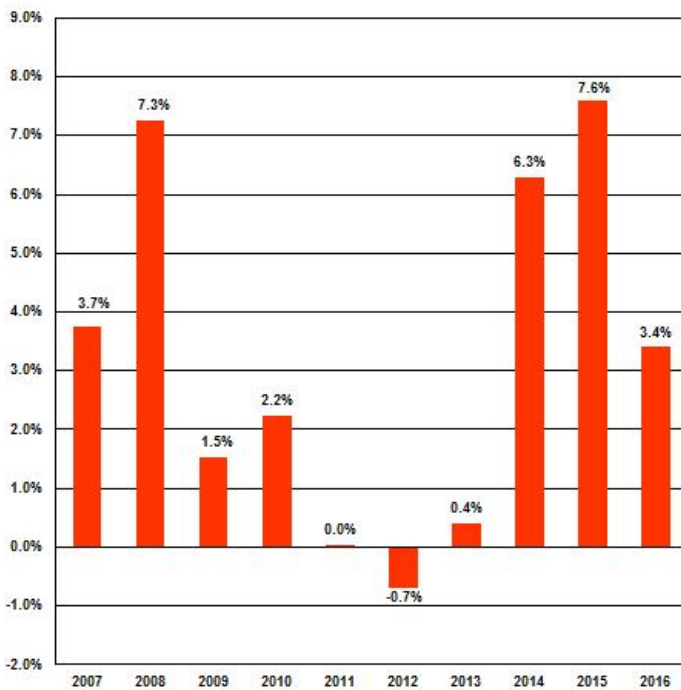
Distributions to Unitholders

■ Special distributions
■ Distributions

Distributions starting 2011 reflect the introduction of the SIFT tax on income trusts.



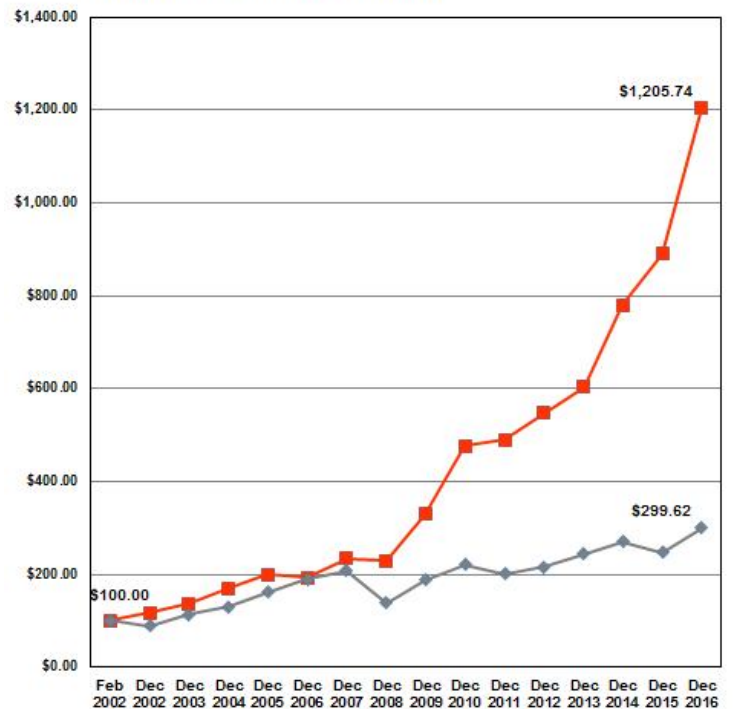
Same Store Sales Growth



Comparison of Total Unitholders' Return

■ A&W Revenue Royalties Income Fund
■ S&P/TSX Total Return Composite Index

Assuming an investment of \$100 on February 15, 2002 and reinvestment of distributions through 2016.



Chairman's Report to Unitholders

On behalf of the Trustees of the A&W Revenue Royalties Income Fund (the Fund), I am pleased to report the results of the year ended December 31, 2016.

The Fund enjoyed solid growth in 2016, with same store sales growth of +3.4. This same store sales growth is particularly notable when added to last year's +7.6% same store sales growth, bringing the two year stacked same store sales growth to +11.0%.

Annual royalty income for 2016 was \$34,135,000 based on sales of \$1,137,830,000, an increase of 7.3% from royalty income of \$31,826,000 and sales of \$1,060,851,000 in 2015. The increase in sales and royalty income was due to the 3.4% same store sales growth and the increase in the number of restaurants in the Royalty Pool on January 5, 2016 from 814 to 838.

The Fund, through its investment in A&W Trade Marks Inc. and A&W Trade Marks Limited Partnership, owns the A&W trade-marks and licenses them to A&W Food Services of Canada Inc. (A&W Food Services), in exchange for a royalty of 3% of sales reported by the restaurants in the Royalty Pool. The Royalty Pool is adjusted annually to include sales from net new A&W restaurants opened by A&W Food Services over the previous year. As noted above, the Royalty Pool was increased from 814 to 838 A&W restaurants on January 5, 2016. On January 5, 2017, the Royalty Pool was increased again to 861 A&W restaurants.

Distributable cash per equivalent unit increased to \$1.577 per unit in 2016 from \$1.559 per unit for 2015. Two increases in the monthly distribution rate were announced in 2016: from 12.5¢ per unit to 13.0¢ per unit starting with the May 2016 distribution, and then from 13.0¢ per unit to 13.3¢ per unit starting with the July 2016 distribution. The current monthly distribution rate of 13.3¢ per unit translates into an annualized distribution of \$1.596 per unit, an increase of 6.4% from the 2015 annualized rate of \$1.500 per unit. The annual payout ratio was 98.8% compared to 92.4% for 2015.

Looking forward, the Trustees are confident that A&W Food Services' strategic initiatives will continue to attract new guest visits, grow same store sales and consequently grow royalty income in the Fund. The most significant of these initiatives is the differentiation of A&W with "better ingredients", which include beef raised without the use of hormones or steroids, eggs from hens fed a diet without animal by-products, chicken raised without the use of antibiotics, organic and Fair Trade coffee, and bacon from pork raised without antibiotics.

A second strategic initiative is A&W Food Services' reimage program to modernize its restaurants. This initiative also yielded strong results with 90 restaurants reimaged in 2016 and strong sales increases in these restaurants. There is no cost to the Fund for these modernizations.

In summary, on behalf of the Trustees, I am pleased to be able to report these continued strong results to our unitholders. I would like to express my sincere appreciation to unitholders who have placed their trust in the Fund.

(signed) John R. McLernon
Chairman
A&W Revenue Royalties Income Fund

Report to Fund Unitholders

The A&W restaurant business enjoyed another excellent year in 2016, building on the outstanding performance in 2015. Same store sales grew by 3.4%, on top of an increase of 7.6% for the prior year. Same store sales are one of the most important performance measures for a restaurant business, because they gauge the ability of the brand to connect with its guests on an ongoing basis. Fifteen straight quarters of same store sales increases proves the strength of A&W's strategy and in particular the key strategic initiatives which have been implemented over the past several years.

A&W's Mission is "to delight time-crunched Canadian burger lovers with the joy of great tasting natural food, made by people they trust". One of the key differentiators of the A&W brand is our commitment to "better ingredients". A&W's better ingredients include beef raised without the use of hormones or steroids, eggs from hens fed a diet without animal by-products, chicken raised without the use of antibiotics, organic and Fair Trade coffee and bacon from pork raised without the use of antibiotics. Our guests feel good about their choice when they visit one of our restaurants.

Another important strategic initiative for A&W is the expansion of new restaurants. Making A&W easily accessible to our guests across the country is critical to achieving our strategic objectives. In 2016, 31 new restaurants opened across Canada, bringing the total number of restaurants in the chain to 879. Of particular note is the progress that we made in the Ontario and Quebec markets, where 21 new restaurants opened in 2016. The growth of restaurants in these provinces is a key objective and there are now over 360 restaurants in these two provinces versus just over 200 in 2006.

Overall system sales once again grew at industry leading rates, increasing by 6.3%, and bringing our total system sales to \$1.162 billion. I am delighted to report that this marks the 25th straight year of system sales growth for A&W.

A&W continued its support of the Multiple Sclerosis Society of Canada in 2016. Our eighth annual "Burgers to Beat MS Day" (previously "Cruisin to End MS Day") raised \$1.75 million to fund research and to improve the lives of MS patients and their families.

Overall 2016 was another successful year for A&W. The business enjoyed good growth and solid results. More importantly, momentum continued on the key strategic initiatives which will ensure A&W's long term growth and success in the future. In particular, our strategic commitment to using natural ingredients is fundamental to our long term success and I am proud of the outstanding work of our management team and franchisees in bringing this innovation to the market. A&W was Canada's first burger chain when it was launched back in 1956 and we are committed to extending our reputation for being the best.

(signed) Paul F. B. Hollands
Chairman and Chief Executive Officer
A&W Food Services of Canada Inc.



A&W Revenue Royalties Income Fund Management Discussion and Analysis

This Management Discussion and Analysis (MD&A) covers the fourth quarter period from September 12, 2016 to December 31, 2016 and the year ended December 31, 2016, and is dated February 14, 2017. This MD&A should be read in conjunction with the audited annual consolidated financial statements of A&W Revenue Royalties Income Fund (the Fund) for the year ended December 31, 2016. Readers are also referred to the audited annual consolidated financial statements of A&W Food Services of Canada Inc. (Food Services) for the 52 week year ended January 1, 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 audited annual consolidated financial statements of the Fund, which are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC). The accounting policies applied in the audited annual consolidated financial statements and this report have been consistently applied to all years presented unless otherwise stated.

Readers should be aware that 2016 quarterly results are not directly comparable to 2015 quarterly results, as there were 87 days of sales in Q1, 2016 compared to 81 days in Q1, 2015, and 111 days of sales in Q4, 2016 compared to 116 days in Q4, 2015. The second and third quarters of both years each 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 fourth quarter of 2016 grew by 1.7% as compared to the same quarter of 2015. Annual same store sales growth⁽¹⁾ for 2016 was +3.4%.
- Total sales in the Royalty Pool (as hereinafter defined) and royalty income increased by 1.0% for the fourth quarter compared to the same quarter of 2015, and by 7.3% for 2016 as compared to 2015.
- Annual net income increased in 2016 by 12.2%.
- Annual payout ratio⁽²⁾ in 2016 was 98.8% compared to 92.4% for 2015.
- Monthly distribution rate was increased twice in 2016, from 12.5¢ per unit to 13.3¢ per unit. The current annual distribution rate is \$1.596 per unit, a 6.4% increase over 2015's annual distribution rate.

⁽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 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⁾ The payout ratio 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 identifies the extent to which distributable cash is distributed to unitholders and Food Services. See "Distributable Cash".

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 prepared in accordance with IFRS and all dollar amounts are reported in Canadian currency.

(dollars in thousands except per unit amounts)	Period from Sep 12, 2016 to Dec 31, 2016	Period from Sep 7, 2015 to Dec 31, 2015	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Same store sales growth ⁽¹⁾	+1.7%	+5.3%	+3.4%	+7.6%
Number of restaurants in the Royalty Pool	838	814	838	814
Sales reported by the restaurants in the Royalty Pool	\$351,494	\$348,116	\$1,137,830	\$1,060,851
Royalty income	\$10,545	\$10,444	\$34,135	\$31,826
General and administrative expenses	214	117	586	558
Net third party interest expense	781	773	2,574	2,419
Current income tax provision	1,982	1,792	6,500	5,660
Total distributable cash generated for distributions and dividends ⁽²⁾	\$7,568	\$7,762	\$24,475	\$23,189
Distributable cash per equivalent unit (2016 – 15,517,988 units; 2015 – 14,870,367 units) ⁽²⁾⁽³⁾	\$0.488	\$0.522	\$1.577	\$1.559
Distributions and dividends declared per equivalent unit	\$0.532	\$0.496	\$1.558	\$1.440
Net income ⁽⁴⁾	\$8,973	\$7,706	\$23,916	\$21,319
Net income, excluding non-cash items ⁽⁴⁾	\$7,205	\$7,762	\$22,446	\$23,189

(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 2016 includes the 157,774 LP units (as hereinafter defined) exchanged for 315,548 common shares of Trade Marks (as hereinafter defined) representing the final consideration paid in December 2016 for the January 5, 2016 adjustment to the Royalty Pool. The number of equivalent units and distributable cash per equivalent unit in 2015 includes the 181,101 LP units exchanged for 362,202 common shares of Trade Marks representing the final consideration paid in December 2015 for the January 5, 2015 adjustment to the Royalty Pool.

(4) Net income in 2016 and 2015 includes non-cash gains and losses on interest rate swaps, 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.

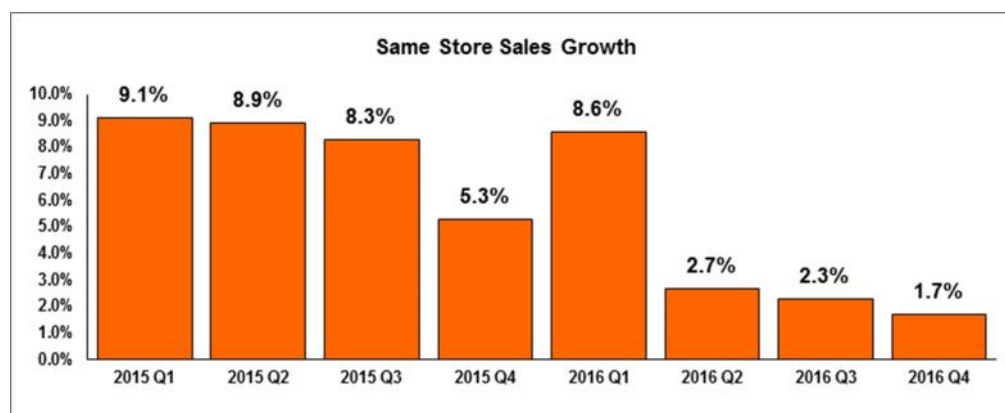
SALES PERFORMANCE

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 December 31, 2016.

Same store sales for the fourth quarter of 2016 grew by 1.7% as compared to the same quarter of

2015. Annual same store sales growth for 2016 was 3.4% as compared to 2015. The 2015 and 2016 two year stacked annual same store sales growth was +11.0%. These positive sales results reflect A&W's strategic commitment to better ingredients, including beef raised without the use of hormones or steroids, eggs from hens fed a diet without animal by-products, chicken raised without the use of antibiotics, organic and Fair Trade coffee and bacon from pork raised without the use of antibiotics. These positive sales results were achieved in a challenging year for the foodservice industry in Canada, particularly in Alberta and Saskatchewan.

Same store sales growth has been positive for 15 consecutive quarters. 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 fourth quarter of 2016 were \$351,494,000, an increase of 1.0% from sales of \$348,116,000 for the fourth quarter of 2015. Annual sales for 2016 were \$1,137,830,000, an increase of 7.3% from sales of \$1,060,851,000 for 2015. The increase in sales was due to the same store sales growth and the increase in the number of A&W restaurants in the Royalty Pool.

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 21.8% (2015 – 18.4%) 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 2016 adjustment to the Royalty Pool took place on January 5, 2016. The number of A&W restaurants in the Royalty Pool was increased by 32 new restaurants less eight restaurants that permanently closed during 2015. The addition of these 24 net new restaurants brought the total number of A&W restaurants in the Royalty Pool to 838. The estimated annual sales of the 32 new A&W restaurants were \$41,502,000 and annual sales for the eight permanently closed restaurants were \$3,905,000. The initial consideration for the estimated additional royalty stream was \$16,079,000, 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 26, 2015. The yield was adjusted to reflect income tax payable by Trade Marks. The Partnership paid Food Services 80% of the initial consideration or \$12,863,000 by issuance of 489,847 LP units which were subsequently exchanged for 979,694 non-voting common shares of Trade Marks. The final adjustment to the number of LP units issued was made on December 19, 2016 based on the actual annual sales reported by the new A&W restaurants of \$43,599,000

compared to the original estimate of \$41,502,000. As a result, \$3,216,000 representing the remaining 20% of the initial consideration, and additional consideration of \$927,000, were paid to Food Services by issuance of 157,774 additional LP units, which were subsequently exchanged for 315,548 non-voting common shares of Trade Marks.

Subsequent to December 31, 2016, the 2017 adjustment to the Royalty Pool took place on January 5, 2017. The number of A&W restaurants in the Royalty Pool was increased by 30 new restaurants less seven restaurants that permanently closed during 2016. The addition of these 23 net new restaurants brings the total number of A&W restaurants in the Royalty Pool to 861. The estimated annual sales of the 30 new A&W restaurants are \$33,355,000 and annual sales for the seven permanently closed restaurants were \$4,251,000. The initial consideration for the estimated additional royalty stream was \$15,046,000, 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 31, 2016. The yield was adjusted to reflect income tax payable by Trade Marks. The Partnership paid Food Services 80% of the initial consideration or \$12,037,000 by issuance of 346,386 LP units which were subsequently exchanged for 692,772 non-voting common shares of Trade Marks. The remaining 20% of the consideration or \$3,009,000 will be paid in December 2017 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 2017 may differ from this amount depending on the actual annual sales reported by the new A&W restaurants.

After the initial consideration was paid for the January 5, 2017 adjustment to the Royalty Pool, Food Services' indirect interest in the Fund increased to 23.5%.

COMMON SHARES OF TRADE MARKS

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 \$	%	Trade Marks' book value \$
Balance as at December 31, 2014	24,262,671	114,680	84.7	4,376,669	35,498	15.3	28,639,340
January 5, 2015 adjustment to the Royalty Pool	-	-	(3.1)	1,101,318	13,595	3.1	1,101,318
Balance as at December 31, 2015	24,262,671	114,680	81.6	5,477,987	49,093	18.4	29,740,658
January 5, 2016 adjustment to the Royalty Pool ⁽¹⁾	-	-	(3.4)	1,295,242	17,006	3.4	1,295,242
Balance as at December 31, 2016	24,262,671	114,680	78.2	6,773,229	66,099	21.8	31,035,900

⁽¹⁾ The number of common shares includes the 157,774 LP units exchanged for 315,548 common shares of Trade Marks representing the final consideration paid in December 2016 for the January 5, 2016 adjustment to the Royalty Pool.

OWNERSHIP OF THE FUND

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

	December 31, 2016		December 31, 2015	
	Number of units	%	Number of units	%
Fund units held by public unitholders	12,131,373	78.2	12,131,373	81.6
Number of Fund units issuable upon exchange of securities of Trade Marks held by Food Services ⁽¹⁾⁽²⁾	3,386,615	21.8	2,738,994	18.4
Total equivalent units	15,517,988	100.0	14,870,367	100.0

(1) The number of Fund units issuable includes the 157,774 LP units exchanged for 315,548 common shares of Trade Marks representing the final consideration paid in December 2016 for the January 5, 2016 adjustment to the Royalty Pool.

(2) 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 chart below shows the ownership of the Fund, on a fully-diluted basis, after the initial consideration was paid for the January 5, 2017 adjustment to the Royalty Pool.

	Number of units	%
Fund units held by public unitholders	12,131,373	76.5
Number of Fund units issuable upon exchange of securities of Trade Marks held by Food Services	3,733,001	23.5
Total equivalent units	15,864,374	100.0

The chart below shows the ownership of the Fund, on a fully-diluted basis, when the remaining 20% of the consideration for the January 5, 2017 adjustment to the Royalty Pool is expected to be paid in December 2017, by issuance of 86,596 LP units exchangeable for 173,192 common shares of Trade Marks. The actual amount of the consideration paid in December 2017 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	12,131,373	76.1
Number of Fund units issuable upon exchange of securities of Trade Marks held by Food Services	3,819,597	23.9
Total equivalent units	15,950,970	100.0

FINANCIAL RESULTS

INCOME

Royalty income for the fourth quarter of 2016 was \$10,545,000 based on sales of \$351,494,000. This was an increase of 1.0% from royalty income of \$10,444,000 and sales of \$348,116,000 for the fourth quarter of 2015. There were 111 days of sales in the fourth quarter of 2016 as compared to 116 days in the same quarter of 2015. Annual royalty income for 2016 was \$34,135,000 based on sales of \$1,137,830,000, an increase of 7.3% from royalty income of

\$31,826,000 and sales of \$1,060,851,000 for 2015. The increase in sales and royalty income was due to the combined impact of the additional net 24 new A&W restaurants in the Royalty Pool and the same store sales growth of 1.7% for the fourth quarter of 2016 as compared to the same quarter of 2015 and 3.4% for the full year 2016 as compared to 2015.

EXPENSES

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

(dollars in thousands)	Period from Sep 12, 2016 to Dec 31, 2016	Period from Sep 7, 2015 to Dec 31, 2015	Year ended Dec 31, 2016	Year ended Dec 31, 2015
General and administrative	\$214	\$117	\$586	\$558
Net interest on term loan and other	\$781	\$773	\$2,574	\$2,419

General and administrative expenses for the fourth quarter of 2016 increased by \$97,000 to \$214,000 compared to \$117,000 for the fourth quarter of 2015. The increase for the quarter was due to timing of expenses. General and administrative expenses for the full year 2016 increased by \$28,000 to \$586,000 compared to \$558,000 in 2015. The annual increase was primarily due to higher TSX filing fees and professional fees.

Interest on the term loan increased by \$8,000 to \$781,000 for the fourth quarter of 2016 compared to \$773,000 for the fourth quarter of 2015, and by \$155,000 to \$2,574,000 for the full year 2016 compared to \$2,419,000 for 2015. Interest expense increased due to the new interest rate swap agreement which became effective on December 22, 2015. See "Liquidity and Capital Resources".

GAIN/LOSS ON INTEREST RATE SWAP

The Fund's net income included non-cash gains and losses 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 Sep 12, 2016 to Dec 31, 2016	Period from Sep 7, 2015 to Dec 31, 2015	Year ended Dec 31, 2016	Year ended Dec 31, 2015
(Gain) loss on interest rate swap	(\$1,986)	\$30	(\$1,089)	\$2,496

See "Liquidity and Capital Resources".

INCOME TAXES

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

(dollars in thousands)	Period from Sep 12, 2016 to Dec 31, 2016	Period from Sep 7, 2015 to Dec 31, 2015	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Current				
Current income tax provision	\$1,982	\$1,792	\$6,500	\$5,660
Refundable income tax	363	-	2,029	-
Deferred	208	16	(414)	(659)
Total provision for income taxes	\$2,553	\$1,808	\$8,115	\$5,001

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 19.0% (2015 – 19.0%), plus an additional tax of 30.67% (2015 - 26.67%) on investment income which is refundable at a rate of 38.33% (2015 – 33.33%) of each dollar Trade Marks pays out in taxable dividends to its shareholders. Trade Marks' provision for income taxes for 2016 includes refundable income tax of \$806,000 based on its taxable income and dividends paid in 2015 as well as \$1,223,000 of refundable income tax based on its taxable income and dividends paid in 2016. Under IFRS, refundable income tax is required to be expensed on the income statement when it is paid or payable. Subsequently, refundable income tax will be recognized on the income statement as refundable income tax recovered when it is received or receivable. Management expects that the refundable income tax expensed on the income statement in 2016 will be recovered in future years when sufficient dividends are paid by Trade Marks.

The increase in the annual current income tax provision as compared to the prior year resulted from the increase in earnings before income taxes and also includes transitional Partnership tax of \$909,000 (2015 - \$727,000). Tax rules for partnerships with misaligned year ends were announced in 2011 and require Trade Marks to recognize income tax on the Partnership's income during the period between January 25 and December 31, 2011 over a five year period ending in 2016 on a formula basis, being 15% or \$517,000 in 2012, 20% or \$718,000 in 2013, 20% or \$727,000 in each of 2014 and 2015, and 25% or \$909,000 in 2016, the last year that this transitional tax is payable.

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 Sep 12, 2016 to Dec 31, 2016	Period from Sep 7, 2015 to Dec 31, 2015	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Net income and comprehensive income attributable to unitholders of the Fund	\$6,897	\$6,152	\$18,702	\$17,396
Net income and comprehensive income attributable to Food Services' non-controlling interest in Trade Marks	2,076	1,554	5,214	3,923
Total net income and comprehensive income	\$8,973	\$7,706	\$23,916	\$21,319

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 for 2016 includes refundable income tax of \$363,000 in the fourth quarter of 2016 and \$2,029,000 for the full year 2016. 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. Management expects that the refundable income tax expensed in 2016 will be recovered in future years when sufficient dividends are paid by Trade Marks. There is a sufficient surplus of cash on hand to pay the refundable income tax.

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 Sep 12, 2016 to Dec 31, 2016	Period from Sep 7, 2015 to Dec 31, 2015	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Net cash generated from operating activities	\$6,465	\$6,914	\$22,737	\$23,137
Changes in non-cash working capital including interest and tax	1,103	848	1,738	52
Distributable cash generated ⁽¹⁾	\$7,568	7,762	\$24,475	23,189
Cumulative surplus – beginning of period	2,582	3,486	4,148	2,372
Distributable cash for unitholders at current annual distribution rate (2016 - \$1.558 per unit, 2015 - \$1.440 per unit) ⁽¹⁾	(5,732)	(5,651)	(18,901)	(17,469)
Distributable cash for Food Services at equivalent annual distribution rate (2016 - \$1.558 per equivalent unit, 2015 - \$1.440 per equivalent unit) ⁽¹⁾	(1,638)	(1,449)	(5,276)	(3,944)
Refundable income tax (see “Income Taxes”)	(363)	-	(2,029)	-
Cumulative surplus – end of period	\$2,417	\$4,148	\$2,417	\$4,148
Number of equivalent units ⁽¹⁾	15,517,988	14,870,367	15,517,988	14,870,367
Distributable cash generated per equivalent unit ⁽¹⁾	\$0.488	\$0.522	\$1.577	\$1.559
Monthly distributions declared per unit ⁽²⁾	\$0.532	\$0.496	\$1.558	\$1.440
Total distributions declared and accrued per unit	\$0.473	\$0.466	\$1.558	\$1.440
Payout ratio ⁽³⁾	97.0%	89.3%	98.8%	92.4%

⁽¹⁾ The number of equivalent units and distributable cash per equivalent unit in 2016 includes the 157,774 LP units exchanged for 315,548 common shares of Trade Marks representing the final consideration paid in December 2016 for the January 5, 2016 adjustment to the Royalty Pool. The number of equivalent units and distributable cash per equivalent unit in 2015 includes the 181,101 LP units exchanged for 362,202 common shares of Trade Marks representing the final consideration paid in December 2015 for the January 5, 2015 adjustment to the Royalty Pool.

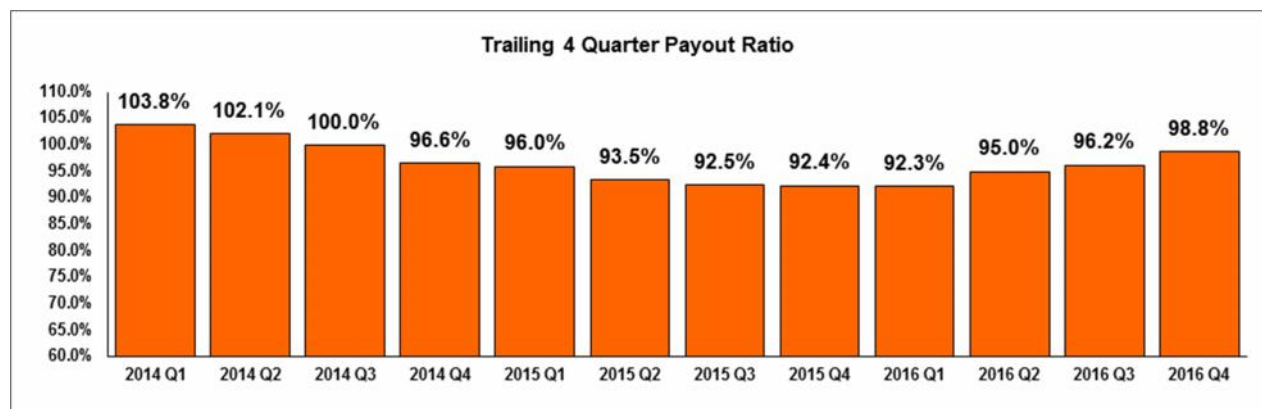
⁽²⁾ In accordance with the Fund’s Declaration of Trust, the Fund declares and records distributions in respect of any particular calendar month at the beginning of the immediate subsequent month, with the exception of the distribution for December of each year, which is declared and recorded in December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

⁽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.

Distributable cash generated in the fourth quarter of 2016 to pay distributions to unitholders and dividends to Food Services was \$7,568,000 compared to \$7,762,000 in the fourth quarter of 2015. Distributable cash generated in 2016 was \$24,475,000 compared to \$23,189,000 in 2015. The \$1,286,000 annual increase in distributable cash was comprised of the \$2,309,000 increase in royalty income less the \$28,000 increase in general and administrative expenses, \$155,000 increase in interest expenses and \$840,000 increase in the current income tax provision (excluding refundable income tax).

Distributable cash generated per equivalent unit decreased by 3.4¢ to 48.8¢ per unit in the fourth quarter of 2016 from 52.2¢ for the fourth quarter of 2015. There were 111 days of sales in the fourth quarter of 2016 as compared to 116 days in the same quarter of 2015. Annual distributable cash per unit increased by 1.8¢ to \$1.577 per unit for 2016 from \$1.559 for 2015. The annual increase in distributable cash per equivalent unit was due to the increase in royalty income resulting from same store sales growth less increases in cash expenses and taxes.

Four monthly distributions totalling 53.2¢ per unit were declared in the fourth quarter of 2016 compared to 49.6¢ per unit in the same quarter of 2015. Total distributions declared in 2016 were \$1.558 per unit compared to \$1.440 per unit in 2015, an increase of 8.2%. 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 Fund’s objective is to maintain an annual payout ratio at or below 100%. The annual payout ratio for 2016 was 98.8% compared to 92.4% for 2015. The following table shows the trailing four quarter payout ratios for 2014, 2015 and 2016.



The cumulative surplus of distributable cash at the end of 2016 was \$2,417,000, compared to a cumulative surplus of \$4,148,000 at the beginning of the year, a decrease of \$1,731,000. The refundable income tax of \$2,029,000 was the primary reason for the decrease in surplus distributable cash.

The Fund’s trustees announced two increases in the monthly distribution rate in 2016: from 12.5¢ per unit to 13.0¢ per unit starting with the May 2016 distribution, and then from 13.0¢ per unit to 13.3¢ per unit starting with the July 2016 distribution. The current monthly distribution rate of 13.3¢ per unit translates into an annualized distribution rate of \$1.596 per unit, an increase of 6.4% from the 2015 annualized rate of \$1.500 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.

TAX TREATMENT OF DISTRIBUTIONS

All of the distributions declared in 2016 are designated as non-eligible dividends.

DISTRIBUTIONS TO UNITHOLDERS

Distributions declared and paid during 2016 were as follows:

(dollars in thousands except per unit amounts)			
Month	Record date	Amount	Per unit
January	February 15, 2016	\$1,516	\$0.125
February	March 15, 2016	1,516	0.125
March	April 15, 2016	1,517	0.125
April	May 15, 2016	1,517	0.125
May	June 15, 2016	1,577	0.130
June	July 15, 2016	1,577	0.130
July	August 15, 2016	1,613	0.133
August	September 15, 2016	1,613	0.133
September	October 15, 2016	1,614	0.133
October	November 15, 2016	1,614	0.133
November	December 15, 2016	1,614	0.133
December	December 31, 2016	1,613	0.133
		\$18,901	\$1.558

The December 2016 distribution was declared on December 19, 2016 and paid on January 31, 2017 and is reported as a current liability as at December 31, 2016. On February 1, 2017 the Fund declared the January 2017 monthly distribution to unitholders of 13.3¢ per unit or \$1,613,000, payable on February 28, 2017.

DIVIDENDS ON TRADE MARKS' COMMON SHARES

During 2016, Trade Marks declared and paid dividends on its voting and non-voting common shares as follows:

(dollars in thousands except per share amounts)		Aggregate	Aggregate
Month declared/paid	Per share	amount paid to the Fund	amount paid to Food Services
January	\$0.0625	\$1,516	\$404
February	0.0625	1,516	404
March	0.0625	1,517	403
April	0.0625	1,517	403
May	0.0650	1,577	420
June	0.0650	1,577	420
July	0.0665	1,613	430
August	0.0665	1,613	430
September	0.0665	1,614	429
October	0.0665	1,614	429
November	0.0665	1,614	429
December	0.0665	1,613	450
	\$0.7790	\$18,901	\$5,051

In addition to the dividends on voting and non-voting common shares above, Trade Marks declared and paid to Food Services special dividends of \$225,000 representing the dividends that Food Services would have received on the 315,548 non-voting common shares issued to Food Services on December 19, 2016 in relation to the final consideration for the January 5, 2016 adjustment to the Royalty Pool, had they been issued on January 5, 2016.

On February 1, 2017, Trade Marks declared an aggregate dividend on its voting and non-voting common shares of \$2,110,000 payable to Food Services and the Fund on February 28, 2017.

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.

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)	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Number of restaurants in the Royalty Pool	838	838	838	838
Royalty income	\$10,545	\$8,354	\$7,922	\$7,314
General and administrative expenses	214	56	60	256
Term loan and other interest expense	781	593	589	611
Amortization of deferred financing fees	10	7	8	8
Non cash loss (gain) on interest rate swaps	(1,986)	(26)	(161)	1,084
Current income tax expense	1,982	1,596	1,519	1,403
Refundable income tax	363	400	257	1,009
Deferred income tax (recovery) expense	208	(128)	(108)	(386)
Net income	\$8,973	\$5,856	\$5,758	\$3,329
Distributable cash ⁽¹⁾	\$7,568	\$6,109	\$5,754	\$5,044
Number of equivalent units ⁽²⁾	15,517,988	15,517,988	15,517,988	15,517,988
Distributable cash per equivalent unit ⁽¹⁾⁽²⁾	\$0.488	\$0.393	\$0.371	\$0.325
Monthly distributions declared per unit ⁽³⁾	\$0.532	\$0.396	\$0.380	\$0.250
Number of days in the quarter	111	84	84	87
(dollars in thousands except per unit amounts)	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Number of restaurants in the Royalty Pool	814	814	814	814
Royalty income	\$10,444	\$7,835	\$7,474	\$6,073
General and administrative expenses	117	100	82	259
Term loan and other interest expense	773	557	554	535
Amortization of deferred financing fees	10	8	8	7
Non cash loss (gain) on interest rate swaps	30	1,755	(2,055)	2,766
Current income tax expense	1,792	1,411	1,261	1,196
Deferred income tax (recovery) expense	16	(382)	427	(720)
Net income	\$7,706	\$4,386	\$7,197	\$2,030
Distributable cash ⁽¹⁾	\$7,762	\$5,767	\$5,577	\$4,083
Number of equivalent units ⁽²⁾	14,870,367	14,870,367	14,870,367	14,870,367
Distributable cash per equivalent unit ⁽¹⁾⁽²⁾	\$0.522	\$0.387	\$0.375	\$0.275
Monthly distributions declared per unit ⁽³⁾	\$0.496	\$0.359	\$0.351	\$0.234
Number of days in the quarter	116	84	84	81

- (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 2016 includes the 157,774 LP units exchanged for 315,548 common shares of Trade Marks representing the final consideration paid in December 2016 for the January 5, 2016 adjustment to the Royalty Pool. The number of equivalent units and distributable cash per equivalent unit in 2015 includes the 181,101 LP units exchanged for 362,202 common shares of Trade Marks representing the final consideration paid in December 2015 for the January 5, 2015 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.

SELECTED ANNUAL INFORMATION

The following selected annual information, other than “Same store sales growth”, “Total distributable cash available for distributions and dividends” and “Net income, excluding non-cash items”, has been prepared in accordance with IFRS and all dollar amounts are reported in Canadian currency.

(dollars in thousands except per unit amounts)	2016	2015	2014
Same store sales growth ⁽¹⁾	+3.4%	+7.6%	+6.3%
Number of restaurants in the Royalty Pool	838	814	790
Sales reported by the restaurants in the Royalty Pool	\$1,137,830	\$1,060,851	\$957,194
Royalty income	\$34,135	\$31,826	\$28,716
Total distributable cash generated for distributions and dividends ⁽²⁾	\$24,475	\$23,189	\$20,813
Total distributions declared per unit	\$1.558	\$1.440	\$1.404
Net income	\$23,916	\$21,319	\$16,987
Basic and diluted income per weighted average unit outstanding	\$1.542	\$1.434	\$1.186
Net income, excluding non-cash items ⁽³⁾	\$22,446	\$23,189	\$20,813
Total assets	\$237,366	\$221,526	\$206,802
Trade Marks’ term loan	\$59,967	\$59,934	\$59,901

(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. See “Sales Performance”.

(2) Distributable cash 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 identifies the amount of actual cash available to pay distributions to unitholders and dividends to Food Services. See “Distributable Cash”.

(3) Net income includes non-cash gains and losses on interest rate swaps, 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.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS 15, *Revenue from contracts with customers*, converges standards from the IASB and the Financial Accounting Standards Board (FASB) on revenue recognition. The standard is effective for periods beginning on or after January 1, 2018. The standard will improve the financial reporting of revenue and improve comparability of the top line financial statements globally. The Fund has yet to complete its analysis of the impact of this new standard; however,

it does not expect the adoption of this standard to have a material impact on the consolidated financial statements.

IFRS 9, *Financial Instruments*, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and is effective for periods beginning on or after January 1, 2018. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund has yet to complete its analysis of the impact of this new standard; however, it does not expect the adoption of this standard to have a material impact on the consolidated financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Fund.

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 0.5% and are repayable on demand. As at December 31, 2016, the amount of the facility available was \$1,510,000 (February 14, 2017 and December 31, 2015 - \$2,000,000).

Trade Marks has a \$60,000,000 term loan with the Bank. The term loan is repayable on December 22, 2017; however, management intends to enter into a new loan agreement with the Bank with a maturity date that coincides with the maturity date of the interest rate swap agreement. The term loan contains a number of 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 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 February 14, 2017, December 31, 2016 and December 31, 2015.

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 4.3% per annum, comprised of 2.8% per annum which is fixed under the swap agreement until December 22, 2022 (five years beyond the December 22, 2017 maturity date of the term loan), plus a 1.5% per annum credit charge which is subject to review by the Bank on December 22, 2017. The fair value of this interest rate swap as at December 31, 2016 was \$4,173,000 unfavourable (December 31, 2015 - \$5,262,000 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	\$60,000	\$0	\$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, royalty income of \$34,135,000 (2015 - \$31,826,000) was earned from Food Services of which \$2,467,000 (December 31, 2015 - \$2,872,000) is receivable at December 31, 2016. Royalty income earned during the quarter was \$10,545,000 (2015 - \$10,444,000).

During the year, Trade Marks declared and paid dividends to Food Services of \$5,276,000 (2015 - \$3,944,000). Dividends declared payable to Food Services during the quarter were \$1,964,000 (2015 - 1,529,000).

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 December 31, 2016 was \$4,173,000 unfavourable (December 31, 2015 - \$5,262,000 unfavourable) and the change in fair value is recorded in the consolidated statements of income as a gain on interest rate swaps.

FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, distributions payable to unitholders, the demand operating loan facility, the term loan, and the interest rate swap. The Fund classifies its financial instruments as follows:

- Cash and cash equivalents and accounts receivable as loans and receivables, which are initially measured at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- Accounts payable and accrued liabilities, distributions payable to unitholders, the demand operating loan facility and the term loan as financial liabilities. Accounts payable and accrued liabilities 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. Distributions payable to unitholders are recognized at the amount required to be paid. The demand operating loan facility and the term loan are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.
- The interest rate swap is a derivative financial instrument and is recorded at fair value 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, distributions payable to unitholders, the demand operating loan facility and the term loan approximate their carrying values given the short term to maturity of these instruments. The fair value of the interest rate swap is \$4,173,000 unfavourable (2015 - \$5,262,000 unfavourable).

The Fund's trustees have oversight responsibilities for risk management policies. The Fund's 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 relate to royalties due from Food Services to the Partnership which were paid on January 27, 2017.

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 an interest rate swap 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 makes adjustments to 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.

DISCLOSURE CONTROLS

Disclosure controls and procedures have been designed, established and maintained to provide reasonable assurance that (i) material information relating to the Fund is made known to the Fund's management, including its Chief Executive Officer (CEO) and Chief Financial Officer (CFO) particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Fund in its annual filings, interim filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation of the effectiveness of the Fund's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, was carried out under the supervision of and with the participation of management, including the CEO and CFO. Based upon that evaluation, the CEO and the CFO have concluded that the design and operation of these disclosure controls and procedures were effective in providing reasonable assurance that (i) material information relating to the Fund is made known to the Fund's management, including its CEO and CFO particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Fund in its annual filings, interim filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

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 (COSO).

Management, including the CEO and CFO, conducted an evaluation of the effectiveness of the Fund's controls over financial reporting at the financial year end. That evaluation was undertaken on a risk based approach using the elements of COSO's updated framework. Based upon that evaluation, the CEO and CFO have concluded that the Fund's internal control over financial reporting was effective as at December 31, 2016. 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

The Restaurant Industry

The net earnings and distributable cash generated by the Fund are directly dependent upon the royalty the Partnership receives from Food Services, the Fund's general and administrative expenses, debt service obligations and income tax obligations. The growth of the royalty is dependent upon the ability of Food Services to (i) grow same store sales, (ii) maintain and grow the current system of franchises, (iii) locate new retail sites in prime locations and (iv) obtain qualified operators to become A&W franchisees.

Sales are subject to a number of factors that affect the restaurant industry generally and the quick service segment of this industry in particular, including the highly competitive nature of the industry, traffic patterns, demographic considerations and the type, number and proximity of competing quick service restaurants. Any significant event that adversely affects consumption of quick service food and beverages, such as, increased food and labour costs, changing tastes or health concerns, inflation, publicity from any food borne illness, government regulations concerning menu labelling or disclosure and drive-thru restrictions, could adversely impact the sales of A&W restaurants and consequently, the amount of the royalty payable to the Partnership.

Economic conditions, unemployment, changes in disposable consumer income, and a disease outbreak, could adversely impact consumer visits to restaurants and consequently, sales in A&W restaurants and royalty income for the Partnership. Any significant event that adversely impacts traffic to shopping centres, including closures of "anchor" stores, could adversely impact the sales of A&W restaurants in those shopping centres and consequently, the amount of the royalty payable to the Partnership.

The introduction of sales taxes upon sales by restaurants could negatively impact sales at A&W restaurants. In addition, an increase in sales taxes on sales by restaurants could adversely affect sales at A&W restaurants.

Food Services competes with other companies, including other well-capitalized franchisors with extensive financial, technological, marketing and personnel resources and high brand name recognition and awareness. There can be no assurance that Food Services or its franchisees will be able to respond to various competitive factors affecting the franchise operations of Food Services in the quick service restaurant industry.

Sales by A&W franchisees are dependent upon the availability and quality of raw materials used in the products sold by such A&W franchisees. The availability and price of these commodities are subject to fluctuation and may be affected by a variety of factors affecting the supply and demand of the products used in these products. A significant reduction in the availability or quality of raw materials purchased by A&W franchisees resulting from any of the above factors could have a material adverse effect on sales of A&W restaurants.

Certain of the products that Food Services provides to A&W franchisees are sourced from a single or a limited number of suppliers. An interruption in the supply of such products could materially adversely affect sales in A&W restaurants.

Food Services faces competition for retail locations and franchisees from its competitors and from franchisors of other businesses. Food Services' inability to successfully obtain qualified franchisees could adversely affect its business development. The opening and success of franchised restaurants is dependent on a number of factors, including the availability of suitable sites, negotiations of acceptable lease or purchase terms for new locations, permits and government regulatory compliance, continued access to suitable financing, the ability to meet construction schedules, and the availability of experienced management and hourly employees (including limitations on temporary foreign workers). Increases in minimum wage rates may also affect the opening and success of franchisee restaurants, as a significant portion of the employees of these restaurants are paid at rates related to minimum wage. A&W franchisees may not have all these business abilities or access to financial resources necessary to open an A&W restaurant or to successfully develop or operate an A&W restaurant in their franchise areas in a manner consistent with Food Services' standards.

Food Services depends on the uninterrupted operation of its information systems, networks and services including point-of-sale processing at restaurants, to operate its business. Food Services' operations depend on its ability to protect its computer equipment and systems against damage from physical theft, fire, power loss, computer and telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive events. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new systems or platforms or a breach in security of these systems could result in transaction errors, processing inefficiencies, the loss of or failure to attract new customers, the loss of sales, the loss of or unauthorized access to confidential and personal information, the loss of or damage to intellectual property or trade secrets, damage to Food Services' reputation, litigation, regulatory enforcement actions, violation of privacy, security or other laws and regulations and remediation costs. Furthermore, adverse publicity resulting from allegations of security breaches resulting in the theft of credit and debit card information or personal information of guests may materially affect the sales of A&W restaurants.

Sales at A&W restaurants can be materially and adversely affected by publicity, including social media, alleging food-related illnesses, injuries suffered on the premises, poor food quality or safety or any other health or operational concerns relating to one or more A&W restaurants. Adverse publicity resulting from such allegations, any related litigation or from public health inspection reports may materially affect guest traffic at one or more restaurants, reducing sales in A&W restaurants, regardless of whether such allegations are true or whether Food Services or an A&W franchisee is ultimately held liable. Food Services has a number of procedures in place

for managing food safety and quality, however the risk of food borne illness or contamination cannot be completely eliminated. Any outbreak of such illness or contamination at an A&W restaurant or within the foodservice industry more generally (even if it does not affect any A&W restaurants), or the perception of such an outbreak, could have a material adverse effect on sales in A&W restaurants.

Income Tax Matters

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts, SIFTs and partnerships will not be further changed in a manner which adversely affects the Fund and its unitholders.

OUTLOOK

A&W is a strategy driven company with initiatives in place aimed at growing market share in the quick service restaurant (QSR) burger market. These initiatives include repositioning and differentiating A&W in the QSR industry through its use of “better ingredients”, accelerating new restaurant growth, and delivering an industry leading guest experience.

A&W began sourcing “better ingredients” in 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. 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, vegetarian 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 diet without animal by-products. Breakfast was further supported by the launch in January 2015 of organic and Fair Trade coffee, 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’s raised without the use of antibiotics. Also in 2016, Food Services announced that A&W restaurants switched to French’s ketchup and mustard, made with 100% Canadian tomatoes and 100% Canadian mustard seeds.

Menu innovation continued in 2016 with the launch of a new chicken menu featuring the Chicken Buddy Burger and the Spicy Habanero Chicken Burger. The new chicken menu also features a new all-natural 7-grain bun made without preservatives and additives. Limited time offers in 2016 included the Peppered Bacon Burger, Smoky BBQ Teen Burger and Mushroom Mozza Burger. Lettuce wrapped burgers were also added to the permanent menu. All of 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. Thirty-one new A&W restaurants were opened across the country in 2016 with twenty-one of these new restaurants located in Ontario and Quebec.

A third strategic initiative of Food Services is to deliver an industry leading guest experience. This initiative includes the ongoing re-imaging and modernizing of our existing restaurants, and innovation in equipment, operating systems and technology. Including the new restaurants opened in the new design since the beginning of the re-image program, over 80% of A&W’s restaurants now have the new design. Costs of re-imaging A&W restaurants are borne by the

franchisees and there is no cost to the Fund. New “Good Food Makes Good Food” interior elements are also being introduced in restaurants to communicate Food Services’ ingredients guarantee to its guests.

Food Services is also taking steps to reduce its environmental impact. Foil bags have been replaced with compostable paper. Dine-in orders for fries and onion rings are served in reusable wire baskets and dine-in breakfasts are served on real china with metal cutlery.

Food Services’ mission is “to delight time-crunched Canadian burger lovers with the joy of great tasting natural food, made by people they trust”.

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; management’s intention to enter into a new loan agreement with the Bank with a maturity date that coincides with the maturity date of the interest swap agreement; 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; and, the Fund, through dividends from Trade Marks, is expected to have sufficient financial resources to pay future distributions.

The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: the general risks that affect the restaurant industry will not arise including that there are no changes in availability of experienced management and hourly employees and no material changes in government regulations concerning menu labelling and disclosure and drive-thru restrictions; no publicity from any food borne illness; no changes in competition; no 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 impact on sales from closures of “anchor” stores in shopping centres; no 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 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 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 alleging food-related illness, injuries suffered on the premises

or other food quality, health or operations concerns; 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 that could cause actual results to differ materially from the results anticipated by the forward-looking information. The factors which could cause results to differ from current expectations include, but are not limited to: general risks that affect the restaurant industry including changes in the availability of experienced management and hourly employees and changes in government regulations concerning menu labelling and disclosure and drive-thru restrictions; publicity from any food-borne illness; competition; changes in the quick service restaurant burger market including as a result of changes in consumer taste and health concerns and changes in economic conditions and unemployment and a disease outbreak; adverse impact on sales from closures of "anchor" stores in shopping centres; increases in food and labour costs; dependence on the availability and quality of raw materials; dependence on additional franchise sales and franchise operations; Food Services' ability to grow same store sales; Food Services' ability to maintain and grow the current system of franchises; Food Services' ability to locate new retail sites in prime locations; Food Services' ability to obtain qualified operators to become A&W franchisees; the closure of A&W restaurants may affect the amount of the Royalty; changes in traffic patterns at shopping centres; dependence on certain suppliers; dependence on A&W franchisees' ability to pay franchise fees and other amounts; the impact of new or increased sales taxes upon gross sales; dependence on key personnel; dependence on intellectual property; potential litigation from guests alleging food-related illness, injuries suffered on the premises or other food quality, health or operations concerns; dependence of the Fund on Trade Marks, the 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 relating to the nature of units; risks relating to the distribution of securities on redemption or termination of the Fund; the Fund may issue additional units diluting existing unitholders' interests; and, income tax matters, all as more particularly described in this MD&A under the heading "Risks and Uncertainties" and in the Fund's 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.



February 14, 2017

Independent Auditor's Report

To the Unitholders of A&W Revenue Royalties Income Fund

We have audited the accompanying consolidated financial statements of A&W Revenue Royalties Income Fund and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2016 and 2015, and the consolidated statements of income and comprehensive income, unitholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of A&W Revenue Royalties Income Fund and its subsidiaries as at December 31, 2016 and 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants

A&W Revenue Royalties Income Fund

Consolidated Balance Sheets

As at December 31, 2016 and 2015

(in thousands of dollars)

	Note	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents		1,751	2,604
Accounts receivable	12	2,467	2,872
Prepaid interest		306	296
Income taxes recoverable		182	100
		4,706	5,872
Non-current assets			
Intangible assets	4	232,660	215,654
Total assets		237,366	221,526
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		213	235
Distributions payable to Unitholders	10	1,613	1,516
Demand operating loan facility	5	490	-
Term loan	5	59,967	-
		62,283	1,751
Non-current liabilities			
Term loan	5	-	59,934
Fair value of interest rate swaps	5	4,173	5,262
Deferred income tax liabilities	6	11,515	11,929
		77,971	78,876
Unitholders' Equity			
Fund Units	7	248,800	248,800
Accumulated deficit		(151,694)	(151,495)
		97,106	97,305
Non-controlling interest			
		62,289	45,345
Total equity			
		159,395	142,650
Total liabilities and equity			
		237,366	221,526
Subsequent events			
	15		

On behalf of the Board of Trustees

(signed) John R. McLernon Trustee

(signed) Richard N. McKerracher Trustee

The accompanying notes are an integral part of these consolidated financial statements.

A&W Revenue Royalties Income Fund
Consolidated Statements of Income and Comprehensive Income
For the years ended December 31, 2016 and 2015

(in thousands of dollars except per Unit amounts)

	Note	2016 \$	2015 \$
Gross sales reported by the A&W restaurants in the Royalty Pool		1,137,830	1,060,851
Royalty income		34,135	31,826
Expenses			
General and administrative		586	558
Interest expense			
Term loan and other		2,574	2,419
Amortization of financing fees		33	33
		3,193	3,010
Operating income		30,942	28,816
(Gain) loss on interest rate swaps	5	(1,089)	2,496
Income before income taxes		32,031	26,320
Provision for (recovery of) income taxes			
Current			
Current income tax provision	6	6,500	5,660
Refundable income tax	6	2,029	-
Deferred	6	(414)	(659)
		8,115	5,001
Net income and comprehensive income for the year		23,916	21,319
Net income and comprehensive income attributable to Unitholders of A&W Revenue Royalties Income Fund		18,702	17,396
A&W Food Services of Canada Inc.'s non-controlling interest in A&W Trade Marks Inc.		5,214	3,923
		23,916	21,319
Basic and diluted income per weighted average Unit outstanding		1.542	1.434
Weighted average number of Units outstanding		12,131,373	12,131,373

The accompanying notes are an integral part of these consolidated financial statements.

A&W Revenue Royalties Income Fund

Consolidated Statements of Unitholders' Equity

For the years ended December 31, 2016 and 2015

(in thousands of dollars)

	Note	Fund Units \$	Accumulated deficit \$	Total \$	Non- controlling interest \$	Total equity \$
Balance as at December 31, 2014		248,800	(151,422)	97,378	31,771	129,149
Net income for the year		-	17,396	17,396	3,923	21,319
Distributions on Units	10	-	(17,469)	(17,469)	-	(17,469)
Dividends on common shares	12	-	-	-	(3,944)	(3,944)
Issue of common shares	4	-	-	-	13,595	13,595
Balance as at December 31, 2015		248,800	(151,495)	97,305	45,345	142,650
Net income for the year		-	18,702	18,702	5,214	23,916
Distributions on Units	10	-	(18,901)	(18,901)	-	(18,901)
Dividends on common shares	12	-	-	-	(5,276)	(5,276)
Issue of common shares	4	-	-	-	17,006	17,006
Balance as at December 31, 2016		248,800	(151,694)	97,106	62,289	159,395

The accompanying notes are an integral part of these consolidated financial statements.

A&W Revenue Royalties Income Fund

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(in thousands of dollars)

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Net income for the year		23,916	21,319
Adjustments for:			
Deferred income tax		(414)	(659)
Non-cash (gain) loss on interest rate swaps		(1,089)	2,496
Amortization of financing fees		33	33
Interest expense		2,574	2,419
Refundable income tax		2,029	-
Current income tax provision		6,500	5,660
Net changes in items of non-cash working capital	9	383	(220)
Interest paid		(2,584)	(2,348)
Income taxes paid		(8,611)	(5,563)
Net cash provided by operating activities		<u>22,737</u>	<u>23,137</u>
Cash flows used in financing activities			
Use (repayment) of demand operating loan facility		490	(782)
Dividends paid to non-controlling interest		(5,276)	(3,944)
Distributions paid to Unitholders		(18,804)	(17,372)
Net cash used in financing activities		<u>(23,590)</u>	<u>(22,098)</u>
(Decrease) increase in cash and cash equivalents		(853)	1,039
Cash and cash equivalents – Beginning of year		<u>2,604</u>	<u>1,565</u>
Cash and cash equivalents – End of year		<u>1,751</u>	<u>2,604</u>

The accompanying notes are an integral part of these consolidated financial statements.

A&W Revenue Royalties Income Fund

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(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 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.

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). Food Services is a franchisor of hamburger quick service restaurants in Canada.

2 Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Those areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

These consolidated financial statements were authorized for issue by the Board of Trustees of the Fund on February 14, 2017.

3 Significant accounting policies, judgments and estimation uncertainty

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of the interest rate swap to fair value through the consolidated statements of income.

A&W Revenue Royalties Income Fund

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(figures in tables are expressed in thousands of dollars)

Consolidation

The financial statements include the accounts of the Fund and its 78.2% interest in Trade Marks and its subsidiary, the Partnership (together the subsidiaries). The Fund controls its subsidiaries when it is exposed to or it has rights to variable returns from its involvement with its subsidiaries and has the ability to affect those returns through its power over the subsidiaries.

Changes in the Fund's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interest

The non-controlling interest represents an equity interest in Trade Marks owned by Food Services. The share of net assets of the Fund's subsidiary attributable to non-controlling interest is presented as a component of equity. Food Services' share of net income and comprehensive income is recognized directly in equity.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Fund and its subsidiaries.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. 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 estimate 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.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and short-term investments with an original maturity date of three months or less.

A&W Revenue Royalties Income Fund

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(figures in tables are expressed in thousands of dollars)

Accounts receivable

Accounts receivable are amounts due from Food Services for services performed in the ordinary course of business. These amounts are classified as current because collection is expected in one year or less. Accounts receivable are recognized initially at the amount expected to be received, less, when material, a discount to reduce the recoverable amount to fair value. Subsequently, accounts receivable are measured at amortized cost using the effective interest method less a provision for the impairment.

Intangible assets - trade-marks

The intangible assets are the A&W trade-marks, which have an indefinite useful life that was originally recorded at fair value at the date of acquisition. The assets are subject to an impairment test annually or earlier if events and circumstances dictate as required by International Accounting Standards (IAS) 36, *Impairment of Assets*. An impairment loss is recognized whenever the carrying amount of the intangible assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in the consolidated statements of income.

Impairment of financial assets

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss.

The amount of the loss, if any, is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of income.

Income per Fund Unit

The Fund's income per Unit is based on the net income attributable to Fund Unitholders and the weighted average number of Units outstanding during the period.

Interest rate swaps

The Fund uses interest rate swap agreements to manage risks from fluctuations in interest rates. All such instruments are used only for risk management purposes. Changes in the fair value of the Fund's interest rate swap agreements are recognized in the consolidated statements of income in accordance with the terms of the agreements (note 5).

A&W Revenue Royalties Income Fund

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(figures in tables are expressed in thousands of dollars)

Income taxes

Income tax comprises current and deferred tax and is recognized in the consolidated statements of income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The Fund uses the weighted average tax rate of its subsidiaries. The Fund, as a legal entity, is not currently taxed on its income, as it receives dividends from Trade Marks which are not subject to the Specified Investment Flow-Through (SIFT) tax. Therefore, Trade Marks' substantively enacted tax rate is used.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

Revenue recognition

Revenue is recognized on an accrual basis in accordance with the relevant agreements. It comprises royalty income equal to 3% of reported sales from specific A&W restaurants in Canada that are in the Royalty Pool.

Interest paid

Cash flows relating to interest paid have been classified as operating activities in the consolidated statements of cash flows.

Financial instruments

Financial assets and liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognized when the rights to receive or obligation to pay cash flows from the assets or liabilities have expired or been settled or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

At initial recognition, the Fund classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- a) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund's loans and receivables comprise cash and cash equivalents and accounts receivable and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

A&W Revenue Royalties Income Fund

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(figures in tables are expressed in thousands of dollars)

- b) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, distributions payable to Unitholders, the demand operating loan facility and the term loan. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Distributions payable are recognized at the amount required to be paid. The demand operating loan facility and the term loan are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs at which point it is netted against proceeds as a transaction cost. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

- c) Derivative financial instruments: The Fund utilizes derivative financial instruments in the normal course of its operations as a means to manage risks from fluctuations in interest rates. The Fund records all derivatives at fair value through net income, and its policy is to not utilize derivative financial instruments for trading or speculative purposes. The Fund's derivatives are interest rate swaps with changes in fair value recorded in the consolidated statements of income.

New standards and interpretations not yet adopted

IFRS 15, *Revenue from Contracts with Customers*, converges standards from the IASB and the Financial Accounting Standards Board (FASB) on revenue recognition. The standard is effective for periods beginning on or after January 1, 2018. The standard will improve the financial reporting of revenue and improve comparability of the top line financial statements globally. The Fund has yet to complete its analysis of the impact of this new standard; however, it does not expect the adoption of this standard to have a material impact on the consolidated financial statements.

IFRS 9, *Financial Instruments*, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and is effective for periods beginning on or after January 1, 2018. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund has yet to complete its analysis of the impact of this new standard; however, it does not expect the adoption of this standard to have a material impact on the consolidated financial statements.

A&W Revenue Royalties Income Fund

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(figures in tables are expressed in thousands of dollars)

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Fund.

4 Intangible assets

	Number of new restaurants	Number of closed restaurants	Number of restaurants in Royalty Pool	Amount \$
Balance as at December 31, 2014	891	(101)	790	202,059
Annual adjustment January 5, 2015	32	(8)	24	13,595
Balance as at December 31, 2015	923	(109)	814	215,654
Annual adjustment January 5, 2016	32	(8)	24	17,006
Balance as at December 31, 2016	955	(117)	838	232,660

The intangible assets are the A&W trade-marks used in the A&W quick service restaurant business in Canada.

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 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 14th annual adjustment to the Royalty Pool took place on January 5, 2016. The number of A&W restaurants in the Royalty Pool was increased by 32 new restaurants less eight restaurants that permanently closed during 2015. The Partnership paid Food Services \$12,863,000, by issuance of 489,847 LP units to Food Services, representing 80% of the initial consideration based on the estimated annual sales of the net new restaurants. The LP units were subsequently exchanged for 979,694 non-voting common shares of Trade Marks.

The final adjustment to the number of LP units issued was made on December 19, 2016 based on the actual annual sales reported by the new restaurants. The actual annual sales of the 32 new A&W restaurants were \$43,599,000 compared to the original estimate of \$41,502,000. As a result, \$3,216,000 representing the remaining 20% of the initial consideration and additional consideration of \$927,000 were paid to Food Services by issuance of 157,774 additional LP units, which were exchanged for 315,548 non-voting common shares of Trade Marks.

A&W Revenue Royalties Income Fund

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(figures in tables are expressed in thousands of dollars)

5 Term loan and operating loan facility

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 the bank prime rate plus 0.5% and are repayable on demand. As at December 31, 2016, the amount of the facility available was \$1,510,000 (2015 - \$2,000,000).

Trade Marks has a \$60,000,000 term loan with the Bank. The term loan is repayable on December 22, 2017; however, management intends to enter into a new loan agreement with a maturity date that coincides with the maturity date of the interest rate swap agreement. The term loan contains a number of 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 December 31, 2016 and December 31, 2015.

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 4.3% per annum, comprising 2.8% per annum which is fixed under the swap, agreement until December 22, 2022 (five years beyond the December 22, 2017 maturity date of the loan) plus a 1.5% per annum credit charge which is subject to review by the Bank on December 22, 2017. The fair value of this interest rate swap as at December 31, 2016 was \$4,173,000 unfavourable (2015 - \$5,262,000 unfavourable) and the change in fair value is recorded in the consolidated statements of income as a gain on interest rate swaps.

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.

The term loan comprises:

	2016	2015
	\$	\$
Term loan	60,000	60,000
Financing fees	(33)	(66)
	<u>59,967</u>	<u>59,934</u>

A&W Revenue Royalties Income Fund

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(figures in tables are expressed in thousands of dollars)

6 Income taxes

- a) The provision for income taxes shown in the consolidated statements of income is equal to the amount obtained by applying statutory tax rates to the income before income taxes:

	2016	2015
Statutory combined federal and provincial income tax rates on investment income	19.0%	19.0%
	\$	\$
Provision for income taxes based on statutory income tax rates	6,086	5,001
Refundable tax	2,029	-
Provision for income taxes	8,115	5,001

- b) Deferred income tax liabilities comprise the following:

	2016	2015
	\$	\$
Timing difference of income of A&W Trade Marks Limited Partnership	(479)	(1,549)
Fair value of interest rate swaps	793	1,000
Intangible assets	(11,829)	(11,380)
	(11,515)	(11,929)

7 Fund Units

The Declaration of Trust provides that an unlimited number of Units may be issued. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions of the Fund and in the net assets of the Fund. All Units have equal rights and privileges. Each Unit entitles the holder thereof to participate equally in allocations and distributions and to one vote at all meetings of Unitholders for each whole Unit held. The Units issued are not subject to future calls or assessments.

A&W Revenue Royalties Income Fund

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(figures in tables are expressed in thousands of dollars)

Units are redeemable at any time at the option of the holder at amounts related to market prices at the time, subject to a maximum of \$50,000 in total cash redemptions by the Fund in any one month. The limitation may be waived at the discretion of the Trustees of the Fund. Redemption in excess of these amounts, assuming no limitation, shall be paid by way of distribution of a pro rata number of securities of Trade Marks held by the Fund.

	Number of Units	Equity \$
Balance as at December 31, 2015	12,131,373	248,800
Balance as at December 31, 2016	12,131,373	248,800

8 A&W Trade Marks Inc.

The common shares of Trade Marks are owned by the Fund and Food Services as follows:

	The Fund			Food Services			Total	
	Number of shares	Amount \$	%	Number of shares	Amount \$	%	Number of shares	Amount \$
Balance as at December 31, 2014	24,262,671	114,680	84.7	4,376,669	35,498	15.3	28,639,340	150,178
January 5, 2015 adjustment to the Royalty Pool	-	-	(3.1)	1,101,318	13,595	3.1	1,101,318	13,595
Balance as at December 31, 2015	24,262,671	114,680	81.6	5,477,987	49,093	18.4	29,740,658	163,773
January 5, 2016 adjustment to the Royalty Pool	-	-	(3.4)	1,295,242	17,006	3.4	1,295,242	17,006
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

The summarized financial information of Trade Marks is as follows:

	2016 \$	2015 \$
Current assets	3,092	4,355
Non-current assets	232,661	215,654
Current liabilities	703	235
Non-current liabilities	75,637	77,125
Revenue	34,135	31,826
Net income and comprehensive income	23,916	21,319

A&W Revenue Royalties Income Fund

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(figures in tables are expressed in thousands of dollars, except per Unit amounts)

9 Working capital

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

	2016	2015
	\$	\$
Accounts receivable	405	(258)
Accounts payable and accrued liabilities	(22)	38
	<u>383</u>	<u>(220)</u>

10 Distributions

During the year ended December 31, 2016, the Fund declared distributions to its Unitholders of \$18,901,000 or \$1.558 per Unit (2015 - \$17,469,000 or \$1.440 per Unit). The record dates and amounts of these distributions are as follows:

Month	Record date	Amount	Per Unit
		\$	\$
January 2016	February 15, 2016	1,516	0.125
February 2016	March 15, 2016	1,516	0.125
March 2016	April 15, 2016	1,517	0.125
April 2016	May 15, 2016	1,517	0.125
May 2016	June 15, 2016	1,577	0.130
June 2016	July 15, 2016	1,577	0.130
July 2016	August 15, 2016	1,613	0.133
August 2016	September 15, 2016	1,613	0.133
September 2016	October 15, 2016	1,614	0.133
October 2016	November 15, 2016	1,614	0.133
November 2016	December 15, 2016	1,614	0.133
December 2016	December 31, 2016	1,613	0.133
		<u>18,901</u>	<u>1.558</u>

The December 2016 distribution was declared on December 19, 2016 and paid on January 31, 2017, and is reported as a current liability as at December 31, 2016.

11 Compensation to key management

Key management personnel are the Trustees of the Fund. During the year, the Trustees earned \$102,000 (2015 - \$110,000).

A&W Revenue Royalties Income Fund

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(figures in tables are expressed in thousands of dollars)

12 Related party transactions and balances

During the year, royalty income of \$34,135,000 (2015 - \$31,826,000) was earned from Food Services, of which \$2,467,000 (2015 - \$2,872,000) is receivable at December 31, 2016.

During the year, Trade Marks paid dividends to Food Services of \$5,276,000 (2015 - \$3,944,000). The dividends paid to Food Services in 2016 include special dividends of \$225,000 representing the dividends that Food Services would have received on the 315,548 non-voting common shares issued to Food Services on December 19, 2016 in relation to the final consideration for the January 5, 2016 adjustment to the Royalty Pool (note 4), had they been issued on January 5, 2016. In 2015, Trade Marks paid special dividends of \$238,000 to Food Services representing the dividends that Food Services would have received on the 362,202 non-voting common shares issued to Food Services on December 15, 2015 in relation to the final consideration for the January 5, 2015 adjustment to the Royalty Pool, had they been issued on January 5, 2015.

13 Financial instruments and financial risk management

Fair values

Management estimates that the fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, distributions payable to Unitholders, the demand operating loan facility and the term loan approximate their carrying values given the short term to maturity of these instruments. The fair value of the interest rate swap is \$4,173,000 unfavourable (2015 - \$5,262,000 unfavourable).

Fair value estimation

The Fund analyses financial instruments carried at fair value by the valuation method. The different levels have been identified as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly derived from prices; and
- Level 3 - Inputs from the asset or liability that are not based on observable market data (that is, unobservable inputs).

The interest rate swap is measured at fair value as a Level 3 financial instrument and is measured using valuation techniques. These valuation techniques utilize significant inputs that are not based on observable market data.

A&W Revenue Royalties Income Fund

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(figures in tables are expressed in thousands of dollars)

Credit risk

The Fund's exposure to credit risk is as indicated by the carrying amount of its accounts receivable. All of the accounts receivable relate to royalties due from Food Services to the Partnership which were paid on January 27, 2017.

Liquidity risk

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. Trade Marks' term loan is repayable on December 22, 2017 and is therefore presented as a current liability on the consolidated balance sheet as at December 31, 2016. As disclosed in note 5, management intends to enter into a new loan agreement with a maturity date that coincides with the maturity date of the interest rate swap agreement.

Interest rate risk

The demand operating loan facility and the term loan bear floating rates of interest as disclosed in note 5. Trade Marks has used an interest rate swap 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.

14 Capital disclosures

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 redemption of Units. The Fund manages its capital structure and makes adjustments to 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 its distributions paid to Unitholders.

A&W Revenue Royalties Income Fund

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(figures in tables are expressed in thousands of dollars)

15 Subsequent events

On January 5, 2017, the number of A&W restaurants in the Royalty Pool was increased by 30 new restaurants less seven restaurants that permanently closed during 2016. The initial consideration for the estimated royalty revenue from the net 23 restaurants added to the Royalty Pool is \$15,046,000. The Partnership paid Food Services \$12,037,000 by issuance of 346,386 LP units, representing 80% of the initial consideration. The LP units were exchanged for 692,772 non-voting common shares of Trade Marks. The remaining 20% or \$3,009,000 and a final adjustment to the consideration based on the actual annual sales reported by the new restaurants will be paid in December 2017 by issuance of additional LP units, which may be exchanged for non-voting common shares of Trade Marks.

On February 1, 2017, Trade Marks declared dividends on its voting and non-voting common shares of \$2,110,000 payable to Food Services and the Fund on February 28, 2017.

On February 1, 2017, the Fund declared a distribution to Unitholders of \$0.133 per Unit or \$1,613,000, payable on February 28, 2017 to Unitholders of record as at February 15, 2017.

Unitholder Information

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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⁾
Jefferson Mooney
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

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