A&W Revenue Royalties Income Fund

Q1

First Quarter Report to Unitholders
for the period ended
March 22, 2015

To our Unitholders

On behalf of the Trustees of the A&W Revenue Royalties Income Fund (the Fund), I am pleased to report the results of the first quarter ended March 22, 2015. Same store sales growth of A&W restaurants in the Royalty Pool for the first quarter of 2015 was +9.1%. These strong sales results reflect the consumer response to A&W Food Services' strategic initiatives aimed at repositioning and differentiating A&W as a "better burger" quick service restaurant (QSR) through the introduction of simple, great-tasting ingredients, farmed with care.

Same store sales growth has been positive for the last eight quarters, and the Fund's annualized payout ratio has improved to 95.9% on a trailing four quarters basis.

Total sales of restaurants in the Royalty Pool increased by 10.3% in the first quarter as a result of the same store sales growth and the 2015 annual adjustment to the Royalty Pool which increased the number of restaurants in the Royalty Pool from 790 to 814 effective January 5, 2015.

In 2013, A&W Food Services was the first major QSR chain to use only beef raised without the use of hormones and steroids. Chicken is one of the fastest growing segments of the QSR industry, and A&W Food Services' move in 2014 to serve only chicken raised without the use of antibiotics was a key element in its strategy to accelerate growth. A&W Food Services also enhanced its breakfast menu by moving to eggs from hens fed only a vegetarian 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 major chain.

Distributable cash of $4,083,000 was generated in the quarter compared to $3,807,000 in the same quarter of 2014. Distributable cash per unit increased by 1.0 cents per unit to 27.6 cents per unit. Distributions of 23.4 cents per unit were declared in the quarter, the same level as 2014. The Fund's annual distribution rate is $1.404.

We are pleased with the continuing positive trend in the sales results. We have confidence in the aggressive strategies that are being implemented to build sales, grow market share and grow royalty income for the Fund.

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

A&W Revenue Royalties Income Fund
Management Discussion and Analysis

This Management Discussion and Analysis (MD&A) covers the first quarter period from January 1, 2015 to March 22, 2015 and is dated April 28, 2015. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of A&W Revenue Royalties Income Fund (the Fund) for the quarter ended March 22, 2015 and the audited annual consolidated financial statements of the Fund for the year ended December 31, 2014. Readers are also referred to the unaudited interim condensed consolidated financial statements of A&W Food Services of Canada Inc. (Food Services) for the quarter ended March 22, 2015 and the audited annual consolidated financial statements of Food Services for the year ended December 28, 2014. 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 in accordance with International Financial Reporting Standards (IFRS) as applicable to interim financial reports including International Accounting Standards (IAS) 34, Interim Financial Reporting. The accounting policies applied in the interim condensed consolidated financial statements and this report are consistent with those followed in the preparation of the Fund's annual consolidated financial statements for the year ended December 31, 2014.

HIGHLIGHTS

- Same store sales for the first quarter of 2015 grew by 9.1% as compared to the same quarter of 2014. Same store sales growth has been positive for eight consecutive quarters.
- Total sales in the Royalty Pool (as hereinafter defined) and royalty income increased by 10.3% for the first quarter compared to the same quarter of 2014.
- Distributable cash per unit increased in 2015 by 1.0¢ to 27.6¢ per unit compared to 26.6¢ per unit in the same quarter of 2014.

FISCAL YEAR

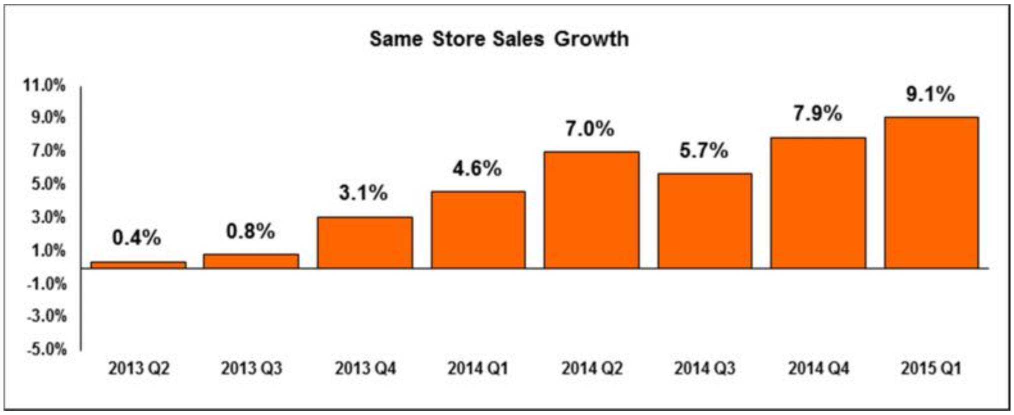
The Fund uses a fiscal year ending December 31. Food Services uses a fiscal year comprising a 52 or 53 week period ending on the Sunday nearest December 31. Food Services' fiscal 2014 year was 52 weeks and ended December 28, 2014 (2013 – 52 weeks ended December 29, 2013). To align its financial reporting with that of Food Services, the Fund's first quarter of 2015 was 81 days and ended March 22, 2015 (2014 – 82 days ended March 23, 2014), 12 weeks after Food Services' fiscal year end. Same store sales growth is based on an equal number of days in each quarter.

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 March 22, 2015.

Same store sales for the first quarter of 2015 grew by 9.1% as compared to the same quarter of 2014. Food Services' strategy to differentiate A&W with better ingredients, such as its beef raised without the use of hormones or steroids, "natural" eggs and chicken raised without the use of antibiotics, continued to build customer traffic and increase sales.

Same store sales growth has been positive for eight 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 first quarter of 2015 were $202,448,000, an increase of 10.3% from sales of $183,584,000 for the first quarter of 2014. The increase in sales was due to the same store sales growth and the sales from the 24 net new restaurants added to the Royalty Pool on January 5, 2015.

ADJUSTMENT TO THE ROYALTY POOL

The 2015 adjustment to the Royalty Pool took place on January 5, 2015. The number of A&W restaurants in the Royalty Pool was increased by 32 new restaurants less eight restaurants that permanently closed during 2014. The addition of these 24 net new restaurants brings the total number of A&W restaurants in the Royalty Pool to 814. The estimated annual sales of the 32 new A&W restaurants are $32,971,000 and annual sales for the eight permanently closed restaurants were $5,171,000. The initial consideration for the estimated additional royalty stream was $11,405,000, 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 27, 2014. The yield was adjusted to reflect income tax payable by Trade Marks. The Partnership paid Food Services 80% of the initial consideration ($9,124,000) by issuance of 369,558 LP units which were subsequently exchanged for 739,116 non-voting common shares of Trade Marks. The remaining 20% of the consideration ($2,281,000) will be paid in December 2015 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 2015 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, 2015 adjustment to the Royalty Pool, Food Services' indirect interest in the Fund increased to 17.4%.

FINANCIAL HIGHLIGHTS

The following table sets out selected information from the unaudited interim condensed consolidated financial statements of the Fund prepared in accordance with IFRS. Non-IFRS measures of same store sales growth, distributable cash and distributable cash per equivalent unit are shown to provide more meaningful information and identify the amount of actual cash available to pay distributions to unitholders and dividends to Food Services.

(dollars in thousands except per unit amounts)	**Period from Jan 1, 2015 to Mar 22, 2015**	Period from Jan 1, 2014 to Mar 23, 2014
Same store sales growth[(1)]	**+9.1%**	+4.6%
Number of restaurants in the Royalty Pool	**814**	790
Sales reported by the restaurants in the Royalty Pool	**$202,448**	$183,584
Royalty income	**$6,073**	$5,507
General and administrative expenses	**259**	239
Net third party interest expense	**535**	543
Current income taxes	**1,196**	918
Total distributable cash generated for distributions and dividends[(2)]	**$4,083**	$3,807
Distributable cash per equivalent unit (2015 – 14,781,656 units; 2014 – 14,319,708 units)[(2)(3)]	**$0.276**	$0.266
Distributions and dividends declared per equivalent unit	**$0.234**	$0.234
Net income[(4)]	**$2,030**	$2,440
Net income, excluding non-cash items[(4)]	**$4,083**	$3,807

(1) Same store sales growth is not an earnings measure recognized 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 is not an earnings measure recognized 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) The number of equivalent units and distributable cash per equivalent unit in 2015 includes the 92,390 LP units exchangeable for 184,780 common shares of Trade Marks representing the remaining 20% of the consideration for the January 5, 2015 adjustment to the Royalty Pool which is held back until December 2015 when the actual annual sales are reported by the new restaurants. The number of equivalent units and distributable cash per equivalent unit in 2014 includes the 210,490 LP units exchanged for 420,980 common shares of Trade Marks representing the final consideration paid in December 2014 for the January 5, 2014 adjustment to the Royalty Pool.

(4) Net income in 2015 and 2014 includes non-cash 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.

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 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 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 17.4% (2014 – 15.3%) 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.

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 $	%	Number of shares	Trade Marks' book value $
Balance as at December 31, 2013	24,262,671	114,680	89.1	2,961,009	19,862	10.9	27,223,680	134,542
January 5, 2014 adjustment to the Royalty Pool	-	-	(4.4)	1,415,660	15,636	4.4	1,415,660	15,636
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[1]	-	-	(2.1)	739,116	9,124	2.1	739,116	9,124
Balance as at March 22, 2015	24,262,671	114,680	82.6	5,115,785	44,622	17.4	29,378,456	159,302

[1] The number of common shares and consideration for the January 5, 2015 adjustment to the Royalty Pool does not include the remaining 20% of the consideration or $2,281,000 payable by issuance of 92,390 LP units exchangeable for 184,780 common shares of Trade Marks which is held back until December 2015 when the actual annual sales are reported by the new restaurants.

OWNERSHIP OF THE FUND

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

	March 22, 2015		December 31, 2014	
	Number of units	**%**	**Number of units**	**%**
Fund units held by public unitholders	12,131,373	82.6	12,131,373	84.7
Number of Fund units issuable upon exchange of securities of Trade Marks held by Food Services [1]	2,557,893	17.4	2,188,335	15.3
Total equivalent units	14,689,266	100.0	14,319,708	100.0

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

The chart below shows the ownership of the Fund, on a fully-diluted basis, when the remaining 20% of the consideration for the January 5, 2015 adjustment to the Royalty Pool is expected to be paid in December 2015, by issuance of 92,390 LP units exchangeable for 184,780 common shares of Trade Marks. The actual amount of the consideration paid in December 2015 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	82.1
Number of Fund units issuable upon exchange of securities of Trade Marks held by Food Services	2,650,283	17.9
Total equivalent units	14,781,656	100.0

RESULTS OF OPERATIONS

INCOME

Royalty income for the first quarter of 2015 was $6,073,000 based on sales of $202,448,000. This was an increase of 10.3% from royalty income of $5,507,000 and sales of $183,584,000 for the first quarter of 2014. The increase in sales and royalty income was due to the same store sales growth of 9.1% for the quarter as compared to the same quarter of 2014, and from the additional sales from the 24 net new A&W restaurants added to the Royalty Pool on January 5, 2015.

EXPENSES

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

(dollars in thousands)	**Period from Jan 1, 2015 to Mar 22, 2015**	Period from Jan 1, 2014 to Mar 23, 2014
General and administrative	**$259**	$239
Net interest on term loan and other	**$535**	$543

General and administrative expenses for the first quarter of 2015 increased by $20,000 to $259,000, compared to $239,000 for the first quarter of 2014. The increase in general and administrative expenses is primarily due to timing of expenses. Net interest on the term loan did not change significantly for 2015 as compared to 2014.

LOSS ON INTEREST RATE SWAPS

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

(dollars in thousands)	**Period from Jan 1, 2015 to Mar 22, 2015**	Period from Jan 1, 2014 to Mar 23, 2014
Loss on interest rate swaps	**$2,766**	$1,704

See "Liquidity and Capital Resources".

INCOME TAXES

The Fund 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 include income trusts such as the Fund. Trade Marks' taxable income is taxed at an effective rate of 19.0% (2014 – 19.0%).

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 transitional tax included in current income tax expense for the first quarter of 2015 is $161,000 (2014 - $163,000).

Deferred income taxes are 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 taxes are a non-cash item and had no impact on the Fund's cash available to pay distributions.

The Fund's income taxes were as follows:

(dollars in thousands)	**Period from Jan 1, 2015 to Mar 22, 2015**	Period from Jan 1, 2014 to Mar 23, 2014
Current income taxes	**$1,196**	$918
Deferred income taxes	**(720)**	(345)
Total provision for income taxes	**$476**	$573

The increase in current income taxes as compared to the prior year resulted from the increase in earnings before income taxes.

NET INCOME AND COMPREHENSIVE INCOME

Net income and comprehensive income was as follows:

(dollars in thousands)	**Period from Jan 1, 2015 to Mar 22, 2015**	Period from Jan 1, 2014 to Mar 23, 2014
Net income and comprehensive income attributable to unitholders of the Fund	**$1,677**	$2,098
Net income and comprehensive income attributable to Food Services' non-controlling interest in Trade Marks	**353**	342
Total net income and comprehensive income	**$2,030**	$2,440

Excluding the non-cash items described above, net income and comprehensive income was $4,083,000 for the first quarter of 2015, an increase of $276,000 over $3,807,000 for the first quarter of 2014.

DISTRIBUTABLE CASH

The distributable cash and payout ratio measures are provided as they identify the amount of actual cash available 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 are not earnings measures recognized 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.

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 Jan 1, 2015 to Mar 22, 2015**	Period from Jan 1, 2014 to Mar 23, 2014
Net cash generated from operating activities	**$5,405**	$4,674
Add: Changes in non-cash working capital including interest and tax	**(1,322)**	(867)
Distributable cash generated	**4,083**	3,807
Cumulative surplus – beginning of period	**2,372**	1,393
Distributable cash for unitholders at current annual distribution rate (2015 - $1.404 per unit, 2014 - $1.404 per unit)	**(3,780)**	(3,826)
Distributable cash for Food Services at equivalent annual distribution rate (2015 - $1.404 per equivalent unit, 2014 - $1.404 per equivalent unit)	**(804)**	(624)
Cumulative surplus – end of period	**$1,871**	$750
Number of equivalent units(1)	**14,781,656**	14,319,708
Distributable cash generated per equivalent unit(1)	**$0.276**	$0.266
Monthly distributions declared per unit(2)	**$0.234**	$0.234
Total distributions declared and accrued per unit	**$0.312**	$0.315
Payout ratio(3)	**113.0%**	118.4%

(1) The number of equivalent units and distributable cash per equivalent unit in 2015 includes the 92,390 LP units exchangeable for 184,780 common shares of Trade Marks representing the remaining 20% of the consideration for the January 5, 2015 adjustment to the Royalty Pool which is held back until December 2015 when the actual annual sales are reported by the new restaurants. The number of equivalent units and distributable cash per equivalent unit in 2014 includes the 210,490 LP units exchanged for 420,980 common shares of Trade Marks representing the final consideration paid in December 2014 for the January 5, 2014 adjustment to the Royalty Pool.

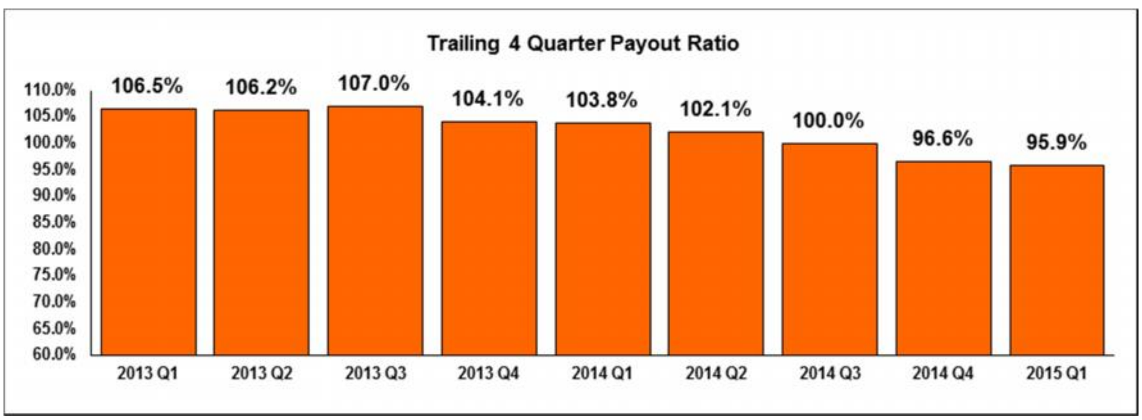
(2) In accordance with the Fund's Declaration of Trust, the Fund declares and records distributions in respect of any particular calendar month at the beginning of the immediate subsequent month, with the exception of the distribution for December of each year, which is declared and recorded in December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

(3) The payout ratio is calculated by dividing the total distributions (which includes distributions declared and distributions accrued to the last day of the quarter) by distributable cash generated in that period.

Distributable cash generated in the first quarter of 2015 to pay distributions to unitholders and dividends to Food Services was $4,083,000 compared to $3,807,000 in the first quarter of 2014. The $276,000 increase in distributable cash was comprised of the $566,000 increase in royalty income, less a $12,000 increase in general and administrative and interest expenses and $278,000 increase in current income taxes.

Distributable cash generated per equivalent unit increased by 1.0¢ to 27.6¢ per unit in the first quarter of 2015 from 26.6¢ for the first quarter of 2014. The increase in distributable cash per equivalent unit was due to the increase in royalty income resulting from the same store sales growth less the higher income tax expense.

Two monthly distributions totalling 23.4¢ per unit were declared in the first quarter of 2015, the same as 2014. The first quarter payout ratio improved to 113.0% for 2015 from 118.4% for the first quarter of 2014. 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% and this objective was met in 2014 with an annual payout ratio of 96.6%. The trailing four quarter payout ratio as at the end of the first quarter of 2015 was 95.9%. The following table shows the trailing four quarter payout ratio for 2013, 2014 and 2015.



The tax rules announced in 2011 for partnerships with misaligned year ends contributed to the higher payout ratio beginning in 2012. The impact of the transitional tax on distributable cash per equivalent unit was 3.8¢ per unit in 2012, 5.3¢ per unit in 2013, 5.1¢ per unit in 2014, and is expected to be 4.9¢ per unit in 2015. There will be no further transitional tax payable after 2016.

The cumulative surplus of distributable cash at the end of the first quarter of 2015 was $1,871,000, compared to a cumulative surplus of $2,372,000 at the beginning of the year, a decrease of $501,000. Surplus distributable cash historically decreases in the first half of the year due to the seasonality of sales in A&W restaurants.

DISTRIBUTIONS TO UNITHOLDERS

Distributions declared and paid during 2015 were as follows:

(dollars in thousands except per unit amounts) Month	Record date	Amount	Per unit
January	February 15, 2015	$1,419	$0.117
February	March 15, 2015	1,419	0.117
		$2,838	$0.234

The February distribution was paid on March 31, 2015, and is reported as a current liability as at March 22, 2015. On April 1, 2015, the Fund declared the March 2015 monthly distribution to unitholders of 11.7¢ per unit or $1,419,000, payable on April 30, 2015.

TAX TREATMENT OF DISTRIBUTIONS

Of the $0.234 per unit in distributions declared in 2015 year to date, 100% is designated as non-eligible dividends.

DIVIDENDS ON TRADE MARKS' COMMON SHARES

During 2015, Trade Marks declared and paid dividends on its voting and non-voting common shares as follows:

(dollars in thousands except per share amounts) Month	Per share	Aggregate amount paid to the Fund	Aggregate amount paid to Food Services
January	$0.0585	$1,419	$299
February	0.0585	1,419	299
	$0.1170	$2,838	$598

The February dividend was paid on March 31, 2015, and Food Services' share of $299,000 is reported as a current liability as at March 22, 2015. On April 1, 2015, Trade Marks declared an aggregate dividend on its voting and non-voting common shares of $1,718,000 payable to Food Services and the Fund on April 30, 2015.

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)	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Number of restaurants in the Royalty Pool	814	790	790	790
Royalty income	$6,073	$9,551	$7,031	$6,627
General and administrative expenses	259	337	99	104
Term loan and other interest expense	535	760	559	559
Amortization of deferred financing fees	7	10	8	7
Non cash loss on interest rate swaps	2,766	1,229	748	830
Current income tax expense	1,196	1,387	1,240	1,158
Deferred income tax recovery	(720)	(16)	(173)	(184)
Net income	$2,030	$5,844	$4,550	$4,153
Distributable cash(1)	$4,083	$7,067	$5,133	$4,806
Number of equivalent units(2)	14,781,656	14,319,708	14,319,708	14,319,708
Distributable cash per equivalent unit(1)(2)	$0.276	$0.494	$0.358	$0.336
Monthly distributions declared per unit (3)	$0.234	$0.468	$0.351	$0.351
Number of days in the quarter	81	115	84	84

(dollars in thousands except per unit amounts)	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Number of restaurants in the Royalty Pool	790	760	760	760
Royalty income	$5,507	$8,343	$6,333	$5,919
General and administrative expenses	239	252	90	89
Term loan and other interest expense	543	754	556	556
Amortization of deferred financing fees	8	10	8	7
Non cash (gain) loss on interest rate swaps	1,704	617	(3,055)	(1,405)
Current income tax expense	918	1,290	1,212	996
Deferred income tax (recovery) expense	(345)	(201)	1,057	78
Net income	$2,440	$5,621	$6,465	$5,598
Distributable cash(1)	$3,807	$6,047	$4,475	$4,278
Number of equivalent units(2)	14,319,708	13,611,878	13,611,878	13,611,878
Distributable cash per equivalent unit(1)(2)	$0.266	$0.444	$0.329	$0.314
Monthly distributions declared per unit (3)	$0.234	$0.468	$0.351	$0.351
Number of days in the quarter	82	114	84	84

(1) Distributable cash is not an earnings measure recognized 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 2015 includes the 92,390 LP units exchangeable for 184,780 common shares of Trade Marks representing the remaining 20% of the consideration for the January 5, 2015 adjustment to the Royalty Pool which is held back until December 2015 when the actual annual sales are reported by the new restaurants. The number of equivalent units and distributable cash per equivalent unit in 2014 includes the 210,490 LP units exchanged for 420,980 common shares of Trade Marks representing the final consideration paid in December 2014 for the January 5, 2014 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.

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 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 March 22, 2015 and April 28, 2015, the full amount of the facility was available (December 31, 2014 - $1,218,000).

Trade Marks has a $60,000,000 term loan with the Bank. The term loan is repayable on December 22, 2017 and 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 are 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 April 28, 2015, March 22, 2015 and December 31, 2014.

Trade Marks uses interest rate swap agreements to manage risks from fluctuations in interest rates and facilitate uniform monthly distributions. All such instruments are used only for risk management purposes. Under the current interest rate swap, the term loan bears interest at 4.03% per annum, of which 2.53% per annum is fixed under the swap agreement maturing December 22, 2015 plus a credit charge of 1.50% per annum. The fair value of this interest rate swap as at March 22, 2015 was $724,000 unfavourable (December 31, 2014 - $660,000 unfavourable) and the change in fair value is recorded in net income as a loss on interest rate swaps.

Trade Marks has also entered into a forward start interest rate swap with an effective date of December 22, 2015 and a maturity date of December 22, 2022. Under the forward start interest rate swap, the term loan will bear interest at 4.26% per annum from December 23, 2015 to December 22, 2017, comprised of 2.76% per annum which is fixed under the forward start swap agreement plus the 1.50% per annum credit charge. The swap interest rate is fixed at 2.76% per annum under the forward start swap agreement for an additional five years beyond the December 22, 2017 maturity date of the term loan, and the credit charge, which is currently 1.50% per annum, is subject to review by the Bank on December 22, 2017. The fair value of the forward start interest rate swap as at March 22, 2015 was $4,808,000 unfavourable (December 31, 2014 - $2,106,000 unfavourable) and the change in fair value is recorded in net income as a loss 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 of the indebtedness, covenants and obligations of Trade Marks to the Bank.

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS AND BALANCES

During the period, royalty income of $6,073,000 (2014 - $5,507,000) was earned from Food Services, of which $2,238,000 (2014 - $2,614,000) is receivable at March 22, 2015.

During the period, Trade Marks declared and paid aggregate common share dividends to Food Services of $598,000 (2014 - $463,000). The $299,000 dividend declared on March 3, 2015 and paid to Food Services on March 31, 2015 is reported as a current liability as at March 22, 2015.

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

CRITICAL ACCOUNTING ESTIMATES

Significant areas requiring the use of estimates are current and deferred income taxes and the fair value of the interest rate swaps. However, such estimates are not "critical accounting estimates" as (i) they do not require the Fund to make assumptions about matters that are highly uncertain at the time the estimate is made, and (ii) different estimates 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.

Current tax is the expected tax payable on Trade Marks' taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. 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.

The total fair values of the interest rate swaps as at March 22, 2015 were $5,532,000 unfavourable (December 31, 2014 - $2,766,000 unfavourable) and the change in fair value is recorded in net income.

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 (1992)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and COSO's guidance on how to apply the framework to smaller companies. 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.

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.

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 as a result of recent limitations imposed under Canada's Temporary Foreign Worker Program). 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 and A&W franchisees may be the subject of complaints or litigation from guests alleging food-related illnesses, injuries suffered on the premises or other food quality, health or operational concerns. Adverse publicity resulting from such allegations may materially affect the sales of A&W restaurants, regardless of whether such allegations are true or whether Food Services or an A&W franchisee is ultimately held liable.

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

Food Services is a strategy driven company with initiatives in place aimed at growing market share in the quick service restaurants (QSR) burger market. A&W's 2015 first quarter same store sales growth of 9.1% reflects the continued positive guest response to Food Services' strategy to grow market share in the QSR burger market through the launch of "better ingredients".

In 2013, Food Services was the first major QSR chain to use only beef raised without the use of hormones and steroids. Chicken is one of the fastest growing segments of the QSR industry, and

Food Services' move in 2014 to serve only chicken raised without the use of antibiotics was a key element in its strategy to accelerate growth. Food Services also enhanced its breakfast menu by moving to eggs from hens fed only a vegetarian 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 major chain.

Another major strategic initiative of Food Services is the extensive re-imaging program to modernize and enhance the appeal of existing A&W restaurants. The new design has been developed to create high visibility and instant recognition of the Home of The Burger Family®. Over half of A&W's existing restaurants have completed the re-image to the new design. Including the new restaurants opened in the new design since the beginning of the re-image program, 500 restaurants in the A&W chain now have the new design. Costs of re-imaging restaurants are borne by the franchisees and there is no cost to the Fund.

Food Services is also focused on accelerating the pace of growth of new A&W restaurants, particularly in the key Ontario and Quebec markets. Three new A&W restaurants were opened across the country in the first quarter of 2015, and nine additional new restaurants are under construction and are expected to open in the coming months.

Food Services' system sales growth for all A&W restaurants across Canada (which includes restaurants that have not yet been added to the Royalty Pool) was 12.5% for the quarter. These strong quarterly sales pushed Food Services' total system sales on a trailing four quarter basis to over $1 Billion.

Food Services' mission is "to make A&W Canada's only authentic better burger restaurants for time-crunched adults, delighting them on every single visit".

FORWARD LOOKING INFORMATION

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

The forward-looking information in this MD&A includes, but is not limited to: the Fund's objective to maintain a payout ratio at or below 100%; Food Services' plans to differentiate A&W as a "better burger QSR" restaurant; Food Services' plans to accelerate the pace of growth of new A&W restaurants; Food Services' plans to modernize and enhance the appeal of existing A&W restaurants; Food Services' mission "to make A&W Canada's only authentic better burger restaurants for time-crunched adults, delighting them on every single visit"; 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 adverse 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; no closures of A&W restaurants that materially affect the amount of the Royalty; franchisees duly pay franchise fees and other amounts; no impact on gross sales from new or increased or harmonization of sales taxes; continued availability of key personnel; no material litigation from guests alleging food-related illness, injuries suffered on the premises or other food quality, health or operations concerns; continued ability to preserve intellectual property; 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; 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; 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; the closure of A&W restaurants may affect the amount of the Royalty; dependence on A&W franchisees’ ability to pay franchise fees and other amounts; the impact of new or increased or harmonization of sales taxes upon gross sales; dependence on key personnel; material litigation from guests alleging food-related illness, injuries suffered on the premises or other food quality, health or operations concerns; dependence on intellectual property; 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; 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; 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.

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Balance Sheets
Unaudited

(in thousands of dollars)

	Note	March 22 2015	December 31 2014
Assets			
Current assets			
Cash and cash equivalents		**$ 3,051**	$ 1,565
Accounts receivable	**7**	**2,238**	2,614
Prepaid interest		**-**	367
Income taxes recoverable		**-**	197
		5,289	4,743
Non-current assets			
Intangible assets	**3**	**213,464**	202,059
Total assets		**$ 218,753**	$ 206,802
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**$ 380**	$ 197
Dividends payable to A&W Food Services of Canada Inc.	**7**	**299**	-
Distributions payable to Unitholders	**5**	**1,419**	1,419
Demand operating loan facility		**-**	782
Income taxes payable		**199**	-
		2,297	2,398
Non-current liabilities			
Term loan	**4**	**59,908**	59,901
Fair value of interest rate swaps	**4**	**5,532**	2,766
Deferred income tax liabilities		**11,868**	12,588
Other liabilities	**3**	**2,281**	-
		81,886	77,653
Unitholders' Equity			
Fund Units		**248,800**	248,800
Accumulated deficit		**(152,583)**	(151,422)
		96,217	97,378
Non-controlling interest		**40,650**	31,771
Total equity		**136,867**	129,149
Total liabilities and equity		**$ 218,753**	$ 206,802
Subsequent events	**8**		

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

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Statement of Income and Comprehensive Income

Unaudited

(in thousands of dollars except per Unit amounts)

	Note		Period from Jan 1, 2015 to Mar 22, 2015		Period from Jan 1, 2014 to Mar 23, 2014
Gross sales reported by A&W restaurants in the Royalty Pool		**$**	**202,448**	$	183,584
Royalty income		**$**	**6,073**	$	5,507
Expenses					
General and administrative			**259**		239
Interest expense					
Term loan and other			**535**		543
Amortization of financing fees			**7**		8
			801		790
Operating income			**5,272**		4,717
Loss on interest rate swaps	**4**		**2,766**		1,704
Net income before income taxes			**2,506**		3,013
Provision for (recovery of) income taxes					
Current			**1,196**		918
Deferred			**(720)**		(345)
			476		573
Net income and comprehensive income for the period		**$**	**2,030**	$	2,440
Net income and comprehensive income attributable to:					
Unitholders of A&W Revenue Royalties Income Fund		**$**	**1,677**	$	2,098
A&W Food Services of Canada Inc.'s non-controlling interest in A&W Trade Marks Inc.			**353**		342
		$	**2,030**	$	2,440
Basic and diluted income per weighted average Unit outstanding		**$**	**0.138**	$	0.173
Weighted average number of Units outstanding			**12,131,373**		12,131,373

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

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Statement of Unitholders' Equity

Unaudited

(in thousands of dollars)

	Note	Fund Units	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance - December 31, 2013		$ 248,800	$ (148,778)	$ 100,022	$ 16,338	$ 116,360
Net income for the period		-	2,098	2,098	342	2,440
Distributions on Units		-	(2,838)	(2,838)	-	(2,838)
Dividends on common shares		-	-	-	(463)	(463)
Issue of common shares		-	-	-	10,986	10,986
Balance - March 23, 2014		$ 248,800	$ (149,518)	$ 99,282	$ 27,203	$ 126,485
Net income for the period		-	12,290	12,290	2,257	14,547
Distributions on Units		-	(14,194)	(14,194)	-	(14,194)
Dividends on common shares		-	-	-	(2,339)	(2,339)
Issue of common shares		-	-	-	4,650	4,650
Balance - December 31, 2014		$ 248,800	$ (151,422)	$ 97,378	$ 31,771	$ 129,149
Net income for the period		-	1,677	1,677	353	2,030
Distributions on Units	**5**	-	(2,838)	(2,838)	-	(2,838)
Dividends on common shares	**7**	-	-	-	(598)	(598)
Issue of common shares	**3**	-	-	-	9,124	9,124
Balance - March 22, 2015		$ 248,800	$ (152,583)	$ 96,217	$ 40,650	$ 136,867

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

A&W Revenue Royalties Income Fund

Interim Condensed Consolidated Statement of Cash Flows

Unaudited

(in thousands of dollars)

	Note	Period from Jan 1, 2015 to Mar 22, 2015	Period from Jan 1, 2014 to Mar 23, 2014
Operating activities			
Net income for the period		$ 2,030	$ 2,440
Adjustments for:			
Deferred income taxes		(720)	(345)
Non-cash loss on interest rate swaps	4	2,766	1,704
Amortization of financing fees		7	8
Interest expense		535	543
Current income tax expense		1,196	918
Net changes in items of non-cash working capital		390	207
Interest received (paid)		1	(1)
Income tax paid		(800)	(800)
Net cash generated from operating activities		5,405	4,674
Financing activities			
Repayment of demand operating loan facility	4	(782)	(1,085)
Dividends paid to non-controlling interest		(299)	(232)
Distributions paid to Unitholders		(2,838)	(2,838)
Net cash used in financing activities		(3,919)	(4,155)
Increase in cash and cash equivalents		1,486	519
Cash and cash equivalents - beginning of period		1,565	1,551
Cash and cash equivalents - end of period		$ 3,051	$ 2,070

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

(in thousands of dollars)

1. General information

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

2. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as applicable to interim financial reports including International Accounting Standards (IAS) 34, Interim Financial Reporting. The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's audited annual consolidated financial statements as at December 31, 2014.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Fund's annual consolidated financial statements for the year ended December 31, 2014.

These interim condensed consolidated financial statements were authorized for issue by the Board of Trustees of the Fund on April 28, 2015.

3. Intangible assets

	New restaurants	Closed restaurants	Royalty Pool	Amount $
Balance as at December 31, 2014	891	(101)	790	202,059
Annual adjustment January 5, 2015	32	(8)	24	11,405
Balance as at March 22, 2015	923	(109)	814	213,464

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

(in thousands of dollars)

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 13th annual adjustment to the Royalty Pool took place on January 5, 2015. The number of A&W restaurants in the Royalty Pool was increased by 32 new restaurants less eight restaurants that permanently closed during 2014. The estimated annual sales of the 32 new A&W restaurants are $32,971,000 and annual sales for the eight permanently closed restaurants were $5,171,000. The initial consideration for the estimated additional royalty stream was $11,405,000, calculated by discounting the estimated additional royalties by 7.5% and dividing the result by the yield on the units of the Fund for the 20 trading days ending October 27, 2014. The yield was adjusted to reflect the income tax payable by Trade Marks. The Partnership paid Food Services 80% of the initial consideration ($9,124,000) by issuance of 369,558 LP units which were subsequently exchanged for 739,116 non-voting common shares of Trade Marks. The remaining 20% of the consideration ($2,281,000) will be paid in December 2015 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 2015 may differ from this amount depending on the actual annual sales reported by the new A&W restaurants.

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

Trade Marks has a $2,000,000 demand operating loan facility with HSBC Bank Canada (the Bank) to fund working capital requirements and for general corporate purposes. Amounts advanced under the facility bear interest at the bank prime rate plus 0.5% and are repayable on demand. As at March 22, 2015, the amount of the facility available was $2,000,000 (December 31, 2014 - $1,218,000).

Trade Marks has a $60,000,000 term loan with the Bank. The term loan is repayable on December 22, 2017 and 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

(in thousands of dollars)

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 March 22, 2015 and December 31, 2014.

Trade Marks uses interest rate swap agreements to manage risks from fluctuations in interest rates. Under the current interest rate swap, the term loan bears interest at 4.03% per annum, of which 2.53% per annum is fixed under the swap maturing December 22, 2015 plus a credit charge of 1.50% per annum. The fair value of this interest rate swap as at March 22, 2015 was $724,000 unfavourable (December 31, 2014 - $660,000 unfavourable) and the change in fair value is recorded in net income as a loss on interest rate swaps.

Trade Marks has also entered into a forward start interest rate swap with an effective date of December 22, 2015 and a maturity date of December 22, 2022. Under the forward start interest rate swap, the term loan will bear interest at 4.26% per annum from December 23, 2015 to December 22, 2017, comprised of 2.76% per annum which is fixed under the forward start swap agreement, plus a 1.50% per annum credit charge. The swap interest rate is fixed at 2.76% per annum under the forward start swap agreement for an additional five years beyond the December 22, 2017 maturity date of the term loan, and the credit charge, which is currently 1.50% per annum, is subject to review by the Bank on December 22, 2017. The fair value of the forward start interest rate swap as at March 22, 2015 was $4,808,000 unfavourable (December 31, 2014 - $2,106,000 unfavourable) and the change in fair value is recorded in net income as a loss on interest rate swaps.

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

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

The term loan comprises:

	March 22, 2015 $	December 31, 2014 $
Term loan	60,000	60,000
Financing fees	(92)	(99)
	59,908	59,901

(in thousands of dollars)

5. Distributions

During the period ended March 22, 2015, the Fund declared distributions to its Unitholders of $2,838,000 or $0.234 per Unit. The record dates and amounts of these distributions are as follows:

Month	Record date	Amount $	Per unit $
January 2015	February 15, 2015	1,419	0.117
February 2015	March 15, 2015	1,419	0.117
		2,838	0.234

The February 2015 distribution was declared on March 3, 2015 and paid on March 31, 2015, and is reported as a current liability as at March 22, 2015.

6. Compensation to key management

Key management personnel are the Trustees of the Fund. During the period, the Trustees earned $27,000 (2014 - $24,000).

7. Related party transactions and balances

During the period, royalty income of $6,073,000 (2014 - $5,507,000) was earned from Food Services of which $2,238,000 (December 31, 2014 - $2,614,000) is receivable at March 22, 2015.

During the period, Trade Marks declared common share dividends payable to Food Services of $598,000 (2014 - $463,000). The $299,000 dividend declared on March 3, 2015 and paid to Food Services on March 31, 2015 is reported as a current liability as at March 22, 2015 (December 31, 2014 - $nil).

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

8. Subsequent events

On April 1, 2015, the Fund declared a distribution to Unitholders of $0.117 per unit or $1,419,000, payable on April 30, 2015 to Unitholders of record as at April 15, 2015.

On April 1, 2015, Trade Marks declared common share dividends of $1,718,000 payable to Food Services and the Fund on April 30, 2015.

Unitholder Information

Corporate Head Office

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

Mailing Address

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

A&W Revenue Royalties Income Fund
Board of Trustees

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

A&W Trade Marks Inc.
Board of Directors

John R. McLernon (2)
Chairman

Richard N. McKerracher (2)

Hugh R. Smythe (2)

Jefferson J. 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

Computershare Investor Services Inc.

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A&W Food Services of Canada Inc.

Q1/2015

Consolidated Financial Statements

For the first quarter ended
March 22, 2015

Provided as a supplement to the financial statements of A&W Revenue Royalties Income Fund

A&W Food Services of Canada Inc.
Report to Unitholders of A&W Revenue Royalties Income Fund
December 28, 2014 to March 22, 2015

This report and the interim condensed consolidated financial statements of A&W Food Services of Canada Inc. (A&W or Food Services) for the 12 weeks ended March 22, 2015 are provided as a supplement to the interim condensed consolidated financial statements and Management Discussion and Analysis of the A&W Revenue Royalties Income Fund (the Fund) for the period ended March 22, 2015. This report is dated April 28, 2015 and should be read in conjunction with the interim condensed consolidated financial statements of Food Services for the 12 weeks ended March 22, 2015 and the audited annual consolidated financial statements of Food Services for the 52 weeks ended December 28, 2014. Such financial statements and additional information about the Fund and Food Services are available at www.sedar.com or www.awincomefund.ca.

Glossary

Consolidated Financial Statements	Consolidated financial statements which include the accounts of A&W Food Services of Canada Inc. and its 60% ownership interest in A&W Root Beer Beverages of Canada Inc.
A&W or Food Services	Financial and operating results of A&W Food Services of Canada Inc. and A&W Root Beer Beverages of Canada Inc.
The Fund	A&W Revenue Royalties Income Fund
Trade Marks	A&W Trade Marks Inc. and A&W Trade Marks Limited Partnership
The Partnership	A&W Trade Marks Limited Partnership
Beverages	A&W Root Beer Beverages of Canada Inc.

To align its financial reporting with the business cycle of its operations, Food Services uses a fiscal year comprising a 52 or 53 week period ending on the Sunday nearest December 31. The fiscal 2014 year was 52 weeks and ended December 28, 2014 (2013 – 52 weeks ended December 29, 2013). Food Services' first quarter ends 12 weeks after its fiscal year end.

The financial results in this report are in accordance with International Financial Reporting Standards (IFRS) as applicable to interim financial reports including International Accounting Standards (IAS) 34, Interim Financial Reporting. The principal accounting policies adopted in the preparation of the interim condensed consolidated financial statements and this report are consistent with those followed in the preparation of Food Services' annual consolidated financial statements for the year ended December 28, 2014.

Same Store Sales

Same store sales growth is the change in sales of A&W restaurants that operated during the entire 26 4-week periods ending March 22, 2015.

Same store sales for the first quarter of 2015 grew by 9.1% as compared to the same quarter of 2014. Same store sales growth has been positive for eight consecutive quarters. Food Services' strategy to differentiate A&W with better ingredients, such as its beef raised without the use of hormones or steroids, "natural" eggs and chicken raised without the use of antibiotics, continued to build customer traffic and increase sales.

System Sales

System sales for all A&W restaurants in Canada for the 12 weeks ended March 22, 2015 were $216,624,000, an increase of 12.5% from the 12 weeks ended March 23, 2014. The increase in system sales was due to the increase in the number of restaurants from 812 at the end of the first quarter of 2014 to 833 at the end of the first quarter of 2015, plus the 9.1% growth in same store sales.

On a trailing four quarter basis, total A&W system sales were $1,009,749,000, surpassing the $1 billion mark, an important milestone for the business.

New Restaurant Openings and Restaurant Closures

Food Services opened three new A&W restaurants during the first quarter of 2015 compared to ten new restaurants in the first quarter of 2014. Nine new restaurants are currently under construction and are expected to open in the coming months. Generally, new restaurants are opening later in the year as compared to 2014 due to permitting and other delays. One restaurant was closed in the quarter compared to no closures in the first quarter of 2014. As at March 22, 2015, there were 833 A&W restaurants in Canada, of which 824 were operated by franchisees and nine were corporately owned and operated.

Overview

Food Services is the franchisor of the A&W restaurant chain in Canada. Food Services' revenue consists of fees from franchised restaurants, revenue from the sale of food and supplies to franchisees and distributors, revenue from the opening of new franchised restaurants, revenue from granting multi-site development areas, revenue from company-owned restaurants, and revenue from sales of A&W Root Beer concentrate to licensed bottlers who produce and distribute A&W Root Beer for sale in retail grocery stores.

Food Services' operating costs include the cost of materials, supplies and equipment sold either directly to franchisees or to distributors that service the restaurants or that are sold to the licensed bottlers, and costs of sales and other expenses of the restaurants operated corporately by Food Services. General and administrative expenses are expenses associated with providing services to the franchised A&W restaurants and establishing new A&W restaurants.

The A&W trade-marks used in the A&W quick service restaurant business in Canada are owned by the Partnership. 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 by specific A&W restaurants in Canada (the Royalty Pool).

Financial Highlights

(dollars in thousands)	**12 week period ended Mar 22, 2015**	12 week period ended Mar 23, 2014
System sales	**$216,624**	$192,494
System sales growth	**12.5%**	9.4%
Same store sales growth[(1)]	**+9.1%**	+4.6%
New restaurants opened	**3**	10
Restaurants closed	**1**	-
Number of restaurants	**833**	812
Franchising & corporate restaurant revenue	**$19,975**	$19,145
Operating costs and general and administrative expenses	**(12,894)**	(12,742)
Depreciation of plant and equipment	**409**	343
Earnings before royalty expense, share of Trade Marks' earnings, interest, taxes, depreciation and amortization	**$7,490**	$6,746
Royalty expense	**(6,306)**	(5,636)
Net income	**$1,323**	$1,292

(1) Same store sales growth is not an earnings measure recognized by IFRS and therefore may not be comparable to similar measures presented by other companies. Same store sales growth is the change in sales of A&W restaurants that operated during the entire 26 4-week periods ending March 22, 2015.

Annual Adjustment to the Royalty Pool

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 A&W 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 limited partnership units (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. The consideration paid for the annual adjustment to the Royalty Pool is recorded by Food Services as an increase in its investment in Trade Marks, and an increase in the deferred gain.

The 2015 adjustment to the Royalty Pool took place on January 5, 2015. The number of A&W restaurants in the Royalty Pool was increased by 32 new restaurants less eight restaurants that permanently closed during 2014. The addition of these 24 net new restaurants brings the total number of A&W restaurants in the Royalty Pool to 814. The estimated annual sales of the 32 new A&W restaurants are $32,971,000 and annual sales for the eight permanently closed restaurants were $5,171,000. The initial consideration for the estimated additional royalty stream was $11,405,000, 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 27, 2014. The yield was adjusted to reflect income tax payable by Trade Marks. The Partnership paid Food Services 80% of the initial consideration ($9,124,000) by issuance of 369,558 LP units which were subsequently exchanged for 739,116 non-voting common shares of Trade Marks. The remaining 20% of the consideration ($2,281,000) will be paid in December 2015 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 2015 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, 2015 adjustment to the Royalty Pool, Food Services' indirect interest in the Fund increased to 17.4%.

Common Shares of A&W Trade Marks Inc.

The ownership of common shares of Trade Marks is as follows:

(dollars in thousands)	Fund			Food Services			Total	
	Number of shares	Trade Marks' book value $	%	Number of shares	Trade Marks' book value $	%	Number of shares	Trade Marks' book value $
Balance as at December 29, 2013	24,262,671	114,680	89.1	2,961,009	19,862	10.9	27,223,680	134,542
January 5, 2014 adjustment to the Royalty Pool	-	-	(4.4)	1,415,660	15,636	4.4	1,415,660	15,636
Balance as at December 28, 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(1)	-	-	(2.1)	739,116	9,124	2.1	739,116	9,124
Balance as at March 22, 2015	24,262,671	114,680	82.6	5,115,785	44,622	17.4	29,378,456	159,302

(1) The number of common shares and consideration for the January 5, 2015 adjustment to the Royalty Pool does not include the remaining 20% of the consideration or $2,281,000 payable by issuance of 92,390 LP units exchangeable for 184,780 common shares of Trade Marks which is held back until December 2015 when the actual annual sales are reported by the new restaurants.

Ownership of the Fund

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

	March 22, 2015		December 28, 2014	
	Number of units	%	Number of units	%
Fund units held by public unitholders	12,131,373	82.6	12,131,373	84.7
Number of Fund units issuable upon exchange of securities of Trade Marks held by Food Services (1)	2,557,893	17.4	2,188,335	15.3
Total equivalent units	14,689,266	100.0	14,319,708	100.0

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

The chart below shows the ownership of the Fund, on a fully-diluted basis, when the remaining 20% of the consideration for the January 5, 2015 adjustment to the Royalty Pool is expected to be paid in December 2015, by issuance of 92,390 LP units exchangeable for 184,780 common shares of Trade Marks. The actual amount of the consideration paid in December 2015 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	82.1
Number of Fund units issuable upon exchange of securities of Trade Marks held by Food Services	2,650,283	17.9
Total equivalent units	14,781,656	100.0

2015 Operating Results

Revenue

Food Services' franchising and corporate revenue for the first quarter of 2015 was $19,975,000 compared to $19,145,000 for the first quarter of 2014. Franchising revenue was $17,145,000 compared to $17,184,000 for the prior year, a decrease of $39,000. Strong system sales growth generated increased revenue of $1,729,000 as compared to the prior year. Offsetting this was a $1,768,000 decrease in construction, equipment and other revenue from opening new restaurants, as three restaurants opened in the first quarter of 2015 compared to ten new restaurants in the first quarter of 2014.

Corporate restaurant sales in the first quarter of 2015 increased to $2,830,000 from $1,961,000 in the first quarter of 2014. Same store sales growth in the restaurants in the Ottawa market was strong. In addition, a new corporate restaurant was opened in Ottawa in late 2014, and two additional restaurants are currently being operated corporately until they are refranchised.

Operating costs and general and administrative expenses

Operating costs for the first quarter of 2015 were $6,280,000 compared to $6,383,000 in the first quarter, a decrease of $103,000. Costs of food and packaging increased by $1,494,000 in line with the increase in corporate restaurant sales and franchising revenue generated by the system sales growth noted above. Construction and equipment costs for new restaurants decreased by $1,597,000 in the first quarter of 2015 as compared to the same quarter of 2014, in line with the decrease in revenue and number of new restaurants noted above.

General and administrative expenses represent costs of providing services to franchised restaurants and establishing new restaurants, and were $6,614,000 for the first quarter of 2015 compared to $6,359,000 for the first quarter of 2014. The increase of $255,000 was due to inflationary increases and investments in strategic initiatives.

Operating earnings

(dollars in thousands)	**12 week period ended Mar 22, 2015**	12 week period ended Mar 23, 2014
Franchising & corporate restaurant revenue	**$19,975**	$19,145
Operating costs and general and administrative expenses	**(12,894)**	(12,742)
Depreciation of plant and equipment	**409**	343
Operating earnings (earnings before royalty expense, share of Trade Marks' earnings, interest, taxes, depreciation and amortization)	**$7,490**	$6,746

Operating earnings (earnings before royalty expense, Food Services' share of income from Trade Marks, interest, taxes, depreciation and amortization) increased by $744,000 to $7,490,000 for the first quarter of 2015 compared to $6,746,000 for the first quarter of 2014. The operating margin for the first quarter of 2015 was 37.5% compared to 35.2% for the first quarter of 2014.

Royalty expense

Royalty expense increased by $670,000 to $6,306,000 for the first quarter of 2015 compared to $5,636,000 for the first quarter of 2014. The increase in royalty expense resulted from the additional net 24 restaurants in the Royalty Pool and the same store sales growth of restaurants in the Royalty Pool.

Earnings after royalty expense

(dollars in thousands)	**12 week period ended Mar 22, 2015**	12 week period ended Mar 23, 2014
Operating earnings	**$7,490**	$6,746
Royalty expense	**(6,306)**	(5,636)
Earnings after royalty expense (before share of Trade Marks' earnings, interest, taxes, depreciation and amortization)	**$1,184**	$1,110

Earnings after royalty expense (but before Food Services' share of income from Trade Marks, interest, taxes, depreciation and amortization) increased by $74,000 to $1,184,000 for the first quarter of 2015 compared to $1,110,000 for the first quarter of 2014. The $74,000 increase was comprised of the $744,000 increase in operating earnings, offset by the $670,000 increase in royalty expense related to same store sales growth of restaurants in the Royalty Pool.

Finance expense - net

(dollars in thousands)	**12 week period ended Mar 22, 2015**	12 week period ended Mar 23, 2014
Interest income	**($23)**	($17)
Interest cost on supplementary retirement benefit plan	**125**	114
Finance leases	**37**	32
	$139	$129

Food Services' share of Trade Marks' income

Food Services' share of Trade Marks' income for the first quarter of 2015 increased by $11,000 to $353,000 compared to $342,000 for the first quarter of 2014. Trade Marks' net income for the quarter was lower than the prior year due to an increase in the non-cash loss on interest rate swaps in 2015 as compared to the same quarter of 2014. Offsetting the decrease in Trade Mark's income was the increase in Food Services' ownership in Trade Marks from 14.0% in the first quarter of 2014 to 17.4% for the first quarter of 2015.

Net income

(dollars in thousands)	**12 week period ended Mar 22, 2015**	12 week period ended Mar 23, 2014
Earnings after royalty expense (before share of Trade Marks' earnings, interest, taxes, depreciation and amortization)	**$1,184**	$1,110
Finance expense	**(139)**	(129)
Depreciation of plant and equipment	**(409)**	(343)
Amortization of deferred gain	**320**	285
Share of income from A&W Trade Marks Inc.	**353**	342
Earnings before income taxes	**1,309**	1,265
Recovery of income taxes	**14**	27
Net income	**$1,323**	$1,292

Net income was $1,323,000 for the first quarter of 2015 compared to $1,292,000 for the first quarter of 2014, an increase of $31,000.

Net income attributable to non-controlling interests

The non-controlling interest in Beverages represents the 40% interest of Beverages owned by Unilever Canada Inc.

Other comprehensive income

Other comprehensive losses consist of actuarial losses, net of tax, on the supplementary retirement benefit plan. Actuarial losses result from a decrease in the discount rate used to determine the accrued benefit obligation. The actuarial loss, net of tax, for the first quarter of 2015 was $639,000 compared to $456,000 for the first quarter of 2014.

Liquidity and Capital Resources

Food Services is primarily a franchise business with 824 of its 833 restaurants franchised. Food Services has minimal capital requirements related to its corporate restaurants and head office. Future restaurant growth will continue to be funded by franchisees although in 2014, Food Services incurred capital expenditures to open a new corporate restaurant in the Ottawa market. Food Services expects to have sufficient capital resources to fund the expansion of corporate restaurants and has no long term debt obligations. Food Services has sufficient cash on hand to meet its obligations and has a $5,000,000 demand operating loan facility with HSBC Bank Canada (the Bank) to fund its 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. Food Services has provided 2,000,000 common shares of Trade Marks as collateral. As at March 22, 2015, letters of credit totalling $407,000 (December 28, 2014 - $407,000) have been issued by the Bank on behalf of Food Services to landlords and cities for development of new restaurants, leaving $4,593,000 (December 28, 2014 - $4,593,000) of the facility available.

Off-Balance Sheet Arrangements

Food Services has no off-balance sheet arrangements.

Related Party Transactions and Balances

Royalty expense for the period was $6,306,000 (2014 - $5,636,000), of which $2,238,000 (December 28, 2014 - $2,381,000) is payable to the Partnership by Food Services at March 22, 2015.

During the period, Trade Marks declared dividends on common shares held by Food Services of $598,000 (2014 - $463,000), of which $299,000 (December 28, 2014 - $nil) is receivable at March 22, 2015.

During the period, Food Services contracted with a private company controlled by certain shareholders and directors of Food Services, for rental of a private plane and crew for business travel. The cost of the services provided under the contract during the period totalled $87,000 (2014 - $80,000). At March 22, 2015, $nil (December 28, 2014 - $nil) is payable to the private company by Food Services.

During the period, Food Services paid $100,000 (2014 - $100,000) to a professional baseball club, of which a shareholder, director and officer of Food Services is a part owner, in exchange for advertising the A&W brand at the ballpark. At March 22, 2015, $nil (December 28, 2014 - $nil) is payable to the baseball club by Food Services.

Food Services maintains an advertising fund that is supported by prescribed contributions from corporate and franchise restaurants. The advertising fund paid $146,000 (2014 - $141,000) to Food Services during the year for marketing, promotional and administrative services provided to the advertising fund. At March 22, 2015, the advertising fund had a surplus balance of $423,000 which is included in accounts payable (December 28, 2014 - $437,000).

Other related party transactions and balances are referred to elsewhere in this report.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. It is reasonably possible that circumstances may arise that would cause actual results to differ from management estimates; however, management does not believe it is likely that such differences will materially affect Food Services' financial position. Significant areas requiring the use of management estimates are investment in Trade Marks, pension obligations, and current and deferred income taxes. However, such estimates are not "critical accounting estimates" as (i) they do not require Food Services to make assumptions about matters that are highly uncertain at the time the estimate is made, and (ii) different estimates 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 Food Services' financial condition, changes in financial condition or financial performance.

Risks and Uncertainties

The success of Food Services is dependent on 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 or 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 as a result of recent limitations imposed under Canada's Temporary Foreign Worker Program). 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 and A&W franchisees may be the subject of complaints or litigation from guests alleging food-related illnesses, injuries suffered on the premises or other food quality, health or operational concerns. Adverse publicity resulting from such allegations may materially affect the sales of A&W restaurants, regardless of whether such allegations are true or whether Food Services or an A&W franchisee is ultimately held liable.

Outlook

Food Services is a strategy driven company with initiatives in place aimed at growing market share in the quick service restaurants (QSR) burger market. A&W's 2015 first quarter same store sales growth of 9.1% reflects the continued positive guest response to Food Services' strategy to grow market share in the QSR burger market through the launch of "better ingredients".

In 2013, Food Services was the first major QSR chain to use only beef raised without the use of hormones and steroids. Chicken is one of the fastest growing segments of the QSR industry, and Food Services' move in 2014 to serve only chicken raised without the use of antibiotics was a key element in its strategy to accelerate growth. Food Services also enhanced its breakfast menu by moving to eggs from hens fed only a vegetarian 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 major chain.

Another major strategic initiative of Food Services is the extensive re-imaging program to modernize and enhance the appeal of existing A&W restaurants. The new design has been developed to create high visibility and instant recognition of the Home of The Burger Family®. Over half of A&W's existing restaurants have completed the re-image to the new design. Including the new restaurants opened in the new design since the beginning of the re-image program, 500 restaurants in the A&W chain now have the new design. Costs of re-imaging restaurants are borne by the franchisees and there is no cost to the Fund.

A&W is also focused on accelerating the pace of growth of new A&W restaurants, particularly in the key Ontario and Quebec markets. Three new A&W restaurants were opened across the country in the first quarter of 2015, and nine additional new restaurants are under construction and are expected to open in the coming months.

Food Services' mission is "to make A&W Canada's only authentic better burger restaurants for time-crunched adults, delighting them on every single visit".

FORWARD LOOKING INFORMATION

Certain statements in this report 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 report includes, but is not limited to: Food Services' plans to differentiate A&W as a "better burger QSR" restaurant; Food Services' plans to accelerate the pace of growth of new A&W restaurants; Food Services' plans to modernize and enhance the appeal of existing A&W restaurants; Food Services' mission "to make A&W Canada's only authentic better burger restaurants for time-crunched adults, delighting them on every single visit"; Food Services' plans to implement innovations to support the strategy including new product launches and menuboards; Food Services expects to have sufficient capital resources to fund the expansion of corporate restaurants.

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 adverse 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; no closures of A&W restaurants that materially affect the amount of the Royalty; franchisees duly pay franchise fees and other amounts; no impact on gross sales from new or increased or harmonization of sales taxes; continued availability of key personnel; no material litigation from guests alleging food-related illness, injuries suffered on the premises or other food quality, health or operations concerns; continued ability to preserve intellectual property; 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; Food Services continues to pay the Royalty; the Partnership continues to make distributions on its units; Trade Marks continues to pay dividends on the common shares; Trade Marks can continue to comply with its obligations under its credit arrangements; 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; the closure of A&W restaurants may affect the amount of the Royalty; dependence on A&W franchisees' ability to pay franchise fees and other amounts; the impact of new or increased or harmonization of sales taxes upon sales; dependence on key personnel; material litigation from guests alleging food-related illness, injuries suffered on the premises or other food quality, health or operations concerns; dependence on intellectual property; 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; 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 changes to the Canadian federal income tax treatment of publicly listed trusts and of partnerships and other income tax matters, all as more particularly described in this report 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 report is qualified in its entirety by this cautionary statement and, except as required by law, Food Services undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

A&W Food Services of Canada Inc.

Interim Condensed Consolidated Balance Sheet

Unaudited

(in thousands of dollars)

	Note	March 22 2015	December 28 2014
Assets			
Current assets			
Cash and cash equivalents		$ **9,714**	$ 10,488
Accounts receivable		**9,984**	12,718
Dividends receivable		**299**	-
Inventories		**4,145**	3,564
Prepaid expenses		**131**	132
Income taxes recoverable		**647**	286
		24,920	27,188
Non-current assets			
Investment in A&W Trade Marks Inc.	4	**40,650**	31,771
Deferred income taxes		**12,414**	12,006
Plant and equipment		**7,805**	8,064
Other non-current assets	4	**2,281**	-
Total assets		$ **88,070**	$ 79,029
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ **18,276**	$ 22,779
Royalties payable	8	**2,238**	2,381
Deposits on franchise and equipment sales		**4,016**	2,966
		24,530	28,126
Non-current liabilities			
Deferred gain	4	**119,414**	108,329
Supplementary retirement benefit plan		**14,064**	13,124
Other long-term liabilities		**134**	143
Obligations under finance leases		**835**	898
		158,977	150,620
Shareholders' Deficiency			
Share capital		**10,500**	10,500
Accumulated deficit		**(81,753)**	(82,295)
		(71,253)	(71,795)
Non-controlling interest		**346**	204
Total deficiency		**(70,907)**	(71,591)
Total liabilities and deficiency		$ **88,070**	$ 79,029

These interim condensed financial statements have been prepared by and are the responsibility of management. As A&W Food Services of Canada Inc. is a private entity, the company's auditors has not performed a review of these financial statements.

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

A&W Food Services of Canada Inc.

Interim Condensed Consolidated Statement of Income

Unaudited

(in thousands of dollars)

	Note	12 week period ended Mar 22, 2015	12 week period ended Mar 23, 2014
Revenue			
Franchising		$ **17,145**	$ 17,184
Corporate restaurants		**2,830**	1,961
		19,975	19,145
Expenses (income)			
Operating costs		**6,280**	6,383
General and administrative expenses		**6,614**	6,359
Royalty expense	**8**	**6,306**	5,636
Finance expense - net	**6**	**139**	129
Amortization of deferred gain	**4**	**(320)**	(285)
Share of income from A&W Trade Marks Inc.	**4**	**(353)**	(342)
		18,666	17,880
Income before income taxes		**1,309**	1,265
Provision for (recovery of) income taxes			
Current		**168**	230
Deferred		**(182)**	(257)
		(14)	(27)
Net income for the period		$ **1,323**	$ 1,292
Net income attributable to:			
Shareholders of A&W Food Services of Canada Inc.		$ **1,181**	$ 1,134
Non-controlling interest		**142**	158
		$ **1,323**	$ 1,292

A&W Food Services of Canada Inc.

Interim Condensed Consolidated Statement of Comprehensive Income

Unaudited

(in thousands of dollars)

	12 week period ended Mar 22, 2015	12 week period ended Mar 23, 2014
Net income for the period	$ **1,323**	$ 1,292
Other comprehensive loss		
Items that will not be reclassified to net income		
Actuarial loss on supplementary retirement benefit plan - net of tax	**(639)**	(456)
Comprehensive income	$ **684**	$ 836
Comprehensive income attributable to:		
Shareholders of A&W Food Services of Canada Inc.	$ **542**	$ 678
Non-controlling interest	**142**	158
	$ **684**	$ 836

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

A&W Food Services of Canada Inc.

Interim Condensed Consolidated Statement of Changes in Shareholders' Deficiency

Unaudited

(in thousands of dollars)

	Share capital	Accumulated deficit	Total	Non-controlling interest	Total deficiency
Balance - December 29, 2013	$ 10,500	$ (81,274)	$ (70,774)	$ 159	$ (70,615)
Net income for the period	-	1,134	1,134	158	1,292
Actuarial loss on supplementary retirement benefit plan - net of tax	-	(456)	(456)	-	(456)
Balance - March 23, 2014	10,500	(80,596)	(70,096)	317	(69,779)
Net income for the period	-	7,306	7,306	627	7,933
Dividends on common shares	-	(8,000)	(8,000)	(740)	(8,740)
Actuarial loss on supplementary retirement benefit plan - net of tax	-	(1,005)	(1,005)	-	(1,005)
Balance - December 28, 2014	10,500	(82,295)	(71,795)	204	(71,591)
Net income for the period	-	1,181	1,181	142	1,323
Actuarial loss on supplementary retirement benefit plan - net of tax	-	(639)	(639)	-	(639)
Balance - March 22, 2015	$ 10,500	$ (81,753)	$ (71,253)	$ 346	$ (70,907)

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

A&W Food Services of Canada Inc.

Interim Condensed Consolidated Statement of Cash Flows

Unaudited

(in thousands of dollars)

	Note	**12 week period ended Mar 22, 2015**	12 week period ended Mar 23, 2014
Cash flows from operating activities			
Net income for the period		**$ 1,323**	$ 1,292
Adjustments for			
Depreciation of plant and equipment		**409**	343
Deferred income taxes		**(182)**	(257)
Gain on disposal of plant and equipment		**(12)**	(17)
Supplementary retirement benefit plan		**(50)**	(45)
Decrease in other long-term liabilities		**(9)**	(8)
Amortization of deferred gain	**4**	**(320)**	(285)
Share of income of A&W Trade Marks Inc.	**4**	**(353)**	(342)
Current income tax expense		**168**	230
Income tax paid		**(529)**	(1,686)
Finance expense - net		**139**	129
Finance expense paid		**(14)**	(15)
Changes in items of non-cash working capital	**7**	**(1,429)**	(45)
Net cash used for operating activities		**(859)**	(706)
Cash flows from investing activities			
Purchase of plant and equipment		**(63)**	(10)
Dividends from A&W Trade Marks Inc.		**299**	232
Net cash generated from investing activities		**236**	222
Cash flows from financing activities			
Decrease in obligations under finance leases		**(151)**	(133)
Net cash used for financing activities		**(151)**	(133)
Decrease in cash and cash equivalents		**(774)**	(617)
Cash and cash equivalents - beginning of period		**10,488**	11,317
Cash and cash equivalents - end of period		**$ 9,714**	$ 10,700
Non-cash investing activities			
Non-cash acquisition of automobiles through finance leases		**$ 104**	$ 174

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

(figures in tables are expressed in thousands of dollars)

1 General information

A&W Food Services of Canada Inc. (the Company or Food Services) is in the business of developing and franchising quick-service restaurants in Canada. During the period ended March 22, 2015, the Company opened three locations and closed one location, bringing the total number of A&W restaurants to 833, of which 824 are franchised and nine are owned and operated corporately. Food Services' registered offices are located at Suite 300 - 171 West Esplanade, North Vancouver, British Columbia, Canada.

2 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as applicable to interim financial reports including International Accounting Standards (IAS) 34, *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with Food Services' audited annual consolidated financial statements as at December 28, 2014.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of Food Services' annual consolidated financial statements for the year ended December 28, 2014.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors of Food Services on April 28, 2015.

3 Significant accounting policies

Consolidation

The financial statements include the accounts of Food Services and its 60% interest in A&W Root Beer Beverages of Canada Inc. (Beverages). The non-controlling interest represents an equity interest in Beverages owned by outside parties, and is presented as a component of equity.

Fiscal year

To align its financial reporting with the business cycle of its operations, the Company uses a fiscal year comprising a 52- or 53-week period ending the Sunday nearest December 31. The fiscal 2014 year was 52 weeks and ended December 28, 2014 (2013 - 52 weeks ended December 29, 2013). Beverages uses a fiscal year ending December 31. The first quarter ends 12 weeks after the fiscal year end.

(figures in tables are expressed in thousands of dollars)

4 Investment in A&W Trade Marks Inc. and deferred gain

In 2002, Food Services sold the A&W trade-marks used in the A&W quick service restaurant business in Canada to A&W Trade Marks Inc. (Trade Marks), which subsequently transferred them to the A&W Trade Marks Limited Partnership (the Partnership). 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 specific A&W restaurants in Canada (the Royalty Pool). The gain realized on the sale of the A&W trade-marks was deferred and is being amortized over the term of the Amended and Restated Licence and Royalty Agreement. Prior to October 2003, the amortization was based upon the present value of the expected royalty payments made under the Amended and Restated Licence and Royalty Agreement. Amortization of the gain is recognized on the consolidated statement of income.

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 restaurants and the current yield on the Units of the A&W Revenue Royalties Income Fund (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 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. The consideration paid for the annual adjustment to the Royalty Pool is recorded by Food Services as an increase in its investment in Trade Marks, and an increase in the deferred gain. These additions to the deferred gain are amortized over the remaining term of the Amended and Restated Licence and Royalty Agreement from the date of addition.

The 13th annual adjustment to the Royalty Pool took place on January 5, 2015. The number of A&W restaurants in the Royalty Pool was increased by 32 new restaurants less eight restaurants that permanently closed during 2014. The estimated annual sales of the 32 new A&W restaurants are $32,971,000 and annual sales for the eight permanently closed restaurants were $5,171,000. The initial consideration for the estimated additional royalty stream was $11,405,000, calculated by discounting the estimated additional royalties by 7.5% and dividing the result by the yield on the units of the Fund for the 20 trading days ending October 27, 2014. The yield was adjusted to reflect the income tax payable by Trade Marks. The Partnership paid Food Services 80% of the initial consideration ($9,124,000) by issuance of 369,558 LP units which were subsequently exchanged for 739,116 non-voting common shares of Trade Marks. The remaining 20% of the consideration ($2,281,000) will be paid in December 2015 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 2015 may differ from this amount depending on the actual annual sales reported by the new restaurants.

(figures in tables are expressed in thousands of dollars)

Food Services' 17.4% (December 28, 2014 – 15.3%) investment in Trade Marks is recorded using the equity method.

	Common shares $	Cumulative equity in earnings $	Cumulative dividend $	Total $
Balance – December 29, 2013	19,862	11,788	(15,312)	16,338
January 5, 2014 adjustment to Royalty Pool	15,636	-	-	15,636
Equity in earnings	-	2,599	-	2,599
Dividends	-	-	(2,802)	(2,802)
Balance – December 28, 2014	35,498	14,387	(18,114)	31,771
January 5, 2015 adjustment to Royalty Pool	9,124	-	-	9,124
Equity in earnings	-	353	-	353
Dividends	-	-	(598)	(598)
Balance – March 22, 2015	44,622	14,740	(18,712)	40,650

The deferred gain as at March 22, 2015 is as follows:

	Number of restaurants in Royalty Pool	Deferred gain $	Accumulated amortization $	Net deferred gain $
Balance – December 29, 2013	760	106,039	(12,088)	93,951
January 5, 2014 adjustment to Royalty Pool	30	15,636	-	15,636
Amortization of deferred gain	-	-	(1,258)	(1,258)
Balance – December 28, 2014	790	121,675	(13,346)	108,329
January 5, 2015 adjustment to Royalty Pool	24	11,405	-	11,405
Amortization of deferred gain	-	-	(320)	(320)
Balance – March 22, 2015	814	133,080	(13,666)	119,414

(figures in tables are expressed in thousands of dollars)

5 Expenses by nature

Included in operating costs and general and administrative expenses are the following expenses by nature:

	12 week period ended Mar 22, 2015 $	12 week period ended Mar 23, 2014 $
Depreciation of plant and equipment	409	343
Employee benefit costs		
Wages and salaries and other termination benefits	4,566	3,986
Pension costs - defined contribution plan	203	167
Pension costs - supplementary retirement benefit plan	42	47
Total employee benefit costs	4,811	4,200

6 Finance (income) expense

	12 week period ended Mar 22, 2015 $	12 week period ended Mar 23, 2014 $
Interest income	(23)	(17)
Interest cost on supplementary retirement benefit plan	125	114
Finance leases	37	32
	139	129

7 Working capital

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

	12 week period ended Mar 22, 2015 $	12 week period ended Mar 23, 2014 $
Accounts receivable	2,734	2,753
Inventories	(581)	97
Prepaid expenses	1	113
Accounts payable and accrued liabilities	(4,490)	(3,488)
Royalties payable	(143)	(78)
Deposits on franchise and equipment sales	1,050	558
	(1,429)	(45)

(figures in tables are expressed in thousands of dollars)

8 Related party transactions and balances

Royalty expense for the period was $6,306,000 (2014 - $5,636,000), of which $2,238,000 (December 28, 2014 - $2,381,000) is payable to the Partnership at March 22, 2015.

During the period, Trade Marks declared dividends on common shares held by Food Services of $598,000 (2014 - $463,000), of which $299,000 (December 28, 2014 - $nil) is receivable at March 22, 2015.

During the period, Food Services contracted with a private company controlled by certain shareholders and directors of Food Services, for rental of a private plane and crew for business travel. The cost of the services provided under the contract during the period were $87,000 (2014 - $80,000). At March 22, 2015, $nil (December 28, 2014 - $nil) is payable to the private company by Food Services.

During the period, Food Services paid $100,000 (2014 - $100,000) to a professional baseball club, of which a shareholder, director and officer of Food Services is a part owner, in exchange for advertising the A&W brand at the ballpark. At March 22, 2015, $nil (December 28, 2014 - $nil) is payable to the baseball club by Food Services.

Food Services maintains an advertising fund that is supported by prescribed contributions from corporate and franchise restaurants. The advertising fund paid $146,000 (2014 - $141,000) to Food Services during the year to date period for marketing, promotional and administrative services provided to the advertising fund. At March 22, 2015, the advertising fund had a surplus balance of $423,000 which is included in accounts payable and accrued liabilities (December 28, 2014 – surplus balance of $437,000).

Key management compensation

Key management includes the Company's directors and members of the Company's Strategy Team. The compensation awarded to key management includes:

	12 week period ended Mar 22, 2015 $	12 week period ended Mar 23, 2014 $
Salaries, bonuses and other short-term employee benefits	663	525
Pension costs - defined contribution plan	53	47
Pension costs - supplementary retirement benefit plan	167	161
Total	883	733

Other related party transactions are disclosed elsewhere within these consolidated financial statements.

(figures in tables are expressed in thousands of dollars)

9 Subsequent event

On April 28, 2015, Food Services declared a dividend from working capital of $3,500,000 to its parent, which subsequently declared a dividend of $3,500,000 to its shareholders who are directors and/or certain officers of Food Services.

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