

A&W Revenue Royalties Income Fund

Q1

First Quarter Report to Unitholders
for the period ended
March 23, 2003





To our Unitholders

On behalf of the Board of Trustees, I am pleased to present the results of the A&W Revenue Royalties Income Fund for the first quarter ended March 23, 2003. The Fund has delivered expected distributions every month since inception.

The Fund controls the licenced use of the A&W trade-marks by A&W Food Services of Canada Inc. (“Food Services”). The marks comprise some of the best-known brand names in the Canadian food service industry.

The Fund licences A&W Food Services of Canada Inc. (“Food Services”) to use these trade-marks and, in return, receives royalties of 3% of gross sales from A&W restaurants across Canada. New restaurants are added to the royalty pool at the beginning of the first quarter of each year, using a formula designed to be accretive to unitholders. With minimal operating expenses and distributions to unitholders based on top line revenues, the Fund is not subject to the variability of earnings or expenses associated with an operating business. Effective January 5, 2003, the number of restaurants for which royalties are paid to the Fund was increased to include the revenues from 27 new restaurants less eight permanently closed restaurants, bringing the total number of restaurants in the royalty pool to 604.

Included as a supplement to this report are the quarterly statements of Food Services, which operates the A&W restaurant and soft drink beverages businesses and is the licensee of the A&W trade-marks owned by the Fund.

RESULTS

During the quarter ended March 23, 2003, the Fund generated basic earnings of 16.0 cents per unit on royalty income of \$2,610,000 from Food Services. Cash available for distribution to unitholders totalled \$2,014,000 (24.1 cents per unit). Distributions of 18 cents per unit were declared. The difference between Fund income and distributions reflects differences in the timing of receipt of royalties and the timing of distributions.

Fund distributions were in line with expectations, and were achieved despite a severe winter season. The second coldest winter in 20 years, combined with a high frequency of storms, reduced customer traffic and resulted in lost operating hours due to restaurant closures. This in turn resulted in a 2.2% decline in same store sales during the first quarter.

While a decline is disappointing, A&W's results remained superior to the published results of its major competitors. This superior competitive performance reflects the success of A&W's strategy to be the number one choice with baby boomers.

Same Store Sales	%
A&W	-2.2
Major Competitor	-6.1

As winter has abated in the four weeks subsequent to the quarter end, same store sales have improved significantly, rising above 2002 levels.

OUTLOOK

We anticipate economic conditions will remain uncertain through the balance of 2003, and the Canadian Restaurant and Foodservices Association is projecting the industry will achieve only slight growth in 2003. Despite this outlook, we are confident A&W's strategy to become the number one choice of the baby boomer generation will continue to result in superior performance versus the industry. The Fund remains on track to deliver its anticipated annual distribution of \$1.08 per unit.

The major strategic thrusts underway in 2003 include:

- New Menu Boards
- Restaurant Re-Imaging
- Climate Goal Program Extension
- New Advertising and Promotional Campaign

New Menu Boards

Testing of a new design for menu boards in 2002 showed positive sales growth of 2%. These new menu boards have now been approved as a standard for A&W restaurants and are to be installed in all restaurants in 2003.

Restaurant Re-imaging

A&W's new restaurant design incorporates a number of features aimed at triggering the baby boomers' favourite memories of A&W. The control group of re-imaged restaurants has continued to experience sales increases of 5%. Seventy-five restaurants were re-imaged in 2002 and a further 75 are targeted for 2003. The capital for re-imaging is provided by restaurant operators.

Climate Goal Program Extension

A&W's Climate Goal program, which creates a work environment of trust and mutual respect, continues to be extended and strengthened in all operating restaurants. This gives A&W a competitive advantage in attracting, retaining and motivating restaurant teams committed to providing outstanding food and service.

New Advertising and Promotions

A&W is continuing to develop and refine a new advertising and promotional campaign. This campaign is based on research which shows Canadian baby boomers have strong positive emotional memories of A&W, as well as a preference for A&W's food and A&W Root Beer. While the campaign will be continually researched and refined, same store sales have improved markedly since the new advertising and promotional campaign began March 10th.

We believe the proven strength of Food Services' strategy, together with the initiatives underway, will produce improved results through the remainder of 2003.

Sincerely,



John R. McLernon

Chairman, A&W Revenue Royalties Income Fund
On behalf of the Board of Trustees

Highlights

(in thousands of dollars, except per unit amounts)

	For the quarter ended March 23, 2003	Period from February 15, 2002 (commencement of operations) to March 24, 2002
Number of restaurants in the royalty pool	604	585
Same store %	-2.2%	—
Gross sales reported by A&W Restaurants	\$ 86,991	\$ 42,290
Royalty income	2,610	1,269
Expenses and taxes	1,276	447
Net earnings for the period	1,334	822
Basic earnings per Trust Unit	\$ 0.16	\$0.099
Distributions declared per Trust Unit	\$ 0.18	\$0.038

Management Discussion and Analysis

OVERVIEW

Food Services pays the Fund a royalty of 3% of gross sales from A&W restaurants in Canada. There are currently 604 restaurants for which sales are included for purposes of determining the royalty.

In January of each year, the number of A&W restaurants whose gross sales are used to determine the royalty is increased to reflect new restaurants that Food Services opened during the preceding year. This calculation is net of the sales of any restaurants that have been closed. The Fund pays Food Services for the net increase in gross sales based upon a formula set out in the licence agreement with Food Services. The formula, which is designed to be accretive to unitholders, is based on the amount of sales from new restaurants, and the yield on the units of the Fund, and provides for a payment to Food Services on the basis of 92.5% of the amount.

Effective January 5, 2003, the number of A&W restaurants for which royalties are paid to the Fund was increased to include the revenues from 27 new restaurants, less eight permanently-closed restaurants.

The Fund's expenses comprise general and administration expenses, interest expense on long-term debt, Class A and B share dividends, amortization of deferred financing fees, and taxes.

Food Services owns 28% of the units of the Fund on a fully consolidated basis and pays the royalty to the Fund. Quarterly statements for Food Services are included as a supplement to this report.

OPERATING RESULTS

For the quarter ended March 23, 2003, royalty income was \$2,610,000, based on gross sales of \$86,991,000 from the A&W restaurants in the royalty pool. With the overall QSR industry experiencing difficult conditions during this period, A&W's same-store sales declined by 2.2%. One of the coldest winters in decades was the major factor. This is borne out by a return to same store sales growth in the four weeks since the end of the quarter, as winter weather has abated.

Expenses and taxes

(in thousands of dollars)	For the quarter ended March 23, 2003	For the period from February 15, 2002 (commencement of operations) to March 24, 2002 ⁽¹⁾
General and administrative	\$ 218	\$ 39
Amortization of deferred financing fees	31	15
Interest		
- Term loan	136	38
- Class A and B share dividends	783	274
Taxes	108	81
	\$ 1,276	\$ 447

(1) Expenses and taxes for the period from February 15, 2002 to March 24, 2002 have been restated to reclassify the Class A share dividends as interest expense (previously reported as non-controlling interest).

Expenses for the period ended March 23, 2003 were \$1,276,000. The variance of \$829,000 is largely due to the full quarter in 2003 versus the 38 days in 2002. The increased general and administrative expenses of \$179,000 are due to expenses for audit, legal and filing fees, which were not incurred in 2002 at the inception of the Fund.

Distributions to Unitholders

(in thousands of dollars)

	For the quarter ended March 23, 2003	For the period from February 15, 2002 (commencement of operations) to March 24, 2002
Net earnings for the period	\$ 1,334	\$ 822
Add		
Amortization of deferred financing fees	31	15
Future income taxes	48	55
Class A and B share dividends	783	274
Distributable cash	<u>\$ 2,196</u>	<u>\$ 1,166</u>
Distributable cash available for fund units	\$ 2,014	\$ 933
Distributable cash available for dividends	\$ 182	\$ 233
	<u>\$ 2,196</u>	<u>\$ 1,166</u>
Dividends accrued and unpaid on		
Class A and B shares	\$ 451	\$ 168

Net earnings for the Fund were \$1,334,000, resulting in earnings per trust unit of 16 cents. Cash available for distribution to unitholders during the period amounted to \$2,014,000. During the quarter, cash distributions were declared in the amount of 18 cents per unit in February and March. These equate to an annualized distribution of \$1.08 per unit. The January distribution of 9 cents per unit was accrued and accounted for in 2002 results.

OUTLOOK

The A&W Revenue Royalties Income Fund has now met its targeted distributions every month since inception and is on target to continue meeting expected distributions through the balance of 2003.

While the first quarter was difficult due to the harsh winter, and economic conditions are forecast to remain weak in 2003, A&W remains optimistic that its competitively superior strategy will result in improved results through the remainder of 2003. Early evidence for this optimism is seen in positive same store sales growth in the four weeks since the end of the first quarter.

Consolidated Balance Sheet

Unaudited

(in thousands of dollars)

As at	March 23, 2003	December 31, 2002
ASSETS		
Current assets		
Cash	\$ 149	\$ 490
Accounts receivable	1,820	1,266
Prepaid interest	38	25
	2,007	1,781
Intangible assets (note 3)	126,261	120,756
Deferred financing fees	261	292
	\$ 128,529	\$ 122,829
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 473	\$ 474
Corporate taxes payable	35	250
Dividends payable on Class A and B shares	417	—
Distributions payable to unitholders	751	751
	1,676	1,475
Term loan	10,000	10,000
Future income taxes	6,912	6,864
A&W Trade Marks Inc. Class A and B shares (notes 3 and 4)	33,756	28,138
	52,344	46,477
Unitholders' equity	76,185	76,352
	\$ 128,529	\$ 122,829

Consolidated Statement of Earnings

Unaudited

(in thousands of dollars, except per unit amounts)

	For the quarter ended March 23, 2003	Period from February 15, 2002 (commencement of operations) to March 24, 2002 (note 2)
Gross sales reported by A&W restaurants	\$ 86,991	\$ 42,290
Royalty income	\$ 2,610	\$ 1,269
Expenses		
General and administrative	218	39
Amortization of deferred financing fees	31	15
Interest expense		
- long-term bank loan	136	38
- Class A and B share dividends	783	274
	1,168	366
Earnings before income taxes	1,442	903
Provision for income taxes		
Large corporations tax	60	26
Future income taxes	48	55
	108	81
Net earnings for the period	\$ 1,334	\$ 822
Basic and diluted earnings per Trust Unit (8,340,000 Units)	\$ 0.160	\$ 0.099

Consolidated Statement of Unitholders' Equity

Unaudited

(in thousands of dollars)

	For the quarter ended March 23, 2003	Period from February 15, 2002 (commencement of operations) to March 24, 2002
Balance – beginning of period	\$ 76,352	\$ —
Issue of Trust Units	—	77,152
Net Earnings	1,334	822
Distribution declared	(1,501)	(319)
Balance – end of period	\$ 76,185	\$ 77,655

Consolidated Statement of Cash Flows

Unaudited

(in thousands of dollars)

	For the quarter ended March 23, 2003	Period from February 15, 2002 (commencement of operations) to March 24, 2002 (note 2)
Cash flows from operating activities		
Net earnings for the period	\$ 1,334	\$ 822
Items not affecting cash		
Amortization	31	15
Provision for future income taxes	48	55
Accrued Class A and B share dividends	113	274
	1,526	1,166
Net changes in non-cash working capital	(366)	(763)
	1,160	403
Cash flows from investing activities		
Acquisition	—	(84,896)
Cash flows from financing activities		
Distributions paid to Unitholders	(1,501)	—
Issuance of trust units	—	83,400
Cost of issuance	—	(8,064)
Term loan	—	10,000
Financing fees	—	(440)
	(1,501)	84,896
Increase in cash for the period	(341)	403
Cash – beginning of period	490	—
Cash – end of period	\$ 149	\$ 403
Non-cash financing activities		
Issuance of A&W Trade Marks Inc. Class A and B shares	\$ 5,505	\$ 27,800
Interest paid	\$ (174)	\$ (63)
Class A and B share dividends paid	\$ (253)	\$ —



Notes to the Interim Consolidated Financial Statements

For the quarter ended March 23, 2003

Unaudited

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

1. BASIS OF PRESENTATION

A&W Revenue Royalties Income Fund (the Fund) prepares its financial statements in accordance with Canadian generally accepted accounting principles on a basis consistent with those used and described in the annual consolidated financial statements. These interim consolidated financial statements do not include all of the disclosure requirements of generally accepted accounting principles for annual financial statements.

These interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2002.

2. COMPARATIVE FIGURES

The consolidated statements of earnings and cash flows for the period from February 15, 2002 to March 24, 2002 have been restated to reclassify the Class A share dividends as interest expense (previously reported as non-controlling interest).

3. INTANGIBLE ASSETS

On January 5, 2003, the number of A&W restaurants for which royalties are paid to the Fund was increased to include the revenues from 27 new restaurants, eight of which replaced restaurants permanently closed during 2002. A&W Trade Marks Inc. (Trade Marks) paid A&W Food Services of Canada Inc. (Food Services) \$5,505,000 through the issuance of 487,624 Class B shares of Trade Marks as initial consideration for the estimated additional royalty stream from the 19 net restaurants added to the royalty pool. A final adjustment to the Class B share consideration will be made in December 2003 based upon the 2003 annual gross sales reported by the new restaurants. Until the 2003 gross sales of the new restaurants are reported, 20% of the Class B shares are held in escrow.

The Class B shares comprise a portion of the \$40 million unpaid consideration on the acquisition of the A&W trade-marks which is recorded as an additional cost of the A&W trade-marks. The Class B shares have substantially the same terms as the Class A shares and are therefore classified as liabilities of the Fund and the cumulative dividends are classified as interest expense in the consolidated statement of earnings.

4. A&W TRADE MARKS INC. CLASS A AND B SHARES

The Class A and B shares are owned by Food Services and comprise:

	March 23, 2003	December 31, 2002
A&W Trade Marks Inc. Class A shares – at cost	\$ 27,800	\$ 27,800
A&W Trademarks Inc. Class B shares – at cost (note 3)	5,505	—
Accrued dividends payable on Class A and B shares	451	338
	\$ 33,756	\$ 28,138

5. DISTRIBUTIONS

	For the quarter ended March 23, 2003	For the period from February 15, 2002 (commencement of operations) to March 24, 2002 (note 2)
Net earnings for the period	\$ 1,334	\$ 822
Add: Amortization of deferred financing fees	31	15
Future income taxes	48	55
Class A and B share dividends	783	274
Distributable cash	\$ 2,196	\$ 1,166
Distributable cash available for Trust Units	\$ 2,014	\$ 933
Distributable cash available for dividends	182	233
	\$ 2,196	\$ 1,166
Distributable cash per Trust Unit (8,340,000 Units)	\$ 0.241	\$ 0.112
Distribution declared per Trust Unit (8,340,000 Units)	\$ 0.180	\$ 0.038
Distribution paid per Trust Unit (8,340,000 Units)	\$ 0.180	\$ —

UNITHOLDER INFORMATION

Corporate Head Office

A&W Trade Marks Inc.
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Toronto-Dominion Bank Tower
700 West Georgia Street
Vancouver, BC V7Y 1B3

Mailing Address

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A & W Revenue Royalties Income Fund Board of Trustees

John R. McLernon
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A & W Trade Marks Inc. Board of Directors and Officers

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- * Audit Committee and
Governance Committee

Registrar and Transfer Agent

Computershare Trust Company
of Canada

MARKET INFORMATION

Units Listed:
Toronto Stock Exchange
Symbol: **AW.UN**

Investor Enquiries

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**A&W Food Services
of Canada Inc.**

Q1/2003

Financial Statements

For the quarter ended
March 23, 2003

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



Financial Highlights

(in thousands of dollars)	12 Week Period ended March 23, 2003	12 Week Period ended March 24, 2002
New restaurants opened	4	2
Closures	3	1
Number of restaurants	614	598
System sales	\$ 92,486	\$ 90,345
System sales %	+2.4%	—
Same-store sales %	-2.2%	—
Revenue	\$ 9,652	\$ 8,166
Operating costs and expenses	6,633	6,000
Royalty Expense	2,686	1,269
Operating Income	333	897
Net earnings for the period	1,112	13,340

Management Discussion and Analysis

Overview

A&W Food Services of Canada Inc. ("Food Services") is the franchisor of the A&W restaurant chain in Canada and derives revenues from franchise fees, sales in corporate-owned restaurants, sales of goods and services to franchised operators, initial and regranted franchise fees, lease guarantee fees, and other fees. Food Services owns the equivalent of 28% of the units of the A&W Revenue Royalties Income Fund (the "Fund"), and receives dividend income from this source. A subsidiary of Food Services also receives revenue from the sale of flavour concentrate to a licensed bottler who produces and distributes A&W Root Beer for sale in retail grocery stores.

Food Services licences the A&W trade-marks from the Fund and pays a royalty of 3% of the gross sales of the A&W restaurants. The royalty was originally based on the 585 restaurants in existence on November 4, 2001, and is adjusted in January of each year to reflect gross sales from new restaurants, net of the sales of any A&W restaurants that have closed. Effective January 5, 2003, the number of restaurants for which royalties are paid to the Fund was increased to include the revenues from 27 new restaurants less

eight permanently-closed restaurants. The Fund pays Food Services for any increase in the royalty from these new restaurants on the basis of a formula set out in the licence agreement. On January 5, 2003, Food Services received \$5,505,000 through the issuance of 487,624 Class B shares of A&W Trade Marks Inc. as initial consideration for the estimated additional royalty stream from the 19 net restaurants added to the royalty pool.

Food Services' operating costs and expenses include salaries and general and administrative costs associated with providing services to the franchised A&W restaurants, and in establishing new A&W restaurants. Also included is the cost of materials and supplies and equipment sold either directly to franchisees or to distributors that service the restaurants. In addition, operating costs include the expenses and costs of the nine corporate restaurants operated by Food Services.

First Quarter Operating Results

For the 12 weeks ended March 23, 2003, total gross sales from all A&W restaurants in Canada (both existing and newly-opened) were \$92,486,000, up 2.4% from the same period in 2002. This sales increase reflects the impact of new restaurants opened in 2002, as well as four new restaurants opened during the first quarter of 2003.

Food Services' system sales continue to outpace the QSR industry.

System Sales Growth	%
<hr/>	
QSR	
YTD Feb. 28	+1.5
A&W	
YTD Feb. 23	+2.4
YTD Mar. 23	+2.4

Same store sales declined by 2.2% during the period, reflecting an unusually harsh winter. Low temperatures limited customer traffic, and winter storms resulted in lost operating hours due to periodic closures. As winter has abated in the four weeks following the quarter end, same store sales have improved significantly, showing an increase over 2002 levels.

While limited industry same store sales data is available, published data from A&W's major competitor reinforces the competitive superiority of A&W's strategy to become the number one choice of the baby boomer generation.

Same Store Sales	%
<hr/>	
A&W	-2.2
Major Competitor	-6.1

First quarter revenue (which includes franchise fees, sales in corporate-owned restaurants, sales of goods and services to franchised operators, initial and regrant franchise fees, lease

guarantee fees, other fees and dividend income) increased 18.2% to \$9,652,000, from \$8,166,000 in the same quarter last year.

Key factors in this revenue increase included:

- (a) initial fees and sales of equipment for two additional new restaurants,
- (b) sales from corporate restaurants (including one restaurant held for franchising), of \$1,532,000, compared to sales of \$1,380,000 during the same period in 2002, and
- (c) dividend income related to the ownership in the Fund of \$670,000, compared to dividend income of \$106,000 during the first quarter of 2002 (a partial quarter).

Operating costs for the period increased by 10.6% to \$6,633,000, from \$6,000,000 during the same period in 2002. This reflects the cost of servicing the added 16 restaurants and the cost of sales for two additional new restaurants. Royalty expense paid to the Fund for the use of the A&W trade-marks amounted to \$2,686,000 during the quarter, compared to \$1,269,000 for the period from February 15 (commencement of operations) to March 24, 2002 (a partial quarter).

Operating earnings declined by \$564,000 to \$333,000 in the first quarter, from \$897,000 in the same period in 2002. This reflects the higher royalty expense in the current period. Net earnings were \$1,112,000, compared to \$13,340,000 in the first quarter of 2002. This decrease in earnings reflects the sale of the A&W trade-marks to the Fund in February 2002. This transaction gave rise to unusual non-recurring expenses of \$2,025,000 in 2002, a tax liability of \$8,433,000 and recovery of future income taxes of \$24,577,000. Interest and amortization costs were also lower year-over-year, due to the sale in 2002 of the A&W trade-marks and the subsequent repayment of all long-term debt.

Outlook

Food Services is encouraged by the growth in same store sales achieved in the four weeks following the first quarter. While economic conditions are expected to remain challenging, A&W believes its proven strategy will contribute to improved results through the remainder of 2003. A&W's Mission is "to become the number one choice of the baby boomer generation." Food Services is currently focusing on four strategic initiatives aimed at accelerating progress toward this Mission.

1. New Menu Boards

During 2003 all A&W restaurants are to be refitted with new menu boards. The new boards have delivered a 2% sales gain in a control group of test restaurants.

2. Restaurant Re-imaging

A&W is currently in the midst of a major restaurant re-imaging program. The re-imaging program incorporates a number of A&W design features which research has shown have a strong connection with baby boomer consumers. Re-imaged restaurants in a control group of test restaurants have delivered sales gains of 5%.

In 2002, A&W re-imaged 75 freestanding restaurants, and plans to re-image an additional 75 freestanding restaurants in 2003.

3. Climate Goal Program Extension

A&W's Climate Goal program is a successful workplace initiative that has reduced employee turnover and increased commitment to outstanding food and service. In 2003, A&W will continue to extend and strengthen the Climate Goal program in all A&W restaurants.

4. New Advertising and Promotional Campaign

A&W has conducted research that affirms Canadian baby boomers' strong connection to their memories of A&W and to A&W's outstanding food. A new advertising and promotional program focusing on these boomer connections is underway as of March 10th, with very positive results.

A&W anticipates that these four strategic initiatives will produce superior competitive results through the remainder of 2003.

A&W plans to open 30 to 34 new restaurants in 2003 and close eight to ten locations for a net gain of 20 to 26 restaurants.

Consolidated Balance Sheet

Unaudited
(in thousands of dollars)

As at	March 23, 2003	December 29, 2002
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,042	\$ 11,054
Accounts receivable	3,604	5,948
Inventories	691	846
Dividends receivable	417	258
Prepaid expenses and deferred charges	61	35
Future income taxes	184	207
	12,999	18,348
Investment in A&W Trade Marks Inc. (note 2)	33,305	27,800
Future income taxes	3,322	2,776
Property, plant and equipment	1,465	1,453
Notes receivable	349	373
	\$ 51,440	\$ 50,750
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,036	\$ 8,170
Accrued royalties payable	1,820	2,080
Income taxes payable	728	5,138
Deposits on franchise and equipment sales	2,008	843
	11,592	16,231
Deferred gain (note 2)	34,339	29,644
Long-term liabilities	5,288	5,180
Non-controlling interest	142	80
	51,361	51,135
SHAREHOLDERS' EQUITY		
Capital stock	10,500	10,500
Deficit	(10,421)	(10,885)
	79	(385)
	\$ 51,440	\$ 50,750

Consolidated Statement of Earnings and Retained Earnings (Deficit)

Unaudited
(in thousands of dollars)

For the 12-week period ended	March 23, 2003	March 24, 2002
Revenue		
Franchising	\$ 7,450	\$ 6,680
Corporate restaurants	1,532	1,380
Dividend income	670	106
	9,652	8,166
Operating costs and expenses	6,633	6,000
Royalty expense	2,686	1,269
	9,319	7,269
Earnings before the following:	333	897
Interest (note 3)	(9)	1,370
Amortization (note 3)	95	1,507
Non-recurring items (note 3)	—	2,025
Amortization of deferred gain (note 3)	(810)	(459)
Earnings (loss) before income taxes and non-controlling interest	1,057	(3,546)
Recovery of (provision for) income taxes		
Current	(406)	(7,732)
Future income taxes	523	24,677
	117	16,945
Earnings for the period before non-controlling interest	1,174	13,399
Non-controlling interest	62	59
Net earnings for the period	1,112	13,340
(Deficit) Retained earnings - beginning of period	(10,885)	10,076
Dividends paid	—	(37,000)
Refundable dividend tax on hand	(648)	—
Deficit - end of period	\$ (10,421)	\$ (13,584)

Consolidated Statement of Cash Flows

Unaudited
(in thousands of dollars)

For the 12-week period ended	March 23, 2003	March 24, 2002
Cash flows from operating activities		
Net earnings for the period	\$ 1,112	\$ 13,340
Items not affecting cash		
Amortization	95	1,507
Decrease in future income taxes - non current	(546)	(24,677)
Loss (gain) on disposal of property, plant and equipment	3	(5)
Amortization of deferred gain	(810)	(459)
Increase in long-term liabilities	108	105
Non-controlling interest's share of earnings	62	59
	24	(10,130)
Net changes in non-cash working capital	(2,302)	9,585
	(2,278)	(545)
Cash flows from investing activities		
Purchase of property, plant and equipment	(110)	(12)
Proceeds from disposal of property, plant and equipment	—	5
Proceeds from sale of intangible assets	—	84,896
	(110)	84,889
Cash flows from financing activities		
Refundable tax	(648)	—
Repayment of notes receivable	24	—
Repayment of long-term debt	—	(36,500)
Payment of dividends	—	(37,000)
	(624)	(73,500)
(Decrease) Increase in cash and cash equivalents	(3,012)	10,844
Cash and cash equivalents - beginning of period	11,054	4,130
Cash and cash equivalents - end of period	\$ 8,042	\$ 14,974
Cash and cash equivalents consist of:		
Cash (bank indebtedness)	\$ 2,037	\$ (1,026)
Short-term investments	6,005	16,000
	\$ 8,042	\$ 14,974
Supplementary cash flow information (note 3)		
Net interest received (paid)	\$ 76	\$ (229)
Net income taxes paid	\$ (5,463)	\$ (1,888)

Notes to the Interim Consolidated Financial Statements

For the 12-week period ended March 23, 2003 and March 24, 2002

Unaudited

(figures in tables are expressed in thousands of dollars)

1. Basis of Presentation

The company prepares its interim financial statements in accordance with Canadian generally accepted accounting principles on a basis consistent with those used and described in the annual consolidated financial statements. These interim consolidated financial statements do not include all of the disclosure requirements of generally accepted accounting principles for annual financial statements.

These interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 29, 2002.

2. Investment in A&W Trade Marks Inc.

On January 5, 2003, the number of A&W restaurants for which the company pays royalties to A&W Trade Marks Inc. (Trade Marks) was increased to include the revenues from 27 new restaurants, eight of which replaced restaurants permanently closed during 2002. The company received \$5,505,000 through the issuance of 487,624 Class B shares of Trade Marks as initial consideration for the estimated additional royalty stream from the 19 net restaurants added to the royalty pool. A final adjustment to the Class B share consideration will be made in December 2003 based upon the 2003 annual gross sales reported by the new restaurants. Until the 2003 gross sales of the new restaurants are reported, 20% of the Class B shares are held in escrow.

The Class B shares comprise a portion of the \$40 million unpaid consideration on the sale of the A&W trade-marks and are recorded as an additional investment in Trade Marks with a corresponding increase in the deferred gain (\$5,505,000).

The Class B shares have substantially the same terms as the Class A shares.

3. Supplementary Earnings and Cash Flow Information

For the 12-week period ended	March 23, 2003	March 24, 2002
Interest expense		
Interest on long-term debt	\$ —	\$ 206
Interest income	(76)	(43)
Other	67	63
Settlement of debt hedging transactions	—	1,144
	\$ (9)	\$ 1,370
Amortization		
Amortization of intangible assets	\$ —	\$ 363
Amortization of property, plant and equipment	95	100
Write off of deferred financing fees	—	1,044
	\$ 95	\$ 1,507
Non-recurring items		
Bonus paid under phantom share plan	\$ —	\$ 1,517
Other	—	508
	\$ —	\$ 2,025
Non-cash investing activities		
Investment in A&W Trade Marks Inc.	\$ 5,505	\$ 27,800



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