

A&W Revenue Royalties Income Fund

Q2

Second Quarter Report to Unitholders
for the period ended
June 13, 2004

Report to Unitholders	1
Management Discussion and Analysis	2
Consolidated Financial Statements	12
Notes to the Interim Consolidated Financial Statements	15
Unitholder Information	Back Cover



To our Unitholders

On behalf of the Board of Trustees, I am pleased to report the second quarter results for the A&W Revenue Royalties Income Fund (the "Fund"). The Fund owns the A&W trade-marks and licences them to A&W Food Services of Canada Inc. ("Food Services"), who franchises and operates A&W restaurants. In exchange for the use of the trade-marks, Food Services pays the Fund a royalty of 3% of the sales of the 620 restaurants currently in the Fund. Therefore, the key driver of revenue growth for the Fund is same store sales increases. I am very pleased to announce that for the quarter ended June 13, 2004, the Fund continued to enjoy good results based on a strong positive same store sales increase of 5.0% for the quarter. This strong second quarter follows an equally strong first quarter and is the fifth quarter in a row of positive same store sales. Year to date same store sales growth is +5.0%.

These second quarter results were driven by excellent progress on several key strategic initiatives by Food Services, all directed at enhancing A&W's appeal to the "baby boomers," the core target customer for the chain. As referenced in the last report, a new advertising campaign was launched. The "Drive" television commercial, which ran through much of the second quarter, has been an unqualified success.

Food Services also has two major menu innovations currently underway.

The first is breakfast. During the second quarter, a major television advertising campaign was launched to build breakfast sales, as part of a multi-year strategy to build this aspect of the business. It was very successful.

The second major menu initiative, launched in June, is the re-introduction of A&W Root Beer Floats in all restaurants. The A&W Root Beer Float was a "boomer favourite" back in the 50's, 60's and 70's when they were growing up. The response to the product during test marketing was very favourable, and initial results from the roll-out have been very promising.

Other key strategic initiatives such as re-imaging of the restaurant facilities and roll-out of the menu boards continued throughout the quarter.

With the Canadian foodservice industry continuing to enjoy a rebound in sales, the impact of Food Services' strategy and key strategic programs has resulted in another strong quarter. As we look forward, we are confident that this strategy will yield strong performance versus the industry. We are also pleased to report that the fund remains on track to deliver its anticipated annual distribution of \$1.08 per unit.

John R. McLernon

A handwritten signature in black ink, appearing to read 'John R. McLernon'.

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

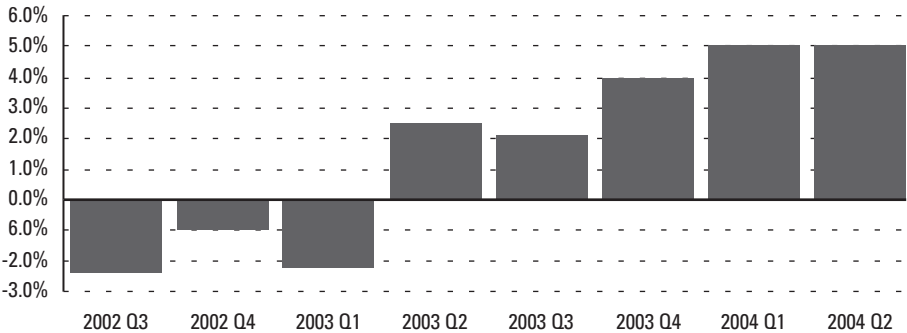
Management Discussion and Analysis

For the Quarter Ended June 13, 2004
As of July 19, 2004

OVERALL PERFORMANCE

The source of revenue for the A&W Revenue Royalties Income Fund (the “Fund”) is royalty income from A&W Food Services of Canada Inc. (“Food Services”). As a result, same store sales growth by A&W restaurants is a key performance indicator for the Fund. During the quarter ended June 13, 2004, A&W restaurants continued to enjoy strong same store sales increases. The following chart shows the percentage changes in same store sales by A&W restaurants for the eight most recently completed quarters:

Same Store Sales Growth



There have now been five consecutive quarters of same store sales increases. They reflect A&W’s progress on its strategic initiatives aimed at “becoming the number one choice of the baby boomer generation”.

Royalty income for the quarter ended June 13, 2004 increased 9.7% over the same quarter in 2003 and 8.7% year to date, due to the increase in the number of restaurants in the royalty pool from 604 to 620 and the 5.0% same store sales growth.

Distributable cash available to pay distributions to unitholders and dividends on Class A and B shares increased by 12.9% to \$3,151,000 for the quarter and by 11.9% to \$5,580,000 year to date. Distributions of \$2,252,000 (27 cents per unit) were paid in the quarter and \$3,753,000 (45 cents per unit) year to date.

Earnings per unit grew from \$0.213 to \$0.229 for the quarter and from \$0.373 to \$0.398 for the year to date.

The Fund is on track to deliver its anticipated annual distribution of \$1.08 per unit. From inception in February 2002 through to June 2004, the Fund has made its projected distributions to unitholders of 9 cents per unit per month.

HIGHLIGHTS

(dollars in thousands except per unit amounts)

	12 week period ended Jun 13, 2004	12 week period ended Jun 15, 2003	Period from Jan 1, 2004 to Jun 13, 2004	Period from Jan 1, 2003 to Jun 15, 2003
Same store sales growth	5.0%	2.5%	5.0%	0.3%
Number of restaurants in the royalty pool	620	604	620	604
Sales reported by the restaurants in the royalty pool	\$ 115,691	\$ 105,522	\$ 209,163	\$ 192,513
Royalty income	3,471	3,165	6,275	5,775
Expenses and taxes (excluding dividends)	641	577	1,150	1,070
A&W Trade Marks Inc. share dividends	920	809	1,802	1,592
Net earnings for the period	1,910	1,779	3,323	3,113
Basic and diluted earnings per Trust Unit (8,340,000 Units)	\$ 0.229	\$ 0.213	\$ 0.398	\$ 0.373
Total distributable cash available for distributions and dividends	\$ 3,151	\$ 2,791	\$ 5,580	\$ 4,987
Distributions paid per Trust Unit	\$ 0.270	\$ 0.270	\$ 0.450	\$ 0.450

OVERVIEW

The Fund is a limited purpose trust established to invest in A&W Trade Marks Inc. (“Trade Marks”), which owns the A&W trade-marks used in the A&W quick service restaurant business in Canada. Trade Marks licences the use of the A&W trade-marks to Food Services, which operates the A&W restaurant and soft drink beverages businesses. The trade-marks comprise some of the best-known brand names in the Canadian foodservice industry.

In return for licencing Food Services to use its trade-marks, the Fund (through Trade Marks) receives royalties equal to 3% of sales of the A&W restaurants in the royalty pool. In the event that a restaurant in the royalty pool closes, Food Services pays the royalties that would have been paid to the Fund if the restaurant had not closed, until the next adjustment to the royalty pool.

The royalty pool is adjusted in January of each year to reflect sales from new restaurants, net of the sales of any A&W restaurants that have permanently closed. The Fund (through Trade Marks) pays Food Services for the additional royalty stream of the sales of the net new restaurants, based on a formula set out in the licence agreement. The formula, designed to be accretive to unitholders, is based on the amount of estimated sales from the net new restaurants and the yield on the units of the Fund, and provides for a payment to Food Services in the form of common and class B shares of Trade Marks on the basis of 92.5% of that value. Twenty percent of the shares are held in escrow until the actual sales of the new restaurants are known.

The distributions to unitholders are a function of the top-line revenues of the A&W restaurants in the royalty pool, less the Fund's expenses, and are thereby isolated from many of the factors that influence an operating business.

Expenses of the Fund are limited to general and administrative expenses for the administration of the Fund itself, amortization of deferred financing fees, interest expenses (which include Class A and B share dividends, as stipulated by generally accepted accounting principles) and taxes.

Food Services owns the equivalent of 31% of the units of the Fund on a fully-diluted basis, up from 28% in 2003. An important aspect of the Fund is that, provided Food Services holds an indirect interest in the Fund, distributions to unitholders are made in priority to distributions to Food Services. Financial statements for Food Services are included as a supplement to this report.

A&W Trade Marks Inc. shares

(dollars in thousands)

	Jun 13, 2004 Number of shares	Jun 13, 2004 Amount	Dec 31, 2003 Number of shares	Dec 31, 2003 Amount
Common shares – at cost	3,720,945	\$ —	3,232,469	\$ —
Class A shares – at cost	2,779,975	27,800	2,779,975	27,800
Class B shares – at cost	940,945	10,242	452,469	5,108
Accrued dividends on Class A and B shares		407		808
		\$ 38,449		\$ 33,716

RESULTS OF OPERATIONS

Readers should be aware that 2004 results are not directly comparable to last year due to the fact that there are 620 restaurants in the royalty pool in 2004 and there were 604 restaurants in the royalty pool in 2003.

For the quarter ended June 13, 2004, royalty income earned from Food Services was \$3,471,000, based on sales of \$115,691,000 reported by the A&W restaurants in the royalty pool. This is an increase of 9.7% over royalty income of \$3,165,000 and sales of \$105,522,000 for the quarter ended June 15, 2003.

Year to date royalty income was \$6,275,000 based on sales of \$209,163,000, an 8.7% increase over royalty income of \$5,775,000 and sales of \$192,513,000 for the period ended June 15, 2003.

This quarterly and year to date increase is due to the combined impact of the additional 16 restaurants in the royalty pool and the same store sales increase of 5.0% for the quarter and 5.0% year to date

Expenses and taxes

(dollars in thousands)

	12 week period ended Jun 13, 2004	12 week period ended Jun 15, 2003	Period from Jan 1, 2004 to Jun 13, 2004	Period from Jan 1, 2003 to Jun 15, 2003
General and administrative	\$ 62	\$ 172	\$ 264	\$ 390
Amortization of deferred financing fees	128	31	158	62
Interest on term loan	149	142	284	278
Future income taxes and large corporations tax	302	232	444	340
A&W Trade Marks Inc. share dividends	920	809	1,802	1,592

General and administrative expenses for the quarter decreased by \$110,000 to \$62,000, compared to \$172,000 in the same quarter in 2003. Year to date expenses decreased by \$126,000 to \$264,000, compared to \$390,000 in 2003. These reduced costs are primarily a result of measures taken to reduce costs of the Annual General Meeting and printing and mailing of the annual and quarterly reports.

On April 1, 2004, Trade Marks paid out its existing term loan with a new credit facility. The remaining unamortized deferred financing fees of \$125,000 relating to the former term loan were fully expensed in the second quarter. The cost of securing and documenting the new term loan was \$72,000 and was deferred and is being amortized over the four year term of the new loan. As a result, amortization of deferred financing fees increased by \$97,000 to \$128,000 for the quarter, and by \$96,000 to \$158,000 for the year to date.

Future income taxes for the quarter were \$265,000, an increase of \$93,000 over the same quarter in 2003. Year to date future income taxes increased by \$149,000 to \$369,000. The increase is largely attributable to the increase in earnings before taxes for the quarter. The large corporations capital tax decreased by \$23,000 in the quarter and \$45,000 year to date, as the government is phasing out the tax between 2004 and 2008, and limiting it to tax on capital in excess of \$50 million in 2004.

The dividends on Trade Marks' shares are treated for accounting purposes as interest expense and, as such, are accrued and deducted in arriving at net earnings. Accrued Class A and B share dividends increased by \$111,000, from \$809,000 in the second

quarter of 2003 to \$920,000 in 2004, and by \$210,000 from \$1,592,000 year to date in 2003 to \$1,802,000 in 2004. The increase is due to Food Services' increased equivalent ownership in the Fund to 31% from 28%.

Distributions to Unitholders

(dollars in thousands except per unit amounts)

	12 week period ended Jun 13, 2004	12 week period ended Jun 15, 2003	Period from Jan 1, 2004 to Jun 13, 2004	Period from Jan 1, 2003 to Jun 15, 2003
Net earnings for the period	\$ 1,910	\$ 1,779	\$ 3,323	\$ 3,113
Add:				
Amortization of deferred financing fees	128	31	158	62
Future income taxes	265	172	369	220
A&W Trade Marks Inc. share dividends	920	809	1,802	1,592
Less:				
Financing fees – new term loan	(72)	—	(72)	—
Distributable cash	\$ 3,151	\$ 2,791	\$ 5,580	\$ 4,987
Distributable cash for Trust Units	\$ 2,058	\$ 2,063	\$ 4,042	\$ 4,077
Distributable cash available for dividends	1,093	728	1,538	910
Distributable cash per Trust Unit (8,340,000 Units)	\$ 0.247	\$ 0.247	\$ 0.485	\$ 0.489
Distributions paid per Trust Unit (8,340,000 Units)	\$ 0.270	\$ 0.270	\$ 0.450	\$ 0.450

Distributable cash is not an earnings measure recognized by generally-accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures presented by other issuers.

Distributable cash available to pay distributions to unitholders and dividends on Class A and B shares increased by \$360,000 to \$3,151,000. The increase is due to the increase in royalty income and reduction in general and administrative costs. Year to date distributable cash increased by \$593,000 to \$5,580,000, due to the increase in royalty income and reduction in expenses.

Cash available for distribution to unitholders during the quarter was \$2,058,000, compared to \$2,063,000 in 2003. Year to date cash available for distribution to unitholders was \$4,042,000, compared to \$4,077,000 in 2003. This decrease was due to the fact that there were 165 days in 2004 year to date (a leap year) versus 166 days in 2003. Cash distributions of \$2,252,000 were declared for the quarter and \$3,753,000 year to date, the same as the prior year.

Dividends payable to Food Services on Class A and B shares of Trade Marks are subordinated to distributions to unitholders. The Fund expects to generate sufficient distributable cash in 2004 to meet its obligations on Class A and B shares, including the 2003 subordinated dividends.

Subordinated dividends on Class A and B shares

(dollars in thousands)

	12 week period ended Jun 13, 2004	12 week period ended Jun 15, 2003	Period from Jan 1, 2004 to Jun 13, 2004	Period from Jan 1, 2003 to Jun 15, 2003
Dividends accrued and payable	\$ 920	\$ 809	\$ 1,802	\$ 1,592
Distributable cash available for dividends	(1,093)	(728)	(1,538)	(910)
Increase (decrease) in subordinated dividends	(173)	81	264	682
Subordinated dividends – beginning of period	694	667	257	66
Subordinated dividends – end of period	\$ 521	\$ 748	\$ 521	\$ 748

Subordinated dividends decreased during the quarter and are projected to be eliminated by the end of the year.

Dividends paid to Food Services were \$989,000 in the second quarter of 2004 compared to \$940,000 in the same period in 2003. Year to date dividends paid to Food Services were \$2,159,000 compared to \$1,193,000 in 2003. The year to date increase of \$966,000 is due to timing of payment of 2003 dividends and the increase in Food Services' equivalent ownership in the Fund from 28% in 2003 to 31% in 2004.

SEASONALITY

Sales in the QSR industry fluctuate seasonally. In freestanding restaurants, weather impacts sales. In shopping centres, sales fluctuate due to higher traffic during back to school and Christmas shopping seasons. In 2003, 42% of sales in A&W restaurants in the royalty pool were in Quarter 1 and 2, and 58% were in Quarter 3 and 4. This is consistent with Food Services' long term sales trend.

Differences between earnings per unit and distributions paid per unit arise because of this seasonality of sales and because the royalty is paid by Food Services every four weeks (13 times a year) while uniform distributions are paid monthly. Distributions per unit are higher than earnings per unit due to non-cash expenses.

Summary of Quarterly Results

(dollars in thousands except per unit amounts)

	2004		2003				2002	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Number of restaurants in the royalty pool	620	620	604	604	604	604	585	585
Royalty income	\$ 3,471	\$ 2,804	\$ 4,507	\$ 3,397	\$ 3,165	\$ 2,610	\$ 4,138	\$ 3,175
Net earnings	\$ 1,910	\$ 1,413	\$ 2,663	\$ 2,083	\$ 1,779	\$ 1,334	\$ 2,448	\$ 1,992
Basic and diluted earnings per Trust Unit	\$ 0.229	\$ 0.169	\$ 0.319	\$ 0.250	\$ 0.213	\$ 0.160	\$ 0.294	\$ 0.239
Distributions paid per Trust Unit	\$ 0.270	\$ 0.180	\$ 0.360	\$ 0.270	\$ 0.270	\$ 0.180	\$ 0.360	\$ 0.270

To ensure that the distribution for December, which is paid the following January, is recorded in the period it was earned for income tax purposes, four distributions are declared during the fourth quarter and two distributions are declared during the first quarter of each year.

LIQUIDITY AND CAPITAL RESOURCES

The Fund believes it has sufficient financial resources to pay ongoing future distributions and dividends. Trade Marks has a demand operating loan of up to \$2,000,000 to fund its working capital requirements and to meet its cash flow needs. The operating loan bears interest at bank prime rate plus 0.5%.

Cash decreased by \$501,000 in the quarter and \$1,514,000 year to date, resulting in use of the operating loan of \$980,000. The key factors leading to this use of cash were:

- an increase in royalties receivable due to the timing of scheduled payments; and
- payment of dividends in respect of the accrued dividends at December 31, 2003.

On April 1, 2004, Trade Marks replaced its original \$2,000,000 operating loan and \$10,000,000 term loan with a new credit facility from HSBC Bank Canada. A general security agreement over the assets of Trade Marks was provided as security for the new credit facility. The credit facility includes:

- a demand operating loan of up to \$2,000,000 to fund working capital requirements and for general corporate purposes. The operating loan bears interest at the bank prime rate plus 0.5% and is repayable on demand.
- a 48 month term loan in the amount of \$10,000,000. The term loan is repayable on March 15, 2008 and bears interest at bank prime rate plus between 0.0% and 0.5% depending on the ratio of total debt to EBITDA. (Total debt is the aggregate outstanding balance of the operating loan and the term loan. EBITDA is earnings before interest [which includes Class A and B share dividends], taxes, depreciation and amortization.)

Interest only is payable monthly, providing trailing EBITDA at any time is not less than \$10,000,000. In the event that EBITDA at any time is less than \$10,000,000, the term loan will be fully amortized over the remaining term and repayment will be by way of blended monthly instalments of principal and interest.

EBITDA for the trailing four quarters ended June 13, 2004 was \$13,385,000.

An existing interest rate swap agreement maturing February 15, 2005 was assigned to HSBC. This interest rate swap agreement fixes the interest rate at 6.18% per annum.

A second interest rate swap agreement was entered into which fixes the interest rate at 5.81% for the period February 16, 2005 to February 18, 2008.

Payments due by Period

(dollars in thousands)

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Term loan	\$ 10,000	\$ 0	\$ 10,000	\$ 0	\$ 0

The Fund has no other contractual or purchase obligations. The Fund does not have any capital expenditures; its 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 has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the quarter, royalty income of \$3,471,000 (2003 - \$3,165,000) was earned from Food Services, of which \$2,318,000 is receivable at June 13, 2004 (2003 - \$2,139,000). The increase in royalties receivable from \$1,267,000 at December 31, 2003 is due to the timing of scheduled royalty payments.

The Fund has entered into an administration agreement with Trade Marks whereby Trade Marks, at its expense, will provide or arrange for the provision of services required in the administration of the Fund. In turn, Trade Marks has arranged for certain of these services to be provided by Food Services until 2011.

Other related party transactions and balances are referred to elsewhere in this Management Discussion & Analysis.

CRITICAL ACCOUNTING ESTIMATES

There are no critical accounting estimates that, if changed, would materially affect the Fund's overall financial condition or results of operations.

FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, distributions payable to Unitholders, dividends payable, and term loan. Unless otherwise noted, it is management's opinion that the Fund is not exposed to significant interest or credit risks arising from these financial instruments. Management estimates that the fair values of these financial instruments approximate their carrying values, unless otherwise noted.

RISKS AND UNCERTAINTIES

The amount of the royalty received from Food Services is dependent upon the sales of the A&W restaurants in the royalty pool. In addition to the risks and uncertainties noted in the Fund's 2003 Management Discussion and Analysis that could affect these sales, there are risks surrounding the supply of some raw materials relied upon by the restaurants. In the first two quarters there were some disruptions in the supply of chicken products. There is uncertainty whether greater disruption could occur which might have an impact on sales of chicken products in the restaurants.

OUTLOOK

During the quarter ended June 13, 2004, Food Services enjoyed strong same store sales as a result of its progress on several key strategic initiatives designed to enhance A&W's appeal to "baby boomers", the core target customer for the chain.

Ongoing Menu Innovation

Two major menu innovations are underway. The first is breakfast. A&W has historically enjoyed a strong business at breakfast, a daypart which has been growing in the overall industry. During the second quarter, a major television advertising campaign was launched to build breakfast sales, as part of a multi-year strategy to build this aspect of the business. It was very successful.

A second major menu initiative, launched in June, is the re-introduction of A&W Root Beer Floats to all restaurants. The A&W Root Beer Float was a "boomer favourite" back in the 50's, 60's and 70's when they were growing up. The response to this product during test marketing was very favourable, and initial results from the roll-out have been very promising.

Advertising and Marketing Campaigns

The new television commercial called "Drive" was launched at the end of the first quarter and ran through much of the second quarter. It has been an outstanding success at reconnecting "boomers" with A&W.

Restaurant Re-imagining and Menu Boards

During 2004, A&W will continue its restaurant re-imagining and menu board programs. The re-imagining program incorporates a number of A&W design features which research has shown evoke fond memories in baby boomer customers. Re-imagined restaurants in a control group of test restaurants delivered sales improvements in excess

of 5%. The new menuboards improve product merchandising and have delivered a 2% increase in the average cheque in a control group of test restaurants.

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. This program will be further extended throughout 2004.

The Fund is confident that these initiatives by Food Services, together with the improving Canadian foodservice industry, will continue to result in positive same store sales growth.

The Fund will periodically review distribution levels and distribute available cash in order to maximize returns to unitholders while maintaining uniformity of distributions.

Certain statements in this Management Discussion and Analysis may be forward-looking in nature. These include references to liquidity, subordinated dividends, earnings and anticipated earnings from growth in same store sales and new restaurant openings. Actual results may differ materially from those expressed or implied in these forward-looking statements. The forward-looking statements are based on assumptions that management considered reasonable at the time they were prepared. These forward-looking statements are subject to a number of risk factors, including the ability of A&W Food Services of Canada Inc. to implement its marketing strategies, the opening of new A&W restaurants, general economic and business conditions, financial and political instability, and other factors disclosed previously and from time to time in the Fund's public filings.

Additional information relating to the Fund is on SEDAR at www.sedar.com and on the Fund's website at www.awincomefund.ca.

Consolidated Balance Sheet

Unaudited

(in thousands of dollars)

As at	June 13, 2004	December 31, 2003
ASSETS		
Current assets		
Cash	\$ —	\$ 534
Accounts receivable (note 6)	2,375	1,296
Prepaid interest	39	26
	2,414	1,856
Intangible assets (note 2)	130,998	125,864
Deferred financing fees (note 3)	69	155
	\$ 133,481	\$ 127,875
LIABILITIES		
Current liabilities		
Bank indebtedness	\$ 980	\$ —
Accounts payable and accrued liabilities	139	218
Corporate taxes payable	—	11
Distributions payable to Unitholders	751	751
Dividends payable	335	291
	2,205	1,271
Term loan (note 3)	10,000	10,000
Future income taxes	8,053	7,684
A&W Trade Marks Inc. shares (notes 2 and 4)	38,449	33,716
	58,707	52,671
Unitholders' equity	74,774	75,204
	\$ 133,481	\$ 127,875

Consolidated Statement of Earnings

Unaudited

(in thousands of dollars, except per unit amounts)

	12 week period ended Jun 13, 2004	12 week period ended Jun 15, 2003	Period from Jan 1, 2004 to Jun 13, 2004	Period from Jan 1, 2003 to Jun 15, 2003
Gross sales reported by A&W restaurants in the royalty pool	\$ 115,691	\$ 105,522	\$ 209,163	\$ 192,513
Royalty income	\$ 3,471	\$ 3,165	\$ 6,275	\$ 5,775
Expenses				
General and administrative	62	172	264	390
Amortization of deferred financing fees	128	31	158	62
Interest expense				
- term loan	149	142	284	278
- A&W Trade Marks Inc. share dividends	920	809	1,802	1,592
	1,259	1,154	2,508	2,322
Earnings before income taxes	2,212	2,011	3,767	3,453
Provision for income taxes				
Large corporations tax	37	60	75	120
Future income taxes	265	172	369	220
	302	232	444	340
Net earnings for the period	\$ 1,910	\$ 1,779	\$ 3,323	\$ 3,113
Basic and diluted earnings per Trust Unit (8,340,000 Units)	\$ 0.229	\$ 0.213	\$ 0.398	\$ 0.373

Consolidated Statement of Unitholders' Equity

Unaudited

(in thousands of dollars)

	12 week period ended Jun 13, 2004	12 week period ended Jun 15, 2003	Period from Jan 1, 2004 to Jun 13, 2004	Period from Jan 1, 2003 to Jun 15, 2003
Balance – beginning of period	\$ 75,116	\$ 76,185	\$ 75,204	\$ 76,352
Net earnings for the period	1,910	1,779	3,323	3,113
Distributions declared	(2,252)	(2,252)	(3,753)	(3,753)
Balance – end of period	\$ 74,774	\$ 75,712	\$ 74,774	\$ 75,712

Consolidated Statement of Cash Flows

Unaudited

(in thousands of dollars)

	12 week period ended Jun 13, 2004	12 week period ended Jun 15, 2003	Period from Jan 1, 2004 to Jun 13, 2004	Period from Jan 1, 2003 to Jun 15, 2003
Cash flows from operating activities				
Net earnings for the period	\$ 1,910	\$ 1,779	\$ 3,323	\$ 3,113
Items not affecting cash				
Amortization of deferred financing fees	128	31	158	62
Provision for future income taxes	265	172	369	220
Change in accrued dividends (note 4)	(77)	72	(401)	185
	2,226	2,054	3,449	3,580
Net changes in non-cash working capital	(403)	(778)	(1,138)	(1,144)
	1,823	1,276	2,311	2,436
Cash flows from financing activities				
Repayment of term loan	(10,000)	—	(10,000)	—
Proceeds of new term loan	10,000	—	10,000	—
Distributions paid to Unitholders	(2,252)	(2,252)	(3,753)	(3,753)
Financing fees	(72)	—	(72)	—
	(2,324)	(2,252)	(3,825)	(3,753)
Decrease in cash for the period	(501)	(976)	(1,514)	(1,317)
(Bank Indebtedness) Cash				
– beginning of period	(479)	149	534	490
Bank Indebtedness				
– end of period	\$ (980)	\$ (827)	\$ (980)	\$ (827)
Supplementary cash flow information				
Non-cash financing activities				
Issuance of A&W Trade				
Marks Inc. Class B shares	\$ —	\$ —	\$ 5,134	\$ 5,505
Interest paid	\$ (215)	\$ (168)	\$ (323)	\$ (342)
Dividends paid	\$ (989)	\$ (940)	\$ (2,159)	\$ (1,193)



Notes to the Interim Consolidated Financial Statements

For the quarter ended June 13, 2004

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, 2003.

2. INTANGIBLE ASSETS

On January 5, 2004, the number of A&W restaurants for which royalties are paid to the Fund was increased by 28 new restaurants less 12 restaurants which permanently closed during 2003. The Fund, through its subsidiary A&W Trade Marks Inc. (Trade Marks), paid A&W Food Services of Canada Inc. (Food Services) \$5,134,000, by issuance of 488,476 Class B and common shares, as initial consideration for the estimated royalty stream from the 16 net restaurants added to the royalty pool. A final adjustment to the share consideration will be made in December 2004 based upon the 2004 gross sales reported by the new restaurants. Twenty percent of the shares are held in escrow until the 2004 gross sales of the new restaurants are known. After the January 5, 2004 amendment to the royalty pool, Food Services owns the equivalent of 31% of the units of the Fund on a fully-diluted basis.

The shares comprise the second payment of the unpaid balance of the purchase price on the acquisition of the A&W trade-marks and are 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.

	Jun 13, 2004	Dec 31, 2003
Initial consideration	\$120,756	\$ 120,756
2003 adjustment to the royalty pool	5,108	5,108
2004 adjustment to the royalty pool	5,134	—
	\$130,998	\$ 125,864

3. TERM LOAN AND OPERATING BANK LINE OF CREDIT

On April 1, 2004, Trade Marks replaced its original \$2,000,000 operating loan and \$10,000,000 term loan with a new credit facility from HSBC Bank Canada. A general security agreement over the assets of Trade Marks was provided as security for the new credit facility. The credit facility includes:

- a demand operating loan of up to \$2,000,000 to fund working capital requirements and for general corporate purposes. The operating loan bears interest at the bank prime rate plus 0.5% and is repayable on demand.
- a 48 month term loan in the amount of \$10,000,000. The term loan is repayable on March 15, 2008 and bears interest at bank prime rate plus between 0.0% and 0.5% depending on the ratio of total debt to EBITDA. (Total debt is the aggregate outstanding balance of the operating loan and the term loan and EBITDA is earnings before interest [which includes Class A and B share dividends], taxes, depreciation and amortization.)

Interest only is payable monthly, providing trailing EBITDA at any time is not less than \$10,000,000. In the event that EBITDA at any time is less than \$10,000,000, the term loan will be fully amortized over the remaining term and repayment will be by way of blended monthly instalments of principal and interest.

An existing interest rate swap agreement maturing February 15, 2005 was assigned to HSBC. This interest rate swap agreement fixes the interest rate at 6.18% per annum. A second interest rate swap agreement was entered into which fixes the interest rate at 5.81% for the period February 16, 2005 to February 18, 2008.

The remaining unamortized deferred financing fees of \$125,000 relating to the former term loan were fully expensed. The cost of securing and documenting the HSBC term loan was \$72,000 and was deferred and is being amortized over the four year term of the new loan.

4. A&W TRADE MARKS INC. SHARES

The A&W Trade Marks Inc. shares are owned by Food Services and comprise:

	Jun 13, 2004	Dec 31, 2003
Common shares - at cost	\$ —	\$ —
Class A shares - at cost	27,800	27,800
Class B shares - at cost	5,108	5,108
Class B shares - at cost (note 2)	5,134	—
Accrued dividends on		
Class A and Class B shares	407	808
	\$ 38,449	\$ 33,716

5. DISTRIBUTIONS

	12 week period ended Jun 13, 2004	12 week period ended Jun 15 2003	Period from Jan 1, 2004 to Jun 13, 2004	Period from Jan 1, 2003 to Jun 15, 2003
Net earnings for the period	\$ 1,910	\$ 1,779	\$ 3,323	\$ 3,113
Add:				
Amortization of deferred financing fees	128	31	158	62
Future income taxes	265	172	369	220
A&W Trade Marks Inc. share dividends	920	809	1,802	1,592
Less: Financing fees - HSBC loan	(72)	—	(72)	—
Distributable cash	\$ 3,151	\$ 2,791	\$ 5,580	\$ 4,987
Distributable cash for Trust Units	\$ 2,058	\$ 2,063	\$ 4,042	\$ 4,077
Distributable cash available for dividends	1,093	728	1,538	910
	\$ 3,151	\$ 2,791	\$ 5,580	\$ 4,987
Distribution declared per Trust Unit (8,340,000 Units)	\$ 0.270	\$ 0.270	\$ 0.450	\$ 0.450
Distribution paid per Trust Unit (8,340,000 Units)	\$ 0.270	\$ 0.270	\$ 0.450	\$ 0.450

Distributable cash is not an earnings measure recognized by generally-accepted accounting principles (“GAAP”) and therefore may not be comparable to similar measures presented by other issuers.

6. DUE FROM A&W FOOD SERVICES OF CANADA INC.

	Jun 13, 2004	Dec 31, 2003
Royalties receivable	\$ 2,318	\$ 1,267

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
British Columbia
Canada V7M 3K9

A & W Revenue Royalties Income Fund Board of Trustees

John R. McLernon
Chairman and CEO
Don A. James
President
Conrad A. Pinette
Secretary-Treasurer and CFO

A & W Trade Marks Inc. Board of Directors

John R. McLernon*
Chairman and CEO
Don A. James*
President
Conrad A. Pinette*
Secretary-Treasurer and CFO
Jefferson J. Mooney
David A. Mindell

Committees of the Board

** Audit Committee and
Governance Committee*

Registrar and Transfer Agent

Computershare Trust Company
of Canada

Auditors

PricewaterhouseCoopers LLP

Market Information

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

Investor Enquiries

Don Leslie
Vice President, Finance
A & W Food Services of
Canada Inc.
Tel: 604-988-2141
Fax: 604-988-5531
Email: investorrelations@aw.ca
Website: www.awincomefund.ca





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

Q2 / 2004

Consolidated Financial
Statements

For the second quarter ended
June 13, 2004

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

REPORT TO UNITHOLDERS OF
A&W REVENUE ROYALTIES INCOME FUND 01

HIGHLIGHTS 02

INTERIM CONSOLIDATED FINANCIAL STATEMENTS 06

NOTES TO THE INTERIM STATEMENTS 09



REPORT TO UNITHOLDERS OF A&W REVENUE ROYALTIES INCOME FUND

This report along with the financial statements of A&W Food Services of Canada Inc. ("Food Services") is provided as a supplement to the quarterly report of the A&W Revenue Royalties Income Fund (the "Fund") for the quarter ended June 13, 2004.

Overall Performance

Food Services is very pleased to announce that for the quarter ended June 13, 2004, same store sales growth was 5.0%. This strong second quarter, following an equally strong first quarter, brings the year to date same store sales performance to +5.0%. It also marks the fifth quarter in a row of positive same store sales growth. System sales grew 9.3% for the quarter and 8.9% year to date. These sales increases resulted from the continuing success of Food Services' strategic initiatives aimed at becoming "the number one choice of the baby boomer generation".

Highlights

(dollars in thousands)

	12 week period ended Jun 13, 2004	12 week period ended Jun 15, 2003	24 week period ended Jun 13, 2004	24 week period ended Jun 15, 2003
System sales	\$ 119,566	\$ 109,388	\$ 219,842	\$ 201,874
System sales growth	9.3%	7.5%	8.9%	5.1%
Same store sales growth	5.0%	2.5%	5.0%	0.3%
New restaurants opened	3	5	6	9
Restaurants closed	1	0	6	3
Number of restaurants	634	619	634	619
Franchising & corporate restaurant revenue	\$ 10,191	\$ 9,817	\$ 19,081	\$ 18,799
Direct costs and administrative expenses	7,174	7,156	13,622	13,789
Operating contribution	3,017	2,661	5,459	5,010
Dividend income	997	737	2,203	1,407
Royalty expense	3,471	3,166	6,398	5,852
Earnings before interest, amortization, taxes and non-controlling interest	543	232	1,264	565
Net earnings	626	928	1,377	2,040

Overview

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 franchisees, initial and regrant franchise fees, lease guarantee fees, and other fees. Food Services also receives revenue from its subsidiary's sales of flavour concentrate to a licensed bottler who produces and distributes A&W Root Beer for sale in retail grocery stores.

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

Food Services, through its investment in A&W Trade Marks Inc. ("Trade Marks"), owns the equivalent of 31% of the units of the A&W Revenue Royalties Income Fund (the "Fund"), up from 28% in 2003, and receives dividend income from this source.

Food Services licences the A&W trade-marks from the Fund (through Trade Marks) in exchange for a royalty fee equal to 3% of the sales of the A&W restaurants in the royalty pool of the Fund. In the event that a restaurant in the royalty pool closes, Food Services pays the royalties that would have been paid if the restaurant had not closed, until the next adjustment to the royalty pool.

The royalty pool is adjusted in January of each year to reflect sales from new restaurants, net of the sales of any A&W restaurants that have permanently closed. The Fund (through Trade Marks) pays Food Services for the additional royalty stream of the sales of the net new restaurants, based on a formula set out in the licence agreement. The formula is based on the amount of estimated sales from the net new restaurants and the yield on the units of the Fund, and provides for a payment to Food Services in the form of common and Class B shares of Trade Marks on the basis of 92.5% of that value. Twenty percent of the shares are held in escrow until the actual sales of the new restaurants are known.

System Sales

For the 12 weeks ended June 13, 2004, total system sales for all A&W restaurants in Canada were \$119,566,000, an increase of 9.3% or \$10,178,000 from the same period in 2003. Year to date system sales were \$219,842,000, an increase of 8.9% or \$17,968,000 from the prior year. This increase is due primarily to the increased number of restaurants and the same store sales growth.

Same store sales at A&W restaurants grew by 5.0% in the second quarter of 2004 and have increased for five consecutive quarters. Year to date same store sales also grew by 5.0%. This sales increase was driven by the excellent progress made on several key strategic initiatives aimed at

accelerating progress toward A&W's Mission to be "the number one choice of the baby boomer generation". The new "Drive" television commercial has been an unqualified success. During the second quarter, another new major television advertising campaign was launched to build breakfast sales, as part of a multi-year strategy to build this daypart. A major menu initiative was launched in June to re-introduce A&W Root Beer Floats in all A&W restaurants across Canada. Initial results from the roll-out have been very promising. The impact of these initiatives, together with continuing improvements in the Canadian foodservice industry, resulted in another strong quarter.

New Restaurant Development and Restaurant Closures

A&W opened three new franchised restaurants in the second quarter of 2004, compared to five new restaurants in the second quarter of 2003. Year to date, six new restaurants were opened compared to nine last year. In keeping with Food Services' strategy, all of the new restaurants are in Ontario and Quebec. Three of the nine restaurants opened last year were conversions of operating restaurants acquired from another chain.

One restaurant closed in the second quarter of 2004 compared to none in the same quarter last year. Year to date, six restaurants closed compared to three in 2003. The increase in the number of closed restaurants in 2004 versus 2003 is due to a greater number of lease expirations. In several cases, the restaurants were low-volume shopping centre restaurants that were no longer economically viable. In these cases, Food Services and the respective franchisees chose not to renew the leases and the restaurants subsequently closed. One corporate-owned restaurant in Ottawa was closed at its lease expiration, as the landlord wanted the space back for re-merchandising of the shopping centre.

In 2004, Food Services intends to maintain its 2003 level of new restaurant openings, with continued emphasis planned for Ontario, Quebec and Atlantic Canada, providing appropriate locations and franchisees can be secured.

2004 Operating Results

Revenue

Second quarter franchising and corporate revenues increased by \$374,000 to \$10,191,000 from \$9,817,000 in the second quarter of 2003. Year to date franchising and corporate revenues increased by \$282,000 to \$19,081,000 from \$18,799,000 in 2003. Franchising revenue increased by \$585,000 in the quarter and \$743,000 year to date, due to higher franchise fees generated by the increase in the number of restaurants and same store sales growth. Same store sales from corporate-owned restaurants in Ottawa increased by \$118,000 for the quarter and \$284,000 year to date. However, total corporate restaurant revenue was \$211,000 lower than last year for the quarter and \$461,000 lower year to date because three restaurants that

Food Services was operating in 2003 while holding for refranchising were franchised later in 2003, and one corporate-owned restaurant in Ottawa was closed in January 2004.

Direct Costs and Administrative Expenses

Direct costs and administrative expenses increased by \$18,000 to \$7,174,000 in the second quarter of 2004, from \$7,156,000 in 2003. Year to date direct costs and administrative expenses decreased by \$167,000 to \$13,622,000 in 2004, from \$13,789,000 in 2003. Year to date costs decreased as a result of the three restaurants that were operated by Food Services in 2003 being refranchised and one corporate restaurant being closed. Other direct costs and administrative expenses did not increase in relation to the higher franchising and corporate revenue, resulting in an improved operating contribution margin of 28.6% in 2004, compared to 26.6% in 2003.

Dividend Income

Dividend income increased to \$997,000 in the second quarter of 2004, from \$737,000 in the same period in 2003. Year to date dividend income was \$2,203,000, an increase of \$796,000 over dividend income of \$1,407,000 for the same period in 2003. The increase in dividend income is due to the timing of receipt of 2003 dividends and the increase in the equivalent ownership of the Fund from 28% in 2003 to 31% in 2004.

Royalty Expense

Total royalties paid to the Fund for the use of the trade-marks increased by \$305,000, from \$3,166,000 in the second quarter of 2003 to \$3,471,000 in 2004. Year to date royalty expense increased by \$546,000, from \$5,852,000 in 2003 to \$6,398,000 in 2004. This increase is due to same store sales growth and the increase in the number of restaurants in the royalty pool, from 604 in 2003 to 620 in 2004.

Earnings before Interest, Amortization and Taxes

Earnings before interest, amortization and taxes increased from \$232,000 in 2003 to \$543,000 for the second quarter, and from \$565,000 to \$1,264,000 year to date, due to the increase in operating contribution margin and dividend income, less the increase in royalty expense, as noted above.

Amortization of Deferred Gain

Amortization of the deferred gain on the sale of the trade-marks decreased by \$723,000 for the quarter and \$1,444,000 year to date. This large decrease is attributable to an accounting policy change. Effective October 2003, in accordance with the new recommendations of the Canadian Institute of Chartered Accountants, the deferred gain is being amortized on a straight-line basis over the term of the licence agreement. Prior to October 2003, the amortization was based upon the present value of the expected royalty payments made under the licence agreement.

Net Earnings

Net earnings for the quarter decreased by \$302,000 to \$626,000 in 2004, from \$928,000 in 2003. Year to date net earnings decreased by \$663,000 to \$1,377,000 in 2004, from \$2,040,000 in 2003. These lower earnings in 2004 are a result of the accounting policy change with respect to the amortization of the deferred gain on the sale of the trade-marks, described above.

Liquidity and Capital Resources

Food Services is primarily a franchise business with 626 of its 634 restaurants franchised. The company has minimal capital requirements related to the eight corporate restaurants and its head office. Future restaurant growth will continue to be funded by franchisees. The company has no long term debt obligations. Food Services has sufficient cash on hand to meet its obligations and has a demand operating loan available of up to \$5,000,000 to fund its working capital requirements and for general corporate purposes.

As at June 13, 2004, Food Services' shareholders' equity was \$2,227,000, comprised of \$10,500,000 capital stock and a deficit of \$8,273,000. The deficit arose in 2002 at the time of the sale of the A&W trade-marks and the payment of dividends to the shareholders. In accordance with GAAP, the gain on the sale of the trade-marks was deferred and will be amortized over the term of the licence for the use of the trade-marks. The net equity, including the deferred gain, improved by \$4,958,000, as follows:

Net Equity

(dollars in thousands)

	Jun 13, 2004	Dec 28, 2003
Deficit	\$ (8,273)	\$ (8,811)
Deferred accounting gain on sale of A&W trade-marks	37,200	32,243
Less related tax recovery	(4,035)	(3,498)
	24,892	19,934
Capital stock	10,500	10,500
Net equity, including deferred gain	\$ 35,392	\$ 30,434

This report contains certain forward-looking statements based on assumptions that management considered reasonable at the time they were prepared. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. These forward-looking statements are subject to a number of risk factors, including the ability of A&W Food Services of Canada Inc. to implement its marketing strategies, the opening of new A&W restaurants, general economic and business conditions, financial and political instability, and other factors disclosed previously and from time to time in the Fund's public filings.

Consolidated Balance Sheet

Unaudited
(in thousands of dollars)

As at	June 13, 2004	December 28, 2003
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,326	\$ 4,540
Accounts receivable	7,126	8,075
Inventories	1,468	1,035
Dividends receivable	363	334
Prepaid expenses	75	30
Future income taxes	245	272
	14,603	14,286
Investment in A&W Trade Marks Inc. (note 2)	38,042	32,908
Future income taxes	3,749	3,197
Property, plant and equipment	1,698	1,809
Notes receivable	405	425
	\$ 58,497	\$ 52,625
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 8,059	\$ 9,974
Accrued royalties payable	2,318	2,227
Deposits on franchise and equipment sales	2,618	806
	12,995	13,007
Deferred gain (note 2)	37,200	32,243
Long-term liabilities	5,822	5,592
Non-controlling interest	253	94
	56,270	50,936
SHAREHOLDERS' EQUITY		
Capital stock	10,500	10,500
Deficit	(8,273)	(8,811)
	2,227	1,689
	\$ 58,497	\$ 52,625

Consolidated Statement of Earnings and Deficit

Unaudited
(in thousands of dollars)

	12 week period ended Jun 13, 2004	12 week period ended Jun 15, 2003	24 week period ended Jun 13, 2004	24 week period ended Jun 15, 2003
Revenue				
Franchising	\$ 8,899	\$ 8,314	\$ 16,507	\$ 15,764
Corporate restaurants	1,292	1,503	2,574	3,035
Dividend income	997	737	2,203	1,407
	11,188	10,554	21,284	20,206
Direct costs and administrative expenses				
	7,174	7,156	13,622	13,789
Royalty expense	3,471	3,166	6,398	5,852
	10,645	10,322	20,020	19,641
Earnings before the following:	543	232	1,264	565
Interest (note 4)	22	11	61	2
Amortization of property, plant and equipment	86	98	177	193
Amortization of deferred gain	(88)	(811)	(177)	(1,621)
Earnings before income taxes and non-controlling interest	523	934	1,203	1,991
Recovery of (provision for) income taxes				
Current	192	158	(192)	(248)
Future income taxes	(3)	(72)	525	451
	189	86	333	203
Earnings for the period before non-controlling interest	712	1,020	1,536	2,194
Non-controlling interest	86	92	159	154
Net earnings for the period	626	928	1,377	2,040
Deficit - beginning of period	(8,408)	(10,421)	(8,811)	(10,885)
Dividends paid	(1,000)	(2,000)	(1,000)	(2,000)
Refundable dividend tax	509	—	161	(648)
Deficit - end of period	\$ (8,273)	\$ (11,493)	\$ (8,273)	\$ (11,493)

Consolidated Statement of Cash Flows

Unaudited
(in thousands of dollars)

	12 week period ended Jun 13, 2004	12 week period ended Jun 15, 2003	24 week period ended Jun 13, 2004	24 week period ended Jun 15, 2003
Cash flows from operating activities				
Net earnings for the period	\$ 626	\$ 928	\$ 1,377	\$ 2,040
Items not affecting cash				
Amortization of property, plant and equipment	86	98	177	193
Increase in future income taxes - non-current	(3)	76	(552)	(470)
(Gain) loss on disposal of property, plant and equipment	—	—	(1)	3
Amortization of deferred gain	(88)	(811)	(177)	(1,621)
Increase in long-term liabilities	121	108	230	216
Decrease in notes receivable	100	67	20	91
Non-controlling interest's share of earnings	86	92	159	154
	928	558	1,233	606
Net changes in non-cash working capital	(3,007)	(1,247)	457	(3,549)
	(2,079)	(689)	1,690	(2,943)
Cash flows from investing activities				
Purchase of property, plant and equipment	(62)	(442)	(66)	(552)
Proceeds from disposal of property, plant and equipment	—	—	1	—
	(62)	(442)	(65)	(552)
Cash flows from financing activities				
Payment of dividends	(1,000)	(2,000)	(1,000)	(2,000)
Refundable dividend tax	509	—	161	(648)
	(491)	(2,000)	(839)	(2,648)
(Decrease) Increase in cash and cash equivalents	(2,632)	(3,131)	786	(6,143)
Cash and cash equivalents - beginning of period	7,958	8,042	4,540	11,054
Cash and cash equivalents - end of period	\$ 5,326	\$ 4,911	\$ 5,326	\$ 4,911
Cash and cash equivalents consist of:				
Cash	1,324	2,411	1,324	2,411
Short-term investments	4,002	2,500	4,002	2,500
	\$ 5,326	\$ 4,911	\$ 5,326	\$ 4,911
Supplementary cash flow information (note 4)				
Net interest received	\$ 46	\$ 56	\$ 83	\$ 132
Net income taxes paid	\$ (235)	\$ (205)	\$ (513)	\$ (5,668)

Notes to the Interim Consolidated Financial Statements

For the 12-week period ended March 21, 2004
 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 28, 2003.

2. Investment in A&W Trade Marks Inc.

On January 5, 2004, the number of A&W restaurants for which royalties are paid to A&W Trade Marks Inc. (Trade Marks) was increased by 28 new restaurants less 12 restaurants which permanently closed during 2003. The company received \$5,134,000, by issuance of 488,476 Class B and common shares of Trade Marks, as initial consideration for the estimated additional royalty stream from the 16 net restaurants added to the royalty pool. A final adjustment to the share consideration will be made in December 2004 based upon the 2004 gross sales reported by the new restaurants. Twenty percent of the shares are held in escrow until the 2004 gross sales of the new restaurants are known.

The shares comprise the second payment of the balance of the purchase price 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

3. Operating Bank Line of Credit

The company has a demand operating facility of up to \$5,000,000 to fund the company's working capital requirements and for general corporate purposes. The facility bears interest at 0.5% per annum and is repayable on demand. As at June 13, 2004 the full amount of the facility was available. A general security agreement over a portion of the company's investment in Trade Marks has been provided as security.

4. Supplementary Earnings and Cash Flow Information

	12 week period ended Jun 13, 2004	12 week period ended Jun 15, 2003	24 week period ended Jun 13, 2004	24 week period ended Jun 15, 2003
Interest expense				
Interest income	\$ (46)	\$ (56)	\$ (83)	\$ (132)
Other	68	67	144	134
	\$ 22	\$ 11	\$ 61	\$ 2
Non-cash investing activities				
Investment in A&W Trade Marks Inc.	\$ —	\$ —	\$ 5,134	\$ 5,505



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

300 - 171 West Esplanade
North Vancouver
British Columbia
Canada V7M 3K9

Franchise Information:
www.awfranchise.ca