

A&W Revenue Royalties Income Fund

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Third Quarter Report to Unitholders  
for the period ended  
September 7, 2003

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## 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 third quarter ended September 7, 2003. The Fund continues to deliver expected distributions, as it has for each of the 20 months since its inception.

After another challenging quarter for the food service industry, A&W's same store sales increased 2.1% against the same quarter in 2002, resulting in a year-to-date positive increase of 1.0%.

In the third quarter the effects of the war in Iraq, the threat of global terrorism, consumer concern over Severe Acute Respiratory Syndrome ("SARS") and Canada's lone case of Bovine Spongiform Encephalopathy ("BSE") lingered in the Canadian retail environment. The third quarter saw a decline in tourism and travel in the peak summer months. In addition, there was a major three-day power outage in central Canada and forest fires in British Columbia and Alberta. Quick-service restaurant industry sales suffered as a consequence.

Nevertheless, A&W's three pillars of trust – strategic management of the A&W brand, Climate and experienced leadership – produced results that have again bested those of the industry. This is further evidence of the strength of those three pillars on which the stability of the Fund is founded.

Despite the fact that economic conditions are likely to remain uncertain through the balance of 2003, we are confident A&W's strategy to become "the number one choice of the baby boomers" will continue to result in superior performance versus the Quick Service Restaurant ("QSR") industry. We are proud to report that the Fund remains on track to deliver its anticipated annual distribution of \$1.08 per unit.

Sincerely,

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

John R. McLernon

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

# Management Discussion and Analysis

## Highlights

(in thousands of dollars, except per unit amounts)

|  | 12-week<br>period ended<br>Sep 7, 2003 | 12-week<br>period ended<br>Sep 8, 2002 | Period from<br>Jan. 1, 2003 to<br>Sep 7, 2003 | Period from<br>Feb. 15, 2002 to<br>Sep 8, 2002 |
|--|--|--|---|--|
| Number of restaurants<br>in the royalty pool           | 604                                    | 585                                    | 604   | 585  |
| Gross sales reported by<br>restaurants in the pool     | \$ 113,235                             | \$105,837                              | \$ 305,748                                    | \$ 246,363                                     |
| Royalty income   | 3,397                                  | 3,175                                  | 9,172   | 7,391  |
| Expenses   | 991                                    | 933                                    | 3,313   | 2,224  |
| Net earnings for the period                            | 2,083                                  | 1,992                                  | 5,196   | 4,615  |
| Basic and diluted earnings per<br>trust unit           | 0.250                                  | 0.239                                  | 0.623   | 0.553  |
| Distributions declared                                 | 2,252                                  | 2,252                                  | 6,005   | 4,823  |
| Distributions declared<br>per trust unit               | 0.270                                  | 0.270                                  | 0.720   | 0.578  |
| Distributable cash per<br>trust unit (8,340,000 units) | 0.247                                  | 0.247                                  | 0.736   | 0.607  |

## OVERVIEW

The Fund owns the A&W trade-marks and licences their use by A&W Food Services of Canada Inc. ("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 food service industry.

In return for licencing Food Services to use its trade-marks, the Fund receives royalties of 3% of gross sales from A&W restaurants across Canada in the royalty pool.

New restaurants are added to the royalty pool at the beginning of each year. 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.

The Fund pays Food Services for the additional royalty stream of the gross sales, based upon a formula set out in the licence agreement. The formula, designed to be accretive to unitholders, is based on the amount of sales from the net 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.

Distributions to unitholders are based on top-line revenues and are thereby isolated from many of the factors that can influence an operating business.

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

Food Services owns 28% of the units of the Fund on a fully-consolidated basis, up from 25% in 2002. Quarterly statements for Food Services are included as a supplement to this report.

## THIRD QUARTER OPERATING RESULTS

Gross sales reported by restaurants in the royalty pool increased by 7.0%, from \$105,837,000 in 2002 to \$113,235,000 in 2003. This increase results from the combined impact of the additional 19 restaurants in the royalty pool, as well as a 2.1% same store sales increase for the quarter despite the challenging economic environment.

Royalty income, as the result of the increase in gross sales, increased from \$3,175,000 in 2002 to \$3,397,000 in 2003.

Expenses for the quarter were \$991,000, up \$58,000 over the third quarter 2002. Interest was flat at \$142,000. Accrued Class A and B share dividends of \$808,000 were up by \$141,000 due to Food Services' increased equivalent ownership in the Fund. These expenses were offset by a reduction in general and administrative costs of \$83,000. The general and administrative expenses for the quarter were lower, as some of the costs were recorded in the previous two quarters.

As a result, earnings are modestly up by \$91,000 from \$1,992,000 in 2002 to \$2,083,000 in 2003.

## Distributable Cash

(in thousands of dollars, except for per unit amounts)

|  | 12-week period<br>ended Sep 7, 2003 | 12-week period<br>ended Sep 8 2002 |
|--|-------------------------------------|------------------------------------|
| Net earnings for the period                            | \$ 2,083                            | \$ 1,992                           |
| Add  |                                     |                                    |
| Amortization of deferred financing fees                | 32                                  | 34                                 |
| Future income taxes                                    | 262                                 | 192                                |
| Class A and B share dividends                          | 808                                 | 667                                |
| Distributable cash                                     | \$ 3,185                            | \$ 2,885                           |
| Distributable cash available for fund units            | \$ 2,063                            | \$ 2,063                           |
| Distributable cash available for dividends             | 1,122                               | 822                                |
|  | \$ 3,185                            | \$ 2,885                           |
| Distributable cash per<br>trust unit (8,340,000 units) | 0.247                               | 0.247                              |
| Distributions declared and paid<br>per trust unit      | 0.270                               | 0.270                              |

*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.*

## YEAR-TO-DATE OPERATING RESULTS

*Readers should be aware that 2003 results are not directly comparable to last year due to the fact that the Fund commenced operations on February 15, 2002.*

The Fund earned royalty income of \$9,172,000 based on gross sales of \$305,748,000, compared to \$7,391,000 royalty income on \$246,363,000 gross sales for the prior year. The increases in royalty income of \$1,781,000 and gross sales of \$59,385,000 are due to the higher number of restaurants in the royalty pool (604 this year compared to 585 last year); same store sales growth year-to-date of 1.0%; and the prior year being a partial period.

Year-to-date expenses have increased \$1,089,000, up to \$3,313,000 compared to \$2,224,000 in 2002.

- General and administrative expenses increased by \$118,000 due to first-time costs associated with year end, e.g. Annual Report and Annual General Meeting. Year-to-date expenses are indicative of anticipated costs for the year.
- Class A and B share dividends increased by \$852,000:
  - \$353,000 due to Food Services' increased equivalent ownership in the Fund to 28% from 25%;
  - \$139,000 due to a change in accrual of dividends; and
  - \$360,000 due to the partial year in 2002 which began on February 15th.

Net earnings for the Fund year-to-date total \$5,196,000. This was an increase of \$581,000 over 2002 due to the partial year in 2002.

## Distributable Cash

(in thousands of dollars except for per unit amounts)

|   | Period from<br>Jan 1, 2003<br>to Sep 7, 2003 | Period from<br>Feb 15, 2002<br>to Sep 8, 2002 |
|---|--|---|
| Net earnings for the period                             | \$ 5,196                                     | \$ 4,615                                      |
| Add   |  |   |
| Amortization of deferred financing fees                 | 94   | 83  |
| Future income taxes                                     | 482  | 379   |
| Class A and B share dividends                           | 2,400  | 1,548   |
| Distributable cash                                      | \$ 8,172                                     | \$ 6,625                                      |
| Distributable cash available for fund units             | \$ 6,140                                     | \$ 5,060                                      |
| Distributable cash available for dividends              | 2,032  | 1,565   |
|   | \$ 8,172                                     | \$ 6,625                                      |
| Distributable cash per<br>trust unit (8,340,000 units)  | 0.736  | 0.607   |
| Distributions declared per trust unit                   | 0.720  | 0.578   |
| Distributions paid per trust unit                       | 0.720  | 0.488   |
| Dividends accrued and unpaid<br>on Class A and B shares | \$ 584                                       | \$ 216  |

*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.*

Cash available for distribution to unitholders totalled \$6,140,000 compared to \$5,060,000 in 2002. This increase of \$1,080,000 was due to the partial year in 2002.

Dividends to Food Services are subordinated to distributions to unitholders. At the end of the second quarter, subordinated dividends at year end 2003 were projected to be \$595,000. The major contributor to this level of subordinated dividend was an increase, over estimate, of \$325,000 in Fund administrative expenses for outside services such as legal, accounting and unitholder communications, as well as regulatory fees. In addition, the 1.4% same store sales decrease in 2002 contributed \$182,000 to the arrears. A&W is committed to getting every penny it can into unitholders' hands. Accordingly, in response to the Fund's first year experience with administrative costs, aggressive steps have been taken to reduce such costs in all areas.

Distributions of \$0.720 were declared in 2003, an increase over the \$0.578 declared last year due to the partial year. Distributions paid were \$0.720, up over the \$0.488 paid in 2002 due to the partial year.

## **OUTLOOK**

The A&W Revenue Royalties Income Fund has now met its targeted distributions for each of the 20 months since inception, and is on target to continue meeting expected distributions through the balance of 2003. While the third quarter saw continued difficult economic conditions, same-store sales performance was steady in the quarter, maintaining positive year-to-date sales with a gain in market share.

Major strategic thrusts underway in 2003 to build same store sales include:

### **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%. Re-imaged to date are 115 restaurants, with 14 in progress and a further 43 signed up. The capital for re-imaging is provided by restaurant operators.

### **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 substantially all restaurants in 2003. More than two-thirds of installations are complete.

### **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 continues to develop and refine new advertising and promotional campaigns 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.

Though economic conditions are forecast to remain weak for the balance of 2003, A&W remains optimistic that its three pillars of trust – strategic management of the A&W brand, Climate and experienced leadership – will advance its mission “to become the number one choice of baby boomers”.

*Certain statements in this presentation may be forward-looking in nature. These include references to liquidity, earnings and anticipated earnings from growth in same store sales and new restaurant openings. Actual results may differ from those expressed or implied in these forward-looking statements.*

*The “forward-looking” statements contained in this presentation are subject to a number of risk factors, including the ability of A&W Food Services of Canada 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. Any forward-looking statements in this presentation should be evaluated in light of these important factors.*

## Consolidated Balance Sheet

Unaudited

(in thousands of dollars)

| As at  | September 7, 2003 | December 31, 2002 |
|--|-------------------|-------------------|
| <b>ASSETS</b>  |                   |                   |
| <b>Current assets</b>  |                   |                   |
| Cash and cash equivalents                                    | \$ —              | \$ 490            |
| Accounts receivable  | 2,284             | 1,266             |
| Prepaid interest   | 66                | 25                |
|  | <u>2,350</u>      | <u>1,781</u>      |
| Intangible assets (note 3)                                   | 126,261           | 120,756           |
| Deferred financing fees                                      | 198               | 292               |
|  | <u>\$ 128,809</u> | <u>\$ 122,829</u> |
| <b>LIABILITIES</b>   |                   |                   |
| <b>Current liabilities</b>                                   |                   |                   |
| Bank indebtedness  | \$ 863            | \$ —              |
| Accounts payable and accrued liabilities                     | 144               | 474               |
| Corporate taxes payable                                      | 6                 | 250               |
| Dividends payable on Class A and B shares                    | 267               | —                 |
| Distributions payable to unitholders                         | 751               | 751               |
|  | <u>2,031</u>      | <u>1,475</u>      |
| Term loan  | 10,000            | 10,000            |
| Future income taxes  | 7,346             | 6,864             |
| A&W Trade Marks Inc. Class A<br>and B shares (notes 3 and 4) | 33,889            | 28,138            |
|  | <u>53,266</u>     | <u>46,477</u>     |
| Unitholders' equity  | 75,543            | 76,352            |
|  | <u>\$ 128,809</u> | <u>\$ 122,829</u> |

## Consolidated Statement of Earnings

Unaudited

(in thousands of dollars, except per unit amounts)

|  | 12-week<br>period ended<br>Sep 7, 2003 | 12-week<br>period ended<br>Sep 8, 2002<br>(note 2) | Period from<br>Jan 1, 2003 to<br>Sep 7, 2003 | Period from<br>Feb 15, 2002 to<br>Sep 8, 2002<br>(note 2) |
|--|--|--|--|---|
| <b>Gross sales reported by<br/>A&amp;W restaurants</b>                 | \$113,235                              | \$105,837  | \$305,748                                    | \$246,363   |
| <b>Royalty income</b>  | \$ 3,397                               | \$ 3,175   | \$ 9,172                                     | \$ 7,391  |
| <b>Expenses</b>  |  |  |  |   |
| General and administrative   | 9                                      | 92   | 399  | 281   |
| Amortization of deferred<br>financing fees                             | 32                                     | 34   | 94   | 83  |
| Interest expense   |  |  |  |   |
| - long-term bank loan  | 142                                    | 140  | 420  | 312   |
| - Class A and B share dividends  | 808                                    | 667  | 2,400  | 1,548   |
|  | 991                                    | 933  | 3,313  | 2,224   |
| <b>Earnings before income taxes</b>                                    | 2,406                                  | 2,242  | 5,859  | 5,167   |
| <b>Provision for income taxes</b>                                      |  |  |  |   |
| Large corporations tax   | 61                                     | 58   | 181  | 173   |
| Future income taxes  | 262                                    | 192  | 482  | 379   |
|  | 323                                    | 250  | 663  | 552   |
| <b>Net earnings for the period</b>                                     | \$ 2,083                               | \$ 1,992   | \$ 5,196                                     | \$ 4,615  |
| <b>Basic and diluted earnings per<br/>Trust Unit (8,340,000 Units)</b> | \$ 0.250                               | \$ 0.239   | \$ 0.623                                     | \$ 0.553  |

## Consolidated Statement of Unitholders' Equity

Unaudited

(in thousands of dollars)

|                                      | 12-week<br>period ended<br>Sep 7, 2003 | 12-week<br>period ended<br>Sep 8, 2002 | Period from<br>Jan 1, 2003 to<br>Sep 7, 2003 | Period from<br>Feb 15, 2002 to<br>Sep 8, 2002 |
|--------------------------------------|--|--|--|---|
| <b>Balance – beginning of period</b> | \$ 75,712                              | \$ 77,204                              | \$ 76,352                                    | \$ —  |
| Issue of Trust Units                 | —                                      | —                                      | —  | 77,152  |
| Earnings                             | 2,083                                  | 1,992                                  | 5,196  | 4,615   |
| Distribution declared                | (2,252)                                | (2,252)                                | (6,005)                                      | (4,823)                                       |
| <b>Balance – end of period</b>       | \$ 75,543                              | \$ 76,944                              | \$ 75,543                                    | \$ 76,944                                     |

## Consolidated Statement of Cash Flows

Unaudited

(in thousands of dollars)

|  | 12-week<br>period ended<br>Sep 7, 2003 | 12-week<br>period ended<br>Sep 8, 2002<br>(note 2) | Period from<br>Jan 1, 2003 to<br>Sep 7, 2003 | Period from<br>Feb 15, 2002 to<br>Sep 8, 2002<br>(note 2) |
|--|--|--|--|---|
| <b>Cash flows from operating activities</b>  |  |  |  |   |
| Net earnings for the period  | \$ 2,083                               | \$ 1,992   | \$ 5,196                                     | \$ 4,615  |
| Items not affecting cash   |  |  |  |   |
| Amortization   | 32                                     | 34   | 94   | 83  |
| Provision for future income taxes  | 262                                    | 192  | 482  | 379   |
| Accrued Class A and B<br>share dividends   | 61                                     | (47)   | 246  | 216   |
|  | 2,438                                  | 2,171  | 6,018  | 5,293   |
| Net changes in non-cash<br>working capital   | (222)                                  | (275)  | (1,366)                                      | (1,809)   |
|  | 2,216                                  | 1,896  | 4,652  | 3,484   |
| <b>Cash flows from investing activities</b>  |  |  |  |   |
| Acquisition  | —                                      | —  | —  | (84,896)  |
| <b>Cash flows from financing activities</b>  |  |  |  |   |
| Distributions paid<br>to Unitholders   | (2,252)                                | (2,252)  | (6,005)                                      | (4,072)   |
| Issuance of trust units  | —                                      | —  | —  | 83,400  |
| Cost of issuance   | —                                      | —  | —  | (8,064)   |
| Term loan  | —                                      | —  | —  | 10,000  |
| Financing fees   | —                                      | —  | —  | (440)   |
|  | (2,252)                                | (2,252)  | (6,005)                                      | 80,824  |
| Decrease in cash and<br>cash equivalents   | (36)                                   | (356)  | (1,353)                                      | (588)   |
| Cash and cash equivalents<br>– beginning of period   | (827)                                  | (232)  | 490  | —   |
| Cash and cash equivalents<br>– end of period   | \$ (863)                               | \$ (588)   | \$ (863)                                     | \$ (588)  |
| <b>Cash and cash equivalents consist of:</b>   |  |  |  |   |
| Cash   | 13                                     | 30   | 13   | 30  |
| Bank indebtedness  | (876)                                  | (618)  | (876)  | (618)   |
|  | \$ (863)                               | \$ (588)   | \$ (863)                                     | \$ (588)  |
| <b>Supplementary cash flow information</b>   |  |  |  |   |
| Issuance of Class A and B shares<br>as partial consideration for the<br>A&W trade-marks (note 3) | \$ —                                   | \$ —   | \$ 5,505                                     | \$ 27,800   |
| Interest paid  | \$ (144)                               | \$ (156)   | \$ (486)                                     | \$ (372)  |
| Class A and B share<br>dividends paid  | \$ (694)                               | \$ (714)   | \$ (1,887)                                   | \$ (1,332)  |



## Notes to the Interim Consolidated Financial Statements

For the quarter ended September 7, 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 September 8, 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, less the replacement of the revenues from eight restaurants which 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:

|   | Sep 7, 2003      | Dec 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     | 584              | 338              |
|   | <b>\$ 33,889</b> | <b>\$ 28,138</b> |

#### 5. DISTRIBUTIONS

|   | 12-week<br>period ended<br>Sep 7, 2003 | 12-week<br>period ended<br>Sep 8, 2002<br>(note 2) | Period from<br>Jan 1, 2003 to<br>Sep 7, 2003 | Period from<br>Feb 15, 2002 to<br>Sep 8, 2002<br>(note 2) |
|---|--|--|--|---|
| Net earnings for the period                               | \$ 2,083                               | \$ 1,992   | \$ 5,196                                     | \$ 4,615  |
| Add:  |  |  |  |   |
| Amortization of deferred financing fees                   | 32                                     | 34   | 94   | 83  |
| Future income taxes                                       | 262                                    | 192  | 482  | 379   |
| Class A and B share dividends                             | 808                                    | 667  | 2,400  | 1,548   |
| Distributable cash  | <b>\$ 3,185</b>                        | <b>\$ 2,885</b>                                    | <b>\$ 8,172</b>                              | <b>\$ 6,625</b>   |
| Distributable cash available<br>for Trust Units           | <b>\$ 2,063</b>                        | <b>\$ 2,063</b>                                    | <b>\$ 6,140</b>                              | <b>\$ 5,060</b>   |
| Distributable cash available<br>for dividends             | <b>1,122</b>                           | <b>822</b>   | <b>2,032</b>                                 | <b>1,565</b>  |
|   | <b>\$ 3,185</b>                        | <b>\$ 2,885</b>                                    | <b>\$ 8,172</b>                              | <b>\$ 6,625</b>   |
| Distribution declared per<br>Trust Unit (8,340,000 Units) | <b>\$ 0.270</b>                        | <b>\$ 0.270</b>                                    | <b>\$ 0.720</b>                              | <b>\$ 0.578</b>   |
| Distribution paid per<br>Trust Unit (8,340,000 Units)     | <b>\$ 0.270</b>                        | <b>\$ 0.270</b>                                    | <b>\$ 0.720</b>                              | <b>\$ 0.488</b>   |

## 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  
Don A. James  
Conrad A. Pinette

### A & W Trade Marks Inc. Board of Directors and Officers

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

Committees of the Board

\* 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

Christine Merriman  
Director of Investor Relations  
A & W Food Services of Canada Inc.  
Tel: 604-988-2141  
Fax: 604-988-5531  
Email: [investorrelations@aw.ca](mailto:investorrelations@aw.ca)  
Website: [www.awincomefund.ca](http://www.awincomefund.ca)



A&W Revenue Royalties  
Income Fund  
300 - 171 West Esplanade  
North Vancouver  
British Columbia  
Canada V7M 3K9  
[www.awincomefund.ca](http://www.awincomefund.ca)



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

**Q3/2003**

**Consolidated  
Financial Statements**

For the third quarter ended  
September 7, 2003

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

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

Franchise Information:  
[www.awfranchise.ca](http://www.awfranchise.ca)



## Financial Highlights

(in thousands of dollars)

|   | 12-week<br>period ended<br>Sep 7, 2003 | 12-week<br>period ended<br>Sep 8, 2002 | 36-week<br>period ended<br>Sep 7, 2003 | 36-week<br>period ended<br>Sep 8, 2002 |
|---|--|--|--|--|
| System sales                                  | \$ 118,890                             | \$ 111,221                             | \$ 320,745                             | \$ 303,321                             |
| System sales %                                | 6.9                                    | —                                      | 5.7                                    | —                                      |
| Same-store sales %                            | 2.1                                    | —                                      | 1.0                                    | —                                      |
| New restaurants opened                        | 9                                      | 7                                      | 18                                     | 15                                     |
| Closures                                      | 7                                      | 1                                      | 10                                     | 6                                      |
| Number of restaurants                         | 621                                    | 606                                    | 621                                    | 606                                    |
| Franchising & corporate<br>restaurant revenue | \$ 11,573                              | \$ 10,3413                             | \$ 30,372                              | \$ 28,310                              |
| Operating costs & expenses                    | 7,778                                  | 6,704                                  | 21,567                                 | 19,882                                 |
| Operating earnings                            | 3,795                                  | 3,709                                  | 8,805                                  | 8,428                                  |
| Dividend income                               | 747                                    | 714                                    | 2,154                                  | 1,332                                  |
| Royalty expense                               | 3,397                                  | 3,175                                  | 9,249                                  | 7,391                                  |
| Net earnings for the period                   | 1,609                                  | 1,327                                  | 3,649                                  | 15,266                                 |

## 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 franchisees, initial and regnant franchise fees, lease guarantee fees and other fees. In addition, 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. 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 licences the A&W trade-marks from the Fund in exchange for a royalty fee of 3% of the gross sales of the A&W restaurants in the royalty pool of the Fund.

The royalty pool is adjusted in January of each year to reflect system 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, bringing the total restaurants in the royalty pool to 604. 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 expenses include salaries and the general and administrative costs associated with providing services to the franchised A&W restaurants and 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 costs of operating two restaurants pending refranchising as well as nine corporate restaurants.

### **Third Quarter Operating Results**

Food Services posted strong results in the third quarter despite very difficult conditions in the food services industry. The industry continued to face challenges as a result of the lingering effects of Severe Acute Respiratory Syndrome ("SARS") and Canada's lone case of Bovine Spongiform Encephalitis ("BSE"). These factors and the forest fires in British Columbia and Alberta resulted in a decline in tourism and travel in the peak summer months. According to the Canadian Restaurant and Foodservices Association, the food service industry receives a 17% share of foreign tourist dollars, the total of which Statistics Canada set at \$3 billion in 2002. The monthly number of foreign visitors to Canada has dropped 18% since December 2002. A major power outage in central Canada further depressed restaurant sales. A&W's positive same store sales growth in the quarter despite these conditions is a tribute to our three pillars of trust: strategic management of the A&W brand, Climate and experienced leadership.

Total system sales from all A&W restaurants in Canada (both existing and newly opened), for the 12 weeks ended September 7, 2003 were \$118,890,000. This represents an increase of 6.9% over \$111,221,000 in the same period in 2002, as a result of an increase in the number of operating restaurants and increased same store sales. Same store sales were up 2.1% during the quarter, reflecting A&W's ability to prevail over adverse conditions affecting the restaurant industry.

Total franchise and corporate restaurant revenue was \$11,573,000, an increase of \$1,160,000 over the same quarter last year. This increase is a result of positive variances in all types of franchising and corporate restaurant revenue, with one exception. Initial franchise income from new restaurants opened in the quarter was lower, as three of the nine restaurants opened in the quarter were conversions of operating restaurants acquired from another chain.

Operating expenses of \$7,778,000 were up over the same period in the prior year of \$6,704,000, consistent with the increase in revenue, as well as due to increased investment in new restaurant development.

Operating earnings were up slightly at \$3,795,000 compared to \$3,709,000 last year.

Dividend income increased from \$714,000 to \$747,000 due to Food Services increasing its equivalent ownership in the Fund to 28% from 25%, and due to the timing of dividend declarations by the Fund.

Royalty expense paid to the Fund for the use of the A&W trade-marks increased by \$222,000, from \$3,175,000 in 2002 to \$3,397,000 in 2003. This increase is due to the increased number of restaurants in the royalty pool, as well as the quarterly same store sales increase of 2.1%.

Net earnings increased to \$1,609,000, compared to \$1,327,000 recorded in the third quarter of 2002. This increase is due to a reduction of income taxes and an increase in the amortization of the deferred gain on the sale of the A&W trade-marks, because of the net addition of 19 restaurants to the royalty pool.

### **Year-to-Date Operating Results**

For the 36 weeks ended September 7, 2003, system sales for all A&W restaurants in Canada totalled \$320,745,000. This represents an increase of 5.7% over the same period in 2002, due primarily to the increased number of restaurants. Same store sales have increased by 1.0% year-to-date, continuing the upward trend from -2.2% at the end of the first quarter and +0.3% at the end of the second.

Eighteen new restaurants have opened thus far in the year, compared to 15 in the prior year. Year-to-date, ten restaurants have closed compared to six in 2002. The increase in the number of closed restaurants year-to-date in 2003 versus year-to-date in 2002 is due to a greater number of lease expiries on low-volume restaurants located in shopping centres that were no longer economically viable. In these cases, Food Services, in conjunction with the respective franchisees, chose not to renew the lease and the restaurants subsequently closed.

Total franchising and corporate restaurant revenue for the 36-week period was \$30,372,000, an increase of \$2,062,000 compared to the same period last year. This increase is a combination of increased revenue from all areas of the business except initial fees and sales of equipment to new restaurants, which were lower due to some new restaurants being converted from an existing chain.

Operating expenses have increased from \$19,882,000 to \$21,567,000, in keeping with the increase in revenue from franchising and corporate restaurants.

As a result of the above, operating earnings increased to \$8,805,000 compared to \$8,428,000 in the same period in 2002.

Some items were affected by the fact that the Fund commenced operations February 15, 2002. The increase in dividend income of \$822,000 from \$1,332,000 to \$2,154,000 is due to timing differences: 2002 being a partial year, the receipt of the 2002 dividends in 2003 and the increase to 28% equivalent ownership of the Fund from 25%.

The royalty expense paid to the Fund for the use of the trade-marks amounted to \$9,249,000 for the 36-week period compared to \$7,391,000 in 2002. Again, the variance is partially due to the stub year in 2002 and also to the increased number of restaurants in the royalty pool.

Net earnings were \$3,649,000 compared to \$15,266,000 during the same period in 2002. The greater earnings in 2002 reflected the sale of the A&W trade-marks to the Fund in February. This transaction gave rise to unusual non-recurring expenses of \$1,958,000 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.

As at September 7, 2003, Food Services had a deficit. The deficit arose in 2002 at the time of the sale of the trade-marks and the payment of dividends to the shareholders. The gain on the sale of the trade-marks was required to be deferred and will be amortized over the term of the licence for the use of the trade-marks, eliminating the deficit as follows:

|  |             |
|--|-------------|
| (in thousands of dollars)                              | Sep 7, 2003 |
| Deficit  | \$ (9,884)  |
| Deferred accounting gain on sale of<br>A&W trade-marks | 32,719      |
| Less related tax recovery                              | (3,684)     |
|  | 19,151      |
| Capital stock  | 10,500      |
| Net equity, including deferred gain                    | \$ 29,651   |

## Outlook

The tough market conditions that faced the food service industry through the third quarter will likely continue throughout the remainder of 2003. In a singularly difficult year, Canada endured the effects of a global downturn as well as health crises and natural and man-made disasters at home. A&W continues to respond to market conditions proactively with its advertising and promotional programs. The strength of A&W's three pillars of trust – strategic management of the A&W brand, Climate and experienced leadership – continue to produce system sales results which outpace the Quick Service Restaurant (“QSR”) industry.

| System Sales Growth | %    |
|---------------------|------|
| <b>QSR</b>          |      |
| YTD July 31         | +3.3 |
| <b>A&amp;W</b>      |      |
| YTD July 13         | +5.1 |
| YTD August 10       | +5.5 |
| YTD September 7     | +5.7 |

The limited published data available indicates that A&W's same store sales continue to outperform the competition.

Food Services is currently focusing on a number of strategic initiatives aimed at accelerating progress toward the Mission “to become the number one choice of the baby boomers”:

### 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 evoke fond memories in baby boomer consumers. Re-imaged restaurants in a control group of test restaurants have delivered sales gains of 5%. One hundred and fifteen freestanding restaurants have now been re-imaged with new colours, graphics and signage, 14 are in progress and a further 43 have signed up to complete the program.

## **New Menu Boards**

During 2003 A&W restaurants are being refitted with new menu boards. The new boards improve product merchandising and have delivered a 2% increase in the average cheque in a control group of test restaurants. These new menu boards are being installed in substantially all restaurants in 2003. More than two-thirds of installations are complete.

## **Climate Goal Program Extension**

A&W's Climate Goal program is a successful workplace initiative that has reduced employee turn-over 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.

## **Chubby Chicken**

A&W undertook a major initiative to build sales of take-home Chubby Chicken during the third quarter. This initiative involved the launch of a new double-seasoned recipe which enhanced the flavour dramatically. The launch was supported by new television advertising, a powerful promotion program and a national sampling day, where every customer received a free piece of Chubby Chicken. Results were very strong, with sales of take-home Chubby Chicken reaching their highest levels ever throughout the summer.

## **Allen & Wright Classic Roast Coffee**

As part of a longer-term menu strategy, A&W launched its new Allen & Wright Classic Roast Coffee on September 15, 2003. A&W has a uniquely strong breakfast program, and the new coffee launch is part of an ongoing strategy to build on this strength at breakfast. The launch of the new coffee program involved a reformulation of the coffee blend, new branding and new cups and mugs. Initial customer response has been very positive.

## **New Restaurant Development**

A&W plans to open 26 to 28 traditional new restaurants in 2003 and to close 10 to 12 restaurants. A&W continues to actively pursue new restaurant development in Ontario, Quebec and Atlantic Canada, where consumer response has been particularly welcoming. Several recently-opened restaurants achieved record sales levels. A&W also continues to expand its established base in the western provinces. In Quebec, A&W is converting nine locations currently branded under the Super Frites name into A&W restaurants. The majority of these are food court or shopping centre locations. As at September 7, 2003, six had been converted. This will bring the total expected number of openings for the year to between 35 and 37, for a net gain of 23 to 27 restaurants.

A&W has faced unprecedented challenges in 2003. The continued superior competitive performance of A&W, despite these challenges, demonstrates the stability and strength of A&W's three pillars of trust – strategic management of the A&W brand, Climate and experienced leadership.

## Consolidated Balance Sheet

Unaudited  
(in thousands of dollars)

| As at                                       | September 7, 2003 | December 29, 2002 |
|---|-------------------|-------------------|
| <b>ASSETS</b>                               |                   |                   |
| <b>Current assets</b>                       |                   |                   |
| Cash and cash equivalents                   | \$ 4,704          | \$ 11,054         |
| Accounts receivable                         | 5,518             | 5,948             |
| Inventories                                 | 1,515             | 846               |
| Dividends receivable                        | 313               | 258               |
| Prepaid expenses and deferred charges       | 123               | 35                |
| Future income taxes                         | 170               | 207               |
|   | <u>12,343</u>     | <u>18,348</u>     |
| Investment in A&W Trade Marks Inc. (note 2) | 33,305            | 27,800            |
| Future income taxes                         | 3,176             | 2,776             |
| Property, plant and equipment               | 1,864             | 1,453             |
| Notes receivable                            | 279               | 373               |
|   | <u>\$ 50,967</u>  | <u>\$ 50,750</u>  |
| <b>LIABILITIES</b>                          |                   |                   |
| <b>Current liabilities</b>                  |                   |                   |
| Accounts payable and accrued liabilities    | \$ 6,683          | \$ 8,170          |
| Accrued royalties payable                   | 2,284             | 2,080             |
| Income taxes payable                        | 104               | 5,138             |
| Deposits on franchise and equipment sales   | 2,702             | 843               |
|   | <u>11,773</u>     | <u>16,231</u>     |
| Deferred gain (note 2)                      | 32,719            | 29,644            |
| Long-term liabilities                       | 5,506             | 5,180             |
| Non-controlling interest                    | 353               | 80                |
|   | <u>50,351</u>     | <u>51,135</u>     |
| <b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>    |                   |                   |
| Capital stock                               | 10,500            | 10,500            |
| Deficit                                     | (9,884)           | (10,885)          |
|   | <u>616</u>        | <u>(385)</u>      |
|   | <u>\$ 50,967</u>  | <u>\$ 50,750</u>  |

## Consolidated Statement of Earnings and Retained Earnings (Deficit)

Unaudited  
(in thousands of dollars)

|   | 12-week<br>period ended<br>Sep 7, 2003 | 12-week<br>period ended<br>Sep 8, 2002 | 36-week<br>period ended<br>Sep 7, 2003 | 36-week<br>period ended<br>Sep 8, 2002 |
|---|--|--|--|--|
| <b>Revenue</b>  |  |  |  |  |
| Franchising   | \$ 10,069                              | \$ 9,052                               | \$ 25,833                              | \$ 24,179                              |
| Corporate restaurants   | 1,504                                  | 1,361                                  | 4,539                                  | 4,131                                  |
| Dividend income   | 747                                    | 714                                    | 2,154                                  | 1,332                                  |
|   | <b>12,320</b>                          | <b>11,127</b>                          | <b>32,526</b>                          | <b>29,642</b>                          |
| <b>Operating costs and expenses</b>   | <b>7,778</b>                           | <b>6,704</b>                           | <b>21,567</b>                          | <b>19,882</b>                          |
| <b>Royalty expense</b>  | <b>3,397</b>                           | <b>3,175</b>                           | <b>9,249</b>                           | <b>7,391</b>                           |
|   | <b>11,175</b>                          | <b>9,879</b>                           | <b>30,816</b>                          | <b>27,273</b>                          |
| <b>Operating earnings before<br/>the following:</b>                         | <b>1,145</b>                           | <b>1,248</b>                           | <b>1,710</b>                           | <b>2,369</b>                           |
| <b>Interest</b> (note 3)  | <b>22</b>                              | <b>(11)</b>                            | <b>24</b>                              | <b>1,348</b>                           |
| <b>Amortization</b> (note 3)  | <b>101</b>                             | <b>112</b>                             | <b>294</b>                             | <b>1,726</b>                           |
| <b>Non-recurring items</b> (note 3)   | <b>—</b>                               | <b>—</b>                               | <b>—</b>                               | <b>2,027</b>                           |
| <b>Amortization of deferred gain</b>  | <b>(809)</b>                           | <b>(657)</b>                           | <b>(2,430)</b>                         | <b>(1,773)</b>                         |
| <b>Earnings (loss) before income taxes<br/>and non-controlling interest</b> | <b>1,831</b>                           | <b>1,804</b>                           | <b>3,822</b>                           | <b>(959)</b>                           |
| <b>Provision for (recovery of) income taxes</b>                             |  |  |  |  |
| Current   | 15                                     | 345                                    | 263                                    | 8,008                                  |
| Future income taxes   | 88                                     | 54                                     | (363)                                  | (24,454)                               |
|   | <b>103</b>                             | <b>399</b>                             | <b>(100)</b>                           | <b>(16,446)</b>                        |
| <b>Earnings for the period before<br/>non-controlling interest</b>          | <b>1,728</b>                           | <b>1,405</b>                           | <b>3,922</b>                           | <b>15,487</b>                          |
| <b>Non-controlling interest</b>   | <b>119</b>                             | <b>78</b>                              | <b>273</b>                             | <b>221</b>                             |
| <b>Net earnings for the period</b>  | <b>1,609</b>                           | <b>1,327</b>                           | <b>3,649</b>                           | <b>15,266</b>                          |
| <b>(Deficit) Retained earnings -<br/>beginning of period</b>                | <b>(11,493)</b>                        | <b>(14,985)</b>                        | <b>(10,885)</b>                        | <b>10,076</b>                          |
| Dividends paid  | —                                      | —                                      | (2,000)                                | (39,000)                               |
| Refundable dividend tax   | —                                      | —                                      | (648)                                  | —                                      |
| <b>Deficit - end of period</b>  | <b>\$ (9,884)</b>                      | <b>\$ (13,658)</b>                     | <b>\$ (9,884)</b>                      | <b>\$ (13,658)</b>                     |

## Consolidated Statement of Cash Flows

Unaudited  
(in thousands of dollars)

|   | 12-week<br>period ended<br>Sep 7, 2003 | 12-week<br>period ended<br>Sep 8, 2002 | 36-week<br>period ended<br>Sep 7, 2003 | 36-week<br>period ended<br>Sep 8, 2002 |
|---|--|--|--|--|
| <b>Cash flows from operating activities</b>                 |  |  |  |  |
| Net earnings for the period                                 | \$ 1,609                               | \$ 1,327                               | \$ 3,649                               | \$ 15,266                              |
| Items not affecting cash                                    |  |  |  |  |
| Amortization  | 101                                    | 112                                    | 294                                    | 1,726                                  |
| Decrease (increase) in future<br>income taxes – non-current | 70                                     | 54                                     | (400)                                  | (24,454)                               |
| Loss (gain) on disposal of property,<br>plant and equipment | —                                      | —                                      | 3                                      | (7)                                    |
| Amortization of deferred gain                               | (809)                                  | (657)                                  | (2,430)                                | (1,773)                                |
| Increase in long-term liabilities                           | 110                                    | 93                                     | 326                                    | 304                                    |
| Non-controlling interest's share<br>of earnings             | 119                                    | 78                                     | 273                                    | 221                                    |
|   | 1,200                                  | 1,007                                  | 1,715                                  | (8,717)                                |
| Net changes in non-cash<br>working capital                  | (1,254)                                | 1,106                                  | (4,803)                                | 7,105                                  |
|   | (54)                                   | 2,113                                  | (3,088)                                | (1,612)                                |
| <b>Cash flows from investing activities</b>                 |  |  |  |  |
| Purchase of property, plant<br>and equipment                | (156)                                  | (12)                                   | (708)                                  | (128)                                  |
| Proceeds from disposal of<br>property, plant and equipment  | —                                      | —                                      | —                                      | 7                                      |
| Proceeds from sale of intangible assets                     | —                                      | —                                      | —                                      | 84,896                                 |
|   | (156)                                  | (12)                                   | (708)                                  | 84,775                                 |
| <b>Cash flows from financing activities</b>                 |  |  |  |  |
| Payment of dividends  | —                                      | —                                      | (2,000)                                | (39,000)                               |
| Refundable dividend tax                                     | —                                      | —                                      | (648)                                  | —                                      |
| Repayment of (increase in)<br>notes receivable              | 3                                      | (70)                                   | 94                                     | (70)                                   |
| Dividend to non-controlling interest                        | —                                      | —                                      | —                                      | (176)                                  |
| Repayment of long-term debt                                 | —                                      | —                                      | —                                      | (36,500)                               |
|   | 3                                      | (70)                                   | (2,554)                                | (75,746)                               |
| <b>(Decrease) Increase in cash and<br/>cash equivalents</b> | <b>(207)</b>                           | <b>2,031</b>                           | <b>(6,350)</b>                         | <b>7,417</b>                           |
| <b>Cash and cash equivalents -<br/>beginning of period</b>  | <b>4,911</b>                           | <b>9,516</b>                           | <b>11,054</b>                          | <b>4,130</b>                           |
| <b>Cash and cash equivalents -<br/>end of period</b>        | <b>\$ 4,704</b>                        | <b>\$ 11,547</b>                       | <b>\$ 4,704</b>                        | <b>\$ 11,547</b>                       |
| <b>Cash and cash equivalents consist of:</b>                |  |  |  |  |
| Cash  | 2,704                                  | 2,470                                  | 2,704                                  | 2,407                                  |
| Short-term investments                                      | 2,000                                  | 9,077                                  | 2,000                                  | 9,077                                  |
|   | \$ 4,704                               | \$ 11,547                              | \$ 4,704                               | \$ 11,547                              |
| <b>Supplementary cash flow information</b> (note 3)         |  |  |  |  |
| Net interest received (paid)                                | \$ 49                                  | \$ 64                                  | \$ 181                                 | \$ (94)                                |
| Net income taxes (paid)                                     | \$ (277)                               | \$ (464)                               | \$ (5,945)                             | \$ (3,260)                             |

## Notes to the Interim Consolidated Financial Statements

For the 36-week period ended September 7, 2003 and September 8, 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, less the replacement of the revenues from eight restaurants which 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

|  | 12-week<br>period ended<br>Sep 7, 2003 | 12-week<br>period ended<br>Sep 8, 2002 | 36-week<br>period ended<br>Sep 7, 2003 | 36-week<br>period ended<br>Sep 8, 2002 |
|--|--|--|--|--|
| Interest expense                                 |  |  |  |  |
| Interest on long-term debt                       | \$ —                                   | \$ —                                   | \$ —                                   | \$ 206                                 |
| Interest income                                  | (49)                                   | (71)                                   | (181)                                  | (186)                                  |
| Other  | 71                                     | 60                                     | 205                                    | 184                                    |
| Settlement of debt hedging transactions          | —                                      | —                                      | —                                      | 1,144                                  |
|  | \$ 22                                  | \$ (11)                                | \$ 24                                  | \$ 1,348                               |
| Amortization                                     |  |  |  |  |
| Amortization of intangible assets                | \$ —                                   | \$ —                                   | \$ —                                   | \$ 363                                 |
| Amortization of property, plant<br>and equipment | 101                                    | 112                                    | 294                                    | 319                                    |
| Write off of deferred financing fees             | —                                      | —                                      | —                                      | 1,044                                  |
|  | \$ 101                                 | \$ 112                                 | \$ 294                                 | \$ 1,726                               |
| Non-recurring items                              |  |  |  |  |
| Bonus paid under phantom share plan              | \$ —                                   | \$ —                                   | \$ —                                   | \$ 1,517                               |
| Other  | —                                      | —                                      | —                                      | 510                                    |
|  | \$ —                                   | \$ —                                   | \$ —                                   | \$ 2,027                               |
| Non-cash investing activities                    |  |  |  |  |
| Investment in A&W Trade Marks Inc.               | \$ —                                   | \$ —                                   | \$ 5,505                               | \$ 27,800                              |