



2003 Annual Report

big Rock

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Corporate Profile

Big Rock Brewery is a regional producer and marketer of premium quality beers in Calgary, Alberta, Canada. Big Rock products are available in draught, bottles and cans. Big Rock is committed to three business fundamentals:

- Consistently brewing distinctive, premium quality beers;
- Constantly providing superior, personalized customer service; and
- Creating and sustaining strong community relationships.

Big Rock products are marketed in five provinces and three territories in Canada, and in the United States.

The Big Rock Family

Big Rock Brewery was established in 1985 by Founder Ed McNally whose motto is 'to make a masterpiece no compromise can be tolerated'. Big Rock's ingredients are classic and simple - specialty hops, select malts, Rocky Mountain water and the brewery's own top-fermenting yeast. A simple beer. A refreshing pleasure.



WARTHOG CREAM ALE



Financial Highlights

	2003	2002	2001	2000	1999
Net Sales	\$30,463,010	\$24,909,081	\$23,199,678	\$22,716,926	\$16,644,881
EBITDA	5,050,077	3,755,594	3,782,486	4,146,042	1,237,133
Net Income (loss)	2,292,997	1,217,786	1,352,573	1,461,119	(556,745)
Earnings (loss) per share	0.43	0.24	0.29	0.31	(0.11)
Unitholders'/ Shareholders' Equity	24,748,880	21,784,134	19,037,719	16,629,450	16,447,657

Increased value to unitholders

The past year was highlighted by several new developments that have allowed the Company to further diversify its product portfolio, to increase utilization of its brewing facilities, to substantially enhance its position in the beer market in Western Canada, and to more generally increase value to shareholders through the establishment of the income trust and restructuring the Company's holdings into a partnership.

Establishment of Income Trust

After several months of researching the performance of various income trusts and analyzing the ability of the Company, on a go-forward basis, to consistently provide shareholders with monthly payments from cash flow generated by the Company, a decision was made by the Board of Directors to have shareholders consider converting Big Rock into an income trust, thereby converting the Big Rock common shares into trust units.

This initiative, which became effective January 10, 2003, provides individual unitholders with the opportunity to decide how they wish to pay tax on their monthly payments (distributions), while at the same time allowing unitholders to retain their equity position in the Company. The management of the Company and unitholders' interest has not changed, and Big Rock Brewery continues to conduct its business affairs as a going concern in the same manner as occurred prior to the establishment of the Income Trust.

Establishment of Partnership

Effective January 2, 2003, various Big Rock assets – Big Rock Brewery Ltd., Bear Brewing Company Ltd., Whistler Brewing Co Ltd., and Big Rock Brewery (Saskatchewan) Ltd. were consolidated into a "partnership". This initiative, in addition to changing the fiscal year end, will result in financial benefits and synergies to the Company that were not available under the former organization structure. We believe these synergies – eg. consolidation of financial management at corporate Head Office in Calgary, will result in greater administrative efficiencies and improved co-ordination of brewing and distribution activities between our Calgary and Kamloops facilities.

Capital Investment

During the past year the Company undertook a number of initiatives to improve brewery operations, quality assurance, and packaging.

More specifically, because of increasing product sales – particularly in the lager segment of the market – it became necessary to increase the Company's fermentation capability, requiring the expansion of the physical plant and increasing tankage. New equipment was also purchased for the laboratory to raise the level of quality assurance – including testing and sampling of every batch of beer produced at the brewery. New multi-packaging equipment was purchased to provide the brewery with several options for canned products in the fastest growing packaged segment of the market in Western Canada.

A plant expansion was undertaken at Bear Brewing Company, Kamloops, British Columbia, to accommodate growth in our vodka based cooler production of Joe Stiff's Spiked Root Beer and the recently introduced Joe Stiff's Whipped Orange.

New Product Development

The Company continues to research, develop and introduce new products in order to remain competitive in a marketplace inundated with new products. Production and sales of our new Big Rock Honey Brown product and the highly successful Alberta Genuine Draft (AGD) continued to grow. The success of these lager products resulted in the Company developing and launching a lower alcohol lager product (Alberta Light) in a segment of the market which is showing growth potential.

Sales and Marketing Programs

Greater emphasis is being placed on improving sales performance in the retail network – the segment of the market where the greatest volume of beer is sold. The Company continues to develop new sales and marketing programs for both retail and on-premise customers. Investment costs are closely monitored to ensure that the return on investment is acceptable and consistent with our business strategy.

The on-premise market – particularly in the draft beer segment, continues to be highly competitive and accounts for the majority of expenses for promotions, point-of-sale materials, and related marketing and sales activities.

The support for special events – such as festivals, the arts, and programs sponsored by non-profit community organizations remain a major pillar in the Company's overall strategic plan.

Cost Controls

Significant steps have been taken to develop computer programs to implement more effective cost controls in a number of areas. The Company has in the past lacked the ability to fully analyze and utilize operations data and other information, in a timely and methodical manner for the benefit of both field and management personnel.

The new systems that have been developed provide detailed information on sales, marketing, operations, expenses, etc. in a computer generated format that simplifies and enhances the decision making process. Management within the Company is now being provided with detailed reports that allow the Company's performance to be closely monitored on a weekly and monthly basis.

Bear Brewing Company Ltd.

With the purchase of Bear Brewing Company Ltd. on July 1, 2002, the Company acquired ownership of the Joe Stiff's brand of cooler products. The launch of Joe Stiff's Spiked Root Beer last summer achieved impressive results with limited expenditures on marketing and promotion. This brand grew from a zero base in a highly competitive market represented by more than 200 SKU's, to an impressive 13th position in Western Canada. This immediate relative success experienced by the Company with a cooler product has demonstrated the Company's ability to use existing sales and marketing resources to expand our product portfolio without any negative impact on beer sales, which continue to grow at a greater rate than the overall industry.

The Future

While the vagaries of the beer industry do not allow for idle thoughts or wishful thinking, it is important to look forward to next year and the years beyond.

We believe that while the Company has established a strong foundation to further grow its business, it is becoming more apparent that Big Rock was, is and should remain first and foremost a specialty regional brewery, which can quickly respond to and adapt to the changing dynamics in the beer industry.

The beer market across Canada is essentially flat, with some provinces showing minor growth; others showing declines. The most compelling trend within this "no growth" market, is that long-established mainstream brands are losing market share to imports, craft style specialty beers and cooler products.

In this environment it is imperative that the Company take advantage of growth and related opportunities, and at the same time not lose focus of its primary business as a regional specialty craft brewery. We believe additional opportunities exist to grow our core business in Western Canada, and we will concentrate our efforts and resources in this region.

British Columbia will provide additional growth opportunities once the government of that province more clearly defines its liquor privatization policy objectives. Big Rock has had ten years of experience within a private sector retail model in Alberta and we believe this experience will prove beneficial as the privatization initiative proceeds in that province.

All successful companies have strong corporate values, great products, dedicated employees, and a management team focused on what is most important to the Company. We believe that while there will be an ongoing need to improve our operations – particularly in the area of cost controls – Big Rock continues to remain focused on its corporate priorities.

We want to express our thanks and appreciation to all Big Rock employees, and to our unitholders and stakeholders who have applied their efforts, talent and support to make our Company one of the most successful regional breweries in North America.



Ed McNally
Chairman and Chief Executive Officer



Bob King
President

Leading the way in craft beers

The following discussion and analysis should be read in conjunction with Big Rock's consolidated financial statements and accompanying notes included herein.

Business Environment

Big Rock is a regional producer, marketer, and distributor of bottles, cans, and kegs of premium quality specialty beers, also known as craft beers. It also produces and markets the Joe Stiff's line of cooler products.

Big Rock has sales and distribution facilities at its brewery in Calgary, Alberta as well as in Edmonton, Alberta. The Company also has sales representatives resident in British Columbia, Saskatchewan, Manitoba and Ontario. With the purchase of Bear Brewing Company Ltd. on July 1, 2003, Big Rock has added brewing and distribution facilities in Kamloops, British Columbia. Big Rock's products are also distributed in the Western United States by third party agents.

Big Rock's beer products compete primarily in the specialty beer segment, the defining qualities of which are taste, price, quality and image. This category includes both domestic and imported specialty beers. The specialty beer segment has become increasingly competitive over the past several years due to the major domestic brewers producing and aggressively marketing pseudo-craft beer products and the entry of more imported specialty products into the marketplace. The large multi-national beer companies have substantially greater resources for support of marketing and distribution activities and compete aggressively with extensive advertising and promotion campaigns. However, the increased emphasis on "full-flavored" beers by the large brewers has the effect of increasing customer awareness of specialty premium beers and the continued growth of this segment.

Beer sales are generally dependant to a significant degree on the weather and the seasons. The first two quarters, spring and summer, are historically stronger than autumn and winter, the third and fourth quarters. The higher sales volumes in the summer months are also affected by weather conditions and holidays.

On January 2, 2003, Big Rock Brewery Ltd. and its wholly-owned subsidiaries, Bear Brewing Company Ltd. and Whistler Brewing Company Ltd., established the Big Rock Brewery Partnership. All assets and liabilities other than head office furniture and equipment and bank debt were transferred to the Partnership in return for a partnership interest.

On January 10, 2003 Big Rock Brewery Ltd. was reorganized into Big Rock Brewery Income Trust (the "Trust") pursuant to a plan of arrangement. The Trust, indirectly through its operating entities, operates Big Rock's premium brewing business. The trust units of the Trust commenced trading on the Toronto Stock Exchange on January 15, 2003 under the symbol "BR.UN".

To be consistent with other income trusts, the fiscal year end of the Trust will be December 31 instead of March 31, the date used previously for annual reporting by Big Rock. However, as Big Rock Brewery Ltd's last audited financial statements were as at and for the year ended March 31, 2002, audited financial statements for the Trust have been prepared as at and for the year ended March 31, 2003. The results of operations for the year ended March 31, 2003 include the consolidated accounts of Big Rock Brewery Ltd. for the period from April 1, 2002 to January 9, 2003 on a continuity of interest basis of accounting reflecting the Trust as a continuation of Big Rock Brewery Ltd. The comparative information for 2002 and 2001 is that of Big Rock Brewery Ltd.

Results of Operations

Year Ended March 31, 2003 compared to years ended March 31, 2002 and 2001.

Sales

Sales revenue increased to \$39,330,418 this year from \$34,522,928 last year and \$32,238,035 in 2001. The 14% increase this year was due primarily to recent acquisitions in the Province of British Columbia, increased shipments into Big Rock's three largest markets, Alberta, British Columbia, and Saskatchewan and the success of the Joe Stiff's product line.

In terms of volume, hectoliters sold increased to 144,692 from 124,507 the previous year, (a 16% increase) and 120,431 in 2001. The addition of volumes from the Bear Brewery facility this year contributed 2% of the total volume increase, the remaining 14% increase was due to organic growth.

Government taxes and commissions

Various provincial government mark-ups on beer and federal excise tax are paid by the Big Rock Brewery Partnership. These taxes amounted to \$8,867,408 in 2003 (2002 - \$9,613,847; 2001 - \$9,038,357). The reduction in taxes this year is due to a reduction in the Alberta markup on beer charged to the small brewery sector. Effective April 5, 2002, the Alberta Gaming and Liquor Commission reduced its mark-up rates on beer to \$40/hectoliter for producers with annual production under 200,000 hectoliters. Previously, the Alberta mark-up on beer was based on a graduated scale and in 2002 averaged \$59/hectoliter. The Partnership also pays federal excise tax of \$28/hectoliter, one of the highest taxes in the world against the small brewery segment. Big Rock continues to diligently pursue this matter with the federal government.

Cost of sales

Cost of sales as a percentage of sales was 30% this year (2002 – 29%; 2001 – 29%).

A change in sales mix reflecting the large increase in sales of Big Rock's value-priced lager, Alberta Genuine Draft, has caused a slight increase in this ratio over previous years. A substantial increase in utility costs has also placed upward pressure on manufacturing costs. Economies of scale provided by increasing production volumes have mitigated increasing input costs.

Gross profit

Gross margin increased to 48% of gross sales (2002 – 43%; 2001 – 43%). This increase is primarily due to the reduction of the mark-up charged on beer sales in Alberta.

Selling expense

Selling expenses are comprised of promotional materials, automobile, and sales representative expenses, advertising, promotion, and marketing campaign costs, sales salaries, delivery and trucking costs, sponsorships, and agents' commissions. Selling expenses as a percentage of sales were 24% this year (2002 – 25%; 2001 – 26%). Increased sales volumes have resulted in a \$3/ hectoliter reduction in selling costs over last year.

General and administrative expense

General and administrative expenses increased 1% as a percentage of sales this year over last. The increase year-over-year was 36%. This significant increase was primarily due to the integration of Bear Brewing operations which resulted in increases in several areas including insurance, property tax, and management and administrative salaries. Charitable donations this year were up by \$90,953; uncollectible accounts of \$64,246 were written off this year and public filing requirement expenditures were up by \$41,983. over last year. In conjunction with the reorganization of Big Rock into an income trust, Big Rock has voluntarily de-listed from the NASDAQ system and is no longer a United States registrant. This de-listing will reduce public filing expenditures in the future. There were also many one-time general and administrative charges this year arising from the on-going integration of the Kamloops operations.

Reorganization costs

One-time costs associated with the reorganization of Big Rock into an Income Trust amounted to \$909,909. All of these costs were expensed in the year ended March 31, 2003.

EBITDA (Earnings before interest, taxes, depreciation & amortization)

EBITDA at \$5,050,077 increased by 34% over last year (2002 - \$3,755,594; 2001 -\$3,782,486). Organic growth of 14%, as well as the reduction in the Alberta mark-up on beer sales for small brewers, led to this significant improvement.

Interest expense

Interest on long term debt at \$257,273 decreased by \$36,754 from last year due to the \$1,381,812 reduction in the Royal Bank term loan. Upon the acquisition of Bear Brewing, a \$861,500 mortgage on the Kamloops land and building was assumed bearing interest at 9% per annum. Interest expense includes a \$58,293 charge for interest on this mortgage.

Amortization expense

Capital expenditures during the year amounted to \$2,303,073 which included expansion of the lagering cellars and tankage at the Calgary brewery, purchase of new kegs and a warehouse expansion at the Kamloops brewery. In addition, the increase in capital assets reflects the acquisition of Bear and Bear View. These additions to capital assets resulted in an increase of \$270,892 in amortization expense this year over last year. Net capital additions of \$2,452,653 in fiscal 2002 resulted in an increase of \$227,624 in amortization expense relating to capital assets over fiscal 2001.

Income tax expense

The statutory rate of income tax was 38.6% this year (2002 and 2001 – 43.6%). The manufacturing and processing tax credit and trust distributions reduced the effective rate to approximately 25%. The total income tax liability of \$747,367 is comprised of \$562,348 current income tax and \$185,019 future income tax. Big Rock's effective tax rates in 2002 and 2001 were 38% and 33% respectively.

Net income

Net income for the year was \$2,292,997 (2002- \$1,217,786; 2001 - \$1,352,573) an increase of \$1,075,211 (88%) over 2002. Earnings per unit this year were \$0.43 (2002- \$0.24; 2001 - \$0.29). In 2003, 300,668 new units/shares were issued. During 2002, 355,006 new shares were issued and 22,500 shares were cancelled pursuant to a normal course issuer bid. In 2001, 148,800 shares were cancelled pursuant to the normal course issuer bid.

On January 10, 2003 the Trust announced a policy of monthly distributions of \$0.06 per trust unit for the remainder of 2003 and declared a distribution of \$0.04 per trust unit to be paid on February 15, 2003 for the period from January 10, 2003 to January 31, 2003. The Trust declared total cash distributions of \$0.16 per trust unit in the quarter ended March 31, 2003 amounting to \$886,611 in total.

Financial Position

Inventories increased 41% this year to \$4,084,054 due to the addition of Bear Brewing products and in anticipation of a busy summer season for both beer and cooler products. Inventory in 2002 was \$2,896,052 in comparison to \$2,701,982 in 2001.

Big Rock had positive working capital of \$1,696,575 at year-end in comparison to \$1,134,463 at March 31, 2002 and \$1,979,482 at March 31, 2001.

Goodwill of \$727,218 (2002 - \$251,830; 2001 - \$nil) has been recorded on Big Rock's acquisition of Bear in the most recent fiscal year and Whistler and Bowen in the prior year.

At year-end, Big Rock had utilized \$1,800,740 (2002 - \$1,857,882; 2001 - \$1,362,907) of its \$3,000,000 bank operating line of credit. This credit facility currently bears interest at the Royal Bank prime rate plus 0.5%.

The long-term debt facility, also with the Royal Bank of Canada, was reduced by \$1,381,812 during the year to \$1,817,247 (2002 - \$3,199,059; 2001 - \$5,037,838). A principal payment of \$25,000 is made monthly. Security for these borrowings is a general assignment of the Partnership's assets.

Big Rock's Royal Bank debt facilities were renegotiated in conjunction with the reorganization. The new debt facility provides an operating line of \$3,000,000 (RBP plus 0.5%) and a term loan with a limit of \$3,000,000 (RBP plus 0.75%). Principal repayments of \$25,000 per month are required on the term facility. The facilities impose a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. At March 31, 2003 Big Rock was in compliance with all of its debt covenants.

Previously, as at March 31, 2002 and 2001, Big Rock had a \$3,000,000 operating line at Royal Bank prime and term debt at Royal Bank prime to prime plus 0.75% based on average quarterly interest coverage ratios. Monthly blended payments of \$155,000 were made on the term loan.

The new term facility will be used for fermentation cellar expansion and a new multi-packer at the Calgary brewery and for the warehouse expansion and upgrading the packaging line at the Kamloops brewery.

Liquidity and Capital Resources

Cash provided by operating activities was \$2,480,566, down 4% over the prior year results (2002 - \$2,580,526; 2001 - \$3,410,990). Differences are largely due to the timing of the collection of accounts receivable and the payment of accounts payable over year-end.

Financing activities for the year include a repayment of \$1,381,812 of long-term debt and \$886,611 of cash distributions paid to Unitholders, all of which are taxable in the Unitholders' hands. In fiscal 2002, \$1,838,779 and \$102,650 respectively was used to pay down long-term debt and reacquire shares under Big Rock's normal course issuer bid (2001 - \$836,575 and \$744,304 respectively).

Options to acquire trust units and common shares that were exercised during the year contributed \$783,360 of cash. In fiscal 2002 and 2001 proceeds of \$990,000 and \$1,800,000 respectively were received on the issue of shares by private placement.

Cash used in investing activities includes the purchase of capital assets of \$2,303,073 (2002 - \$2,452,653; 2001 - \$1,121,590) relating to warehouse and fermentation cellar expansion and equipment purchases and the acquisition of the remaining 50% interest in Bear View Developers Ltd. for \$215,000. (\$227,222 in 2002 for the acquisition of the initial 50% interest).

Big Rock expects to meet its financing needs in fiscal 2003 using operating cash flow and its demand credit facility to the extent required.

Risks, Uncertainties, and Outlook

Big Rock operates in an environment that is both highly competitive and highly government regulated.

Due to the ongoing shifting effects of competition on Big Rock, the ability to predict future sales and profitability with any degree of certainty is limited.

There is a continuing entry of premium and super-premium beers from other smaller craft breweries and the larger national and multi-national brewers with products that compete directly with craft beers. A large number of import beers are also being sold in the same markets where Big Rock competes for business.

With the large choice of brands now available, and the advertising initiatives of the major breweries, it is Management's opinion that price promotions due to competitive pressures will continue. Big Rock believes it is in an excellent position to increase volume of sales, however, the selling price may vary more frequently due to these increasing competitive pricing pressures.

Big Rock requires various permits, licenses, and approvals from several government agencies in order to operate in its market areas. In Alberta, Big Rock's largest market, the Alberta Gaming and Liquor Commission provides the necessary licensing approvals. Other licenses have been obtained from the British Columbia Liquor Distribution Board, the Saskatchewan Liquor and Gaming Authority, the Manitoba Liquor Control Commission, the Liquor Control Board of Ontario, Canada Customs and Revenue Agency – Excise, and the U.S. Bureau of Alcohol, Tobacco and Firearms. Management believes that Big Rock is in compliance with all licenses, permits and approvals.

In fiscal 2002, Big Rock terminated an agreement with a competitor relating to the distribution of their product in Western Canada. A dispute ensued regarding amounts owing under the agreement. At the time and throughout fiscal 2002 and 2003, Big Rock believed that no additional amount was owing. However, in May 2003 negotiations continued and on May 16, 2003 Big Rock made an offer to settle the dispute by way of a settlement payment of \$374,722, to be made over a two year period. Big Rock is still awaiting a response from the other party on the settlement proposal. If the offer is accepted, it will result in a one-time charge to earnings of this amount being recorded in the three month period ended June 30, 2003.

The brewery's unique scalable design allows Big Rock to double existing production with very little additional capital investment. This provides significant flexibility to add new products and to service growing markets on a timely basis.

If the Big Rock Brewery Partnership continues to grow at the current rate, it is projected that the 200,000 hectoliter production cap for small brewers will be exceeded during fiscal 2004. At the present time, it is unclear whether the benefit of the lower Alberta mark-up on beer will be lost in its entirety or if a graduated mark-up approach will be applied by the Alberta Gaming and Liquor Commission.

Big Rock is well positioned to benefit from the trend of consumer preferences towards higher quality more flavorful beers and will continue to focus its marketing efforts on its core brands. Big Rock believes that its brand equity, and the quality and consistency of its products, will ensure that it is able to compete effectively with both the domestic specialty brands and the imports.

While Big Rock is intent on increasing market share, Management remains focused on protecting and enhancing brand equity, introducing new brands when appropriate and providing exceptional service to local markets.

Forward-looking Statements

This discussion and analysis contains forward-looking statements relating to future events or future performance. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates" and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of Big Rock. Undue reliance should not be placed on these forward-looking statements which are based upon management's assumptions and are subject to known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. Big Rock undertakes no obligation to update publicly or revise any forward-looking statements contained herein and such statements are expressly qualified by the cautionary statement.

Management Report

June 9, 2003

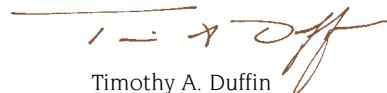
The accompanying consolidated financial statements in the annual report are the responsibility of management. The consolidated financial statements of the Trust have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and, when necessary, management has made informed judgements and estimates in accounting for transactions which were not complete at the balance sheet date. Where alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances as indicated in the notes to the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are protected and financial records are properly maintained to provide reasonable assurance that financial information is relevant and reliable.

The Audit Committee is appointed by the Board of Directors, and is comprised of directors, all of which are not officers or employees of the Company. The Committee meets regularly with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is discharging its responsibilities and to review the financial statements and the external auditors' report. The Audit Committee has approved the financial statements.



Edward E. McNally
Chairman and Chief Executive Officer



Timothy A. Duffin
Chief Financial Officer

Auditors' Report

To the Unitholders of

Big Rock Brewery Income Trust

We have audited the consolidated balance sheets of **Big Rock Brewery Income Trust** as at March 31, 2003, 2002 and 2001 and the consolidated statements of operations and undistributed income/retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 2003, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Canada
June 9, 2003



Chartered Accountants

Consolidated Balance Sheets


Big Rock Brewery Income Trust

As at March 31

	2003	2002	2001
	\$	\$	\$
ASSETS [notes 8 & 9]			
Current			
Cash and cash equivalents	—	1,016,158	1,602,202
Accounts receivable	1,979,813	2,116,325	1,593,984
Income tax recoverable	117,670	—	—
Inventories [note 4]	4,084,054	2,896,052	2,701,982
Prepaid expenses and other	945,730	417,445	400,985
Investments	54,785	46,365	156,035
	7,182,052	6,492,345	6,455,188
Capital assets [note 7]	28,521,343	25,872,488	24,844,994
Long term investment [note 5]	—	227,222	—
Deferred charges and other	145,410	216,806	45,619
Goodwill [note 5]	727,218	251,830	—
	36,576,023	33,060,691	31,345,801
LIABILITIES AND UNITHOLDERS'/SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness [note 8]	1,800,740	1,857,882	1,362,907
Accounts payable and accrued liabilities	2,190,704	1,334,322	1,393,068
Distributions payable	332,533	—	—
Income tax payable	—	468,894	151,869
Current portion of long-term debt [note 9]	1,161,500	1,696,784	1,567,862
	5,485,477	5,357,882	4,475,706
Long-term debt [note 9]	1,517,247	1,502,275	3,469,976
Future income taxes [note 11]	4,824,419	4,416,400	4,362,400
Total liabilities	11,827,143	11,276,557	12,308,082
Commitments [note 12]			
Unitholders'/Shareholders' equity			
Trust unitholders' capital/Share capital [note 10]	14,690,351	13,131,991	11,553,637
Undistributed income/Retained earnings	10,058,529	8,652,143	7,484,082
	24,748,880	21,784,134	19,037,719
	36,576,023	33,060,691	31,345,801

See accompanying notes

On behalf of the Board:



E.E. McNally
Director



Gordon Tallman
Director

Consolidated Statements of Operations
& Undistributed Income/Retained Earnings

Big Rock Brewery Income Trust

Year ended March 31

	2003	2002	2001
	\$	\$	\$
Revenue			
Sales	39,330,418	34,522,928	32,238,035
Government taxes and commissions	(8,867,408)	(9,613,847)	(9,038,357)
	30,463,010	24,909,081	23,199,678
Cost of sales	11,728,022	10,167,456	9,240,503
Gross profit	18,734,988	14,741,625	13,959,175
Expenses			
Selling	9,573,047	8,631,472	8,227,273
General and administrative	3,201,955	2,354,559	1,949,416
Reorganization costs [note 2]	909,909	—	—
Interest on long-term debt	257,273	294,027	451,921
Interest on short-term debt	22,930	34,163	91,998
Amortization	1,729,510	1,458,618	1,230,994
	15,694,624	12,772,839	11,951,602
Income before income taxes	3,040,364	1,968,786	2,007,573
Income tax expense [note 11]	747,367	751,000	655,000
Net income for year	2,292,997	1,217,786	1,352,573
Retained earnings, beginning of year	8,652,143	7,484,082	6,551,550
Redemption of common shares [note 10]	—	(49,725)	(420,041)
Cash distributions declared	(886,611)	—	—
Undistributed income/Retained earnings, end of year	10,058,529	8,652,143	7,484,082
Net income per unit/share [note 3]			
Basic	0.43	0.24	0.29
Diluted	0.42	0.24	0.29

See accompanying notes

Consolidated Statements of Cash Flows

Big Rock Brewery Income Trust

Year ended March 31

	2003	2002	2001
	\$	\$	\$
OPERATING ACTIVITIES			
Net income for year	2,292,997	1,217,786	1,352,573
Items not affecting cash			
Amortization and write down of assets	1,755,833	1,704,676	1,230,994
Gain on sale of investments and termination of agreement	—	(428,340)	—
Loss on sale of capital assets	—	108,857	—
Future income taxes	185,019	54,000	457,000
	4,233,849	2,656,979	3,040,567
Net change in non-cash working capital [note 14]	(1,753,283)	(76,453)	370,423
Cash provided by operating activities	2,480,566	2,580,526	3,410,990
FINANCING ACTIVITIES			
Increase (decrease) in bank indebtedness	(57,142)	413,772	(881,996)
Repayment of long term debt	(1,381,812)	(1,838,779)	(836,575)
Share redemption [note 10]	—	(102,650)	(744,304)
Distribution payments	(554,078)	—	—
Shares issued by private placement [note 10]	—	990,000	1,800,000
Cash received on exercise of options [note 10]	783,360	—	—
Cash used in financing activities	(1,209,672)	(537,657)	(662,875)
INVESTING ACTIVITIES			
Purchase of capital assets	(2,303,073)	(2,452,653)	(1,121,590)
Proceeds on sale of capital assets	—	271,903	—
Purchase of investments	—	—	(136,975)
Proceeds on sale of investments	—	134,836	—
Acquisition of Whistler/Bowen [note 6]	—	(323,953)	—
Acquisition of interest in Bear View [note 5]	(215,000)	(227,222)	—
Cash acquired on acquisition of Bear & Bear View	159,625	—	—
Deferred charges and other assets	71,396	(31,824)	6,160
Cash used in investing activities	(2,287,052)	(2,628,913)	(1,252,405)
Net (decrease) increase in cash	(1,016,158)	(586,044)	1,495,710
Cash and cash equivalents, beginning of year	1,016,158	1,602,202	106,492
Cash and cash equivalents, end of year	—	1,016,158	1,602,202

See accompanying notes

March 31, 2003

1. DESCRIPTION OF BUSINESS

Big Rock Brewery Income Trust ("Big Rock" or the "Trust") produces and markets its own brands of specialty draught and bottled beer for sale across Canada and in the United States. Big Rock trust units are listed on The Toronto Stock Exchange (the "TSX"). The consolidated financial statements include the accounts of the Trust, Big Rock Brewery Partnership, Big Rock Brewery Ltd. and its wholly owned subsidiaries, Whistler Brewing Company Ltd. ("Whistler"), and Bear Brewing Company Ltd. ("Bear").

2. REORGANIZATION

On December 4, 2002 an amalgamation agreement among Bear View Developers Ltd, 607313 (B.C.) Ltd. (operating as Bowen Island Brewing Company), Mountain View Brewing Company Ltd., and Whistler Brewing Company, all wholly owned subsidiaries of Big Rock Brewery Ltd. was executed with the amalgamated entity called Whistler Brewing Company Ltd.

On December 19, 2002 Big Rock Brewery (Saskatchewan) Ltd., a wholly-owned subsidiary of Big Rock, was voluntarily dissolved and its assets and liabilities distributed to Big Rock Brewery Ltd.

On January 2, 2003, Big Rock Brewery Ltd. and its wholly-owned subsidiaries, Bear Brewing Company Ltd. and Whistler Brewing Company Ltd. established the Big Rock Brewery Partnership. All assets and liabilities other than head office furniture and equipment and bank debt were transferred to the Partnership in return for a partnership interest.

Effective January 10, 2003 Big Rock Brewery Ltd. was reorganized into Big Rock Brewery Income Trust. Shareholders of Big Rock Brewery Ltd. received one Big Rock Brewery Income Trust unit for each common share held. Those share optionholders of Big Rock Brewery Ltd. who did not exercise their "in-the money" share options upon conversion to Trust units received replacement Trust unit options with the same vesting, exercise price and expiry date as the share options. The unitholders of the Trust are entitled to receive cash distributions paid by the Trust and are entitled to one vote for each Trust unit held at unitholders meetings. The Trust units of the Trust commenced trading on the TSX under the symbol "BR.UN" on January 15, 2003. The Trust units are not listed for trading on the NASDAQ system. The Trust is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta. The Trust owns all the securities of Big Rock Brewery Ltd. which entitles the Trust to receive all cash flow available for distribution from the business of Big Rock after debt service payments, maintenance capital expenditures and other cash requirements.

The costs of the reorganization, amounting to \$909,909, have been expensed.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Trust have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ materially from those estimates and assumptions. The consolidated financial statements, in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Basis of Presentation

The results of operations for the year ended March 31, 2003 include the consolidated accounts of Big Rock Brewery Ltd. for the period from April 1, 2002 to January 9, 2003 on a continuity of interest basis as if the reorganization referred to in note 2 had occurred at the beginning of the year (see note 15 for a breakdown of the results). The comparative information for 2002 and 2001 fiscal years is for Big Rock Brewery Ltd.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid investments subject to minimal risk of changes in value and which have original maturities of three months or less.

Inventories

Inventories of raw materials, supplies, promotional goods and dispensing units are valued at the lower of cost (weighted average) and replacement cost. Inventories of brews in progress and finished product are valued at the lower of cost (including direct materials, labour and overhead costs) and net realizable value.

Returnable glass containers are initially recorded at cost. In order to charge operations for wear and disappearance, the cost of bottles is charged to operations over the estimated useful life of five years.

Goodwill

Effective April 1, 2002, in accordance with a new Canadian Institute of Chartered Accountant's (CICA) pronouncement regarding goodwill and other intangible assets, goodwill is not being amortized however, it is tested for impairment on an annual basis with any impairment charged to earnings. There was no impairment of goodwill during the year.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is recorded on the straight-line basis over the estimated useful lives of the assets. Amortization rates are as follows:

Buildings	2.5%
Production equipment	2.6-8%
Vehicles	25%
Furniture and fixtures	4-15.4%

Big Rock completes a yearly assessment of its capital assets for impairment by assessing the estimated future net cash flows from the assets, less directly attributable general and administrative costs, carrying costs, future removal costs and income taxes. Any shortfall of this amount from the net carrying amount of the asset less future income taxes, is charged to expense in the period.

Deferred charges

Deferred charges include new product artwork and trademark costs and are stated at cost less accumulated amortization. Amortization is recorded on a straight-line basis over five to seven years. The deferral of these costs is reviewed periodically for possible revisions to the amortization period or writedown to net realizable value.

Revenue recognition

Revenue is recognized upon shipment of product at the gross sales price charged to the purchaser. Invoices for sales to Canadian customers are submitted to the respective provincial liquor control boards who pay Big Rock after deducting liquor control board commissions. Excise taxes, which are assessed on production, and liquor control board commissions, which are assessed on sales, are recorded as reductions to gross sales prices.

Income taxes

Big Rock follows the liability method of accounting for the tax effect of temporary differences between the carrying amount and the tax basis of assets and liabilities. Temporary differences arise when the realization of an asset or the settlement of a liability would give rise to either an increase or decrease in income taxes payable for the year or later period. Income tax expense for the period is the tax payable for the period and any change during the period in future income tax assets and liabilities.

Future income taxes are recorded at the income tax rates that are expected to apply when the future tax liability is settled or the future tax asset is realized. The effect on future income tax assets and liabilities of a change in the tax rates is recognized in income in the period in which the change occurs.

Foreign exchange

Transactions in foreign currencies are recorded in Canadian dollars at the exchange rates in effect at the date of the transaction. Monetary assets and liabilities in foreign currencies have been converted to Canadian dollars at exchange rates in effect at the balance sheet date. Foreign exchange gains and losses included in earnings are not material for the years presented.

Net income per unit/share

The Trust follows the treasury stock method for determining per unit/share amounts. Under this method proceeds that would arise from the exercise of options would be used to purchase common units/shares at the weighted average market price in the determination of diluted per unit/share amounts. Net income per unit/share is calculated using the weighted average number of units/shares outstanding during each year which was 5,394,279 for the year ended March 31, 2003 (2002 - 5,167,741; 2001 - 4,650,233). On a diluted basis 5,440,669 units/shares (2002 - 5,172,643; 2001 - anti-dilutive).

Unit-based compensation plan

The Trust has established a unit option plan whereby options for a maximum of 553,672 units may be granted to employees and directors and consultants of the Trust. Options granted under the plan are generally exercisable immediately and expire five years after the grant date. All options are granted at or above the market price of the units on the date of grant. On April 1, 2002 the Trust adopted the new CICA recommendations for stock-based compensation. The Trust has applied the changes prospectively for new awards and has chosen not to recognize compensation expense when unit options with no cash settlement feature are granted to employees and directors under the unit option plan. The new recommendations require that unit-based payments to non-employees be accounted for in accordance with the fair value method. The fair value of direct awards of units is determined by the quoted market price of the Trust's units and the fair values of the unit options are determined using the Black Scholes option pricing model.

This new standard requires the presentation of pro-forma net income as if the Trust had accounted for its employee unit options granted after March 31, 2002 under the fair value method.

4. INVENTORIES

	2003	2002	2001
	\$	\$	\$
Raw materials and returnable glass containers	1,467,912	1,293,536	1,162,917
Brews in progress	451,423	329,147	322,305
Finished product	1,403,462	826,982	804,479
Promotional goods and dispensing units	761,257	446,387	412,281
	4,084,054	2,896,052	2,701,982

5. ACQUISITION OF BEAR BREWING COMPANY LTD. AND BEAR VIEW DEVELOPERS LTD.

On July 1, 2002, 100% of the issued and outstanding shares of Bear Brewing Company Ltd. ("Bear") were acquired in exchange for 100,000 shares of Big Rock valued at \$7.75 per share for total consideration of \$775,000. Bear is a British Columbia based company that produces and markets its own brands of speciality draught and bottled beer. Simultaneously, an option to increase ownership of Bear View Developers Ltd. ("Bear View") from 50% to 100% for consideration of \$215,000 cash was exercised. The initial 50% interest in Bear View was acquired effective January 1, 2002 for cash of \$227,222 (including transaction costs of \$27,222), and was accounted for using the equity method from the date of acquisition through to June 30, 2002. Bear View owned the land and building from which Bear operates its brewery. (On December 4, 2002 Bear View was amalgamated with Whistler (note 2)). The acquisitions have been accounted for using the purchase method. The results of Bear's and Bear View's operations have been included in the consolidated financial statements from the effective date of acquisition.

The following table summarizes the estimated fair value of Bear's assets acquired and liabilities assumed at the date of acquisition.

	\$
Cash	158,106
Accounts receivable	10,867
Due from BWB Joint Venture	363,700
Inventories	238,002
Prepaid expenses and other	50,548
Capital assets	650,000
Goodwill	475,388
Total assets acquired	1,946,611
Accounts payable and accrued liabilities	535,081
Income tax payable	8,530
Loan payable to Big Rock	500,000
Future income tax	128,000
Total liabilities assumed	1,171,611
Net assets acquired	775,000
Consideration paid - 100,000 common shares @\$7.75	775,000

The following table summarizes the estimated fair value of Bear View's assets acquired and liabilities assumed at the date of acquisition.

	\$
Cash	1,519
Prepaid expenses	20,150
Capital assets	1,425,292
Total assets acquired	1,446,961
Accounts payable and accrued liabilities	24,000
Long-term debt assumed	870,000
Future income tax	95,000
Consideration paid for initial 50% interest in Bear View	242,961
Total liabilities assumed	1,231,961
Net assets acquired	215,000
Consideration paid - Cash	215,000

6. ACQUISITION OF WHISTLER BREWING COMPANY AND BOWEN ISLAND BREWING COMPANY

On June 15, 2001, Big Rock acquired 97% of the issued and outstanding shares of Whistler Brewing Company Ltd. ("Whistler") and the Bowen Island Brewing Company ("Bowen"), effective June 8, 2001. On December 21, 2001, Big Rock acquired the remaining 3% of the shares. Whistler is a British Columbia based company that produces and markets its own brands of speciality draught and bottled beer for sale across Canada. Bowen is also a British Columbia based company that holds the patents to its own brands of specialty beer. The acquisitions have been accounted for using the purchase method. The results of Whistler's and Bowen's operations have been included in the consolidated financial statements from the effective date of acquisition.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

	\$
Accounts receivable	183,084
Inventories	145,338
Prepaid expenses and other	21,157
Capital assets	403,555
Deferred charges	139,363
Goodwill	262,494
Total assets acquired	1,154,991
Bank advances	81,203
Accounts payable and accrued liabilities	108,556
Total liabilities assumed	189,759
Net assets acquired	965,232
Consideration paid	
Cash paid to vendors and for transactions costs	323,953
Common shares issued to vendors (135,006 shares at \$4.75)	641,279
	965,232

7. CAPITAL ASSETS

	2003		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Land	2,699,259	—	2,699,259
Buildings	10,118,707	1,297,400	8,821,307
Production equipment	25,286,221	8,809,795	16,476,426
Vehicles	342,121	192,204	149,917
Furniture and fixtures	1,169,952	795,518	374,434
	39,616,260	11,094,917	28,521,343

	2002		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Land	1,958,466	—	1,958,466
Buildings	8,334,991	1,031,484	7,303,507
Production equipment	22,920,134	6,817,312	16,102,822
Vehicles	163,608	93,605	70,003
Furniture and fixtures	972,480	534,790	437,690
	34,349,679	8,477,191	25,872,488

	2001		Net Book Value \$
	Cost \$	Accumulated Amortization \$	
Land	1,843,466	—	1,843,466
Buildings	7,385,191	836,303	6,548,888
Production equipment	21,680,309	5,689,059	15,991,250
Vehicles	86,458	79,217	7,241
Furniture and fixtures	878,807	424,658	454,149
	31,874,231	7,029,237	24,844,994

During the year ended March 31, 2003, the Trust capitalized labour of \$63,997 (2002 - \$60,854; 2001 - \$41,002) relating to certain enhancements at its brewing facilities.

8. BANK INDEBTEDNESS

Big Rock has a demand revolving credit facility with a maximum limit of \$3,000,000. Advances under the facility bear interest at the Royal Bank prime rate plus 0.5% (Royal Bank prime rate prior to January 10, 2003) and the effective rate at March 31, 2003 was 4.75% (2002 - 3.75%; 2001 - 6.75%). Collateral provided for this loan is the same as described in note 9.

9. LONG-TERM DEBT

	2003 \$	2002 \$	2001 \$
Non-revolving bank loans with monthly principal payments of \$25,000 bearing interest at Royal Bank prime rate plus 0.75% due January 30, 2006	1,817,247	3,199,059	5,037,838
Mortgage, secured by land and building in Kamloops, B.C. with no fixed repayment terms bearing interest at 9% per annum.	861,500	—	—
	2,678,747	3,199,059	5,037,838
Less current portion	1,161,500	1,696,784	1,567,862
	1,517,247	1,502,275	3,469,976

A fixed and floating charge debenture and supplemental debenture for \$7,000,000 covering all assets, a general security agreement and an assignment of fire insurance have been provided as collateral for the short term and long term credit facilities.

The bank loans impose a number of positive and negative covenants on Big Rock including the maintenance of certain financial ratios. At March 31, 2003 Big Rock was in compliance with all of its debt covenants.

The bank loans bear variable rates of interest ranging from Royal Bank prime plus 1/2% to prime plus 3/4% depending on Big Rock's average quarterly interest coverage ratios. The average interest rate realized on the facilities (including the effect of interest rate swaps - see note 13) for the year ended March 31, 2003 was 9.6% (2002 - 6.8%; 2001 - 8.3%).

Cash interest payments made during 2003 amounted to \$198,980 (2002 - \$294,027; 2001 - \$451,921).

In fiscal 2002 and 2001 blended principal and interest payments of \$155,000 were made monthly.

Estimated principal payments required for subsequent fiscal years are as follows:

	\$
2004	1,161,500
2005	300,000
2006	1,217,247
	2,678,747

10. TRUST UNITHOLDER'S CAPITAL/SHARE CAPITAL

Authorized

Unlimited number of Trust Units.

Issued and outstanding

Common units/shares (no par value)	Units/Shares #	Amount \$
Balance as at March 31, 2000	4,657,850	10,077,900
Shares issued by private placement	400,000	1,800,000
Shares redeemed through normal course issuer bid	(148,800)	(324,263)
Balance as at March 31, 2001	4,909,050	11,553,637
Shares issued by private placement	220,000	990,000
Shares redeemed through normal course issuer bid	(22,500)	(52,925)
Shares issued on acquisition of Whistler & Bowen [note 6]	135,006	641,279
Balance as at March 31, 2002	5,241,556	13,131,991
Shares issued on exercise of stock options	195,168	756,785
Shares issued on acquisition of Bear [note 5]	100,000	775,000
Shares converted to Trust units – January 10, 2003	(5,536,724)	(14,663,776)
Trust units issued on conversion of shares	5,536,724	14,663,776
Trust units issued on exercise of options	5,500	26,575
Balance as at March 31, 2003	5,542,224	14,690,351

Big Rock's initial normal course issuer bid to purchase up to 251,310 common shares approved by the TSX expired June 9, 1999. A second normal course issuer bid was approved by the TSX to purchase up to 242,235 common shares between August 26, 1999 and August 25, 2000. A further normal course issuer bid was approved by the TSX to purchase up to 265,000 shares between August 28, 2000 and August 27, 2001. In fiscal 2002 Big Rock purchased and cancelled 22,500 common shares (2001 – 148,800) for cash consideration of \$102,650 (2001 – \$744,304). The \$49,725 (2001 – \$420,041) excess of the redemption price for the shares over the average issue price of the shares was charged to retained earnings.

During fiscal 2002 Big Rock issued 220,000 (2001 – 400,000) common shares from treasury pursuant to a private placement at \$4.50 (2001 – \$4.50) per common share for proceeds of \$990,000 (2001 – \$1,800,000).

Stock-based compensation plan

A summary of the status of the Trust's incentive option plan as of March 31, 2003, 2002 and 2001 and changes during the years ending on those dates is presented below:

	2003		2002		2001	
	Units/ Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, beginning of year	677,250	\$5.84	620,750	\$6.09	637,600	\$7.80
Cancelled	(338,450)	\$6.11	(61,850)	\$5.40	(223,800)	\$7.07
Granted	308,000	\$6.54	118,350	\$4.62	206,950	\$4.91
Exercised	(149,600)	\$5.21	—	—	—	—
Balance, end of year	497,200	\$6.54	677,250	\$5.84	620,750	\$6.09

During the fiscal year ended March 31, 2003 there were 30,250 options granted at an exercise price of \$7.23; 73,250 options granted at an exercise price of \$6.35; and 204,500 options granted at an exercise price of \$6.70

The following table summarizes information about incentive unit options outstanding at March 31, 2003:

Exercise Price	Number Outstanding at March 31, 2003	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable at March 31, 2003
\$4.50 - \$5.05	100,200	2.58	\$4.88	100,200
\$5.90 - \$6.70	246,250	4.71	\$6.62	246,250
\$7.23 to \$7.60	150,750	2.25	\$7.53	150,750
	497,200	3.53	\$6.54	497,200

The following table provides pro-forma measures of net income and net income per unit had options granted in 2003 been recognized as compensation expense based on the fair value of the options on the grant date.

	2003	
	As Reported \$	Pro Forma \$
Net Income	2,292,997	2,123,713
Net Income per unit	0.43	0.40

The weighted average fair value of the stock options granted in 2003 was \$0.89 using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 3.14%, dividend yield of 10.3%, expected volatility of 27% and expected hold period prior to exercise of 4 years.

11. INCOME TAXES

Income tax expense varies from the amounts that would be computed by applying the Canadian Federal and Provincial income tax rates to earnings before provision for income taxes as shown in the following table:

	2003 \$	2002 \$	2001 \$
Income before income taxes	3,040,364	1,968,786	2,007,573
Income tax expense at statutory rate of 38.62% (43.6% for 2002 and 2001)	1,174,189	858,000	895,000
Effect on taxes of			
Trust distributions	(448,000)	—	—
Manufacturing and processing profits deduction	(128,000)	(128,000)	(129,000)
Non-deductible expenses	207,000	20,000	4,000
Large Corporation tax	53,000	50,000	51,000
Income tax rate adjustments	(75,000)	(49,000)	(166,000)
Other	(35,822)	—	—
Income tax expense	747,367	751,000	655,000
Current income tax	562,348	697,000	198,000
Future income tax	185,019	54,000	457,000
Income tax expense	747,367	751,000	655,000

Future income tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the Trust's future tax assets and liabilities are as follows:

	2003	2002	2001
	\$	\$	\$
Future tax assets (liabilities):			
Non-capital loss carry-forwards	97,422	45,000	—
Capital assets	(4,632,197)	(4,473,400)	(4,365,400)
Partnership	(360,540)	—	—
Deferred charges	(6,000)	(6,000)	(6,000)
Share issue costs	47,525	3,000	—
Cumulative eligible capital	29,371	15,000	9,000
Net future tax liability	(4,824,419)	(4,416,400)	(4,362,400)

At March 31, 2003 Big Rock has non-capital losses of \$277,397 (2002 - \$364,000; 2001 - \$ nil) deductible against future income for tax purposes which expire in 2008.

Cash income taxes paid during the year were \$620,617 (2002 - \$441,183; 2001 - \$56,727).

12. COMMITMENTS

Big Rock leases office equipment and vehicles under operating leases. Annual lease payments are as follows:

	\$
2004	75,217
2005	45,170
2006	25,081
2007	13,212
2008	3,303
	161,98

The company has commitments under its capital spending program for plant and equipment amounting to \$950,000 as at March 31, 2003.

13. FINANCIAL INSTRUMENTS

Financial instruments of the Trust consist of cash and cash equivalents, accounts receivable, short-term investments, income taxes recoverable/payable, bank indebtedness, accounts payable and accrued liabilities, distributions payable, long-term debt and interest rate swaps. As at March 31, 2003, 2002 and 2001, there were no significant differences between the carrying amounts reported on the balance sheet (excluding the interest rate swaps), and their estimated market values. At March 31, 2003, a cash payment of approximately \$3,250 (2002 - \$112,028; 2001 - \$131,615) would have been required to settle the interest rate swap agreements.

Big Rock enters into interest rate swaps to fix interest on its borrowings. At March 31, 2003 Big Rock had a swap agreement to exchange a floating interest rate for a fixed interest rate on \$1,100,000 (2002 - \$3,100,000; 2001 - \$5,000,000) at a rate of 6.77% (2002 - 6.7% to 6.77%; 2001 - 6.7% to 6.995%) with maturity on March 31, 2004.

Any payments or receipts incurred under the swaps are recorded as part of interest expense over the terms of the swaps.

The Trust is exposed to currency risk on cash, trade receivables, amounts drawn in United States dollars under its available line of credit, and accounts payable denominated in U.S. dollars, totalling U.S. \$312,861 at March 31, 2003 (2002 - U.S. \$87,226; 2001 - U.S. \$535,003).

The Trust has a concentration of credit risk because substantially all of its accounts receivable are from government owned provincial liquor boards. However, no individual customer accounts for greater than 10% of sales in any period other than the Alberta and British Columbia liquor boards.

14. NET CHANGE IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital relating to operating activities consists of:

	2003	2002	2001
	\$	\$	\$
Accounts receivable	136,512	(182,141)	278,080
Inventories	(1,188,002)	(48,732)	(25,192)
Prepaid expenses and other	(528,285)	4,697	(163,329)
Investments	(8,420)	—	—
Accounts payable and accrued liabilities	856,382	(167,302)	128,995
Income tax payable (recoverable)	(586,564)	317,025	151,869
Bear/Bear View working capital purchased	(434,906)	—	—
	(1,753,283)	(76,453)	370,423

15. SUPPLEMENTAL OPERATIONS INFORMATION

	Big Rock Brewery Ltd.	Big Rock Brewery Income Trust	Big Rock Brewery Income Trust
	Period from April 1, 2002 to January 9, 2003	Period from January 10, 2003 to March 31, 2003	12 months ended March 31, 2003
	\$	\$	\$
Revenue			
Sales	30,850,205	8,480,213	39,330,418
Government taxes and commissions	(6,955,531)	(1,911,877)	(8,867,408)
	23,894,674	6,568,336	30,463,010
Cost of sales	9,181,501	2,546,521	11,728,022
Gross profit	14,713,173	4,021,815	18,734,988
Expenses			
Selling	7,414,138	2,158,909	9,573,047
General and administrative	2,256,010	945,945	3,201,955
Reorganization costs	728,890	181,019	909,909
Interest on long term debt	260,604	19,599	280,203
Amortization	1,243,899	485,611	1,729,510
	11,903,541	3,791,083	15,694,624
Income before income taxes	2,809,632	230,732	3,040,364
Income tax expense	747,367	—	747,367
Net income	2,062,265	230,732	2,292,997

16. CASH DISTRIBUTIONS DECLARED PER TRUST UNIT

Period Covered	Record Date	Distribution Date	Per Unit
January 11, 2003 – January 31, 2003	Jan 31	Feb 15	\$0.04
February 1, 2003 – February 28, 2003	Feb 28	Mar 15	\$0.06
March 1, 2003 – March 31, 2003	Mar 31	Apr 15	\$0.06

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

18. SUBSEQUENT EVENT

In fiscal 2002 Big Rock terminated an agreement with a competitor relating to the distribution of their product in Western Canada. A dispute ensued regarding amounts owing under the agreement. At the time and throughout fiscal 2002 and 2003 Big Rock believed that no additional amount was owing based on the releases contained in the Termination Agreement signed by the competitor. However in May 2003 Big Rock received a claim from the competitor seeking further amounts owing. Following investigation, Big Rock made an offer to settle the dispute by way of a payment of \$374,722, to be made over a two year period. The Trust is still awaiting a response from the other party on the settlement proposal. If the offer is accepted, it will result in a one-time charge to earnings of this amount being recorded in the three month period ended June 30, 2003.

Corporate Information

Directors

Edward E. McNally
Chairman &
Chief Executive Officer
Big Rock Brewery Ltd.
Calgary, Alberta

Robert J. King
President
Big Rock Brewery Ltd.
Calgary, Alberta

Robert H. Hartley
Rancher
High River, Alberta

Charles Wilson
Past President &
Chief Executive Officer
Shell Canada Limited
Pagusa Spring, Colorado

Kathleen McNally-Leitch
Partner
McNally and Cerveny Associates Limited
Calgary, Alberta

Robert G. Peters
Chairman of the Board
Peters & Co. Limited
Calgary, Alberta

James M. Jackson
Developer
Jackson & Jackson
Durango, Colorado

J. Cameron Millikin
Chairman
Bay Mount Capital Resources, Inc.
Calgary, Alberta

Gordon G. Tallman
Past Senior Vice President - Prairies
RBC Financial Group
Calgary, Alberta

Officers and Senior Personnel

Edward E. McNally
Chairman &
Chief Executive Officer

Robert J. King
President

Larry Kerwin
General Manager,
Brewery Operations

Timothy A. Duffin
Chief Financial Officer

Mike Hogan
General Manager,
Sales and Marketing

Christine Fowler
Corporate Secretary

Head Office

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Auditors

Ernst & Young LLP
Chartered Accountants
1000, 440 – 2 Avenue SW
Calgary, Alberta T2P 5E9

Transfer Agents

Valiant Trust Company
510, 550 – 6 Avenue SW
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big Rock

Big Rock Brewery, Calgary, Alberta, Canada



Big Rock Brewery Income Trust

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