

Financial Statements

Alberta Beer Container Corporation

March 31, 2003 and 2002

AUDITORS' REPORT

To the Shareholders of
Alberta Beer Container Corporation

We have audited the balance sheets of **Alberta Beer Container Corporation** as at March 31, 2003 and 2002 and the statements of income (loss) and deficit and cash flows for the periods then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these 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 financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and 2002 and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Canada
September 29, 2003

Chartered Accountants

Alberta Beer Container Corporation
(Incorporated under the laws of Alberta)

BALANCE SHEETS

As at March 31

	2003	2002
	\$	\$
ASSETS		
Current		
Cash	8,687,170	10,298,253
Accounts receivable <i>[note 3]</i>	340,000	340,000
	9,027,170	10,638,253
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Deposit liability	1,836,392	1,532,139
Unearned recycling fees	419,178	(82,072)
Amount payable to BDL	8,663,930	9,716,889
Deferred revenue	2,180	—
	10,921,680	11,166,956
Contingencies <i>[note 5]</i>		
Shareholders' deficiency		
Share capital <i>[note 7]</i>	10	10
Deficit	(1,894,520)	(528,713)
	(1,894,510)	(528,703)
	9,027,170	10,638,253

See accompanying notes

On behalf of the Board:

Director

Director

Alberta Beer Container Corporation

STATEMENTS OF INCOME (LOSS) AND DEFICIT

	Year ended March 31, 2003 \$	Period from November 15, 2001 to March 31, 2002 \$
REVENUES		
Bottles		
AGLC recycling fees	1,377,320	323,259
Unredeemed deposits	160,052	55,129
GST rebate on purchases	65,370	60,495
	1,602,742	438,883
Cans		
Aluminum revenue	6,559,488	2,068,998
Unredeemed deposits	2,907,154	862,720
GST rebate on purchases	599,663	595,690
AGLC recycling fees	(96,506)	(631,303)
	9,969,799	2,896,105
Service fee revenue	29,108	—
TOTAL REVENUE	11,601,649	3,334,988
EXPENSES		
Bottles		
Processing fees [note 5]		
ABCRC	1,924,417	549,713
BDL	9,683	3,853
BCMB manufacturers levy	96	40
BCMB depot levy [note 6]	6	5
	1,934,202	553,611
Cans		
Processing fees [note 5]		
ABCRC	7,878	819
BDL	10,863,110	3,266,402
BCMB manufacturers levy	132,406	42,666
BCMB depot levy [note 6]	727	203
Miscellaneous	25	—
	11,004,146	3,310,090
Legal fees	29,108	—
TOTAL EXPENSES	12,967,456	3,863,701
Net income (loss) for period	(1,365,807)	(528,713)
Deficit, beginning of period	(528,713)	—
Deficit, end of period	(1,894,520)	(528,713)

See accompanying notes

Alberta Beer Container Corporation

STATEMENTS OF CASH FLOWS

	Year ended March 31, 2003 \$	Period from November 15, 2001 to March 31, 2002 \$
OPERATING ACTIVITIES		
Net income (loss) for the period	(1,365,807)	(528,713)
Change in non-cash working capital items	807,683	1,110,067
	(558,124)	581,354
FINANCING ACTIVITIES		
Share issuance	—	10
Advances from (to) BDL	(1,052,959)	9,716,889
	(1,052,959)	9,716,899
Increase (decrease) in cash	(1,611,083)	10,298,253
Cash position, beginning of period	10,298,253	—
Cash position, end of period	8,687,170	10,298,253

See accompanying notes

Alberta Beer Container Corporation

NOTES TO FINANCIAL STATEMENTS

March 31, 2003 and 2002

1. DESCRIPTION OF BUSINESS

Alberta Beer Container Corporation (“ABCC”) was established to be the common collection agent approved by the Beverage Container Management Board (“BCMB”) for the collection of regulated beer containers in Alberta commencing November 15, 2001. The Corporation was incorporated in Alberta on December 11, 2001 under the Business Corporations Act. ABCC appointed Brewers’ Distributor Ltd. (“BDL”) as its agent for the collection of all beer containers returned in Alberta. BDL processes empty cans and re-fillable bottles, and BDL has contracted with Alberta Beverage Container Recycling Corporation (“ABCRC”) to process non-refillable bottles and bi-metal cans.

ABCC has requested that Alberta Gaming and Liquor Commission (“AGLC”) pay the deposits and recycling fees for containers over 1 litre directly to ABCRC, and hence, the related volumes and transactions are not included in these financial schedules. Also, as BDL collects and returns refillable containers to brewers, the related volumes and transactions do not flow through ABCC. Accordingly, only collection activities for under 1 litre and non-refillable containers are included in these financial schedules.

2. ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Because a precise determination of assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. The financial statements have, in management’s opinion, been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Revenue recognition

- a) **AGLC recycling fees** are recorded when the non-refillable containers are returned to BDL.
- b) **GST rebate** was recorded when deposits were paid on returns up to July 15, 2002. No further rebate was available thereafter as GST is no longer paid on deposits.
- c) **Aluminum revenue** is recorded when empty cans are crushed.
- d) **Unredeemed deposits** are recorded monthly based on the sales for the month and the average non-return rate for containers.

Alberta Beer Container Corporation

NOTES TO FINANCIAL STATEMENTS

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Unearned recycling fees

ABCC estimates that an average of 34.65 days worth of sales for import bottles and 22.24 days worth of sales for cans are outstanding at any particular point in time. The recycling fees associated with those outstanding containers are not earned until they are physically returned. Unearned recycling fees are calculated monthly based on the average daily sales, and adjustments are made accordingly. The estimate of the number of days outstanding for each container stream is reviewed periodically.

Deposit liability

A deposit liability is recorded when the AGLC pays ABCC deposits collected on all sales. This liability is reduced when containers are purchased for recycling. However, not all containers sold to the public are returned. The deposit value of the difference between sales and returns represents a revenue item, which is used to cover part of the cost of collecting the empty containers.

The estimated twelve month rolling average of the non-return rate is used to record the portion of the deposits received that is transferred from the deposit liability to revenue. The estimated non-return rate as of March 31, 2003 was 5% for import bottles and 9% for cans.

Income taxes

The Corporation accounts for income taxes using the liability method, whereby future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. 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.

Financial instruments

Financial instruments consist of cash, accounts receivable, amounts payable and deposit liabilities, having carrying values that approximate their fair value as at March 31, 2003 due to their short term nature.

3. ACCOUNTS RECEIVABLE

Accounts receivable represents the estimate of the amount due from ABCRC to ABCC for the processing of cans and bottles in the period immediately after the commencement of ABCC's operations, for which ABCRC had received a recycling fee (\$105,000 for cans and bi-metal cans, and \$235,000 for import bottles). These amounts will be transferred from ABCRC to ABCC upon the approval of ABCRC's board of directors.

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4. AGLC RECYCLING FEES

November 15, 2002 was the last time that the AGLC's rates were changed. On January 1, 2003 ABCRC's processing fee for import bottles was increased, and consequently a new rate has been proposed for approval by the ABCC Board of Directors. These financial statements are based on the rates in effect as of November 15, 2002 and any adjustments will be reflected during the period any new rates become effective.

5. AGENT HANDLING FEES

The processing fees paid to ABCRC include agent handling fees charged by depots of \$0.34/dozen. The processing fees paid to BDL include agent handling fees charged by depots of \$0.34/dozen and by retail stores of \$0.25/dozen for bottles and \$0.20/dozen for cans. These rates could be changed retroactively back to November 15, 2001. It is not known when a settlement will be reached with the depots; however ABCC will be responsible to pay or receive any retroactive amount once the dispute is settled.

6. BCMB DEPOT LEVY

Universal depots and retail stores are responsible to pay their depot portion of the BCMB levy of \$0.0054/dozen directly to the BCMB. ABCC is responsible for the depot portion of the BCMB levy on the empty containers received from licensees.

7. SHARE CAPITAL

Authorized

Unlimited number of Class A voting common shares with no par value
Unlimited number of Class B voting common shares with no par value
Unlimited number of Class C non-voting common shares with no par value
Unlimited number of Class D non-voting common shares with no par value
Unlimited number of preferred shares

Issued

	Number of Shares	Amount \$
Class A common shares	100	10

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NOTES TO FINANCIAL STATEMENTS

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8. INCOME TAXES

The Corporation has losses for income tax purposes of \$_____ which expire as follows:

Year of expiry	Amount \$
2009	
2010	