

Financial Statements

Alberta Beer Container Corporation

March 31, 2004

AUDITORS' REPORT

To the Shareholders of
Alberta Beer Container Corporation

We have audited the balance sheet of **Alberta Beer Container Corporation** as at March 31, 2004 and the statement of income (loss) and deficit and cash flows for the year 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 audit.

We conducted our audit 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Calgary, Canada
May 20, 2004

Chartered Accountants

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

BALANCE SHEETS

As at March 31

	2004	2003
	\$	\$
ASSETS		
Current		
Cash	4,575,315	7,002,228
Accounts receivable <i>[note 3]</i>	1,901,253	2,024,942
	6,476,568	9,027,170
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Deposit liability	1,162,964	1,836,392
Unearned recycling fees	474,111	419,178
Amount payable to BDL (without interest or stated terms of repayment)	6,325,203	8,663,930
Deferred revenue	—	2,180
	7,962,278	10,921,680
Contingencies <i>[note 4]</i>		
Shareholders' deficiency		
Share capital <i>[note 6]</i>	10	10
Deficit	(1,485,720)	(1,894,520)
	(1,485,710)	(1,894,510)
	6,476,568	9,027,170

See accompanying notes

On behalf of the Board:

Director

Director

Alberta Beer Container Corporation

STATEMENTS OF INCOME (LOSS) AND DEFICIT

For the year ended March 31

	2004 \$	2003 \$
REVENUES		
Bottles		
AGLC recycling fees	2,306,379	1,377,320
Unredeemed deposits	221,882	160,052
GST rebate on purchases	—	65,370
	2,528,261	1,602,742
Cans		
Aluminum revenue	6,586,336	6,559,488
AGLC recycling fees	4,198,982	(96,506)
Unredeemed deposits	3,044,783	2,907,154
GST rebate on purchases	—	599,663
	13,830,101	9,969,799
Service fee revenue	11,536	29,108
TOTAL REVENUE	16,369,898	11,601,649
EXPENSES		
Bottles		
Processing fees <i>[note 4]</i>		
ABCRC	2,345,079	1,924,417
BDL	12,025	9,683
BCMB manufacturers levy	118	96
BCMB depot levy <i>[note 5]</i>	7	6
	2,357,229	1,934,202
Cans		
Processing fees <i>[note 4]</i>		
ABCRC	2,226	7,878
BDL	13,447,484	10,863,110
BCMB manufacturers levy	142,672	132,406
BCMB depot levy <i>[note 5]</i>	(74)	727
Miscellaneous	25	25
	13,592,333	11,004,146
Legal fees	11,536	29,108
TOTAL EXPENSES	15,961,098	12,967,456
Net income (loss) for the year	408,800	(1,365,807)
Deficit, beginning of the year	(1,894,520)	(528,713)
Deficit, end of year	(1,485,720)	(1,894,520)

See accompanying notes

Alberta Beer Container Corporation

STATEMENTS OF CASH FLOWS

For the year ended March 31

	2004	2003
	\$	\$
OPERATING ACTIVITIES		
Net income (loss) for the year	408,800	(1,365,807)
Change in non-cash working capital items	(496,986)	(877,259)
	(88,186)	(2,243,066)
FINANCING ACTIVITIES		
BDL advance repayments	(2,338,727)	(1,052,959)
	(2,338,727)	(1,052,959)
Decrease in cash	(2,426,913)	(3,296,025)
Cash position, beginning of year	7,002,228	10,298,253
Cash position, end of year	4,575,315	7,002,228

See accompanying notes

Alberta Beer Container Corporation

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

1. DESCRIPTION OF BUSINESS

Alberta Beer Container Corporation ("ABCC") was established on November 15, 2001 to be the common collection agent approved by the Beverage Container Management Board ("BCMB") for the collection of regulated beer containers. ABCC engages Brewers' Distributor Ltd. ("BDL") to process empty cans and re-fillable bottles, and it engages 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 statements. 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 statements.

The Corporation is currently in an accumulated deficit position which has been funded by advances from BDL. Management believes that current recycling fee rates paid by AGLC are sufficient to generate net income and eliminate this deficit in the short term.

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

March 31, 2004

Unearned recycling fees

The recycling fees associated with 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, 2004 was 7% for import bottles and 8.5% 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, deposit liabilities and amounts payable to BDL having carrying values that approximate their fair value as at March 31, 2004 due to their short term nature.

3. ACCOUNTS RECEIVABLE

Accounts receivable of \$340,000 due from ABCRC at March 31, 2003 has been written off in fiscal 2004. This amount represented the recycling fees that ABCRC had received for those empty containers outstanding at the commencement of ABCC's operations on November 15, 2001. However a prolonged time has passed and there is no indication that ABCC is able to collect this amount from ABCRC.

Accounts receivable of \$1,901,253 as at March 31, 2004 represent recycling fees and deposits to be received from AGLC on sales from March 16 to March 31, 2004.

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NOTES TO FINANCIAL STATEMENTS

March 31, 2004

4. 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.

5. 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.

6. 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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March 31, 2004

7. INCOME TAXES

The Corporation has losses for income tax purposes of \$1,459,500 which expire as follows:

Year of expiry	Amount \$
2009	121,300
2010	1,338,200
	<u>1,459,500</u>

A valuation allowance has been provided for the full amount of any future tax benefits arising from the loss carry-forwards.

8. COMPARATIVE FIGURES

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