

Financial Statements

Alberta Beer Container Corporation

March 31, 2005

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, 2005 and the statement of income and retained earnings (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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Canada
June 8, 2005

Chartered Accountants

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

BALANCE SHEETS

As at March 31

	2005	2004
	\$	\$
ASSETS		
Current		
Cash	5,575,050	4,575,315
Accounts receivable <i>[note 3]</i>	1,870,294	1,901,253
	7,445,344	6,476,568
LIABILITIES AND SHAREHOLDERS' EQUITY		
(DEFICIENCY)		
Current		
Deposit liability	3,194,964	1,162,964
Unearned recycling fees	524,810	474,111
Income taxes payable	175,000	—
Amount payable to BDL (without interest or stated terms of repayment)	3,230,906	6,325,203
	7,125,680	7,962,278
Contingencies <i>[note 4]</i>		
Shareholders' equity (deficiency)		
Share capital <i>[note 6]</i>	10	10
Retained earnings (deficit)	319,654	(1,485,720)
	316,664	(1,485,710)
	7,445,344	6,476,568

See accompanying notes

On behalf of the Board:

Director

Director

Alberta Beer Container Corporation

STATEMENTS OF INCOME AND RETAINED EARNINGS (DEFICIT)

For the year ended March 31

	2005	2004
	\$	\$
REVENUES		
Bottles		
AGLC recycling fees	2,716,356	2,306,379
Unredeemed deposits	213,649	221,882
	2,930,005	2,528,261
Cans		
Aluminum revenue	7,661,944	6,586,336
AGLC recycling fees	4,141,513	4,198,982
Unredeemed deposits	1,971,266	3,044,783
	13,774,723	13,830,101
Service fee revenue	8,941	11,536
TOTAL REVENUE	16,713,669	16,369,898
EXPENSES		
Bottles		
Processing fees [note 4]		
ABCRC	2,575,446	2,345,079
BDL	12,920	12,025
BCMB manufacturers levy	102	118
BCMB depot levy [note 5]	2	7
	2,588,470	2,357,229
Cans		
Processing fees [note 4]		
ABCRC	2,303	2,226
BDL	11,991,314	13,447,484
BCMB manufacturers levy	141,914	142,672
BCMB depot levy [note 5]	353	(74)
Miscellaneous	—	25
	12,135,884	13,592,333
Legal fees	8,941	11,536
TOTAL EXPENSES	14,733,295	15,961,098
Income before income taxes	1,980,374	408,800
Income tax expense	175,000	—
Net income for the year	1,805,374	408,800
Retained earnings (deficit), beginning of the year	(1,485,720)	(1,894,520)
Retained earnings (deficit), end of year	319,654	(1,485,720)

See accompanying notes

Alberta Beer Container Corporation

STATEMENTS OF CASH FLOWS

For the year ended March 31

	2005	2004
	\$	\$
OPERATING ACTIVITIES		
Net income for the year	1,805,374	408,800
Change in non-cash working capital items	2,288,658	(496,986)
	4,094,032	(88,186)
FINANCING ACTIVITIES		
BDL advance repayments	(3,094,297)	(2,338,727)
	999,735	(2,426,913)
Increase (decrease) in cash	4,575,315	7,002,228
Cash position, beginning of year	4,575,315	7,002,228
Cash position, end of year	5,575,050	4,575,315

See accompanying notes

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.

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) **Aluminum revenue** is recorded when empty cans are crushed.
- c) **Unredeemed deposits** are recorded monthly based on the sales for the month and the average non-return rate for containers.

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 deposit liability is estimated to be the average of the past twelve months’ expected returns. The average return rate for the year ended March 31, 2005 is 91.5% for import bottles and 91% 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 substantively 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, deposit liabilities, income taxes payable and amounts payable to BDL having carrying values that approximate their fair value as at March 31, 2005 due to their short term nature.

3. ACCOUNTS RECEIVABLE

Accounts receivable of \$1,870,294 as at March 31, 2005 represent recycling fees and deposits to be received from AGLC on sales from March 16 to March 31, 2005.

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

7. INCOME TAXES

The income tax expense for 2005 has been reduced by the effect of applying unused prior year loss carry-forwards of \$1,459,500 to reduce taxable income.