

Financial Statements

Alberta Beer Container Corporation

March 31, 2006

AUDITORS' REPORT

To the Shareholders of
Alberta Beer Container Corporation

We have audited the statement of financial position of **Alberta Beer Container Corporation** as at March 31, 2006 and the statements of operations 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, 2006 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
May 19, 2006

Chartered Accountants

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

STATEMENT OF FINANCIAL POSITION

As at March 31

| | 2006 | 2005 |
|---|------------------|------------------|
| | \$ | \$ |
| ASSETS | | |
| Current | | |
| Cash | 7,153,460 | 5,575,050 |
| Accounts receivable <i>[note 3]</i> | 1,707,546 | 1,870,294 |
| | 8,861,006 | 7,445,344 |
| LIABILITIES | | |
| Current | | |
| Accounts payable | 28,765 | — |
| Deposit liability | 3,316,266 | 3,194,964 |
| Unearned recycling fees | 353,394 | 524,810 |
| Income taxes payable | — | 175,000 |
| Amount payable to BDL (without interest or stated terms of repayment) | 2,788,353 | 3,230,906 |
| | 6,486,778 | 7,125,680 |
| Contingencies <i>[note 4]</i> | | |
| NET ASSETS | | |
| Share capital <i>[note 6]</i> | 10 | 10 |
| Accumulated excess of revenues over expenses <i>[note 7]</i> | 2,374,218 | 319,654 |
| | 2,374,228 | 316,664 |
| | 8,861,006 | 7,445,344 |

See accompanying notes

On behalf of the Board:

Director

Director

Alberta Beer Container Corporation

STATEMENT OF OPERATIONS

For the year ended March 31

| | 2006 \$ | 2005 \$ |
|--|-------------------|-------------------|
| REVENUES | | |
| Bottles | | |
| AGLC recycling fees | 2,884,178 | 2,716,356 |
| Unredeemed deposits | 311,486 | 213,649 |
| | 3,195,664 | 2,930,005 |
| Cans | | |
| Aluminum revenue | 7,655,966 | 7,661,944 |
| AGLC recycling fees | 4,630,572 | 4,141,513 |
| Unredeemed deposits | 2,585,479 | 1,971,266 |
| | 14,872,017 | 13,774,723 |
| Service fee revenue | — | 8,941 |
| TOTAL REVENUE | 18,067,681 | 16,713,669 |
| EXPENSES | | |
| Bottles | | |
| Processing fees <i>[note 4]</i> | | |
| ABCRC | 3,033,660 | 2,575,446 |
| BDL | 11,769 | 12,920 |
| BCMB manufacturers levy | 89 | 102 |
| BCMB depot levy <i>[note 5]</i> | 3 | 2 |
| Miscellaneous | 8,790 | — |
| | 3,054,311 | 2,588,470 |
| Cans | | |
| Processing fees <i>[note 4]</i> | | |
| ABCRC | 2,601 | 2,303 |
| BDL | 12,407,582 | 11,991,314 |
| BCMB manufacturers levy | 143,166 | 141,914 |
| BCMB depot levy <i>[note 5]</i> | 331 | 353 |
| Miscellaneous | 37,053 | — |
| | 12,590,733 | 12,135,884 |
| Professional fees | 28,765 | 8,941 |
| TOTAL EXPENSES | 15,673,809 | 14,733,295 |
| Excess of revenues over expenses | 2,393,872 | 1,980,374 |
| Income tax expense <i>[note 2]</i> | 339,308 | 175,000 |
| Net excess of revenues over expenses | 2,054,564 | 1,805,374 |
| Accumulated excess of revenues over expenses, beginning of year | 319,654 | (1,485,720) |
| Accumulated excess of revenues over expenses, end of year | 2,374,218 | 319,654 |

See accompanying notes

Alberta Beer Container Corporation

STATEMENT OF CASH FLOWS

For the year ended March 31

| | 2006 | 2005 |
|---|------------------|-------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Net excess of revenues over expenses for the year | 2,054,564 | 1,805,374 |
| Change in non-cash working capital items | (33,601) | 2,288,658 |
| | 2,020,963 | 4,094,032 |
| FINANCING ACTIVITIES | | |
| BDL advance repayments | (442,553) | (3,094,297) |
| Increase (decrease) in cash | 1,578,410 | 999,735 |
| Cash position, beginning of year | 5,575,050 | 4,575,315 |
| Cash position, end of year | 7,153,460 | 5,575,050 |

See accompanying notes

Alberta Beer Container Corporation

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

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. Effective November 30, 2005, the Corporation amended its articles and authorized share structure resulting in the Corporation being a not-for-profit organization from that point forward. All income of the Corporation is to be reinvested in the Corporation and used to fund the business of the Corporation.

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.

Alberta Beer Container Corporation

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Unearned recycling fees

ABCC estimates that an average of one month of sales are outstanding at any particular point in time for both import bottles and cans. 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 current month sales, and adjustments are made accordingly.

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 based on a twelve-month rolling average of actual returns.

Income taxes

Effective November 30, 2005 ABCC became a not-for-profit entity and accordingly not subject to income taxes. Prior to that time, the Corporation was a taxable entity.

The Corporation accounted for income taxes using the liability method, whereby future tax assets and liabilities were determined based on differences between the financial reporting and tax bases of assets and liabilities measured using substantively enacted tax rates and laws that would have been in effect when the differences were 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, 2006 due to their short term nature.

3. ACCOUNTS RECEIVABLE

Accounts receivable of \$1,707,546 as at March 31, 2006 represent recycling fees and deposits to be received from AGLC on sales from March 16 to March 31, 2006.

Alberta Beer Container Corporation

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

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 common voting, non-participating shares without nominal or par value

Unlimited number of Class B common voting shares without nominal or par value

Unlimited number of Class C common non-voting shares without nominal or par value

Unlimited number of Class D common non-voting shares without nominal or par value

Unlimited number of preferred shares

Effective November 30, 2005, the Corporation amended its authorized share capital resulting in the Corporation being a not-for-profit entity. The Class A shares outstanding are not entitled to any dividends and are not entitled to receive any remaining property of the Corporation upon dissolution, liquidation or wind-up.

Issued

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

Alberta Beer Container Corporation

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

7. ACCUMULATED EXCESS OF REVENUES OVER EXPENSES

As of March 31, 2006 the total excess of revenues over expenses is \$106,840 for bottles and \$2,267,378 for cans. The goal of the Corporation is to have an accumulated excess of revenues over expenses of \$1.5 million allocated between bottles (\$.5 million) and cans (\$1 million). The excess related to cans is expected to decrease to approximately \$1 million by March 31, 2007.

The accumulated excess of revenues over expenses represents net assets of the Corporation available to ensure financial stability in the event of adverse currency and commodity price fluctuations and to minimize the impact on financial results of potential increases in container return rates.