

**Financial Statements**

**ALBERTA BEER CONTAINER CORPORATION**

**March 31, 2007**

## AUDITOR'S REPORT

To the Shareholders of  
**Alberta Beer Container Corporation**

I have audited the statement of financial position of Alberta Beer Container Corporation as at March 31, 2007 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta  
July 19, 2007



**CHARTERED ACCOUNTANT**

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

**STATEMENT OF FINANCIAL POSITION**

As at March 31

	2007	2006
	\$	\$
<b>ASSETS</b>		
(note 8)		
<b>Current</b>		
Cash	9,219,783	7,153,460
Accounts receivable (Note 3)	1,756,073	1,707,546
Prepaid Deposit	300,000	-
GST recoverable	132,373	-
	<b>11,408,229</b>	<b>8,861,006</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liability	23,227	28,765
Deposit Liability	3,579,745	3,316,266
Unearned recycling fees	(170,185)	353,394
Amount payable to BDL (without interest or stated terms of repayment)	4,269,712	2,788,353
	<b>7,702,499</b>	<b>6,486,778</b>
Contingencies (note 4)		
<b>NET ASSETS</b>		
Share capital (note 6)	10	10
Accumulated excess of revenues over expenses (note 7)	3,705,720	2,374,218
	<b>3,705,730</b>	<b>2,374,228</b>
	<b>11,408,229</b>	<b>8,861,006</b>

See accompanying notes

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# Alberta Beer Container Corporation

## STATEMENT OF OPERATIONS

For the year ended March 31

	2007	2006
	\$	\$ (note 8)
<b>REVENUES</b>		
<b>Bottles</b>		
AGLC recycling fees	3,585,506	2,884,178
Unredeemed deposits	463,430	311,486
GST refund interest	5,286	-
	<b>4,054,222</b>	<b>3,195,664</b>
<b>Cans</b>		
Aluminum revenue	10,362,221	7,655,966
Unredeemed deposits	4,965,840	4,630,572
AGLC recycling fees	(1,527,855)	2,585,479
GST refund interest	20,461	-
	<b>13,820,667</b>	<b>14,872,017</b>
<b>TOTAL REVENUE</b>	<b>17,874,889</b>	<b>18,067,681</b>
<b>EXPENSES</b>		
<b>Bottles</b>		
Processing fees:		
ABCRC	3,723,580	3,033,660
BDL	12,909	11,769
BCMB manufacturers levy	86	89
BCMB depot levy (Note 5)	6	3
Miscellaneous	13,618	8,790
	<b>3,750,199</b>	<b>3,054,311</b>
<b>Cans</b>		
Processing fees:		
ABCRC	4,067	2,601
BDL	12,596,998	12,407,582
BCMB manufacturers levy	151,265	143,166
BCMB depot levy (Note 5)	467	331
Miscellaneous	24,765	37,053
	<b>12,777,562</b>	<b>12,590,733</b>
Professional fees	15,227	28,765
<b>TOTAL EXPENSES</b>	<b>16,542,988</b>	<b>15,673,809</b>
<b>Excess of revenues over expenses</b>	<b>1,331,901</b>	<b>2,393,872</b>
Income tax expense	399	339,308
<b>Net excess of revenues over expenses</b>	<b>1,331,502</b>	<b>2,054,564</b>
Accumulated excess of revenues over expenses, beginning of year	2,374,218	319,654
<b>Accumulated excess of revenues over expenses, end of year</b>	<b>3,705,720</b>	<b>2,374,218</b>

See accompanying notes

S.J. Yeung Chartered Accountant

**Alberta Beer Container Corporation**

**STATEMENT OF CASH FLOWS**

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For the year ended March 31

	2007	2006
	\$	\$
		(note 8)
<b>OPERATING ACTIVITIES</b>		
Net excess of revenues over expenses for the year	1,331,502	2,054,564
Change in non-cash working capital items	(746,538)	(33,601)
	<u>584,964</u>	<u>2,020,963</u>
<b>FINANCING ACTIVITIES</b>		
BDL advance (repayments)	1,481,359	(442,553)
	<u>2,066,323</u>	<u>1,578,410</u>
Increase in cash	2,066,323	1,578,410
Cash position, beginning of year	7,153,460	5,575,050
<b>Cash position, end of year</b>	<u><b>9,219,783</b></u>	<u><b>7,153,460</b></u>

*See accompanying notes*

# Alberta Beer Container Corporation

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2007

### 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 refillable 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 of the month and the average non-return rate for containers.

# Alberta Beer Container Corporation

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2007

### 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. This calculation is the same regardless of whether the recycling fee rate is positive or negative.

### 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.

### Financial Instruments

Financial instruments consist of cash, accounts receivable, deposit liabilities, and amounts payable to BDL having carrying values that approximate their fair value as at March 31, 2007 due to their short term nature.

### 3. ACCOUNTS RECEIVABLE

Accounts receivable of \$1,756,073 (2006 - \$1,707,546) represents the recycling fees and deposits to be received from AGLC for sales from March 16 to March 31, 2007.

# Alberta Beer Container Corporation

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2007

#### 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	2007	2006
		Amount \$	Amount \$
Class A common shares	100	10	10

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**Alberta Beer Container Corporation**  
**NOTES TO FINANCIAL STATEMENTS**

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**March 31, 2007**

**7. ACCUMULATED EXCESS OF REVENUES OVER EXPENSES**

As of March 31, 2007 the total excess of revenues over expenses is \$403,541 (2006 - \$106,840) for bottles and \$3,302,179 (2006 - \$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, 2009.

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.

**8. COMPARATIVE FIGURES**

- a) 2006 comparative figures are based upon financial statements which were reported on by other auditors.
- b) Certain 2006 comparative figures have been reclassified to conform with the financial statements presentation adopted for 2007. The AGLC recycling fees for Cans were reported as \$4,630,572, in fact, the amount should be \$2,585,479. Also, the Unredeemed deposits for Cans were reported as \$2,585,479, whereas the amount should be \$4,630,572.