

**StonePoint Group Limited**  
Consolidated Balance Sheet  
(Expressed in US Dollars - Unaudited)  
**As At March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Equivalents	\$ 236,150	\$ 152,797
Accounts Receivable	2,081,885	721,137
Inventory	146,776	98,236
Prepaid Expenses (Note 3)	143,440	99,158
Other taxes and interest receivable	<u>21,354</u>	<u>438,943</u>
<b>TOTAL CURRENT ASSETS</b>	<b>2,629,605</b>	<b>1,510,271</b>
<b>FIXED ASSETS - NET</b>		
Capital assets	455,658	185,132
<b>INVESTMENTS</b>	<u>0</u>	<u>25,074</u>
<b>TOTAL ASSETS</b>	<b>\$ 3,085,263</b>	<b>\$ 1,720,477</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Liabilities (Note 5)	\$ 2,983,412	\$ 779,180
Notes Payable (Note 6)	2,601,385	1,102,458
Shareholder Loan (Note 7)	<u>87,395</u>	<u>254,303</u>
	5,672,192	2,135,941
<b>Convertible debenture</b> (Note 8)	<u>400,000</u>	<u>400,000</u>
	<u>6,072,192</u>	<u>2,535,941</u>
<b>SHAREHOLDERS EQUITY (Deficiency)</b>		
Capital stock (Note 9)		
Authorized		
Unlimited number of preferred shares		
Unlimited number of voting common shares		
Issued and outstanding		
March 31, 2002 - 39,394,183 common shares		
March 31, 2003 - 43,754,183 common shares	6,342,083	6,239,393
Contributed surplus	211,059	211,059
Deficit	<u>-9,540,071</u>	<u>-7,265,916</u>
	<u>-2,986,929</u>	<u>-815,464</u>
	<b>\$ 3,085,263</b>	<b>\$ 1,720,477</b>

**Nature and Continuance of Operations** (Note 1)

**Contingencies** (Note 11)

**On behalf of the Board**

\_\_\_\_\_"James Borkowski"\_\_\_\_\_  
Director

\_\_\_\_\_"Aubrey Ryals"\_\_\_\_\_  
Director

**StonePoint Group Limited**

Consolidated Statements of Operations and Deficit

Expressed in US Dollars - Unaudited

**As At March 31, 2003**

	<b>2003</b>	<b>2,002</b>
<b>SALES</b>	\$ 7,439,328	\$ 2,782,486
<b>Cost of Goods Sold</b>	<u>6,675,189</u>	<u>2,418,863</u>
<b>GROSS PROFIT</b>	<u>764,139</u>	<u>363,623</u>
<b>Selling, general and administrative expenses</b>	887,804	846,101
<b>Earnings (Loss) before interest, depreciation and amortization, other items and income taxes</b>	-123,665	-482,478
<b>Interest expense</b>	49,360	73,130
<b>Depreciation and Amortization</b>	<u>42,391</u>	<u>11,171</u>
<b>Earnings (Loss) before other items and income taxes</b>	-215,416	-566,779
<b>Other Items</b>		
Foreign exchange (loss) gain	<u>-8,274</u>	<u>26,129</u>
<b>Net Loss for the Period</b>	-223,690	-540,650
<b>DEFICIT, beginning of period</b>	-9,316,380	-6,725,266
<b>DEFICIT, end of period</b>	<u>\$ -9,540,070</u>	<u>\$ -7,265,916</u>
<b>Basic loss per share</b>	\$ (0.005)	\$ -0.01

**StonePoint Group Limited**  
Consolidated Statements of Cash Flows  
Expressed in US Dollars - Unaudited  
**As At March 31, 2003**

	<b>2003</b>	<b>2,002</b>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ -223,691	\$ -540,650
Items not affecting cash:		
Depreciation and amortization	42,391	11,171
Issue of common shares for debt	-	-
Stock base compensation expense	-	-
	<u>-181,300</u>	<u>-529,479</u>
Net change in non-cash working capital	-1,052,494	-599,801
<b>CASH USED IN OPERATING ACTIVITIES</b>	<u>-1,233,794</u>	<u>-1,129,280</u>
<b>INVESTING ACTIVITIES</b>		
Deferred acquisition costs	-	-25,074
Capital assets additions	-35,000	(1,396)
	<u>-35,000</u>	<u>(26,470)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from capital stock issuance	-	671,165
Proceeds from exercise of options	-	-
Proceeds from shareholders loans	-	152,636
Conversion of trade payable to notes payable	1,161,066	130,236
Proceeds from convertible debenture	-	-
Repayment of debt	-50,000	-
<b>Cash provided by financing activities</b>	<u>1,111,066</u>	<u>954,037</u>
<b>Increase (decrease) in cash</b>	-157,728	-201,713
<b>Cash beginning of period</b>	<u>387,878</u>	<u>354,510</u>
<b>Cash and equivalents, end of period</b>	<u>\$ 236,150</u>	<u>\$ 152,797</u>

**StonePoint Group Limited**

Consolidated Statements of Change in Shareholders' Equity

Expressed in US Dollars - Unaudited

**As At March 31, 2003**

	Number of Shares issued	Amount	Accumulated Deficit	Total
<b>Balance at December 31, 2000</b>	30,724,183	\$ 4,855,380	\$ -4,556,205	\$ 299,175
Shares issued for cash	3,000,000	297,127	-	297,127
Shares issued for debt	180,000	28,048	-	28,048
Shares issued pursuant to exercise of options	480,000	63,387	-	63,387
Contributed surplus	-	134,679	-	134,679
Subscriptions received in advance	-	400,666	-	400,666
Net Loss for the year	-	-	-2,169,061	-2,169,061
<b>Balance at December 31, 2001</b>	34,384,183	5,779,287	-6,725,266	-945,979
Shares issued for cash	8,500,000	688,415	-	688,415
Shares issued for debt	870,000	85,440	-	85,440
Net loss for the year	-	-	-2,591,114	-2,591,114
<b>Balance at December 31, 2002</b>	43,754,183	6,553,142	-9,316,380	-2,763,238
Shares issued for cash	-	-	-	-
Shares issued for debt	-	-	-	-
Net loss for the period	-	-	-223,691	-223,691
<b>Balance at March 31, 2003</b>	43,754,183	6,553,142	-9,540,071	-2,986,929

**StonePoint Group Limited**  
Consolidated Cost of Goods Sold  
Expressed in US Dollars - Unaudited  
**As At March 31, 2003**

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	<b>2003</b>	<b>2,002</b>
<b>Purchases</b>	\$ 5,840,790	\$ 2,137,517
<b>Freight</b>	640,818	209,578
<b>Labels</b>	146,854	47,650
<b>Commission</b>	-	-
<b>Pallets</b>	10,013	3,244
<b>Other products</b>	<u>36,714</u>	<u>20,874</u>
<b>Total cost of goods sold</b>	<u>6,675,189</u>	<u>2,418,863</u>

**StonePoint Group Limited**

Consolidated Selling, General and Administrative Expenses

Expressed in US Dollars - Unaudited

**As At March 31, 2003**

	<b>2003</b>	<b>2,002</b>
<b>Wages and benefits</b>	\$ 401,148	\$ 302,759
<b>Consulting</b>	67,008	165,457
<b>Advertising and promotions</b>	57,937	65,072
<b>Travel</b>	60,364	88,511
<b>Office rental</b>	63,272	49,943
<b>Professional fees</b>	91,058	37,361
<b>Office</b>	28,923	43,077
<b>Insurance</b>	24,275	24,948
<b>Product development</b>	3,750	-
<b>Telephone</b>	25,708	20,665
<b>Equipment rental</b>	14,866	11,720
<b>Bad debt</b>	-	-
<b>Courier</b>	5,244	2,647
<b>Repairs and maintenance</b>	8,302	4,280
<b>Automobile</b>	18,678	13,487
<b>Financing</b>	13,472	16,174
<b>Contract and casual labour</b>	<u>3,798</u>	<u>-</u>
<b>Total selling, general and administrative expenses</b>	<u>887,803</u>	<u>846,101</u>

## **StonePoint Group Limited**

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

As at March 31, 2003

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### **1. Nature and Continuance of Operations**

StonePoint Group Limited (the "Company") was incorporated under the laws of the Province of Ontario on January 23, 1997 and is a supplier of private and custom label beverages to customers in the retail food and clothing industry and develops and owns proprietary formulas in general beverage categories.

#### **Insolvency and current operations**

The consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business. At March 31, 2003 the Company has a working capital deficit of \$3,042,587 (current assets of \$2,629,605 less current liabilities of \$5,672,192), a deficit of \$9,540,071 and a loss for the period of \$223,691 and, as a result, is essentially insolvent.

The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is substantial doubt about the appropriateness of the use of the going concern assumption because of the circumstances relating to the Company's current financial position and its record of historical losses. The appropriateness of the going concern basis is also dependent upon future profitable operations, the ability to generate sufficient cash from operations and the ability to obtain financing arrangements to meet obligations. As such, realization of assets and discharge of liabilities are subject to significant uncertainty.

Management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise the additional debt and/or equity capital necessary to continue operations. The Company is currently attempting to restructure its operations by exploring strategic alternatives for the current business model including possible sales of divisions and/or the possible sale of a portion of its business operations and by settling major debts with suppliers in an attempt to become solvent. If the Company is unable to restructure its operations or raise additional capital in the near future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms or pursue other serious remedial measures.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then significant adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

## **StonePoint Group Limited**

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

As at March 31, 2003

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### **2. Significant Accounting Policies**

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements:

#### **Basis of presentation**

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. These consolidated financial statements are expressed in United States dollars and include the accounts of the Company and those of its wholly owned subsidiaries from the date of acquisition. All significant inter-company balances and transactions have been eliminated.

#### **Cash and cash equivalents**

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

#### **Inventories**

Inventories are valued at the lower of cost, determined on a first-in-first-out basis, and replacement cost. Inventories consist of supplies of labels for products and bottled water.

#### **Capital assets**

Capital assets are stated at cost, net of accumulated amortization. Capital assets are amortized over the estimated useful lives of the assets as follows:

Film and plate	20% declining-balance
Equipment	20% straight-line
Computer software	50% straight-line
Computer equipment	30% declining-balance

#### **Goodwill**

Goodwill represents the excess of the purchase price of the net assets of a divisional business acquired over the fair value of the underlying net assets acquired at the date of acquisition. The Company compares the carrying amount of the goodwill to the fair value at least annually and any permanent impairment in the carrying value of goodwill is charged against earnings in the year it occurs. The Company had no goodwill recorded on its consolidated balance sheet at March 31, 2003 and 2002.

## **StonePoint Group Limited**

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

**As at March 31, 2003**

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### **Intangible Assets**

Intangible assets are assets, other than financial assets, that lack physical substance. Intangible assets are amortized using the straight-line method over their estimated period of benefit. Management of the Company periodically evaluates the recoverability of intangible assets and takes into account events or circumstances that warrant revised estimates of useful lives or that indicate that an impairment exists. The Company had no intangible assets recorded on its consolidated balance sheet at March 31, 2003 and 2002.

### **Impairment of long-lived assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the assets carrying value over its fair value. Fair value is determined using a discounted cash flow analysis.

### **Research and development costs**

Research costs are charged to expense as incurred. Development costs are charged to expense as incurred unless they meet generally accepted accounting criteria for deferral and amortization. To date no costs have met such criteria.

### **Income taxes**

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

### **Revenue recognition**

The Company recognizes its revenue at the date the products are shipped to the customer.

### **Foreign currency translation**

The Company conducts its operations predominately in United States dollars so that its functional currency is the United States dollar

The accounts of subsidiaries, which are integrated operations, are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the year end exchange rates. Non-

## **StonePoint Group Limited**

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

**As at March 31, 2003**

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monetary assets and liabilities are translated using historical rate of exchange. Revenue and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings. Exchange gains and losses are included in income for the year.

Transaction amounts denominated in foreign currencies are translated into the local functional currency at exchange rates prevailing at transaction dates.

### **Earnings per share**

Basic earnings per share are compute by dividing net earnings by the weighted average shares outstanding during the reporting period. The weighted average number of shares outstanding for the period ended March 31, 2003 was 43,754,183 (2002 – 39,419,183).

Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period. Fully diluted earnings per share consider the dilutive impact of the conversion of outstanding stock options and warrants as if the events had occurred at the beginning of the year. For the period ended March 31, 2003 and 2002, this calculation proved to be anti-dilutive.

### **Stock based compensation**

The company has a stock option plan, which is described in. Any consideration paid by plan employees on the exercise of stock options is credited to share capital. The Company records compensation expense based on the fair value of options granted using the Black Scholes Options Pricing Model.

### **Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the periods ended March 31, 2003 and 2002. Actual results could differ from these estimates.

## StonePoint Group Limited

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

As at March 31, 2003

### 3. Prepaid Expenses

	2003	2002
Label inventory deposit	82,850	75,000
Other prepaids	42,500	20,928
Security deposits	5,290	3,230
Rent	12,800	-
	<u>\$ 143,440</u>	<u>\$ 99,158</u>

The label inventory deposit of \$82,850 (2002 - \$75,000) is held by one of the Company's bottlers as security against label inventory, which the bottler purchases for the Company's products. The Company also prepaid for accounting and legal fees to James Stafford Chartered Accountants and Stafford & Co.

### 4. Capital Assets

	Cost	Accumulated Amort.	Net Book Value	
			2003	2002
Film and plate	\$ 179,209	\$ 22,660	\$ 156,549	\$ -
Equipment	239,009	57,215	181,784	171,816
Computer software	134,133	83,833	50,300	-
Computer equipment	<u>96,909</u>	<u>29,884</u>	<u>67,025</u>	<u>3,316</u>
	<u>\$ 649,260</u>	<u>\$193,592</u>	<u>\$ 455,658</u>	<u>\$ 175,132</u>

### 5. Accounts Payable and Accrued Liabilities

	2003	2002
Trade payables	\$ 2,885,258	\$ 644,964
Other payables and accrued liabilities	84,067	90,307
Other taxes, penalties and interest	<u>14,087</u>	<u>43,909</u>
	<u>\$ 2,983,412</u>	<u>\$ 779,180</u>

## StonePoint Group Limited

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

As at March 31, 2003

### 6. Notes Payable

	2003	2002
Greatwater promissory note payable, bearing interest at 10% per annum, due March 2, 2002	\$ -	\$ 550,000
Revolving line of credit, bearing interest at prime plus 4% per annum, due on demand, secured by accounts receivable of the Company	1,320,319	352,458
Note payable, bearing interest at prime plus 4% per annum, due on demand, and secured by a general charge on the assets of the Company	120,000	-
Debenture payable, bearing interest at prime plus 4% per annum, due on demand, and secured by a general charge on the assets of the Company	-	200,000
Note payable, bearing interest at prime plus 3% per annum, unsecured and payable in twelve installments	<u>1,161,066</u>	<u>-</u>
	\$ 2,601,385	\$ 972,222

In June 2002, the Company obtained from a creditor a revolving line of credit for a maximum of \$3,000,000, secured by its receivables and a general security over all the assets of the Company. In respect of the revolving line of credit, the creditor receives all payments on accounts receivable that secure the outstanding loan balance as payment on the loan.

In November 2002, the Company obtained from a creditor a note payable in the amount of \$180,000. The note bears interest at prime plus 4% per annum, and is payable in monthly installments of \$30,000 beginning March 1, 2003.

In November 2001, the company obtained from a creditor a revolving line of credit for a maximum of \$1,000,000, secured by its receivables and a debenture payable in the amount of \$200,000 to assist in financing the Greatwater Acquisition. In respect of the revolving line of credit, the creditor receives all payments on accounts receivable that secure the outstanding loan balance as payment on the loan. This debenture payable in the amount of \$200,000 was paid throughout the year ended December 31, 2002.

### 7. Related Party Transaction

The Shareholder loan totaling \$87,395 bears interest at 10% per annum, is accrued against all assets of the Company and was required to be paid in full on October 31, 2002. The shareholder loan was not repaid on October 31, 2002 and the Company is currently in default on the outstanding balance of the loan. During the year ended December 31, 2002 the Company issued 70,000 common shares of the Company valued at \$8,775 to the respective shareholder as a financing fee.

## **StonePoint Group Limited**

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

As at March 31, 2003

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### **8. Convertible Debenture**

In connection with the Greatwater Acquisition, the Company issued on November 30, 2001 an 8% convertible subordinated debenture in the amount of \$400,000 to the vendor of the purchased custom label business. The subordinated debenture was convertible into common shares of the Company at \$0.30 per share at anytime between the date of issue of the debenture and November 30, 2002. Thereafter, the debenture is convertible into common shares of the company at \$0.40 per share at anytime between the first anniversary of the date of issue and the Maturity Date – November 30, 2003. The debenture is secured by a general security agreement over all of the assets of the Company.

### **9. Capital Stock**

#### **Authorized**

Unlimited number of voting common shares.

Unlimited number of preference shares, non-voting, bearing a fixed non-cumulative dividend at a rate of 7% of the amount paid-up per annum and redeemable at any time at the option of the Company on payment of the preference redemption price.

Unlimited number of special shares, non-voting, bearing a fixed non-cumulative dividend at a rate of 7% of the amount paid-up per annum, convertible at any time by the holder into one fully paid common share, redeemable at the option of the Company on payment of the special redemption price.

#### **Stock options**

On April 22, 1999, the Board of Directors approved the Stock Option Plan (the "Plan"). Under the Plan, as amended on January 29, 2001, a maximum of 6,000,000 shares can be reserved for issuance. Periodically, directors, officers, key employees and consultants of the Company will be offered options to purchase common shares under the Plan. The exercise price of the options granted pursuant to the Plan may not be less than the price permitted by TSX Venture Exchange. Options granted either vest immediately or are subject to certain vesting requirements as determined by the Board of Directors. A total of 2,350,000 shares remain reserved for issuance under the Plan.

As at March 31, 2003, there were a total of 3,650,000 options to purchase common shares, of which 1,400,000 were held by consultants of the Company.

## StonePoint Group Limited

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

As at March 31, 2003

The following is a summary of the status of stock options outstanding at March 31, 2003:

	Exercise Price	Number of shares	Remaining contractual life (years)
Outstanding and Exercisable options	\$0.15 (Cdn \$0.24)	400,000	0.25
	\$0.13 (Cdn \$0.20)	1,300,000	0.25
	\$0.18 (Cdn \$0.28)	600,000	0.32
	\$0.18 (Cdn \$0.28)	500,000	0.35
	\$0.16 (Cdn \$0.25)	300,000	1.66
	\$0.16 (Cdn \$0.23)	550,000	3.75
		<u>3,650,000</u>	

No options were exercised during the period ended March 31, 2003.

### Warrants

At March 31, 2003, the Company had warrants outstanding that entitle holders to obtain common shares of the Company as follows:

	Range of exercise prices per common share	Common shares issuable	Expiry date
Warrants	\$0.13 (Cdn \$0.20)	3,000,000	April 17, 2003
	\$0.16/\$0.19 (Cdn \$0.20/\$0.30)	4,000,000	January 30, 2004
	\$0.16/\$0.19 (Cdn \$0.25/\$0.30)	<u>4,700,000</u>	May 24, 2004
		<u>11,700,000</u>	

No warrants were exercised during the period ended March 31, 2003.

## StonePoint Group Limited

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

As at March 31, 2003

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### 10. Commitments

The Company leases certain premises and equipment under operating leases. The future minimum annual lease payments under operating lease agreements are as follows:

2003	\$ 177,854
2004	177,854
2005	158,229
2006	158,229
2007	158,229
Thereafter	680,909
	<hr/>
	\$ 1,511,304

Under the terms of a Purchase Agreement with BEVsystems International Ltd. (“BEVsystems”) to purchase business and intellectual properties located in Asia dated April 3, 2003, the Company assumed an obligation of BEVsystems to provide \$1,000,000 in product rebates to a distributor in Japan .

### 11. Contingencies

- a. The Company and One Water Source LLC (“WSO”) have an agreement dated October 19, 2000 (the “Agreement”), pursuant to which WSO bottles certain water products for the Company. WSO claims that the Agreement requires the Company exclusively use WSO for these services and alleges that the Company has violated the Agreement by using other companies for such services. In March 2002, WSO filed a lawsuit against the Company. The parties settle the case in August of 2002. However, after the settlement, WSO bottling companies, Wissahickon Mountain Spring Water (“Wissahickon”), sent the Company a demand letter, claiming that the Company owed Wissahickon \$69,571.40 for repurchase of inventory and other matters. The Company denies owing this amount, and sent Wissahickon a check for \$5,185.18 as full and final payment of all outstanding amounts due to Wissahickon. Wissahickon deposited the check but contended in a subsequent letter that the Company still owes the remaining balance. The last correspondence on this matter from Wissahickon that the Company received was dated October 25, 2002. In the opinion of management this matter is frivolous and without merit and the Company will be successful in any defense of this matter.
- b. In 2001 and 2002, a former director threatened to file a claim against the Company alleging that the Company owes him approximately \$750,000 with respect to bonuses, consulting fees, vacation pay, loan balances and interest penalties. The Company denies these allegations and, should a claim actually be filed, the Company intends to vigorously defend the claims and to counterclaim against the former director. The Company contends the former director breached his fiduciary duties during and after his employment with the Company. The Company is unable to determine the potential magnitude of the outcome of this matter and accordingly no accrual has been made with respect to this possible claim in the accompanying consolidated financial statements.

## StonePoint Group Limited

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

As at March 31, 2003

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### 12. Economic Dependence and Credit Risk

The Company performs ongoing credit evaluations on its customers and maintains, if necessary, allowance for potential credit losses. As at March 31, 2003 sales to one customer accounted for 21% (2002 – 98%).

### 13. Segmented Information

The Company operates in one major segment and supplies private label beverages to customers in the retail food industry in the United States.

Geographic information is as follows:

	Sales base on location of Customer		Net book value of capital assets based on location of assets	
	2003	2002	2003	2002
Canada	\$ 80,836	\$ -	\$ 18,504	\$ 4,072
United States	<u>7,358,492</u>	<u>2,782,486</u>	<u>437,154</u>	<u>181,060</u>
	\$ 7,439,328	\$ 2,782,486	\$ 455,658	\$ 185,132

### 14. Income Taxes

The Company has accumulated non-capital losses for the Canadian income tax purposes in the amount of \$2,860,403 to reduce taxable income in the future years. The losses expire as follows:

2003	\$ 343,704
2004	405,019
2005	33,626
2006	636,606
2007	440,681
2008	<u>1,000,767</u>
	2,860,403

## StonePoint Group Limited

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

As at March 31, 2003

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The Company has accumulated net operating losses for the United States income tax purposes of approximately \$3,632,607. The losses expire as follows:

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2010	\$ 339,403
2011	4,995
2017	600,482
2018	533,376
2019	484,296
2020	88,669
2021	<u>1,581,386</u>
	\$ 3,632,607

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The potential benefits of the above have not been recognized in the financial statements.

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	March 31 2003	December 31 2002
Loss carried forward		
Canadian non-capital losses	\$ 2,860,403	\$ 2,860,403
United States net operating losses	<u>3,632,607</u>	<u>3,632,607</u>
Total loss carry forward	6,493,010	6,493,010
Less valuation allowance	<u>(6,493,010)</u>	<u>(6,493,607)</u>
Net future tax assets	\$ -	\$ -

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## StonePoint Group Limited

Notes to Consolidated Financial Statements

(Expressed in US Dollars)

As at March 31, 2003

### 15. Earnings Per Share

The computations for basic and diluted loss per share for the period ended March 31, 2003 and 2002 are as follows:

	2003	2002
Net income (loss)	\$ (223,691)	\$ (540,650)
Average number of common shares outstanding		
Basic	43,754,183	39,419,183
Effect of stock options	-	-
Diluted	<u>43,754,183</u>	<u>36,419,183</u>
Earnings per share		
Basic	\$ (0.005)	\$ (0.01)
Diluted	(0.005)	(0.01)

### 16. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, other taxes receivable, bank overdraft, accounts payable, shareholder loans and notes payable. Management has determined that the carrying value of the financial instruments approximate fair value due to their short-term nature.

### 17. Subsequent Events

The following events occurred subsequent to March 31, 2003:

- (a) On March 20<sup>th</sup>, 2003, the Company executed an agreement with one of its major suppliers to convert \$1,161,065.88 of its trade payables to the supplier into a promissory note (the "Note"). The Note is unsecured, bears interest at prime plus 3% and is payable in thirteen installments. On April 29<sup>th</sup>, 2003 the Company and the supplier executed an amendment to the promissory note dated March 20<sup>th</sup>, 2003. The first twelve installments to be in the amount of Sixty Thousand Dollars (\$60,000.00) of principal plus all accrued interest and the thirteenth installment in an amount equal to all remaining principal and accrued interest thereon. Monthly installments shall be due and payable on the last day of each month, commencing on August 31, 2003, with the twelfth installment to be due and payable on July 30, 2004, and the thirteenth installment to be due and payable on August 31, 2004.
- (b) The Company entered into negotiations to restructure approximately \$1,310,490 of its trade accounts payable due to a significant supplier. The Company expects to seek necessary regulatory and secured creditor consents to complete this transaction in the near term.