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BFI Canada Income Fund First Quarter Report

For the period ended March 31, 2004

Effective January 1, 2004, the Fund adopted CICA Handbook section 3110 Asset Retirement Obligations ("ARO") retroactively with restatement. Adopting this section has resulted in a fundamental change in the Fund's recognition and measurement of landfill closure and post-closure costs. The effect of this change in accounting policy on the consolidated results of operations of the Fund for the period from April 25, 2002 to December 31, 2002, the year ended December 31, 2003, and all fiscal quarters ended in either period and year, respectively, is included in the Fund's Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2004. Reference will be made to the March 31, 2004 MD&A for the effect of a change in accounting policy on all future comparative results of operations.

BFI Canada Income Fund – MD&A for the three months ended March 31, 2004

The following is a discussion of the consolidated financial condition and results of operations of BFI Canada Income Fund (the "Fund") for the three month period ended March 31, 2004 and has been prepared with all information available up to and including May 3, 2004. The consolidated financial statements of the Fund have been prepared in accordance with Canadian generally accepted accounting principles and are reported in Canadian dollars. This discussion should be read in conjunction with the Consolidated Financial Statements of BFI Canada Income Fund, including notes thereto, and Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2003 and for the period from April 25, 2002 to December 31, 2002.

The following discussion also includes the results of operations of BFI Canada Income Fund for the quarter and year ended December 31, 2003, which have been restated to reflect the impact of the Fund's adoption of CICA 3110, asset retirement obligations ("ARO"). In addition, the impact of adopting ARO on the results of operations for the three months ended June 30, 2003 and September 30, 2003 has also been included herein. The Fund has included the restated information for future comparative purposes and accordingly will make reference to this MD&A for all subsequent quarters ending in 2004 and for the year ended December 31, 2004.

Corporate Overview

The Fund, through its operating subsidiaries, is one of Canada's largest full-service waste management companies providing non-hazardous solid waste collection and landfill disposal services in the provinces of British Columbia, Alberta, Manitoba, Ontario and Quebec. The Fund operates one and owns and operates three landfills, carries on solid waste collection operations in 19 markets and operates three transfer collection stations, seven material recovery facilities ("MRFs") and one landfill gas to energy facility. The Fund makes cash distributions to its unitholders based on all amounts received from its subsidiaries, including interest, dividends, redemption proceeds, purchase for cancellation proceeds, returns of capital and repayments of indebtedness net of reasonable expenses, as determined by the Trustees, and amounts related to the redemption of units payable in cash. The Fund's declaration of trust provides that monthly cash distributions are to be paid on or about the 15th day of the succeeding month.

Highlights for the three months ended March 31, 2004

(all amounts are in thousands of Canadian dollars, except per trust unit amounts)

- Revenues and EBITDA[(A)] increased 10.0% and 12.1%, respectively, over the comparative three month period ended March 31, 2003
- Free cash flow available for distribution[(B)] increased to $10,913 or 14.2% from $9,552 for the comparative three month period ended March 31, 2003
- Aggregate distributions declared totalled $8,446, representing a payout ratio of 77% of free cash flow available for distribution[(B)]
- Core operations, contract wins and strategic acquisitions have continued to support the Fund's revenue and EBITDA[(A)] growth

(in thousands, except per trust unit amounts)		Three months ended March 31 2004(1) (unaudited)		2003(1) (unaudited)
Revenues	**$**	**42,175**	$	38,324
Operating expenses		**21,452**		19,257
Selling, general and administration expenses		**6,589**		6,453
Income before the following		**14,134**		12,614
Amortization		**10,566**		10,561
Interest on long-term debt		**1,176**		1,230
Gain on sale of capital assets		**(24)**		(7)
Income before income taxes		**2,416**		830
Income tax recovery		**(946)**		(1,732)
Net income	**$**	**3,362**	$	2,562
Net income per trust unit, basic & diluted	**$**	**0.13**	$	0.10
Number of trust units outstanding		**26,500**		26,500
Maintenance capital expenditures	**$**	**1,105**	$	1,013
Growth capital expenditures		**1,351**		1,954
Total capital expenditures	**$**	**2,456**	$	2,967
Free cash flow available for distribution(B)	**$**	**10,913**	$	9,552
Free cash flow available for distribution(B) per trust unit	**$**	**0.41**	$	0.36
Aggregate distributions declared	**$**	**8,446**	$	7,950
Aggregate distributions declared per trust unit	**$**	**0.32**	$	0.30

Notes:

(1) Effective March 2003, the Canadian Institute of Chartered Accountants issued a new Canadian accounting standard for ARO which requires the recognition of an obligation associated with the retirement of a tangible long-lived asset that an entity is legally obligated to settle. The new standard is effective for fiscal years beginning on or after January 1, 2004 and requires the Fund to retroactively restate all comparative consolidated financial statements. Adopting the new standard had the following impact on the preliminary operating results for the three month period ended March 31, 2004, which were released on April 20, 2004, and the operating results for the three month period ended March 31, 2003 previously released.

	Three months ended					
(in thousands, except per trust unit amounts)	**March 31, 2004 - Preliminary (excluding ARO)**	**Effect of a change in accounting policy**	**March 31, 2004 (including ARO)**	March 31, 2003 - Previously released (excluding ARO)	Effect of a change in accounting policy	March 31, 2003 - Restated (including ARO)
		(unaudited)			(unaudited)	
Revenues	**$ 42,175**	**$ -**	**$ 42,175**	$ 38,324	$ -	$ 38,324
Operating expenses	**22,103**	**(651)**	**21,452**	19,827	(570)	19,257
Selling, general and administration expenses	**6,589**	**-**	**6,589**	6,453		6,453
Income before the following	**13,483**	**651**	**14,134**	12,044	570	12,614
Amortization	**9,731**	**835**	**10,566**	9,917	644	10,561
Interest on long-term debt	**1,176**	**-**	**1,176**	1,230	-	1,230
Gain on sale of capital assets	**(24)**	**-**	**(24)**	(7)	-	(7)
Income before income taxes	**2,600**	**(184)**	**2,416**	904	(74)	830
Income tax (recovery) expense	**(883)**	**(63)**	**(946)**	(1,840)	108	(1,732)
Net income	**$ 3,483**	**$ (121)**	**$ 3,362**	$ 2,744	$ (182)	$ 2,562
Net income per trust unit, basic & diluted	**$ 0.13**	**$ -**	**$ 0.13**	$ 0.10	$ -	$ 0.10
Number of trust units outstanding	**26,500**	**-**	**26,500**	26,500	-	26,500
Maintenance capital expenditures	**$ 1,105**	**$ -**	**$ 1,105**	$ 1,013	$ -	$ 1,013
Growth capital expenditures	**1,351**	**-**	**1,351**	1,954	-	1,954
Total capital expenditures	**$ 2,456**	**$ -**	**$ 2,456**	$ 2,967	$ -	$ 2,967
Free cash flow available for distribution(B)	**$ 11,097**	**$ (184)**	**$ 10,913**	$ 9,626	$ (74)	$ 9,552
Free cash flow available for distribution(B) per trust unit	**$ 0.42**	**$ (0.01)**	**$ 0.41**	$ 0.36	$ -	$ 0.36
Aggregate distributions declared	**$ 8,446**	**$ -**	**$ 8,446**	$ 7,950	$ -	$ 7,950
Aggregate distributions declared per trust unit	**$ 0.32**	**$ -**	**$ 0.32**	$ 0.30	$ -	$ 0.30

Review of Operations - For the three months ended March 31, 2004

(all amounts are in thousands of Canadian dollars)

Revenues

Revenues for the three month period ended March 31, 2004 increased $3,851 or 10.0% to $42,175. The solid waste collection ("collection") segment contributed approximately $3,700 to the increase. Strategic acquisitions contributed approximately $700 to the period over period increase while price increases, organic growth and favourable commodity prices combined to account for the remainder of the increase. The landfill and energy ("landfill") segment contributed approximately $200 to the increase. Additional volumes of accepted non-hazardous solid waste entering the Lachenaie landfill net of a marginal price decline per tonne due to the mix of accepted waste at the Lachenaie site, contributed to the increase.

Operating expenses

Operating expenses for the three month period ended March 31, 2004 increased $2,195 to $21,452. Strategic acquisitions in the collection segment contributed approximately $300 to the total collection segment increase of approximately $2,300. The balance of the increase in collection segment operating expenses is a function of higher disposal and labour expenditures, attributable to one additional operating day in the current versus the prior period, inclement weather experienced in some markets, and higher year over year costs to service new and existing customers. The landfill segment experienced a marginal decline in operating expenses period over period, which is not attributable to any one significant variance.

Selling, general and administration expenses

Selling, general and administration ("SG&A") expenses for the three month period ended March 31, 2004 increased $136 to $6,589. With the introduction of the long-term incentive plan ("LTIP") in the fourth quarter of 2003, the Fund has accrued $100 in the three month period ended March 31, 2004 versus $nil for the comparative period. The remaining increase is not attributable to any one significant variance.

Income before amortization, interest on long-term debt, gain on sale of capital assets and income taxes ("EBITDA[(A)]")

EBITDA[(A)] of $14,134 was $1,520 or 12.1% higher than the comparative three month period ended March 31, 2003. EBITDA[(A)] growth is the direct result of revenue growth exceeding increases in aggregate operating and SG&A expenditure growth. While operating expenses increased at a higher rate than revenue growth, due principally to higher disposal costs at external sites and higher labour costs largely attributable to inclement weather conditions in January and February, SG&A expenses were relatively consistent with the prior period, which in aggregate resulted in higher period over period EBITDA[(A)] percentage growth relative to revenue.

Amortization expense

Amortization was consistent with the comparative three month period ended March 31, 2003. A $414 decline in capital asset amortization was offset by a $450 increase in landfill amortization. The increase in landfill asset amortization is due largely to an increase in non-hazardous solid waste accepted at BFI Canada-owned landfills over the comparative period and an increase in the rate per tonne used to establish the Fund's closure and post-closure liabilities and related landfill asset. The decline in capital asset amortization is due principally to fully amortized vehicles and equipment acquired by 3743276 Canada Inc. (one of the predecessors of BFI Canada Holdings Inc.).

Interest on long-term debt

Interest on long-term debt was $54 lower than the comparative three month period ended March 31, 2003. The decline is the result of comparatively lower debt levels coupled with a decline in the 30 day rate on bankers' acceptances versus the comparative period.

Gain on sale of capital assets

During the period ended March 31, 2004, the Fund disposed of various vehicles and containers, generally for scrap, which resulted in a gain on sale of $24.

Income taxes

Income taxes recovered for the three month period ended March 31, 2004 decreased by $786. The decrease is principally on account of an increase in tax attributable to higher income before income taxes in the three month period ended March 31, 2004 versus the comparative period ended March 31, 2003.

Other Performance Measures
(all amounts are in thousands of Canadian dollars)

Capital expenditures
Capital expenditures, which include maintenance and growth capital expenditures, totalled $2,456 for the three months ended March 31, 2004. Maintenance capital expenditures, representing the replacement of capital in order to sustain current business operations, increased $92 due principally to container and equipment purchases. Growth capital expenditures, representing capital required to meet the demands of acquired or organic growth or capital which specifically benefits a future period or periods, were lower than the comparative period by $603. The decline in growth capital expenditures is due largely to vehicle and container purchases in 2003 to service new customer collection contracts. Of the $1,351 in current period growth capital expenditures, approximately $700 relates specifically to capital purchased to operate the City of Lethbridge landfill.

Free cash flow available for distribution[(B)]
Free cash flow available for distribution[(B)] totalled $10,913 for the three month period ended March 31, 2004 versus $9,552 for the comparative three month period ended March 31, 2003. The increase experienced between periods is the result of a $1,520 increase in EBITDA[(A)] coupled with a combined $124 reduction in current taxes and interest on long-term debt, offset by a combined $283 increase in the amortization of capitalized landfill asset closure and post-closure costs and maintenance capital expenditures.

Management of the Fund has elected to define and calculate free cash flow available for distribution[(B)] using an operations approach. Free cash flow available for distribution[(B)] using a cash flow approach is presented below for comparative purposes.

(in thousands)	Three months ended March 31 2004 (unaudited)	2003 (unaudited)
Cash generated from operating activities (per statements of cash flows)	**$ 10,413**	$ 7,765
Add changes in non-cash working capital items	**2,413**	3,478
Less net change in landfill closure and post-closure costs	**(808)**	(678)
Less maintenance capital expenditures	**(1,105)**	(1,013)
Free cash flow available for distribution[(B)]	**$ 10,913**	$ 9,552

Financial Condition
(all amounts are in thousands of Canadian dollars)

Selected Consolidated Balance Sheets Information (in thousands)	March 31, 2004 (unaudited)	December 31, 2003 (audited)
Accounts receivable	**$ 25,312**	$ 25,838
Other receivables - current and long-term	**$ 4,451**	$ 4,487
Capital assets	**$ 82,187**	$ 84,359
Landfill assets	**$ 111,292**	$ 113,084
Working capital position (current assets less current liabilities)	**$ 9,720**	$ 8,921

Accounts receivable
Accounts receivable decreased $526 from December 31, 2003, which is principally attributable to stronger collection in both the collection and landfill segments. The collection quality of receivables remains high with less than five percent of total trade receivables in excess of ninety days. Total bad debt charges are less than one percent of revenues.

Other receivables
A marginal decline in other receivables from December 31, 2003 relates specifically to the collection of direct finance lease and long-term finance receivables, net of a $262 investment in a direct financing lease receivable due from a city in the Province of Quebec during the current three month period.

Capital assets
The decline in capital assets from December 31, 2003, is due largely to amortization exceeding capital assets purchased by $2,166. Significant current period capital expenditures include, landfill construction, approximately $800 and vehicles and equipment required to operate the Lethbridge landfill, approximately $700. Significant capital expenditures expected in the remainder of the year include replacement and growth vehicle, container and equipment purchases.

Landfill assets
Landfill assets represent the largest balance sheet asset of the Fund and total $111,292 at March 31, 2004. Landfill permits together with projected construction and development costs and capitalized landfill asset closure and post-closure costs are being amortized as landfill airspace is consumed. Significant landfill asset expenditures in the coming year include infrastructure and cell development related specifically to the Lachenaie north expansion.

Working capital position
The Fund has a current working capital position, representing total current assets less current liabilities, of approximately $9,720, an increase of $1,429 from the December 31, 2003 position of $8,291. The increase is primarily due to strong operating performance in the current period which has resulted in accounts receivable levels that are $526 lower than the December 31, 2003 balances, but $2,448 higher than the comparative period ended March 31, 2003. The payment of various capital expenditures incurred in the fourth quarter of 2003 is the largest contributor to the $2,559 decline in payables, and accordingly use of cash.

Disclosure of outstanding trust unit data

(in thousands)	Units	$
Trust units	26,500	254,997

Trust units represent an equal and undivided beneficial interest in the Fund and any distributions. Trust units rank equally and ratably without discrimination, preference or priority. The Fund is authorized to issue an unlimited number of trust units under the terms of the Amended and Restated Declaration of Trust. At March 31, 2004, 26,500 trust units are issued and outstanding.

Liquidity and Capital Resources

(all amounts are in thousands of Canadian dollars, except per tonne amounts)

Contractual obligations	Payments due (in millions)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	$ 81,519	$ 276	$ 81,243	$ -	$ -
Operating leases	9,980	2,139	3,886	2,021	1,934
Other long-term obligations[(2)]	27,000	1,125	3,000	1,875	21,000
Total contractual obligations	$ 118,499	$ 3,540	$ 88,129	$ 3,896	$ 22,934

Notes:
(2) Other long-term obligations include the following: a $1.50 per tonne royalty at the Fund's Lachenaie landfill site, estimated at the maximum payout which is payable to an annual maximum of $1,500 and a cumulative maximum of $6,000 over the 4 year life of the agreement, and payments on account of a license agreement to use the trade name "BFI" and the related logo for the period from June 30, 2015 to June 30, 2034.

The Fund has available a revolving loan to a maximum of $33,600, of which $8,600 relates specifically to a letter of credit required to operate one of the Fund's landfills. The remaining $25,000 is available to fund changes in working capital and non-operating liquidity requirements including acquisitions and growth capital expenditures. In April, 2004, the Fund negotiated an increase to its revolving loan facility by $5,000 to $33,600. The additional amounts available under the revolving facility are subject to the same terms and conditions as the existing facility. The Fund used $5,800 from its revolving facility to complete the acquisition of Twin Oaks Environmental Ltd. on April 6, 2004.

Cash generated from operations for the three months ended March 31, 2004 totalled $10,413 and is $2,648 higher than the three month period ended March 31, 2003. Higher net income coupled with lower demands on working capital uses is the principal cause of the increase. Purchases of capital and landfill assets declined in the three months ended March 31, 2004 by $511, due in large part to capital purchases required to service new collection contracts commencing in the first quarter of 2003, together with a reduction in the Fund's investment in other receivables of $2,588, representing longer-term financing offered to cities in the Province of Quebec for the purchase of residential collection containers, which together were the primary contributors to the $2,965 decline in cash utilized in investing activities. Cash distributions totalling $8,446 are up $496 due to a 6.25% distribution increase, effective August 31, 2003.

The Fund is currently obligated under the terms of its amended and restated credit agreement, to repay its term and revolving loan facilities in full on the earlier of April 25, 2005 and an event of default. The Fund is actively reviewing its financing alternatives to efficiently finance its future growth and development initiatives and is currently in the process of replacing its current term and revolving facilities with longer term, fixed rate term debt and a new operating facility. Although the new financing is not complete, management anticipates the following:

- the new operating facility will be used principally to finance growth and infrastructure capital expenditures, strategic acquisitions and working capital
- management expects to draw on its new operating facility to finance various growth and development initiatives
- as the new operating facility approaches its maximum availability, the Fund will refinance the facility with a debt or unit offering
- management of the Fund is confident that the new operating facility will allow the Fund to efficiently meet the demands of future growth and development initiatives

In 2004 the Fund expects to use its cash resources for maintenance, growth and Lachenaie landfill infrastructure capital expenditures, strategic "tuck-in" acquisitions and distributions.

The expected change in the Fund's term and operating facilities will result in a change in the interest rates currently being incurred on its existing credit facilities. Management of the Fund expects the interest rate on its operating facility to decline marginally, and the rate on its longer term debt to rise marginally. The expected rate changes are not expected to have a significant impact on interest expense incurred by the Fund. The Fund's existing facilities are subject to fluctuations with bank prime or the 30-day rate on bankers' acceptances. A 1% rise or fall in interest rates would result in a $867 change in interest expense based on current debt levels. The Fund does not currently use any financial or other instruments to manage interest rate risk on its existing credit facilities.

The Fund has significant debt service obligations under its existing facilities. The degree to which the Fund is leveraged could have important consequences to the holders of the trust units, including: its ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future; its borrowings are at variable rates of interest, which exposes the Fund to the risk of increased interest rates; and the Fund may be more vulnerable to economic downturns and may be limited in its ability to withstand competitive pressures.

The Fund's credit facility contains numerous restrictive covenants that limit the discretion of the Fund's management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the Fund to incur additional indebtedness, to create liens or other encumbrances, to pay distributions on the securities of the Fund above certain levels or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the credit facility contains a number of financial covenants that require the Fund to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the credit facility could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the credit facility were to be accelerated, there can be no assurance that the assets of the Fund would be sufficient to repay in full that indebtedness. The Fund is currently in compliance with all restrictive covenants under its existing credit facilities.

The Fund is a limited purpose trust which is entirely dependent on the operations and assets of BFI Canada Inc. ("BFI Canada") and its operating subsidiaries through the ownership of the common shares and notes of BFI Canada Holdings Inc. ("Holdings"). Cash distributions to unitholders are dependent on the ability of Holdings to pay the interest obligations under its notes and to declare and pay dividends or make other distributions on its common shares. The ability of Holdings to make distributions, pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of Holdings, including agreements with third party lenders and the ability of BFI Canada and its subsidiaries to generate sufficient cash flow to continue to meet their obligations to Holdings.

The Fund is affected by general economic conditions. A significant economic downturn can impact the demand for the Fund's services, especially non-contracted services. Slower economic growth could reduce demand for some of the Fund's services which will negatively affect financial performance. Weak economic conditions may also negatively affect the Fund's ability to generate cash flow and accordingly meet its current distribution levels. Additionally, weak economic conditions could increase the uncertainty of collecting receivables and lead to a rise in bad debt expense.

In an effort to maintain the Fund's current and future operating performance, the Fund is required to replace capital assets (maintenance capital expenditures) at a rate of approximately $11,500 to $12,500 annually. As governed by the terms of the Fund's amended and restated credit agreement, the Fund is required to finance maintenance capital expenditures from cash generated from operations. For the fiscal year ending December 31, 2004, the Fund is restricted to total capital expenditures (where total capital expenditures includes maintenance capital expenditures and growth capital expenditures) of $15,000. If opportunities are presented that require growth capital expenditures that are in excess of the current restrictive covenant, the Fund would seek a waiver of this covenant. Failure to receive the waiver could accelerate the repayment of the relevant indebtedness or result in the postponement of purchasing growth capital. If the indebtedness under the credit facility were to be accelerated, there can be no assurance that the assets of the Fund would be sufficient to repay such indebtedness in full.

The Fund is actively reviewing its available capital resources with a view to providing an efficient means of access to growth capital.

Distributions

(all amounts are in thousands of Canadian dollars, except per trust unit amounts)

The Fund paid cash distributions to unitholders of $0.31875 per trust unit for the three month period ended March 31, 2004 and declared a distribution payable to unitholders of record on March 31, 2004, payable April 15, 2004 of $0.10625 per trust unit.

Selected Annual Information

(all amounts are in thousands of Canadian dollars, except per trust unit amounts)

(in thousands, except per share and trust unit amounts)	3743276 Canada Inc. Year ended December 31, 2001 (3)	3743276 Canada Inc. & Fund Year ended December 31, 2002 (3) (4)	Fund Year ended December 31, 2003 (3)
Revenues	$ 128,003	$ 150,675	$ 167,626
Net (loss) income	$ (3,649)	$ 4,670	$ 13,137
Net (loss) income per share, basic & diluted	N/A (5)	N/A (5)	N/A
Net income per trust unit, basic & diluted	N/A	$ 0.18	$ 0.50
Total assets	$ 189,880	$ 379,441	$ 356,962
Total long-term financial liabilities	$ 124,413	$ 105,755	$ 105,101
Distributions per trust unit	N/A	$ 0.82 (6)	$ 1.23

Notes:

(3) Operating results have been restated to reflect the adoption of the new accounting standard for asset retirement obligations.

(4) Operating results for year ended December 31, 2002 are the results of 3743276 Canada Inc. for the period from January 1, 2002 to April 24, 2002 and for the Fund from April 25, 2002 to December 31, 2002.

(5) Net (loss) income per share, basic and diluted is not presented because there was only one Series Class A special share outstanding and therefore the presentation thereof would be misleading and not relevnt.

(6) Distributions per trust unit for the year ended December 31, 2002 are for the period from April 25, 2002 to December 31, 2002.

Comparative selected annual information for the year ended December 31, 2001 and for the period from January 1, 2002 to April 24, 2002, is the results of 3743276 Canada Inc., one of the predecessors of BFI Canada Holdings Inc. The Fund indirectly acquired all of the issued and outstanding shares of 3743276 Canada Inc. on April 25, 2002 in connection with the closing of its initial public offering of trust units. The Fund has only consolidated the results of BFI Canada Holdings Inc. with its results since April 25, 2002. Reference is made to the prospectus of the Fund dated April 16, 2002 relating to the initial public offering for a complete description of the transactions effected concurrently with the closing of such offering.

The rise in revenues between year ended December 31, 2001 and 2002, is principally on account of an increase in collection segment revenues totalling approximately $22,300. The collection segment increase is principally on account of two acquisitions completed effective February 28, 2002 and December 31, 2001. The F.A. acquisition, effective February 28, 2002, provided approximately $12,600 of additional revenue in 2002 versus 2001 while the acquisition of a solid waste collection business in Ontario, effective December 31, 2001, contributed approximately $3,000 to the same year over year increase. Organic growth and price increases generally account for the balance of the increase. The 2002 to 2003 increase is attributable to an increase in collection and landfill segment revenues of approximately $11,500 and $5,500, respectively. Additional F.A. revenues, approximately $2,300, two strategic acquisitions and significant new contracts, approximately $3,700, and net price and organic growth, approximately $5,500, combined to account for the collection segment increase. Higher landfill volumes, most notably in Calgary, approximately $4,000, and the City of Lethbridge landfill operating contract, approximately $1,500, account for the increase in landfill segment revenues.

Included in the determination of net (loss) income are the following: amortization, interest on long-term debt, net gain on sale of capital and landfill assets, other expenses and income taxes. Net (loss) income is not comparable for the years ended December 31, 2001, 2002 and 2003 for the following reasons. Amortization expense is not comparable due primarily to the change in the carrying values of the Fund's assets relative to its predecessor 3743276 Canada Inc. Amortization expense of the Fund includes amortization of the following fair value adjustments occurring on the closing of its initial public offering: customer collection contracts $78,530, capital assets $5,476, and landfill assets $60,290. Interest on long-term debt is not comparable due to the change in the Fund's capital structure relative to its predecessor 3743276 Canada Inc. Interest expense of 3743276 Canada Inc. included imputed interest on a subordinated debenture and interest on its non-revolving, term, bridge and other loans for the year ended December 31, 2001 and for the period from January 1, 2002 to April 24, 2002. On the closing of the initial public offering and the concurrent amalgamation of 3743276 Canada Inc. with BFI Canada Holdings Inc., $41,821 was paid in full satisfaction of the principal and interest outstanding on the non-revolving loan, $17,550 was paid in partial satisfaction of the principal together with all interest outstanding on the term and bridge loans and a $12,500 payment was paid in full satisfaction of amounts owing to the holder of the subordinated debenture. All payments were made in respect of obligations of the predecessor company. Interest expense of the Fund relates specifically to interest on its term and revolving loans which were made concurrently with the closing of the initial public offering. Net gain on sale of capital and landfill assets relates principally to the year ended December 31, 2003, whereby the Fund sold surplus parcels of land near its Winnipeg and Calgary landfill sites. Other expenses include corporate development and organizational costs, management severance costs, management fees and a special one-time management bonus issued in connection with the closing of the initial public offering. Other expenses were exclusive to 3743276 Canada Inc. and are therefore not directly comparable. Income taxes are not comparable due to the change in the taxable structure of the Fund versus its predecessor.

BFI Canada Income Fund – results for the year ended December 31, 2003 – *restated for a change in accounting policy*

The following is a discussion of the results of operations of BFI Canada Income Fund (the "Fund") for the year ended December 31, 2003, which have been restated to reflect the impact of the Fund's adoption of CICA 3110, asset retirement obligations.

	Year ended	
(in thousands, except per trust unit amounts)	2003(7)	2002(7) (8)
Revenues	$ 167,626	$ 150,675
Operating expenses	84,892	76,408
Selling, general and administration expenses	25,452	22,832
Income before the following	57,282	51,435
Amortization	45,375	42,343
Interest on long-term debt	5,137	7,095
Net gain on sale of capital and landfill assets	(527)	-
Other expenses	-	1,474
Income before income taxes	7,297	523
Income tax recovery	(5,840)	(4,147)
Net income	$ 13,137	$ 4,670
Net income per trust unit, basic & diluted	$ 0.50	$ 0.18
Number of units outstanding (thousands)	26,500	26,500
Maintenance capital expenditures	$ 11,586	$ 11,491
Growth capital expenditures	5,409	6,588
Total capital expenditures	$ 16,995	$ 18,079
Free cash flow available for distribution(9)(B)	$ 36,679	$ 24,099
Free cash flow available for distribution(B) per trust unit(9)	$ 1.38	$ 0.91
Aggregate distributions declared(9)	$ 32,627	$ 21,642
Aggregate distributions declared per trust unit(9)	$ 1.23	$ 0.82

Notes:
(7) Effective March 2003, the Canadian Institute of Chartered Accountants issued a new Canadian accounting standard for ARO which requires the recognition of an obligation associated with the retirement of a tangible long-lived asset that an entity is legally obligated to settle. The new standard is effective for fiscal years beginning on or after January 1, 2004 and requires the Fund to retroactively restate all comparative consolidated financial statements. Adopting the new standard effective January 1, 2004 had the following impact on the results of operations for the year ended December 31, 2003 and 2002:

	For the year ended December 31					
(in thousands, except per trust unit amounts)	2003 - Previously released (excluding ARO)	Effect of a change in accounting policy	December 31, 2003 - Restated (including ARO)	2002[8] - Previously released (excluding ARO)	Effect of a change in accounting policy	December 31, 2002 - Restated (including ARO)
Revenues	$ 167,626	$ -	$ 167,626	$ 150,675	$ -	$ 150,675
Operating expenses	87,835	(2,943)	84,892	78,978	(2,570)	76,408
Selling, general and administration expenses	25,452	-	25,452	22,832		22,832
Income before the following	54,339	2,943	57,282	48,865	2,570	51,435
Amortization	41,945	3,430	45,375	39,464	2,879	42,343
Interest on long-term debt	5,137	-	5,137	7,095	-	7,095
Net gain on sale of capital and landfill assets	(527)	-	(527)	-	-	-
Other expenses	-	-	-	1,474	-	1,474
Income before income taxes	7,784	(487)	7,297	832	(309)	523
Income tax recovery	(5,812)	(28)	(5,840)	(4,074)	(73)	(4,147)
Net income	$ 13,596	$ (459)	$ 13,137	$ 4,906	$ (236)	$ 4,670
Net income per trust unit, basic & diluted	$ 0.51	$ (0.01)	$ 0.50	$ 0.19	$ (0.01)	$ 0.18
Number of trust units outstanding	26,500	-	26,500	26,500	-	26,500
Maintenance capital expenditures	$ 11,586	$ -	$ 11,586	$ 11,491	$ -	$ 11,491
Growth capital expenditures	5,409	-	5,409	6,588	-	6,588
Total capital expenditures	$ 16,995	$ -	$ 16,995	$ 18,079	$ -	$ 18,079
Free cash flow available for distribution[9] [B]	$ 37,166	$ (487)	$ 36,679	$ 24,331	$ (232)	$ 24,099
Free cash flow available for distribution[B] per trust unit[9]	$ 1.40	$ (0.02)	$ 1.38	$ 0.92	$ (0.01)	$ 0.91
Aggregate distributions declared[9]	$ 32,627	$ -	$ 32,627	$ 21,642	$ -	$ 21,642
Aggregate distributions declared per trust unit[9]	$ 1.23	$ -	$ 1.23	$ 0.82	$ -	$ 0.82

Notes:
(8) Operating results for the period from January 1, 2002 to April 24, 2002 are the results of 3743276 Canada Inc., one of the predecessors of BFI Canada Holdings Inc. The Fund indirectly acquired all of the issued and outstanding shares of 3743276 Canada Inc. on April 25, 2002 in connection with the closing of its initial public offering of trust units. For financial reporting purposes the Fund has only consolidated the results of BFI Canada Holdings Inc. with its results since April 25, 2002. Reference is made to the prospectus of the Fund dated April 16, 2002 relating to the initial public offering for a complete description of the transactions effected concurrently with the closing of such offering.

(9) Free cash flow available for distribution[B] in aggregate and per trust unit and aggregate distributions declared and per trust unit for the comparative year ended is for the period from April 25, 2002 to December 31, 2002.

Review of Operations (for the year ended December 31, 2003)

(all amounts are in thousands of Canadian dollars – restated see note 7)

Revenues

Revenues for the year ended December 31, 2003 increased $16,951 or 11.3% to $167,626. Approximately $11,500 of the year over year increase relates to the solid waste collection ("collection") segment with the remaining $5,500 contributed by the landfill and energy ("landfill") segment. Consolidation of Entreprise Sanitaire F.A. Ltée's ("F.A.") collection and transfer station operations for the year ended December 31, 2003 versus the ten month period March 1, 2002 to December 31, 2002 resulted in additional revenues of approximately $2,300. Additional contributions to the year over year increase in collection revenues include: new collection contracts that commenced in the first quarter of 2003, approximately $2,800, two strategic "tuck-in" acquisitions, approximately $900, with the balance of the collection segment increase attributable to a combination of price increases and organic growth totalling approximately $6,700, net of approximately $1,200 in expired low margin residential collection contracts. Higher volumes of non-hazardous solid waste entering BFI Canada-owned landfills, most notably in Calgary, generated additional revenues totalling approximately $4,000, while the City of Lethbridge landfill operating contract contributed approximately $1,500 to revenue growth in the Fund's landfill segment.

Operating expenses

Operating expenses for the year ended December 31, 2003 increased $8,484 or 11.1% to $84,892. The collection segment experienced an approximate year over year increase of $5,000. Consolidation of F.A.'s collection and transfer station operations for two additional months contributed approximately $1,400 to the collection segment increase. The balance on the increase is attributable to higher costs to service new collection contracts commencing in the first quarter of 2003, organic revenue growth, and higher year over year costs to service existing customers totalling approximately $4,700, partially offset by approximately $1,100 in cost savings associated with the expiration of low margin residential contracts. Landfill operating costs increased by approximately $3,500 due to the operation of the City of Lethbridge landfill and higher costs incurred to handle higher volumes of non-hazardous solid waste entering BFI Canada-owned landfills.

Selling, general and administration expenses

Selling, general and administration expenses for the year ended December 31, 2003 increased $2,620 to $25,452. The increase is attributable to the following: consolidation of F.A.'s collection operations for two additional months, approximately $200, an increase in senior management compensation, the addition of corporate employees and public company costs, approximately $1,000, establishing the long-term incentive plan ("LTIP"), approximately $600, plus other variances totalling approximately $800, including an increase in field management and staff compensation and higher facility operating costs.

Income before amortization, interest on long-term debt, net gain on sale of capital and landfill assets, other expenses and income taxes ("EBITDA[A]")

EBITDA[A] for the year ended December 31, 2003 increased $5,847 or 11.4% to $57,282 compared to the year ended December 31, 2002. Contributing to the year over year EBITDA[A] improvement was the consolidation of F.A.'s collection and transfer station operations for two additional months in 2003, operating the City of Lethbridge landfill, albeit at a lower EBITDA[A] margin than BFI Canada-owned landfills, accepting higher volumes of non-hazardous solid waste at BFI Canada-owned landfills, new collection contracts, organic growth and price increases in the collection segment, and two strategic "tuck-in" acquisitions, partially offset by higher selling, general and administration expenses, including the LTIP plan established in the current year. Management of the Fund remains committed to growing the business, realizing operating efficiencies and managing selling, general and administration expenses.

Net gain on sale of capital and landfill assets

In August and December 2003, the Fund sold surplus parcels of land near its Winnipeg and Calgary landfill sites resulting in a loss of approximately $300 and a gain of approximately $800, respectively.

Amortization, interest on long-term debt, other expenses and income taxes for the year ended December 31, 2002 are not comparable to the figures for the year ended December 31, 2003 for the following reasons:

(all amounts are in thousands of Canadian dollars – restated see note 7)

Amortization expense

Amortization expense is not comparable due primarily to the change in the carrying values of the Fund's assets relative to its predecessor 3743276 Canada Inc. Amortization expense of the Fund includes amortization of the following fair value adjustments occurring on the closing of its initial public offering: customer collection contracts $78,530, capital assets $5,476, and landfill assets $60,290.

Interest on long-term debt

Interest on long-term debt is not comparable due to the change in the Fund's capital structure relative to its predecessor 3743276 Canada Inc. Interest expense of 3743276 Canada Inc. included imputed interest on a subordinated debenture and interest on its non-revolving, term, bridge and other loans for the period from January 1, 2002 to April 24, 2002. On the closing of the initial public offering and the concurrent amalgamation of 3743276 Canada Inc. with BFI Canada Holdings Inc., $41,821 was paid in full satisfaction of the principal and interest outstanding on the non-revolving loan, $17,550 was paid in partial satisfaction of the principal together with all interest outstanding on the term and bridge loans and a $12,500 payment was paid in full satisfaction of amounts owing to the holder of the subordinated debenture. All payments were made in respect of obligations of the predecessor company. Interest expense of the Fund relates specifically to interest on its term and revolving loans which were made concurrently with the closing of the initial public offering.

Other expenses

Other expenses include corporate development and organizational costs, management severance costs, management fees and a special one-time management bonus issued in connection with the closing of the initial public offering. Other expenses were exclusive to 3743276 Canada Inc. and are therefore not directly comparable.

Income taxes

Income taxes are not comparable due to the change in the taxable structure of the Fund versus its predecessor.

Other Performance Measures

(all amounts are in thousands of Canadian dollars – restated see note 7)

Capital expenditures

Capital expenditures for the year ended December 31, 2003 were lower than the comparative year by $1,084 due principally to the decline in growth capital expenditures. Growth capital expenditures were lower in the current year by $1,179, due primarily to vehicle purchases made during the fourth quarter of 2002 to service collection contracts that commenced in the first quarter of 2003. The $95 increase in maintenance capital expenditures is not attributable to any one significant variance.

Free cash flow available for distribution[(B)]

Free cash flow available for distribution[(B)] totalled $36,679 for the year ended December 31, 2003 and $24,099 for the period from April 25, 2002 to December 31, 2002. Distributions totalling $32,627 for the year ended December 31, 2003 and $21,624 for the period from April 25, 2002 to December 31, 2002, represent payout ratios of free cash flow available for distribution[(B)] of 89% and 90%, respectively. Undistributed free cash flow available for distribution[(B)] for the year ended December 31, 2003 equals $4,052 and for the period from April 25, 2002 to December 31, 2003 totalled $6,509. To date, undistributed free cash flow available for distribution[(B)] has been utilized to offset the demands of growth capital expenditures, working capital uses, deferred costs and other receivables.

Management of the Fund has elected to define and calculate free cash flow available for distribution[(B)] using an operations approach. Free cash flow available for distribution[(B)] using a cash flow approach is presented below for comparative purposes.

	Year ended December 31, 2003 - Restated (including ARO)	Period from April 25, 2002 to December 31, 2002 - Restated (including ARO)
Cash generated from operating activities	$ 47,383	$ 33,339
Add changes in non-cash working capital items	2,226	(2,146)
Less provision for landfill closure and post-closure costs	(3,548)	(2,131)
Add landfill closure and post-closure expenditures	2,204	1,826
Less maintenance capital expenditures	(11,586)	(6,789)
Free cash flow available for distribution[(B)]	$ 36,679	$ 24,099

Summary of Quarterly Results – *quarterly results for 2002 and 2003 have been restated for a change in accounting policy*[10]

(all amounts are in thousands of Canadian dollars, except per trust unit amounts)

(in thousands, except per trust unit amounts)	2004	2003[10]				
	Q1	Q4	Q3	Q2	Q1	Total
	(unaudited)	(unaudited)				
Revenues						
Collection segment	$ 35,038	$ 35,061	$ 34,554	$ 34,153	$ 31,369	$ 135,137
Landfill segment	7,137	8,309	8,609	8,616	6,955	32,489
	$ 42,175	$ 43,370	$ 43,163	$ 42,769	$ 38,324	$ 167,626
Net income	$ 3,362	$ 3,681	$ 3,323	$ 3,571	$ 2,562	$ 13,137
Net income per trust unit, basic and diluted	$ 0.13	$ 0.14	$ 0.13	$ 0.13	$ 0.10	$ 0.50
Free cash flow available for distribution[B]	$ 10,913	$ 7,806	$ 9,151	$ 10,170	$ 9,552	$ 36,679
Distributions declared	$ 8,446	$ 8,447	$ 8,281	$ 7,950	$ 7,950	$ 32,628

(in thousands, except per trust unit amounts)	2002[10]				
	Q4	Q3	Q2[11] [12]	Q1[11]	Total
	(unaudited)				
Revenues					
Collection segment	$ 32,015	$ 32,347	$ 31,824	$ 27,488	$ 123,674
Landfill segment	7,673	7,500	7,036	4,792	27,001
	$ 39,688	$ 39,847	$ 38,860	$ 32,280	$ 150,675
Net income	$ 447	$ 1,566	$ 2,592	$ 65	$ 4,670
Net income per trust, basic and diluted	$ 0.02	$ 0.06	$ 0.10	N/A	$ 0.18
Free cash flow available for distribution[B]	$ 8,621	$ 8,752	$ 6,726	N/A	$ 24,099
Distributions declared	$ 7,950	$ 7,950	$ 5,742	N/A	$ 21,642

Notes:

(10) Operating results have been restated to reflect the adoption of the new accounting standard for asset retirement obligations.

(11) Operating results for the period from January 1, 2002 to April 24, 2002 are the results of 3743276 Canada Inc., one of the predecessors of BFI Canada Holdings Inc. The Fund indirectly acquired all of the issued and outstanding shares of 3743276 Canada Inc. on April 25, 2002 in connection with the closing of its initial public offering of trust units. The Fund has only consolidated the results of BFI Canada Holdings Inc. with its results since April 25, 2002. Reference is made to the prospectus of the Fund dated April 16, 2002 relating to the initial public offering for a complete description of the transactions effected concurrently with the closing of such offering.

(12) Free cash flow available for distribution and distributions declared are for the period from April 25, 2002 to June 30, 2002.

The increase in collection segment revenues from Q1 2002 to Q1 2004, is due principally to the following: the acquisition of F.A. in February 2002, approximately $2,300, new collection contracts that commenced in the first quarter of 2003, approximately $700, two strategic "tuck-in" acquisitions completed late in Q3 2003, approximately $700, with the balance due from price increases and organic growth.

The increase in the landfill and energy segment revenues from Q1 2002 to Q1 2004, is due to the following: the City of Lethbridge landfill operating contract which began in Q1 2003, approximately $400, with the balance due to higher volumes of waste entering BFI Canada-owned landfills.

BFI Canada Income Fund – operating results for the three months ended December 31, 2003 – *restated for a change in accounting policy*

The following is a discussion of the results of operations of BFI Canada Income Fund (the "Fund") for the three month period ended December 31, 2003 which have been restated to reflect the impact of the Fund's adoption of CICA 3110, asset retirement obligations.

(in thousands, except per trust unit amounts)	Three months ended December 31	
	2003[13] - Restated (including ARO) (unaudited)	2002[13] - Restated (including ARO) (unaudited)
Revenues	$ 43,370	$ 39,688
Operating expenses	22,264	20,238
Selling, general and administration expenses	6,712	6,492
Income before the following	14,394	12,958
Amortization	11,944	12,175
Interest on long-term debt	1,266	1,126
Net gain on sale of capital and landfill assets	(769)	-
Other expenses	-	-
Income before income taxes	1,953	(343)
Income tax recovery	(1,728)	(790)
Net income	$ 3,681	$ 447
Net income per trust unit, basic & diluted	$ 0.14	$ 0.02
Number of units outstanding	26,500	26,500
Maintenance capital expenditures	$ 4,481	$ 2,069
Growth capital expenditures	682	4,287
Total capital expenditures	$ 5,163	$ 6,356
Free cash flow available for distribution[B]	$ 7,806	$ 8,621
Free cash flow available for distribution[B] per trust unit	$ 0.29	$ 0.33
Aggregate distributions declared	$ 8,446	$ 7,950
Aggregate distributions declared per trust unit	$ 0.32	$ 0.30

Notes:
(13) Effective March 2003, the Canadian Institute of Chartered Accountants issued a new Canadian accounting standard for ARO which requires the recognition of an obligation associated with the retirement of a tangible long-lived asset that an entity is legally obligated to settle. The new standard is effective for fiscal years beginning on or after January 1, 2004 and requires the Fund to retroactively restate all comparative consolidated financial statements. Adopting the new standard effective January 1, 2004 had the following impact on the results of operations for the three months ended December 31, 2003 and 2002: (note: *the impact of adopting the new standard on the results of operations for the year ended December 31, 2003 and 2002 is presented in Selected Annual Information)*

	For the three months ended December 31					
(in thousands, except per trust unit amounts)	2003 - Previously released (excluding ARO)	Effect of a change in accounting policy	December 31, 2003 - Restated (including ARO)	2002 - Previously released (excluding ARO)	Effect of a change in accounting policy	December 31, 2002 - Restated (including ARO)
Revenues	$ 43,370	$ -	$ 43,370	$ 39,688	$ -	$ 39,688
Operating expenses	23,049	(785)	22,264	20,888	(650)	20,238
Selling, general and administration expenses	6,712	-	6,712	6,492		6,492
Income before the following	13,609	785	14,394	12,308	650	12,958
Amortization	11,028	916	11,944	11,475	700	12,175
Interest on long-term debt	1,266	-	1,266	1,126	-	1,126
Net gain on sale of capital and landfill assets	(769)	-	(769)	-	-	-
Income before income taxes	2,084	(131)	1,953	(293)	(50)	(343)
Income tax recovery	(1,694)	(34)	(1,728)	(800)	10	(790)
Net income	$ 3,778	$ (97)	$ 3,681	$ 507	$ (60)	$ 447
Net income per trust unit, basic & diluted	$ 0.14	$ -	$ 0.14	$ 0.02	$ -	$ 0.02
Number of trust units outstanding	26,500	-	26,500	26,500	-	26,500
Maintenance capital expenditures	$ 4,481	$ -	$ 4,481	$ 2,069	$ -	$ 2,069
Growth capital expenditures	682	-	682	4,287	-	4,287
Total capital expenditures	$ 5,163	$ -	$ 5,163	$ 6,356	$ -	$ 6,356
Free cash flow available for distribution(B)	$ 7,937	$ (131)	$ 7,806	$ 8,671	$ (50)	$ 8,621
Free cash flow available for distribution(B) per trust unit	$ 0.30	$ (0.01)	$ 0.29	$ 0.33	$ -	$ 0.33

Review of Operations (for the three months ended December 31, 2003)

(all amounts are in thousands of Canadian dollars – restated see note 13)

Revenues

Revenues for the three months ended December 31, 2003 increased $3,682 or 9.3% to $43,370, of which the solid waste collection ("collection") and landfill and energy ("landfill") segments contributed approximately $3,100 and $600, respectively. The increase in collection revenues is comprised of approximately $700 from new collection contracts (consistent with the three month periods ended June and September 30, 2003), approximately $700 from two strategic "tuck-in" acquisitions completed in August 2003, and a combination of price increases and organic growth totalling approximately $1,700. The increase in landfill revenues during the period is partially attributable to a contribution from the City of Lethbridge landfill operating contract of approximately $400, which began on February 1, 2003, with the balance due to higher volumes of waste entering BFI Canada-owned landfills.

Operating expenses
Operating expenses for the three months ended December 31, 2003 increased $2,026 or 10.0% to $22,264. Approximately $1,000 of the increase relates to the collection segment and is attributable to higher costs incurred to service new collection contracts which began in the first quarter of 2003, organic revenue growth, recently completed acquisitions, and higher period over period costs to service existing customers. An increase in landfill operating costs of approximately $1,000 is attributable to operating the City of Lethbridge landfill, repairs and maintenance completed at the landfill gas to energy facility, handling higher volumes of non-hazardous solid waste entering BFI Canada-owned landfills, and generally higher period over period operating costs.

Selling, general and administration expenses
Selling, general and administration expenses for the three months ended December 31, 2003 increased marginally to $6,712. Establishing the long-term incentive plan ("LTIP") accounted for approximately $600 of the period over period increase which was partially offset by a reduction in the accrual of capital tax expense totalling approximately $200.

Income before amortization, interest on long-term debt, net gain on sale of capital and landfill assets, other expenses and income taxes ("EBITDA[A]")
EBITDA[A] of $14,394 was $1,426 or 11.1% higher than the comparative three month period ended December 31, 2002. Operating the City of Lethbridge landfill, albeit at a lower EBITDA[A] margin than BFI Canada-owned landfills, accepting higher volumes of non-hazardous solid waste at BFI Canada-owned landfills, coupled with new collection contracts, organic growth, price increases, and two strategic "tuck-in" acquisitions, partially offset by the LTIP and repairs and maintenance expenditures incurred at the landfill gas to energy facility, contributed to the period over period EBITDA[A] improvement.

Amortization
Amortization was $231 lower than the comparative three month period ended December 31, 2002. A decline in capital and intangible asset amortization totalling approximately $1,400 was offset by a $1,200 increase in landfill amortization due to the acceptance of higher volumes of non-hazardous solid waste entering BFI Canada-owned landfills. Fully amortized vehicles and equipment acquired by 3743276 Canada Inc. in June 2000, is the principal cause of the approximate $1,400 decline.

Interest on long-term debt
Interest on long-term debt was $140 higher than the comparative three month period ended December 31, 2002. The increase in debt incurred to finance growth capital purchases for new collection contracts and strategic acquisitions, partially offset by a decline in the 30 day rate on bankers' acceptances over the comparative period, resulted in the increase.

Net gain on sale of capital and landfill assets
In August and December 2003, the Fund sold surplus parcels of land near its Winnipeg and Calgary landfill sites resulting in a loss of approximately $300 and a gain of approximately $800, respectively.

Income taxes
Income taxes recovered for the three month period ended December 31, 2003 increased $938. The increase in income taxes recovered is due largely to tax rate reductions and other amounts recognized in three month period ended December 31, 2002 offset by an increase in tax attributable to higher income in the three month period ended December 31, 2003 versus December 31, 2002.

Other Performance Measures
(all amounts are in thousands of Canadian dollars – restated see note 13)

Capital expenditures
Capital expenditures, which include maintenance and growth capital expenditures, totalled $5,163 for the three months ended December 31, 2003. Maintenance capital expenditures, representing the replacement of capital in order to sustain current business operations, increased approximately $2,400 due principally to the timing of expenditures for the replacement of collection vehicles and equipment and landfill cell development

related to the vertical expansion at the Lachenaie landfill. Growth capital expenditures, representing capital required to meet the demands of acquired or organic growth or capital which specifically benefits a future period or periods, were lower than the comparative period by approximately $3,600 due to the timing of capital expenditures made during the fourth quarter of 2002 to service collection contracts which commenced in the first quarter of 2003.

Free cash flow available for distribution(B)

Free cash flow available for distribution(B) totalled $7,806 for the three month period ended December 31, 2003 versus $8,621 for the comparative three month period ended December 31, 2002. The decline experienced between periods is the result of a $1,436 increase in EBITDA(A) coupled with a $517 reduction in current taxes, offset by a $216, $140 and $2,412 increase of amortization of capitalized closure and post-closure costs, interest on long-term debt and maintenance capital expenditures, respectively.

BFI Canada Income Fund – operating results for the three months ended June 30, 2003 and September 30, 2003 – *restated for a change in accounting policy*

Effective March 2003, the Canadian Institute of Chartered Accountants issued a new Canadian accounting standard for ARO which requires the recognition of an obligation associated with the retirement of a tangible long-lived asset that an entity is legally obligated to settle. The new standard is effective for fiscal years beginning on or after January 1, 2004 and requires the Fund to retroactively restate all comparative consolidated financial statements. Adopting the new standard effective January 1, 2004 had the following impact on the results of operations for the three months ended June 30, 2003 and September 30, 2003:

	For the three months ended June 30, 2003			For the three months ended September 30, 2003		
(in thousands, except per trust unit amounts)	2003 - Previously released (excluding ARO)	Effect of a change in accounting policy	June 30, 2003 - Restated (including ARO)	2003 - Previously released (excluding ARO)	Effect of a change in accounting policy	September 30, 2003 - Restated (including ARO)
Revenues	$ 42,769	$ -	$ 42,769	$ 43,163	$ -	$ 43,163
Operating expenses	22,406	(794)	21,612	22,553	(794)	21,759
Selling, general and administration expenses	6,311	-	6,311	5,976		5,976
Income before the following	14,052	794	14,846	14,634	794	15,428
Amortization	10,325	946	11,271	10,675	924	11,599
Interest on long-term debt	1,321	-	1,321	1,320	-	1,320
Net gain on sale of capital and landfill assets	(9)	-	(9)	258	-	258
Income before income taxes	2,415	(152)	2,263	2,381	(130)	2,251
Income tax recovery	(1,260)	(48)	(1,308)	(1,018)	(54)	(1,072)
Net income	$ 3,675	$ (104)	$ 3,571	$ 3,399	$ (76)	$ 3,323
Net income per trust unit, basic & diluted	$ 0.14	$ (0.01)	$ 0.13	$ 0.13	$ -	$ 0.13
Number of trust units outstanding	26,500	-	26,500	26,500	-	26,500
Maintenance capital expenditures	$ 2,234	$ -	$ 2,234	$ 3,858	$ -	$ 3,858
Growth capital expenditures	454	-	454	2,319	-	2,319
Total capital expenditures	$ 2,688	$ -	$ 2,688	$ 6,177	$ -	$ 6,177
Free cash flow available for distribution(B)	$ 10,322	$ (152)	$ 10,170	$ 9,281	$ (130)	$ 9,151
Free cash flow available for distribution(B) per trust unit	$ 0.39	$ (0.01)	$ 0.38	$ 0.35	$ -	$ 0.35
Aggregate distributions declared	$ 7,950	$ -	$ 7,950	$ 8,281	$ -	$ 8,281
Aggregate distributions declared per trust unit	$ 0.30	$ -	$ 0.30	$ 0.31	$ -	$ 0.31

Seasonality

Revenues are generally higher in spring, summer and autumn months due to higher collection and disposal of non-hazardous solid waste. Higher landfill and collection revenues are partially offset by higher landfill asset amortization and higher collection segment operating expenses, respectively.

Competition

The Canadian non-hazardous solid waste management industry is competitive and highly fragmented, with competition split amongst national or regional participants, smaller local niche companies that service specific segments of the industry, and a large number of small haulers spread throughout the country in rural and urban areas and in the public and private sectors. The Fund is constantly challenged to supply its services with the utmost efficiency or risk losing market share. Additional details with respect to the risk of competition are contained in the Fund's 2003 Annual Information Form ("AIF") filed on SEDAR, which can be found at *www.sedar.com*.

Expense Management

The Fund continually monitors the price of various inputs by market, including but not limited to disposal and fuel. In the event that the Fund is burdened with a significant rise in the cost of disposal or fuel, the Fund will pass through all or a portion of the increase to help mitigate the effect of the rise in these expenses.

The Fund continually monitors the price of supplied services by market and will adjust prices accordingly to achieve the desired market strategy. The implementation of these strategies is generally not significant to the Fund's consolidated results of operations, but may be significant to the market in which the strategy is employed.

Risks and Uncertainties

The risks and uncertainties disclosed in the Fund's AIF for the year ended December 31, 2003 are as follows:

Risks related to the business and industry

- Landfill operations
- Inability to achieve business objectives
- Competition
- Limited operating history
- Reliance on third party disposal customers
- Labour
- Reliance on key personnel
- Environmental requirements and other considerations
- Uninsured and underinsured losses
- Potential undisclosed liabilities associated with acquisitions
- Requirements to obtain performance bonds and letters of credit

Risks related to the structure of the Fund

- Dependence on BFI Canada Inc.
- Leverage and restrictive covenants
- Cash distributions are not guaranteed and will fluctuate with BFI Canada's performance
- Nature of units
- Distribution of securities on redemption or termination of the Fund
- The Fund may issue additional units diluting existing unitholders' interests
- Restrictions on potential growth
- Income tax matters
- Investment eligibility and foreign property

Additional details with respect to these risks and uncertainties are contained in the Fund's 2003 AIF filed on SEDAR, which can be found at www.sedar.com.

Outlook

(all amounts are in thousands of Canadian dollars, except per tonne amounts)

Overview

Management's objective is continuous improvement, which equates to continued revenue growth coupled with efficient management of business operations. New market and landfill development will be a continued focus of the Fund as it looks for ways to expand the business, increase customer density in strategic markets, and increase internalization. Our strengths as an income trust remain founded in the following: consistent historical market growth, strong competitive position, a solid client base with long-term contracts, predictable maintenance capital expenditure requirements and strong creation of free cash flow available for distribution[B]. Management of the Fund remains committed to actively manage our strengths in the future.

Collection segment

On April 6, 2004, the Fund completed the acquisition of Twin Oaks Environmental Ltd., a solid waste collection business and transfer station in Hamilton, Ontario, for cash consideration of $5,600. The share transaction was financed with a $5,800 draw from the Fund's revolving credit facility, representing acquisition cost plus incurred and expected transaction costs. Concurrent with the closing of the acquisition, the Fund negotiated a $5,000 increase to its revolving credit facility. The additional amounts available under the revolving facility are subject to the same terms and conditions as the existing facility.

Landfill segment

The Fund is required to deposit into a social utility trust an amount to be established by the Quebec Government for each cubic metre of waste accepted at the Lachenaie landfill, payable quarterly. Upon accessing the Lachenaie north expansion, the Fund is also required to pay a royalty of $1.50 per tonne for each tonne of non-hazardous solid waste accepted to an annual maximum of $1,500. The royalty agreement has a life of 4 years and a maximum cumulative payment of $6,000 over the life of the agreement.

The Fund has received significant volumes of non-hazardous solid waste at its Calgary landfill, and the volumes of waste accepted may not continue at a similar rate. The revenue increase for fiscal 2003 attributable to the Calgary landfill was approximately $4,000.

The Fund is actively reviewing alternatives to replace its Calgary landfill site. To date, the Fund has expensed all costs incurred with regards to its development of an alternative Calgary landfill site.

Other

The Fund has incurred approximately $300 in charges, which are recorded as deferred costs, related to its review of financing alternatives to efficiently finance its future growth. In the event the Fund is not successful in completing its financing, deferred costs would be subject to impairment and written down to the net recoverable amount with a charge to operations.

Looking ahead, management's principal objective is to increase free cash flow available for distribution(B) by continuing to enhance the Fund's service offerings, improving efficiencies and growing through strategic acquisitions. In this regard, management continuously reviews and evaluates potential strategic acquisitions; especially those that can increase free cash flow and, accordingly, distributions. Future strategic initiatives may be financed with borrowings, the issuance of additional units, from working capital or from cash flow generated from operations.

Distributions are dependent on free cash flow available for distribution(B) and the amount of distributions is reviewed by the Trustees from time to time.

Critical Accounting Estimates

The Fund prepares its consolidated financial statements in conformity with Canadian generally accepted accounting principles as described in the notes to the consolidated financial statements. The preparation of the consolidated financial statements requires the Fund to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions require continual evaluation and re-evaluation. Each estimate requires various degrees of judgment which are principally based on past experience, management's understanding of current and expected economic events, third party estimates and various other information that is considered reasonable in the determination of each estimate. The very nature of each estimate is subject to inherent uncertainty.

Allowance for doubtful accounts

The Fund records an allowance for doubtful accounts to reflect management's best estimate of losses inherent in its trade receivables. The allowance is established based on amounts that are significantly past due and known and likely uncollectible amounts. Management is comfortable that the allowance for doubtful accounts is of an amount sufficient to cover anticipated losses under current conditions. A significant decline in the economy could significantly affect current and future provision estimates.

Goodwill

The Fund tests goodwill for impairment at least annually, and more frequently if an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying amount. The Fund estimates future cash flow streams using various revenue and expense probabilities, growth assumptions, risk free interest rates, market risk premiums, discount rates, sustaining capital expenditure requirements and tax rates. Significant changes in any or all of these estimates caused by significant economic downturns, increasing costs or changes to interest and tax rates may result in all or a portion of the fair value of a reporting unit exceeding its carrying amount, which would result in the Fund recording an impairment charge to record the write-down in the value of goodwill.

Deferred costs

The Fund periodically reviews the carrying amounts of deferred costs for impairment. Deferred costs include amounts related to the permitting of the Lachenaie landfill, financings and acquisitions. Deferred costs only include project related, third party amounts and accordingly do not include capitalized operating or selling, general and administration expenses. Management assesses the likelihood of impairment in light of each project's ultimate success. Any resulting impairment would result in the Fund recording an impairment charge to record the write-down in the value of deferred costs.

Useful life of long-lived assets

The estimated useful life of long-lived assets is used in the determination of each asset's annual amortization. The asset's life is estimated based on management's experience with like assets, taking into consideration technological advancements, improvements and other factors. The operating lives of some assets may differ from management's estimates. In the event that an asset's life is shorter than estimated, the Fund would have to assess if the carrying amount of the asset was in excess of its fair value. If the Fund concluded that the asset's carrying amount was in excess of its fair value, the Fund would record an impairment charge to record the write-down in the value of the asset.

Impairment

The Fund assesses the possible impairment of long-lived assets when events or changes occur that indicate the recoverable amount of an asset is subject to impairment. Impairment is measured using a projected undiscounted cash flow method. If the asset's carrying amount is in excess of its recoverable amount, the difference would be recorded as an impairment charge to reflect the write-down in the value of the asset.

Landfill assets

The Fund estimates airspace capacity and projected landfill construction and development costs in the determination of landfill asset amortization. Changes in projected construction and development costs and capacities may have a significant impact on the amortization of landfill assets.

Landfill closure and post-closure costs

The Fund develops its estimates for closure and post-closure costs with input from its engineers and accounting personnel based on the landfill regulations governing each facility, and reviews those estimates at least annually. The Fund's estimates are developed with the intention of approximating fair value, as quoted market prices are generally absent. In the development of those estimates the Fund uses the expected cash flow approach in the determination of fair value. The expected cash flow approach contemplates multiple cash flow scenarios that reflect a range of possible outcomes. The Fund also considers and incorporates assumptions that marketplace participants would use in the determination of fair value estimates, including inflation, mark-up's, inherent uncertainties due to the timing of work performed, information obtained from third parties, quoted and actual prices paid for similar work and engineering estimates. Once fair value estimates have been established, these amounts are discounted back to their present value using the credit adjusted risk free rate, where the credit adjusted risk free rate is the rate of interest on assets that are essentially free of default risk, adjusted for the credit standing of the Fund. Reliable estimates of market risk premiums are not available as there is no market that exists for selling the responsibility of landfill closure and post-closure activities. Accordingly, the Fund has excluded any estimate of market risk premiums in the determination of the fair value of landfill closure and post-closure costs.

In establishing the closure and post-closure cost obligation, the Fund has to estimate airspace capacity on a cell-by-cell basis and for the entire site which is generally supplied by third party engineers.

The assumptions included in the determination of closure and post-closure cost obligations are significant. Changes in estimated costs, discount rates and capacities may have a significant impact on future closure and post-closure cost obligations, the related landfill assets and the results of operations.

Income taxes

The Fund is required to make estimates and assumptions in the determination of its income taxes. The calculation of income tax amounts requires significant judgment involving the interpretation of tax rules and regulations. The Fund's tax filings are subject to audit, the outcome of which may change the amount of current and income tax assets and liabilities.

Employee future benefits

The Fund maintains a defined benefit pension plan (see Note 14, to the December 31, 2003 consolidated financial statements). The amounts reported in the consolidated financial statements relating to these benefits are determined using actuarial calculations that are based on various assumptions, the most significant of which are the discount rate and the expected long-term rate of return on plan assets. The discount rate is the interest rate used to determine the present value of the future cash flows that the Fund expects to settle and is consistent with the prior year. The defined benefit plan and its assets and obligations are not significant, such that a change in the discount rate will not have a significant impact on the Funds pension expense or funding obligation. The expected long-term rate on plan assets represents management's best estimate of expected returns on the plan's assets invested in financial markets. Management is comfortable that the current rate is reasonable in light of historical returns and our understanding of current and future economic conditions.

New Accounting Policies

(all amounts are in thousands of Canadian dollars, except per trust unit amounts)

Asset retirement obligations

Effective January 1, 2004, the Fund adopted CICA Handbook section 3110, asset retirement obligations, retroactively with restatement. The new section establishes standards for the recognition and measurement of liabilities for legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation. The obligation is measured initially at fair value, where fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The resulting costs are capitalized to the carrying amount of the related asset and amortized to income on a systematic and rational basis. In subsequent periods, the obligation is adjusted for the accretion of discount using the interest method of allocation and any changes in the amount or timing of the underlying future cash flows. Upon settlement of the obligation, the Fund will record a gain or loss if actual costs are different than the recorded obligation.

Adopting this section has resulted in a fundamental change in the Fund's recognition and measurement of landfill closure and post-closure costs. ARO requires that cost estimates should consider the following: the market's assessment of these costs and timing thereof, inflation, mark-up, technological advancements, probabilities under different scenarios, uncertainties inherent in the obligation and other considerations. These closure and post-closure cost estimates are then discounted back using the credit adjusted risk free rate, which is the risk-free interest rate adjusted for the credit standing of the Fund. As the obligation is recognized, an equal and offsetting landfill asset is recognized which is subsequently amortized on a per unit basis. Accretion, representing the increase in the carrying amount of landfill closure and post-closure cost accruals due to the passage of time, is recognized as an operating expense in the consolidated statements of operations. The effect of this change in accounting policy on the 2003 comparative information contained in the consolidated financial statements of the Fund is as follows:

(in thousands)	December 31, 2003	Effect of a change in accounting policy	December 31, 2003 - Restated
Consolidated Balance Sheets			
Landfill assets - cost	$ 132,560	$ 6,815	$ 139,375
Landfill assets - accumulated amortization	$ 19,476	$ 6,815	$ 26,291
Landfill closure and post-closure costs	$ 8,870	$ (6,228)	$ 2,642
Future income tax liabilties	$ 19,036	$ 2,110	$ 21,146
Unitholders' equity	$ 220,208	$ 4,118	$ 224,326

(in thousands, except per trust unit amounts)	March 31, 2003	Effect of a change in accounting policy	March 31, 2003 - Restated
Consolidated Statements of Operations			
Operating expenses	$ 19,827	$ (570)	$ 19,257
Amortization	$ 9,917	$ 644	$ 10,561
Income tax recovery - future	$ (2,015)	$ 108	$ (1,907)
Net income	$ 2,744	$ (182)	$ 2,562
Net income per trust unit, basic & diluted	$ 0.10	$ -	$ 0.10

(in thousands)	March 31, 2003	Effect of a change in accounting policy	March 31, 2003 - Restated
Consolidated Statements of Cash Flows			
Net income	$ 2,744	$ (182)	$ 2,562
Amortization of landfill assets	$ 2,355	$ 644	$ 2,999
Accretion of landfill closure and post-closure costs	$ -	$ 34	$ 34
Provision for landfill closure and post-closure costs	$ 604	$ (604)	$ -
Future income taxes	$ (2,015)	$ 108	$ (1,907)
Cash generated from operating activities	$ 7,765	$ -	$ 7,765

(in thousands)	March 31, 2003	Effect of a change in accounting policy	March 31, 2003 - Restated
Consolidated Statements of Unitholders' Equity			
Balance, beginning of period	$ 239,240	$ 4,560	$ 243,800
Net income	$ 2,744	$ (182)	$ 2,562
Balance, end of period	$ 234,034	$ 4,378	$ 238,412

Generally accepted accounting principles

Effective January 1, 2004, the Fund adopted the new Canadian standard on generally accepted accounting principles ("GAAP"), which provides additional clarity regarding what constitutes Canadian GAAP and its sources and what to consult when selecting accounting policies and disclosures when a matter is not dealt with explicitly in the primary sources of GAAP. Adopting the new accounting standard did not impact the consolidated financial statements of the Fund.

Disposal of long-lived assets and discontinued operations

Effective January 1, 2004, the Fund adopted CICA section 3475, disposal of long-lived assets and discontinued operations. The section establishes recognition, measurement, presentation and disclosure standards for the disposal of long-lived assets. The section requires that long-lived assets, to be disposed of other than by sale, be classified as held, establishes various requirements for the classification of long-lived assets as held for sale and requires that long-lived assets held for sale be carried at the lower of their carrying amount or fair value less cost to sell. The section also establishes standards for the presentation and disclosure of discontinued operations and provides a broader definition of what constitutes a discontinued operation. Adopting the new accounting standard did not have a significant impact on the consolidated financial statements of the Fund.

Disclaimer

This document may contain forward-looking statements relating to the Fund's operations or to the environment in which it operates, which are based on the Fund's operations, estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict, or are beyond the Fund's control. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. These factors include those set forth in the Fund's AIF for the year ended December 31, 2003. Consequently, readers should not rely on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they are made. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, the Fund cannot assure unitholders that actual results will be consistent with these forward looking statements, and the Fund disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

(A) All references to "EBITDA" in the Management's Discussion and Analysis are to "income before the following" on the consolidated statements of operations. Income before the following may include some or all of the following: "amortization, interest on long-term debt, gain on sale of capital assets or net gain on sale of capital and landfill assets, other expenses and income taxes". EBITDA is a term used by the Fund that does not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and is therefore unlikely to be comparable to similar measures used by other issuers. EBITDA is a measure of the Fund's operating profitability, and by definition, excludes certain expenses (specifically amortization, interest on long-term debt, gain on sale of capital assets or net gain on sale of capital and landfill assets, other expenses and income taxes). These expenses are viewed by management as either non-cash (in the case of amortization and future income taxes) or non-operating (in the case of interest on long-term debt, gain on sale of capital assets or net gain on sale of capital and landfill assets, other expenses and current income taxes). EBITDA is a useful financial and operating metric for investors as it represents a starting point in the determination of free cash flow available for distribution(B). The underlying reasons for exclusion of each item are as follows:

Amortization – as a non-cash item amortization has no impact on the determination of free cash flow available for distribution(B).

Interest on long-term debt – interest on long-term debt is a function of an entity's debt/equity mix and interest rates; as such, it reflects the treasury/financing activities of the entity and represents a different class of expense than the components of EBITDA.

Gain on sale of capital assets - the gain on sale of capital assets has no impact on the determination of free cash flow available for distribution(B), because the proceeds were reinvested in other capital assets.

Net gain on sale of capital and landfill assets – the net gain on sale of capital and landfill assets has no impact on the determination of free cash flow available for distribution(B), because the proceeds were used to repay the Fund's revolving loan facility.

Other expenses – other expenses include corporate development and organizational cots, management severance costs, management fees and a special one-time management bonus issued in connection with the closing of the initial public offering. Other expenses were exclusive to 3743276 Canada Inc. and are considered non-operating.

Income taxes – income taxes are a function of tax laws and rates and are affected by matters which are separate from the daily operations of the Fund.

EBITDA should not be construed as a measure of income or of cash flows. The reconciling items between EBITDA and net income are detailed in the consolidated statements of operations beginning with "income before the following" and ending with "net income".

(B) The Fund has adopted a measurement called free cash flow available for distribution to supplement net income as a measure of operating performance. Free cash flow available for distribution is a term which does not have a standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures used by other issuers. The objective of presenting this non-GAAP measure is to calculate the amount which is available for distribution to unitholders. Free cash flow available for distribution is calculated as EBITDA(A) less amortization of capitalized landfill asset closure and post-closure costs, interest on long-term debt, current income taxes and maintenance capital expenditures. Free cash flow available for distribution is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to cash flow as a measure of liquidity. All references in the MD&A to "free cash flow available for distribution" have the meaning set out in this note.

BFI CANADA INCOME FUND
Consolidated Balance Sheets
March 31, 2004 (unaudited) and December 31, 200
(in thousands of dollars)

		March 31, 2004		December 31, 2003 (Note 3)
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**5,673**	$	6,704
Accounts receivable		**25,312**		25,838
Other receivables		**1,255**		1,203
Prepaid expenses		**2,518**		2,081
		34,758		35,826
OTHER RECEIVABLES		**3,196**		3,284
INTANGIBLES		**63,896**		66,993
GOODWILL		**49,171**		49,171
DEFERRED COSTS		**3,612**		3,069
DEFERRED FINANCING COSTS		**956**		1,176
CAPITAL ASSETS		**82,187**		84,359
LANDFILL ASSETS (Note 5)		**111,292**		113,084
	$	**349,068**	$	356,962
LIABILITIES				
CURRENT				
Accounts payable	**$**	**9,307**	$	11,866
Accrued charges		**5,671**		5,836
Distribution payable		**2,816**		2,816
Income taxes payable		**646**		346
Deferred revenues		**6,322**		6,400
Current portion of long-term debt		**276**		271
		25,038		27,535
LONG-TERM DEBT		**81,243**		81,313
LANDFILL CLOSURE AND POST-CLOSURE COSTS (Note 6)		**3,450**		2,642
FUTURE INCOME TAX LIABILITIES		**20,095**		21,146
		129,826		132,636
UNITHOLDERS' EQUITY (Note 7)		**219,242**		224,326
	$	**349,068**	$	356,962

BFI CANADA INCOME FUND
Consolidated Statements of Operations
For the period ended March 31, 2004 (unaudited)
(in thousands of dollars, except net income per trust unit amounts)

	Three months ended 2004	2003 (Note 3)
REVENUES	**$ 42,175**	$ 38,324
EXPENSES		
OPERATING	**21,452**	19,257
SELLING, GENERAL AND ADMINISTRATION	**6,589**	6,453
INCOME BEFORE THE FOLLOWING	**14,134**	12,614
AMORTIZATION	**10,566**	10,561
INTEREST ON LONG-TERM DEBT	**1,176**	1,230
GAIN ON SALE OF CAPITAL ASSETS	**(24)**	(7)
INCOME BEFORE INCOME TAXES	**2,416**	830
INCOME TAX EXPENSE (RECOVERY)		
Current	**105**	175
Future	**(1,051)**	(1,907)
	(946)	(1,732)
NET INCOME	**$ 3,362**	$ 2,562
Net income per trust unit, basic and diluted	**$ 0.13**	$ 0.10
Weighted average number of trust units outstanding (thousands)	**26,500**	26,500

BFI CANADA INCOME FUND
Consolidated Statements of Cash Flows
For the period ended March 31, 2004 (unaudited)
(in thousands of dollars)

	Three months ended	
	2004	2003 (Note 3)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net income	**$ 3,362**	$ 2,562
Items not affecting cash		
Amortization of intangibles	**3,097**	3,128
Amortization of deferred financing costs	**220**	220
Amortization of capital assets	**3,800**	4,214
Amortization of landfill assets	**3,449**	2,999
Gain on disposal of capital assets	**(24)**	(7)
Accretion of landfill closure and post-closure costs	**49**	34
Future income taxes	**(1,051)**	(1,907)
Landfill closure and post-closure expenditures	**(76)**	-
	12,826	11,243
Changes in non-cash working capital items	**(2,413)**	(3,478)
Cash generated from operating activities	**10,413**	7,765
INVESTING		
Investment in other receivables	**(262)**	(2,850)
Proceeds from other receivables	**233**	238
Purchase of capital assets	**(1,634)**	(2,932)
Purchase of landfill assets	**(822)**	(35)
Proceeds on disposal of capital assets	**30**	8
Deferred costs	**(543)**	(392)
Cash utilized in investing activities	**(2,998)**	(5,963)
FINANCING		
Proceeds from revolving loan	**-**	6,250
Distributions paid to unitholders	**(8,446)**	(7,950)
Cash utilized in financing activities	**(8,446)**	(1,700)
NET CASH (OUTFLOW) INFLOW	**(1,031)**	102
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**6,704**	5,666
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 5,673**	$ 5,768
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash and cash equivalents are comprised of:		
Cash	**$ 2,846**	$ 2,673
Cash equivalents	**2,827**	3,095
	$ 5,673	$ 5,768
Cash paid during the period for:		
Income taxes	**$ 4**	$ 43
Interest	**$ 1,139**	$ 1,722

BFI CANADA INCOME FUND
Consolidated Statements of Unitholders' Equity
For the period ended March 31, 2004 (unaudited)
(in thousands of dollars)

	Three months ended 2004	Three months ended 2003 (Note 3)
BALANCE, BEGINNING OF PERIOD (Note 3)	**$ 224,326**	$ 243,800
Net income	**3,362**	2,562
Distributions	**(8,446)**	(7,950)
BALANCE, END OF PERIOD	**$ 219,242**	$ 238,412

1. Organization

BFI Canada Income Fund (the "Fund") is an open ended, limited purpose trust established under the laws of the Province of Ontario and governed by an amended and restated declaration of trust dated April 15, 2002. The Fund holds the common shares and notes of BFI Canada Holdings Inc. ("Holdings") and through its operating subsidiary BFI Canada Inc. ("BFI Canada") and its two subsidiaries BFI Usine de Triage Lachenaie Ltd. ("BFI Usine") and Entreprise Sanitaire F.A. Ltée ("F.A."), provides non-hazardous solid waste collection and landfill disposal services for commercial, industrial and residential customers in the provinces of British Columbia, Alberta, Manitoba, Ontario and Quebec. The Fund makes cash distributions to unitholders based on all amounts received by the Fund, including interest, dividends, redemption proceeds, purchase for cancellation proceeds, returns of capital and repayments of indebtedness net of reasonable expenses, as determined by the Trustees, and amounts related to the redemption of units payable in cash and interest expense. The declaration of trust provides that monthly cash distributions are to be paid on or about the fifteenth day of the succeeding month.

2. Interim Financial Statements

The unaudited interim consolidated financial statements do not conform in all respects to the requirements of Canadian generally accepted accounting principles ("GAAP") for annual financial statements and should therefore be read in conjunction with the audited consolidated financial statements and notes thereto included in the Fund's annual report for the year ended December 31, 2003. The unaudited interim consolidated financial statements have been prepared by management in accordance with GAAP applicable to interim consolidated financial statements and follow the same accounting policies and methods in their applications as the most recent annual financial statements, except as indicated in Note 3 & 4.

3. Change in Accounting Policy

Effective January 1, 2004, the Fund adopted CICA Handbook section 3110, asset retirement obligations ("ARO"), retroactively with restatement. The new section establishes standards for the recognition and measurement of liabilities for legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation. The obligation is measured initially at fair value, where fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The resulting costs are capitalized to the carrying amount of the related asset and amortized to income on a systematic and rational basis. In subsequent periods, the obligation is adjusted for the accretion of discount using the interest method of allocation and any changes in the amount or timing of the underlying future cash flows. Upon settlement of the obligation, the Fund will record a gain or loss if actual costs are different than the recorded obligation.

(in thousands of dollars, except per trust unit amounts)

Adopting this section has resulted in a fundamental change in the Fund's recognition and measurement of landfill closure and post-closure costs. ARO requires that cost estimates should consider the following: the market's assessment of these costs and timing thereof, inflation, mark-up, technological advancements, probabilities under different scenarios, uncertainties inherent in the obligation and other considerations. These closure and post-closure cost estimates are then discounted back using the credit adjusted risk free rate, which is the risk-free interest rate adjusted for the credit standing of the Fund. As the obligation is recognized, an equal and offsetting landfill asset is recognized which is subsequently amortized on a per unit basis. Accretion, representing the increase in the carrying amount of landfill closure and post-closure cost accruals due to the passage of time, is recognized as an operating expense in the consolidated statements of operations. The effect of this change in accounting policy on the 2003 comparative information contained in the consolidated financial statements of the Fund is as follows:

Consolidated Balance Sheets	December 31, 2003	Change in accounting policy	December 31, 2003 (restated)
Landfill assets - cost	$ 132,560	$ 6,815	$ 139,375
Landfill assets - accumulated amortization	$ 19,476	$ 6,815	$ 26,291
Landfill closure and post-closure costs	$ 8,870	$ (6,228)	$ 2,642
Future income tax liabilities	$ 19,036	$ 2,110	$ 21,146
Unitholders' equity	$ 220,208	$ 4,118	$ 224,326

Consolidated Statements of Operations	Three months ended March 31, 2003	Change in accounting policy	Three months ended March 31, 2003 (restated)
Operating expenses	$ 19,827	$ (570)	$ 19,257
Amortization	$ 9,917	$ 644	$ 10,561
Income tax recovery - future	$ (2,015)	$ 108	$ (1,907)
Net income	$ 2,744	$ (182)	$ 2,562
Net income per trust unit, basic and diluted	$ 0.10	$ -	$ 0.10

Consolidated Statements of Cash Flows	Three months ended March 31, 2003	Change in accounting policy	Three months ended March 31, 2003 (restated)
Net income	$ 2,744	$ (182)	$ 2,562
Amortization of landfill assets	$ 2,355	$ 644	$ 2,999
Accretion of landfill closure and post-closure costs	$ -	$ 34	$ 34
Provision for landfill closure and post-closure costs	$ 604	$ (604)	$ -
Future income taxes	$ (2,015)	$ 108	$ (1,907)
Cash generated from operating activities	$ 7,765	$ -	$ 7,765

Consolidated Statements of Unitholders' Equity	Three months ended March 31, 2003	Change in accounting policy	Three months ended March 31, 2003 (restated)
Balance, beginning of period	$ 239,240	$ 4,560	$ 243,800
Net income	$ 2,744	$ (182)	$ 2,562
Balance, end of period	$ 234,034	$ 4,378	$ 238,412

4. Summary of Significant Accounting Policies

Use of estimates

The preparation of the unaudited consolidated financial statements in conformity with GAAP applicable to interim financial statements requires the Fund to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Effective February 10, 2004, the Fund received approval to expand the capacity of the Lachenaie landfill by an additional 6.5 million cubic metres which, depending on the annual volume of non-hazardous solid waste entering the site, is the equivalent of between 5.0 and 6.5 years of operation. In the event that the Fund is not successful in obtaining future Lachenaie landfill expansion permits, the following assets, as at March 31, 2004, would be subject to material adjustment; goodwill, $19,859, deferred costs, $3,167 and landfill assets (Note 5), $81,112. Management remains confident that approval for additional expansions will be obtained prior to the expiry of the Fund's current permit and accordingly no provision for impairment has been recorded.

Landfill assets

Landfill assets represent the cost of landfill airspace, including original acquisition cost, incurred landfill construction and development costs and capitalized closure and post-closure costs.

The cost of landfill permits, projected landfill construction and development costs, and capitalized closure and post-closure costs are being amortized on a per unit basis as landfill airspace is consumed.

Management annually updates landfill capacity estimates based on survey information provided by independent engineers. The impact on annual amortization expense of changes in estimated capacity and construction costs is accounted for prospectively.

Total available disposal capacity for the purpose of amortizing landfill assets represents the sum of estimated permitted airspace capacity (having received the final permit from the governing authorities) plus deemed permitted airspace capacity, which represents an estimate of airspace capacity that management believes is probable of ultimately being permitted based on the following criteria:

- Personnel are actively working to obtain the permit or permit modifications necessary for expansion of an existing landfill, and progress is being made on the project;
- It is probable that the required approvals will be received within the normal application and processing time periods for approvals in the jurisdiction in which the landfill is located;
- The Fund has a legal right to use or obtain land associated with the expansion plan;

- There are no significant known political, technical, legal or business restrictions or issues that could impair the success of such expansion;
- A financial feasibility analysis has been completed, and the results demonstrate that the expansion has a positive financial and operational impact such that management is committed to pursuing the expansion; and
- Additional airspace capacity and related costs have been estimated based on the conceptual design of the proposed expansion.

Generally, the Fund and its predecessor have been successful in receiving approvals for expansions pursued; however, there can be no assurance that the Fund will be successful in obtaining approvals for landfill expansions in the future.

Landfill closure and post-closure costs

The costs associated with capping, closing and monitoring the landfill after it ceases to accept waste are recognized at fair value over the landfill's operating life; the period over which the landfill accepts non-hazardous solid waste.

The Fund develops its estimates for closure and post-closure costs with input from its engineers and accounting personnel based on the landfill regulations governing each facility, and reviews those estimates at least annually. The Fund's estimates are developed with the intention of approximating fair value, as quoted market prices are generally absent. In the development of those estimates the Fund uses the expected cash flow approach in the determination of fair value. The expected cash flow approach contemplates multiple cash flow scenarios that reflect a range of possible outcomes. The Fund also considers and incorporates assumptions that marketplace participants would use in the determination of fair value estimates, including inflation, mark-up's, inherent uncertainties due to the timing of work performed, information obtained from third parties, quoted and actual prices paid for similar work and engineering estimates. Once fair value estimates have been established, these amounts are discounted back to their present value using the credit adjusted risk free rate, where the credit adjusted risk free rate is the rate of interest on assets that are essentially free of default risk, adjusted for the credit standing of the Fund. Reliable estimates of market risk premiums are not available as there is no market that exists for selling the responsibility of landfill closure and post-closure activities. Accordingly, the Fund has excluded any estimate of market risk premiums in the determination of the fair value of landfill closure and post-closure costs.

Inflation assumptions consider a range of possible outcomes based on management's understanding of the current and anticipated economic conditions and the expected timing of the actual expenditures. Accordingly, the Fund has used various inflation factors which range from 2 to 3%. Due to the inherent uncertainty in making those estimates, actual results could differ from those estimates.

Landfill closure and post-closure costs

The risk free interest rate and credit adjustment rate consider a range of possible outcomes based on management's understanding of current and anticipated economic conditions and the expected timing of the actual expenditures. Accordingly, the Fund has used various risk free and credit adjusted rates for each landfill that range from 2.7 to 5.5% and 3.0 to 4.0%, respectively. Due to the inherent uncertainty in making those estimates, actual results could differ from those estimates. Future changes in the Fund's credit standing do not change the previously recorded amounts for closure and post-closure costs, but will impact subsequent fair value calculations.

Downward revisions to estimated closure and post-closure costs are discounted using the credit adjusted risk free rate when the estimated closure and post-closure costs were originally established, or a weighted average credit adjusted risk free rate if the period of original recognition cannot be identified.

The Fund records the estimated fair value of closure and post-closure costs as airspace is consumed. The total obligation will be fully accrued at the time these facilities cease to accept non-hazardous solid waste and are closed.

Daily maintenance activities including environmental monitoring, mowing and fertilizing, leachate management, well monitoring, buffer maintenance and other activities are charged to operating expenses during the operating life of the landfill. These costs are estimated and included in the Fund's closure and post-closure accruals for all activities that occur post the landfill's operating life. Maintenance activities are generally required for a period of 30 years post site closure.

Accretion, representing the increase in the carrying amount of landfill closure and post-closure cost accruals due to the passage of time, is recognized as an operating expense in the consolidated statements of operations.

The Fund assumed closure and post-closure cost liabilities, from its predecessor 3743276 Canada Inc., when it completed its acquisition thereof on April 25, 2002.

Generally accepted accounting principles

Effective January 1, 2004, the Fund adopted the new Canadian standard on generally accepted accounting principles ("GAAP"), which provides additional clarity regarding what constitutes Canadian GAAP and its sources and what to consult when selecting accounting policies and disclosures when a matter is not dealt with explicitly in the primary sources of GAAP. Adopting the new accounting standard had no impact on the consolidated financial statements of the Fund.

(in thousands of dollars, except per trust unit amounts)

Disposal of long-lived assets and discontinued operations

Effective January 1, 2004, the Fund adopted CICA section 3475, disposal of long-lived assets and discontinued operations. Long-lived assets, to be disposed of other than by sale, are to be classified as held. Long-lived assets held for sale should be carried at the lower their carrying amount or fair value less cost to sell. Adopting the new accounting standard had no impact on the consolidated financial statements of the Fund.

5. Landfill Assets

March 31, 2004

	Cost	Accumulated Amortization	Net Book Value
Landfill assets	**$ 141,032**	**$ 29,740**	**$ 111,292**

December 31, 2003 (restated)

	Cost	Accumulated Amortization	Net Book Value
Landfill assets	$ 139,375	$ 26,291	$ 113,084

Effective February 10, 2004, the Fund received approval to expand the capacity of the Lachenaie landfill by an additional 6.5 million cubic metres which, depending on the annual volume of non-hazardous solid waste entering the site, is the equivalent of between 5.0 and 6.5 years of operation. Future approvals to continue operating the Lachenaie landfill are expected to increase its capacity, and accordingly its operating life, an additional 33 million cubic metres and are required to complete the filling of the then remaining unfilled airspace capacity. Management expects to receive the necessary permits prior to the expiry of the then current permit and is amortizing the Lachenaie landfill costs over the combined permitted and deemed permitted airspace. The net book value of the Lachenaie landfill at March 31, 2004 is $81,112 (December 31, 2003 - $81,441).

The December 31, 2003 cost and accumulated amortization amounts for landfill assets has been restated to reflect the Fund's adoption of ARO. The effect of a change in accounting policy has resulted in a $6,815 increase in both landfill assets cost and accumulated amortization.

(in thousands of dollars, except per trust unit amounts)

6. Landfill Closure and Post-Closure Costs

The Fund currently owns and operates 3 non-hazardous solid waste landfills and is responsible for closure and post-closure monitoring and maintenance costs in respect of each site. Closure and post-closure costs arise from the Fund's obligations to ensure that tangible long-lived assets are appropriately remediated, monitored and maintained post their operating lives. The following tables outline the key assumptions used in the determination of fair value for closure and post-closure costs and the expected timing of landfill closure and post-closure expenditures, and reconcile beginning and ending landfill closure and post-closure costs:

	March 31, 2004
Undiscounted closure and post-closure costs	$ 120,896
Credit adjusted risk free rate	5.7 to 9.5 %
Expected timing of landfill closure and post-closure expenditures	
2004	$ 1,548
2005	435
2006	640
2007	991
2008	916
Thereafter	116,366
	$ 120,896

	Three months ended March 31, 2004	Three months ended March 31, 2003
Landfill closure and post-closure costs, beginning of period	$ 2,642	$ 1,335
Provision for landfill closure and post-closure costs, during the period	835	644
Accretion expense, during the period	49	29
Landfill closure and post-closure expenditures, during the period	(76)	-
Closure and post-closure costs, end of period	$ 3,450	$ 2,008

Effective February 10, 2004, the Fund received approval to expand the capacity of the Lachenaie landfill. As a condition of this approval, the Fund is required to deposit into a social utility trust an amount to be established by the Quebec Government for each cubic metre of waste accepted at the Lachenaie landfill, payable quarterly. As at March 31, 2004, the amount per cubic metre has not been established by the Quebec Government. The Fund expects that it will be obligated to make such deposits commencing on June 30, 2004. As at March 31, 2004 and 2003, the Fund has no legally restricted assets for the purpose of settling closure and post-closure costs.

(in thousands of dollars, except per trust unit amounts)

Effective February 10, 2004, the Fund received approval to expand the capacity of the Lachenaie landfill by an additional 6.5 million cubic metres which, depending on the annual volume of non-hazardous solid waste entering the site, is the equivalent of between 5.0 and 6.5 years of operation. Expected closure and post-closure costs cannot be reasonably determined until all elements of the Lachenaie landfill expansion are finalized with the Quebec Government. Accordingly, no amounts are included in the expected future payments for closure and post-closure costs provided above.

7. Unitholders' Equity

An unlimited number of trust units may be issued. Each trust unit is transferable, voting and represents an equal and undivided beneficial interest in any distributions from the Fund whether of income, net realized capital gains or other amounts and in any net assets of the Fund in the event of termination or winding-up of the Fund.

Details of contributed equity and accumulated net income and distributions are as follows:

	March 31, 2004	
	Units	$
Contributed equity		
Trust units, beginning of year and end of period	26,500,000	$ 254,997
Accumulated net income		
Net income, beginning of year		19,481
Effect of a change in accounting policy (Note 3)		4,118
Net income, current period		3,362
Net income, end of period		26,961
Accumulated distributions		
Distributions, beginning of year		54,270
Distributions, current period		8,446
Distributions, end of period		62,716
Unitholders' equity		$ 219,242

(in thousands of dollars, except per trust unit amounts)

8. Segmented Reporting

The Fund carries out business through two separate business segments: landfills and energy, and solid waste collection. The Fund owns and operates three landfills, which service Montreal, Calgary, Winnipeg and their respective surrounding communities, and operates one landfill for the City of Lethbridge. The Fund's landfill gas to energy facility, located at its Lachenaie landfill in Quebec, is also included in this business segment. The solid waste collection segment consists of the collection and disposal of non-hazardous solid waste and recyclable products, transfer collection operations, material recovery facilities and compactor rentals.

The accounting policies used in these business segments are the same as those described in the summary of significant accounting policies. Corporate selling, general and administration costs are allocated to the segments based on various factors, including revenues. The Fund evaluates segment performance based on gross revenues, less operating and selling, general and administration expenses.

The Fund does not have any customers for which sales exceed 10% of total revenues. Substantially all of the Fund's revenues are earned in Canada.

		Three months ended March 31, 2004		Three months ended March 31, 2003 (restated - Note 3)
Gross Revenues				
Landfills and energy	**$**	**10,364**	$	9,708
Solid waste collection		**35,436**		31,720
		45,800		41,428
Intercompany Revenues				
Landfills and energy		**(3,227)**		(2,753)
Solid waste collection		**(398)**		(351)
	$	**(3,625)**	$	(3,104)
Revenues				
Landfills and energy		**7,137**		6,955
Solid waste collection		**35,038**		31,369
	$	**42,175**	$	38,324
Income before amortization, interest on long-term debt, gain on sale of capital assets and income taxes				
Landfills and energy		**6,417**		6,127
Solid waste collection		**7,717**		6,487
	$	**14,134**	$	12,614

(in thousands of dollars, except per trust unit amounts)

March 31, 2004

	Landfills and Energy	Solid Waste Collection	Total
Goodwill	**$ 19,859**	**$ 29,312**	**$ 49,171**
Total Assets	**$ 163,572**	**$ 185,496**	**$ 349,068**

December 31, 2003

	Landfills and Energy	Solid Waste Collection	Total
Goodwill	$ 19,859	$ 29,312	$ 49,171
Total Assets	$ 165,333	$ 191,629	$ 356,962

9. Subsequent Event

The Fund completed the acquisition of Twin Oaks Environmental Ltd., a solid waste collection business and transfer station in Ontario, on April 6, 2004 for cash consideration of $5.6 million, inclusive of debt repayment. The share transaction was financed with a $5.8 million draw from the Fund's revolving credit facility, representing acquisition cost plus incurred and expected transaction costs. Concurrent with the closing of the acquisition, the Fund negotiated a $5.0 million increase to its revolving credit facility. The additional amounts available under the revolving facility are subject to the same terms and conditions as the existing facility.

10. Seasonality

Revenues are generally higher in the spring, summer and autumn months due to higher collection and disposal of non-hazardous solid waste. Higher landfill and collection revenues are partially offset by higher landfill asset amortization and higher collection operating expenses, respectively.

11. Comparative Financial Statements

Certain prior period amounts have been reclassified to conform to the current period's presentation.

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