

Consolidated Financial Statements of

IROC SYSTEMS CORP.

Three and nine months ended September 30, 2005 and 2004

IROC SYSTEMS CORP.

Consolidated Balance Sheets

(Unaudited)

| | September 30, 2005 | December 31, 2004 |
|---------------------------------|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 909 | \$ 50,571 |
| Accounts receivable | 10,221,891 | 3,433,071 |
| Inventories | 518,695 | 46,522 |
| Prepaid expenses and deposits | 426,804 | 156,537 |
| | <u>11,168,299</u> | <u>3,686,701</u> |
| Prepaid lease costs | 2,503 | 17,503 |
| Deferred finance fees | 38,889 | — |
| Property and equipment (note 4) | 26,640,465 | 13,318,971 |
| Intangible assets (note 3) | 350,000 | — |
| Goodwill | 1,771,495 | 1,339,571 |
| Future income taxes | 1,186,000 | 1,304,000 |
| | <u>\$ 41,157,651</u> | <u>\$ 19,666,746</u> |

Liabilities and Shareholders' Equity

| | | |
|--|----------------------|----------------------|
| Current liabilities: | | |
| Operating loan | \$ 2,167,420 | \$ — |
| Accounts payable and accrued liabilities | 2,142,313 | 2,920,168 |
| Callable term debt | 7,433,530 | 2,955,819 |
| Current portion of obligations under capital lease | 318,052 | 83,472 |
| | <u>12,061,315</u> | <u>5,959,459</u> |
| Obligations under capital lease | 542,282 | 33,906 |
| Convertible debentures | — | 279,852 |
| Non-convertible debentures (note 5(e)) | 5,881,945 | — |
| | <u>18,485,542</u> | <u>6,273,217</u> |
| Shareholders' equity: | | |
| Convertible debentures | — | 40,000 |
| Share capital (note 5) | 20,134,652 | 13,246,030 |
| Warrants (note 1 (a)) | 1,150,000 | — |
| Contributed surplus (note 5(d)) | 162,168 | 10,623 |
| Retained earnings | 1,225,289 | 96,876 |
| | <u>22,672,109</u> | <u>13,393,529</u> |
| | <u>\$ 41,157,651</u> | <u>\$ 19,666,746</u> |

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Thomas M. Alford" Director

"Brian D. Neeland" Director

IROC SYSTEMS CORP.

Consolidated Statements of Earnings (Loss) and Retained Earnings (Deficit)

(Unaudited)

| | Nine months ended | | Three months ended | |
|--|-------------------|--------------|--------------------|--------------|
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| Revenue | \$ 18,750,605 | \$ 5,819,877 | \$ 8,864,479 | \$ 2,354,920 |
| Expenses: | | | | |
| Operating | 12,603,413 | 3,616,758 | 5,752,380 | 1,530,034 |
| General and administrative | 2,440,280 | 1,582,594 | 923,780 | 601,287 |
| Interest | 336,093 | 42,785 | 184,017 | 14,380 |
| Interest on obligations under capital lease | 840 | 10,048 | (2,522) | 2,778 |
| Deferred finance fee | 1,111 | — | 1,111 | — |
| Depreciation and amortization | 2,299,053 | 914,456 | 1,021,836 | 455,727 |
| | 17,680,790 | 6,166,641 | 7,880,602 | 2,604,206 |
| Earnings (loss) from operations | 1,069,815 | (346,764) | 983,877 | (249,286) |
| Other earnings: | | | | |
| Gain on disposal of equipment | 182,092 | 133,349 | 29,104 | 58,246 |
| Interest income | 785 | 7,346 | 4 | 920 |
| | 182,877 | 140,695 | 29,108 | 59,166 |
| Earnings (loss) before income taxes | 1,252,692 | (206,069) | 1,012,985 | (190,120) |
| Income taxes (recovery): | | | | |
| Current | — | — | (16,302) | — |
| Future | 124,279 | 76,027 | 37,000 | 73,196 |
| | 124,279 | 76,027 | 20,698 | 73,196 |
| Net earnings (loss) | 1,128,413 | (282,096) | 992,287 | (263,316) |
| Retained earnings (deficit) at beginning of period | 96,876 | (106,059) | 233,002 | (124,839) |
| Retained earnings (deficit) at end of period | \$ 1,225,289 | \$ (388,155) | \$ 1,225,289 | \$ (388,155) |
| Earnings (loss) per share: | | | | |
| Basic | \$ 0.04 | \$ (0.02) | \$ 0.03 | \$ (0.01) |
| Diluted | \$ 0.04 | \$ (0.01) | \$ 0.03 | \$ (0.01) |
| Weighted average number of shares: | | | | |
| Basic | 29,473,165 | 18,658,936 | 31,257,483 | 21,422,357 |
| Diluted | 29,928,059 | 19,696,130 | 31,830,097 | 22,544,381 |

See accompanying notes to consolidated financial statements.

IROC SYSTEMS CORP.

Consolidated Statements of Cash Flows

(Unaudited)

| | Nine months ended | | Three months ended | |
|--|-------------------|--------------|--------------------|--------------|
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| Cash provided by (used in): | | | | |
| Operations: | | | | |
| Net earnings (loss) | \$ 1,128,413 | \$ (282,096) | \$ 992,287 | \$ (263,316) |
| Items not affecting cash: | | | | |
| Depreciation and amortization | 2,299,053 | 914,456 | 1,021,836 | 455,727 |
| Stock-based compensation | 152,944 | – | 86,563 | – |
| Non-cash interest expense on debentures | 35,040 | (6,593) | 31,945 | (2,198) |
| Future income taxes | 124,279 | 76,027 | 37,000 | 73,196 |
| Gain on disposal of property and equipment | (182,092) | (133,349) | (29,104) | (58,246) |
| Deferred finance fees | 1,111 | – | 1,111 | – |
| | 3,558,748 | 568,445 | 2,141,638 | 205,163 |
| Changes in non-cash working capital balances | (8,346,873) | 393,908 | (6,465,669) | 363,558 |
| | (4,788,125) | 962,353 | (4,324,031) | 568,721 |
| Investing: | | | | |
| Cash related to business combinations | 160,521 | (245,125) | – | – |
| Purchase of property and equipment | (9,350,004) | (4,286,862) | (3,364,643) | (1,572,433) |
| Collection of note receivable | – | 100,000 | – | 100,000 |
| Proceeds on sale of property and equipment | 308,724 | 341,756 | 59,594 | 196,531 |
| | (8,880,759) | (4,090,231) | (3,305,049) | (1,275,902) |
| Financing: | | | | |
| Issue of callable term debt | 5,487,832 | 991,514 | 298,214 | 991,514 |
| Net operating loan advances (repayments) | 2,167,420 | (137,591) | 816,290 | 212,734 |
| Issue of non-convertible debentures (net of costs) | 6,960,000 | – | 6,960,000 | – |
| Repayment of callable term debt | (1,010,122) | (786,197) | (454,194) | (669,937) |
| Repayment of obligations under capital lease | (88,591) | (114,505) | (38,822) | (27,792) |
| Issue of common shares | 102,683 | 3,391,250 | 15,933 | 91,250 |
| Share issue costs | – | (43,584) | – | – |
| | 13,619,222 | 3,300,887 | 7,597,421 | 597,769 |
| Increase (decrease) in cash during the period | (49,662) | 173,009 | (31,659) | (109,412) |
| Cash at beginning of period | 50,571 | 6,991 | 32,568 | 289,412 |
| Cash at end of period | \$ 909 | \$ 180,000 | \$ 909 | \$ 180,000 |

See accompanying notes to consolidated financial statements.

IROC SYSTEMS CORP.

Notes to Consolidated Financial Statements

Three and nine months ended September 30, 2005 and 2004
(Unaudited)

General:

IROC Systems Corp. (the "Corporation") is a Canadian corporation supplying equipment and personnel in the areas of safety, air quality monitoring, well servicing and reclamation and abandonment services to the oil and gas industry. The Corporation's common stock is traded on the TSX Venture Exchange.

1. Summary of Significant Accounting Policies:

The Corporation's interim financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and reflect the same accounting policies and methods of computation as the financial statements for the fiscal year ended December 31, 2004. The disclosures included below are incremental to those included with the annual financial statements and notes thereto included in the Corporation's annual report for the year ended December 31, 2004.

(a) Warrants

The fair value of the warrants was \$1,150,000 and has been included in Shareholder's Equity. This amount has been allocated against the non-convertible debentures and is being accreted on a straight-line basis over the term of the debentures. In the event the debentures are retired prior to maturity, the difference between the carrying amount and the face value of the warrants will be charged to earnings. Accordingly, \$31,945 of accretion expense has been recorded during the period with an equal amount recorded to the non-convertible debentures.

2. Seasonality:

The Corporation's operations are carried on in western Canada. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Corporation's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen enough to support equipment. The timing of freeze up and spring breakup affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Corporation's slowest time, and as such the operating results of the Corporation will vary on a quarterly basis.

IROC SYSTEMS CORP.

Notes to Consolidated Financial Statements, page 2

Three and nine months ended September 30, 2005 and 2004
(Unaudited)

3. Business combination:

On March 22, 2005, the Corporation acquired all of the issued and outstanding shares of Global Atmospheric Sensoring Inc. ("Global") pursuant to a Letter of Intent entered into on February 21, 2005 for \$1,198,460 consideration consisting of \$75,000 in cash and 607,473 common shares of IROC at a price of \$1.81 per share.

The purchase price of \$1,198,460 including transaction costs of \$23,934 is expected to be allocated to the fair value of Global's net assets and liabilities, after giving effect to the repayment of shareholders' loans, in accordance with the purchase method. The final determination of the cost of the acquisitions and the allocations thereof for the fair values of the net assets is still pending.

Assets acquired:

| | |
|---|-----------------|
| Cash | \$ 259,455 |
| Accounts receivable | 201,557 |
| Prepaid expenses and deposits | 450 |
| Equipment | 247,248 |
| Future income taxes | 6,279 |
| Intangible – customer list | 100,000 |
| Intangible – proprietary software development | 250,000 |
| Goodwill | 431,924 |
| | <hr/> 1,496,913 |

Liabilities assumed:

| | |
|---------------------------------|---------------|
| Accounts payable | 176,235 |
| Obligations under capital lease | 43,689 |
| Income taxes payable | 78,529 |
| | <hr/> 298,453 |

| | |
|---------------------|--------------|
| Net assets acquired | \$ 1,198,460 |
|---------------------|--------------|

Consideration:

| | |
|-----------------------|-----------|
| Cash | \$ 75,000 |
| 607,473 common shares | 1,099,526 |
| Transaction costs | 23,934 |

| | |
|---------------------|--------------|
| Total consideration | \$ 1,198,460 |
|---------------------|--------------|

IROC SYSTEMS CORP.

Notes to Consolidated Financial Statements, page 3

Three and nine months ended September 30, 2005 and 2004
(Unaudited)

4. Property and equipment:

| 2005 | Cost | Accumulated depreciation | Net book value |
|-------------------------|---------------|--------------------------|----------------|
| Rig equipment | \$ 22,830,253 | \$ 1,673,577 | \$ 21,156,676 |
| Trailers | 3,184,427 | 1,295,842 | 1,888,585 |
| Field equipment | 3,385,382 | 1,244,160 | 2,141,222 |
| Other equipment | 714,547 | 382,897 | 331,650 |
| Data acquisition centre | 353,500 | 161,196 | 192,304 |
| Leasehold improvements | 52,221 | 16,478 | 35,743 |
| Building | 3,520 | 196 | 3,324 |
| | 30,523,850 | 4,774,346 | 25,749,504 |
| Under capital lease: | | | |
| Trailers | 60,100 | 6,457 | 53,643 |
| Vehicles | 54,417 | 24,896 | 29,521 |
| Other equipment | 880,861 | 73,064 | 807,797 |
| | 995,378 | 104,417 | 890,961 |
| | \$ 31,519,228 | \$ 4,878,763 | \$ 26,640,465 |

| 2004 | Cost | Accumulated depreciation and amortization | Net book value |
|-------------------------|---------------|---|----------------|
| Rig equipment | \$ 10,548,247 | \$ 445,446 | \$ 10,102,801 |
| Trailers | 2,468,404 | 978,660 | 1,489,744 |
| Field equipment | 2,193,887 | 988,063 | 1,205,824 |
| Other equipment | 395,172 | 255,449 | 139,723 |
| Data acquisition centre | 353,500 | 127,260 | 226,240 |
| Leasehold improvements | 47,894 | 9,102 | 38,792 |
| Building | 3,520 | 94 | 3,426 |
| | 16,010,624 | 2,804,074 | 13,206,550 |
| Under capital lease: | | | |
| Trailers | 253,577 | 188,238 | 65,339 |
| Vehicles | 54,418 | 16,325 | 38,093 |
| Other equipment | 26,216 | 17,227 | 8,989 |
| | 334,211 | 221,790 | 112,421 |
| | \$ 16,344,835 | \$ 3,025,864 | \$ 13,318,971 |

IROC SYSTEMS CORP.

Notes to Consolidated Financial Statements, page 4

Three and nine months ended September 30, 2005 and 2004
(Unaudited)

5. Share capital:

(a) Authorized:

Unlimited number of voting common shares without nominal or par value

(b) Issued:

| | Number | Amount |
|--|------------|---------------|
| Balance at December 31, 2004 | 25,734,342 | \$ 13,246,030 |
| Issued on acquisition of service rig equipment | 4,313,463 | 5,362,067 |
| Issued on acquisition of Global Atmospheric Sensing Inc. | 607,473 | 1,099,526 |
| Issued on exercise of options | 197,666 | 104,082 |
| Issued on conversion of debentures | 600,000 | 322,947 |
| Balance at September 30, 2005 | 31,452,944 | \$ 20,134,652 |

(c) Stock options:

Changes in the number of common shares under option during the nine month period ended September 30, 2005 and the year ended December 31, 2004 are summarized as follows:

| | Nine Months Ended 2005 | |
|------------------------------|---------------------------|-------------------------------|
| | Number of options | Weighted exercise price |
| Balance at December 31, 2004 | 630,000 | \$ 0.67 |
| Granted | 845,000 | 1.90 |
| Forfeited | (88,334) | 1.04 |
| Exercised | (197,666) | 0.52 |
| Balance at end of period | 1,189,000 | \$ 1.54 |

At September 30, 2005 there were a total of 592,334 (2004 - 430,000) options exercisable at a weighted average exercise price of \$1.23.

- (d) The Corporation recorded stock-based compensation expense and contributed surplus of \$152,944 (2004 - \$nil) for the nine months ended September 30, 2005. Contributed surplus was reduced and share capital was increased by \$1,399 (2004 - \$nil) for options that were exercised during the nine months ended September 30, 2005.

IROC SYSTEMS CORP.

Notes to Consolidated Financial Statements, page 5

Three and nine months ended September 30, 2005 and 2004
(Unaudited)

(e) Warrants:

The Corporation entered into a \$7 million non-convertible debenture agreement bearing interest at 8.0% per annum payable quarterly, with the principal amount maturing on September 12, 2008. Attached to the debentures are 1,050,000 warrants entitling the holder to purchase common shares of the Corporation at an exercise price of \$2.50 per share exercisable until September 12, 2007 and \$2.70 per share thereafter until maturity. Certain directors and officers of the Corporation acquired \$1,500,000 of the debentures and subsequently received 225,000 warrants.

6. Supplemental information:

| | Nine months ended | | Three months ended | |
|---------------|-------------------|-----------|--------------------|-----------|
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| Interest paid | \$ 306,100 | \$ 35,675 | \$ 150,662 | \$ 16,226 |

Components of change in non-cash working capital balances:

| | Nine months ended | | Three months ended | |
|--|-------------------|--------------|--------------------|--------------|
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| Accounts receivable | \$ (6,680,833) | \$ (381,842) | \$ (5,928,354) | \$ (237,745) |
| Inventory | (472,173) | (15,101) | (237,013) | 4,210 |
| Prepaid expenses and deposits | (269,817) | (134,722) | 175,239 | 44,039 |
| Non-cash rent expense | 15,000 | 15,000 | 5,000 | 5,000 |
| Accounts payable and accrued liabilities | (939,050) | 910,573 | (480,541) | 548,054 |
| | \$ (8,346,873) | \$ 393,908 | \$ (6,465,669) | \$ 363,558 |

7. Related party transactions:

- During the nine months ended September 30, 2005 the Corporation paid \$60,000 (2004 - \$60,000) in management fees to a corporation owned by the spouse of an officer of the Corporation.
- During the nine months ended September 30, 2005, the Corporation purchased six service rig packages from Key Energy Services Inc. ("Key"), a U.S. public company that currently holds 23.37 percent of the Corporation's issued and outstanding shares. The purchase price for the equipment was \$917,400 US, (\$1,144,089 CDN dollars). The purchase price was paid by way of issuance of 547,411 common shares of the Corporation at a issuance price of \$2.09 per share.

IROC SYSTEMS CORP.

Notes to Consolidated Financial Statements, page 6

Three and nine months ended September 30, 2005 and 2004
(Unaudited)

8. Segmented information:

The Corporation operates in three main operating segments, which are substantially in one geographic segment. The Safety, Monitoring and Communication Services segment includes the provisions of on-site safety and communication personnel and equipment and remote data monitoring using IROC's S.M.A.R.T. system and downwind monitoring technology. The Well Servicing segment comprises the operations of Eagle Well Servicing Corp., which includes the contracting of well servicing equipment and the provision of personnel required to operate the equipment. The Environmental Services segment comprises the operations of Envirocore Ltd. (formerly Canstar Environmental Corp.), which includes the provision of personnel and equipment in connection with lease construction, remediation, reclamation, and abandonment of oil industry related sites.

| As at and for the nine months ended September 30, 2005 | Safety monitoring communications | Well servicing | Environmental services | Total |
|--|----------------------------------|----------------|------------------------|---------------|
| Revenue | \$ 5,614,462 | \$ 9,980,625 | \$ 3,155,518 | \$ 18,750,605 |
| Earnings before interest, taxes, depreciation and amortization | 723,164 | 2,879,877 | 286,748 | 3,889,789 |
| Net income (loss) | (58,870) | 1,164,372 | 22,911 | 1,128,413 |
| Depreciation and amortization | 868,058 | 1,256,221 | 174,774 | 2,299,053 |
| *Purchase of property and equipment | 1,466,052 | 12,301,614 | 1,732,264 | 15,499,930 |
| Intangible assets acquired | 350,000 | — | — | 350,000 |
| Goodwill acquired | 431,925 | — | — | 431,925 |
| Total assets | \$ 9,225,754 | \$ 25,725,561 | 5,812,447 | \$ 40,763,762 |

| As at and for the nine months ended September 30, 2004 | Safety monitoring communications | Well servicing | Environmental services | Total |
|--|----------------------------------|----------------|------------------------|---------------|
| Revenue | \$ 4,018,282 | \$ 1,116,726 | \$ 684,869 | \$ 5,819,877 |
| Earnings before interest, taxes, depreciation and amortization | 643,564 | 141,902 | (24,246) | 761,220 |
| Net income (loss) | (141,818) | (148,766) | 8,488 | (282,096) |
| Depreciation and amortization | 581,852 | 315,318 | 17,286 | 914,456 |
| *Purchase of property and equipment | 681,662 | 4,442,865 | — | 5,124,527 |
| Intangible assets acquired | — | — | — | — |
| Goodwill acquired | 1,339,571 | — | — | 1,339,571 |
| Total assets | \$ 6,188,183 | \$ 4,748,745 | 853,772 | \$ 11,790,700 |

IROC SYSTEMS CORP.

Notes to Consolidated Financial Statements, page 7

Three and nine months ended September 30, 2005 and 2004
(Unaudited)

8. Segmented information (continued):

| As at and for the three months ended September 30, 2005 | Safety Monitoring Communications | Well Servicing | Environmental Services | Total |
|---|--|---------------------|---------------------------|---------------------|
| Revenue | \$ 2,208,987 | \$ 4,828,017 | \$ 1,827,475 | \$ 8,864,479 |
| Earnings before interest, taxes, depreciation and amortization | 304,578 | 1,704,962 | 207,887 | 2,217,427 |
| Net income (loss) | (113,989) | 1,106,201 | 75 | 992,287 |
| Depreciation and amortization | 419,933 | 452,248 | 149,655 | 1,021,836 |
| *Purchase of property and equipment | 490,883 | 3,078,339 | 1,727,367 | 5,296,589 |
| Intangible assets acquired | — | — | — | — |
| Goodwill acquired | — | — | — | — |
| Total assets | \$ 9,225,754 | \$25,725,561 | 5,812,447 | \$40,763,762 |

| As at and for the three months ended September 30, 2004 | Safety Monitoring Communications | Well Servicing | Environmental Services | Total |
|---|--|---------------------|---------------------------|----------------------|
| Revenue | \$ 1,230,899 | \$ 616,147 | \$ 507,874 | \$ 2,354,920 |
| Earnings before interest, taxes, depreciation and amortization | 144,082 | 93,257 | 45,426 | 282,765 |
| Net income (loss) | (241,283) | (82,170) | 60,137 | (263,316) |
| Depreciation and amortization | 274,537 | 170,762 | 10,428 | 455,727 |
| *Purchase of property and equipment | 500,837 | 1,909,261 | — | 2,410,098 |
| Intangible assets acquired | — | — | — | — |
| Goodwill acquired | — | — | — | — |
| Total assets | \$ 6,188,183 | \$ 4,748,745 | \$ 853,772 | \$ 11,790,700 |

- Excludes business acquisitions

9. Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

IROC SYSTEMS CORP.

Notes to Consolidated Financial Statements, page 8

Three and nine months ended September 30, 2005 and 2004
(Unaudited)

10. Asset purchase:

On August 31, 2005 the Corporation successfully completed the acquisition of certain property and equipment (plus the assumption of certain liabilities related thereto) of Kodiak Energy Services Ltd. ("Kodiak") for cash consideration of approximately \$1.05 million. In addition, the Corporation acquired 60% of the outstanding accounts receivable of Kodiak that were less than 90 days old and will forward the remaining 40% to the receiver upon collection and receipt of 100% of these outstanding amounts. The assets will be purchased through the Corporation's wholly owned subsidiary Envirocore Ltd. (formerly Canstar Environmental Corp.) allowing this division to commence operations in lease construction, remediation and waste transportation services.

11. Unsecured debentures:

On September 12, 2005 the Corporation completed the private placement of \$7.0 million dollars worth of three (3) year 8% unsecured debentures, which include the granting of 1,050,000 warrants to purchase common shares of IROC. Each warrant is exercisable into one common share of IROC at a price of \$2.50 for the first two (2) years and at a price of \$2.70 for the third year of the warrant. The debentures and warrants are non transferable. Any common shares issued upon the exercise of the warrant within the first four (4) months and one (1) day after the date that warrants were issued will be subject to a hold period which would expire on the date which is four (4) months and one (1) day after the date the warrants were issued. A finder's fee in the amount of \$40,000 was paid in connection with the offering.

12. Subsequent event:

On November 3, 2005 the Corporation acquired all the issued and outstanding shares of Canada Tech Corp. ("Canada Tech") pursuant to an agreement entered into on September 19, 2005. The maximum consideration pursuant to the transaction is \$20 million, with \$12 million paid on closing by a combination of \$5,417,487 cash and the issuance of 2,328,452 common shares of IROC at a price of \$2.827 per share. The remaining \$8 million dollars is to be paid if earned by Canada Tech achieving certain performance targets over the 24-month period subsequent to closing.

13. Contingencies:

A legal action seeking \$5.0 million plus general, special and punitive damages has been filed against IROC Systems Corp. Management believes that the suit is completely unfounded and without merit, and management intends to vigorously defend the matter and believes that the outcome will be in its favour. Any amounts awarded as a result of this action will be reflected in the year the amounts become reasonably estimable.