

PRODUCT CARE ASSOCIATION

Financial Statements

For the Year Ended 31 December 2005

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AUDITORS' REPORT

To the Members,
Product Care Association

We have audited the statement of financial position of Product Care Association as at 31 December 2005 and the statements of operations and changes in members' equity-unrestricted and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Rolfe, Benson
CHARTERED ACCOUNTANTS

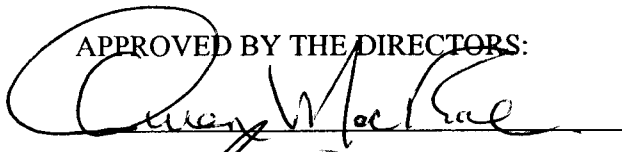
Vancouver, Canada
31 March 2006

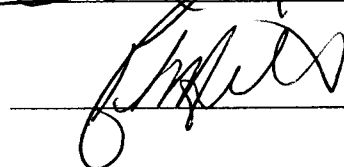


PRODUCT CARE ASSOCIATION
Statement of Financial Position
31 December 2005

	2005	2004
Assets		
Current		
Cash and short-term investments	\$ 2,367,061	\$ 1,172,411
Accounts receivable	503,678	667,867
Prepaid expenses and deposits	54,716	73,898
	2,925,455	1,914,176
Insurance Reserve (market value - 2005 - \$6,027,911; 2004 - \$5,519,963) (Note 3)	5,819,677	6,022,496
Capital assets (Note 4)	3,380	93,585
	\$ 8,748,512	\$ 8,030,257
Liabilities and Members' Equity		
Current		
Accounts payable and accrued liabilities	\$ 301,873	\$ 381,020
Commitments (Note 5)		
Members' Equity		
Insurance Reserve - restricted (Note 3)	5,819,677	6,022,496
Invested in capital assets	3,380	93,585
Unrestricted	2,623,582	1,533,156
	8,446,639	7,649,237
	\$ 8,748,512	\$ 8,030,257

APPROVED BY THE DIRECTORS:

 Director

 Director

The accompanying notes are an integral part of these financial statements.

PRODUCT CARE ASSOCIATION
Statement of Operations and Changes in Members' Equity - Unrestricted
For the Year Ended 31 December 2005

	2005	2004
Revenues		
Eco fees	\$ 5,479,058	\$ 5,850,152
Interest	48,680	57,881
	5,527,738	5,908,033
 Operating expenditures		
Collection, disposal, transportation and event advertising	4,132,163	4,115,200
 Administrative expenditures		
Association and depot start-up costs	20,631	59,387
Office, rent and travel	102,741	122,679
Technical, professional, management and communication	271,982	266,091
	395,354	448,157
	4,527,517	4,563,357
 Excess of revenues over expenditures	1,000,221	1,344,676
 Members' equity - beginning	1,533,156	2,273,403
Transfer to Insurance Reserve (Note 3)	-	(2,200,000)
Transfer from invested capital assets	90,205	115,077
	1,623,361	188,480
 Members' equity - end of year	\$ 2,623,582	\$ 1,533,156

The accompanying notes are an integral part of these financial statements.

PRODUCT CARE ASSOCIATION
Statement of Cash Flows
For the Year Ended 31 December 2005

	2005	2004
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenditures	\$ 1,000,221	\$ 1,344,676
Item not involving cash		
Amortization	90,205	120,138
Changes in non-cash working capital balances	<u>104,224</u>	<u>(329,617)</u>
	<u>1,194,650</u>	<u>1,135,197</u>
Investing activities		
Purchase of capital assets	-	(5,061)
Transfer to insurance reserve	-	(2,200,000)
	<u>-</u>	<u>(2,205,061)</u>
Net increase (decrease) in cash	1,194,650	(1,069,864)
Cash - beginning of year	1,172,411	2,242,275
Cash - end of year	\$ 2,367,061	\$ 1,172,411
Represented by:		
Cash	\$ 1,163,643	\$ 1,172,411
Money market fund	<u>1,203,418</u>	<u>-</u>
	<u>\$ 2,367,061</u>	<u>\$ 1,172,411</u>
Supplemental Cash Flow Information:		
Interest income	\$ 67,067	\$ 57,881
Interest paid	<u>\$ 2,946</u>	<u>\$ 2,899</u>

The accompanying notes are an integral part of these financial statements.

PRODUCT CARE ASSOCIATION
Notes to the Financial Statements
For the Year Ended 31 December 2005

1. Incorporation of Product Care Association

On 7 May 2001, Letters Patent were obtained for the creation of Product Care Association. The new entity is the result of the amalgamation of PPC Paint and Product Care Association with Product Care Association on 1 July 2001. The Association is a not-for-profit organization and as such, the Association is not subject to income taxes.

The Association was created to collect and dispose of paint, aerosols, solvents, pesticides and gas in an environmentally safe manner as mandated by various provinces.

2. Summary of Significant Accounting Policies

(a) Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives on a straight-line basis at the following annual rates:

Machinery	5 years
Tubskids and cages	3 years
Trailers	3 years
Plant equipment	2 years
Leasehold improvements	5 years

(b) Revenue Recognition

Revenue from eco-fees is recognized at the time an eco-fee applicable product is sold by a member of the Association, and the eco-fee becomes due and payable.

(c) Short-term Investments

Short-term investments are recorded at cost. Where there is a decline in the value of the investment which is considered to be other than a temporary decline, the investment is written down to recognize the loss.

(d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies at the date of the statement of financial position. Actual results could differ from those estimates.

PRODUCT CARE ASSOCIATION
Notes to the Financial Statements
For the Year Ended 31 December 2005

3. Insurance Reserve Fund

The assets in this reserve consist of cash and investments in fixed income and equity securities and are independently managed. A corresponding amount has been restricted in members' equity on the statement of financial position. The purpose of the reserve is to respond to environmental impairment liability exposures and director and officers liability exposures up to predetermined levels in conjunction with the overall insurance program.

	2005	2004
Balance - beginning of year	\$ 6,022,496	\$ 3,741,568
Investment income	204,277	80,928
Net capital loss on sale of securities	(407,096)	
Transfer from operations	-	2,200,000
	<u>\$ 5,819,677</u>	<u>\$ 6,022,496</u>

4. Capital Assets

	Cost	Accumulated Amortization	Net Book Value	
			2005	2004
Depot equipment	\$ 756,717	\$ 753,551	\$ 3,166	\$ 9,466
Office equipment	44,431	44,431	-	2,531
Leasehold improvements	483,749	483,535	214	81,588
Storage depots	576,096	576,096	-	-
	<u>\$ 1,860,993</u>	<u>\$ 1,857,613</u>	<u>\$ 3,380</u>	<u>\$ 93,585</u>

5. Commitments

The Association entered into a 60 month lease on the Surrey office and building facility which expires on 31 January 2011. The lease includes a clause that after January 2008, the Association can terminate the lease with six months notice. The annual lease payments are as follows:

2006	\$ 93,275
2007	96,000
2008	96,000
2009	96,000
2010	96,000
	<u>\$ 477,275</u>

PRODUCT CARE ASSOCIATION
Notes to the Financial Statements
For the Year Ended 31 December 2005

6. Financial Instruments

The Company's financial instruments consist of cash and short-term investments, accounts receivable, insurance reserve and accounts payable and accrued liabilities.

(a) Fair Value

The fair value of these financial instruments approximate their carrying values due to their short maturities, unless otherwise noted.

(b) Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist of cash and accounts receivable. Cash is in place with major financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers. The Company has evaluation and monitoring processes in place and writes off accounts when they are determined to be uncollectible.