

PRODUCT CARE ASSOCIATION

FINANCIAL STATEMENTS

31 DECEMBER 2006

PRODUCT CARE ASSOCIATION

Financial Statements

For the Year Ended 31 December 2006

Contents

Auditors' Report	
Statement of Financial Position	3
Statement of Changes in Members' Equity	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 9



ROLFE, BENSON

CHARTERED ACCOUNTANTS*

1400 – 900 West Hastings Street

Vancouver, B.C. V6C 1E3

Telephone: 604-684-1101

Fax: 604-684-7937

E-mail: admin@rolfebenson.com

*a partnership of incorporated professionals

AUDITORS' REPORT

To the Members,
Product Care Association

We have audited the statement of financial position of Product Care Association as at 31 December 2006 and the statements of operations and changes in members' equity 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 2006 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


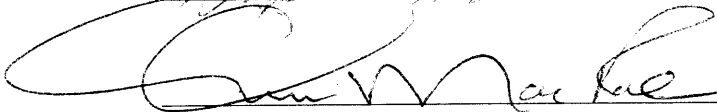
Vancouver, Canada
1 April 2007



PRODUCT CARE ASSOCIATION
Statement of Financial Position
31 December 2006

	2006	2005
Assets		
Current		
Cash and short-term investments	\$ 2,283,124	\$ 2,367,061
Accounts receivable	558,360	503,678
Prepaid expenses and deposits	50,786	54,716
	2,892,270	2,925,455
Insurance Reserve (market value - 2006 - \$7,989,025; 2005 - \$6,027,911) (Note 3)	7,100,844	5,819,677
Capital assets (Note 4)	-	3,380
	\$ 9,993,114	\$ 8,748,512
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 508,301	\$ 301,873
Commitments (Note 5)		
Members' Equity		
Insurance Reserve - restricted (Note 3)	7,100,844	5,819,677
Invested in capital assets	-	3,380
Unrestricted	2,383,969	2,623,582
	9,484,813	8,446,639
	\$ 9,993,114	\$ 8,748,512

APPROVED BY THE DIRECTORS:

 Director
 Director

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

PRODUCT CARE ASSOCIATION
Statement of Members' Equity
For the Year Ended 31 December 2006

	Unrestricted	Invested in Capital Assets	Internally Restricted Insurance Reserve	2006 Total	2005 Total
	\$	\$	\$	\$	\$
Members' equity					
- beginning of year	2,623,582	3,380	5,819,677	8,446,639	7,649,237
Excess of revenue over expenses	1,041,554	(3,380)	-	1,038,174	797,402
Transfers to insurance reserve	(1,281,167)	-	1,281,167	-	-
Members' equity					
- end of year	2,383,969	-	7,100,844	9,484,813	8,446,639

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

PRODUCT CARE ASSOCIATION
Statement of Operations
For the Year Ended 31 December 2006

	2006	2005
Revenues		
Eco fees	\$ 5,822,583	\$ 5,479,058
Operating expenses		
Collection, disposal, transportation and event advertising	4,695,039	4,132,163
Gross margin	1,127,544	1,346,895
Administrative expenses		
Association and depot start-up costs	33,224	20,631
Office, rent and travel	132,491	102,741
Technical, professional, management and communication	282,933	271,982
	448,648	395,354
Excess of revenues over expenses before other income (expenses)	678,896	951,541
Other income (expenses)		
Investment income	279,738	204,277
Interest income	78,111	48,680
Gain (loss) on sale of securities	1,429	(407,096)
	359,278	(154,139)
Excess of revenues over expenses for the year	\$ 1,038,174	\$ 797,402

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

PRODUCT CARE ASSOCIATION
Statement of Cash Flows
For the Year Ended 31 December 2006

	2006	2005
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses	\$ 1,038,174	\$ 797,402
Item not involving cash		
Amortization	3,380	90,205
Changes in non-cash working capital balances	155,676	104,224
	1,197,230	991,831
Investing activities		
Transfer (to)from insurance reserve	(1,281,167)	202,819
Net increase (decrease) in cash	(83,937)	1,194,650
Cash - beginning of year	2,367,061	1,172,411
Cash - end of year	\$ 2,283,124	\$ 2,367,061
Represented by:		
Cash	\$ 783,209	\$ 1,163,643
Money market fund	1,499,915	1,203,418
	\$ 2,283,124	\$ 2,367,061
Supplemental Cash Flow Information:		
Interest income	\$ 77,393	\$ 67,067
Interest paid	\$ -	\$ 2,946

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 2006

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 2006

3. Insurance Reserve Fund

The insurance reserve fund was established to respond to environmental impairment liability exposures and director and officers liability exposures up to predetermined levels in conjunction with the overall insurance program. The amount is internally restricted and transfers to the insurance reserve fund are made upon resolutions passed by the Board of Directors. During the year the Directors approved to transfer \$1,000,000 (2005 - \$Nil) to the insurance reserve fund.

The assets in the insurance reserve fund consist of cash and investments in fixed income and equity securities and are independently managed. All income earned on these investments are transferred to the insurance reserve fund. During the year \$281,167 (2005 - \$(202,819)) was transferred to the insurance reserve fund.

4. Capital Assets

	Cost	Accumulated Amortization	Net Book Value	
			2006	2005
Depot equipment	\$ 756,717	\$ 756,717	\$ -	\$ 3,166
Office equipment	44,431	44,431	-	-
Leasehold improvements	483,749	483,749	-	214
Storage depots	576,096	576,096	-	-
	<u>\$ 1,860,993</u>	<u>\$ 1,860,993</u>	<u>\$ -</u>	<u>\$ 3,380</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:

2007	\$ 96,000
2008	96,000
2009	96,000
2010	96,000
2011	8,000
	<u>\$ 392,000</u>

PRODUCT CARE ASSOCIATION
Notes to the Financial Statements
For the Year Ended 31 December 2006

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.

7. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.