

PRODUCT CARE ASSOCIATION

FINANCIAL STATEMENTS

31 DECEMBER 2007

PRODUCT CARE ASSOCIATION

Financial Statements

For the Year Ended 31 December 2007

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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 2007 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 2007 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


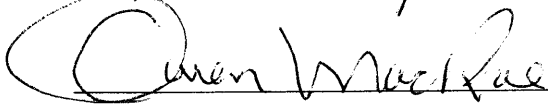
Vancouver, Canada
18 February 2008



PRODUCT CARE ASSOCIATION
Statement of Financial Position
31 December 2007

	2007	2006
Assets		
Current		
Cash and short-term investments	\$ 2,721,873	\$ 2,283,124
Accounts receivable (Note 9)	715,110	558,360
Prepaid expenses and deposits	63,787	50,786
	3,500,770	2,892,270
Insurance Reserve (at market, 2006 - at cost) (Note 4)	7,925,634	7,100,844
Capital assets (Note 5)	-	-
	\$ 11,426,404	\$ 9,993,114
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 513,950	\$ 508,301
Deferred revenue	186,075	-
	700,025	508,301
Commitments (Note 6)		
Members' Equity		
Insurance Reserve - restricted (Note 4)	7,925,634	7,100,844
Invested in capital assets	-	-
Unrestricted	2,800,745	2,383,969
	10,726,379	9,484,813
	\$ 11,426,404	\$ 9,993,114

APPROVED BY THE DIRECTORS:

 _____ Director
 _____ Director

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

PRODUCT CARE ASSOCIATION
Statement of Net Assets
For the Year Ended 31 December 2007

	Unrestricted	Invested in Capital Assets	Internally Restricted Insurance Reserve	2007 Total	2006 Total
	\$	\$	\$	\$	\$
Net assets					
- beginning of year	2,383,969	-	7,100,844	9,484,813	8,446,639
Restatement for change in accounting policy (Note 2)	888,181	-	-	888,181	-
Net assets - beginning of year as restated	3,272,150	-	7,100,844	10,372,994	8,446,639
Excess of revenues over expenses	353,385	-	-	353,385	1,038,174
Transfers - to insurance reserve	(824,790)	-	824,790	-	-
Net assets					
- end of year	2,800,745	-	7,925,634	10,726,379	9,484,813

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

PRODUCT CARE ASSOCIATION
Statement of Operations
For the Year Ended 31 December 2007

	2007	2006
Revenues		
Eco fees (Note 9)	\$ 6,008,560	\$ 5,822,583
Operating expenses		
Collection, disposal, transportation and event advertising	5,241,616	4,695,039
Gross margin	766,944	1,127,544
Administrative expenses		
Association and depot start-up costs	69,227	33,224
Office, rent and travel	135,220	132,491
Technical, professional, management and communication	402,804	282,933
	607,251	448,648
Less: expense recovery	(125,583)	-
	481,668	448,648
Excess of revenues over expenses before other income (expenses)	285,276	678,896
Other income (expenses)		
Investment income	420,790	279,738
Interest income	113,720	78,111
Realized gain on sale of securities	115	1,429
Unrealized gain (loss) on securities	(484,296)	-
Gain on disposal of capital assets	17,780	-
	68,109	359,278
Excess of revenues over expenses for the year	\$ 353,385	\$ 1,038,174

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

PRODUCT CARE ASSOCIATION
Statement of Cash Flows
For the Year Ended 31 December 2007

	2007	2006
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses	\$ 353,385	\$ 1,038,174
Items not involving cash		
Gain on disposal of capital assets	(17,780)	-
Market value adjustment to insurance reserve	888,181	-
Amortization	-	3,380
Changes in non-cash working capital balances	(164,102)	155,676
	1,059,684	1,197,230
Investing activities		
Transfer (to) from insurance reserve	(824,790)	(1,281,167)
Proceeds on disposal of capital assets	17,780	-
	(807,010)	(1,281,167)
Financing activities		
Receipt of deferred revenue	186,075	-
Net increase (decrease) in cash	438,749	(83,937)
Cash - beginning of year	2,283,124	2,367,061
Cash - end of year	\$ 2,721,873	\$ 2,283,124
Represented by:		
Cash	\$ 10,568	\$ 783,209
Money market fund	2,208,307	1,499,915
Term deposit	502,998	-
	\$ 2,721,873	\$ 2,283,124
Supplemental Cash Flow Information:		
Interest income	\$ 113,432	\$ 77,393

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 2007

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, gas and other household waste in an environmentally safe manner as mandated by various provinces.

2. Change in Accounting Policy

On 1 January 2007, the Association adopted CICA Handbook Section 3855, "Financial Instruments - recognition and measurement," Section 3862, "Financial Instruments - disclosures," Section 3863, and "Financial Instruments - presentation." These standards provide recommendations on recognizing and measuring financial assets, financial liabilities and non-financial derivatives.

The adoption by the Association of these new standards on financial instruments has resulted in changes in accounting for financial instruments and for a number of transition adjustments that were recorded in opening net assets. The comparative financial statements were not restated. The main changes in accounting for financial instruments resulting from the adoption of these accounting standards are described below.

With the adoption of these new standards, the Association classified its cash and short-term investments, accounts receivable, insurance reserve and accounts payable and accrued liabilities as financial assets held for trading. As a result, the insurance reserve asset and fund balance was increased by \$888,181 as at 1 January 2007.

3. 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

PRODUCT CARE ASSOCIATION
Notes to the Financial Statements
For the Year Ended 31 December 2007

3. Summary of Significant Accounting Policies - continued

(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.

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income includes interest income, and realized and unrealized investment gains and losses. Unrealized gains and losses and held-for-trading financial assets are included in investment income and recognized as revenue in the statement of operations. Unrestricted investment income is recognized as revenue when earned.

(c) Investments

Investments are classified as held-for-trading and are recorded at fair value.

(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.

4. 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 \$Nil (2006 - \$1,000,000) 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 \$824,790 (2006 - \$(281,167)) was transferred to the insurance reserve fund, which included an unrealized gain of \$888,181 at 1 January 2007, an unrealized loss of \$484,296) at 31 December 2007 and realized investment income of \$420,905.

PRODUCT CARE ASSOCIATION
Notes to the Financial Statements
For the Year Ended 31 December 2007

5. Capital Assets

	Cost	Accumulated Amortization	Net Book Value	
			2007	2006
Depot equipment	\$ 565,717	\$ 565,717	\$ -	\$ -
Office equipment	44,431	44,431	-	-
Leasehold improvements	483,749	483,749	-	-
Storage depots	576,096	576,096	-	-
	<u>\$ 1,669,993</u>	<u>\$ 1,669,993</u>	<u>\$ -</u>	<u>\$ -</u>

6. 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:

2008	\$ 102,000
2009	102,000
2010	102,000
2011	<u>8,500</u>
	<u>\$ 314,500</u>

Additionally, at year end the Association had unprocessed product on hand with an estimated cost to process, transport and recycle of \$20,987 which will be incurred during 2008.

7. Financial Instruments

(a) Fair Value

The following policies and assumptions were used to determine the fair value of each class of financial assets and financial liabilities.

- (i) Cash and short-term investments, accounts receivable and accounts payable and accrued liabilities are classified as held for trading and are measured at their carrying amounts since it is comparable to their fair value due to the approaching maturity of these financial instruments.
- (ii) The insurance reserve is classified as held-for-trading financial assets. They are measured at fair value, determined on the basis of market value.

PRODUCT CARE ASSOCIATION
Notes to the Financial Statements
For the Year Ended 31 December 2007

7. Financial Instruments - continued

(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.

8. Comparative Figures

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

9. Related Party Transactions

During the year, management fees of \$119,163 (2006 - \$Nil) were received from the Saskatchewan Waste Electronic Equipment Program Inc., a company which is under a five year management contract held by the Association. These transactions were in the normal course of operations and were measured at the exchange value which represents the amount of consideration established and agreed to by the related parties.

At the year end, \$70,795 of fees owing and other reimbursable expenses were unpaid and included in accounts receivable. These amounts are non interest bearing, granted under normal credit terms and have arisen from the provision of services referred to above.