PRODUCT CARE ASSOCIATION

FINANCIAL STATEMENTS

31 DECEMBER 2008

ROLFE, BENSON
CHARTERED ACCOUNTANTS

PRODUCT CARE ASSOCIATION
Financial Statements
For the year ended 31 December 2008

Contents

ROLFE, BENSON
CHARTERED ACCOUNTANTS*

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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 2008 and the statements of net assets, operations 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 2008 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
12 March 2009

PRODUCT CARE ASSOCIATION
Statement of Financial Position
31 December 2008

	2008	2007
Assets		
Current		
Cash and short-term investments	$ 2,634,922	$ 2,721,873
Accounts receivable	697,381	715,110
Prepaid expenses and deposits	61,476	63,787
	3,393,779	3,500,770
Insurance reserve - at market (Note 3)	6,556,194	7,925,634
Capital assets (Note 4)	21,058	-
	$ 9,971,031	$ 11,426,404
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 962,523	$ 513,950
Deferred revenue	208,890	186,075
	1,171,413	700,025
Commitments (Note 5)		
Members' Equity		
Insurance reserve - restricted (Note 3)	6,556,194	7,925,634
Invested in capital assets	21,058	-
Unrestricted	2,222,366	2,800,745
	8,799,618	10,726,379
	$ 9,971,031	$ 11,426,404

APPROVED BY THE DIRECTORS:

"Dick Glassford" Director "David Russell" Director

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

ROLFE, BENSON
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PRODUCT CARE ASSOCIATION
Statement of Net Assets
For the year ended 31 December 2008

	Unrestricted	Invested in Capital Assets	Internally Restricted Insurance Reserve	**Total 2008**	Total 2007
Net assets - beginning of year	$ 2,800,745	$ -	$ 7,925,634	**$ 10,726,379**	$ 10,372,994
Excess (deficiency) of revenues over expenses for the year	(1,926,761)	-	-	**(1,926,761)**	353,385
Transfer to insurance reserve	1,369,440	-	(1,369,440)	-	-
Transfer to invested in capital assets	(21,058)	21,058	-	-	-
Net assets - end of year	**$ 2,222,366**	**$ 21,058**	**$ 6,556,194**	**$ 8,799,618**	$ 10,726,379

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

ROLFE, BENSON
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PRODUCT CARE ASSOCIATION
Statement of Operations
For the year ended 31 December 2008

	2008	2007
Revenues		
Eco fees	**$ 5,385,669**	$ 5,238,509
Operating expenses		
Collection, disposal, transportation and event advertising	**5,517,112**	4,471,565
Gross margin	**(131,443)**	766,944
Administrative expenses		
Technical, professional, management and communication	**625,431**	402,804
Office, rent and travel	**173,782**	135,220
Association and depot start up costs	**104,155**	69,227
	903,368	607,251
Expense recoveries	**(395,358)**	(125,583)
	508,010	481,668
Excess (deficiency) of revenues over expenses from operations	**(639,453)**	285,276
Other income (expenses)		
Investment income	**229,947**	420,790
Interest income	**82,132**	113,720
Gain (loss) on sale of investments	**(3,567)**	115
Unrealized gain (loss) on investments	**(1,595,820)**	(484,296)
Gain on disposal of capital assets	**-**	17,780
	(1,287,308)	68,109
Excess (deficiency) of revenues over expenses for the year	**$ (1,926,761)**	$ 353,385

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

ROLFE, BENSON
CHARTERED ACCOUNTANTS

PRODUCT CARE ASSOCIATION
Statement of Cash Flows
For the year ended 31 December 2008

	2008	2007
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	$ (1,926,761)	$ 353,385
Items not involving cash		
Loss (gain) on disposal of capital assets	-	(17,780)
Market value adjustment to insurance reserve	1,595,820	484,296
Amortization	8,590	-
	(322,351)	819,901
Changes in non-cash working capital balances	468,613	(164,102)
	146,262	655,799
Investing activities		
Transfer to (from) insurance reserve	(226,380)	(420,905)
Purchase of capital assets	(29,648)	-
Proceeds on disposal of capital assets	-	17,780
	(256,028)	(403,125)
Financing activity		
Receipt of deferred revenue	22,815	186,075
Increase (decrease) in cash	(86,951)	438,749
Cash, beginning of year	2,721,873	2,283,124
Cash, end of year	$ 2,634,922	$ 2,721,873
Cash consists of:		
Cash and short-term investments	$ 721,297	$ 10,568
Money market fund	1,400,107	2,208,307
Term deposit	513,518	502,998
	$ 2,634,922	$ 2,721,873
Supplemental Cash Flow Information		
Interest received	$ 84,719	$ 113,432

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

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. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

(a) Capital assets

Capital assets are recorded at cost. The Association provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Leasehold improvements	5 years
Storage Depots	5 years
Office Equipment	2 years
Depot Equipment	3 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.

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 on 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.

2. Summary of significant accounting policies - Continued

(c) Investments

The Association has elected to classify all of its investments as held-for-trading, and accordingly they are recorded at fair value. Changes in fair values during the year are included in revenue or expenditures on the statement of operations.

Quoted market prices were used to determine the fair value of the investments as at the year end date.

(d) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(e) Future changes in accounting policies

(i) Capital disclosures

In October 2006, the CICA issued Section 1535 of the CICA Handbook "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and how it is managed. The standard is effective for annual financial statements relating to fiscal years beginning on or after 1 August 2008. The Association does not expect that the adoption of this standard will have a significant impact on its financial statement disclosures.

(ii) Financial instruments - disclosure and Financial instruments - presentation

Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments - Presentation" replace Section 3861 "Financial Instruments - Disclosure and Presentation". Section 3862 requires increased disclosures regarding the risks associated with financial instruments such as credit risk, liquidity risk and market risks and the techniques used to identify, monitor and manage these risks. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments between liabilities and equity. These standards are effective for annual financial statements relating to fiscal years beginning on or after 1 October 2008. The Association is currently evaluating the impact of these new standards.

2. Summary of significant accounting policies - Continued

(e) Future changes in accounting policies - Continued

(iii) Not-for-profit organizations

In September 2008, the CICA amended a number of standards in Section 4400 and issued new Section 4470, "Disclosures of Allocated Expenses by Not-for-Profit Organizations". The amendments include clarifying the recognizing of revenues and expenses on a gross basis when the not-for-profit organization acts as a principal in the transactions and the treatment and disclosure of internally and externally restricted net assets. The new section requires not-for-profit organizations that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. These standards are effective for annual financial statements relating to fiscal years beginning on or after 1 January 2009. The Association is currently evaluating the impact of these new standards.

3. Insurance reserve

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 (2007 - $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 initially reported in the unrestricted fund and then transferred to the insurance reserve fund. During the year ($1,369,440) (2007 - $824,790) was transferred from the unrestricted fund to the insurance reserve fund, which included an unrealized loss of ($1,595,820) at 31 December 2008 and realized investment income of $226,380.

4. Capital assets

	Cost	Accumulated Amortization	2008 Net	2007 Net
Depot equipment	$ 548,293	$ 528,581	$ 19,712	$ -
Office equipment	46,585	45,239	1,346	-
Leasehold improvements	483,749	483,749	-	-
Storage depots	576,096	576,096	-	-
	$ 1,654,723	$ 1,633,665	$ 21,058	$ -

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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:

2009	$ 102,000
2010	102,000
2011	8,500
	$ 212,500

Additionally, at year end the Association had unprocessed product on hand with an estimated cost to process, transport and recycle of $63,717 which will be incurred during 2009.

6. Financial instruments

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

(a) Fair value

Cash and short-term investments, accounts receivable and accounts payable and accrued liabilities are classifies 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.

The insurance reserve is classified as held-for-trading financial assets. They are measured at fair value, determined on the basis of market value.

(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 from those previously presented to conform to the presentation of the 2008 financial statements.