

You've got the power.

Recycle it.





I consider it an honour and privilege to present the first Atlantic Canada Electronics Stewardship program (ACES) Annual Report, for the period of February 1st to March 31st, 2008.

Formed in partnership with the Retail Council of Canada and Electronics Product Stewardship Canada, ACES, an industry established not-for-profit organization, received approval from the Minister of the Environment on October 4, 2007, to operate the province-wide end-of-life electronics stewardship program in Nova Scotia as required under the Solid Waste-Resource Management Regulations.

Following an extensive program implementation period, the ACES program officially launched on February 1, 2008, and through the province-wide collection network began collecting unwanted computers, monitors, printers, and televisions from the residents of Nova Scotia, and diverting these items from landfill.

To date, the program has been extremely successful and has diverted over 208 metric tonnes of material from landfill for environmentally sound processing through our audited and approved recycling process.

As implementation of Phase II of the regulation approaches, ACES looks forward to expanding our program to collect additional designated products and providing Nova Scotians with even greater service.

I want to extend a sincere thank you to the ACES Board of Directors for all their time and effort in getting this program operational. I also thank our Executive Director and Program Manager for their efforts in making this program such a great success in such a short period of time, and I look forward to the continued growth of the ACES program in the years to come."

Sean DeVries
Chairman, ACES



I am proud to have been part of a diverse team that has worked for the last two years to help Nova Scotia become the first province in Eastern Canada to launch an electronics recycling program. Already an established leader in waste-resource management, the province boldly chose to work with industry leaders to make Atlantic Canada Electronics Stewardship (ACES) the province's first industry-led, regulated waste diversion initiative. Right from the beginning, Nova Scotians have embraced the ACES motto of, "You've got the power – recycle it!"

Our early successes have been made possible by smart regulations, dedicated environmental leaders from both EPSC and RCC, and sage advice from RRFB Nova Scotia, our local program managers. The countless hours put in by board members and RRFB Nova Scotia staff have made our program's foundations solid, and well placed for the upcoming challenges ACES faces in both the near and short term."

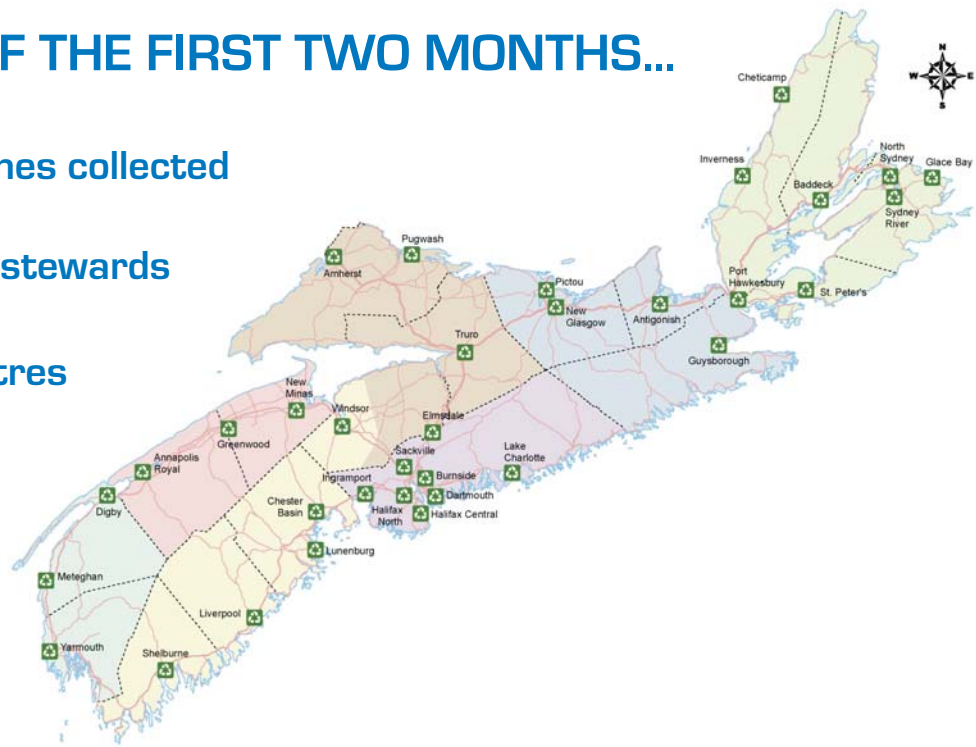
Jay Illingworth
Executive Director, ACES

HIGHLIGHTS OF THE FIRST TWO MONTHS...

 **208 metric tonnes collected**

 **437 registered stewards**

 **33 drop-off centres**



“Electronics Product Stewardship Canada (EPSC) congratulates the ACES Board and its staff as it convenes its first Annual General Meeting and reflects on its achievements over the past year. EPSC represents the voice of Canada's leading electronics manufacturers who were committed to developing ACES and delivering programs that provide sustainable solutions for the recycling of end-of-life electronics. As such, this AGM is indeed a milestone in our shared success. By working in collaboration, we are providing an effective program for product stewardship in which all affected parties can take pride. As ACES looks forward and continues in its development, you can count on this industry to continue to support its work and assist in its success.”

Dalton Burger
President & CEO, EPSC

Messages from
EPSC

“On behalf of Retail Council of Canada (RCC) and its members operating in Atlantic Canada, we wish to congratulate the Atlantic Canada Electronics Stewardship Board of Directors and the program administrator, Resource Recovery Fund Board Inc. (RRFB Nova Scotia), as they complete their first two months of successful operation. RCC is a not-for-profit, industry-funded association representing more than 40,000 store fronts of all retail formats across Canada, including department, specialty, discount and independent stores, and online merchants. Retailers are committed to waste diversion as a whole and have long been advocates for responsible environmental stewardship. As the sellers of designated products and the touch point for both consumers and manufacturers, retailers have a significant stake in the development and management of recycling programs, including Nova Scotia's new electronics recycling program. The ACES program demonstrates that environmental stewardship is a shared responsibility. Industry, government and consumers all play an important role in the management of waste, and by working together we can – and will – reduce our collective environmental footprint.”

Rachel Kagan
National Manager, Government Relations, RCC

Messages from
RCC



WHAT IS ACES?

The Atlantic Canada Electronics Stewardship (ACES) Program is an industry-led electronics recycling program regulated by the Province of Nova Scotia. The ACES Program began February 1, 2008, the same day a province-wide ban on certain electronic products came into effect.

The ACES program gives all Nova Scotian residents and businesses the opportunity to recycle unwanted computers, monitors, printers and televisions responsibly by dropping these items off at an ACES Drop-off Centre. On February 1, 2009, the ACES Program will expand to include additional electronic products – including computer scanners, audio and video recording and play back devices, telephones, fax machines, cellphones and other wireless devices.

ACES FUNDING

ACES is a not-for-profit association registered in Nova Scotia under the Societies Act. ACES is funded by the Environmental Handling Fee (EHF) remitted by producers, retailers and distributors on the sales of new regulated electronic equipment in the province.

Consumers are charged the handling fee at the point of sale, and the current fees are as follows:

- Desktop Computers (including accessories) \$10
- Computer Monitors \$12
- Notebook Computers \$5
- Desktop Printers \$8
- Televisions \$15 - \$45 (depending on size)

All of the program revenue is used exclusively for the administration, collection, transportation and responsible recycling of unwanted electronics in Nova Scotia.

ACES was founded by:



Electronics Product Stewardship Canada



Retail Council of Canada

ACES BOARD OF DIRECTORS

The ACES Board of Directors represents industries obligated under the Province's Electronic Products Stewardship Program Regulation.

The Directors include three manufacturing representatives appointed by Electronics Product Stewardship Canada (EPSC), and two retail representatives appointed by the Retail Council of Canada (RCC).

As of March 31, 2008 the following individuals were members of the ACES Board of Directors:

- Nick Aubry, Sony of Canada Ltd.
- David Bois, Home Hardware Stores Limited
- Christa Copeland, Best Buy Canada Ltd.
- Sean DeVries, Panasonic Canada Inc.
- Rebecca Wellum, Dell Canada Inc.
- Executive Director: Jay Illingworth, EPSC

Observers:

- Rachel Kagan, Retail Council of Canada
- Dalton Burger, EPSC

CONSUMER RESEARCH

During program development in July of 2007 ACES had more than 1,100 Nova Scotia residents respond to an online questionnaire. The results showed overwhelming support for the industry-led approach recommended by ACES.

In January 2008, province-wide polling initiated by ACES showed more than 50% of Nova Scotians were already aware of the electronics recycling program being launched in February.

REGISTERED MEMBERS

Under the Nova Scotia Electronic Products Stewardship Program Regulation, brandowners are required to participate in an approved stewardship program plan that provides for the responsible recycling of regulated electronics.

ACES allows businesses in Nova Scotia to fulfill their environmental compliance with the regulation. As of March 31, 2008, 437 brandowners were registered with ACES.

ACES PROGRAM LAUNCH

The launch of the electronics recycling program was celebrated on February 1st at an ACES Drop-off Centre in Greenwood. The crowd consisted of industry representatives, municipal stakeholders, government officials, and representatives from various non-governmental organizations.

The large turnout symbolized the overwhelming support for the electronics recycling program in Nova Scotia. The event attracted print and television media and generated broad media coverage, with many stories and editorials supporting the e-waste program.

COMMUNICATIONS

Communication pieces for the ACES Program included brochures and retail posters in English and French, as well as a dedicated website. ACES delivered a newspaper and online advertising campaign for the two weeks around the February 1st launch.

To support municipal waste diversion programs, ACES produced rejection stickers that could be placed on electronics waste set at the curb for collection. The stickers provided the ACES contact information so that residents could find their nearest Drop-off Centre.



Sign used at the ACES Drop-off Centres.



Pictured from left to right: Bill Ring, RRFB Nova Scotia CEO, Ross Mabee, Valley Waste General Manager, Jay Illingworth, ACES Executive Director and Mark Parent, Minister of Nova Scotia Environment at the February 1st launch of the ACES program.

COLLECTION SYSTEM

In the first two months of the ACES Program, more than 200 tonnes of electronic waste were collected across the province. It is expected that volumes will rise through the spring and summer months.

The collection network in Nova Scotia consists of 33 ACES Drop-off Centres. While many of these sites were existing collection sites for beverage containers and paint, some new partners were introduced for the ACES Program including municipalities, vocational workshops and small businesses. A study undertaken by ACES in February showed that 97% of Nova Scotians live within a 30 km radius of an ACES Drop-off Centre.

PROCESSING & AUDITING

ACES is committed to utilizing safe and environmentally respectful processes for the recycling of its end-of-life-electronics. Recyclers for the program are being chosen based on their ability to meet stringent standards as set out in EPSC's Recycler Vendor Qualification Program and to provide services at a competitive cost.

Currently ACES is in the process of finalizing agreements with multiple processors and intends to have some local processing capacity in place for the program. All materials collected under the program since February 1, 2008 will be processed through one of these processors.

Mississauga, Canada
June 2, 2008



To the Members of Atlantic Canada Electronics Stewardship Association.

The purpose of the electronics recycler environmental audit program is to assist the Atlantic Canada Electronics Stewardship (ACES) in approving end-of-life electronics (EOLE) primary recycling and downstream processors by verifying them to the Electronics Product Stewardship Canada (EPSC) Electronics Recycling Standard (ERS), in accordance with the process outlined in the Recycler Vendor Qualification Program (RVQP). ACES requires all recyclers to be audited and approved to the Standard prior to receiving any material for processing from the ACES program. The four objectives of this process are to ensure that:

- All EOLE and its waste are handled, transported, processed, stored, and disposed in an environmentally sound manner
- Potentially hazardous components of EOLE are processed in such a manner that reduces negative impact on the environment and worker health and safety
- The downstream flow of materials is tracked through to the point of final processing or disposition to ensure that potentially hazardous components of EOLE are not sent to developing nations for the purpose of recycling and/or disposal
- All EOLE are diverted from Nova Scotia landfills, ensuring compliance with the provincial "ban" on designated materials and consistency with the RVQP

SGS has begun the processes of auditing the primary recyclers, as well as their respective downstream vendors for conformance to the Electronics Recycling Standard. Webinars are actively being used as an education tool in order to assist the primary recyclers develop their downstream processor base in preparation for the audits.

Scott Malloy
SGS Systems and Services Certification

Auditor's Report

To the Members of the Atlantic Canada Electronics Stewardship Association

We have audited the statement of financial position of the Atlantic Canada Electronics Stewardship Association as at March 31, 2008 and the statements of operations and cash flows for the four months 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.

Except as explained in the following paragraph, 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.

The Atlantic Canada Stewardship program commenced on February 1, 2008 and all registered stewards of this program are required to submit their revenue remittance reports to the Association on a monthly basis. At May 23, 2008, remittances were not received from all of the steward registrants relating to fiscal 2008. Management is in the process of ensuring all stewards submit their outstanding remittance reports but does not expect these reports to be received prior to the date of our auditors' report. Accordingly, our verification of revenue was limited to the remittance reports received and recorded in the accounts of the Association and we were not able to determine whether any material adjustments might be necessary for possible additional revenues, accounts receivable and deficiency of revenues over expenses.

In our opinion, except for the effect of adjustments, if any, which might have been determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Atlantic Canada Electronics Stewardship Association as at March 31, 2008 and the results of its operations and its cash flows for the four months then ended in accordance with Canadian generally accepted accounting principles.

Truro, Nova Scotia
May 23, 2008

Grant Thornton LLP
Chartered Accountants

STATEMENT OF OPERATIONS

Four months ended March 31, 2008

	Budget 2008	Actual 2008
Revenue	\$ <u>804,394</u>	\$ <u>826,253</u>
Expenses		
Program delivery expenses		
Collection	60,638	66,655
Recycling		
Processing	311,461	187,380
Transportation	46,857	56,879
Processor audits	20,000	—
Communication		
Launch	<u>200,000</u>	<u>169,274</u>
	<u>638,956</u>	<u>480,188</u>
Operating expenses		
Administrative expenses	403,950	428,557
Depreciation	—	2,059
Interest and bank charges	—	9,408
	<u>403,950</u>	<u>440,024</u>
	<u>1,042,906</u>	<u>920,212</u>
Deficiency of revenue over expenses	\$ <u>(238,512)</u>	\$ <u>(93,959)</u>

STATEMENT OF CHANGES IN NET ASSETS

Four months ended March 31, 2008

	<u>Unrestricted</u>	<u>Investment in capital assets</u>	<u>2008 Total</u>
Balance, beginning of period	\$ —	\$ —	\$ —
Deficiency of revenue over expenses	(91,900)	(2,059)	(93,959)
Transfer capital assets	<u>(147,477)</u>	<u>147,477</u>	<u>—</u>
Balance, end of period	\$ <u>(239,377)</u>	\$ <u>145,418</u>	\$ <u>(93,959)</u>

STATEMENT OF FINANCIAL POSITION

March 31, 2008

Assets

Current

Cash and cash equivalents	\$ 150,172
Receivables	808,396
Prepays	<u>3,210</u>
	961,778

Equipment (Note 4)

145,418
\$ 1,107,196

Liabilities

Current

Payables and accruals	\$ 328,038
Current portion of long term debt	<u>651,199</u>
	979,237

Long term debt (Note 5)

221,918
1,201,155

Net assets

Investment in capital assets

145,418

Deficit

(239,377)
(93,959)
\$ 1,107,196

Commitment (Note 6)

On Behalf of the Board



Director



Director

STATEMENT OF CASH FLOW

Increase (decrease) in cash and cash equivalents

Operating

Deficiency of revenue over expenses	\$ (93,959)
Depreciation	<u>2,059</u>
	(91,900)

Change in non-cash operating working capital

Receivables	(808,396)
Prepays	(3,210)
Payables and accruals	<u>328,038</u>
	<u>(575,468)</u>

Financing

Issue of long term debt 873,117

Investing

Purchase of equipment (147,477)

Net increase in cash and cash equivalents

150,172

Cash and cash equivalents, beginning of period

—

Cash and cash equivalents, end of period

\$ 150,172

Notes to the financial statements
March 31, 2008

1. Nature of operations

In November 2007, Electronics Product Stewardship Canada (EPSC) and the Retail Council of Canada (RCC) established the Atlantic Canada Electronics Stewardship (ACES) Association to deliver an industry led Electronic Stewardship Program in Nova Scotia.

ACES is a not-for-profit association registered in Nova Scotia under the Societies Act. It represents brand owners, manufacturers, retailers and other stakeholders who are committed to collecting and recycling electronic waste in an environmentally responsible manner. ACES is responsible for all aspects of the Nova Scotia Electronics Recycling Program that has been approved by the Province of Nova Scotia.

The Nova Scotia Electronics Products Stewardship Program Regulation came into effect February 1, 2008 and requires brand owners of designated materials to ensure the safe and environmentally responsible management of certain unwanted electronic products.

2. Summary of significant accounting policies

Basis of presentation

These financial statements are the representations of management prepared in accordance with generally accepted accounting principles established by the Canadian Institute of Chartered Accountants.

Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the Association's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the year. Certain of these estimates require subjective or complex judgements by management that may be uncertain. Some of these items include allowance for doubtful accounts and accruals for processing electronic products warehoused for recycling. Actual results could differ from those reported.

Revenue recognition

The Association follows the deferral method of accounting for revenue. Revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital assets

The investment in capital assets fund reports the assets, liabilities, revenue and expenses related to the Association's capital assets.

Rates and bases of depreciation applied to write-off the cost of equipment over their estimated lives are as follows:

Other assets	25%, straight line
Field equipment	20%, straight line
Containers	10%, straight-line
Computer hardware and software	33 1/3%, straight-line

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Bank borrowings are considered to be financing activities.

Income taxes

The Association is a not-for-profit association, which is exempt from income taxes under Section 149(1)(l) of the Canadian Income Tax Act.

Notes to the financial statements
March 31, 2008

3. Financial instruments

The Association's financial instruments include cash and cash equivalents, receivables, payables and accruals, and long term debt. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant market interest, currency or credit risks arising from financial instruments.

In accordance with Section 3855, the Association has classified all financial assets and liabilities as held for trading, which has been classified as other liabilities. Financial instruments classified as held for trading are measured at fair value which approximates their recorded carrying value at March 31, 2008. Other financial liabilities are recorded at amortized cost.

Credit risk

The Association is exposed to credit risk that arises from the quality of its registrants. Credit risks arise from the possibility that the registrants of the Association will be unable to fulfil their obligations. The Association's registrants are numerous and diverse, which reduces the concentration of the credit risk. Management closely evaluates the collectibility of its receivables and records appropriate allowances for doubtful accounts when necessary.

Market risk

The Association is exposed to financial risk that arises from fluctuations in the sale of electronic products within the Province of Nova Scotia. This risk is minimized by corresponding decreases in program delivery expenses and through the regulation implemented by the Nova Scotia Department of Environment and Labour.

4. Equipment

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Other assets	\$ 650	\$ -	\$ 650
Field equipment	33,805	1,485	32,320
Containers	110,480	460	110,020
Computer hardware and software	<u>2,542</u>	<u>114</u>	<u>2,428</u>
	<u>\$ 147,477</u>	<u>\$ 2,059</u>	<u>\$ 145,418</u>

5. Long term debt

Term loan, at a chartered bank's prime rate of interest, repayable over a three year period, a portion repayable on demand. \$ 873,117

Less: current portion 651,199
\$ 221,918

Principal repayments in each of the next four years are due as follows:

2009	\$ 651,199
2010	\$ 96,320
2011	\$ 102,006
2012	\$ 23,592

6. Commitment

The Association has entered into a three year contract commencing February 1, 2008 for management services. The fee may be subject to an annual change as negotiated by the Association and its service provider.



Atlantic Canada Electronics Stewardship

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