Leading Brands, Inc.
Consolidated Financial Statements
February 29, 2008 and February 28, 2007
(Expressed in US Dollars)

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Independent Auditors' Report

To the Shareholders of
Leading Brands, Inc.

We have audited the Consolidated Balance Sheets of Leading Brands, Inc. as at February 29, 2008 and February 28, 2007 and the Consolidated Statements of Loss and Comprehensive Loss, Cash Flows and Changes in Shareholders' Equity for each of the years in the three-year period ended February 29, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated 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, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2008 and February 28, 2007 and the results of its operations and its cash flows for each of the years in the three-year period ended February 29, 2008 in accordance with Canadian generally accepted accounting principles.

/s/ BDO Dunwoody LLP

Chartered Accountants

Vancouver, Canada
May 22, 2008

Leading Brands, Inc.
Consolidated Balance Sheets
(Expressed in US Dollars)

As at		Feb. 29, 2008		Feb. 28, 2007
Assets				
Current				
Cash and cash equivalents	$	2,932,557	$	-
Accounts receivable (Note 16(a))		2,366,640		3,400,977
Inventory (Note 1)		4,661,553		5,723,926
Prepaid expenses and deposits (Note 5)		406,684		814,340
		10,367,434		9,939,243
Property, plant and equipment (Note 2)		9,868,061		7,175,225
Trademarks and rights (Note 3)		110,687		93,144
Goodwill (Note 4)		3,406,687		2,866,766
Deferred costs		-		5,610
Future income taxes (Note 13)		4,583,126		3,892,603
Total Assets	$	28,335,995	$	23,972,591
Liabilities and Shareholders' Equity				
Liabilities				
Current				
Bank indebtedness (Note 6)	$	2,117,751	$	3,356,721
Accounts payable and accrued liabilities		3,969,176		6,457,805
Current portion of long-term debt (Note 7)		1,271,072		721,350
		7,357,999		10,535,876
Long-term debt (Note 7)		5,025,821		3,899,998
		12,383,820		14,435,874
Shareholders' Equity				
Share Capital				
Authorized (Note 8(a))				
500,000,000 common shares without par value				
20,000,000 preferred shares without par value				
Issued				
19,958,124 common shares (2007 – 16,400,845) (Note 8(b))		32,680,978		27,403,161
Contributed surplus (Note 8(b) and 9)		6,289,432		2,162,885
Accumulated other comprehensive income - currency translation adjustment		4,961,396		2,535,541
Deficit		(27,979,631)		(22,564,870)
		15,952,175		9,536,717
Total Liabilities and Shareholders' Equity	$	28,335,995	$	23,972,591

Approved on behalf of the Board:

_/s/ Ralph D. McRae_________________________ Director

_/s/ Stephen K. Fane_________________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Leading Brands, Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US Dollars)

For the year ended	Feb. 29, 2008	Feb. 28, 2007	Feb. 28, 2006
Gross Sales	**$ 35,218,337**	$ 50,368,203	$ 39,293,726
Less: Discounts, rebates and slotting fees	**(4,096,662)**	(4,609,878)	(2,534,860)
Net Sales	**31,121,675**	45,758,325	36,758,866
Expenses (income)			
Cost of sales	**23,353,592**	33,496,213	26,666,072
Selling, general and administrative	**13,212,199**	12,875,096	10,044,862
Amortization of property, plant and equipment	**695,756**	864,381	858,020
Amortization of deferred costs and other	**6,269**	66,172	93,489
Interest on long-term debt	**358,642**	291,101	188,421
Interest on current debt	**192,897**	174,602	155,067
Gain on contract settlement (Note 12)	**(1,327,153)**	(219,761)	-
Impairment of, property, plant and equipment (Note 2)	**-**	3,168,698	-
Interest income	**(91,829)**	-	-
Loss on sale of assets	**96,949**	32,528	26,582
	36,497,322	50,749,030	38,032,513
Loss before income taxes	**(5,375,647)**	(4,990,705)	(1,273,647)
Income taxes recovery (expense) (Note 13)	**(39,114)**	1,436,021	(1,781)
Net loss for the year	**(5,414,761)**	(3,554,684)	(1,275,428)
Foreign exchange translation adjustment	**2,425,855**	(359,212)	1,021,399
Comprehensive loss	**$ (2,988,906)**	$ (3,913,896)	$ (254,029)
Loss per share (Note 8(h))			
Basic and diluted	**$ (0.29)**	$ (0.23)	$ (0.08)
Weighted average common shares outstanding (Note 8(h))			
Basic and diluted	18,412,993	15,788,230	15,063,858

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Leading Brands, Inc.
Consolidated Statements of Cash Flows
(Expressed in US Dollars)

For the year ended	Feb. 29, 2008	Feb. 28, 2007	Feb. 28, 2006
Cash provided by (used in)			
Operating activities			
Net loss for the year	**$ (5,414,761)**	$ (3,554,684)	$ (1,275,428)
Items not involving cash			
Amortization of property, plant and equipment	**695,756**	864,381	858,020
Amortization of deferred costs and other	**6,269**	66,172	93,489
Loss on sale of assets	**96,949**	32,528	26,582
Impairment of property, plant and equipment (Note 2)	**-**	3,168,698	-
Stock based compensation	**261,968**	569,627	296,125
Future income taxes	**40,063**	(1,436,227)	771
Changes in non-cash operating working capital items (Note 14)	**631,401**	(900,941)	(166,681)
	(3,682,355)	(1,190,446)	(167,122)
Investing activities			
Purchase of property, plant and equipment	**(2,483,049)**	(1,585,002)	(182,385)
Proceeds on sale of assets	**419,318**	147,997	58,136
	(2,063,731)	(1,437,005)	(124,249)
Financing activities			
Increase (decrease) in bank indebtedness	**(1,759,627)**	755,977	7,472
Issuance of common shares	**9,142,396**	1,567,574	35,769
Proceeds from issuance of long-term debt	**1,514,079**	879,399	1,099,762
Repayment of long-term debt	**(756,906)**	(575,499)	(851,632)
	8,139,942	2,627,451	291,371
Increase in cash and cash equivalents	**2,393,856**	-	-
Effect of exchange rates on cash	**538,701**	-	-
Cash and cash equivalents, beginning of year	**-**	-	-
Cash and cash equivalents, end of year	**$ 2,932,557**	$ -	$ -
Supplementary disclosure of cash flow Information			
Cash paid(received) during the year			
Income tax payments (recovery), net	**$ (949)**	$ 206	$ 1,010
Interest received	**$ (86,740)**	$ -	$ -
Interest paid	**$ 553,756**	$ 472,134	$ 343,697

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Leading Brands, Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in US Dollars)

For the years ended Feb. 29, 2008, Feb. 28, 2007 and 2006	Shares		Amount
Common Stock			
Balance at March 1, 2005	15,045,069	$	25,799,818
Shares issued upon exercise of stock options	38,999		35,769
Balance at February 28, 2006	15,084,068		25,835,587
Shares issued upon exercise of stock options	1,316,777		1,567,574
Balance at February 28, 2007	16,400,845		27,403,161
Shares issued upon exercise of stock options	257,278		294,992
Shares issued for private placement	3,300,001		4,982,825
Balance at February 29, 2008	19,958,124	$	32,680,978
Contributed Surplus			
Balance at March 1, 2005		$	1,297,133
Stock based compensation on issued stock options (Note 9)			296,125
Balance at February 28, 2006			1,593,258
Stock based compensation on issued stock options (Note 9)			569,627
Balance at February 28, 2007			2,162,885
Stock based compensation on issued stock options (Note 9)			261,968
Contributed surplus on issue of warrants (Note 8)			3,864,579
Balance at February 29, 2008		$	6,289,432
Deficit			
Balance at March 1, 2005		$	(17,734,758)
Net loss			(1,275,428)
Balance at February 28, 2006			(19,010,186)
Net loss			(3,554,684)
Balance at February 28, 2007			(22,564,870)
Net loss			(5,414,761)
Balance at February 29, 2008		$	(27,979,631)
Accumulated other comprehensive income			
Balance at March 1, 2005		$	1,873,354
Foreign exchange translation adjustment			1,021,399
Balance at February 28, 2006			2,894,753
Foreign exchange translation adjustment			(359,212)
Balance at February 28, 2007			2,535,541
Foreign exchange translation adjustment			2,425,855
Balance at February 29, 2008		$	4,961,396

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") which, in the case of the Company, differ in certain respects from generally accepted accounting principles in the United States ("US GAAP") as explained in Note 18. Details of the significant accounting policies are as follows:

Nature of Business

Leading Brands, Inc. and its subsidiaries are engaged in the bottling, distribution, sales, merchandising and brand management of beverages and food products across North America. The Company primarily operates in the following integrated activities: beverage packaging, food and beverage sales and distribution, as well as brand licensing and development.

Basis of Presentation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated. Certain comparative figures have been reclassified to conform to the current year's presentation.

Accounts Receivable

Accounts receivable invoices are recorded when the products are delivered and title transfers to customers or when bottling services are performed and collection of related receivables is reasonably assured. The calculations for an allowance for uncollectible amounts require significant management judgment regarding the ability to collect the amounts due.

Inventory

Raw materials and finished goods purchased for resale are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Finished goods, produced from manufacturing operations, are valued at the lower of standard cost which approximates average cost of raw materials, direct labour and overhead and net realizable value.

Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized using the declining-balance method at annual rates as follows:

Plant and equipment	7% to 20%
Buildings	5%
Automotive equipment	20%
Land improvements	8%
Furniture and fixtures and computer hardware and software	20%

Leasehold improvements are amortized over the lesser of their expected life or the lease term.

Management periodically performs a review of undiscounted future operating cash flows to assess the recoverability of the property, plant and equipment. Property, plant and equipment are written down when their carrying value is not recoverable.

Software Development for Internal Use

Software development costs including costs related to acquired software which are expected to provide future benefits with reasonable certainty are deferred and amortized as described above.

Revenue Recognition

Revenue on sales of products is recognized when the products are delivered and title transfers to customers. Revenues from the provision of manufacturing, packaging or other services are recognized when the services are performed and collection of related receivables is reasonably assured. The Company records shipping and handling revenue as a component of sales revenue. Incentives offered to customers including rebates, cash discounts, and volume discounts are recorded as a reduction of net sales when the sales are recognized.

Commencing with the fiscal year ended February 28, 2006, slotting fees paid to various customers are recorded in prepaid expenses and amortized into sales discounts over 12 months from the date of the first sale to those customers.

Foreign Currency Translation and Transactions

The functional currency of the Company is the Canadian dollar. These financial statements are reported in US dollars for the convenience of US readers. Transactions denominated in US dollars have been translated into Canadian dollars at the approximate rate of exchange prevailing at the time of the transaction. Monetary assets and liabilities have been translated into Canadian dollars at the year end exchange rate. All such exchange gains and losses are included directly in earnings with the exception of gains and losses on intercompany balances owing to the parent, which is deferred as a separate component of shareholders' equity.

Assets and liabilities of the Company are translated into US dollars using the exchange rate in effect at the year-end date and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these operations are deferred as accumulated other comprehensive income within shareholders' equity.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may materially differ from those estimates. The financial statement accounts which required management to make significant estimates and assumptions in determining carrying value include accounts receivable, inventory, property, plant and equipment, goodwill, future income taxes and stock-based compensation.

Stock-Based Compensation

The Company has adopted the recommendations of CICA Handbook Section 3870, "Stock-Based Compensation and Other-Stock-Based Payments". Section 3870 establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services.

Compensation costs are charged to the Consolidated Statements of Loss and Comprehensive Loss.

Goodwill and Other Intangible Assets

Goodwill is tested for impairment annually or if an event occurs that will more likely than not reduce the fair value of the reporting unit below its carrying value. The significant assumptions are as follows:

a. Expected cash flows from operations of the related entity, over the next five fiscal years.

b. Forecasted operating results based on current economic conditions and expected future events.

Trademarks and rights including the acquisition of domain names which are expected to provide future benefits are recorded at cost and amortized over their expected useful life.

Income Taxes

Future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values using the enacted income tax rates by tax jurisdiction at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed annually and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount. Significant management judgement is required in determining the provision for income taxes, the future income tax assets and liabilities and any valuation allowance recorded against the net future income tax assets. Management evaluates all available evidence, such as recent and expected future operating results by tax jurisdiction, and current and enacted tax legislation and other temporary differences between book and tax accounting to determine whether it is more likely than not that some portion or all of the future income tax assets will not be realized. Although the Company has tax loss carry-forwards and other future income tax assets, management has determined certain of these future tax assets do not meet the more likely than not criteria, and accordingly, these future income tax asset amounts have been partially offset by a valuation allowance (Note 13).

Leases

Leases are classified as either capital or operating in nature. Capital leases are those which substantially transfer the benefits and risks of ownership to the leasee. Obligations recorded under capital leases are reduced by the principal portion of lease payments. The imputed interest portion of the lease payment is charged to expense.

Changes in accounting policies

Effective March 1, 2007, the Company adopted five new Canadian Institute of Chartered Accountants ("CICA") accounting standards: (a) Handbook Section 1530, *Comprehensive Income*; (b) Handbook Section 3855, *Financial Instruments – Recognition and Measurement*; (c) Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*; (d) Handbook Section 3865, *Hedges*; and (e) Handbook Section 1506, *Accounting Changes*. The main requirements of these new standards and the resulting financial statement impact are described below.

Consistent with the requirements of the new accounting standards, the Company has not restated any prior period amounts as a result of adopting the accounting changes. The effect of the adoption of these standards is summarized below.

(a) Comprehensive Income, Section 1530:
This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available-for-sale investments, gains and losses on certain derivative financial instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized.

Information pertaining to comprehensive income items are presented in the Company's Consolidated Statement of Loss and Comprehensive Loss.

Changes in accounting policies - continued

(b) Financial Instruments – Recognition and Measurement, Section 3855:

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on the balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in either the statements of operations or the statement of comprehensive income.

All financial assets and liabilities are recognized when the Company becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to March 1, 2007 would be recognized by adjusting opening accumulated other comprehensive income.

All financial instruments are classified into one of the following five categories: held-for-trading, held to maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

• Held to maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into net earnings, using the effective interest method.

• Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until the asset is realized, at which time they will be recorded in net earnings.

• Held-for-trading financial instruments are measured at fair value. All gains and losses resulting from changes in their fair value are included in net earnings in the period in which they arise.

Changes in accounting policies - continued

All derivative financial instruments are classified as held-for-trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses resulting from changes in their fair value are included in net earnings in the period in which they arise.

The adoption of this new standard had no significant effect on the consolidated financial statements of the Company. All financial instruments are recorded at cost or amortized cost.

(c) Financial Instruments – Disclosure and Presentation, Section 3861:

This standard sets out standards which address the presentation of financial instruments and non-financial derivatives, and identifies the related information that should be disclosed. These standards also revise the requirements for entities to provide accounting policy disclosures, including disclosure of the criteria for designating as held-for-trading those financial assets or liabilities that are not required to be classified as held-for-trading; whether categories of normal purchases and sales of financial assets are accounted for at trade date or settlement date; the accounting policy for transaction costs on financial assets and financial liabilities classified as other than held-for-trading; and provides several new requirements for disclosure about fair value.

The Company has chosen to include transaction costs in the carrying value of financial liabilities that have been designated as other than held for trading in accordance with S3855.57(a).

(d) Hedging, Section 3865:
This standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not hold any financial instruments designated for hedge accounting.

Changes in accounting policies - continued

(e) Accounting Changes, Section 1506:
Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively (unless doing so is impracticable or is specified otherwise by an new accounting standard), changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact of this new standard cannot be determined until such time as the Company makes a change in accounting policy, other than the changes resulting from the implementation of the new CICA Handbook standards discussed in this note.

Recently released Canadian accounting standards

There are three new CICA accounting standards that have been issued but not yet adopted by the Company. These three standards will be adopted by the Company on March 1, 2008. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

i. The CICA has issued new accounting standards Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments – Presentation” which replace Section 3861 “Financial Instruments–Disclosure and Presentation”. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the existing presentation requirements. These new standards are effective for the Company for periods beginning on or after October 1, 2007. The Company is evaluating the impact that the adoption of Section 3862 and Section 3863 will have on its consolidated financial statements.

ii. Effective March 1, 2008, the Company adopted the impact of the new accounting standard Section 1535, “Capital Disclosures”, which requires companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements and, if not in compliance, the consequences of such non-compliance. The Company is evaluating the impact that the adoption of Section 1535 will have on its consolidated financial statements.

Recently released Canadian accounting standards - continued

iii. CICA Handbook Section 3031 "Inventories" prescribes the accounting treatment for inventories and provides guidance on the determination of inventory costs and their subsequent recognition as an expense, including any write-down to net realizable value.

International Financial Reporting Standards ("IFRS") In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after March 1, 2011. The transition date of March 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. While the Company has begun assessing the adoption of IFRS for fiscal 2012, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

1. Inventory

	2008	2007
Finished goods	$ 2,343,997	$ 3,495,923
Raw materials	2,317,556	2,228,003
	$ 4,661,553	$ 5,723,926

2. Property, Plant and Equipment

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Plant and equipment	$ 13,098,982	$ 5,639,511	$ 7,459,471	$ 4,685,377
Buildings	1,962,561	1,004,252	958,309	843,697
Automotive equipment	136,944	63,800	73,144	346,409
Land	440,484	-	440,484	370,673
Land improvements	451,151	303,428	147,723	135,121
Leasehold improvements	116,280	101,218	15,062	21,009
Furniture and fixtures	642,426	527,689	114,737	111,707
Computer hardware and software	2,692,480	2,033,349	659,131	661,232
	$ 19,541,308	$ 9,673,247	$ 9,868,061	$ 7,175,225

Property plant and equipment includes equipment acquired under outstanding capital leases of $2,656,788 (2007 – $616,590). Accumulated amortization of assets acquired under capital leases is $124,593 (2007 – $8,632). In the 2007 fiscal year, the Company recorded an impairment of property plant and equipment values in the amount of $3,168,698 related to the closure of the Richmond bottling plant.

3. Trademarks and Rights

	2008	2007
Trademarks and rights	$ 259,718	$ 218,555
Less accumulated amortization	(149,031)	(125,411)
	$ 110,687	$ 93,144

The change in the net book value of trademarks and rights from the prior year was due to foreign currency translation adjustment.

4. Goodwill

		2008		2007
Goodwill	$	**4,465,664**	$	3,757,907
Less accumulated amortization		**(1,058,977)**		(891,141)
	$	**3,406,687**	$	2,866,766

The change in the goodwill balance from the prior year was due to translation adjustments. Since the fiscal year ended February 28, 2002, goodwill is not subject to amortization but is subject to an annual assessment for impairment by applying a fair value test. Any impairment in the value of goodwill would be charged to income.

5. Prepaid Expenses and Deposits

		2008		2007
Slotting fees	$	**195,737**	$	528,018
Insurance premiums		**73,597**		75,113
Rental deposits and other		**137,350**		211,209
	$	**406,684**	$	814,340

6. Bank Indebtedness

		2008		2007
Bank indebtedness	$	**2,117,751**	$	3,356,721

The Company has a demand revolving operating bank loan with a credit limit of $5,587,160 (2007 - $4,701,658) subject to the availability of eligible collateral. Interest is charged on the drawn-down amounts at the bank prime rate plus 0.75% - 1.25% (2007 - 0.75 - 1.25%). The bank prime rate at February 29, 2008 was 5.75% (2007 – 6.00%). The operating loan is collateralized by a charge on all assets of the Company and an assignment of all risk insurance on land, buildings, equipment and inventory owned by the Company.

Bank indebtedness includes the demand revolving operating bank loan of $1,563,166 (2007 - $2,765,874) and un-presented cheques of $647,305 (2007 - $696,916) and is net of cash of $92,720 (2007 - $106,069).

The agreement with respect to the bank indebtedness contains three restrictive covenants. They are a tangible net worth covenant, a current ratio covenant and a capital acquisition covenant. The Company was in compliance with all covenants at February 29, 2008.

7. Long-term Debt

		2008	2007
a)	Bank loan, principal and interest repayable at $81,123 per month, collateralized similar to the operating bank loan, as described in Note 6, with interest at a rate of bank prime plus 0.75%, renewable on February 1, 2011.	**$ 3,706,976**	$ 3,694,736
b)	Capital lease, principal and interest repayable at $7,017 per month including interest at a five-year fixed rate of 6.35% per annum, collateralized by certain pieces of manufacturing equipment until October, 2011.	**354,914**	348,238
c)	Capital lease, principal and interest repayable at $8,737 per month including interest at a three-year fixed rate of 6.61% per annum, collateralized by certain pieces of manufacturing equipment until February, 2011.	**316,691**	-
d)	Capital lease, principal and interest repayable at $15,262 per month including interest at a seven-year fixed rate of 6.575% per annum, collateralized by certain pieces of manufacturing equipment until September, 2014.	**1,038,060**	-
e)	Capital lease, principal and interest repayable at $12,930 per month including interest at a seven-year fixed rate of 6.125% per annum, collateralized by certain pieces of manufacturing equipment until September, 2014.	**769,565**	-
f)	Advance on equipment	**-**	485,230
g)	Other	**110,687**	93,144
		6,296,893	4,621,348
	Less current portion	**1,271,072**	721,350
		$ 5,025,821	$ 3,899,998

Principal due over the remaining terms of the long-term debt is as follows:

2009	$ 1,271,072
2010	1,214,812
2011	1,230,962
2012	548,453
2013	420,670
2014 and thereafter	1,610,924
	$ 6,296,893

The agreement with respect to the bank loan (Note 7(a)) contains a demand feature whereby the bank can demand repayment at any time. The bank has indicated that it does not expect repayment of the loan other than as scheduled, accordingly, the principal payments are classified in accordance with the bank loan repayment schedule.

8. Share Capital

a) Authorized share capital

	Number of Shares	
	2008	2007
Common shares without par value	**500,000,000**	500,000,000
Preferred shares without par value	**9,999,900**	9,999,900
Series “A” preferred shares	**1,000,000**	1,000,000
Series “B” preferred shares	**100**	100
Series “C” preferred shares	**1,000,000**	1,000,000
Series “D” preferred shares	**4,000,000**	4,000,000
Series “E” preferred shares	**4,000,000**	4,000,000
	20,000,000	20,000,000

There are no preferred shares outstanding as at February 29, 2008 and February 28, 2007.

b) Changes in Issued Common Share Capital

	Number of Common Shares	Amount
Issued as at March 1, 2005	15,045,069	$ 25,799,818
Issued for cash in connection with the exercise of stock options	38,999	35,769
Issued as at February 28, 2006	15,084,068	25,835,587
Issued for cash in connection with the exercise of stock options	1,316,777	1,567,574
Issued as at February 28, 2007	16,400,845	27,403,161
Issued for cash in connection with the exercise of stock options	257,278	294,992
Issued for cash in connection with a private placement	3,300,001	4,982,825
Issued as at February 29, 2008	19,958,124	$ 32,680,978

On August 9, 2007, the Company issued 3,300,001 common shares and 1,650,001 common share purchase warrants for net proceeds of $8,847,404 (after deducting share issuance expenses of $1,052,600). Of this amount, $3,864,579 was allocated to the warrants issued and recorded in Contributed Surplus while the balance of $4,982,825 was allocated to common shares. The warrant value was calculated using the Black-Scholes option-pricing model using a risk free rate of 4.5%, a volatility factor of 77% and 66 months as the term of the warrants.

8. Share Capital - continued

c) Stock Options

The Company occasionally grants stock options to its employees, officers, directors and consultants to purchase common shares of the Company. The options granted are exercisable at a price which is equal to or greater than the fair market value of the common shares at the date the options are granted. The options generally begin vesting after 7 months at 7/60th of the total grant and continue to vest at 1/60th per month for a total of 60 months. The options generally have a life of 10 years. The Company does not have a formal stock option plan.

d) Stock Option Information

	Issued and Outstanding Options	Weighted Average Exercise Price
Outstanding at March 1, 2005	2,975,519	1.07
Granted	224,000	1.14
Exercised	(38,999)	0.92
Forfeited	(45,000)	1.29
Expired	(170,000)	1.00
Outstanding at February 28, 2006	2,945,520	1.13
Granted	175,000	4.58
Exercised	(1,316,777)	1.19
Forfeited	(32,666)	1.10
Outstanding at February 28, 2007	1,771,077	1.43
Granted	460,000	2.23
Exercised	(257,278)	1.15
Forfeited	(434,634)	2.73
Expired	(28,166)	1.77
Outstanding at February 29, 2008	1,510,999	$1.34

The weighted average date-of-grant fair value of the options granted during 2008 was $2.03 (2007 - $4.22; 2006 - $1.05 per share) based on the Black-Scholes option pricing model using weighted average assumptions as described in Note 9.

During the year ended February 28, 2006, the Company extended the term of 788,504 options for a period of nine to fifteen months, and changed the exercise price from $1.00 to $1.19, the market price on the date of extension.

On April 4, 2008 the Company granted 120,000 options to certain employees with an exercise price of $1.24 expiring on April 4, 2018.

8. Share Capital – continued

e) Options Outstanding and Exercisable

The following table summarizes the options outstanding and exercisable at February 29, 2008.

	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Exercise Price	Number of Options Exercisable
	600,000	1.78	$ 1.00	600,000
	358,999	6.42	$ 1.04	253,292
	240,000	9.92	$ 1.42	-
	60,000	9.58	$ 3.15	-
	50,000	0.92	$ 1.47	50,000
	40,000	1.00	$ 1.10	27,000
	34,167	6.92	$ 0.81	10,167
	32,667	0.50	$ 1.29	22,666
	30,000	9.33	$ 4.16	4,000
	30,000	8.33	$ 4.93	9,999
	18,833	7.92	$ 1.07	6,000
	12,833	8.25	$ 2.57	3,083
	3,500	1.25	$ 1.49	833
February 29, 2008	**1,510,999**			**987,040**
February 28, 2007	1,771,077			1,120,986
February 28, 2006	2,945,520			2,129,898

8. Share Capital – continued

f) Share Purchase Warrants Information

	Number of Warrants	Weighted Average Exercise Price
Outstanding at February 28, 2005 and 2006	350,000	$ 1.14
Expired	(350,000)	1.14
Outstanding at February 28, 2007	-	-
Issued in connection with private placement	1,817,001	3.95
Outstanding at February 29, 2008	1,817,001	$ 3.95

The company issued 1,650,001 common share purchase warrants related to the private placement and 167,000 common share purchase warrants to the placement agent pursuant to the terms of an agreement related to the issuance of common shares on August 9, 2007. Each common share purchase warrant is exercisable for the purchase of one common share and all of the warrants expire on February 9, 2013. Subject to certain exclusions, the exercise price of the warrants is adjustable downwards to a minimum of $3.29 per share in the event that the Company issues new shares at a price lower than the exercise price.

g) Shareholder Protection Rights Plan

On August 26, 2003, a Shareholder Protection Rights Plan was adopted whereby one share purchase right is attached to each outstanding common share, exercisable only in the case of a specific event, such as the acquisition by an acquirer of 20% or more of the issued common shares of the Company, and at a predetermined calculated price.

At the Annual General Meeting on June 28, 2006 the Shareholder Protection Rights Plan was updated to reflect current industry standards and changes in legislation, and was extended for five years.

8. Share Capital – continued

h) Loss Per Common Share

The Company uses the "Treasury Stock Method" to calculate earnings (loss) per common share. Under this method basic earnings (loss) per share is based on the weighted average aggregate number of common and non-voting shares outstanding during each period. The diluted earnings per share assumes that the outstanding stock options and share purchase warrants had been exercised at the beginning of the period.

For the year ended February 29, 2008, February 28, 2007 and 2006, common equivalent shares (consisting of shares issuable on exercise of stock options and warrants) totaling 3,328,000, 1,771,077 and 3,295,520, respectively, were not included in the computation of diluted earnings per share because the effect was anti-dilutive.

9. Stock-Based Compensation

a) The fair value of each stock option granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants:

	2008	2007	2006
Risk-free rate	**3.82% to 4.64%**	3.98% to 4.63%	3.70% to 4.06%
Dividend yield	**Nil%**	Nil%	Nil%
Volatility factor of the expected market price of the Company's common shares	**101%**	104%	105%
Weighted average expected life of the options (months)	**120**	120	120

b) In connection with the vesting of certain employees, officers and directors stock options for the year ended February 29, 2008, the Company has recorded stock option compensation of $261,968 (2007 - $569,627; 2006 - $296,125) which was credited to contributed surplus and expensed in the year.

10. Commitments

a) The Company is committed to annual operating leases for premises and equipment. The minimum annual lease payments for the next five years and thereafter are as follows:

2009	$	1,127,943
2010		978,389
2011		979,824
2012		713,222
2013		446,075
2014 and onward		-
Total future minimum lease payments	$	4,245,453

b) The Company has commitments with various suppliers to purchase certain volumes of materials. It is not anticipated that losses will be incurred on these contracts.

11. Contingencies

The Company is a party to various legal claims which have arisen in the normal course of business, none of which are expected to have a material adverse effect on the financial position or results of operations of the Company.

12. Gain on Contract Settlement

The Company recorded income in the fiscal year ended February 29, 2008 of $1,327,153 (2007 - $219,761; 2006 - $Nil) from the termination of a distribution agreement.

13. Income Taxes

	2008	2007	2006
Future	**39,114**	(1,436,021)	1,781
	$ 39,114	$ (1,436,021)	$ 1,781

The difference in income tax expense (recovery) due to differences between the Canadian statutory federal income tax rate and the Company's effective income tax rate applied to loss before income taxes was as follows for each of the years in the three year period ended February 29, 2008:

	2008	2007	2006
Income tax recovery computed at basic Canadian statutory rates	**(33.7)%**	(34.1)%	(34.1)%
Effect of non-deductible amounts	**1.1%**	3.9%	8.8%
Recognition of future income tax expenses	**0.0%**	0.0%	19.4%
Recognized tax expenses (benefits)	**0.3%**	(4.2)%	(19.3)%
Change in statutory rate	**18.3%**	0.0%	0.0%
Changes in valuation allowance	**14.7%**	5.6%	25.2%
	0.7%	(28.8)%	0.0%

The change in statutory rates represents rate changes enacted by the Canadian federal government through January 1, 2012.

The effects of each type of temporary difference that gives rise to the future income tax assets and liabilities are as follows:

	2008	2007
Operating and other losses carried forward	**$ 5,302,484**	$ 3,865,091
Property, plant and equipment	**1,953,277**	1,857,461
Trademark and deferred costs	**126,184**	137,433
Un-realized foreign exchange loss	**44,775**	-
Financing costs	**257,859**	-
Total future income tax assets	**7,684,579**	5,859,985
Valuation allowance	**(3,101,453)**	(1,967,382)
Net future income tax assets	**$ 4,583,126**	$ 3,892,603

The Company's future tax assets also include approximately $807,000 (2007 - $Nil) related to future deductions of share issue costs for tax purposes in excess of amounts deducted for financial reporting purposes. If and when the valuation allowance related to these amounts is reversed, the Company will recognize the benefit as an adjustment to share capital as opposed to income tax expense in the Consolidated Statements of Loss and Comprehensive Loss.

The Company expects to realize its net operating loss carried forward over the next 5 years. The Company has provided a valuation allowance against a portion of the future income tax assets. As at February 29, 2008, the Company and its subsidiaries have accumulated net operating losses in the amount of approximately $16.5 million which can be applied against future earnings of the subsidiaries. The net operating loss carry forward amounts commence to expire in 2010 and end in 2028.

14. Changes in Non-Cash Operating Working Capital Items

	2008	2007	2006
Non cash working capital related to operations:			
Accounts receivable	**$ 1,575,031**	$ (243,394)	$ (774,773)
Inventory	**2,012,817**	(1,762,021)	(984,234)
Prepaid expenses and deposits	**527,584**	(100,218)	(479,719)
Accounts payable and accrued liabilities	**(3,484,031)**	1,204,692	2,072,045
	$ 631,401	$ (900,941)	$ (166,681)

15. Related Party Transactions

Related party transactions not disclosed elsewhere are as follows:

		2008	2007	2006
i)	Incurred consulting fees with a company related by a director in common (the President)	**$ 80,245**	$ 73,840	$ 70,070
ii)	Incurred professional service fees with a company related by a director in common for the services of the President	**$ 504,394**	$ 450,070	$ 400,400
iii)	Incurred marketing consulting services with a company related by a director in Common (the President)	**$ 56,959**	$ -	$ -
iv)	Incurred services from a company related by a director in common	**$ 11,126**	$ 10,587	$ 13,919
v)	Sold water to a company with a director in common	**$ 18,456**	$ 15,691	$ 11,620
vi)	Purchased product from a company with a director in common (not related after July 1, 2005)	**$ -**	$ -	$ 395,257
vii)	Incurred consulting fees with a company related by an officer in common	**$ 194,134**	$ 186,995	$ 210,887
viii)	Incurred services from a company related by a director in common	**$ 16,937**	$ 22,130	$ 12,606
ix)	Incurred placement agent fees and expenses from a company related by a director in common, see Note 8 (f)	**$ 726,372**	$ -	$ -

The above-noted transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

16. Credit Risk, Interest Rate Risk and Foreign Exchange Risk

a) Credit Risk

The Company's customers consist mainly of wholesale and retail grocery suppliers and food distributors principally located in North America. During the fiscal year ended February 29, 2008, the Company's ten largest customers comprised approximately 64% (2007 - 67%; 2006 – 74%) of sales and no one customer comprised more than 33% (2007 - 18%; 2006 – 19%) of sales. In addition, to cover credit risk, the Company performs ongoing credit evaluations of its customers' financial condition.

Accounts receivable are presented net of an allowance for doubtful accounts in the amount of $214,064 at February 29, 2008, $379,307 at February 28, 2007 and $248,461 at February 28, 2006.

b) Interest Rate Risk

The Company has bank indebtedness that is subject to floating rates of interest. Changes in the interest rate may cause fluctuations in the results of operations of the Company.

c) Foreign Exchange Risk

A portion of the Company's accounts receivable and accounts payable are denominated in U.S. dollars and, as such, the Company is exposed to fluctuations between the US and Canadian dollars.

17. Segmented Information

The Company operates in one industry segment being the production and distribution of beverages and food products. The Company's principal operations are comprised of an integrated bottling and distribution system for beverages, water and snack foods. Substantially, all of the Company's operations, assets and employees are located in Canada and net revenue from export sales during all the years reported are less than 10%.

18. Differences Between Canadian and United States Generally Accepted Accounting Principles

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") which, in the case of the Company, differs in certain respects from US GAAP.

Material differences between Canadian and US GAAP are summarized below:

a) Adjustments to Consolidated Financial Statements

Adjustments to Consolidated Statements of Loss

	2008	2007	2006
Net loss for the year, Canadian GAAP	**$ (5,414,761)**	$ (3,554,684)	$ (1,275,428)
Amortization of deferred costs (i)	**6,269**	66,172	93,489
Fair value of options granted to employees (ii)	**-**	-	246,422
Compensation expense recorded on application of FIN 44 (iii)	**-**	-	(294,031)
Net loss for the year, US GAAP	**$ (5,408,492)**	$ (3,488,512)	$ (1,229,548)
Basic and diluted earnings (loss) per share, US GAAP	**$ (0.29)**	$ (0.22)	$ (0.08)

Comprehensive Income (Loss)

	2008	2007	2006
Net loss, US GAAP	**$ (5,408,492)**	$ (3,488,512)	$ (1,229,548)
Other comprehensive income:			
Foreign currency translation adjustments	**2,425,855**	(359,212)	1,021,399
Comprehensive loss, US GAAP	**$ (2,982,637)**	$ (3,847,724)	$ (208,149)

18. Differences Between Canadian and United States Generally Accepted Accounting Principles – continued

a) Adjustments to Consolidated Financial Statements – continued

Adjustments to Assets, Liabilities and Shareholders' Equity

	2008	2007
Total assets, Canadian GAAP	**$ 28,335,995**	$ 23,972,591
Write-off product launch costs and certain Deferred costs (i)	**-**	(5,610)
Write-off website development costs (iv)	**(110,687)**	(93,144)
Total assets, US GAAP	**$ 28,225,308**	$ 23,873,837
Total liabilities, Canadian and US GAAP	**$ 12,383,820**	$ 14,435,874
Total shareholders' equity, Canadian GAAP	**15,952,175**	9,536,717
Change in deficit relating to:		
Application of SOP 98-5 (i)	**-**	(5,610)
Application of EITF 00-2 (iv)	**(110,687)**	(93,144)
Total shareholders' equity, US GAAP	**15,841,488**	9,437,963
Total liabilities and shareholders' equity, US GAAP	**$ 28,225,308**	$ 23,873,837

i) Product Launch and Deferred Costs

Under US GAAP, according to Statement of Position ("SOP") 98-5, *Reporting on the Costs of Start-Up Activities*, costs incurred prior to commercial production of a product, costs incurred to establish business in a new territory and costs incurred to initiate a new process in an existing facility are to be expensed as incurred. Under Canadian GAAP, these costs may be capitalized to the extent that they meet specified criteria for recoverability.

ii) Stock based compensation

Effective March 1, 2006, the Company adopted Financial Accounting Standards Board Statement ("SFAS") 123(R) "Share-Based Payment", a revision to SFAS 123 "Accounting for Stock-Based Compensation." SFAS 123(R) requires the Company to recognize in the statement of operations the grant date fair value of share-based compensation awards granted to employees over the requisite service period. Compensation expense recognized reflects estimates of award forfeitures and any changes in estimates thereof are reflected in the period of change.

Pursuant to the provisions of SFAS 123(R), the Company applied the modified-prospective transition method. Under this method, the fair value provisions of SFAS 123(R) are applied to new employee share-based payment awards granted or awards modified, repurchased, or cancelled after March 1, 2006. Measurement and attribution of compensation cost for unvested awards at March 1, 2006, granted prior to the adoption of SFAS 123(R), are recognized based upon the provisions of SFAS 123. Prior to adoption, the Company applied the intrinsic value method to employee awards pursuant to APB 25 and related interpretations. Under the intrinsic value method, no stock-based compensation had been recognized as the exercise price of employee options equaled or exceeded the fair market value of the underlying stock at the date of grant.

18. Differences Between Canadian and United States Generally Accepted Accounting Principles – continued

a) Adjustments to Consolidated Financial Statements – continued

iii) Compensation expense recorded on application of FIN 44

During the year ended February 28, 2002, the Company repriced stock options previously granted to various employees and directors. Under FIN 44, the resulting intrinsic value of the stock options in the amount of $Nil (2007 - $Nil; 2006 - $144,216) are recorded as compensation. As the options are subject to variable accounting (marked to market until exercised, expired, or forfeited), compensation expense (recovery) is recorded in subsequent periods based on the fluctuation in the share price. Variable accounting, and application under FIN 44, ceased upon adoption of SFAS 123(R).

During the year ended February 28, 2006, the Company extended the term of 788,504 options for a period of nine to fifteen months. In addition, the Company also re-priced these stock options previously granted to various employees and directors. Under FIN 44, the resulting intrinsic value of the stock options in the amount of $149,815 is recorded as compensation. These options are subject to variable accounting, as such, compensation expense (recovery) is recorded in subsequent periods based on the fluctuations of share prices.

iv) Under Emerging Issues Task Force Issue No. 00-2 ("EITF 00-2"), *Accounting for Website Development Cost* in the U.S., certain general design and indirect costs related to website development are required to be expensed rather than capitalized. In Canada there is no similar restriction and certain of these costs were capitalized.

v) New Accounting Pronouncements

Effective March 1, 2007, for US GAAP accounting purposes, the Company has adopted SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments – an amendment of FASB Statements No. 133 and No. 140" ("SFAS 155"). SFAS 155 allows any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," to be carried at fair value in its entirety, with changes in fair value recognized in earnings. In addition, SFAS 155 requires that beneficial interests in securitized financial assets be analyzed to determine whether they are freestanding derivatives or contain an embedded derivative. There was no impact on the Company's February 29, 2008 consolidated financial statements resulting from the adoption of SFAS 155.

18. Differences Between Canadian and United States Generally Accepted Accounting Principles – continued

a) Adjustments to Consolidated Financial Statements – continued

v) New Accounting Pronouncements - continued

The FASB has issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption, with the cumulative effect adjustment reported as an adjustment to the opening balance of retained earnings. The Company did not have any unrecognized tax benefits at March 1, 2007. In addition, no adjustments were recognized for uncertain tax benefits during the year. Accordingly, there is no impact on the Company's February 29, 2008 consolidated financial statements resulting from the adoption of FIN 48.

FIN 48 requires that interest expense and penalties related to unrecognized tax benefits be recognized in the Statement of Loss and Comprehensive Loss. FIN 48 allows recognized interest and penalties to be classified as either income tax expense or another appropriate expense classification. If the Company recognizes interest expense or penalties on future unrecognized tax benefits, they will be classified as income tax expense.

The Company files income tax returns in Canada and the United States. Years from 2002 through 2008, as applicable, are subject to examination by the taxing authorities in the respective jurisdictions where returns are filed.

The FASB has issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value under other accounting pronouncements that permit or require measurements, changes the methods used to measure fair value and expands disclosures about fair value measurements. In particular, disclosures are required to provide information on the extent to which fair value is used to measure assets and liabilities; the inputs used to develop measurements; and the effect of certain of the measurements on earnings (or changes in net assets). SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the potential impact, if any, that the adoption of SFAS 157 will have on its consolidated financial statements.

In March 2008, FASB issued FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133. This Statement requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting.

This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require comparative disclosures for earlier periods at initial adoption. The Company is assessing the impact of the new standard.

18. Differences Between Canadian and United States Generally Accepted Accounting Principles – continued

a) Adjustments to Consolidated Financial Statements – continued

v) New Accounting Pronouncements - continued

In December, 2007 FASB issued FASB Statement No. 141 (revised 2007), Business Combinations ("FASB 141R"). FASB 141R changes the accounting for the acquisition of a business in fiscal years beginning after December 15, 2008. When effective, FASB 141R will replace existing FASB 141 in its entirety. FASB 141R will apply to a broad range of transactions, provides for new measurement and recognition requirements and provides new disclosure requirements for certain elements of an acquisition. FASB 141R will apply prospectively to business combinations with an acquisition date on or after the first annual reporting period beginning after December 15, 2008. Both early adoption and retroactive application are prohibited. The Company is currently evaluating the impact of the provisions of FASB 141R.

In February 2007, FASB issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". FASB 159 is effective for fiscal years beginning after November 15, 2007. FASB 159 allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. FASB 159 also establishes presentation and disclosure requirements designed to draw comparison between entities that elect different measurement attributes for similar assets and liabilities. The Company is currently evaluating the impact of the provisions of FASB 159.

In December 2007, FASB issued FASB statement No. 160 "Non-controlling Interests in Consolidated Financial Statements – an amendment of ARB No.51". This statement establishes accounting and reporting standards for the non-controlling interest in a subsidiary. The guidance is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact of the provisions of FASB 160.