

**The Propane Gas Association of Canada (PGAC) is the national voice of the Canadian propane industry, a multi-billion dollar industry that affects the livelihood of tens of thousands of Canadians. We are a national member-driven organization established to support our members in matters affecting them individually and Canada's propane industry generally. The PGAC provides a forum for government advocacy, industry communications, and the provision of relevant training and emergency response as a means to ensuring a safe, responsible and thriving propane industry.**

### **PGAC Vision**

With proactive member participation, the Propane Gas Association of Canada will be an effective voice for the Canadian propane industry and offer premier services that add value for members.

### **PGAC Mission**

The mission of the Propane Gas Association of Canada is to support its members in the growth and development of a safe, environmentally responsible Canadian propane industry, for the benefit of all Canadians.



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The 2006 Annual Report can be downloaded in PDF format from the PGAC website at [www.propanegas.ca](http://www.propanegas.ca).

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## THE BENEFITS OF PROPANE

### Propane is Available

Propane is available in abundance in Canada. This country produces nearly 5% of the world supply and uses only a quarter of that domestically; most of Canada's propane is exported. The infrastructure is in place to transport, store and dispense propane safely and efficiently to Canadians.

### Propane is Portable

Propane can be stored, transported and used almost anywhere, and won't deteriorate over time. Storage cylinders and tanks come in a range of sizes; all built and transported according to highly regulated safety standards. In many cases, it is the only fuel used in remote locations because of its portability, especially for applications where demand patterns change, such as construction sites or cottages.

### Propane is Safe

Production, storage, transportation and use are subject to strict standards and regulations. Propane is stored and used in sealed containers and fuel systems, and is only transferred from one container to another by trained personnel. Propane tanks are 20 times more puncture proof than conventional gasoline tanks.

### Propane is a Modern Energy

There are countless opportunities to take advantage of clean-burning propane. For propane at home and in the workplace, think cooking, heating and cooling – appliances such as pool, patio, space and water heaters, clothes dryers and refrigerators. For agriculture, think heating greenhouses and other buildings, weed and pest control, crop drying, waste incineration and powering equipment. For industry, think forklifts and mobile generators, drying and curing paint, bricks and ceramics, glazing pottery, metal heating and processing. And of course, propane is a transportation fuel – new models of cars, trucks and entire fleets are available. Propane is ready to fuel the tools and toys you rely on for work and play.

### Propane is Clean

Propane is clean burning. In an era of environmental concerns, propane stands above most fuels and competes with the cleanest. It is clean burning because of its simple chemical make-up. When properly mixed with air to form a combustible mixture, it produces virtually no soot and emits low carbon monoxide, hydrocarbons and oxides of nitrogen, which are the basic precursors of ground level ozone, or smog.

Because propane is stored and transported under pressure, the transportation and storage system prevents any evaporative emissions. In the event of a leak, propane readily vaporises and dissipates into the atmosphere. When measured through the total fuel cycle (from production to end use) propane impacts greenhouse gas emissions less than any other fossil fuel.

### Propane Partners with Other Energies

Non-fossil fuels, such as solar and wind are environmentally friendly, but have reliability limitations. The flexibility of propane makes it possible to partner with other energies to supplement energy supply when the sun isn't shining or the wind isn't blowing. Technology exists to facilitate this automatic switching.

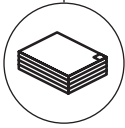
Propane provides a rich source of hydrogen for fuel cells. An up-and-coming energy source, fuel cells create power and heat through an electrochemical process rather than burning, converting hydrogen and oxygen into electrical energy.

*Thanks to World LP Gas Association for their contribution to this overview [www.worldlpgas.com](http://www.worldlpgas.com).*



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## JOINT LETTER FROM PGAC BOARD CHAIR AND MANAGING DIRECTOR



### **Dear Members,**

In 2006, the Propane Gas Association of Canada experienced an exciting year of transition. The changes began when former Managing Director Bob Cunningham retired early in March. Many thanks to dedicated members, the volunteer Board of Directors, Interim Managing Director Bill Egbert, and PGAC staff who worked tirelessly to carry on the many activities of the Association. Despite being short staffed for five months, this dedicated group achieved a number of notable firsts.

Through a partnership with Rogers Insurance, our members are eligible for preferred rates on a comprehensive commercial insurance program designed exclusively for the propane industry. Our first bilingual national conference was co-hosted in partnership with the Quebec Propane Association. We hosted our first provincial Propane Government Day in Edmonton and a second one in Quebec. The Propane Education and Research Council (PERC) Canada proposal was advanced through the first step of the federal government approval process. We appeared on the world stage for the first time, as Canada's representative at the World LP Gas Forum in Chicago (U.S.A.). Additionally, volunteers and staff were very productive on many other Association activities such as organizing events, preparing submissions to government and participating on committees.

During this transition year, we have been moved by the passion and dedication of members and staff in the execution of Association affairs. As a member-driven organization, this enthusiasm and member participation is integral to our success. Strategic and tactical member involvement is key for the execution of our mandate, the achievement of internal cost efficiencies, and to enable the Association to maintain a high level of credibility when dealing with governments and other key stakeholders.



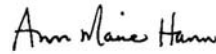
Throughout the year, we gained valuable insight into the opportunities and challenges of the industry and the Association through direct interaction with members and also through a member survey in October. The feedback we received was put to good use in developing the 2007 business plan.

In late 2006, the Board of Directors, working closely with staff, began establishing a framework for a long-term strategic plan for the Association that acknowledges the role of volunteers in our success. A new Vision statement has been adopted that highlights the fact that member involvement will be critical in the achievement of a more effective national voice and the delivery of valuable services. A revised Mission statement that is more concise and member-focused is indicative of the future direction of the Association. With the guidance of the Board, the PGAC will implement processes that encourage member involvement by providing more structured support, more clearly defined objectives and accountability for concrete measurable results.

Looking forward, our 2007 business plan is a comprehensive and proactive one, involving activities across all industry sectors. The highlights include expanding our messaging about propane to public audiences, improving member communications, enhancing the quality of Propane•Training•Institute programs, further developing our Ottawa office presence, developing and implementing a new government advocacy plan and making our provincial committees more active. Additionally, with the support of the Ontario and Quebec Propane Associations, we will continue to pursue the PERC Canada initiative. In 2007, the Association will take the next step forward to becoming a truly credible industry organization, focusing on issues of national importance and providing solid value for our members.



Peter Thorpe  
Chairperson of the Board



Ann Marie Hann  
Managing Director

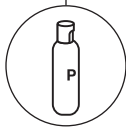


## WHAT IS THE PGAC?

The Propane Gas Association of Canada is a national member driven organization established to support its members in matters affecting them individually and Canada's propane industry generally. The PGAC provides a forum for government advocacy, industry communications, and the provision of relevant training and emergency response as a means to ensuring a safe, responsible and thriving propane industry.

As of the end of 2006, the PGAC had 274 members including 99 propane producers, 21 wholesalers, 84 retailers, 14 transporters, 25 associates, and 31 manufacturers of appliances, cylinders and equipment.

Headquartered in Calgary, Alberta, the PGAC offices also house the Liquefied Petroleum Gas Emergency Response Corporation (LPGERC), a wholly owned subsidiary of the PGAC. The PGAC also maintains a public affairs office in Ottawa, Ontario.



### Benefits of PGAC Membership

The PGAC offers education and training to the industry through the Propane•Training•Institute, a division of the PGAC, with members receiving preferred rates. Additionally, the emergency response services of the LPG Emergency Response Corporation (LPGERC) are reserved exclusively for PGAC members. Seventy percent of PGAC members are LPGERC Plan Participants.

On behalf of members, the PGAC is committed to staying abreast of political and regulatory changes that impact the industry and actively pursues advocacy goals and policy influencing activities. To help propane companies navigate the complex array of the legislation and regulations, the PGAC offers a free technical assistance service to members. The PGAC is represented on more than two dozen standards and code committees, all working to ensure Canada maintains a state-of-the-art industry that operates safely and responsibly.

The PGAC, in partnership with the Ontario and Quebec Propane Associations, are leading the industry initiative to create a Propane Education and Research Council in Canada (PERC Canada). The education, research and training activities made possible through the creation of PERC Canada will improve Canada's understanding of consumer needs and increase access of businesses and consumers to clean alternatives that meet their needs.

Every year, the PGAC hosts a national conference and supports the efforts of five regional committees to organize provincial seminars or other industry events. These events bring members together with industry stakeholders from near and far, providing networking and professional development opportunities, and a forum to address issues of importance to the industry.

## ADVOCACY

Every day, government officials at every level of government address and resolve issues of public concern, shaping the playing field where businesses operate. For every issue, their decisions are influenced by the interplay of government, business, special interest groups and other stakeholders. If decision-makers don't have ready access to information about how a particular proposal might affect an issue, there is a risk that important interests will be overlooked.

As the national voice of the propane industry, the PGAC regularly speaks up for the interests of members, educating key decision-makers about the many benefits of propane, and making representations to government regarding the establishment of sound policies, laws and regulations. Advocacy is an effective way to educate and influence those who make policy decisions to ensure they have the information they need to make the best decisions possible.

Advocacy is integral to how we support our members individually and the industry overall. Our goals are to encourage increased propane usage in Canada, support the pursuit of an environmentally responsible and safe industry, and maximize stakeholder responsibility in ensuring an effective propane industry.

To increase our advocacy strengths, and after a thorough executive search, the PGAC welcomed Ann Marie Hann as Managing Director in September 2006. Her extensive experience in working successfully with government and industry has been invaluable in her mandate to initiate and foster long lasting and productive relationships with key industry, regulatory and governmental stakeholders and partners.

### **Staying abreast of political and regulatory changes**

The PGAC is committed to staying abreast of political and regulatory changes that impact the industry and actively pursues advocacy goals and policy-influencing activities. Three primary initiatives were undertaken in 2006.

#### **Working towards achievement of PERC Canada**

In 2005, an industry steering committee was established, which includes representatives from the PGAC and the Quebec and Ontario Propane Associations, to work toward the achievement of a Propane Education and Research Council in Canada (PERC Canada). In 2006, the PERC Canada steering committee continued to meet and work on this initiative.

Over the course of 2006, the PERC Canada proposal garnered support among some political and senior government officials through a series of meetings and on-going communications. The focus of the PERC Steering Committee in 2007 will be to continue to work closely with the federal government to advance the PERC Canada proposal.

The education, research and training activities made possible through the creation of PERC Canada will improve understanding of consumer needs in Canada and increase access of businesses and consumers to clean alternatives that meet their needs.

#### **Building relationships and increasing awareness of the PGAC with government stakeholders**

PGAC members, the Board of Directors and staff have been working to build relationships and increase awareness of the PGAC with federal and provincial officials and politicians.

The PGAC hosted two Provincial Propane Government Days, the first in Edmonton, Alberta, in April 2006, and the second in Quebec in May 2006, in conjunction with the national conference. The goal of these events was to raise awareness among political and government officials of the PGAC and the issues important to our members. Achievements included recognition of the propane industry as unified on key issues that impact access to clean alternative fuels, as well as the



establishment of relationships between government and industry that promise to keep the lines of communication open. The next step in Alberta and Quebec is to maintain involvement in the issues important to members, providing ready access to the information and expertise our government partners require to make decisions. It is clear from the results of our efforts that understanding where advocacy and collaboration opportunities exist, and establishing a cohesive and informed presence, is critical in moving forward industry concerns with policymakers.

The PGAC was promoted internationally at the World LP Gas Forum in Chicago, U.S.A. in October 2006. PGAC Managing Director, Ann Marie Hann, spoke at this prestigious event, marketing the strengths of Canada's propane industry and revealing the potential for growth under the Propane Education and Research Council in Canada (PERC Canada) proposal.

### **Seeking opportunities through incentives and rebates**

On a provincial level, the PGAC team has been working with government officials to advance opportunities to increase propane usage in Canada. In Alberta, PGAC staff worked with the Alberta Department of Energy to make improvements to the Natural Gas Rebate Program, as well as helping to improve accessibility to the program for propane users. In Quebec, PGAC staff met with officials to advocate for equality for propane in the Quebec energy framework.

At the federal level, the PGAC submitted proposals for two programs. The first was to have propane included in the federal High Efficiency Home Heating Cost Rebate program with Natural Resources Canada. The second was to re-establish a federal subsidy for auto propane conversion. Unfortunately, the federal initiatives in these areas were not implemented.

### **Pursuing an environmentally responsible, safe and effective propane industry**

The PGAC continues to support industry in its pursuit of an environmentally responsible, safe and effective propane industry. A variety of initiatives, services and activities contributed to progress on these issues in 2006.

### **Communicating effectively with members**

The PGAC maintains on-going two-way communications to inform members and solicit feedback and action on a variety of emerging issues.

- Transport Canada's Amendment 6 to the TDG Clear Language Regulations: The PGAC worked with members to identify the impact of the Amendment 6 changes on the industry and submitted an industry position paper.
- Environment Canada's Environmental Emergency (E2) Response Plan Regulations: The PGAC worked with members to identify the impact of the regulations on the industry, communicate industry's position, and develop a Testing Protocol for members to use.
- Transportation Issues: The PGAC addressed a variety of transportation issues related to the Transportation Act, shippers' rights, dispute resolution mechanisms, rail, pipeline and US border tariffs and fees, driver requirements, and other logistical and operational issues of relevance.
- News Alerts: The PGAC issued a broad range of regulatory and safety updates including the issues mentioned above plus others, such as director's orders and safety bulletins from provincial regulators like TSSA and the BC Safety Authority, product recalls, and other important information.

### **Representing industry on committees**

The PGAC was represented on over two dozen codes and standards committees, all working to ensure Canada maintains a state-of-the-art industry that operates safely and responsibly.



## **Offering free technical assistance**

To help propane companies navigate the complex array of the legislation and regulations, the Propane Gas Association of Canada continued to offer a free technical assistance service to members.

## **Negotiating an insurance program**

Through a partnership negotiated in 2006 with Rogers Insurance, our members are now eligible for preferred rates on a comprehensive commercial insurance program designed exclusively for the propane industry.

## **Hosting events to raise awareness**

Every year, the PGAC hosts a national conference and supports the efforts of five regional committees to organize provincial seminars or other industry events. These events bring members together with industry stakeholders, providing networking and professional development opportunities, and a forum to address issues of importance to the industry.

- **PGAC National Conference:** In 2006, the PGAC, in conjunction with the Quebec Propane Association (AQP) held its annual conference in Quebec City from May 31 to June 2 under the theme “Unmask the Future”. The conference was very successful with record attendance. On site translators were provided, so all delegates had the opportunity to hear the presentations in the official language of their choice. Among the many presentations, we offered several promoting the Propane Education and Research Council, including a panel comprised of members of both the AQP and the Ontario Propane Association.
- **The 39th Annual PGAC TransPosium:** On September 21, 2006, the PGAC hosted the 39th Annual TransPosium in Calgary, Alberta, bringing together a line-up of speakers to discuss transportation opportunities and challenges facing the industry, under the theme “Opportunities Now and in the Future”. The committee, including volunteers from member companies and PGAC staff, organized a full day of networking and sessions.
- **The 2006 Alberta Seminar & Golf Tournament:** The annual Alberta Seminar and Golf Tournament was held in Red Deer, Alberta on September 8 and 9. Hosted by the Alberta Provincial Propane Committee, the seminar focused on auto propane and ways to rejuvenate that market segment.

While the PGAC continues to make inroads in government relations, and is working to improve the regulatory environment, there is much more that can be done to reach the many individuals making decisions that affect members’ businesses every day. Members can help to further raise the profile of propane and address the challenges the industry faces by getting involved with the PGAC, or with the provincial committees.



## EDUCATION AND TRAINING

The Propane Gas Association of Canada offers education and training to the industry through the Propane•Training•Institute (P•T•I), a division of PGAC. P•T•I is dedicated to offering state-of-the-art training programs to assist the LP Gas industry in meeting technical training needs. The PGAC's P•T•I technical training has been well structured to meet those needs.

We ensure the knowledge and skills of the P•T•I trainers who deliver the training remain current.

Effective channels of distribution are utilized, permitting timely and cost effective development and delivery of training programs and related materials to P•T•I trainers.

The PGAC ensures a high level of integrity is maintained in the P•T•I certification process. We continue to develop leading-edge learning delivery capability to ensure industry obtains maximum benefit from P•T•I training courses.

The PGAC has worked diligently to accurately identify the appropriate market niches for the training products offered. We ensure that the quality of P•T•I training offerings and the price for P•T•I training reflect the needs of the marketplace.



In 2006, P•T•I focused on a number of initiatives to continue to provide maximum value to members and others investing in P•T•I training programs. In addition to the ongoing review of course materials to ensure compliance with various national codes, P•T•I created new materials for an existing course and developed two new courses.

New trainer materials were created for the Propane Pump Attendant Course (Course Number 100-01), including new visual aids in PowerPoint. The new materials will be released mid-year 2007. A DVD version of the Propane Pump Attendant video was also introduced in both English and French.

The two new training courses were: TDG Hose Testing (100-07), which was available in English in November 2006, with the French version to be released in March 2007; and Cargo Loading and Securement: Propane Tanks, Cylinders and Related Equipment (300-05), which will be available in the second quarter of 2007.

PGAC's P•T•I offerings in 2006 included a total of 42 standard propane handling courses, awareness courses and recertification exams. In 2006, we delivered more than 23,500 courses and re-certification exams and issued over 20,400 new certificates to students. To receive a certificate, students must have passed a written and hands-on exam. Certificates must be renewed every three years.

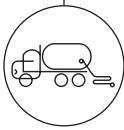
P•T•I has approximately 1,200 active trainers and examiners all across the country. The P•T•I Code of Practice demands that active trainers have a minimum of three years experience, that their status be renewed every three years, and that they are adequately insured. In 2006, P•T•I completed a three-year review on more than 300 trainer/examiner files and added 130 new trainers/examiners.

## EMERGENCY RESPONSE

The Propane Gas Association of Canada offers emergency preparedness and response capability for its members via the LPG Emergency Response Corporation (LPGERC), a subsidiary of the PGAC.

Through the exclusive services of the LPGERC, the PGAC makes accessible to members the emergency response capability necessary to handle incidents involving liquefied petroleum gas (LPG) contained in rail cars, tank trucks or stationary storage tanks (420lb/191kg or greater).

Specifically, the LPGERC provides emergency response to Plan Participants who transport the following LPG products, which are gases at standard temperatures and pressure:



- Propane
- Propylene
- Isobutane
- Butane
- Butylene
- Isobutylene
- Butadiene, stabilized

LPGERC's emergency response services include well-trained and qualified people, state-of-the-art equipment, knowledgeable advice and timely assistance, allowing industry and first responders to deal effectively with an LPG emergency.

From its infancy ten years ago, the LPGERC has become known as the benchmark for LPG emergency response in Canada. The keys to success for the LPGERC include a focus on the safety of both LPGERC personnel and first responders, as well as collaborating with industry and government to better understand the needs of both groups.

Reinforcing the value of their services in 2006, the LPGERC welcomed 24 new Plan Participants, and successfully responded to 13 incidents. They conducted a number of training and audit verifications, including their national training session held in Maple Ridge, British Columbia, and regional training in various locations. Training and audit highlights include three regional teams receiving 100%, 16 Remedial Measures Advisors (RMAs) receiving 100% and a positive independent review of the LPGERC Response Centre in Sarnia, Ontario.

Other notable initiatives completed in 2006 that enhance the value of LPGERC services for Plan Participants include: the updating of forms and information packages which were also made available on-line; navigation and content upgrades to the website, including the addition of all courses and exams; the launch of a new Message Board; completion of the RMA/Regional Team Leader directory; completion and implementation of a Quality Management System and an RMA mentor program; the commencement of French training for LPGERC staff; and the execution of various marketing and networking initiatives.



## CORPORATE GOVERNANCE

The Propane Gas Association of Canada is a national member-driven organization established to support its members in matters affecting them individually and Canada's propane industry generally. Member involvement is key for the execution of this mandate and to enable the Association to maintain a high level of credibility when dealing with governments and other key stakeholders. The PGAC provides numerous opportunities for active involvement in issues of importance to members. From a corporate governance perspective, members are welcome to stand for election to serve on one of two volunteer Boards of Directors.

### Propane Gas Association of Canada

The PGAC is governed by a volunteer Board of Directors. In 2006, the Board was comprised of the following industry members:

#### Board of Directors

Peter Thorpe, Worthington Cylinders of Canada – Tilbury, Ontario (Chairperson)  
Sharon Lemke, Blindman Valley Propane Co-op – Eckville, Alberta (Past Chairperson)  
Don Bietz, Economy Carriers Limited – Calgary, Alberta  
Greg Bourque, Imperial Oil – Calgary, Alberta  
Martin Clough, Superior Propane – Calgary, Alberta  
Bob Good, Autogas Propane Ltd. – Burnaby, British Columbia  
Maurice Gratton, NGL Supply Co. Ltd. – Calgary, Alberta  
David Hall, BP Canada Energy – Calgary, Alberta  
Gerry Jones, Metro Propane Inc. – Winnipeg, Manitoba  
Terry Lamb, Manchester Tank Canada – Tillsonburg, Ontario  
Kyle Logan, Irving Oil – Saint John, New Brunswick  
Guy Marchand, Budget Propane Inc. – Valleyfield, Quebec  
Dan McPhee, Shell Canada Limited – Calgary, Alberta  
Ken Merritt, Keyera – Calgary, Alberta

### PGAC Subsidiary, LPG Emergency Response Corporation

The LPG Emergency Response Corporation is governed by a separate volunteer Board of Directors and an Operating Committee. In 2006, this included the following industry members:

#### LPGERC Board of Directors

David Hall, BP Canada Energy – Calgary, Alberta (Chairperson)  
Greg Bourque, Imperial Oil – Calgary, Alberta (Past Chairperson)  
Bob Bush, Canwest Propane – Calgary, Alberta  
Martin Clough, Superior Propane – Calgary, Alberta  
Tom Fredericks, ECL Group of Companies – Calgary, Alberta  
George Gerlach, Shell Canada Limited – Calgary, Alberta  
Maurice Gratton, NGL Supply Co. Ltd. – Calgary, Alberta  
Jim MacKinnon, Imperial Oil – Calgary, Alberta

#### LPGERC Operating Committee

Bruce Hall, Petro-Canada – Calgary, Alberta  
Dwight Jacobson, Key Energy Transport, LP – Calgary, Alberta  
John Lewis, Railway Association of Canada – Calgary, Alberta  
Pat Mason, Spectra Energy Transmission (Canada) – Taylor, British Columbia  
John McCormack, Superior Propane – Dartmouth, Nova Scotia  
Tim Patterson, BP Canada Energy – Sarnia, Ontario  
Ernie Wong, Imperial Oil – Sarnia, Ontario



## ACKNOWLEDGEMENT

The PGAC would like to acknowledge retiring PGAC and LPGERC Board and Operating Committee members for their time and dedication – the value of their contributions has been significant and we thank them for their commitment.

Greg Bourque, Imperial Oil – Calgary, Alberta (PGAC and LPGERC Boards)  
Kyle Logan, Irving Oil – Saint John, New Brunswick (PGAC Board)  
Ken Merritt, Keyera – Calgary, Alberta (PGAC Board)  
Erik Mortensen, BP Canada Energy – Sarnia, Ontario (LPGERC Operating Committee)

The PGAC would also like to acknowledge the efforts and commitment of the staff for their continuing support of the industry and its Association.



**Propane Gas Association of Canada Inc.**  
**Consolidated Financial Statements**  
For the year ended December 31, 2006

## **Auditors' Report**

### **To the Members of Propane Gas Association of Canada Inc.**

We have audited the consolidated statement of financial position of the Propane Gas Association of Canada Inc. as at December 31, 2006 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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.

Membership revenue of the Association, by its nature, is not susceptible to complete verification as it is impossible to determine the appropriate membership fee that each member should remit. Accordingly, our examination of revenue was limited to accounting in the records of the Association for the fees that were remitted.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the membership revenue referred to in the preceding paragraph, these consolidated financial statements present fairly the financial position of the Association as at December 31, 2006 and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

### **Chartered Accountants**

Calgary, Alberta  
March 2, 2007



**Propane Gas Association of Canada Inc.  
Consolidated Statement of Financial Position**

**December 31** **2006** **2005**

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**Assets**

**Current**

Cash and cash equivalent	<b>\$ 277,767</b>	\$ 168,962
Marketable securities (Note 4)	<b>773,026</b>	902,883
Accounts receivable (Note 3)	<b>148,495</b>	150,610
Inventory (Note 2(d))	<b>85,652</b>	114,883
Prepaid expenses	<b>53,997</b>	65,606
	<b>1,338,937</b>	1,402,944

Inventory (Note 2(d))	-	23,807
Product development costs (Note 5)	-	151,646
Property and equipment (Note 6)	<b>72,781</b>	52,146
	<b>\$ 1,411,718</b>	\$ 1,630,543

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**Liabilities and Net Assets**

**Current**

Accounts payable and accrued liabilities	<b>\$ 186,295</b>	\$ 187,640
Deferred revenue	<b>57,871</b>	638
	<b>244,166</b>	188,278

**Net assets**

Invested in property, equipment, and product development costs	<b>72,781</b>	203,792
Unrestricted	<b>594,771</b>	738,473
Restricted (Note 7)	<b>500,000</b>	500,000
	<b>1,167,552</b>	1,442,265
	<b>\$ 1,411,718</b>	\$ 1,630,543

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**Propane Gas Association of Canada Inc.**  
**Consolidated Statement of Operations**

<b>December 31</b>	<b>2006</b>	<b>2005</b>
<b>Revenue</b>		
Convention, symposiums and seminars	\$ 118,864	\$ 101,857
Course fees revenue	693,383	750,234
Equipment rental and maintenance	616	-
Interest and other	56,475	62,381
Member contributions	78,739	41,434
Membership fees	1,776,808	1,665,754
Miscellaneous revenue	21,955	6,650
Activation fees	111,371	193,140
Training	-	17,650
	<b>2,858,211</b>	<b>2,839,100</b>
<b>Direct expenses</b>		
RMA retainer contracts	134,619	121,163
Equipment retainer contracts	206,950	197,893
Other direct expenses	175,318	229,601
Activations	107,449	166,638
Training	9,708	3,679
	<b>634,044</b>	<b>718,974</b>
<b>Margin</b>	<b>2,224,167</b>	<b>2,120,126</b>
<b>Expenditures</b>		
Advertising and marketing	71,658	89,861
Amortization	38,809	39,381
Bank charges and interest	1,536	1,383
Business development	7,228	6,920
Communications	20,746	16,186
Conference and meetings	97,503	65,469
Consulting	-	2,650
Dues and memberships	10,084	7,939
Equipment rental and maintenance	38,227	23,884
Golf tournaments	10,504	24,708
Government and industry relations	169,553	163,707
Information technology	130,881	85,314
Insurance	85,121	90,650
Membership expenses	3,649	3,497
Nationals	48,643	48,092
Office expenses	40,060	31,676
Postage and delivery	19,930	18,423
Professional services	196,126	120,233
Regionals	49,900	42,173
Rent	122,090	110,079
Salaries and benefits	954,544	842,965
Special projects	1,925	11,832
Telephone	26,345	21,063
Temporary staff and staff development	88,186	35,476
Translation	27,377	12,573
Travel	70,818	67,639
Write downs and bad debt	10,424	4,322
	<b>2,341,867</b>	<b>1,988,095</b>
<b>Excess (deficiency) of revenue over expenditure before other item</b>	<b>(117,700)</b>	<b>132,031</b>
<b>Other Item</b>		
Impairment on product development costs and inventory (Note 5)	<b>(157,013)</b>	-
<b>Excess (deficiency) of revenue over expenditure</b>	<b>\$ (274,713)</b>	<b>\$ 132,031</b>

**Propane Gas Association of Canada Inc.  
Consolidated Statement of Changes in Net Assets**

<b>December 31</b>				<b>2006</b>	2005
	<b>Invested in property, equipment, and product development costs</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>	Total
<b>Balance, beginning of year</b>	<b>\$ 203,792</b>	<b>\$ 738,473</b>	<b>\$ 500,000</b>	<b>\$ 1,442,265</b>	\$ 1,310,234
Excess of revenue over expenditure	<b>(170,455) (1)</b>	<b>(104,258)</b>	-	<b>(274,713)</b>	132,031
Investment in property, equipment and product development costs	<b>39,444 (2)</b>	<b>(39,444)</b>	-	-	-
<b>Balance, end of year</b>	<b>\$ 72,781</b>	<b>\$ 594,771</b>	<b>\$ 500,000</b>	<b>\$ 1,167,552</b>	<b>\$ 1,442,265</b>

(1) Consists of amortization expense and write down of product development costs

(2) Consists of purchase of new property and equipment



**Propane Gas Association of Canada Inc.  
Consolidated Statement of Cash Flows**

<b>December 31</b>	<b>2006</b>	<b>2005</b>
<b>Cash flows from operations</b>		
Excess (deficit) of revenue over expenditure	<b>\$ (274,713)</b>	\$ 132,031
Item not involving cash		
Amortization	<b>38,809</b>	39,381
Impairment on product development costs and inventory	<b>157,013</b>	-
	<b>(78,891)</b>	171,412
Changes in non-cash working capital balances		
Accounts receivable	<b>2,115</b>	92,761
Inventory	<b>27,671</b>	20,203
Prepaid expenses	<b>11,609</b>	21,866
Accounts payable and accrued liabilities	<b>(1,345)</b>	(184,930)
Deferred revenue	<b>57,233</b>	(117,798)
	<b>18,392</b>	3,514
<b>Cash flows from investing activities</b>		
Sale (purchase) of marketable securities	<b>129,857</b>	(97,507)
Purchase of property and equipment	<b>(39,444)</b>	(20,273)
	<b>90,413</b>	(117,780)
<b>Increase (decrease) in cash</b>	<b>108,805</b>	(114,266)
Cash and cash equivalent, beginning of year	<b>168,962</b>	283,228
<b>Cash and cash equivalent, end of year</b>	<b>\$ 277,767</b>	\$ 168,962
<hr style="border: 1px solid black;"/>		
Represented by:		
Cash in bank	<b>\$ 208,913</b>	\$ 115,503
Money market fund	<b>68,854</b>	53,459
	<b>\$ 277,767</b>	\$ 168,962
<hr style="border: 1px solid black;"/>		



**December 31**

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## **1. Organization**

The Propane Gas Association of Canada Inc. (“the Association”) is registered as a society under the Canada Corporations Act. The Association is organized and operated primarily for the purpose of publicizing, improving and promoting the Canadian liquefied petroleum gas industry. The Association is a not-for-profit organization and under section 149(1) of the Income Tax Act is exempt from the payment of income taxes.

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## **2. Significant Accounting Policies**

The consolidated financial statements of the Association have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management’s opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Principles of consolidation

The consolidated financial statements include the accounts of LPG Emergency Response Corp. (“LPGERC”), which is a wholly-owned subsidiary. All significant inter-organization transactions and accounts have been eliminated.

(b) Revenue recognition

Revenue for services is recognized when the services are provided and ultimate collection is reasonably assured. The organization follows the deferral method of accounting for contributions. Membership dues are recognized in the year for which the dues are applicable. Dues paid in advance for the following year are recorded as deferred revenue. Interest revenue is recognized on the accrual basis for marketable securities RMA (Remedial Measures Advisors) activation fees are recognized to recover costs from members who require emergency response. The cost of emergency response is billed out to members without significant markup and represents a cost recovery only.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances and investments in money market instruments with maturity of these market or less.

(d) Inventory

Inventory is carried at the lower of cost and net realizable value. Management reclassified certain inventory not expected to be sold in the next fiscal year as a long-term asset.

(e) Product development costs and amortization

Product development costs incurred in the development of a youth pre-employment training program and website related enhancements - Service Plus! are recorded at cost. Costs relating to the training program were amortized over three years straight line and the website enhancements over nine years straight line. If the products are determined to no longer have a future benefit, any balance remaining will be written off.



**December 31**

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**2. Significant Accounting Policies - (Continued)**

(f) Property, equipment and amortization

Property and equipment are recorded at cost. Amortization of property and equipment is based on the estimated useful life of the assets and is provided for as follows:

Furniture and fixtures	- 20% declining balance basis
Leasehold improvements	- straight line over remaining lease term
Computers	- 30% declining balance basis
RMA/RTL/RC equipment	- 20% declining balance basis

(g) Marketable securities

The marketable securities consist primarily of fixed income instruments and are recorded at the lower of cost and net realizable value.

(h) Financial instruments

The Association carries various financial instruments. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying value, unless otherwise noted.

(i) Foreign currencies

Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by using the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. Resulting foreign exchange gains and losses are included in income in the current period.

(j) Pension plan

The Association maintains a defined contribution pension plan for its employees. The expense for this plan is equal to the Association's required contribution for the year. During the year, the Association's required contribution to the plan was \$36,929 (2005 - \$34,687).

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**3. Accounts Receivable**

**2006**

2005

Accounts receivable are comprised of the following:

LPG Emergency Response Corp.	<b>\$ 15,783</b>	\$ 17,282
Propane Gas Association of Canada Inc.	<b>132,712</b>	132,413
	<b><u>\$ 148,495</u></b>	<u>\$ 149,695</u>

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**December 31**

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**4. Marketable securities**

The market value of the marketable securities at December 31, 2006 is \$801,958 (2005 - \$944,629).

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<b>5. Product Development Costs</b>	<b>2006</b>	2005
Product development cost	\$ -	\$ 183,644
Less accumulated amortization	-	(31,998)
	<b>\$ -</b>	<b>\$ 151,646</b>

During the year, management decided to write off the balance of amortized product development costs relating to the Service Plus! products as these products have minimal future benefit.

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<b>6. Property and Equipment</b>	<b>2006</b>		2005	
	<b>Cost</b>	<b>Accumulated Amortization</b>	Cost	Accumulated Amortization
Computers	<b>\$ 141,936</b>	<b>\$ 93,787</b>	\$ 107,709	\$ 80,485
Furniture and fixtures	<b>164,514</b>	<b>141,481</b>	159,297	136,374
Leasehold improvements	-	-	15,990	15,990
RMA/RTL/RC equipment	<b>2,221</b>	<b>622</b>	2,221	222
	<b>\$ 308,671</b>	<b>\$ 235,890</b>	\$ 285,217	\$ 233,071
Cost less accumulated amortization	<b>\$72,781</b>		\$ 52,146	

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**7. Restricted Net Assets**

The Association has internally restricted these funds for the purpose of funding future emergency response requirements. The amount which the board of directors feels will be necessary to fund all possible future emergency response requirements is \$500,000. As at December 31, 2006 the Association has restricted \$500,000 (2005 - \$500,000) for this purpose.



**December 31**

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### 8. Commitments

The Organization leases its office premises, photocopier, file server, water cooler, and certain computer equipment and furniture under operating leases requiring payments over the next five years as follows:

	2007	2008	2009	2010	2011
Computer leases	\$ 3,747	\$ -	\$ -	\$ -	\$ -
Office premises lease	58,401	58,476	58,476	58,476	58,476
Office furniture lease	3,965	2,974	-	-	-
Photocopier lease	22,422	22,422	22,422	22,422	18,685
Postage meter lease	4,807	4,807	4,807	2,403	-
Water cooler lease	479	479	120	-	-
	<u>\$ 93,821</u>	<u>\$ 89,158</u>	<u>\$ 85,825</u>	<u>\$ 83,301</u>	<u>\$ 77,161</u>

The office lease expires March 31, 2013 and the photocopier lease expires October 5, 2011.

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### 9. Financial Instruments

As disclosed in Note 2(h), the Association holds various forms of financial instruments. The nature of these instruments and the Association's operations expose the Association to currency risk and industry credit risk. The Association manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Fair market value

The carrying values of cash and cash equivalents, receivables and accounts payable and accrued liabilities meeting the definition of financial instruments approximate their fair value.

(b) Credit risk

A significant portion of the Association's trade accounts receivable is from companies in the oil and gas industry, and as such, the Association is exposed to certain of the risks of that industry. Also, at December 31, 2006, 64% (2005 - 59%) of the Company's accounts receivables were from three companies. Consequently, the Company has concentration of credit risk.

(c) Foreign currency risk

A portion of the Association's operations is denominated in United States dollars and accordingly the related financial assets and liabilities are subject to fluctuations in exchange rates. The Association does not have any exposure to any highly inflationary foreign currencies.

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### 10. Comparative Figures

Certain comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

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## **Auditors' Report on Supplementary Information**

### **To the Members of Propane Gas Association of Canada Inc.**

We have audited and reported herein on the financial statements of Propane Gas Association of Canada Inc. for the year ended December 31, 2006.

Our audit was conducted in accordance with Canadian generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements of the Association taken as a whole. The supplementary information included in the Schedules of Expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BDO Dunwoody LLP

### **Chartered Accountants**

Calgary, Alberta  
March 2, 2007



**Propane Gas Association of Canada Inc.  
2006 Consolidated Schedule of Expenditures**

**December 31**

	PGAC	LPGERC	Total 2006	PGAC	LPGERC	Total 2005
Advertising and marketing	<b>\$ 46,968</b>	<b>\$ 24,690</b>	<b>\$ 71,658</b>	\$ 71,619	\$ 18,242	\$ 89,861
Amortization	<b>34,359</b>	<b>4,450</b>	<b>38,809</b>	36,147	3,234	39,381
Bank charges and interest	<b>1,536</b>	-	<b>1,536</b>	1,183	200	1,383
Business development	<b>2,410</b>	<b>4,818</b>	<b>7,228</b>	2,289	4,631	6,920
Communications	<b>20,044</b>	<b>702</b>	<b>20,746</b>	16,186	-	16,186
Conference and meetings	<b>92,022</b>	<b>5,481</b>	<b>97,503</b>	60,821	4,648	65,469
Consulting	-	-	-	-	2,650	2,650
Dues and memberships	<b>9,895</b>	<b>189</b>	<b>10,084</b>	7,709	230	7,939
Equipment rental and maintenance	<b>38,227</b>	-	<b>38,227</b>	20,890	2,994	23,884
Golf tournaments	<b>10,504</b>	-	<b>10,504</b>	24,708	-	24,708
Government and industry relations	<b>169,553</b>	-	<b>169,553</b>	163,707	-	163,707
Information technology	<b>116,152</b>	<b>14,729</b>	<b>130,881</b>	68,877	16,437	85,314
Insurance	<b>9,748</b>	<b>75,373</b>	<b>85,121</b>	15,424	75,226	90,650
Membership expenses	<b>3,649</b>	-	<b>3,649</b>	3,497	-	3,497
Nationals	-	<b>48,643</b>	<b>48,643</b>	-	48,092	48,092
Office expenses	<b>33,245</b>	<b>6,815</b>	<b>40,060</b>	26,353	5,323	31,676
Postage and delivery	<b>17,375</b>	<b>2,555</b>	<b>19,930</b>	14,766	3,657	18,423
Professional services	<b>177,638</b>	<b>18,488</b>	<b>196,126</b>	113,991	6,242	120,233
Regionals	-	<b>49,900</b>	<b>49,900</b>	-	42,173	42,173
Rent	<b>97,295</b>	<b>24,795</b>	<b>122,090</b>	86,238	23,841	110,079
Salaries and benefits	<b>707,876</b>	<b>246,668</b>	<b>954,544</b>	645,376	197,589	842,965
Special projects	-	<b>1,925</b>	<b>1,925</b>	-	11,832	11,832
Telephone	<b>19,328</b>	<b>7,017</b>	<b>26,345</b>	14,480	6,583	21,063
Temporary staff and staff development	<b>88,186</b>	-	<b>88,186</b>	34,341	1,135	35,476
Translation	<b>26,537</b>	<b>840</b>	<b>27,377</b>	8,245	4,328	12,573
Travel	<b>63,854</b>	<b>6,964</b>	<b>70,818</b>	63,173	4,466	67,639
Write downs and bad debt	<b>10,424</b>	-	<b>10,424</b>	4,322	-	4,322
	<b>\$ 1,796,825</b>	<b>\$ 545,042</b>	<b>\$ 2,341,867</b>	\$ 1,504,342	\$ 483,753	\$ 1,988,095

