ANNUAL REPORT
For the Year Ended December 31, 2007

INTRODUCTION

How to use this Management's Discussion and Analysis
The following management's discussion and analysis ("MD&A") as at February 28, 2008, is intended to help readers understand Sun-Rype Products Ltd. ("Sun-Rype" or the "Company"), its history, business environment, strategies, performance and risk factors from the viewpoint of management. It should be read in conjunction with the financial statements and the accompanying notes for the years ended December 31, 2007 and 2006. The following comments may contain management estimates of anticipated future trends, activities or results; these are not a guarantee of future performance, since actual results could change based on other factors and variables beyond management control.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls, and to ensure that information used internally or disclosed externally, including the financial statements and management's discussion and analysis, is complete and reliable.

Forward Looking Statements
Statements contained in the MD&A, which are not based on historical fact, including without limitation, statements containing the words "may", "will", "plans", "intends", "expects", "anticipates", "believes", "estimate", "continue" and similar expressions, constitute "forward looking information" within the meaning of applicable Canadian securities laws. Forward looking statements contained in this document may involve, but are not limited to, statements relating to the Company's objectives, priorities, strategies, actions, targets, expectations and outlook. Forward looking statements are necessarily based upon assumptions and predictions with respect to the future, including but not limited to the factors referred to below. As a result, forward looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied thereby. These risks, uncertainties and other factors include, but are not limited to, changes in the consumer packaged goods industry and external market factors, as well as the factors referred to in the Company's Annual Information Form dated February 28, 2008, and its other filings with the applicable Canadian securities regulatory authorities. In light of these uncertainties, assumptions and risks, readers are cautioned not to place undue reliance on such forward looking statements. Except as required by law, the Company assumes no obligation to update or revise such information to reflect later events or developments.

SELECTED ANNUAL FINANCIAL INFORMATION

The following is a summary of financial information for Sun-Rype for the last three fiscal years.

Years Ended December 31
(in millions of dollars except for per share amounts, which are rounded to the nearest whole cent)

	2007	**2006**[1]	**2005**[1]
Balance Sheet			
Total assets	**$ 56.9**	$ 59.4	$ 68.3
Total long-term obligations[2]	**2.2**	2.4	2.5
Income Statement			
Net sales	**$ 135.1**	$ 130.6	$ 125.4
Earnings before interest, income tax and amortization expenses ("EBITA")[3]	**11.1**	14.6	14.0
Net earnings[4]	**4.6**	7.3	6.5
Per Share Amounts			
EBITA[3]	**$ 1.03**	$ 1.35	$ 1.29
Cash dividends paid	**0.15**	1.62	0.12
Net earnings, basic and diluted	**0.43**	0.67	0.60

1 Certain of the comparative figures have been reclassified in the financial statements to conform to the classifications used in 2007.

2 Includes current portion of long-term obligations, and other long-term obligations including future income taxes.

3 EBITA and EBITA on a per share basis are non-GAAP financial measures. Non-GAAP financial measures do not have a standardized meaning prescribed by Canadian generally accepted accounting principles and therefore may not be comparable to similar measures presented by other companies. EBITA is provided to assist investors in determining the ability of the Company to generate cash from operations to cover financial charges. EBITA is calculated in the table below and EBITA per share is calculated as EBITA divided by the weighted average number of common shares outstanding during the period.

EBITA is reconciled to net earnings as follows:

	Years Ended December 31		
(in thousands of dollars)	**2007**	**2006**	**2005**
Net earnings	**$ 4,636**	$ 7,266	$ 6,524
Add: Income taxes	**2,138**	3,426	3,502
Interest	**148**	42	39
Amortization	**4,186**	3,858	3,898
EBITA	**$ 11,108**	$ 14,592	$ 13,963

4 The Company does not have any "Other comprehensive income" items and therefore comprehensive income is equal to net earnings.

OVERALL PERFORMANCE

Sun-Rype's net sales increased in 2007 by $4.5 million or 3.5% over 2006, to $135.1 million. The Company generated net earnings of $4.6 million in 2007, a decrease of $2.6 million, or 36.2%, over 2006.

The Company's results in the fourth quarter of 2007 were significantly impacted by the effects of a labour disruption that occurred over the last eight weeks of 2007. This labour disruption limited the Company's abilities to manufacture, distribute and promote its products.

Despite this setback, Sun-Rype's brands have evolved over time and are now making a greater connection with consumers through continued emphasis on the wholesome goodness of 100% fruit juices and 100% fruit snacks. This brand recognition coupled with continued product innovation has allowed Sun-Rype to expand sales once again in 2007.

Over the past three years, the Company has focused on the geographical expansion of its products. New markets have contributed positively to the current financial results. Manufacturing capacity is also being balanced through the manufacturing that Sun-Rype does for other food suppliers. While the Company is focused on Sun-Rype's own brand growth, contract manufacturing provides an opportunity to make efficient use of the Company's facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Results of Operations

Sales and profitability

Sun-Rype's net sales increased in 2007 by 3.5% to $135.1 million (2006 - $130.6 million), while gross profit decreased by $3.5 million. Net earnings decreased by 36.2% to $4.6 million (2006 - $7.3 million). Increased beverage and food sales were offset by higher raw material costs and labour rates. These and the negative effects of the eight-week labour disruption are the main contributors to the results.

Sales during the labour disruption were significantly reduced as a result of the required cancellation of most promotional activity. Despite this, sales of beverage products in 2007 increased by $2.8 million or 2.9% over 2006. Sales of food products increased $1.8 million or 5.0% over 2006. In terms of overall product mix, 72.9% (2006 – 73.3%) of net sales were from beverage products and 27.1% (2006 – 26.7%) were from food products.

Within the packaged goods industry, competition for market share is very high and national grocery chains continue to demand ever-improving quality, pricing and service levels from manufacturers. Sun-Rype continues to proactively work with its customers to build market share. Sun-Rype has been able to maintain its commitment to investing in its brand through programs that assist its customers and through increasing consumers' awareness of the Company's brand. During the labour disruption the Company's focus has been on servicing customers and maintaining store inventory levels to satisfy consumer demand.

Sun-Rype's sales base and customer mix is concentrated primarily within the wholesale grocery, mass merchandising and club store distribution channels in Canada, with the top ten customers comprising 86% of net sales (2006 – 85%) and the largest single customer comprising 22% of net sales.

Branded sales

Branded sales, a key driver of corporate growth and profitability, increased 5.0% or $5.9 million in 2007. Branded beverage sales grew by 2.8%, mainly due to increased sales of 1L 100% juices and 3.78L family-sized 100% juices. In 2007, branded food sales grew 11.4% over last year. This was due to existing product growth, particularly FruitSource products, and Squiggles, an interactive 100% fruit snack.

Sun-Rype launched two new 100% fruit snacks during the third quarter of 2007: Mini Bites, an adult-oriented bite-sized treat from the FruitSource product line and FunBites, a fun, interactive children's snack packaged in 18g pouches. FunBites is a companion for the Squiggles snack launched in 2006. Both Mini Bites and FunBites were launched late in the year and as a result the costs for initial distribution of these new products exceeded the sales generated in the year.

Contract manufacturing sales

Revenue from contract manufacturing, co-packing or manufacturing food and beverage products for other companies, decreased by 8.2% from 2006 levels. Sun-Rype's combined food and beverage contract revenue has decreased to 8.9% of net sales (2006 – 10.0%). Contract manufacturing volumes will fluctuate year to year as customer requirements change and as manufacturing capacity is available. During the labour disruption the Company's ability to co-pack for other companies was significantly limited.

Cost of sales and gross profit margin

Sun-Rype's gross profit margin was 31.0% of net sales in 2007, compared to 34.7% in 2006.

Raw material commodity prices continue to escalate due to strong demand and reduced supply. Notably, the British Columbia and Washington process apple volumes have been below expectations for the previous and current crop years. Sun-Rype has benefited from long-term pricing contracts in a market where prices for commodities are rising. However, these costs are now being affected by increasing spot market prices.

Offsetting these cost pressures, the Canadian dollar has appreciated strongly against the US dollar, the currency that many of Sun-Rype's raw material purchases are denominated in. This has reduced cost of sales compared to 2006.

Other significant items impacting cost of sales in 2007 include increased freight costs for inventory transfers. Inventory transfer costs increased primarily due to increased inventory movements between locations necessitated by higher raw material volume and during infrastructure improvements completed in the Company's main warehouse.

During the labour disruption the Company incurred significant incremental costs for freight, logistics and co-packing as it executed contingency plans.

New product launch costs are deducted from sales as incurred and this causes variability in the year over year gross profits as new products are developed and released.

Selling, general and administrative expenses

Selling, general and administrative expenses were $28.5 million in 2007, $1.9 million or 6.4% lower than 2006. As a percentage of net sales, these expenses decreased to 21.1% in 2007 from 23.3% in 2006. Selling costs decreased by $1.4 million from 2006 and decreased as a percentage of net sales to 15.1% from 16.7%. Selling costs varied from 2006 predominantly due to increased customer freight costs of $0.4 million and reduced marketing costs of $1.8 million.

Administrative costs decreased by $0.6 million from 2006. Various cost saving initiatives were undertaken partially offset by increased costs during the labour disruption.

EBITA

Management believes that EBITA, in addition to net earnings, provides investors with a basis to evaluate the Company's operating performance, its ability to incur and service debt and to fund capital expenditures. EBITA was $11.1 million in 2007 (2006 - $14.6 million).

Other items

Amortization of $4.2 million was recorded in 2007 (2006 - $3.9 million). The Company has invested $16.5 million in new property, plant and equipment, renovations and revitalization over the past three years. Management reviews all of its plant and office equipment on a regular basis, and makes provisions to account for obsolete or unused equipment or impairment of asset values.

Interest expense is a result of interest incurred on the promissory note payable and occasional balances outstanding on the Company's short-term bank borrowings.

In 2007, the disposition of miscellaneous property, plant and equipment resulted in a loss of $213,000 (2006 – $135,000).

It is Sun-Rype's practice to enter into foreign exchange contracts to protect the Company from changes in the value of the US dollar. The foreign exchange loss of $2.0 million for 2007 reflects an unrealized loss of $0.5 million and realized foreign exchange net losses of $1.5 million on US dollar denominated transactions.

The majority of the $2.0 million in foreign exchange loss relates to contracts entered into to effectively set the rate at which the Company would trade currencies during the subsequent twelve months. The rapid decline in the value of the US dollar during 2007 has reduced cost of sales but has also created significant losses on the currency contracts that matured within 2007. Contracts that mature in 2008, however, are also recorded at market value, which gives rise to an unrealized loss in 2007 of $0.5 million. The ultimate gain or loss on these contracts will be known only upon maturity. Potential savings in cost of sales, resulting from a higher Canadian dollar that may offset this recorded loss, will not be realized until 2008.

Income taxes

Income taxes averaged 31.6% of earnings in 2007 (2006 – 32.0%). The difference in the effective tax rate is primarily due to reduced statutory income tax rates for 2007 and future years and favourable income tax adjustments related to prior years.

Net earnings and earnings per share
The Company's net earnings for 2007 were $4.6 million or $0.43 per share. This is a decrease of $2.6 million or $0.24 per share from 2006.

The increase in net sales during the year was offset by increases in cost of sales, interest expense and foreign exchange loss compared to 2006. The Company's results in the fourth quarter of 2007 were significantly impacted by the effects of the labour disruption which compromised the Company's abilities to manufacture, distribute and promote its products.

The Company is forecasting that significant losses will be experienced in each of the first two quarters of 2008 as a result of the following projected costs: direct costs of the recent labour disruption and its continuing indirect costs; higher commodity costs; and the launch costs of new products. A return to profitability is anticipated later in the year but this is not expected to offset the earlier losses. These forecasts are necessarily based on estimates and actual results may vary.

No share options were issued in 2007 and there were none outstanding at December 31, 2007.

Changes in operational activities
During 2007 the Company continued to focus on and invest in new product development. The Company also focused on improving the operating efficiency of the food production line.

Accounts receivable and payable
The labour disruption significantly impacted sales and production levels, resulting in reductions in both receivables and payables balances at December 31, 2007. Sun-Rype's accounts receivable at December 31, 2007, decreased by $5.3 million or 41.7% compared to 2006. This decrease is due to the reduced sales in the fourth quarter of 2007. Accounts payable decreased by $5.6 million or 30.5% due to lower capital spending and decreases in both sales volumes and inventory levels. Under normal operating conditions accounts receivable and payable levels can typically increase or decrease by as much as 25% in a given period, based on the timing of sales orders, purchases and payments.

Inventories
Sun-Rype's inventories decreased by 7.5% at December 31, 2007, compared to 2006. Finished goods levels were lower by $2.9 million or 40.5% over 2006 due to customer demand outpacing production levels during the labour disruption. Lower volumes of inventory are offset by higher unit costs of finished goods as result of higher raw material unit costs.

Raw materials inventory increased by $1.3 million or 13.3% over 2006 levels as a result of higher raw material unit costs of concentrates, higher supply levels of packaging in order to meet anticipated demand, and in response to alternative manufacturing initiatives necessitated by the labour disruption. Under normal operating conditions management targets that at certain times inventories will increase to provide buffer stock to support sales, logistics initiatives and the launch of new or revitalized products.

Inventories are regularly reviewed for obsolescence or value impairment and write-downs occur as needed in the normal course of business. Product launches and new packaging revitalizations are managed by the Company to minimize old raw material inventories, including packaging, before new product items are launched.

Long-term obligations
The obligation for employee future benefits and deferred compensation at December 31, 2007, increased by $0.2 million from 2006 as a result of employee incentive remuneration earned during the year. Payments during the year reduced this obligation by $0.2 million. A portion of the obligation for employee future benefits is recorded as a current liability to reflect the anticipated timing of settlement of the obligation.

Long-term obligations for future income taxes, which reflect differences between deductions claimed for income tax purposes and accounting purposes, decreased by $0.1 million, due to reversals of temporary differences and reductions to statutory income tax rates.

Commitments, Risks and Uncertainties

Sun-Rype competes with a number of large food and beverage producers, many of which have greater financial resources than Sun-Rype. To the extent these competitors are able to produce competitive products at a lower cost and utilize larger financial, distribution and marketing resources, the Company may be required to make significant expenditures to improve or even maintain its competitive position.

Sun-Rype's long-term future depends upon its ability to continue to develop new products that can reach an adequate level of distribution in existing or new markets. Ensuring the success of newly developed products requires sufficient expenditures for product development, launch and distribution-related costs, market research and consumer support programs. Sun-Rype's product development process is designed to reduce risk by employing third-party research and economic analysis at key junctures in the development process. In spite of these best efforts, however, there is no guarantee a new product will succeed in the marketplace.

Sun-Rype derives approximately 9% of its net sales from manufacturing food or beverage products for other companies to distribute under their own brand or private label name. Similar to Sun-Rype's own branded products, there is no guarantee these products will succeed in the marketplace. Hence the manufacturing agreements Sun-Rype has with these companies have no sales volume guarantees.

Process grade apples and juice concentrates (primarily apple and orange) are commodities that experience supply and price volatility. Apples are sourced primarily from BC and Washington State, while concentrates are sourced globally. In years of short supply Sun-Rype is able to use alternate sources of apples, juices and concentrates. Management continually evaluates the long-term availability of apples and concentrates in conjunction with its forecast production needs.

Higher raw material and concentrate prices can be partially recovered through higher product selling prices, within the limits of market and consumer acceptance and competition from other juice products.

Sun-Rype purchases certain fruit juices, purées, concentrates and packaging materials at prices denominated in US dollars. From time to time, equipment and parts are purchased in other foreign currencies such as the Euro. Contract manufacturing sales to US customers are denominated in either Canadian dollars or the current US dollar equivalent of Canadian dollars. There is potential for Sun-Rype to be exposed to foreign exchange rate fluctuations.

In 2007, payments for US dollar purchases during the normal course of business were approximately CAD$46.8 million (2006 - CAD$45.1 million). During 2008, planned US dollar purchases for raw material supplies and capital equipment are anticipated to be approximately USD$40.0 million.

Sun-Rype maintains an active environmental program that reflects responsible policies and a respect for the environment. Internal audits are conducted annually and every third year by an external environmental auditor to ensure that appropriate management policies and practices towards waste management, recycling and reuse of products are maintained.

Sun-Rype was named as a defendant in a proposed class action commenced by the Consumers' Association of Canada against Encorp Pacific (Canada), the administrator of the beverage container deposit and recycling fee system in British Columbia, along with a number of other producers and retailers of beverages. During 2006, the defendants, including Sun-Rype, were successful in an application to strike the claim summarily. An appeal launched in the British Columbia Court of Appeal was dismissed on June 21, 2007. A further appeal to the Supreme Court of Canada was dismissed on December 20, 2007, and the matter is concluded.

The Company's manufacturing, transportation and warehousing employees are represented by the Teamsters Local Union No. 213 ("Union"). The collective agreement expired on August 31, 2006. Negotiations commenced in November 2006. The Union served strike notice on October 25, 2007. The unionized employees initiated strike action with a full withdrawal of services on November 6, 2007. The Company conducted limited operations for the eight-week period to December 31 as it executed contingency initiatives. The Company continues to focus on its long-term strategy by moving ahead with new beverage packaging initiatives and implementing additional production options to meet customer demands. On February 23, 2008, the unionized employees ratified a new four-year collective agreement which will expire August 31, 2010. The process of implementing full-scale operations began immediately thereafter.

Summary of Quarterly Results

Net sales	**2007**	**2006**	**2005**
(in millions of dollars)			
Q1	**$ 37.6**	$ 34.1	$ 31.7
Q2	**35.0**	31.0	29.2
Q3	**35.4**	32.2	31.9
Q4	**27.1**	33.3	32.6
Total 12 months	**$ 135.1**	$ 130.6	$ 125.4

EBITA	**2007**	**2006**	**2005**
(in millions of dollars)			
Q1	**$ 4.7**	$ 5.0	$ 4.0
Q2	**2.9**	3.0	2.6
Q3	**2.8**	3.8	2.8
Q4	**0.7**	2.8	4.6
Total 12 months	**$ 11.1**	$ 14.6	$ 14.0

Net earnings (loss)	**2007**	**2006**	**2005**
(in millions of dollars)			
Q1	**$ 2.5**	$ 2.8	$ 1.9
Q2	**1.2**	1.4	1.0
Q3	**1.1**	1.9	1.2
Q4	**(0.2)**	1.2	2.4
Total 12 months	**$ 4.6**	$ 7.3	$ 6.5

Earnings (loss) per share – basic and diluted	**2007**	**2006**	**2005**
Q1	**$ 0.23**	$ 0.26	$ 0.18
Q2	**0.11**	0.13	0.09
Q3	**0.11**	0.17	0.11
Q4	**(0.02)**	0.11	0.22
Total 12 months	**$ 0.43**	$ 0.67	$ 0.60

Fourth Quarter

Net sales in the fourth quarter of 2007 were $27.1 million, compared to $33.3 million for the fourth quarter of 2006, a decrease of 18.5%. All of this reduction is attributable to the effects of the labour disruption and the resulting reduction of promotional activity.

Gross profit percentage for the fourth quarter of 2007 was 26.9% of net sales compared to 34.6% of net sales in 2006, due to increased raw material costs, and increased supply chain costs incurred in continuing to service customers during the labour disruption.

The negative effect of the labour disruption has been mitigated by the drawdown of pre-labour disruption inventories. Current unit production costs are higher than pre-labour disruption levels and this is expected to continue into 2008.

Selling, general and administrative expenses decreased by 23.7% from the fourth quarter of 2006. Sales and marketing costs decreased by $1.4 million due to changes in the timing of marketing programs undertaken during the period and to manage consumer demand during the labour disruption.

EBITA in the fourth quarter remained positive at $0.7 million.

Net loss for the fourth quarter of 2007 was $0.2 million (2006 – earnings of $1.2 million) resulting in loss per share of $0.02, down from $0.11 earnings per share in 2006.

Cash Flow and Working Capital

Cash provided by operating activities in 2007 before changes in non-cash working capital items was $9.4 million (2006 - $11.2 million). A net decrease in cash invested in non-cash working capital items in 2007 of $0.9 million (2006 – increase of $5.5 million) was due to reductions in inventories of $1.4 million, receivables of $5.3 million, offset by a reduction in income taxes payable of $1.1 million and other payables of $4.7 million.

Financing activities during 2007 included the reduction of long-term obligations and payment of dividends. Dividends paid out in each quarter of 2006 and the first quarter of 2007 were $0.03 per share, for a total of $325,000 per quarter. Dividends paid out in the second, third and fourth quarters of 2007 were $0.04 per share, for a total of $433,000 per quarter. In addition a special dividend of $1.50 per share was paid in the first quarter of 2006, for a total of $16.2 million.

Expenditures in 2007 for property, plant and equipment totalled $7.4 million (2006 - $6.6 million). These investments were mainly made in sustaining capital as well as completion of the installation of new food processing equipment. Over the past three years the Company has invested $16.5 million in property, plant and equipment acquisition, expansion and revitalization at its Kelowna facilities. These investments have been predominantly aimed at increasing the capacity and efficiency of the manufacturing operations.

Capital investment projects in 2008 related to sustaining capital, capacity increases, new products or other opportunities will be considered by management and the board of directors on a case-by-case basis.

At December 31, 2007, Sun-Rype's working capital was $15.0 million (2006 - $14.2 million).

The Company maintains a $15.0 million standby operating line of credit with a Canadian bank that bears interest at the bank's prime lending rate (December 31, 2007 – 6.0%). This facility is secured by a general assignment of accounts receivable, inventories and demand debentures creating a fixed and floating charge over all the Company's assets.

With cash balances of $2.7 million at the end of 2007, management expects that cash flow from operations, in conjunction with the operating line of credit, will be adequate to maintain current operations and capital expenditures in the foreseeable future.

Sun-Rype has no long-term debt. The Company has, however, entered into contractual commitments and has operating lease obligations as follows:

Payments due by year ended December 31

(in thousands of dollars)	Operating Leases	Obligations Purchases	Other	Total
2008	$ 144	$ 2,600	$ 321	$ 3,065
2009	136	2,747	-	2,883
2010	120	-	-	120
2011	74	-		74
2012+	57	-	744	801
	$ 531	**$ 5,347**	**$ 1,065**	**$ 6,943**

Financial Instruments and Other Risks

The Company's financial instruments include cash and cash equivalents, accounts receivable, a promissory note payable, accounts payable and long-term obligations for which the carrying values approximate fair values. Other instruments such as commodity futures or utilities contracts are instruments that may be settled by the delivery of non-financial assets.

Credit risk is the risk of loss from non-performance of suppliers, customers or financial counter parties to a contract. The Company's customers consist mainly of grocery stores, mass merchandisers and club stores across Canada. The Company's ten largest customers comprise 86% of sales activity (2006 - 85%). At December 31, 2007, 81% of trade accounts receivable is attributable to these customers (2006 - 86%). The Company maintains credit policies that include a review of a counter party's financial condition, measurement of credit exposure and monitoring of concentration of exposure to any one customer or counter party.

The Company is exposed to foreign currency risk as certain of its raw material and packaging inputs are purchased in US dollars. These purchases in 2008 are estimated to be approximately USD$40.0 million (2007 – USD$43.7 million). A one-cent increase or decrease in the cost to purchase a US dollar would correspondingly increase or decrease the Company's raw material costs by approximately CAD$400,000 on an annual basis.

As at December 31, 2007, the Company had currency contracts outstanding of USD$16 million. These contracts allow the Company to purchase USD$16 million at an average exchange rate of 1.0529 should the spot rate be above the rate on the individual contracts, while requiring the Company to purchase US dollars at an average exchange rate of 1.0166 should the spot rate be below the rates on the individual contracts. At December 31, 2007, the Company has recorded an unrealized foreign exchange loss of $0.5 million to reflect the fair value of these currency contracts.

Accounting Policy

Off-Balance Sheet Arrangements
There are no off-balance sheet obligations that are not disclosed in the financial statements.

Critical Accounting Estimates
Sun-Rype considers an accounting estimate critical if it requires assumptions to be made that were highly uncertain at the time the estimate was made, and changes in the estimate or different estimates that could have been selected could have a material impact on the Company's results of operations or financial position.

The following discussion presents information about the Company's most critical accounting estimates:

Property, Plant and Equipment
The Company estimates the useful life of property, plant and equipment and amortizes the cost of assets over those estimated useful lives that typically range from three to 20 years. The estimated initial service life is estimated based on experience and current technology. These estimates may be extended through sustaining capital expenditures.

The Company periodically assesses the recoverability of values assigned to property, plant and equipment after considering potential impairment indicated by such factors as business and market trends, future prospects, current market value and other economic factors. The Company records an impairment loss in the period when it is determined that the carrying amount of the individual asset exceeds the undiscounted estimate of future cash flows expected to be generated from future use and eventual disposition of that asset. The impairment loss is measured as the difference between the carrying amount and estimated fair value of the asset. There were no material impairment losses recorded in 2007 or 2006.

Asset retirement obligations, including regulations requiring handling and disposal of asbestos relating to existing properties, are recorded as a liability based on the Company's best estimate of undiscounted future costs when remediation efforts are probable and the amount can reasonably be estimated. No liability has been recorded for asset retirement obligations in 2007 or 2006.

Changes in Accounting Policies

Effective January 1, 2007, the Company adopted new accounting standards relating to comprehensive income and financial instruments that were issued by the Canadian Institute of Chartered Accountants. These changes in accounting policies, and policies to be adopted in the future, are more fully described in Note 3 to the financial statements. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. Adoption of these accounting policy changes had no effect on reported amounts or disclosures for the year ended December 31, 2007.

Transactions with Related Parties

In the normal course of business, the Company sells products to a major food retailer in western Canada. Based on publicly available information, this retailer is controlled by an individual who also controls 34.6% of the Company's outstanding common shares (2006 – 31.0%). Sales to this retailer are less than 10% of the Company's total net sales. These transactions are recorded at the exchange amounts, which are the amounts agreed upon between the related parties, and are consistent with transactions with non-related customers.

Disclosure Controls and Procedures

As at December 31, 2007, an evaluation was carried out on the effectiveness of the Company's disclosure controls and procedures as defined in Multilateral Instrument 52-109. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the design and operation of these disclosure controls and procedures were effective.

Management of Sun-Rype is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal financial controls and procedures have been designed under the supervision of management of Sun-Rype with the assistance of an outside consultant.

It should be noted that while Sun-Rype believes that the current disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance, it cannot be expected that existing disclosure controls and procedures or internal financial controls will prevent all human error and circumvention or overriding of the controls and procedures. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Outstanding Shares

As at February 28, 2008, the Company had 10,827,600 common shares issued and outstanding. The shares traded on the Toronto Stock Exchange, under the symbol SRF, at prices ranging from a high of $14.00 to a low of $11.03 in 2007 and a December 31, 2007, closing price of $11.50.

Dividend Declared

On February 28, 2008, the Company declared a quarterly dividend of $0.04 per common share, for a total of approximately $433,000, payable on March 15, 2008, to shareholders of record at the close of business on March 10, 2008.

Additional Information

Additional information relating to Sun-Rype's operations can be found in the Company's Annual Information Form, filed with all applicable Canadian securities commissions and available for viewing on the Canadian Securities Administrator's website at www.sedar.com and on the Company's website at www.sunrype.com.

Kelowna, BC
February 28, 2008

Auditors' Report

To the Shareholders of Sun-Rype Products Ltd.

We have audited the balance sheets of Sun-Rype Products Ltd. as at December 31, 2007 and 2006 and the statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
February 28, 2008

Sun-Rype Products Ltd.
Balance Sheets
As at December 31
(in thousands of dollars)

	2007	2006
Assets		
Current		
Cash and cash equivalents	**$ 2,687**	$ 1,534
Accounts receivable (note 4)	**7,392**	12,676
Income taxes receivable	**818**	-
Inventories (note 5)	**17,304**	18,708
Prepaid expenses	**381**	381
Future income taxes (note 6)	**435**	201
	29,017	33,500
Property, plant and equipment (note 7)	**27,867**	25,947
	$ 56,884	$ 59,447
Liabilities and Shareholders' Equity		
Current		
Promissory note payable (note 8)	**$ 500**	$ 600
Accounts payable and accrued liabilities	**12,688**	18,252
Unrealized foreign exchange loss	**460**	-
Income taxes payable	**-**	234
Current portion, long-term obligations (note 10)	**321**	211
	13,969	19,297
Long-term obligations (note 10)	**744**	918
Future income taxes (note 6)	**1,148**	1,224
	15,861	21,439
Shareholders' equity		
Share capital and contributed surplus (note 11)	**18,698**	18,698
Retained earnings	**22,325**	19,310
	41,023	38,008
	$ 56,884	$ 59,447

Commitments, guarantees and contingencies (note 13)

APPROVED BY THE BOARD OF DIRECTORS

D. Selman, Director

J. Alfonso, Director

See accompanying notes to these financial statements

Sun-Rype Products Ltd.
Statements of Operations and Retained Earnings
For the years ended December 31
(in thousands of dollars except per share amounts)

	2007	2006
Net sales (note 15)	**$ 135,134**	$ 130,622
Cost of sales	**93,298**	85,313
Gross profit	**41,836**	45,309
Expenses		
Selling, general, and administrative	**28,538**	30,476
Amortization	**4,186**	3,858
Interest	**148**	42
Loss on disposal of property, plant and equipment	**213**	135
Foreign exchange loss	**1,977**	106
	35,062	34,617
Earnings before income taxes	**6,774**	10,692
Income taxes (note 6)	**2,138**	3,426
Net earnings and comprehensive income	**4,636**	7,266
Retained earnings, beginning of year	**19,310**	29,585
Dividends paid	**(1,621)**	(17,541)
Retained earnings, end of year	**$ 22,325**	$ 19,310
Per share information		
Basic and diluted earnings per share	**$ 0.43**	$ 0.67
Dividends per share	**$ 0.15**	$ 1.62

See accompanying notes to these financial statements

Sun-Rype Products Ltd.
Statements of Cash Flows
For the years ended December 31
(in thousands of dollars)

	2007	2006
Cash provided by (used in):		
Operating activities		
Net earnings	**$ 4,636**	$ 7,266
Non-cash items:		
Deferred compensation	**168**	388
Amortization	**4,186**	3,858
Loss on disposal of property, plant and equipment	**213**	135
Unrealized foreign exchange loss	**460**	-
Future income taxes	**(310)**	(450)
	9,353	11,197
Changes in non-cash working capital items (note 12)	**913**	(5,458)
	10,266	5,739
Financing activities		
Dividends paid	**(1,621)**	(17,541)
Reduction of long-term obligations	**(232)**	-
	(1,853)	(17,541)
Investing activities		
Proceeds on disposal of property, plant and equipment	**98**	10
Payments for property, plant and equipment	**(7,358)**	(6,639)
	(7,260)	(6,629)
Increase (decrease) in cash position	**1,153**	(18,431)
Cash and cash equivalents, beginning of year	**1,534**	19,965
Cash and cash equivalents, end of year	**$ 2,687**	$ 1,534

Supplemental cash flow information (note 12)

See accompanying notes to these financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

(b) Measurement uncertainty

The presentation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses disclosed during reporting periods. Significant areas that involve estimates include provisions for uncollectible accounts receivable, the amortization rate and estimated useful life of property, plant and equipment, provisions for sales returns and allowances, and provisions for obsolete inventory. The actual amounts could differ from those estimates.

(c) Cash and cash equivalents

Cash and cash equivalents include cash and short-term deposits in high quality, low risk money market instruments, which are cashable on demand 90 days or less from the date of issue.

(d) Inventories

Raw materials, supplies and parts are recorded at the lower of cost, determined on a weighted average basis, and replacement cost.

Finished goods are recorded at the lower of cost and net realizable value. Finished goods include the cost of direct labour, direct materials and variable overhead related to production, applied at a standard rate, which approximates actual costs. Fixed overhead costs related to production are considered a period cost and, as such, are not included as a component of inventory but are expensed in the period they are incurred.

(e) Property, plant and equipment

Property, plant and equipment are recorded at cost, net of investment tax credits. The Company uses the straight-line method of recording amortization over the estimated useful lives of the property, plant and equipment as follows:

Buildings		10 - 20 years
Equipment	- Processing	5 - 10 years
	- Other	3 - 5 years

(f) Impairment of long-lived assets

The Company regularly compares the carrying value of long-lived assets to the estimated undiscounted future cash flows that may be generated from future use and eventual disposition of those assets. The Company records an impairment loss in the period when it is determined that the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset. The impairment loss is measured as the difference between the carrying amount and estimated fair value of the asset.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Asset retirement obligations

The Company recognizes legal obligations associated with the retirement of property, plant and equipment that result from its acquisition, construction or normal operations. These obligations are recorded at fair value and subsequently adjusted for the accretion of discount and any changes in the underlying cash flows. The asset retirement cost is capitalized as part of the cost of the related asset, and amortized to earnings over the remaining life of the asset. Other than as described in Note 13, the Company has determined that it has no material asset retirement obligations at December 31, 2007.

(h) Revenue recognition

Sales are recognized upon the transfer of risk and title to finished goods to customers, which typically occurs upon shipment and when collectibility of proceeds is reasonably assured. The Company deducts from gross sales all payments to customers related to pricing discounts, returns and allowances, certain sales and marketing discounts, promotion funds, co-operative advertising, coupons and product listing fees.

(i) Marketing and product launch costs

The Company expenses new product marketing and launch costs as incurred.

(j) Long term incentive plan

The Company maintains a long-term incentive plan (“LTIP”) that is more fully described in Note 10. A portion of the liability under this plan will vary with the market price of the Company’s common shares.

The Company recognizes the LTIP compensation expense when earned and throughout the deferral period to the extent that the fair value of the performance units earned has changed. Should any amounts be forfeited due to future circumstances, these amounts will be accounted for in the period in which the forfeit is confirmed.

(k) Research and development

The Company incurs costs for activities that relate to research and development of new products. Research costs are expensed as they are incurred. Development costs are also expensed as incurred unless they meet all the criteria for deferral under Canadian GAAP and their recovery is reasonably assured. To date no amounts have been capitalized. Investment tax credits arising from research and development activities are deducted from the related costs and are accordingly included in the determination of earnings when there is reasonable assurance that the credits will be realized.

(l) Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, temporary differences arising from the tax basis of an asset or liability and the corresponding carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to be in effect in the periods that the temporary differences are expected to reverse. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period the change is substantively enacted.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the time of each transaction. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated at the period end rate of exchange. Exchange gains and losses arising on translation or settlement of foreign currency-denominated items are included in the determination of net income for the current period.

(n) Foreign exchange forward contracts

The Company periodically enters into foreign exchange forward contracts to manage foreign exchange risk associated with anticipated future purchases denominated in foreign currencies. Realized and unrealized gains and losses resulting from changes in the market value of these contracts are recorded as other investment income each period unless they meet specified criteria to qualify as hedging instruments under Canadian GAAP. If these contracts meet the criteria for hedging instruments, any unrealized gains or losses are deferred and recognized in earnings when the related hedged transaction is recognized in earnings.

(o) Earnings per share

Basic earnings per share is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method, which assumes that any outstanding stock option grants are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the year.

2. CHANGE OF ACCOUNTING POLICIES

Financial instruments

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants' new Handbook Section 1530 "Comprehensive Income", Section 3855 "Financial Instruments", and Section 3861 "Financial Instruments – Disclosure and Presentation". These accounting policy changes were adopted on a prospective basis with no restatement of prior year financial statements.

(a) Other comprehensive income

Section 1530 introduces new requirements for situations when certain gains and losses ("other comprehensive income", or "OCI") must be temporarily presented outside of net income. OCI is the change in shareholders' equity from non-owner sources. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income ("AOCI"), which is presented as a new category of shareholders' equity on the balance sheet. The Company had no OCI transactions during the year ended December 31, 2007, and no opening nor closing balances for AOCI.

2. CHANGE OF ACCOUNTING POLICIES *(continued)*

(b) Financial instruments recognition, measurement, disclosure and presentation

Under Section 3855, all financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in net income. Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheets at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in income.

Upon adoption of these new standards, the Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Additionally, the foreign exchange contracts and LTIP units are classified as held-for-trading instruments, and as such, any mark-to-market adjustments are included in the determination of income at the end of each reporting period. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Promissory note payable, accounts payable and accrued liabilities, and long-term obligations are classified as other liabilities, which are measured at amortized cost. At December 31, 2007, the Company had neither available-for-sale nor held-to-maturity financial instruments.

Section 3861 identifies and details information to be disclosed in the financial statements.

Future accounting and reporting changes

The Canadian Institute of Chartered Accountants issued new accounting standards which the Company will adopt, effective January 1, 2008: Section 1535 "Capital Disclosures"; Section 3862 "Financial Instruments – Disclosures"; Section 3863 "Financial Instruments – Presentation"; and Section 3031 "Inventories." The new requirements of Sections 1535, 3862 and 3863 are for disclosure purposes only and will not impact the financial results of the Company.

(i) Section 1535 establishes guidelines for the disclosure of information on an entity's capital and how it is managed. This enhanced disclosure enables users to evaluate the entity's objectives, policies and processes for managing capital.

(ii) Sections 3862 and 3863 replace the existing Section 3861 "Financial Instruments – Disclosure and Presentation." Section 3862 requires enhanced disclosure on the nature and extent of financial instrument risks and how an entity manages those risks. Section 3863 carries forward the existing presentation requirements and provides additional guidance for the classification of financial instruments.

(iii) Section 3031 provides more guidance on the measurement and disclosure requirements for inventories. The Company does not expect to be materially affected by these recommendations upon adoption. The effects on future periods are not determinable.

3. BANK INDEBTEDNESS

The Company maintains a $15.0 million standby operating line of credit with a Canadian bank, which bears interest at the bank's prime lending rate (December 31, 2007 – 6.0%). This facility is secured by a general assignment of accounts receivable, inventories and demand debentures creating a fixed and floating charge over all Company assets. At December 31, 2007 and 2006, no balances were outstanding under this operating line of credit.

4. ACCOUNTS RECEIVABLE

(*in thousands of dollars)*	**2007**	2006
Trade	**$ 6,876**	$ 12,342
Other	**516**	334
	$ 7,392	$ 12,676

5. INVENTORIES

(*in thousands of dollars)*	**2007**	2006
Raw materials and supplies	**$ 10,855**	$ 9,581
Finished goods	**4,301**	7,222
Parts	**2,148**	1,905
	$ 17,304	$ 18,708

6. INCOME TAXES

The income tax provision differs from the amount that would be computed by applying the combined federal and provincial statutory income tax rates as a result of the following:

	2007	2006
Statutory income tax rates	**33.8%**	34.1%
(*in thousands of dollars)*		
Income tax provision at statutory rates	**$ 2,292**	$ 3,648
Effect on income taxes of:		
Non-deductible expenses	**28**	29
Tax rate reductions	**(118)**	(92)
Other	**(64)**	(159)
Effective income tax provision	**$ 2,138**	$ 3,426

The income tax provision consists of the following:

(*in thousands of dollars)*	**2007**	2006
Current income tax expense	**$ 2,448**	$ 3,876
Future income tax recovery	**(310)**	(450)
	$ 2,138	$ 3,426

6. INCOME TAXES *(continued)*

The net future income tax liability is reported as follows:

(*in thousands of dollars)*	2007	2006
Future income tax assets – current	**$ 435**	$ 201
Future income tax liabilities – long-term	**(1,148)**	(1,224)
Net future income tax liability	**$ (713)**	$ (1,023)

Significant components of future income tax assets and liabilities include:

(*in thousands of dollars)*	2007	2006
Accrued liabilities	**$ 711**	$ 508
Losses and other deductions	**14**	12
Future income tax assets	**725**	520
Property, plant and equipment	**(1,360)**	(1,524)
Other	**(78)**	(19)
Future income tax liabilities	**(1,438)**	(1,543)
Net future income tax liability	**$ (713)**	$ (1,023)

7. PROPERTY, PLANT AND EQUIPMENT

(*in thousands of dollars)*	2007		
	Cost	Accumulated Amortization	Net Book Value
Land	**$ 170**	**$ -**	**$ 170**
Buildings	**16,624**	**12,572**	**4,052**
Processing equipment	**50,384**	**28,560**	**21,824**
Other equipment	**7,775**	**5,954**	**1,821**
	$ 74,953	**$ 47,086**	**$ 27,867**

	2006		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 170	$ -	$ 170
Buildings	16,342	11,833	4,509
Processing equipment	45,091	26,186	18,905
Other equipment	8,175	5,812	2,363
	$ 69,778	$ 43,831	$ 25,947

Included in processing equipment at December 31, 2007, is construction in progress with a cost of $708,600 that has not been amortized (2006 - $5,073,600).

8. PROMISSORY NOTE PAYABLE

The promissory note payable in the amount of $500,000 (2006 - $600,000) is due on demand, is secured by a letter of credit and bears interest at the bank prime rate plus 0.25%.

9. POST-EMPLOYMENT BENEFITS

The Company maintains a defined contribution (money purchase) pension plan for substantially all of its salaried employees. The Company's contributions to the plan in the year totalled $293,000 and are included in selling, general and administrative expense (2006 - $309,000).

10. LONG TERM OBLIGATIONS

(*in thousands of dollars)*	**2007**	**2006**
Deferred management compensation	**$ 298**	$ 427
Long-term incentive plan	**767**	702
Total	**1,065**	1,129
Current portion	**321**	211
Long term portion	**$ 744**	$ 918

Deferred Management Compensation

Under the terms of employment agreements with certain senior officers, the Company has provided for compensation to be paid to the individuals at the date they cease their employment. During the year, the Company has recorded a compensation expense included in selling, general and administrative expense of $nil (2006 - $37,000).

Long-term Incentive Plan ("LTIP")

In 2005 the Company's board of directors adopted an LTIP for its senior officers that entitles these officers to earn awards that will be confirmed during the two-year period following the year in which the awards are earned. The LTIP awards are comprised of a combination of cash and performance units. A performance unit is a notional unit, equivalent in value to the average trading price of the Company's common shares for the previous 20 trading days. At the termination of employment, the performance units are settled in cash.

The Company has recorded $168,000 of compensation expense related to awards earned in the year ended December 31, 2007, net of revaluation adjustments (2006 - $434,000). As at December 31, 2007, a potential maximum of 65,303 performance units have been earned, assuming that executives elect to receive the maximum number of units under the plan.

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized

100,000,000 common shares fully participating and without par value

Issued and fully paid capital

(*in thousands of dollars*)	**2007**	2006
10,827,600 Common shares	**$ 17,756**	$ 17,756
Contributed surplus	**942**	942
	$ 18,698	$ 18,698

Earnings per share

The weighted average number of common shares outstanding in 2007 and 2006, on a basic and diluted basis, was 10,827,600.

Employee share purchase plan

The Company has an employee share purchase plan ("ESPP") enabling all permanent full- and part-time employees to acquire common shares through payroll deductions with financial assistance provided by the Company. Eligible employees may contribute monthly an amount, which shall not exceed 7% of salary, and the Company has agreed to contribute a further 35% of the amount contributed by each eligible employee. All funds and equity shares held by the administrator pursuant to the ESPP are held for the account of the individual eligible employee. The Company's contributions to the ESPP in the year totalled $228,000 (2006 - $241,000).

12. SUPPLEMENTAL CASH FLOW INFORMATION

(*in thousands of dollars*)	**2007**	2006
Changes in non-cash working capital items:		
Accounts receivable	**$ 5,284**	$ (808)
Inventories	**1,404**	(5,377)
Prepaid expenses	**-**	134
Promissory note payable	**(100)**	(75)
Accounts payable and accrued liabilities	**(4,623)**	1,353
Income taxes	**(1,052)**	(685)
	$ 913	$ (5,458)
Cash paid during the year for:		
Interest	**$ 148**	$ 42
Income taxes	**$ 3,503**	$ 4,533
Non-cash transactions:		
Additions to property, plant and equipment included in accounts payable and accrued liabilities	**$ 58**	$ 999

13. COMMITMENTS, GUARANTEES AND CONTINGENCIES

(a) The Company has entered into operating lease and rental commitments for equipment and office space for the next five years as follows:

Year	**Amount** (*in thousands of dollars*)
2008	$ 144
2009	136
2010	120
2011	74
2012	57

(b) Under the terms of a processing and filling systems agreement, the Company is contingently liable until 2009 for annual rental payments of $775,000 should the Company's purchase of an annual volume of beverage packaging materials not meet a negotiated minimum threshold. Management estimates that penalties would only be payable in the event of a dramatic decline in market demand.

(c) In the normal course of business, the Company enters into commitments to purchase certain minimum quantities of raw materials, primarily in US dollars. At December 31, 2007, the Company had commitments to purchase approximately $2.6 million of these materials in 2008 and $2.7 million in 2009.

(d) The Company is subject to regulations that require the handling and disposal of asbestos that is contained in a certain property in a special manner if the property undergoes major renovations or demolition. Otherwise, the Company is not required to remove the asbestos from the property. The Company has determined that there is an indeterminate settlement date for this asset retirement obligation because the range of time over which the Company may settle the obligation cannot be estimated. Therefore, the Company cannot reasonably estimate the fair value of the liability. The Company will recognize a liability in the period in which sufficient information is available to reasonably estimate its fair value.

14. FINANCIAL INSTRUMENTS AND CREDIT RISK

The Company's financial instruments include cash and cash equivalents, accounts receivable, promissory note payable, accounts payable and accrued liabilities and long-term obligations for which the carrying values approximate fair values. Other items are instruments that may be settled by the delivery of non-financial assets, such as a commodity futures contract.

Credit risk is the risk of loss from non-performance of suppliers, customers or financial counter parties to a contract. The Company maintains credit policies that include a review of a counter party's financial condition, measurement of credit exposure and monitoring of concentration of exposure to any one customer or counter party. At December 31, 2007, 81% of trade accounts receivable is attributable to ten customers (2006 - 86%).

The Company is exposed to foreign currency risk as certain of its raw material and packaging inputs are purchased in US dollars. In 2008, these purchases are estimated to be approximately USD$40.0 million.

The Company periodically enters into foreign exchange forward purchase contracts to manage foreign exchange risk associated with anticipated future purchases and contractual commitments denominated in foreign currencies. At December 31, 2007, the Company had currency contracts outstanding of USD$16 million (2006 – nil). These contracts allow the Company to purchase USD$16 million at an average exchange rate of 1.0529 should the spot rate be above the rate on the individual contracts, while requiring the Company to purchase US dollars at an average exchange rate of 1.0166 should the spot rate be below the rates on the individual contracts. At December 31, 2007, the Company has recorded an unrealized foreign exchange loss of $0.5 million to reflect the fair value of these currency contracts.

15. SEGMENTED INFORMATION

The Company operates in the food and beverage industry in Canada and has only one industry segment.

Details of net sales by significant product lines are as follows:

(in thousands of dollars)	**2007**	2006
Beverage products	**$ 98,534**	$ 95,793
Food products	**36,600**	34,829
	$ 135,134	$ 130,622

The Company's customers consist mainly of grocery stores, mass merchandisers and club stores across Canada. The Company's ten largest customers comprise 86% of net sales (2006 - 85%). Three of customers individually represent more than 10% of net sales, and in 2007 net sales to these customers totalled $71.2 million (2006 - $67.0 million).

16. RELATED PARTIES

In the normal course of business, the Company sells products to a major food retailer in western Canada. Based on publicly available information, this retailer is controlled by an individual who also controls 34.6% of the Company's outstanding common shares (2006 – 31.0%). Sales to this retailer are less than 10% of the Company's total net sales in 2007 and 2006 and are recorded at the exchange amounts, which are the amounts agreed upon between the related parties.

17. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified in the financial statements to conform to the classifications used in 2007.

18. SUBSEQUENT EVENTS

On February 23, 2008, the Company's unionized employees, represented by the Teamsters Local Union No. 213, ratified a new four-year collective agreement which will expire August 31, 2010.

On February 28, 2008, the Company declared a quarterly dividend of $0.04 per common share, for a total of approximately $433,000, payable March 15, 2008, to shareholders of record at the close of business on March 10, 2008.

From time to time the Company enters into hedge arrangements to minimize the effect of fluctuations in currency rates on US dollar-denominated purchases. At February 28, 2008, the Company had hedge contracts outstanding of USD$13 million.