ABLEAUCTIONS COM INC
Form 10-K
March 31, 2008

United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 0R 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2007**

[ ] TRANSITION REPORT UNDER SECTION 13 0R 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from

Commission file number **000-28179**

ABLEAUCTIONS.COM, INC.
(Name of registrant in its charter)

Florida	**59-3404233**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1963 Lougheed Highway, Coquitlam, British Columbia, Canada	**V3K 3T8**
(Address of principal executive offices)	(Zip Code)

Issuer s telephone number 604-521-3369

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.001 par value	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Common Stock - $0.001 par value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ] Yes [x] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

[ ] Yes [x] No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [x]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

[ ] Yes [x] No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter: $11,519,028.

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date. As of March 25, 2008 the number of shares of the registrant s classes of common stock outstanding was

60,449,202.

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (elg., Part 1, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [x]

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NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain information contained herein constitutes forward-looking statements, including without limitation statements relating to goals, plans and projections regarding the Company s financial position and the Company s business strategy. The words or phrases would be, will allow, intends to, may result, are expected to, will continue, expects, estimate, project, indicate, could, potentially, should, believe, considers or similar expressi identify forward-looking statements , as well as all projections of future results of operations or earnings. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or achievements of the registrant to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following: risks related to technological change; the loss of the registrant s key personnel; the registrant s dependence on marketing relationships with auction houses, third party suppliers and strategic partners such as eBay; the registrant s ability to protect its intellectual property rights; government regulation of Internet commerce and the auction industry; dependence on continued growth in use of the Internet; capacity and systems disruptions; uncertainty regarding infringing intellectual property rights of others, risks over which the registrant has no control, such as a general downturn in the economy which may adversely affect the value of real property and impact discretionary spending by consumers, and the other risks and uncertainties described in this report.

We do not undertake any responsibility to release publicly any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of this filing. Additionally, we do not undertake any responsibility to update you on the occurrence of any unanticipated events that may cause actual results to differ from those expressed or implied by the forward-looking statements contained in this filing. Please read carefully the risk factors disclosed in this report and in other filings we make with the Securities and Exchange Commission.

PART I

Item 1.

Description of Business

Overview

We provide liquidation and merchandizing services along with auction and point-of-sale technology to businesses to assist them with managing the sale of their products. We also provide mortgages and loans to individuals and companies, and develop real estate. We classify our business interests into three reportable segments: the auction, liquidation and technology Business, which consists principally of liquidation and merchandizing services; mortgages and loans, which consists of mortgages, loans and other investments; and real property and property development, which consists principally of properties held for development. We have included information in the discussion below about our websites. Information included on our websites is not a part of this Annual Report.

Liquidation Services - We sell merchandise through our Unlimited Closeouts and Ableauctions liquidation stores located in California and British Columbia and through auctions we conduct in the United States and Canada. We also generate revenues by providing inventory brokerage services at unlimitedcloseouts.com and unlimitedcloseouts.ca (www.unlimitedcloseouts.com).

Auction Broadcast Services We broadcast business and industrial auctions over the Internet for auctioneers and members of the National Auctioneers Association (NAA). These auctions are facilitated using our proprietary technology (www.ableauctions.com/technology) through the website NAAonlinesolutions.com (www.NAAonlinesolutions.com). Additionally, we broadcast antique and collectible auctions over the Internet for numerous galleries and auction houses throughout the world. These auctions are facilitated using eBay s live auction technology through the iCollector.com website (www.iCollector.com). We also provide auction-related products and services for a fee (www.icollectorlive.com/services.aspx).

Point-of-Sale (POS) Services - Through our subsidiary, Rapidfusion Technologies, Inc. (www.rapidfusion.com/technology), we sell to retailers, install and support our proprietary point-of-sale (POS) sales processing and reporting system.

Our objective is to become a leading provider of liquidation and merchandising services. We believe that our long term success in this area of our business depends on our continued innovation and integration of technologies and services for auctioneers and liquidators worldwide.

Investment and Lending

On December 31, 2005 two of our wholly-owned subsidiaries, iTrustee.com Technologies Ltd. and Able Auctions (1991) Ltd., were amalgamated to create Stanford Development Corporation. On September 7, 2006 Stanford Development Corporation changed its name to Axion Investment Corporation. Axion Investment Corporation develops real estate and makes short term loans. Ableauctions.com Inc. manages the investment of our cash and securities. The return on these investments has helped support the development of our liquidation and auction businesses.

History

We were incorporated under the laws of the state of Florida as J. B. Financial Services, Inc. on September 30, 1996. We changed our name to Ableauctions.com, Inc. on July 19, 1999. From the date of our incorporation until August 24, 1999, we had no material business and no material revenues, expenses, assets or liabilities.

On August 24, 1999, in exchange for shares of our common stock and cash, we acquired all of the assets and the business operations of Able Auctions (1991) Ltd., a British Columbia corporation engaged in the business of auctioning used equipment, office furnishings and other merchandise. We acquired all of the issued and outstanding common stock of Able Auctions (1991) Ltd. from Dexton Technologies Corporation, a British Columbia corporation. Our intent in acquiring the assets and business operations of Able Auctions (1991) Ltd. was to expand its bricks and mortar operations and to develop an on-line auction technology.

Because of the significant costs related to traditional auction businesses, such as maintaining a physical auction site and employees necessary to staff the auctions, we decided to abandon our plan to expand our bricks and mortar operations through continued acquisitions of auction businesses. Furthermore, we no longer staff or operate our bricks and mortar auction businesses. We continue to sell merchandise through traditional auctions, however, the operations are conducted by unrelated third parties who conduct the auctions for us in exchange for commissions.

While our business has evolved away from conducting auctions through bricks and mortar operations, we have expanded our on-line auction operations and branched out into excess inventory liquidation. We intend to continue to grow these business sectors.

Liquidation Services

During 2007, most of our business involving the liquidation of excess inventory was carried out by our wholly owned subsidiary, Unlimited Closeouts, Inc., which contacts major manufacturers and importers to purchase overstocks, order cancellations and discontinued products. Unlimited Closeouts then sells the merchandise to major retail chains, other resellers or the public.

We earn commissions ranging from 10% to 25% on the inventory that we sell. During the 2007 fiscal year, revenue from our liquidation business totaled approximately 72% of all the revenue we earned.

Our liquidation operations are currently dependant on two persons. If we were to lose our current operators, the loss could have a material adverse effect on this sector of our business and on our results of operations.

Auction Broadcast Services

We now provide technology and related services to auction houses and galleries to enable them to broadcast auctions live over the Internet, either through eBay Live Auctions or through the use of our proprietary technology.

In a traditional bricks and mortar auction setting, prior to the auction users must register to qualify as bidders. Up until the start of an auction, users are able to preview the merchandise and submit absentee bids. Once the auction begins, the registered users bid against each other for merchandise auctioned at a physical location with the auctioned merchandise being sold to the highest bidder. A typical auction may draw 500 people and have 1,000 lots of merchandise.

Through our auction broadcast services, as used with our proprietary technology or the eBay Live Auctions platform, auction houses and galleries are now empowered with technology that enables them to broadcast their auctions over the Internet in real-time, allowing online bidders to bid against bidders physically present at the location. Like a traditional bricks and mortar auction, users register on-line before the auction begins in order to qualify as bidders, to preview the merchandise and to place absentee bids. Once the auction begins, online bidders bid from their computers in real-time against bidders present at the location (floor bidders) and against each other. Online bidders are invoiced electronically for their winning bids and are able to remit payment electronically. We believe that our technology and services make the online purchase of auction merchandise more convenient for consumers. For auction businesses, we believe that this technology can increase the size of auction audiences by increasing exposure to auctions, increase the final hammer price for merchandise sold and lower overall transaction costs.

We have also developed technology that manages the back-end of the auction, enabling auctioneers to run auctions more efficiently, providing them with tools to automate invoicing, collect payment, track lot popularity, view bidder statistics and demographics, and print graphic reports.

iCollector

Through our subsidiaries, iCollector.com Technologies Ltd. and iCollector International Ltd. (collectively referred to as iCollector throughout this Annual Report), we broadcast auctions live over the Internet using eBay s live auction technology and its platform, eBay Live Auctions. iCollector represents antique, fine art and premium collectible auction houses and galleries, whose inventories typically include fine and decorative arts, modern and contemporary art, memorabilia, wine, fine furniture and collectibles that are obtained primarily from Europe, Canada and the United States. iCollector catalogues its client s inventory and hosts the inventory on its website located at www.icollector.com. Using eBay s live auction technology, iCollector also provides auction-related products and services to galleries and auction houses for a fee, so that the auctions can be conducted on eBay Live Auctions more efficiently. We provide galleries and auction houses with tools to automate invoicing, collect payment, track lot popularity, view bidder statistics and demographics, and print graphic reports.

During the 2007 fiscal year, our iCollector operations grew by approximately 5%, facilitating 1373 auction sessions. The fee charged to our auction house clients was approximately $1,500 per auction plus approximately 5% of the value of the merchandise sold online, which we shared equally between us and eBay. We expect this sector of our business to continue growing.

Through iCollector, we have established a consortium consisting of a number of auction companies with the objective of implementing our live auction technology and solidifying our relationship with eBay Live Auctions. We have also partnered with other service providers in the art, antique and collectible market place in order to further expand our business.

The majority of our services relating to the antique and collectible business and the broadcast of auctions on eBay Live Auctions are dependant on eBay, the performance of its live auction platform, its continued operation of the platform, and our working relationship with it. A disruption in any of the above may have a material adverse affect on our results of operations.

NAALive

We have partnered with the National Auctioneers Association (NAA) to serve as its exclusive online auction contractor to broadcast business and industrial equipment auctions for its members on the website www.NAALive.com. We promote these services to NAA s estimated 7,000 members with technology that we have developed. This platform is the only web cast technology for live online auctions endorsed by the National Auctioneers Association.

Founded in 1948, the NAA membership is comprised of approximately 7,000 auctioneers worldwide with members in every state in the United States. NAA members represent every facet of the auction industry, including, but not limited to, real estate, automotive, fine art, livestock, equipment and manufacturing.

During the 2007 fiscal year, our NAALive operations grew by approximately 2% and facilitated 271 auction sessions. The fee charged to our auction house clients was approximately $300 per auction plus approximately 2.0% of the value of the merchandise sold online. We pay the NAA up to 20% of the fees we collect for joint marketing. We expect this sector of our business to continue growing.

As with our iCollector operations, we have developed similar technology, systems and processes to manage the back-end of auction operations and to broadcast live auctions over the Internet, applying our experience in managing and operating auction houses with Internet broadcasting capabilities. Our technology enables auctioneers to manage auctions more efficiently, providing them with tools to automate invoicing, collect payment, track lot popularity, view bidder statistics and demographics, and print graphic reports.

Like our relationship with eBay Live Auctions, our relationship with the NAA is important to us. If the NAA ceased allowing us to host its auctions, it would have a material adverse effect on our results of operations.

Point of Sale (POS) Software and Services

We also earn revenues from our subsidiary, Rapidfusion Technologies, Inc. Rapidfusion has developed point-of-sale software and services for retailers. Users of these products and services may select from the following packages that we offer:

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The Rapidfusion POS (Point-of-Sale) 2007 Professional Single-User (Retail $3,000) is our full-featured product for medium to large stores needing a comprehensive, standalone point of sale product. This software may be upgraded to add other users, as necessary.

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The Rapidfusion POS (Point-of-Sale) 2007 Professional Multi-User (Retail $3,750) is for medium to large stores requiring two or more terminals (for example, one terminal for inventory management and one terminal for sales) in one complete point of sale product.

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The Rapidfusion POS (Point-of-Sale) 2007 Professional Head Office Solution (Retail $4,000) is designed to manage multiple store branches from one central terminal. This product includes functionality of warehouse or store split-purchase orders, full inventory control with inter-store transfers, customer database management, and the ability to consolidate and track all sales data for multiple store branches.

In 2007, we released an enhanced version of Rapidfusion s point of sale software that includes integrated gift registry functions. We became certified by Paymentech Solutions to use its software and, as a result, were able to integrate credit card and debit card transactions into our software through advanced Paymentech Pin-Pads, replacing existing separate point of sale credit card and debit card terminals with simple pin-pad card readers.

Investment, Real Property Development and Lending

Investment of our cash is managed by Ableauctions.com, Inc. In an effort to expand our business we created Axion Investment Corporation, referred to in this discussion as Axion , to develop real estate and make short term loans.

The returns on our investments, real property development and lending help to support the development of our liquidation and auction businesses, including the development of new technologies for use by our on-line businesses. We intend to review our real property development and loan operations to determine if these segments of our business are compatible with our on-line businesses. If our review determines that the businesses are not compatible, we may take steps to divest these businesses.

As of December 31, 2007, our investments were broken down as follows:

Type of Investment	Amount
Loans	$1,009,846
Real Property	$2,736,657
Real Property held for Development	$4,124,221

When we deem it necessary, we use the income earned by these investments to support our operations.

Currently, through Axion, we are developing a vacant parcel of land located at 9655 King George Highway. We acquired the property in August 2005 for $1,270,000.

We intend to develop the property by improving it with a retail facility of approximately 4,326 square feet and with a residential complex consisting of 111 condominiums of approximately 91,132 square feet. We expect revenue of approximately $25.6 million ($25.4 million CAD) from the sale of the commercial and residential units and we estimate that the cost to develop the property will be approximately $21.4 ($21.2 million CAD).

We entered into agreements to pre-sell 100% of the 111 residential condominiums prior to construction and have collected approximately $2.36 million ($2.34 million CAD) in deposits that are being held in trust with Macdonald Realty Ltd. We paid $341,446 ($366,749 CAD) to Macdonald Realty for its services to date. We have committed an additional $695,806 ($689,750 CAD) to be paid to Macdonald Realty for the balance of commissions and bonuses due upon the successful completion of the sales and the final transfer of property title.

We received a building permit from the City of Surrey to develop the property and we have advanced refundable performance bonds for service and work totaling $388,212 (384,833 CAD) as commitment for the development. The estimated date of commencement of construction is April 1, 2008 and the estimated completion date is November 30, 2009.

On March 12, 2008, we obtained an updated conditional credit facility in the amount of $16.56 million ($16.42 million CAD) from the Royal Bank of Canada for the development of this project.

Under the terms of the new credit facility, we are required to spend approximately $4.88 million ($4.84 million CAD) on the development. As of December 31, 2007, we had spent approximately $4.12 million ($4.08 million CAD) including the cost of the land. The credit facility is secured by guarantees from Axion and Ableauctions.com Inc., by a general security agreement covering all of the assets of Axion and by the property. The advances will accrue interest at the prime rate announced by Royal Bank of Canada plus .75% per annum. A fee of $45,225 ($48,000 CAD) was paid to the Royal Bank of Canada for arrangement of this credit facility. Of this amount, $35,378 ($38,000 CAD) was paid during the 2007 fiscal year with the remaining balance paid during the 2008 fiscal year.

The credit facility was granted subject to a number of conditions, including appraisal of the project, the submission of an environmental report, the submission of a soils report, confirmation of permits and approvals, engagement of a project monitor, submission of a schedule of pre-sales contracts, the purchase of insurance and fixed price contracts for at least 80% of the project s hard construction costs.

As of the date of this Annual Report we have not made any draws against the credit facility.

Subsequent to December 31, 2007, we entered into a Construction Management Agreement with Cantera Management Group Ltd. (Cantera) to manage the development of the project. In consideration of these services, we have agreed to pay Cantera a fixed fee of $557,855 ($553,000 CAD) over the term of the contract calculated on a percentage of completion basis.

Based on Cantera s construction cost estimates, we expect the total cost to develop the property will be approximately $21.4 million ($21.2 million CAD), which includes the cost of land, professional fees, warranty and insurance costs, development fees, marketing costs, construction and financing costs.

If the development is suspended for any reason, including but not limited to our inability to obtain financing, permits or trades, we will not be able to recover all of our expenses. There can be no assurance that the development will be successful or that developing the property in this manner will increase, or even maintain, its value.

Axion also provides short term loans to various businesses and individuals in Canada. The loans typically have terms of one year, earn interest at the rate of approximately 10% and are secured by real estate, general security agreements and personal guarantees, as appropriate. At December 31, 2007, Axion had outstanding approximately $1,009,846 in loans.

Competition

Online Auction Companies

We face competition from traditional auctioneers and from online auction companies that seek to use the Internet to sell or auction surplus capital assets, equipment, art or collectibles. The Internet auction industry is rapidly evolving, and intensely competitive, and we expect competition to intensify in the future. A variety of auction web sites are presently available on the Internet that are dedicated to facilitating person-to-person and business-to-person transactions on a bid-based format. These auction services allow sellers to post merchandise on their web sites and buyers to locate items and submit bids online. These services generally organize merchandise by categories and provide descriptions, pictures, or video clips of merchandise offered for sale.

Most of our current and potential competitors have larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we do and may enter into strategic or commercial relationships with larger, more established companies. Some of our competitors may be able to secure alliances with customers and affiliates on more favorable terms, devote greater resources to marketing and promotional campaigns and devote substantially more resources to systems development than we do. In addition, new technologies and the expansion of existing technologies may increase the competitive pressures on us.

We cannot assure you that we will be able to compete successfully against current or future competitors, and competitive pressures faced by us could harm our business, operating results and financial condition. We do not currently represent a significant competitive presence in the on-line auction industry.

Real Estate Development

The real estate industry is highly competitive, with developers and homebuilders competing for desirable properties, financing, raw materials and skilled labor. We do not represent a significant competitive presence in the real estate development industry and we do not believe that we will ever have a competitive presence in that industry. We have only two real estate development projects.

Government Regulation

Online Auction Companies

Our brick-and-mortar auction houses are generally subject to extensive regulation, supervision, and licensing under various federal, state, and local statutes, ordinances, and regulations. Such laws and regulations may require us to obtain a license or registration, or post a surety or bond as a precondition of doing business within the jurisdiction. In addition, applicable laws may require us to transact business and sell merchandise in accordance with specific guidelines, including the means by which we obtain our merchandise, advertise our auctions, conduct our bidding procedures, close transactions, hold client funds, and other restrictions that may vary from state to state. We cannot guarantee that we will not be subject to actions arising out of violations by our brick-and-mortar auction houses. Such actions may have a material adverse affect on our business and results of operations.

There are currently few laws or regulations that directly apply to access to, or commerce on, the Internet. It is possible that governing bodies may adopt a number of laws and regulations governing issues such as user privacy on the Internet and the pricing, characteristics, and quality of products and services offered over the Internet. It is also possible that government authorities will adopt sales or other taxes involving Internet business. The passage of any such laws may make the cost of doing business much higher for us, which may adversely impact our results of operations. Currently we have no significant expenses associated with legal or regulatory compliance.

Real Estate Development

To date, our real estate development activities have been centered in the general area of Vancouver, British Columbia. In order to develop property in British Columbia, we must comply with various regulations promulgated by the British Columbia Superintendent of Real Estate. These regulations include, but are not limited to, the Real Estate Development Marketing Act of British Columbia. To date, we have not found these regulations burdensome to comply with.

Intellectual Property

We have developed the majority of our software internally. We have taken measures to protect our intellectual property, ranging from confidentiality and non-disclosure agreements for contractors and employees to deploying a modular development schedule where individual modules of software developed or coded by employees or contractors have no stand-alone benefits until they are integrated with the other modules.

We have registered several Internet domain names.

We attempt to enter into confidentiality and invention assignment agreements with our employees and contractors, and nondisclosure agreements with parties with which we conduct business in order to limit access to and disclosure of our proprietary information. There can be no assurance that these contractual arrangements or the other steps we take to protect our intellectual property will prove sufficient to prevent misappropriation of our technology or to deter independent third party development of similar technologies.

Employees

As of March 15, 2007 we had a total of 30 people employed, including 28 full time staff, 1 consultant and 1 part-time employee. In addition to management, we employ sales people, administrative staff, and development and technical personnel. From time to time, to further reduce expenses, we may employ independent consultants or contractors to support our research and development, marketing, sales and support, and administrative organizations. No collective bargaining units represent our employees. We believe our relations with our employees are good.

Item 1A.

Risk Factors

Our business is subject to a number of risks as outlined below. An investment in our securities is speculative in nature and involves a high degree of risk. You should read this Annual Report carefully and consider the following risk factors:

We depend on eBay for revenue and uninterrupted Internet access and may be harmed by the loss of any such service.

We rely heavily on eBay s servers for uninterrupted Internet access and the ability to offer our customers live auction technology that accesses eBay s clients. Our agreement with eBay governs the conduct of auctions on eBay s website and may be terminated on short notice or without notice. Our business is dependent on eBay s uninterrupted Internet access, its servers and its continued operation of the live auction platform on eBay Live Auction. The loss of any of these services or this agreement would have a material adverse effect on our business, financial condition, and operating results. We cannot assure you that we would be able to obtain these services from other parties or that we can renew our eBay agreement.

Our operating results fluctuate significantly and may be impacted by factors that are beyond our control. This makes it difficult to accurately predict what the revenues from our operations will be.

Our operating results have varied on a quarterly basis during our operating history and may fluctuate significantly as a result of a variety of factors, many of which are outside of our control. Factors that may affect our quarterly operating results include

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our ability to attract new clients to use our services;

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the announcement or introduction of new sites, services and products by our competitors;

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the success of our marketing campaigns;

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price competition;

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the level of use of the Internet and online services;

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our ability to upgrade and develop our systems and infrastructure to accommodate growth;

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the amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure; and

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general economic conditions as well as economic conditions specific to the Internet and online commerce industries.

Due to the foregoing factors, our quarterly revenues and operating results are difficult to forecast. We believe that period-to-period comparisons of our operating results may not be meaningful and should not be relied upon as an indication of future performance.

Our core business is done through the Internet and requires us to be able to include all the bidders that care to bid at the auctions we facilitate. However, we may be subject to capacity constraints and system development risks that could damage our customer relations or inhibit our possible growth.

Our business of facilitating on-line auctions means that anyone, anywhere in the world, could log onto the auction website to bid. We cannot be sure how many bidders will attend an auction on-line. Our success and our ability to provide high quality customer service largely depends on the efficient and uninterrupted operation of our computer and servers, Internet and communications systems and the computers and communication systems of third party vendors in order to accommodate any significant numbers or increases in the numbers of consumers and businesses using our services. Our success also depends on our abilities, and that of our vendors, to rapidly expand transaction-processing systems and network infrastructure without any systems interruptions in order to accommodate any significant increases in the use of our service.

We cannot assure you that the vendors or partners we have selected and will select in the future will be capable of accommodating any significant number or increases in the number of consumer and auction houses using our services. Such failures will have a material adverse affect on our business and results of operations. We may experience periodic systems interruptions and down time caused by traffic to our web site and technical difficulties, which may cause customer dissatisfaction and may adversely affect our results of operations. Limitations of our technology infrastructure and that of our vendors may prevent us from maximizing our business opportunities.

Substantially all of the computer hardware for operating our service is currently located at the facilities of Telus in British Columbia. These systems and operations are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, break-ins, sabotage, intentional acts of vandalism and similar events. We do not presently have fully redundant systems, a formal disaster recovery plan or alternative providers of hosting services and we do not carry sufficient business interruption insurance to compensate for losses that may occur. Any damage to or failure of the systems could result in reductions in, or terminations of, the Ableauctions service, which could have a material adverse effect on our business, results of operations and financial condition.

Changing technology may render our equipment, software, and programming obsolete or irrelevant.

The market for Internet-based products and services is characterized by rapid technological developments, frequent new product introductions, and evolving industry standards. The emerging character of these products and services and their rapid evolution will require that we continually improve the performance, features, and reliability of our Internet-based products and services, particularly in response to competitive offerings. We cannot guarantee that we will be successful in responding quickly, cost effectively, and sufficiently to these developments. In addition, the widespread adoption of new Internet technologies or standards could require substantial expenditures by us to modify or adapt our Internet sites and services and could fundamentally affect the character, viability, and frequency of Internet-based advertising, either of which could have a material adverse effect on our business, financial condition, and operating results. In addition, new Internet-based products, services, or enhancements offered by us may contain design flaws or other defects that could require costly modifications or result in a loss of consumer confidence, either of which could have a material adverse effect on our business, financial condition, and operating results.

Our inventory liquidation business, Unlimited Closeouts, Inc., is dependent on a small number of customers.

Unlimited Closeouts, Inc., our inventory liquidation business, accounted for approximately 72% of our revenues during the 2007 fiscal year. Ten customers accounted for approximately 70% of these revenues, with the largest customer accounting for approximately 50% of the revenues**.** If we were to lose any one of these customers, it could have a material adverse effect on the business of Unlimited Closeouts, Inc. and on our results of operations.

If we cannot protect our Internet domain names, our ability to conduct our operations may be impeded.

We anticipate that the Internet domain names ableauctions.com , icollector.com , itrustee.com and various others wil be an extremely important part of our business and the business of our subsidiaries. Governmental agencies and their designees generally regulate the acquisition and maintenance of domain names. The regulation of domain names in the United States and in foreign countries may be subject to change. Governing bodies may establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names in all countries in which we conduct business. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe on, or otherwise decrease the value of our trademarks and other proprietary rights. Third parties have acquired domain names that include auctions or other variations both in the United States and elsewhere.

Our success depends on the services of Abdul Ladha, Paul Piotrowski and Erick Richardson, the key employees of Ableauctions.com, Inc., iCollector.com Technologies Ltd. and Unlimited Closeouts Inc. respectively

Our future success will depend on Abdul Ladha, our Chief Executive Officer and President, Paul Piotrowski, manager of iCollector.com Technologies Ltd. and Erick Richardson, manager of Unlimited Closeouts Inc. The loss of any one of these individuals could have an adverse effect on our operations. We do not maintain insurance to cover the loss that may result from the death of any one of these individuals.

The e-commerce industry is highly competitive, and we cannot assure you that we will be able to compete effectively.

The market for broadcasting auctions, providing auction technology, liquidating inventory over the Internet and point of sale services is rapidly evolving and intensely competitive and we expect competition to intensify further in the future.

We believe that the principal competitive factors in the online auction and liquidation markets are volume and selection of goods, population of buyers, customer service, reliability of delivery and payment by users, brand recognition, web site convenience and accessibility, price, quality of search tools, and system reliability. Many of our current and potential competitors have longer operating histories, larger customer bases, greater brand recognition, and significantly greater financial, marketing, technical, and other resources than we have.

Certain of our competitors with other revenue sources may be able to devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing policies, and devote substantially more resources to web site and systems development than we can or may try to attract traffic by offering services for free. We cannot assure you that we will be able to compete successfully against current and future competitors. Further, as a strategic response to changes in the competitive environment, we may, from time to time, make certain pricing, service, or marketing decisions that could have a material adverse effect on our business, results of operations, and financial condition.

Our business may be subject to government regulation and legal uncertainties that may increase the costs of our operations or limit our ability to generate revenues.

We are subject to the same federal, state, and local laws as other companies conducting business on the Internet. Today there are relatively few laws specifically directed towards online services. However, due to the increasing popularity and use of the Internet and online services, it is possible that laws and regulations will be adopted regarding the Internet or online services. These laws and regulations could cover issues such as online contracts, user privacy, freedom of expression, pricing, fraud, content and quality of products and services, taxation, advertising, intellectual property rights, and information security. Applicability to the Internet of existing laws governing issues such as property ownership, copyrights and other intellectual property issues, taxation, libel, obscenity, and personal privacy is uncertain. In addition, numerous states have regulations regarding the manner in which auctions may be conducted and the liability of auctioneers in conducting such auctions.

Due to the global nature of the Internet, it is possible that the governments of other countries might attempt to regulate our transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws. Such laws may be modified, or new laws may be enacted, in the future. Any such development could damage our business.

Our business may be subject to sales and other taxes, which may cause administrative difficulties and increase our cost of operations.

We will collect applicable sales and other similar taxes on goods sold on our web site. One or more states may seek to impose additional sales tax collection obligations on companies such as ours that engage in or facilitate online commerce. Several proposals have been made at the state and local level that would impose additional taxes on the sale of goods and services through the Internet. These proposals, if adopted, could substantially impair the growth of electronic commerce and could diminish our opportunity to derive financial benefit from our activities.

In the future, laws making us liable for the activities of users of our services could be passed, which would adversely affect our business, operations and financial condition.

The law relating to the liability of providers of online services for activities of their users of the service is currently unsettled. There can be no assurance that we will be able to prevent the unlawful exchange of goods on our service or that we will successfully avoid civil or criminal liability for unlawful activities carried out by users of our services. The imposition of potential liability on us for unlawful activities of users of our services could require us to implement measures to reduce our exposure to such liability, which may require us, among other things, to spend substantial resources and/or or to discontinue certain service offerings. Any costs incurred as a result of such liability or asserted liability could have a material adverse effect on our business, results of operations and financial condition.

In addition, our success depends largely on sellers reliably delivering and accurately representing the working condition of auctioned goods and buyers paying the auctioned price. While we can suspend the accounts of users who fail to fulfill their obligations, beyond crediting sellers with the amount of their fees in certain circumstances, we do not have the ability to otherwise require users to make payments or deliver goods and we do not compensate users who believe they have been defrauded by other users. Any resulting litigation could be costly for us, divert management s attention from our business and could result in increased costs of doing business, or otherwise have a material adverse effect on our business, results of operations and financial condition.

We conduct a significant amount of our business online, however such activities may not be secure. If a breach of security occurred, our reputation could be damaged and we could be sued.

A significant barrier to online commerce and communications is the secure transmission of confidential information over public networks. Currently, a significant number of Ableauctions users authorize us to bill their credit card accounts directly for all transaction fees charged by us. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication technology to effect secure transmission of confidential information, including customer credit card numbers. There can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments will not result in a compromise or breach of the technology used by us to protect customer transaction data. If any such compromise of our security were to occur, it could have a material adverse effect on our reputation and, therefore, on our business, results of operations and financial condition.

During 2007, a significant portion of our income resulted from loans we made to third parties. While we try to adequately secure the loans we make, we cannot guarantee you that these loans will always be recovered if a default were to occur.

In 2005 we expanded our business to include loaning funds to individuals and businesses in the Vancouver, British Columbia area. During 2007, revenues from these loans totaled $397,977. The loans we make are always secured, generally by real property. We obtain appraisals or assessments of the property prior to making the loans. However, in the event of an economic downturn, the value of the property could decline and the loan become unsecured. If that were to happen, and a default in payment occurred, we may be unable to recover the funds that were loaned. This could have a material, adverse affect on our revenues.

During 2005 we further expanded our business to include property development. In order to develop property, we must advance significant funds which if the development fails we may not be able to recover.

We are currently developing two properties for mixed commercial and residential use and, as opportunities arise, we may develop other properties in the future. In order to develop property, we must spend a significant amount of time and money. We must acquire the property, have plans prepared, obtain zoning approvals and permits and build and sell the project. During any phase of the project we could experience delays (such as in obtaining permits) or unforeseen problems (such as labor disputes, increasing materials costs, or an inability to obtain adequate financing). Even if we are able to build the project, the market for the units we build could decline. We cannot guarantee you that our building projects will be successful or that we will be able to recover the money we put into them. If our building projects are unsuccessful, our business and our cash flow will be materially adversely affected.

Even though we will obtain homeowner warranties for our building project from a registered insurer, we will still be liable for up to $2.52 million ($2.5 million CAD) in the event that significant warranty claims are made. If we were required to pay this entire amount, it could have a material adverse effect on our cash flow and results of operations.

We are currently developing the property located at 9655 King George Highway for mixed commercial and residential use in British Columbia. Under the Homeowner Protection Act in British Columbia (1999), we are required to provide warranties (commonly referred to as a 2-5-10 Home Warranty Certificate) for new home buyers through a registered insurer or warranty provider. For our development located at 9655 King George Highway, we have paid approximately $150,000 to register for the home warranty program with Travelers Warranty. In the event one or more purchasers of the condominium units makes a claim during the warranty period, the insurer can require us to repair any deficiencies at our expense or deny the claim. The comprehensive 2-5-10 Home Warranty Certificate provides new home buyers with protection and coverage on new homes for the following:

- Year 1 Any defect in materials and labor

- Year 2 Defects in materials and labor supplied for:

§

gas, electrical, plumbing, heating ventilation and air-conditioning delivery and distribution systems;

§

exterior cladding, caulking, windows and doors that may lead to detachment or material damage to the new home;

§

coverage for any defects in materials and labor rendering the new home unfit to live in; and

§

subject to Subsection A.1.2., coverage for non-compliance or a violation of the building code

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5 Year Building Envelope Warranty - coverage for the building envelope for up to five years for defects in the building envelope of a new home, including a defect which permits unintended water penetration such that it causes, or is likely to cause, material damage to the new home.

10 Year Structural Defects Warranty - coverage for structural defects for up to ten years for any defect in materials and labor that results in the failure of a load bearing part of the new home; and any defect which causes structural damage that materially and adversely affects the use of the new home for residential occupancy.

Our liability, once the development is complete and we sell the condominium units, is $100,878 ($100,000 CAD) per unit to a maximum of $2.52 million ($2.5 million CAD) for the entire project. If there were major defects in the construction of the condominium units and we were required to pay the entire $2.52 million ($2.5 million CAD), our cash flows and results of operations could be materially adversely affected.

Despite the insurance that we carry for the development of our properties, we could still be liable for the activities of our general contractor or the sub-contractors hired by our general contractor. If we were found to be liable for the acts or omissions of our general contractor or a subcontractor, our business, operations and financial condition could be materially adversely affected.

We carry course of construction insurance in the amount of $14.6 million ($14.5 million CAD) and a wrap-around liability policy in the amount of $5.04 million ($5 million CAD) for the construction of the project located at 9655 King George Highway, Surrey, British Columbia. Despite our best efforts to cover any foreseeable losses related to our acts or omissions, we could be found liable for the acts or omissions of our general contractor or any of our sub-contractors. For example, if a crane at the building site were to fall and injure or kill someone, we could be held liable for the damages sustained by the plaintiff on the theory that we were negligent in failing to adequately investigate the background of the general contractor. If our insurance did not cover the loss and we were required to pay damages to the plaintiff, our business, results of operations and financial condition could be materially adversely affected.

Our stock price is subject to extreme volatility.

The trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as actual or anticipated variations in our quarterly operating results, announcements of technological innovations, or new services offered by us or by our competitors, changes in financial estimates by securities analysts, conditions or trends in the Internet and online commerce industries, changes in the market valuations of other Internet or online service companies, announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments, additions or departures of key personnel, sales of our common stock or other securities in the open market and other events or factors, many of which are beyond our control. Further, the stock markets in general, and the market for Internet-related and technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. The trading prices of many technology companies stocks do not accurately reflect the valuations of these companies. There can be no assurance that trading prices and valuations will be sustained. These broad market and industry factors may materially and adversely affect the market price of our common stock, regardless of our operating performance. Market fluctuations, as well as general political and economic conditions such as recession or interest rate or currency rate fluctuations, may also adversely affect the market price of the common stock.

The market price of our common stock may be adversely affected if too much of it is sold at once.

Sales of substantial amounts of our common stock (including shares issued upon the exercise of outstanding options) in the public market could adversely affect the market price of our common stock. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

The posting of inventory using third party technology (e.g., eBay) or our own technology may expose us to certain liabilities.

The posting of inventory using third party technology (e.g., eBay) or our own technology may expose us to certain liabilities. The inventory posted for sale, whether it belongs to us or to a client, may not be free of liens or encumbrances, may violate laws, may cause damage, death or harm, may be unsuitable for the use suggested, may be counterfeited, misrepresented, damaged, illustrated incorrectly or not authentic, or may be damaged during delivery or shipment. In addition, the posting of the image of inventory may illustrate or describe the inventory incorrectly or violate trademarks or copyrights belonging to others. Further, the parties to the auction may fail to consummate the transaction or act fraudulently or dishonestly. Finally, we may make errors in posting a catalogue for a client such as missing an item, incorrectly uploading the information, posting erroneous starting times, inadvertently (or through equipment malfunctions, data crashes, viruses, hackers, etc.) omitting the catalogue altogether or losing the client s data. Any such occurrences could cause harm to our reputation or result in a loss of clients or customers, any of which could adversely impact our results of operations.

We have invested our assets in securities such as stocks, bonds, mortgage loans, real estate and income trusts. If these investments decline in value, we may suffer significant losses.

As of December 31, 2007, our holdings included the following:

Type	Carrying Amount	% of Total Assets

Cash & Current Assets	$	3,635,823	25 %	
Other Assets	$	1,405,436	10 %	
Real Estate (head office)	$	2,736,657	19 %	
Real Estate (development)	$	4,124,221	29 %	
Real Estate (Joint Venture)	$	1,507,403	10 %	
Loans	$	1,009,846	7 %	
Total	**$**	**14,419,386**		**100 %**

All of our investments are subject to market risks and their values may increase or decrease daily depending on factors affecting their respective markets, which we cannot control. Dividends and distributions are not guaranteed and may be terminated or reduced at any time. Even if dividends or distributions are maintained, the gains made from the dividends or distributions may be lost by a decline in the price of the security. Price changes may occur in the market as a whole, or they may occur in only a particular company, industry, or sector of the market. Real estate values and mortgage loans can be seriously affected by factors such as interest rate fluctuations, bank liquidity, the availability of financing, and by factors such as a zoning change or an increase in property taxes. Since the majority of our investments are held in Canadian funds, currency fluctuations may affect the value of our portfolio significantly. There can be no assurance that the securities and other assets in which we have invested will increase, or even maintain, their value.

A majority of our obligations, investments and expenditures with respect to our operations are incurred in a foreign currency.

While our financial results are quantified in U.S. dollars, a majority of our obligations, investments and expenditures with respect to our operations may be incurred in Canadian dollars. We may have market risks relating to our operations resulting from foreign exchange rates if we enter into financing or other business arrangements denominated in currency other than the U.S. dollar. Variations in the exchange rate may give rise to foreign exchange gains or losses that may be significant.

Unexpected rate hikes in insurance premiums could adversely affect our business and results of operations.

Our business may be subject to significant insurance rate increases, which may make it difficult for us to obtain the appropriate risk coverage or liability insurance, creating administrative difficulties in keeping board members and increasing the cost of our operations.

Due to the risks involved with insuring Internet related businesses, it is possible that we could be denied insurance coverage or not be able to afford it. Lack of insurance coverage could make it difficult to retain key employees and board members or to attract suitable employees, which could seriously impede our performance and profitability and our ability to conduct our business.

If the American Stock Exchange determines that our common stock does not meet its listing criteria, our stock could be delisted.

We are not under any immediate threat to be delisted from the American Stock Exchange and the American Stock Exchange has not taken any action in notifying us of any concerns surrounding the listing. However, the American Stock Exchange may change its listing requirements or we may not be able to meet the listing criteria. If our common stock were delisted from the American Stock Exchange, it would be traded on the Over-the-Counter Bulletin Board, which is merely a quotation system, not an issuer listing service. Buying and selling securities on the Over-the-Counter Bulletin Board is not as efficient as buying and selling securities on an exchange, therefore, if our common stock ceased to be traded on the American Stock Exchange it would likely be more difficult for you to sell your stock or to receive the best price for your stock.

In 2002 we acquired iCollector PLC. This business eventually failed. We cannot guarantee that we will be able to successfully incorporate into our business model the acquisitions that we make, or that the acquisitions we make will be profitable.

In 2002 we acquired iCollector PLC, which eventually failed. However, we may still, in the future, acquire businesses, technologies, services or products that we believe are strategic. There can be no assurance that we will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with our current business. The process of integrating an acquired business, technology, service or product into our operations may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of our business. Moreover, there can be no assurance that the anticipated benefits of any acquisition will be realized. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and other intangible assets, which could materially adversely affect our business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require us to obtain additional equity or debt financing, which might not be available on terms favorable to us, or at all, and such financing, if available, might be dilutive.

We may be unable to adequately protect our intellectual property.

We own the trademarks Ableauctions, Unlimited Closeouts, iTrustee and iCollector. The Company regards the protection of its copyrights, service marks, trademarks, trade dress and trade secrets as critical to its future success and relies on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect its proprietary rights in products and services. The Company attempts to enter into confidentiality and invention assignment agreements with its employees and contractors, and nondisclosure agreements with parties with which it conducts business in order to limit access to and disclosure of its proprietary information. There can be no assurance that these contractual arrangements or the other steps taken by the Company to protect its intellectual property will prove sufficient to prevent misappropriation of the Company s technology or to deter independent third party development of similar technologies. The Company will pursue the registration of some of its trademarks and service marks in the U.S. and Canada, however, it continues to rely on common law to protect its intellectual property. Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which the Company s services are made available online. The Company has licensed in the past, and expects that it may license in the future, certain of its proprietary rights, such as trademarks or copyrighted material, to third parties. While the Company attempts to ensure that the quality of the Ableauctions or iCollector brand is maintained by such licensees, there can be no assurance that such licensees will not take actions that might materially adversely affect the value of the Company s proprietary rights or reputation, which could have a material adverse effect on the Company s business, results of operations and financial condition.

We could lose the right to use third party technologies on which we rely, such as eBay s online auction technology. If that were to happen, it would have a material adverse affect on our business, results of operations and financial condition.

The Company relies on certain technologies that it licenses from third parties, such as eBay s online auction technology. There can be no assurance that these third party technology licenses will continue to be available to the Company on commercially reasonable terms. The loss of such technology could require the Company to obtain substitute technology of lower quality or performance standards or at greater cost, which could materially adversely affect the Company s business, results of operations and financial condition.

We may infringe on the proprietary rights of others, which could have a material adverse effect on our business, results of operations and financial condition.

There can be no assurance that third parties will not claim infringement by the Company with respect to past, current or future technologies. The Company expects that participants in its markets will be increasingly subject to infringement claims as the number of services and competitors in the Company s industry segment grows. Any such claim, whether meritorious or not, could be time consuming, result in costly litigation, cause service upgrade delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to the Company or at all. As a result, any such claim could have a material adverse effect upon the Company s business, results of operations and financial condition.

We have been sued for claims relating to our discontinued operations and we may have more such claims.

In 2002 it was determined that iCollector PLC could not sustain its operations based on its existing cash resources and infrastructure. iCollector PLC then ceased operations and a restructuring plan was adopted. In January 2002 iCollector PLC was placed into formal bankruptcy proceedings pursuant to the laws of the United Kingdom. In 2002, Ableauctions.com (Washington) Inc., our wholly owned subsidiary, ceased its bricks and mortar operations in San Mateo and San Francisco. In connection with the termination of these operations, we have received a number of claims from various alleged creditors. We cannot assure you that no additional claims will arise from these discontinued operations. Furthermore, subsequent claims may force Ableauctions.com (Washington) Inc. to declare bankruptcy.

Item 2.

Description of Property

We invest in real property and real property development when we find opportunities that we believe will provide us with a reasonable rate of return with only moderate or low risk. Thus far, with the exception of our corporate office, which is partially rented to an unrelated third party, we have acquired these assets solely for capital gain, and not with a view toward deriving income from them on a long-term basis. We have no limitations on the percentage of assets that may be invested in any one investment, although our policy, which is established by our board of directors and is not subject to approval by our shareholders, has been to keep our investments diversified in approximately equal percentages. Depending on various factors including the timing of opportunities, the cash we have available to invest, the type of investment, the risk associated with the investment, the overall state of the economy and the strength of certain markets, we may change our policy relating to diversifying our investments. Currently, our investments in real estate include the following:

1963 Lougheed Highway - On February 24, 2005 we purchased the building located at 1963 Lougheed Highway, Coquitlam, British Columbia, in which our corporate headquarters are located. The property consists of 19,646 square feet of commercial space and 2,300 square feet of residential space and is located on approximately eight-tenths of an acre. The purchase price was $2,221,316 and the effective date of the transaction was January 1, 2005. A portion of the property continues to be leased to two tenants. We occupy approximately 11,000 square feet. These premises are in good condition and suitable for our operations. We believe that the property is adequately insured. We have listed the property for sale for approximately $3,782,925 ($3,750,000 CAD) with the intention of leasing it back for a period of 5 years.

On October 11, 2006, we arranged for a credit facility in the amount of $1,785,714 ($2,000,000 CAD) (the Credit Facility) from the Royal Bank of Canada (the Bank) for our subsidiary, Axion Investment Corp. The Credit Facility bears interest at the prime rate as announced by the Bank, plus 0.50% per year. Payments of interest and principal in the amount of $13,855 ($14,914 CAD) are due each month. Repayment of the Credit Facility is secured by a mortgage, which includes an assignment of rents, recorded against the property and by a guarantee and a postponement of claim signed by us in favor of the Bank. (A postponement of claim prevents us from making any claim against the borrower until the Bank is paid in full.) The Bank may exercise its rights and remedies under the mortgage upon default in the payment of the Credit Facility. Subsequent to December 31, 2006, additional loan advances were made under the facility, with the same terms as above.

9655 King George Highway - On August 19, 2005, we completed the purchase of real property located at 9655 King George Highway, Surrey, British Columbia V3T 2V3 from Imara Venture Ltd. The total purchase price was $1,270,000.

We intend to develop the property by improving it with a retail facility of approximately 4,326 square feet and with a residential complex consisting of 111 condominiums of approximately 91,132 square feet. We expect revenue of approximately $25.6 million ($25.4 million CAD) from the sale of the commercial and residential units and we estimate that the cost to develop the property will be approximately $21.4 million ($21.2 million CAD).

We entered into agreements to pre-sell 100% of the 111 residential condominiums prior to construction and we have collected approximately $2.36 million ($2.34 million CAD) in deposits that are being held in trust with Macdonald Realty Ltd. We paid $341,446 ($366,749 CAD) to Macdonald Realty for its services to date. We have committed an additional $695,806 ($689,750 CAD) to be paid to Macdonald Realty for the balance of commissions and bonuses due upon the successful completion of the sales and the final transfer of property title.

We have received a building permit from the City of Surrey to develop the property and have advanced $388,212 (384,833 CAD) for refundable performance bonds for service and work. The estimated date of commencement of construction is April 1, 2008 and the estimated completion date is November 30, 2009.

On March 12, 2008, we obtained an updated conditional credit facility in the amount of $16.56 million ($16.42 million CAD) from the Royal Bank of Canada for this development.

Under the terms of the new credit facility, we are required to spend approximately $4.88 million ($4.84 million CAD) on the development. As of December 31, 2007, we had spent approximately $4.11 million ($4.08 million CAD) including ONT>

	0.4	0.1
Potential common stock excluded in diluted earnings per share because inclusion would have been anti-dilutive		
	6.0	10.5

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Note 5: Comprehensive Income

In addition to net income, comprehensive income included certain amounts recorded directly in equity. The components of comprehensive income, net of related income tax effects, for the first quarter, were as follows (in millions):

	13 Weeks Ended	
	March 27, 2004	**March 29, 2003**
Net income	$ 14.5	$ 6.4
Foreign currency translation adjustments	1.3	(0.5)
Deferred gain on cash flow hedges, net of tax provision of $0.3 million and $1.0 million for the first quarter 2004 and 2003, respectively	0.4	1.6
Net equity hedge (loss) gain, net of tax (benefit) provision of $(0.3) and $0.2 million for the first quarter 2004 and 2003, respectively	(0.4)	0.3
Comprehensive income	$ 15.8	$ 7.8

Accumulated other comprehensive loss is comprised of minimum pension liability, foreign currency translation adjustments and hedge activity as disclosed in Note 9, Accounting for Derivative Instruments and Hedging Activities .

Note 6: Re-engineering Costs

The Company continually reviews its business models and operating methods for opportunities to increase efficiencies and/or align costs with business performance.

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Note 6: Re-engineering Costs (continued)

The liability balance, included in accrued liabilities, related to re-engineering activity for the three months ended March 27, 2004 and the year ended December 27, 2003 was as follows (in millions):

	March 27, 2004	December 27, 2003
Beginning of year balance	$ 4.4	$ 8.8
Provision		8.9
Accrual adjustments		(2.1)
Cash expenditures:		
Severance	(1.4)	(6.0)
Other	(0.2)	(1.6)
Non-cash impairments		(4.8)
Translation impact		1.2
End of period balance	$ 2.8	$ 4.4

The remaining accrual relates primarily to costs of eliminating positions as a result of re-engineering actions and is expected to be paid out by the third quarter of 2004.

As a result of continued business analysis, the Company anticipates incurring charges for re-engineering activities over the course of the current year in the United States and Asia Pacific. While actions and related costs are still being finalized, it is expected that total costs will be approximately $5 million in the second quarter and relate primarily to rationalizing manufacturing capacity.

Note 7: Noncash Investing and Financing Activities

During the first quarter of 2004, the Company sold land and received $11.6 million in notes receivable as part of the settlement.

Also during the first quarter of 2004, an executive retired from the Company and settled a $0.6 million loan to the Company with common stock that had been purchased under the Management Stock Purchase Plan.

Note 8: Segment Information

The Company manufactures and distributes products primarily through independent direct sales consultants: (1) food storage, preparation and serving containers, kitchen gadgets, microwave cookware and educational toys marketed under the Tupperware brand worldwide, and organized into four geographic segments, and (2) premium cosmetics and skin care products marketed under the BeautiControl brand in North America, Latin America and Asia Pacific. Certain international operating segments have been aggregated based upon consistency of economic substance, products, production process, class of customers and distribution method. International BeautiControl operations are reported in the applicable geographic segment. Unallocated expenses in the first quarter of 2003 included a $4.2 million foreign exchange loss from the Company s previous program to hedge certain cash flows generated in foreign currency. Cash flow hedges are discussed more fully in Note 9.

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Note 8: Segment Information (continued)

(In millions)	13 Weeks Ended March 27, 2004	13 Weeks Ended March 29, 2003
Net sales:		
Europe	$ 161.5	$ 135.3
Asia Pacific	42.0	39.0
Latin America	22.9	20.5
North America (a)	45.4	55.7
BeautiControl North America	24.6	21.0
Total net sales	$ 296.4	$ 271.5
Segment profit (loss):		
Europe	$ 36.1	$ 29.5
Asia Pacific	0.6	1.1
Latin America	0.7	(2.0)
North America	(12.5)	(7.7)
BeautiControl North America	(0.5)	1.4
Total segment profit	24.4	22.3
Unallocated expenses	(4.6)	(9.7)
Other income (b)	1.4	
Interest expense, net	(2.7)	(4.4)
Income before income taxes	$ 18.5	$ 8.2

(a) A new business model that began to be implemented in 2001 results in a higher company sales price since it includes the margin that was previously realized by distributors who are now compensated with a commission. The conversion to the new business model was about 70 percent complete at the end of the first quarter of 2003. For 2004, the model change resulted in an increase in selling prices of $0.9 million compared with first quarter 2003.

(b) Other income for 2004 represents a gain of $1.4 million in the continuation of the Company s program to sell land held for development near the Company s Orlando, Florida headquarters site (land sales).

Note 9: Accounting for Derivative Instruments and Hedging Activities

The Company markets its products in over 100 countries and is exposed to fluctuations in foreign currency exchange rates on the earnings, cash flows and financial position of its international operations. Although this currency risk is partially mitigated by the natural hedge arising from the Company s local manufacturing in many markets, a strengthening U.S. dollar generally has a negative impact on the Company. In response to this fact, the Company uses financial instruments to hedge certain of its exposures and manages the foreign exchange impact to its financial statements. At its inception, a derivative financial instrument is designated as either a fair value, cash flow or net equity hedge.

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Note 9: Accounting for Derivative Instruments and Hedging Activities (continued)

Fair value hedges are entered into with financial instruments such as forward contracts with the objective of controlling exposure to certain foreign exchange risks primarily associated with accounts receivable, accounts payable and non-permanent intercompany transactions. In assessing hedge effectiveness, the Company excludes forward points. The Company has also entered into interest rate swap agreements to convert fixed-rate U.S. dollar long-term debt to floating-rate U.S. dollar debt and the impact is recorded as a component of net income. The hedging relationships the Company has entered into have been highly effective, and the ineffective net gains recognized in other expense for the first quarters ended March 27, 2004 and March 29, 2003 were immaterial.

During the first quarter of 2002, the Company entered into an interest rate swap agreement that matures on January 24, 2007, with a notional amount of 6.7 billion Japanese yen. The Company pays a fixed rate payment of 0.63 percent semi annually and receives a Japanese yen floating rate based on the LIBOR rate. This agreement converts the variable interest rate implicit in the Company s rolling net equity hedges in Japan to a fixed rate. While the Company believes that this agreement provides a valuable economic hedge against rising interest rates in Japan, it does not qualify for hedge accounting treatment under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities . Accordingly, changes in the market value of the swap are recorded as a component of interest expense as incurred. Over the life of the swap, any cumulative gains or losses since the inception of the agreement will be reduced to zero. As of March 27, 2004, the cumulative loss was about $0.6 million. The change in the cumulative loss for the quarters ended March 27, 2004 and March 29, 2003 was insignificant.

The Company also uses derivative financial instruments to hedge foreign currency exposures resulting from firm purchase commitments or anticipated transactions, and classifies these as cash flow hedges. The Company generally enters into cash flow hedge contracts for periods ranging from three to twelve months. The effective portion of the gain or loss on the hedging instrument is recorded in other comprehensive income, and is reclassified into earnings as the transactions being hedged are recorded. The associated asset or liability on the open hedge is recorded in non-trade amounts receivable or accrued liabilities as applicable. The foreign exchange loss recorded as a component of other expense was approximately $4.2 million in the first quarter of 2003. As of March 27, 2004, the balance in other comprehensive loss was a $0.4 million loss, net of tax. The change in the balance in other comprehensive loss was a net $0.4 million gain and $1.6 million gain during the quarters ended March 27, 2004 and March 29, 2003, respectively. The ineffective portion of the gain or loss on the hedging instruments in other expense was immaterial.

In addition to fair value and cash flow hedges, the Company uses financial instruments such as forward contracts to hedge a portion of its net equity investment in international operations, and classifies these as net equity hedges. For the first quarter of 2004, the Company recorded net losses associated with these hedges of $0.4 million net of applicable tax benefit in other comprehensive income. Due to the permanent nature of the investments, the Company does not anticipate reclassifying any portion of this amount to the income statement in the next twelve months.

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Note 9: Accounting for Derivative Instruments and Hedging Activities (continued)

In order to hedge against the impact of a strengthening U.S. dollar in 2004, on January 19, 2004, the Company entered into ten option agreements to hedge a portion of its net equity investments denominated in euros. The options each have a strike price of approximately 1.18 U.S. dollars to the euro as compared with a market rate of 1.24 U.S. dollars to the euro when the options were contracted. The effect of these options is to protect the value of the Company s euro net equity and the majority of its expected 2004 euro-denominated cash flows with a floor of 1.18 U.S. dollars to the euro by giving the Company the ability to sell euros at that value. The options had a combined notional value of approximately $118 million and expiration dates at various points during 2004. Should the rate stay above the strike price during the course of the year, the Company will allow the options to expire unexercised. At the end of each quarter, the Company will revalue the open options and record any change in fair value as a component of other comprehensive income. The Company paid approximately $1.7 million for these options, which will be recorded in other expense during 2004 as part of the revaluation process. During the first quarter, two of the options with notional amounts of approximately $13.9 million were allowed to expire unexercised based on market rates. The impact on other income and other comprehensive income as a result of the option expirations and revaluations were both immaterial during the first quarter.

Note 10: Revolving Line of Credit

As of March 27, 2004, the Company had revolving lines of credit totaling $250 million of which $100 million expired on April 27, 2004. Based upon current liquidity projections and capital needs, the Company did not renew the facility that expired in 2004. The remaining $150 million expires on April 29, 2005. The Company expects to begin renewal negotiations for the current revolver in the third quarter. The revolving credit agreement requires the Company to meet certain financial covenants and subjects the Company to an adjusted net worth test that would restrict the Company s ability to borrow and to pay dividends if adjusted consolidated net worth is insufficient to meet the requirements of this test. At the end of the first quarter of 2004, the requirement was $128.0 million. The requirement is increased quarterly by 25 percent of the Company s consolidated net income for the quarter. There is no adjustment for losses. The Company s adjusted consolidated net worth at the end of the first quarter was $167.1 million. The adjusted consolidated net worth is adjusted for results of operations, primarily with increases for net income and decreases for dividends paid. The covenants also subject the Company to an adjusted earnings-to-total-borrowings ratio which could restrict the Company s access to debt financing. Earnings are adjusted to exclude interest, taxes, depreciation and amortization, and any extraordinary, unusual or non-recurring gains and non-cash charges, as defined by the agreement, and are based on a four quarter rolling total. At the end of the first quarter of 2004, the Company had borrowings of $266.0 million compared with maximum borrowings permitted under the covenants of $382.8 million.

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Note 11: Retirement Benefit Plans

Components of net periodic benefit cost for the first quarter were as follows (in millions):

	Pension benefits		Postretirement benefits	
	2004	**2003**	**2004**	**2003**
Service cost and expenses	$ 1.7	$ 1.1	$ 0.3	$ 0.2
Interest cost	1.4	1.2	0.9	1.0
Expected return on plan assets	(0.9)	(0.5)		0.2
Net amortization and (deferral)	0.1	(0.4)	0.2	
Net periodic benefit cost	$ 2.3	$ 1.4	$ 1.4	$ 1.4

Note 12: Product Warranty

Tupperware® brand products are guaranteed against chipping, cracking, breaking or peeling under normal non-commercial use of the product. The cost of replacing defective products is not material.

Note 13: New Pronouncements

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. (FIN) 46, Consolidation of Variable Interest Entities, and later issued a revised version, FIN 46R, in December 2003. The revised standard was applicable to all special purpose entities (SPE s) created prior to February 1, 2003 at the end of the first interim or annual period after December 15, 2003. It was applicable to all non-SPE s created prior to February 1, 2003 at the end of the first interim or annual reporting period ending after March 15, 2004. The Company has adopted all components of this standard without impact.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of the results of operations for the 13 weeks ended March 27, 2004 compared with the same period ended March 29, 2003, and changes in financial condition during the 13 weeks ended March 27, 2004.

The Company s primary means of distributing its product is through independent sales consultants. The majority of the Company s products are in turn sold to end customers who are not members of the sales forces. The Company is largely dependent upon these independent sales organizations and individuals to reach end consumers and any significant disruption of this distribution network would have a negative financial impact on the Company and its ability to generate sales, earnings and operating cash flows. The Company s primary business drivers are the size, activity and productivity of its independent sales organizations.

Overview

During the first quarter of 2004, net income more than doubled. The Company s performance reflected continuing strength of Europe, led by the segment s largest market, Germany, and continues to yield strong sales force statistics that should provide a base for continued growth. In addition, Latin America and BeautiControl North America showed improved operating results, although the BeautiControl North America profitability was negatively impacted by accruals for executive retirement costs and pending legal matters that totaled a combined $2.5 million. In Asia Pacific, results were mixed. While the segment s largest market, Japan, had unfavorable comparisons with the same period last year, several markets, including Australia, Malaysia, China and India all had a positive quarterly comparison. The North American Tupperware business continued to struggle to rebuild its sales force following the disruptions in 2003 related primarily to the Company s initiative to market its products in a major retailer, which was halted in the third quarter of 2003. This situation resulted in sales and profit both being down significantly for the quarter. In addition, the average active sales force did not show sequential improvement for the quarter and as a result, the Company remains cautious about the timing of positive sales force comparisons and now believes that these likely will not occur until into 2005. This situation is expected to result in a significant 2004 loss. In other areas, there was growth in the Company s emerging markets and higher international beauty sales. First quarter profitability also benefited from favorable foreign exchange rates and the absence of more than $4 million pretax loss related to a hedging program that was terminated at the end of 2003, as well as reduced net interest and net corporate expenses. There was also a gain of $1.4 million on the sale of land held for development.

The Company was able to continue its strong balance sheet management during the quarter, which was achieved through significant improvement in cash from operating activities compared with the first quarter of last year. The net debt-to-total capital ratio was slightly better than year end 2003, and at 49 percent was 13 percentage points better than at March 29, 2003. For this ratio, net debt is defined as total debt less cash on hand and capital is defined as total debt less cash on hand plus shareholders equity.

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Net Sales

Net sales for the first quarter ended March 27, 2004 increased nearly $25 million or 9 percent from the same period in 2003. However, excluding a $25.7 million positive impact of foreign exchange, primarily due to a stronger euro, net sales were about flat with the first quarter of 2003. Significant improvement in Europe as well as BeautiControl North America, in addition to strong increases in Latin America and Asia Pacific, were partially offset by a significant decline in the North American Tupperware business. North American Tupperware sales were negatively impacted by approximately $6 million due to the cessation of its agreement to distribute its products in over 1,100 stores of a major retailer. This agreement was terminated by the Company effective September 1, 2003 as discussed more fully in the segment results. A discussion of the sales results for the Company s other reporting segments is included in the segment results section.

Re-engineering Costs

Refer to footnote 6 for a discussion of re-engineering activities and related accruals. The Company anticipates incurring charges for re-engineering activities, primarily in the second quarter, in the United States and Asia Pacific. While actions and related costs are still being finalized, it is expected that total costs will be approximately $5 million and relate primarily to rationalizing manufacturing capacity.

Gross Margin

Gross margin as a percentage of sales was 66.2 percent and 67.1 percent for the first quarter of 2004 and 2003, respectively. The 2004 reduction reflected a slight decline in Europe as lower volume, largely due to a reduction in business-to-business sales, was nearly offset by a better mix of products and improved manufacturing capacity utilization. Additionally, the North American Tupperware business, Latin America and BeautiControl North America all experienced lower margin rates. The decline in North America reflected lower volume and an increase in inventory obsolescence. Latin America and BeautiControl North America declines were primarily mix related. Partially offsetting these declines was an increase in Asia Pacific which was due to a better mix of products as well as generally lower discounting. Reduced product costs due to better foreign exchange, primarily in Australia, also contributed.

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Costs and Expenses

Delivery, sales and administrative expense declined as a percentage of sales to 59.6 percent for the first quarter of 2004, compared with 60.7 percent in 2003. Excluding the impact of foreign exchange, the dollar comparison between the first quarter of 2004 and 2003 was about flat. Overall, promotional spending was slightly improved, primarily due to more efficient programs in Europe. Also contributing was improvement in administrative expenses as all segments continued to pursue cost-saving initiatives. Largely offsetting this improvement were accruals, totaling approximately $2.5 million combined, in BeautiControl North America related to an executive retirement as well as pending legal matters. Specific segment impacts are discussed in the segment results section.

The decline in other expense was largely due to the absence of $4.2 million of 2003 foreign exchange losses resulting from the Company s program to hedge certain cash flows denominated in euros, Japanese yen and Korean won. The program also had the effect of largely mitigating the foreign exchange impact on net income comparisons to prior periods. As the cost of the program increased, the Company determined that its cost exceeded the benefit and ceased the program at the end of 2003. These losses were included in unallocated expenses for segment reporting.

Net Interest Expense

Net interest expense declined significantly in the first quarter of 2004 as compared with the first quarter of 2003. The $1.7 million decline to $2.7 million of net expense in 2004 was a result of the Company s entering two interest rate swap agreements, discussed in the market risk section, which were effective September 29, 2003 which have resulted in lower interest rates and a reduction of net interest expense of approximately $1.2 million for the quarter. Also contributing was the Company s entering a $27 million forward contract to buy Mexican pesos to hedge the fair value of an intercompany obligation. The favorable impact of forward points on this contract reduced net interest expense by approximately $0.6 million. Based on expectations of rising interest rate trends, the Company expects full year net expense to be $15 to $16 million.

Tax Rate

The effective tax rate in the first quarter of 2004 was 21.5 percent, representing a modest decline from 22.5 percent in the first quarter of 2003. The rate decrease was due to a slightly more favorable mix of income related to foreign operations as well as the deferred benefit recognized on the United States loss related to the expected future utilization of foreign tax credits. The effective tax rates for both years were below the U.S. statutory rate, reflecting the availability of excess foreign tax credits along with low foreign effective tax rates. A full year effective tax rate of 21 to 22 percent is currently projected.

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Net Income

Net income for the quarter more than doubled to $14.5 million or $0.25 per share, as compared with $6.4 million, or $0.11 per share in the first quarter of 2003. The increase was largely due to the favorable impact of a weaker U.S. dollar, particularly versus the euro, and elimination of the Company s hedge program noted earlier. Also contributing to the increase was the lower net interest expense previously discussed, lower corporate expenses and a $1.4 million pretax gain on the sale of land for development near the Company s Orlando, Florida headquarters. This gain was included in gains on disposal of assets on the Company s income statement. The Company currently anticipates recording an additional pretax gain of approximately $10 million related to land development activity during the remainder of 2004 which is currently deferred as the Company is recognizing the gain on this transaction under the installment method. This gain will be recognized upon the satisfaction of an $8.0 million note receivable that the Company is carrying from one of the parties in this transaction. The Company also accepted a $3.6 million mortgage note to satisfy the balance of the purchase price of this transaction. Lower corporate expenses reflected elimination of certain costs related to the Company s former Halls, Tennessee manufacturing facility, as well as costs related to an executive retirement. The decline was also partially due to a timing shift of some expenses that will be incurred later in the year. Partially offsetting these benefits were increased compensation costs due to the Company s adoption of the fair-value method of accounting for stock options, accruals for incentive awards and increased professional service fees related to compliance with provisions of the Sarbanes-Oxley Act. Full year corporate expenses are projected at $27 to $28 million.

Within the segments, Europe increased significantly and Latin America had a profit for the quarter compared with a loss in the prior year. North American Tupperware operations finished the quarter with a significantly higher loss and Asia Pacific also had a decline in profitability for the quarter. BeautiControl North America had a $0.5 million loss for the quarter due to the $2.5 million accruals noted in the Costs and Expenses section compared with a $1.4 million profit in the first quarter of 2003. Specific segment profitability is discussed in the segment results section.

International operations generated 78 percent and 73 percent of sales, respectively, in the first quarter of 2004 and 2003 and all of the segment profit in both periods.

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Segment Results (dollars in millions)

Europe

	2004	2003	Increase Dollar	Increase Percent	Restated* increase	Positive foreign exchange impact	Percent of total 2004	Percent of total 2003
First Qtr								
Net sales	$ 161.5	$ 135.3	$ 26.2	19%	3%	$ 21.4	55%	50%
Segment profit	36.1	29.5	6.6	22	6	4.5	+	+

* Restated refers to the exclusion of the impact of foreign exchange rates on the comparison
\+ More than 100 percent of total

The substantial first quarter sales increase was due primarily to the stronger euro as well as total and average active sales force size advantages of 15 percent over the first quarter of 2003. The slight increase in local currency was primarily due to strong growth in Germany, the segment s largest market, as well as continued sharp improvement in Russia. Also, the Netherlands, South Africa and Turkey all showed significant sales increases for the quarter. The contribution to the growth in sales in the segment from the emerging markets was less than those markets impact on the increase in active sellers due to lower party averages as a result of lower Gross Domestic Products. The German increase was due to increased sales volume as a result of a substantial increase in the total sales force size, which more than offset a decline in productivity. The productivity decline reflected strong recruiting and resulting increase in less experienced sales force members. German sales for the quarter also benefited from late period distributor orders in advance of an announced price increase. The Russian increase was also due to the volume increase that came from a substantial increase in the total sales force as the market continued its solid growth. A larger and more active sales force, along with a business-to-business transaction, produced the increase in the Netherlands while South Africa s increase was primarily due to a significant sales force increase. Turkey also had a significant increase in sales force size as well as significant growth in productivity. These improvements were partially offset by significant declines in France and Austria. While the French sales force level was about flat with the end of last year s first quarter, lower activity and productivity led to the decline noted. The decline in Austria was due to the absence of a large business-to-business transaction in the first quarter of last year as party plan sales improved. While the Company actively pursues business-to-business sales, sales from this channel are based on reaching agreements with business partners and their product needs, along with consideration of how the arrangements will be integrated with the party-plan channel. Consequently, activity in one period may not be indicative of future trends. For the segment as a whole, business-to-business sales, excluding the impact of foreign currency exchange rate fluctuations, declined in the quarter from $5.8 million in 2003 to $1.4 million in 2004 and are expected to continue to be lower than last year.

Segment profit also increased significantly for the quarter, also mainly due to the impact of the stronger euro. The modest increase in local currency largely mirrored the sales increase noted above. A modest decline in volume was more than compensated for by an improved product mix and less discounting.

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The Company continues to pursue its Integrated Direct Access (IDA) strategy in Europe and increased the number of locations 30 percent from the first quarter a year ago. This channel remains a small part of the overall business and the primary reason for pursuing the IDA strategy is to build the party plan business by driving recruiting and party scheduling.

The expectation for 2004 remains positive as the sales force and average active sales force size advantage, along with effective promotional and operating cost management, should lead to an increase in sales and profit.

Asia Pacific

			Increase (decrease)		Restated*	Positive foreign exchange	Percent of total	
	2004	**2003**	**Dollar**	**Percent**	**decrease**	**impact**	**2004**	**2003**
First Qtr								
Net sales	$ 42.0	$ 39.0	$ 3.0	8 %	(2) %	$ 3.9	14%	14%
Segment profit	0.6	1.1	(0.5)	(43)	(54)	0.3	2	5

* Restated refers to the exclusion of the impact of foreign exchange rates on the comparison

First quarter local currency sales were down slightly from last year while the good overall increase reflected the impact of a weaker U.S. dollar, primarily as compared with the Australian dollar and the Japanese yen. In local currency terms, Malaysia recorded a significant increase in sales and Australia showed modest improvement. In addition, the Philippines, which has been struggling, had a significant sales increase for the quarter on the strength of a larger, more active and more productive sales force which led to a substantial increase in sales volume. Within the emerging markets, India had a strong increase and China was up sharply. For the quarter, Malaysia had a larger, more active and more productive sales force and reflected the continued expansion of the BeautiControl line of products in this market. Australia also benefited from a larger sales force size that was more productive. The growth in China reflected the continued expansion of the business in this emerging market where the number of retail storefronts increased to almost 1,000 compared with approximately 900 at the end of 2003 and 350 as of the end of the first quarter of 2003. India s improvement came largely from a significant gain in activity as a result of a targeted focus on sales force unit activity. These gains were offset by a significant decline in Japan, the segment s largest market, as well as a decline in Indonesia. The Japanese and Indonesian declines were due to smaller sales forces which led to the lower sales volume for the quarter. Strong efforts are being made to build active sellers in these markets including improved incentives for party hosts.

The decline in first quarter segment profit was a reflection of the local currency sales decline discussed above. It further reflects a modest increase in operating expenses, largely due to continuing to build the infrastructure to support the sharp growth in the Chinese business. However, the Company also saw profitability improvement in both the Philippines and Korea. The Philippine improvement reflected the sales growth and brought the market to a small profit. The improvement in Korea was largely due to cost containment efforts. The favorable foreign exchange impact on profit was primarily due to the stronger Australian dollar.

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In the third quarter of 2003, the Company s direct selling license to operate in Indonesia expired. As a result of a delay in anticipated government business regulations, the Company is presently unable to renew its license under its current ownership structure and as a result, is currently operating without a license. The Company has been in contact with the appropriate Indonesian government officials as well as other members of the direct selling industry similarly impacted in an attempt to resolve the situation. The Company is currently working on a model to work in the current legal environment and is finalizing the detailed preparation of a new legal structure. However, until any resolution is final, it is possible that the government could order the Company to cease operations in Indonesia which could materially impact the segment s sales and segment profit. In such an event, the Company would seek a solution allowing operations to continue during a transition period. If that action proved unsuccessful, the Company expects it would be able to operate under the structure it is currently developing in approximately six months.

For the full year, Asia Pacific is expected to contribute sales and profit improvements versus 2003.

Latin America

			Increase		Restated*	Negative foreign exchange	Percent of total	
	2004	**2003**	**Dollar**	**Percent**	**increase**	**impact**	**2004**	**2003**
First Qtr								
Net sales	$ 22.9	$ 20.5	$ 2.4	12%	12%	$	8 %	8 %
Segment profit (loss)	0.7	(2.0)	2.7	nm	nm	(0.2)	3	nm

* Restated refers to the exclusion of the impact of foreign exchange rates on the comparison
nm Not meaningful

Latin America had a strong sales increase in both reported and local currency terms. The improvement was led by Venezuela and Mexico. Venezuela reported a more than three-fold increase in sales for the quarter on increased volume, which reflected the significant economic difficulties in this country last year and a significant increase in average active sales force size since that time. Mexico had a modest sales increase as the market stabilized. Sales force productivity improved and the sales contribution from beauty products continued to increase and represented approximately nine percent of sales for the quarter. Overall, Mexico s sales increase was a result of improved volume.

The improvement in profitability was a reflection of the sales increase discussed above. In addition, prior cost alignment actions have resulted in improved value chains in both Brazil and Mexico.

The trend improvements in Brazil, Venezuela and Mexico lead to an expectation that for the full year, there will be an improvement versus 2003 in sales and profit with the profit improvement continuing to outpace that in sales due to the cost reductions.

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North America

			Decrease		Restated*	Positive foreign exchange	Percent of total	
	2004	2003	Dollar	Percent	decrease	impact	2004	2003
First Qtr								
Net sales	$ 45.4	$ 55.7	$ (10.3)	(19)%	(19)%	$ 0.4	15%	20%
Segment loss	(12.5)	(7.7)	(4.8)	(62)	(61)		nm	nm

* Restated refers to the exclusion of the impact of foreign exchange rates on the comparison
nm Not meaningful

The sales decrease for the quarter was due to a significant decline in the United States. This decline was a result of a 24 percent decrease in the average active sales force. The reduction was further impacted by the absence of sales to a major retailer. The Company ended its relationship with the retailer and stopped selling its products in approximately 1,100 stores in the third quarter of 2003. The Company began this relationship in 2002 and expanded it to all the retailer s locations in the United States in October 2002. Although the sales in this channel exceeded expectations, the scale and positioning of the expanded presence did not mesh well with the party plan business as it did not enhance the sales force s ability to drive Tupperware parties and recruiting. The decline in sales, which also resulted in unfavorable capacity utilization and increased promotional investments, led to a higher segment loss.

North America is expected to have a significant loss in 2004. Although the cost savings initiatives announced in 2003 are being realized and further opportunities are being identified, continuing declines in sales and additional investments to refresh the party and opportunity and grow the sales force will negatively impact profitability in the near term. In addition, the average active sales force did not show sequential improvement for the quarter and as a result, the Company remains cautious about the timing of positive sales force comparisons and now believes that these likely will not occur until into 2005.

The IDA strategy continues to be an important component in the North American business and utilizes showcases, the Internet and television shopping to obtain access to more consumers. IDA sales for the quarter represented 8 percent of total segment sales as compared to 5 percent last year, excluding sales to a major retailer.

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BeautiControl North America

	2004	2003	Increase (decrease) Dollar	Increase (decrease) Percent	Restated* increase	Foreign exchange impact	Percent of total 2004	Percent of total 2003
First Qtr								
Net sales	$ 24.6	$ 21.0	$ 3.6	18%	17%	$	8%	8%
Segment (loss) profit	(0.5)	1.4	(1.9)	nm	nm		nm	6

* Restated refers to the exclusion of the impact of foreign exchange rates on the comparison
nm Not meaningful

BeautiControl North America sales increased significantly for the quarter due to total sales force and average active sales force growth of 23 percent as strong recruiting continued under an ongoing leadership development program. This growth resulted in improved sales volume that was partially offset by a slightly less favorable product mix. The less favorable mix was due to an increase in sales of support items for new recruits that entered the sales force during the quarter.

The sales increase did not result in a corresponding increase in profitability due to the impact of approximately $2.5 million of combined costs associated with an executive retirement and an accrual for pending legal matters.

The current sales force size advantage is expected to lead to continued sales growth and improved profitability for the year.

Financial Condition

Liquidity and Capital Resources. Working capital increased to $141.1 million as of March 27, 2004, compared with $137.2 million as of the end of 2003. The increase in working capital was primarily from an increase in non-trade amounts receivable for an $8.0 million note receivable, due September 2004, in connection with the Company s first quarter sale of land. Also contributing was an increase in inventories, which was caused by higher cost items on hand in Asia Pacific as well as timing of promotional programs. A reduction in accounts payable was also part of the working capital increase and was primarily in Europe as a result of settling year end payables related to purchases for the first quarter promotional period noted above. Partially offsetting these items was a decline in net trade receivables and an increase in accrued liabilities. The decline in net trade receivables was due to improved collections as well as the lower level of business-to-business sales in Europe. Business-to-business sales generally have longer payment terms than traditional distributor sales to allow for the longer lead time in getting the product to market. The increase in accrued liabilities reflected the BeautiControl North America accruals for legal matters and executive retirement noted earlier as well as the gain deferral related to the land sale.

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The increase in other assets was largely due to a $3.6 million mortgage note receivable due in September 2005 related to the Company s sale of land. This note is secured by the property sold and carries a variable interest rate based on the one-month LIBOR rate plus a spread of two percentage points.

As of March 27, 2004, the Company had $242.6 million available under its unsecured revolving lines of credit. These line of credit agreements totaled $250 million, of which $100 million expired on April 27, 2004, and the remaining $150 million expires on April 29, 2005. Based upon current liquidity projections and capital needs, the Company did not renew the recently expired facility. The Company expects to begin renewal negotiations for the portion expiring in 2005 in the third quarter. The continuing agreement requires the Company to meet certain financial covenants and subjects the Company to an adjusted net worth test that would restrict the Company s ability to borrow and to pay dividends if adjusted consolidated net worth is insufficient to meet the requirements of this test. At the end of the first quarter of 2004, the requirement was $128.0 million. The requirement is increased quarterly by 25 percent of the Company s consolidated net income for the quarter. There is no adjustment for losses. The Company s adjusted consolidated net worth at the end of the first quarter was $167.1 million. The adjusted consolidated net worth is adjusted for results of operations, primarily with increases for net income and decreases for dividends paid. The covenants also subject the Company to an adjusted earnings-to-total-borrowings ratio which could restrict the Company s access to debt financing. Earnings are adjusted to exclude interest, taxes, depreciation and amortization, and any extraordinary, unusual or non-recurring gains and non-cash charges and are based on a four-quarter rolling total. At the end of the first quarter of 2004, the Company had borrowings of $266.0 million compared with maximum borrowings permitted under the covenants of $382.8 million. The Company does not anticipate that these covenants will restrict its ability to finance its operations.

In addition to the revolving lines of credit, the Company had about $145 million available under other uncommitted lines of credit as of March 27, 2004. These borrowing facilities and cash generated by operating activities as well as proceeds from the Company s program to sell land for development, as discussed below, are expected to be adequate to finance working capital needs and capital expenditures.

The Company s major markets for its products are France, Germany, Japan, Mexico and the United States. A significant downturn in the economies of these markets would adversely impact the Company s ability to generate operating cash flows. Operating cash flows would also be adversely impacted by significant difficulties in the recruitment, retention and activity of the Company s independent sales force, the success of new products and promotional programs.

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The net debt-to-total capital ratio at the end of the first quarter was 49.3 percent as compared with 62.4 percent at the end of the first quarter of 2003 and 49.5 percent at 2003 year end. Net debt is defined as total debt less cash on hand and capital is defined as total debt less cash on hand plus shareholders equity. The decrease from the same period a year ago reflected the settlement of a majority of the Company s outstanding debt that may currently be economically paid as well as a higher cash balance generated primarily by cash flows from operating activities and lower accumulated other comprehensive loss due to a weaker U.S. dollar, primarily as compared with the euro. It is currently the Company s intention to maintain its current debt-equity mix and that it will seek to refinance, in 2006, all or a portion of the $100 million notes that are then due.

Operating Activities. Net cash provided by operating activities for the first three months of 2004 was $16.1 million compared with usage of $12.7 million in the comparable 2003 period. The largest differences between the periods were a higher reduction in net trade receivables, as discussed above, as well as an increase in other operating cash flow. The improvement in other operating cash flows was due to the payment of a Japanese consumption tax receivable during the first quarter of 2003 as well as timing differences on value added tax payments, mainly in Europe. These improvements were partially offset by an increase in net deferred taxes, which largely resulted from the deferred benefit on U.S. losses.

Investing Activities. During the first quarters of 2004 and 2003, the Company spent $9.6 million and $7.4 million, respectively, for capital expenditures. Capital expenditures in both years were principally for new molds as well as information technology investments. The increase in capital spending for the first quarter was primarily due to the timing of mold spending in Europe. Full year 2004 capital expenditures are expected to be between $48 and $53 million. Partially offsetting the capital spending in 2004 was $2.2 million of proceeds related to the sale of certain property, plant and equipment. These proceeds were primarily related to $1.5 million of proceeds received on a transaction for the sale of land for development near the Company s Orlando, Florida headquarters. As discussed earlier, this transaction also involved the Company s acceptance of an $8.0 million note receivable due in September 2004 and a $3.6 million note due in September 2005. As the Company continues its program to sell land for development, it expects to generate total proceeds of $80 to $90 million, including approximately $20 million received to date, and should be completed in 2007. Most of the remaining balance of proceeds related to the sale of a facility closed as part of prior re-engineering activities in Argentina at the asset s book value.

Financing Activities. Dividends paid to shareholders were $12.9 million and $12.8 million for the first quarters of 2004 and 2003, respectively.

New Pronouncements

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. (FIN) 46, Consolidation of Variable Interest Entities, and later issued a revised version, FIN 46R, in December 2003. The revised standard was applicable to all special purpose entities (SPE s) created prior to February 1, 2003 at the end of the first interim or annual period after December 15, 2003. It was applicable to all non-SPE s created prior to February 1, 2003 at the end of the first interim or annual reporting period ending after March 15, 2004. The Company has adopted all components of this standard without impact.

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Market Risk

One of the Company s market risks is its exposure to the impact of interest rate changes. The Company has elected to manage this risk through the maturity structure of its borrowings, interest rate swaps and the currencies in which it borrows. The Company has entered into two interest rate swap agreements on a portion of its long-term debt effective September 29, 2003. The swap agreements total a notional amount of $150 million and expire in 2011. The Company receives semi-annual interest payments at 7.91 percent and makes floating rate interest payments based on the six-month LIBOR rate plus a spread of about 3.7 percentage points. These swaps convert the Company s $150 million of notes payable due in 2011 from fixed to floating rates and serve as a hedge of the fair value of this debt. The ineffectiveness of these swaps was immaterial in the first quarter.

During 2002, the Company entered an interest rate swap agreement with a notional amount of 6.7 billion Japanese yen that matures on January 24, 2007. The Company pays a fixed rate payment of 0.63 percent semi annually and receives a Japanese yen floating rate payment based on the LIBOR rate and is calculated in arrears. This agreement converts the variable interest rate implicit in the Company s rolling net equity hedges in Japan to a fixed rate. While the Company believes that this agreement provides a valuable economic hedge against rising interest rates, it does not qualify for hedge accounting treatment under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities , because the terms of the interest rate swap do not match the terms of the underlying floating Japanese yen interest obligations. Accordingly, changes in the market value of the swap are recorded as a component of net interest expense as incurred. Over the life of the swap, any cumulative gains or losses since the inception of the agreement will be reduced to zero. As of March 27, 2004, the cumulative loss was about $0.6 million. The change in the cumulative loss in the first quarter of 2004 and 2003 was insignificant. These items are included as a component of interest expense.

The Company has approximately 65 percent of its borrowings with floating interest rates based upon the terms and the utilization of swap agreements. If short-term interest rates varied by 10 percent the Company s first quarter interest expense would not have been materially impacted.

A significant portion of the Company s sales and currently all of its profit comes from its international operations. Although these operations are geographically dispersed, which partially mitigates the risks associated with operating in particular countries, the Company is subject to the usual risks associated with international operations. These risks include local political and economic environments, and relations between foreign and U.S. governments.

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Another economic risk of the Company is exposure to foreign currency exchange rates on the earnings, cash flows and financial position of the Company s international operations. The Company is not able to project in any meaningful way the possible effect of these fluctuations on translated amounts or future earnings. This is due to the Company s constantly changing exposure to various currencies, the fact that all foreign currencies do not react in the same manner to the U.S. dollar and the large number of currencies involved, although the Company s most significant exposure is to the euro. Although this currency risk is partially mitigated by the natural hedge arising from the Company locating most of its manufacturing operations in local markets, a strengthening U.S. dollar generally has a negative impact on the Company s financial results. In response to this fact, the Company uses financial instruments, such as forward contracts to hedge its exposure to certain foreign currency risks associated with a portion of its investment in international operations. In addition to hedging against the balance sheet impact of changes in exchange rates, the hedge of investments in international operations also has the effect of hedging a portion of cash flows from those operations. The Company also hedges with these and other instruments certain other exposures to various currencies arising from non-permanent intercompany loans and forecasted purchase commitments.

In order to hedge against the impact of a strengthening U.S. dollar in 2004, on January 19, 2004, the Company entered into ten option agreements to hedge a portion of its net equity investments denominated in euros. The options each have a strike price of approximately 1.18 U.S. dollars to the euro as compared with a market rate of 1.24 U.S. dollars to the euro when the options were contracted. The effect of these options is to protect the value of the Company s euro net equity and the majority of its expected 2004 euro-denominated cash flows with a floor of 1.18 U.S. dollars to the euro by giving the Company the ability to sell euros at that value. The options had a combined notional value of approximately $118 million and expiration dates at various points during 2004. Should the rate stay above the strike price during the course of the year, the Company will allow the options to expire unexercised. At the end of each quarter, the Company will revalue the open options and record any change in fair value as a component of other comprehensive income. The Company paid approximately $1.7 million for these options, which will be recorded in other expense during 2004 as part of the revaluation process. During the first quarter, two of the options with notional amounts of approximately $13.9 million were allowed to expire unexercised based on market rates. The impact on other income and other comprehensive income as a result of the option expirations and revaluations were both immaterial during the first quarter.

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While certain of the Company s fair value hedges of non-permanent intercompany loans mitigate its exposure to foreign exchange gains or losses, they result in an impact to operating cash flows as the hedges are settled. The Company s most significant hedge position is with the euro and as of March 27, 2004, it had commitments to buy approximately $235 million worth of that currency. In the event, the U.S. dollar were to weaken below a rate of 1.18 U.S. dollars to the euro, the option contracts, previously discussed would be exercised and serve to partially offset the cash outflow that would occur under these fair value hedges. At the end of March 2004, the notional amount of these option contracts was $104.0 million, which amount will decrease each month to $0 at the end of 2004. Based on its March 27, 2004 position, the Company will be required to make cash payments at settlement if the U.S. dollar strengthens versus the euro relative to its contracted position, which averaged 1.2392 U.S. dollars to the euro. The Company s most significant open positions to sell foreign currencies at March 27, 2004 were $46 million for the Swiss franc and $61 million for the Japanese yen. In this situation, a stronger dollar versus the opposing currency would generate a cash receipt to the Company at settlement. The above noted notional amounts change based upon the Company s outstanding exposure to fair value fluctuations.

The Company s program to sell land held for development is also exposed to the risks inherent in the real estate development process. Included among these risks are the ability to obtain all government approvals, the success of buyers in attracting tenants for commercial developments and general economic conditions, such as interest rate increases.

Forward-Looking Statements

Certain written and oral statements made or incorporated by reference from time to time by the Company or its representatives in this report, other reports, filings with the Securities and Exchange Commission, press releases, conferences or otherwise are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements contained in this report that are not based on historical facts are forward-looking statements. Risks and uncertainties may cause actual results to differ materially from those projected in forward-looking statements. The risks and uncertainties include successful recruitment, retention and activity levels of the Company s independent sales force; success of new products and promotional programs; the ability to obtain all government approvals on and generate profit from land development; the success of buyers in attracting tenants for commercial development; economic and political conditions generally and foreign exchange risk in particular; disruptions with the integrated direct access strategies; integration of cosmetics and other non-traditional product lines into Company operations; and other risks detailed in the Company s report on Form 8-K dated April 10, 2001, as filed with the Securities and Exchange Commission.

Investors should also be aware that while the Company does, from time to time, communicate with securities analysts, it is against the Company s policy to disclose to them any material non-public information or other confidential commercial information. Accordingly, it should not be assumed that the Company agrees with any statement or report issued by any analyst irrespective of the content of the confirming financial forecasts or projections issued by others.

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Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company s reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to the Company s management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this report, management, under the supervision of the Company s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company s disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the disclosure controls and procedures were effective at a level of reasonable assurance, in all material respects, to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required.

In addition, there have been no significant changes in the Company s internal control over financial reporting or in other factors which could significantly affect internal control over financial reporting subsequent to the date the Company carried out its evaluation. There were no significant deficiencies or material weaknesses identified in the evaluation and therefore, no corrective actions were taken.

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PART II

OTHER INFORMATION

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May yet be Purchased under the Plans or Programs
12/28/03 1/31/04	29,559	$ 18.80	n/a	n/a
2/1/04 2/28/04			n/a	n/a
2/29/04 3/27/04			n/a	n/a
	29,559		n/a	

(a) Represents common stock surrendered to the Company as part of settlement of a $0.6 million loan owed to the Company for the purchase of the stock as contemplated under the Management Stock Purchase Plan. There is no publicly announced plan or program to repurchase Company shares.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(31.1) Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer
(31.2) Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer
(32.1) Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code by the Chief Executive Officer
(32.2) Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code by the Chief Financial Officer

(b) Reports on Form 8-K

Report dated January 28, 2004, reporting Item 12. Results of Operations and Financial Condition . The Registrant issued an earnings release announcing its financial results for the fourth quarter and year ended December 27, 2003.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

TUPPERWARE CORPORATION

By: /s/ Michael S. Poteshman

Senior Vice President
and Chief Financial Officer

By: /s/ Judy B. Curry

Vice President and Controller

Orlando, Florida

May 5, 2004

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