



a single drop can change everything

British Columbia Used Oil  
Management Association

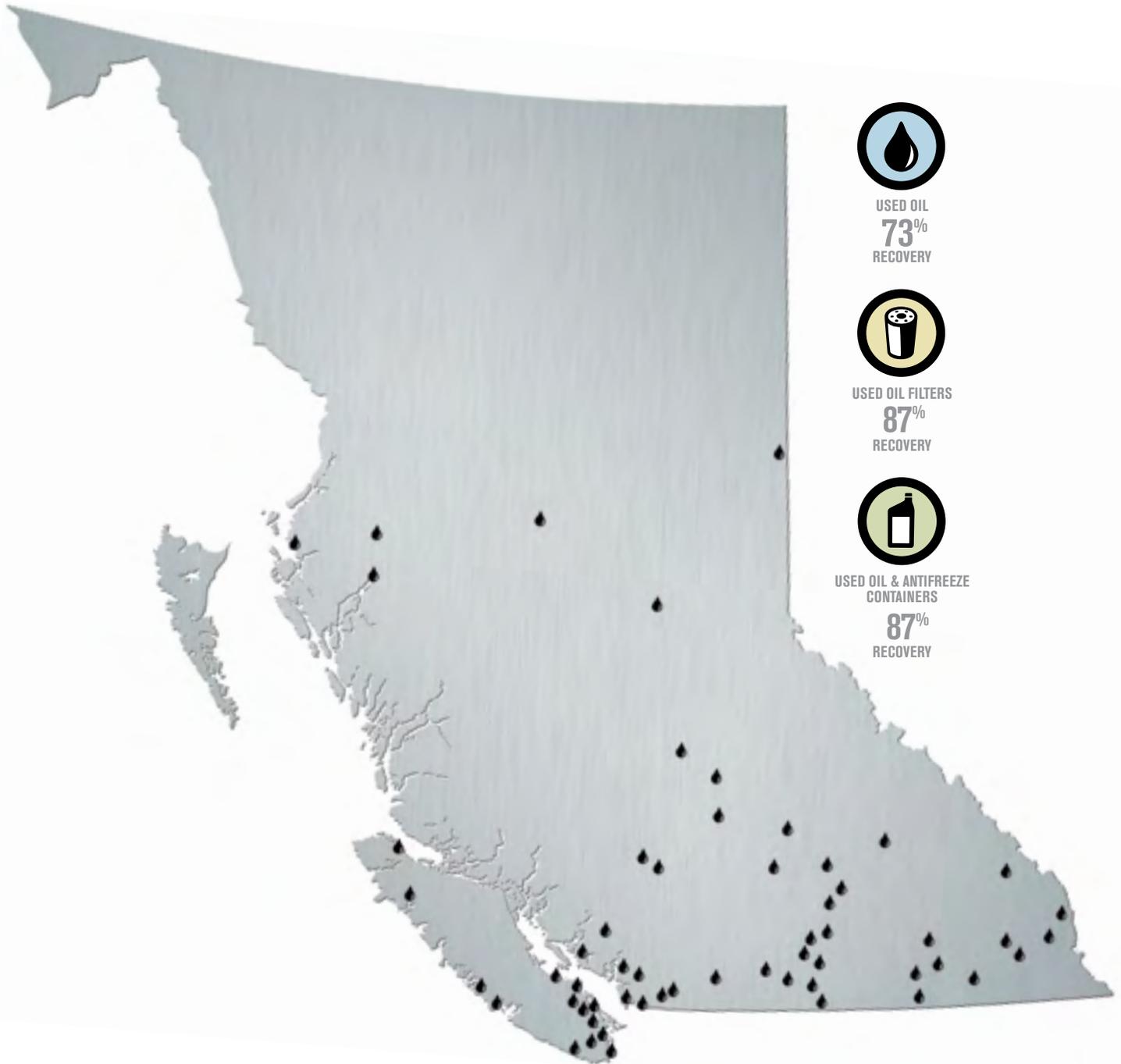
2011 **ANNUAL  
REPORT**



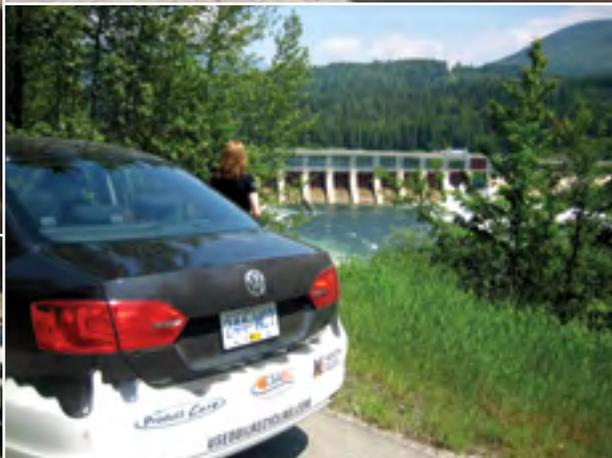
Last year marked the sixth annual

# Summer Ambassador Program

promoting BCUOMA's message that "one drop makes a difference."



Since 2006, the BC Used Oil Management Association has undertaken a province-wide communications campaign to encourage the responsible recycling of used oil materials. From May to September, the Ambassador team travels to communities across BC to promote used oil and antifreeze recycling. Due to the success of the BCUOMA program, BC now has one of the highest recovery rates in the country.







*Back row: Lonnie Cole, Dave Russell, Don Hertherington, Marvin Hunt Front row: Dave Schick, Natalie Zigarlick, Ron Driedger*

On behalf of the

## British Columbia Used Oil Management Association,

we would like to express our gratitude to all of the program participants – from Collectors to Processors, from Businesses to individual British Columbians – for your active support of the used oil recycling initiative. With your help, we look forward to even greater success in the future.

Thanks, a million.

Dave Schick,  
Board Chair  
BCUOMA

Ron Driedger,  
Executive Director  
BCUOMA

## Antifreeze and Antifreeze Container Recycling Started on July 1, 2011

On July 1, 2011, the British Columbia Used Oil Management Association (BCUOMA) brought antifreeze and antifreeze containers into the BCUOMA program, which is now in its ninth year of operation. The antifreeze materials program was successfully integrated with the used oil materials program in the last half of 2011. BCUOMA had the benefit of many of its used oil collectors already collecting some used antifreeze and some of the antifreeze containers were previously collected with the used oil containers.

In 2011, the BCUOMA registered Collectors and Processors did an excellent job in picking up used oil and antifreeze materials from over 4,000 generators across the province.

### Recovery Rates for Used Oil and Antifreeze Materials

Product	Year	Sales in Millions	Recoverable Portion in Millions	Quantity Recovered in Millions	% Recovered
Oil	2009	83.6 Litres	58.4 Litres	44.9 Litres	76.9
	2010	85.1 Litres	59.5 Litres	47.5 Litres	79.8
	2011	93.5 Litres	65.4 Litres	48.0 Litres	73.4
Antifreeze	2011 (1/2 Yr)	5.07 Litres	2.28 Litres	0.991 Litres	43.4
Filters	2009	5.66	5.66	5.13	90.6
	2010	6.10	6.10	5.22	85.6
	2011	6.23	6.23	5.39	86.5
Containers	2009	1.77 kg	1.77 kg	1.43 kg	80.8
	2010	1.736 kg	1.736 kg	1.533 kg	88.3
	2011	1.924 kg	1.924 kg	1.676 kg	87.1

Only a portion of every litre of oil and antifreeze sold is available for recovery because approximately 30.1% of the oil and 55% of the antifreeze is considered to be consumed during use. Of the 65.4 million litres of used oil available for recovery, 48.0 million litres were collected and recycled, with a recovery rate of 73.4%, compared to 79.4% the previous year. The remaining 17.4 million litres did not come back through the BCUOMA collection and recycling program. Rather, much of it was used in processes such as manufacturing explosives, oil space heaters, chain oil and other industrial applications.

With the used antifreeze, 991,000 litres of used antifreeze, adjusted to an average glycol percentage of 50%, was collected and recycled from July 1 to December 31, 2011. Also, it is estimated that due to spills and leaks, only about 45% of the antifreeze sold is available for collection.

Every used oil filter and oil and antifreeze container has the potential to be recycled and for the last several years BCUOMA has had one of the best recovery rates in Canada for oil filters and oil containers. BCUOMA recognizes that it is difficult for automotive service centres to separate out the other automotive containers such as windshield washer, and fuel and oil additive containers from the oil and antifreeze containers. In 2011, approximately 21% of what was recovered were non-oil and antifreeze containers. Eventually some of the ineligible materials such as windshield washer and fuel and oil additive containers may be included in the BC Recycling Regulation.

While the recovery rates for used oil materials have significantly increased since program inception in July 2003, there are unexplained variances in recovery rates from year to year. Due to these annual variances, a three-year running average is a more accurate way of determining a realistic recovery rate for used oil materials.

### Financial Management of the BCUOMA Program

Due to very high recovery rates for used oil materials, expenditures exceeded revenues from 2008 to 2009. The BCUOMA program is designed so that each oil material pays its own way and one material does not subsidize another. In June, 2009, the BCUOMA members approved an increase in the Environmental Handling Charge (EHC) for oil containers from \$0.05 to \$0.10/l of container. The EHC for small filters less than eight inches in length was increased from \$0.50 to \$0.55/filter, and for the large filters from \$1.00 to \$1.25/filter. The revised EHC rates took effect on October 1, 2009. Effective July 1, 2011, an EHC of \$0.20/litre was assessed on antifreeze sales into BC and the antifreeze container was assessed \$0.10/litre of container.

The target for each used oil material is to have approximately 80% of revenue pay for the payments to the registered BCUOMA Collectors and the oil container Processors; 10% to pay for other program and administrative costs, and the remaining 10% used to build up a twelve month operating reserve. In 2011, revenue was higher than budgeted due to higher than budgeted sales of oil and antifreeze materials, plus revenue received from compliance review audits for previous years.

## **Our Message to the Public is to Make Every Drop Count**

The official launch of the antifreeze recycling program took place on July 4, 2011, at the M & R Environmental recycling facilities in Burnaby. All major television, radio stations and newspapers were present and gave prominent and positive coverage to the start of the program.

A Summer Ambassador Program again operated in 2011, where a team of university students in a hybrid vehicle toured the province to meet with return collection facility operators, respond to media interview requests, and meet local governments and the general public at special events. The purpose of their visits is to ensure that the return collection facilities (RCFs) are up-to-date with information, brochures and signs and that local governments and the general public are informed about the program. In 2011, BCUOMA partnered with the product stewards from Medications, Product Care and Electronics Stewardship to hand out their brochures and information during their tour.

During the 17 week summer period, the team travelled to 137 municipalities and visited or contacted 475 RCFs, met with 18 local government officials and provided them with brochures and other information about the program, took part in 35 media interviews, attended 8 community events, and recruited about 35 new RCFs for the do-it-yourselfer to take their used oil and antifreeze materials.

BCUOMA also used radio and newspaper ads to encourage British Columbians to recycle their used oil and antifreeze materials. In addition, BCUOMA partnered with other BC Stewards to produce an updated version of the Recycling Handbook and a video about product stewardship programs. The Handbook and video provides information on all 12 stewardship programs. These Recycling Handbooks were distributed by the Ambassadors to local governments and at community events, along with the BCUOMA Brochure.

## **BCUOMA is One of Many Industry Stewardship Programs in BC**

As of December 31, 2011, there are twelve different industry stewardship programs operating in British Columbia. Materials and products included in these programs include beverage and beer containers, electronics, cell phones, small appliances, fluorescent lights and tubes, thermostats, batteries, tires, paints, solvents, pesticides, gasoline and medications. The BC Recycling Regulation requires a further expansion in July, 2012, to include large appliances and almost everything else that has a cord and a battery.

The Stewardship Agencies of BC (SABC) has been formed to include the existing and future stewardship agencies. The mission of SABC is to:

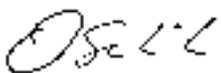
- Provide a one-window forum for local governments and the province to interact with stewards on issues of common concern;
- Provide assistance to prospective stewards in the development and implementation of their stewardship plans;
- Develop and communicate consistent policies on issues such as service levels in remote areas; and
- Jointly produce communication tools such as a recycling handbook and video, and provide the public with access to a website and a toll-free hotline to determine where to recycle their used products.

## **The Contribution to the BCUOMA Program is Appreciated**

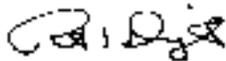
Approximately 530 of the over 4,000 generators located all across the province continue to participate in our program as a RCF for the do-it-yourselfer to take back their used oil materials at no charge, with about 300 RCFs available to take back used antifreeze materials. Their contribution to the success of the program is significant and much appreciated. To further recognize the contributions they make, as of July 1, 2011, BCUOMA financially supports the RCF operators for the used oil and used antifreeze materials they generate.

BCUOMA would also like to acknowledge the important contribution of the Registered Collectors, who regularly pick up the used oil and antifreeze materials from the Generators. The Collectors deliver the used oil and antifreeze materials to the BCUOMA Registered Processors, where they are processed to the point that they can be sold as raw materials for remanufacturing, or used as an approved fuel source for the used oil that is not re-refined. BCUOMA specifies what the approved end-uses are for used oil and antifreeze materials.

We would also like to thank the nine-member Board of Directors, which includes representatives from oil, filter, antifreeze and retail industry sectors, as well as a local government and a public-at-large representative for their oversight and direction in the management of the used oil and antifreeze materials recycling program.



Dave Schick,  
Board Chair  
BCUOMA



Ron Driedger,  
Executive Director  
BCUOMA

April 20, 2012

## AUDITOR'S REPORT

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To British Columbia Used Oil Management Association

We have audited the accompanying schedule of used oil and antifreeze materials collected as reported by British Columbia Used Oil Management Association for the year ended December 31, 2011, calculated as disclosed in note 1 to the schedule.

### Management's Responsibility for the Schedule

Management is responsible for the preparation of the schedule in accordance with the basis of measurement as described in note 1, and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial information in the schedule of used oil and antifreeze materials collected as reported by British Columbia Used Oil Management Association as at December 31, 2011 is prepared, in all material respects, in accordance with the basis of measurement as described in note 1.

*PricewaterhouseCoopers LLP*

Chartered Accountants

## SCHEDULE OF USED OIL & ANTIFREEZE MATERIALS COLLECTED

FOR THE YEAR ENDED DECEMBER 31, 2011

	Current year volumes January 1, 2011 to December 31, 2011	Prior year volumes January 1, 2010 to December 31, 2010
Used oil (Litres)	47,947,160	47,212,024
Used antifreeze (Litres) (note 1)	1,075,131	-
Used oil filters	5,382,338	5,235,973
Used oil and antifreeze containers (Kilograms)	1,674,414	1,535,556

*See accompanying note to schedule.*

## NOTE TO SCHEDULE OF USED OIL & ANTIFREEZE MATERIALS COLLECTED

DECEMBER 31, 2011

### 1. Basis of presentation

#### Volume measurement and measurement uncertainty

Volumes of oil and antifreeze, containers of oil/antifreeze and weight of filters collected are based on actual measurements taken by the Collector/Transporters of these materials and verified by Generators and Processors.

The Environmental Handling Charge (EHC) program began for glycol/antifreeze fluid and respective containers on July 1, 2011. Glycol is defined as 100% glycol while antifreeze is defined as a mixture of 50/50 glycol blended with water. The actual volume of antifreeze collected is tested for water content and then converted to a 50/50 mixture to allow for a consistent method of reporting.

The conversion factor from weight of filters in a drum to the number of filters is based on studies performed by independent consultants and management's best estimates. A full drum is defined as weighing approximately 95kg and contains on average:

- 143 filters less than or equal to 203 millimetres in length and
- 12 filters greater than 203 millimetres in length.

Management's estimates and assumptions affect the number of filters collected during the reporting year. Actual results could differ from these estimates and such differences could be material.

Oil and antifreeze containers are collected in bulk with the actual weights being reported and will include containers where an EHC has not been remitted and described as ineligible containers. These ineligible containers are the same type of plastic and therefore deemed as being environmental important that they be diverted from landfill. As well, it is operationally and financially impractical to segregate these ineligible containers from the bulk collection. Based on studies performed by independent consultants, management estimates that the actual weight of the containers collected and reported in the Schedule consists of approximately 21% of ineligible containers. Actual results could differ from these estimates and such differences could be material.

April 20, 2012

## **INDEPENDENT AUDITOR'S REPORT**

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### **To the Members of British Columbia Used Oil Management Association**

We have audited the accompanying financial statements of British Columbia Used Oil Management Association, which comprise the statement of financial position as at December 31, 2011 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of British Columbia Used Oil Management Association as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

Chartered Accountants



# Financial Statements

## BALANCE SHEET

AS AT DECEMBER 31, 2011

	2011	2010
	\$	\$
<b>Assets</b>		
<b>Current Assets</b>		
<b>Cash</b>	2,312,445	1,814,294
<b>Short-term investments – guaranteed investment certificates (note 5)</b>	755,548	-
<b>Accounts receivable</b>	3,416,088	2,920,041
<b>Prepaid expenses</b>	7,329	12,685
	<u>6,491,410</u>	<u>4,747,020</u>
<b>Property and equipment (note 4)</b>	406	1,906
<b>Long-term investments – guaranteed investment certificates (note 5)</b>	762,682	-
	<u>7,254,498</u>	<u>4,748,926</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Return incentives and infrastructure development incentives payable	1,503,743	1,196,059
Accounts payable and accrued liabilities	140,776	112,818
	<u>1,644,519</u>	<u>1,308,877</u>
Commitments (note 7)		
<b>Net Assets</b>		
<b>Unrestricted</b>	4,091,343	3,438,143
<b>Invested in property and equipment – internally restricted</b>	406	1,906
<b>Internally restricted</b>	1,518,230	-
	<u>5,609,979</u>	<u>3,440,049</u>
	<u>7,254,498</u>	<u>4,748,926</u>

See accompanying notes to the financial statements.

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Internally restricted	Invested in property and equipment	2011	2010
	\$	\$	\$	\$	\$
Balance – Beginning of year	3,438,143	-	1,906	3,440,049	2,208,579
Excess of revenue over expenditures	2,152,412	19,018	(1,500)	2,169,930	1,231,470
Investment in guaranteed investment certificates	(1,499,212)	1,499,212	-	-	-
Balance – End of year	<u>4,091,343</u>	<u>1,518,230</u>	<u>406</u>	<u>5,609,979</u>	<u>3,440,049</u>

See accompanying notes to the financial statements.

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
	\$	\$
<b>Revenue</b>		
Environmental handling charges	13,162,378	11,159,504
Investment income and other	98,173	24,662
Registration fees	2,800	3,000
	<u>13,263,351</u>	<u>11,187,166</u>
<b>Expenditures</b>		
Program costs		
Return incentives and infrastructure development incentives	10,113,303	9,088,324
Communications and public relations	288,694	235,370
Management and administration contracts (note 9)	50,669	47,460
Compliance reviews	49,051	40,818
Consulting	22,927	15,540
Depot infrastructure	20,007	4,548
Legal fees (note 9)	8,793	4,187
Bad debt	-	1,404
	<u>10,553,444</u>	<u>9,437,651</u>
Administrative costs		
Management and administration contracts (note 9)	337,007	324,582
Office and general expenses	67,659	76,839
Financial audit fees	47,088	40,972
Rent	38,375	31,233
Board expenses	26,406	18,605
Legal fees (note 9)	21,942	16,207
Amortization	1,500	9,607
	<u>539,977</u>	<u>518,045</u>
	<u>11,093,421</u>	<u>9,955,696</u>
<b>Excess of revenue over expenditures</b>	<u>2,169,930</u>	<u>1,231,470</u>

See accompanying notes to the financial statements.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Environmental handling charges	12,683,492	10,955,321
Investment and other income	100,973	27,662
	<u>12,784,465</u>	<u>10,982,983</u>
<b>Program activities</b>		
Return incentives and infrastructure development incentives	(9,805,620)	(8,983,752)
Other program activities	(449,323)	(353,536)
Administration	(513,141)	(560,806)
	<u>(10,768,084)</u>	<u>(9,898,094)</u>
<b>Investing activities</b>		
Purchase of guaranteed investment certificates, including accrued interest	(1,518,230)	-
Purchase of property and equipment	-	(5,107)
	<u>(1,518,230)</u>	<u>(5,107)</u>
<b>Increase in cash</b>	498,151	1,079,782
<b>Cash – Beginning of year</b>	<u>1,814,294</u>	<u>734,512</u>
<b>Cash – End of year</b>	<u>2,312,445</u>	<u>1,814,294</u>

See accompanying notes to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

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DECEMBER 31, 2011

### 1. Authority and purpose

The British Columbia Used Oil Management Association (the "Association") was incorporated under the Society Act of the Province of British Columbia on March 18, 2003 and commenced active operations effective July 1, 2003. It was formed to establish and administer a waste minimization and recycling program under the Post-Consumer Residual Stewardship Program Regulation, B.C. Reg. 111/97. In 2004, the Post-Consumer Residual Stewardship Program Regulation, B.C. Reg. 111/97 was repealed and replaced by the Recycling Regulation, B.C. Reg. 449/2004. As a not-for-profit organization, no provision for corporate income taxes has been provided in these financial statements, pursuant to Section 149(1)(l) of the Income Tax Act.

### 2. Significant accounting policies

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

These financial statements have been prepared using the deferral method, the key elements of which are

a) Revenue recognition

i) Environmental handling charge revenue

Revenue is recognized when the lubricating oil, oil filters, oil containers, antifreeze and antifreeze containers first sold by a registrant.

ii) Investment income

Investment income is unrestricted and recognized as revenue in the year it is earned.

b) Return incentives and infrastructure development incentives

Return incentive expenditures are recognized in the year when the lubricating oil and antifreeze materials are collected by a registered collector and completed claim forms are received and accepted by the Association.

Infrastructure development incentives are recognized when the used oil and antifreeze containers are received at a processor and completed claim forms are received and accepted by the Association.

c) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates:

Furniture and fixtures	5 years
Computer equipment	3 years

d) Internally restricted funds

In addition to the operating fund, which is unrestricted, the Association maintains two reserve funds that may be used to fund operating or capital costs as follows:

i) Internally restricted

The purpose of this reserve is to ensure there are sufficient cash resources to meet operational needs.

ii) Invested in property and equipment

The purpose of this reserve is to separately account for capital assets.

e) Financial instruments

The Association's financial assets include cash, accounts receivable and investments. Cash is classified as held-for-trading and is recorded at fair value with realized and unrealized gains and losses reported in the statement of operations for the period in which they arise. Accounts receivable is classified as loans and receivables and is accounted for at amortized cost using the effective interest rate method. Accounts receivable is initially recorded at fair value. Investments are held in Guaranteed Investment Certificates with a fixed term and fixed interest rate. Investments are classified as held-to-maturity and are accounted for at amortized cost using the effective interest rate method. Investments are initially recorded at fair value. Interest income from held-to-maturity investments is recorded in investment income and other in the statement of operations.

The Association's financial liabilities include return incentives and infrastructure development incentives payable and accounts payable and accrued liabilities. All financial liabilities are classified as other liabilities and are accounted for at amortized cost using the effective interest rate method. Financial liabilities are initially measured at fair value.

The fair value of a financial instrument on initial recognition is normally the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets. Transaction costs on financial instruments are expensed when incurred.

All derivative instruments, including embedded derivatives, are recorded at fair value unless exempted from derivative treatment as a normal purchase and sale. The Association has determined that it does not have any derivatives and has not entered into any hedge transactions.

The Association applies Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3861 – *"Financial Instruments Disclosure and Presentation"* in place of the optional standards CICA 3862 – *"Financial Instruments – Disclosures"* and CICA 3863 – *"Financial Instruments – Presentation"*, effective for financial years beginning on or after October 31, 2007.

f) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts for operations during the reporting period. By their nature, these estimates are subject to future periods could be significant. Accounts specifically affected by estimates in these financial statements are accounts receivable, property, plant and equipment, accounts payable and accrued liabilities and return incentives accrual.

g) Allocated expenses

Expenses relating to management and administration contracts and legal fees are allocated between program costs and administrative costs as noted below. The Association allocates these expenses by identifying the appropriate basis of allocation, and applies that basis consistently each year.

	2011	2010
	%	%
Management and administration contracts		
Executive director contract		
Program costs	20	20
Administrative costs	80	80
Other contract staff		
Program costs	10	10
Administrative costs	90	90
Legal Fees		
Program costs	20	20
Administrative costs	80	80
(Unless legal services relate exclusively to a function)		

### 3. Changes in basis of accounting

Future accounting standards for not-for-profit organizations.

In December 2010, the Canadian Accounting Standards Board issued a comprehensive set of accounting standards applicable to not-for-profit organizations. The standards are effective for fiscal years beginning on or after January 1, 2012 and require retrospective application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. The Association is currently considering the impact of the adoption of these standards.

### 4. Property and equipment

			2011	2010
	Cost	Accumulated	Net	Net
	\$	amortization \$	\$	\$
Furniture and fixtures	6,337	(6,337)	-	62
Computer equipment	30,615	(30,209)	406	1,844
	36,952	(36,546)	406	1,906

## 5. Investments - guaranteed investment certificates

The Association has \$755,548 (2010 – \$nil) short-term invested guaranteed investment certificates maturing on February 14, 2012 with an interest rate of 1.23%.

The Association has funds invested in guaranteed long-term investment certificates maturing as follows:

Maturity date	Interest rate %	2011 \$	2010 \$
November 16, 2013	2.45	253,860	-
November 17, 2014	2.80	508,822	-
		762,682	-

## 6. Capital disclosures

The Association's objective in managing capital is to ensure a sufficient liquidity position to finance its expenses, working capital and overall capital expenditures.

The Association defines capital as net assets comprised of investment in property and equipment and unrestricted funds. Since inception, the Association has primarily financed its liquidity through environmental handling charges, interest income from bank deposits and registration fees. The Association expects to continue to meet future requirements through this source.

The Association is not subject to any externally imposed capital requirements. There have been no changes to the Association's objectives and what it manages as capital since the prior fiscal period.

## 7. Commitments

Under the terms of financial services and use agreements, the Association is charged a fee for provision of financial administration services of various staff to August 2013. In addition, under the terms of a service agreement expiring August 2013, the Association is charged a monthly rate for provision of professional and technical services. The Association has a lease for office space until June 2015 for the current location. The estimated minimum annual payments required under these agreements are as follows:

	Contract services \$	Facilities \$	Total \$
2012	312,560	22,785	335,345
2013	198,315	23,319	221,634
2014	-	23,853	23,853
2015	-	12,060	12,060
2016	-	-	-
	510,875	82,017	592,892

## 8. Ineligible containers

The Return Incentive ("RI") paid for Used Oil Containers may include payment for ineligible containers from related products such as windshield washer fluid and fuel or oil additives. Containers for these products are currently excluded from the Association's program.

Since the containers are generally made of the same plastic as used oil containers, there is limited economic or environmental benefit in separating these containers from the used oil containers waste stream. There are also additional costs related to segregating these materials. On account of these factors, the Association has elected not to strictly enforce the removal of these containers in RI payments. In addition, engine coolant containers are now included in the program as of July 1, 2011.

Based on studies performed by independent consultants in 2011, the Association has determined that the amount of ineligible containers is approximately 21% by weight.

## 9. Allocated expenses

For the year ended December 31, 2011, total expenses allocated between program costs and administrative costs were as follows:

	2011 %	2010 %
Management and administration contracts		
Executive director contract	110,689	107,465
Other contract staff	276,987	264,577
	<u>387,676</u>	<u>372,042</u>
Legal fees	<u>30,735</u>	<u>20,394</u>

## 10. Financial instrument

The Association's financial instruments comprise of cash, accounts receivable, investments, return incentives and infrastructure development incentives payable and accounts payable and accrued liabilities. The carrying value of these accounts approximate fair value.

### Credit risk

The Association is subject to credit risk with respect to accounts receivable. However, the Association is not exposed to any significant concentration of credit risk due to its large registrant base. Management monitors these accounts regularly and does not believe that the Association is exposed to significant credit risk at the balance sheet date.

### Interest risk

The Association's operating line of credit bears interest at variable rates. There were no amounts drawn down on this facility as at December 31, 2011. The Association does not use derivative instruments to reduce its exposure to this interest rate risk.



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