



Annual Report 2015

Product Care Association of Canada





Our Mission is to provide product stewardship solutions that advance the efficiency and effectiveness of program delivery for our members, while caring for the **environment**, our **consumers** and our **employees**.

Our Vision is to establish Product Care as a leader in the development and management of **innovative stewardship solutions**.

Board of Directors

Chair: Darrin Noble
Vice Chair: Tim Vogel
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Jeffrey Cattanach

Company | Term | Sector | Province

Home Hardware | 2017 | Paint | ON

Cloverdale Paint | 2018 | Other Products | BC

Reckitt Benckiser (RB) Canada | 2018 | Other Products | ON

Recochem | 2017 | Other Products | AB

Benjamin Moore & Co | 2018 | Paint | QC

PPG Inc | 2018 | Paint | QC

Sherwin-Williams | 2017 | Paint | ON

Electro-Federation | 2018 | Lighting and Alarms | ON

Standard Products | 2017 | Lighting and Alarms | QC

RONA | 2018 | Retail | QC

The Home Depot | 2017 | Retail | ON



Message from the Chair

Welcome, Product Care Association members, to the new look of our annual report. We hope that you will find the contents of these pages to be informative and intuitive, as they were designed with your ease of use in mind.

I would first like to take a moment to acknowledge that 2015 marked the retirement of Mr. Dick Glassford, a leader who invested significant time and energy, as well as provided consistently sound counsel, as Chair of the Product Care Association (PCA) Board of Directors for many years. Mr. Glassford was a mentor to members of the PCA board over the years and fostered a climate of healthy dialogue and democratic decision making throughout his tenure. It gives me pleasure to call Dick a friend as well a colleague and I am honoured to have assumed the position of Chair following his retirement.

Prior to taking on the Chair position with PCA, I was engaged with the association as a Director for six years. In that time, the stewardship landscape has grown in its breadth and depth of programs as well as in its legislative and material complexity. PCA has met this challenge by expanding strategically and ensuring the expertise and capacity needed to meet our members' needs. I can say with confidence that 2015 was a year of unprecedented growth for the organization. For example, PCA realized a major strategic objective in July with the launch of its Ontario Paints and Coatings industry stewardship plan (ISP), followed shortly thereafter by approval of its Pesticides, Solvents and Fertilizers ISP in October. Perhaps the most compelling aspect of these major developments was that they were made with the strong support of our members, a vote of confidence that was integral to our success. I thank you for that support; we commit to making these programs as cost effective and operationally efficient as possible, leveraging the association's extensive existing networks across Canada to achieve economies of scale that will benefit everyone.

Thanks are due to PCA staff and President Mark Kurschner, the front line team that brings recycling programs to life every day and sets the bar high for industry-led stewardship in this country. The Board of Directors is confident that PCA has the talent to ensure world-class program management and the vision to expand strategically into emerging categories where legislation is imminent and sustainable programs are required.

I would also like to say thank you to our colleagues at the Retail Council of Canada, the Canadian Paints and Coatings Association, the Electro-Federation of Canada, and the Canadian Consumer Specialty Products Association for the insights and industry leadership they provide every day.

In the metrics and analyses that populate this document I perceive the clear story of an organization that succeeds in distilling complex recycling challenges down into transparent, effective and achievable programs that provide value to all involved.

I am proud to serve as chair of Product Care Association and I thank you for your continued membership.

Sincerely,

A handwritten signature in black ink that reads "Darrin Noble". The signature is fluid and cursive.

Darrin Noble

Chair, PCA Board of Directors



Message from the President

We are pleased to present our members and stakeholders with the Product Care Association 2015 Annual Report. Despite being in our 22nd year of operations, PCA continues to grow. PCA has grown fivefold since 2011, and now manages 20 programs.

As PCA grows, so does its responsibility to the environment, and to its members and stakeholders. This is our first consolidated annual report, providing highlights and key metrics for each of PCA's programs and is one of several initiatives to enhance the interaction between PCA and its members/stakeholders.

A key event in 2015 was the successful launch of PCA's Ontario paint program, after many years of planning and preparation. The PCA Ontario paint program is now complemented by the PCA Ontario pesticides, solvents and fertilizers program which launched in April 2016. PCA recognizes the important roles of its industry association partners including Canadian Paints and Coatings Association, Canadian Consumer Specialty Products Association, Retail Council of Canada, among others, and acknowledges the cooperation of Stewardship Ontario, the Ontario municipal associations and the service providers, which enabled the efficient transition of these programs to PCA. With the passage of the new Waste Free Ontario Act, product stewardship in Ontario will continue to evolve, with both challenges and opportunities ahead of us.

PCA's LightRecycle/RecycFluo program also expanded in 2015. The PEI LightRecycle program began in April 2015, covering all lamp technologies for both residential and commercial generators. LightRecycle Washington has also just completed its inaugural year of operation. PCA appreciates the support of the lighting product industry associations Electro-Federation in Canada and NEMA in the USA.

Looking ahead, PCA appreciates its dual mandate of delivering programs that maximize the environmental benefit, while improving the efficiency of program operations and administration for the benefit of PCA members. A key initiative, involving both regulators and members, is to improve harmonization of product definitions across programs and provinces.

PCA will continue to be purpose-driven toward making a positive impact on the environment while ensuring that we are collaborating with the stakeholders we serve.

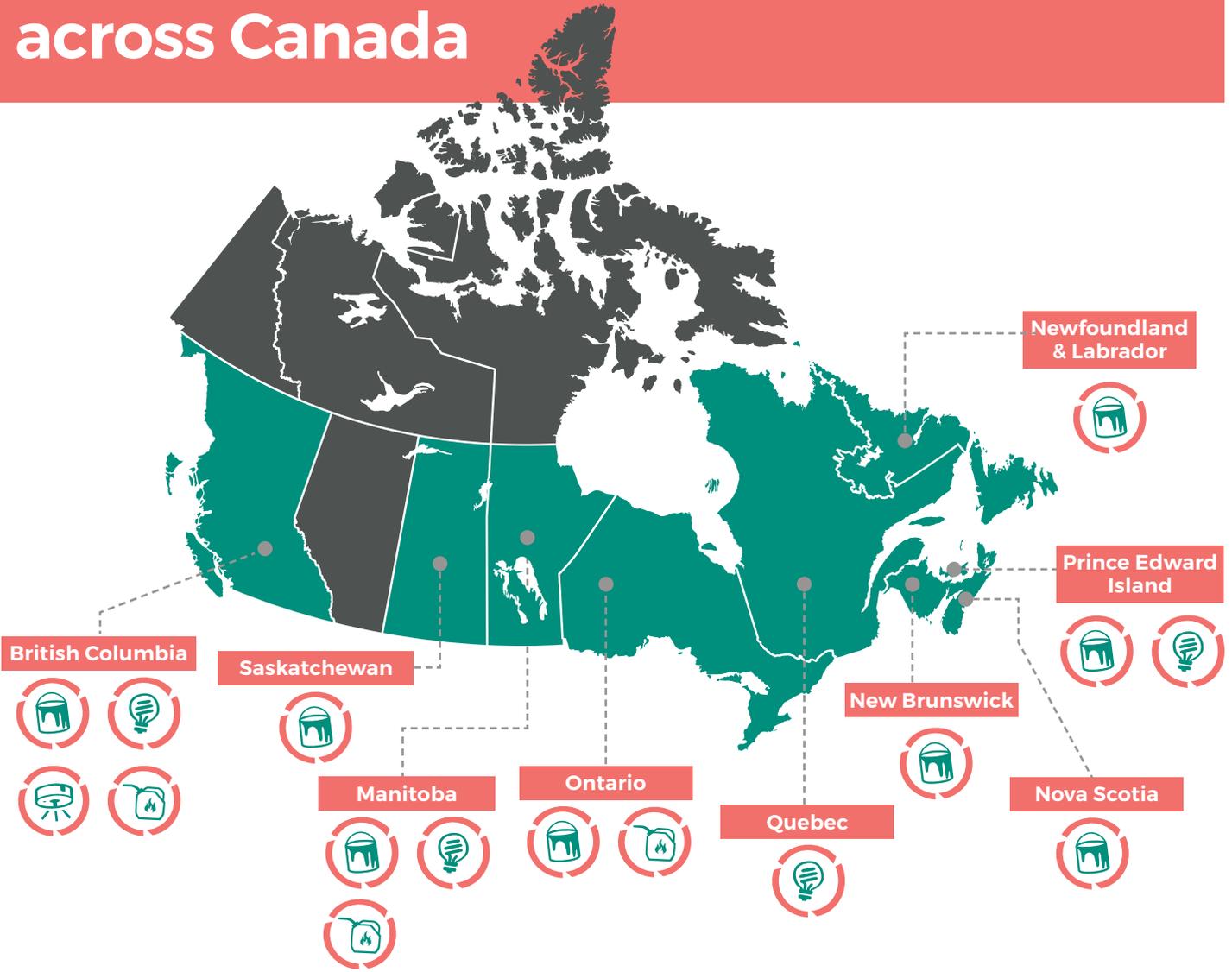
Sincerely,

A handwritten signature in black ink that reads "Mark Kurschner". The signature is written in a cursive, slightly slanted style.

Mark Kurschner

President

Product Care operates product stewardship programs in 9 provinces across Canada



Product Care Association operates the ReGeneration family of consumer programs.



British Columbia



216

collection sites



3,231,373

litres of paint collected



130,457

litres of flammable liquids /gasoline collected



24,910

litres of pesticides collected



62%

paint

35%

HHW

program awareness

The British Columbia Paint and Household Hazardous Waste (HHW) Stewardship Program was the first stewardship program for paint in Canada.

The program started in 1994 with paint and expanded to include paint aerosols, pesticides, flammable liquids and gasoline in 1998. The program's collection system includes municipal facilities, bottle depots, private businesses, retail locations and recycling organizations. The collection network is augmented by collection events and a direct pick-up service from large volume generators of program products.

ACCEPTED PRODUCTS

- Architectural paints and coatings
- Paint aerosols (consumer, industrial and automotive)
- Domestic pesticides
- Flammable liquids and aerosols
- Gasoline

RECOVERY RATE



10.7%

Paint



4.5%

Flammable Liquids/Gasoline



21.7%

Pesticides

Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year. Gasoline sales volume is excluded from the calculation.

FINANCIALS

2015

Revenues

Liquid Paint	\$3,886,637
Aerosol Paint	975,774
Solvents	401,763
Petroleum	142,808
Pesticides	126,301
Other	29,480
Total Revenues	\$5,562,763

Program Expenses

Collection	2,454,272
Processing facility	1,932,934
Third party disposal	1,934,524
Other expenses	845,598
Total Program Expenses	\$7,167,328
Deficiency of revenues over expenses for the year	(\$1,604,565)

MANAGEMENT OF LEFTOVER PAINT

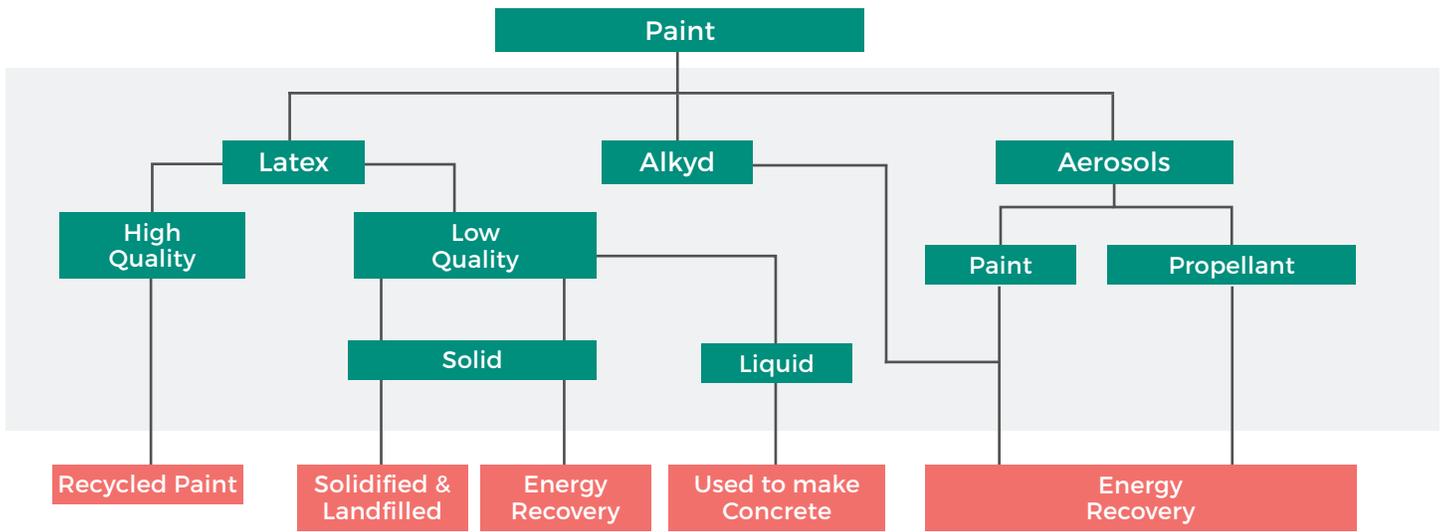
Product	 Recycling	 Energy Recovery	 Incineration	 Solidification & Landfill
Latex paint	79%	7%	0%	14%
Alkyd Paint	0%	100%	0%	0%
Flammable Liquids	0%	100%	0%	0%
Pesticides	0%	0%	100%	0%



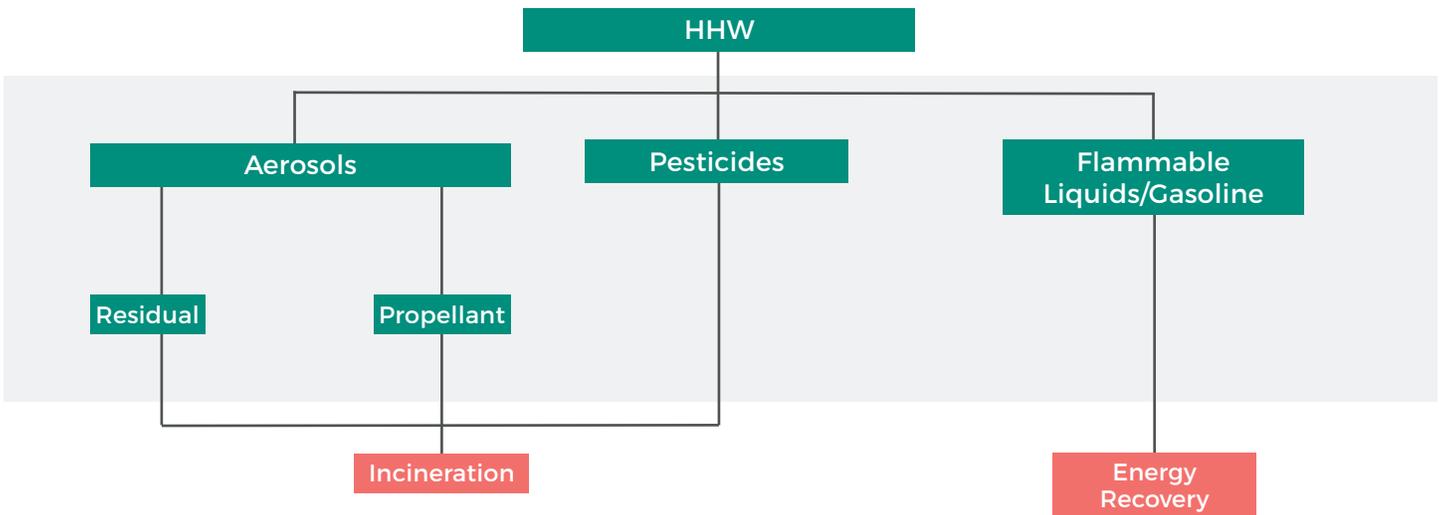
2.5%
Reuse

The paint exchange program makes reusable leftover paint returned by consumers available to the public free of charge. This is the percentage of all paint collected. The “product management” statistics above are for paint processed that was not managed in the paint exchange program.

PAINT PRODUCT MANAGEMENT



HHW PRODUCT MANAGEMENT



British Columbia



439

collection sites



5,322,452

units collected



395

tonnes of fixtures collected



26.5

tonnes of PCB ballasts collected



49%

program awareness

The BC Lamps and Lighting Equipment Stewardship Program, known as BC LightRecycle, accepts all types of lights, fixtures and ballasts from both residential and commercial sources.

The program started in July 2010, accepting residential-use compact fluorescent lights and fluorescent tubes only. The program expanded in October 2012 to include all lamp technologies and fixtures sold into all sectors. The program's extensive collection network includes local government facilities, electrical distributors, private collection facilities, retailers and recycling organizations. The collection system is augmented by collection events and a direct pick-up service from large volume generators of program products.

Lighting products are in a period of rapid technological change, from incandescent, to fluorescent and now LED. Product Care is continuously working with industry and stakeholders to manage the impacts of these changes.

ACCEPTED PRODUCTS

- Fluorescent, induction and UV tubes of all lengths and shapes
- Compact fluorescent lamps (CFL)
- Light emitting diodes (LED)
- High intensity discharge lamps (HID)
- Incandescent lamps
- Halogen lamps
- Miniature lamps
- Fixtures and ballasts

CAPTURE RATE



43%
Fluorescent
Tubes



114%
Compact
Fluorescents

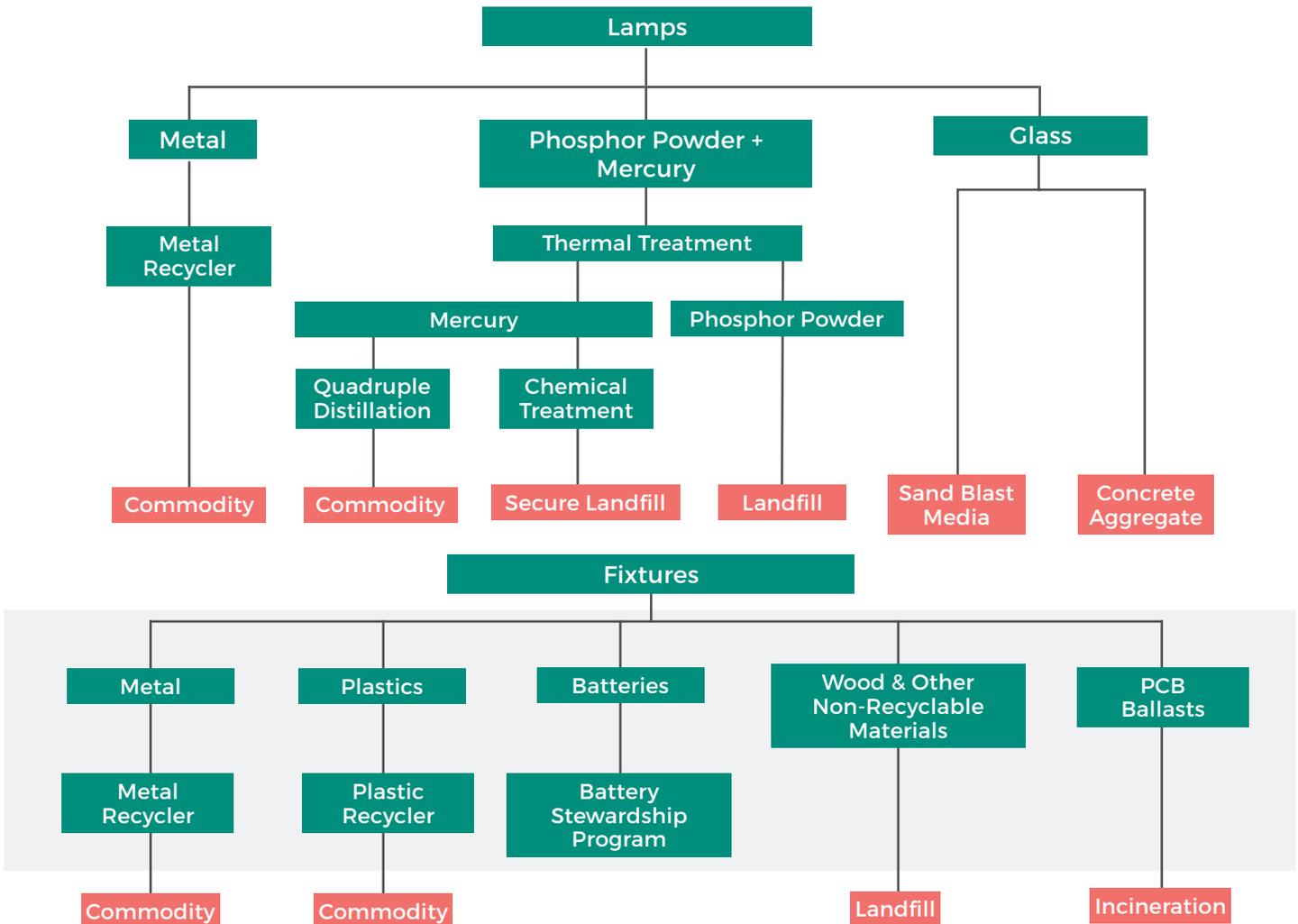
Capture rate is the quantity of product collected as a percentage of the quantity of product available to collect in the same year. The quantity of product available to collect is estimated based on product lifespans and prior year sales.

FINANCIALS

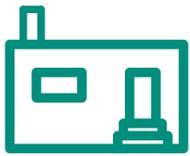
2015

Revenues	\$6,052,759
Program Expenses	
Processing	2,353,857
Collection	382,926
Transportation	299,102
Depot supplies	175,980
Total Program Expenses	\$3,211,865
General and administrative expenses	
Communications	399,396
Management	155,581
Administration	50,718
Overhead allocation	268,731
Total General and Administrative Expenses	\$874,426
Total Expenses	\$4,086,291
Excess of revenues over expenses for the year	\$1,966,468

PRODUCT MANAGEMENT



British Columbia

**185**

collection sites

**66,481**

units collected

**49%**

program awareness

The Smoke and Carbon Monoxide Alarm Stewardship Program, known as AlarmRecycle, manages residential smoke and carbon monoxide alarms at end of life.

Started in October 2011, the Program's growing collection network includes return-to-retail locations, local government facilities, fire departments and private recycling depots.

The participation in the program of large volume end users, such as fire safety organizations, electrical distributors and local government facilities, has enabled the Program to exceed the targeted quantities of collected alarms.

ACCEPTED PRODUCTS

- Smoke alarms designed for residential-use as defined by the CAN/ULC-S531 standard.
- Carbon monoxide (CO) alarms designed for residential use, as defined by the CAN/CSA 6.19 standard.

RECOVERY RATE

Due to the limited number of producers of smoke and CO alarms, the number of units collected is reported, but the recovery rate is not reported in order to maintain confidentiality of sales information.

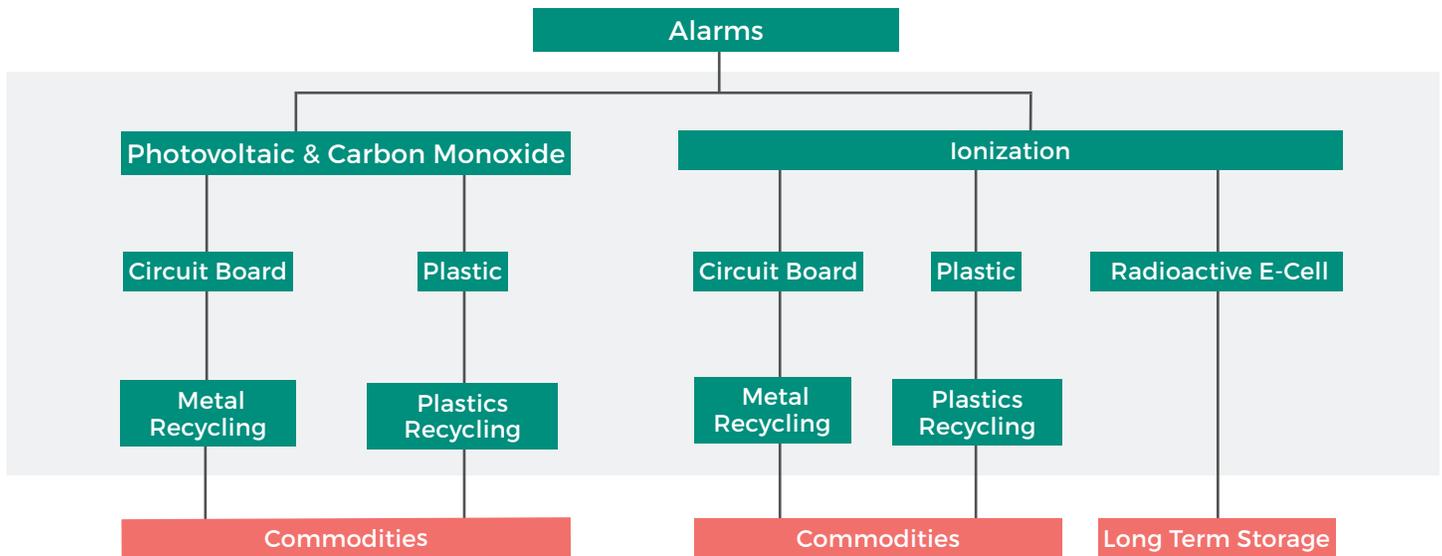


FINANCIALS

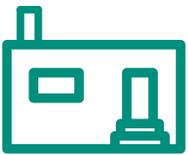
2015

Revenues	\$559,077
Program Expenses	
Processing	499,660
Collection	40,850
Transportation	27,031
Depreciation	1,846
Total Program Expenses	\$569,387
General and Administrative Expenses	
Communications	109,214
Administration	10,488
Overhead allocation	53,980
Total General and Administrative Expenses	\$173,682
Total expenses	\$743,069
Deficiency of revenues over expenses for the year	(\$183,992)

PRODUCT MANAGEMENT



Saskatchewan


PaintRecycle
**84**

collection sites

**422,941**

litres of paint collected

**81%**

program awareness (2014)

The Saskatchewan Waste Paint Product Management Program, also known as Saskatchewan PaintRecycle, started in April 2006.

PCA partners with the well-recognized SARCAN network of 71 recycling centres, as well as 13 retail locations, to provide accessibility to consumers across the Province. The program achieved the highest rate of paint reuse of all paint stewardship programs in Canada, facilitated by the commitment of SARCAN and Saskatchewan residents to paint recycling.

ACCEPTED PRODUCTS

Latex (water-based), alkyd (oil-based) and solvent-based architectural coatings, including paints and stains, both interior and exterior, whether tinted or untinted.

RECOVERY RATE

**6.3%**

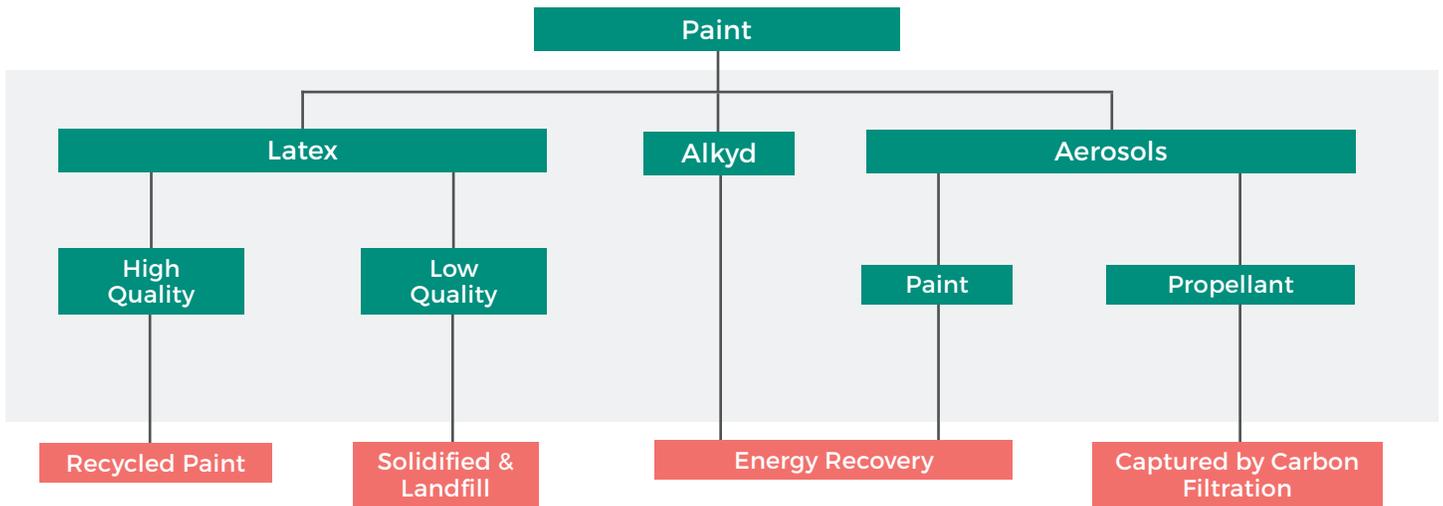
Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year.

FINANCIALS

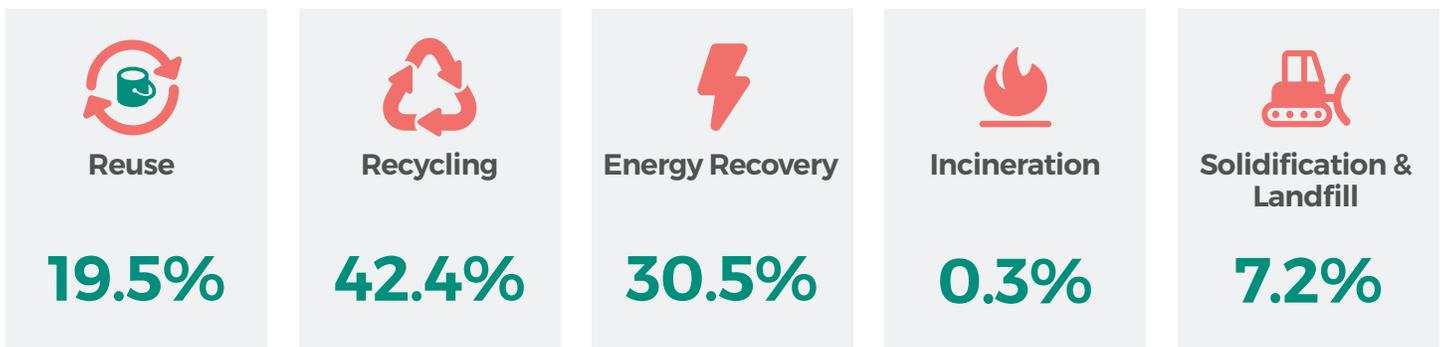
2015

Revenues	\$981,933
Program Expenses	
Processing	709,243
Collection & Transportation	244,521
Total Program Expenses	\$953,764
General and Administrative Expenses	
Communications	56,918
Administration	89,551
Total General and Administrative Expenses	\$146,469
Total Expenses	\$1,100,233
Deficiency of revenues over expenses for the year	(\$118,300)

PRODUCT MANAGEMENT



MANAGEMENT OF LEFTOVER PAINT



Manitoba

 **PaintRecycle+HHW**



79

collection sites



320,669

litres of non-aerosol paint collected



5,947

litres of toxics & pesticides collected



3,726

litres of corrosives collected



13,911

litres of flammable liquids/gasoline collected



6,738

units of physically hazardous product collected



96,561

units collected



36%

paint program awareness (2014)

43%

HHW (incl. lights)

The Manitoba Household Hazardous Waste (HHW) Stewardship Program accepts paint and household hazardous wastes, as well as fluorescent lamps.

The Program started in May 2012 accepting paint, compact fluorescent lights and fluorescent tubes and expanded in October 2012 to include flammable liquids, gasoline, corrosives, toxics, pesticides and other physically hazardous materials. The Program's collection network includes government facilities, private businesses and non-profit organizations. The collection system is augmented by collection events held around the province, including rural and remote communities that do not have a permanent collection site.

Due to limited pre-existing infrastructure and the range of hazardous materials included in the Program, a key initiative is the development of permanent collection sites.

ACCEPTED PRODUCTS

- Architectural paints and coatings
- Paint aerosols (consumer, industrial and automotive)
- Flammable liquid/Gasoline
- Corrosives
- Toxics including pesticides
- Physically hazardous materials
- Fluorescent lights

RECOVERY RATE



4.8%

Paint



1.4%

Flammable Liquids /Gasoline



5.5%

Toxics incl. Pesticides



1.6%

Corrosives



2.2%

Physically Hazardous

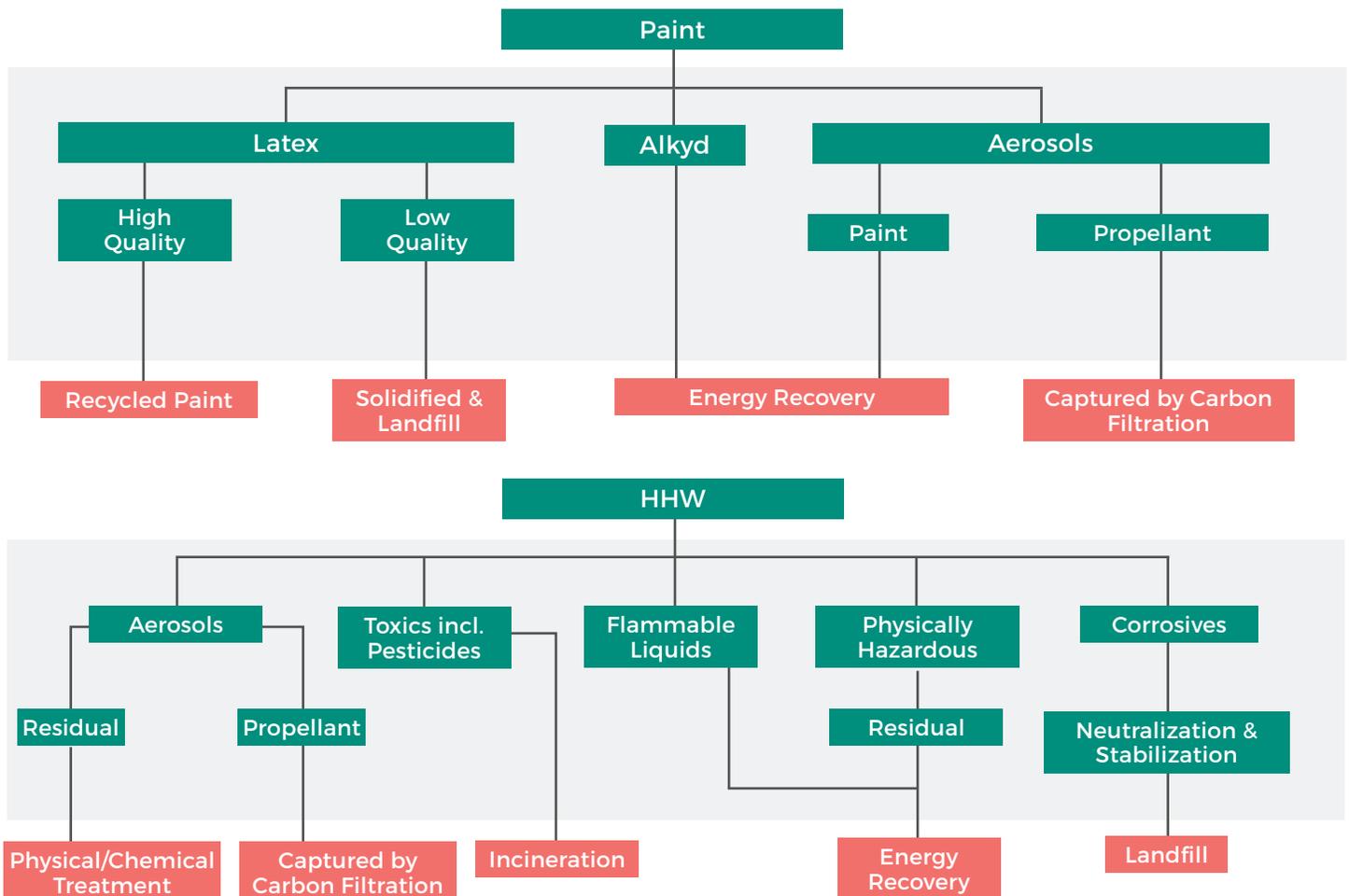
Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year. Gasoline sales volume is excluded from the calculation.

FINANCIALS

2015

Revenues	\$1,638,560
Program Expenses	
Processing	401,684
Collection	235,681
Transportation	200,913
Depreciation	33,577
Total Program Expenses	\$871,855
General and Administrative Expenses	
Communications	77,559
Administration	76,061
Overhead allocation	71,935
Total General and Administrative Expenses	\$225,555
Total Expenses	\$1,097,410
Excess of revenues over expenses for the year	\$541,150

PRODUCT MANAGEMENT



See BC LightRecycle for product management of lights.

Ontario


PaintRecycle
**277**

collection sites

**124**

collection events

**5,364**metric tonnes of paint and
containers collected
(June 30 2015 - December 31 2015)**57%**

program awareness

The Ontario Paint and Coatings Industry Stewardship Program, also known as the Ontario PaintRecycle program, started June 30, 2015 pursuant to the Paints and Coatings Industry Stewardship Plan (ISP) approved by Waste Diversion Ontario.

At that time, Product Care Association (PCA) assumed the entire program supply chain – collection system, transportation and processing – from Stewardship Ontario (SO). At the time of program implementation, Product Care expanded the program to include all paint aerosols, consistent with other PCA PaintRecycle programs. In 2016, a second ISP for pesticides, solvents and fertilizers was implemented.

The Program's collection network is comprised of municipal hazardous waste collection depots, municipal events and retail sites, which provide service all year round.

Note: Quantity collected is measured in weight of paint and containers.

ACCEPTED PRODUCTS

Latex (water-based), alkyd (oil-based) and solvent-based architectural coatings, including paints and stains, both interior and exterior, whether tinted or untinted (including tar and bitumen coatings).

RECOVERY RATE (half year)

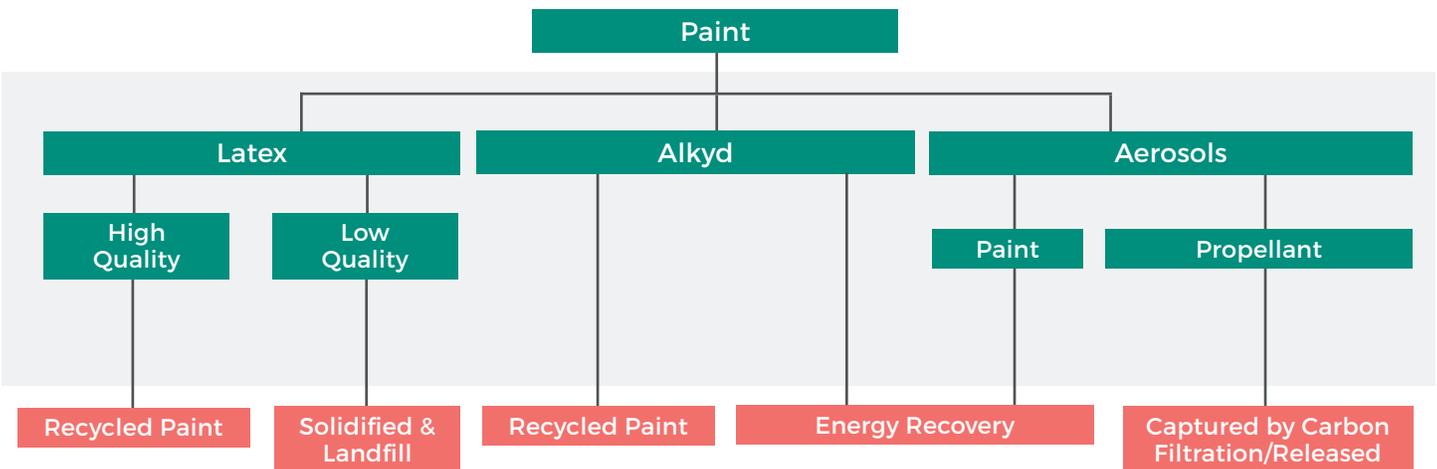
**11.8%**

Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market. The 2015 Ontario program recovery rate is based on weight of paint and containers, collected and sold, for the 6 month period (June 30 to December 31) during which PCA operated the program. The annual recovery rate would be lower due to the seasonality of both sales and collection quantities.

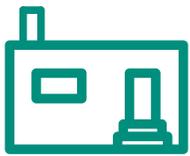
FINANCIALS

	2015
Revenues	\$8,007,555
Program Expenses	
Processing	3,218,116
Collection	2,851,191
Transportation	1,066,032
Depreciation	32,726
Total Program Expenses	\$7,168,065
General and Administrative Expenses	
Communications	42,827
Administration	215,487
Management	218,963
Overhead Allocation	621,839
Total General and Administrative Expenses	\$1,099,116
Total Expenses	\$8,267,181
Deficiency of revenues over expenses for the year	(\$259,626)

PRODUCT MANAGEMENT

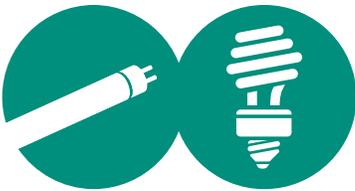


Quebec



765

collection sites



12,070,149

units collected



51%

program awareness

RecycFluo began in 2012. The program accepts products from residential, commercial and industrial users.

The Program has been developed in compliance with Quebec regulations regarding the recovery and reclamation of products by enterprises.

The Program's extensive collection network is comprised of municipal facilities, retailers, as well as collection sites dedicated to large volume generators of mercury-containing lamps. The collection system is augmented by collection events and a direct pick-up service for large volume generators of program products or in areas that do not have a permanent depot.

ACCEPTED PRODUCTS

- Fluorescent, induction and UV tubes of all lengths and shapes
- Compact fluorescent lamps (CFL)
- High intensity discharge lamps (HID)

RECOVERY RATE

7%
Compact
Fluorescents35%
Fluorescent
Tubes30%
HIDs

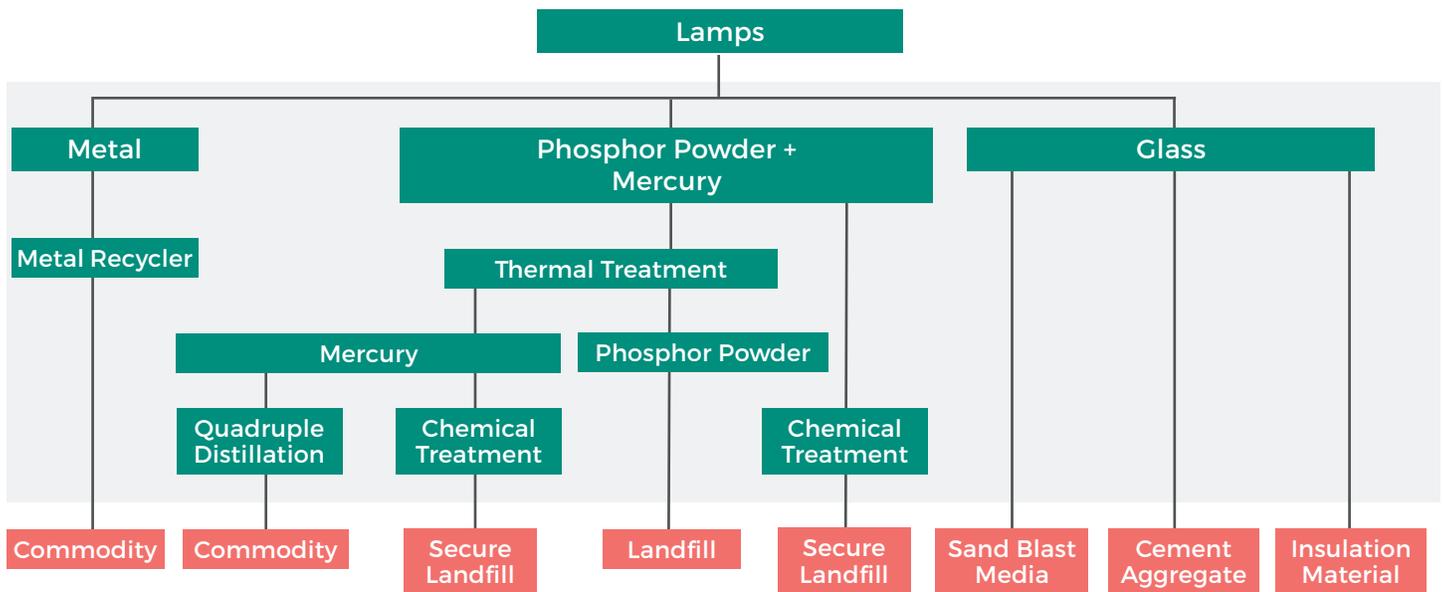
For Quebec, recovery rate is the quantity of product collected in the current year compared to the quantity of product sold in the province during the applicable reference year. In 2015, the reference year used was 2014 sales.

FINANCIALS

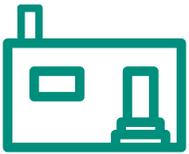
2015

Revenues	\$5,627,061
Program Expenses	
Processing	1,274,325
Transportation	444,358
Collection	150,782
Depot supplies	93,743
Storage	27,987
Total Program Expenses	\$1,991,195
General and Administrative Expenses	
Communications	452,989
Provision for Penalty	314,968
Recyc-Quebec	102,384
Management	227,342
Audit and Legal	91,879
Administration & insurance	48,295
Overhead allocation	221,746
Total General and Administrative Expenses	\$1,459,603
Total expenses	\$3,450,798
Excess of revenues over expenses for the year	\$2,176,263

PRODUCT MANAGEMENT



New Brunswick


PaintRecycle
**63**

collection sites

**268,880**

litres of paint collected

**53%**

program awareness

The New Brunswick Paint Product Stewardship Program, also known as New Brunswick PaintRecycle, began April 2009.

The Program accepts paint products through its collection network comprised of retailers, Regional Service Commissions and beverage container redemption centres. Collection events held around the province augment the collection system.

ACCEPTED PRODUCTS

Latex (water-based), alkyd (oil-based) and solvent-based architectural coatings, including paints and stains, both interior and exterior, whether tinted or untinted.

RECOVERY RATE

**5.8%**

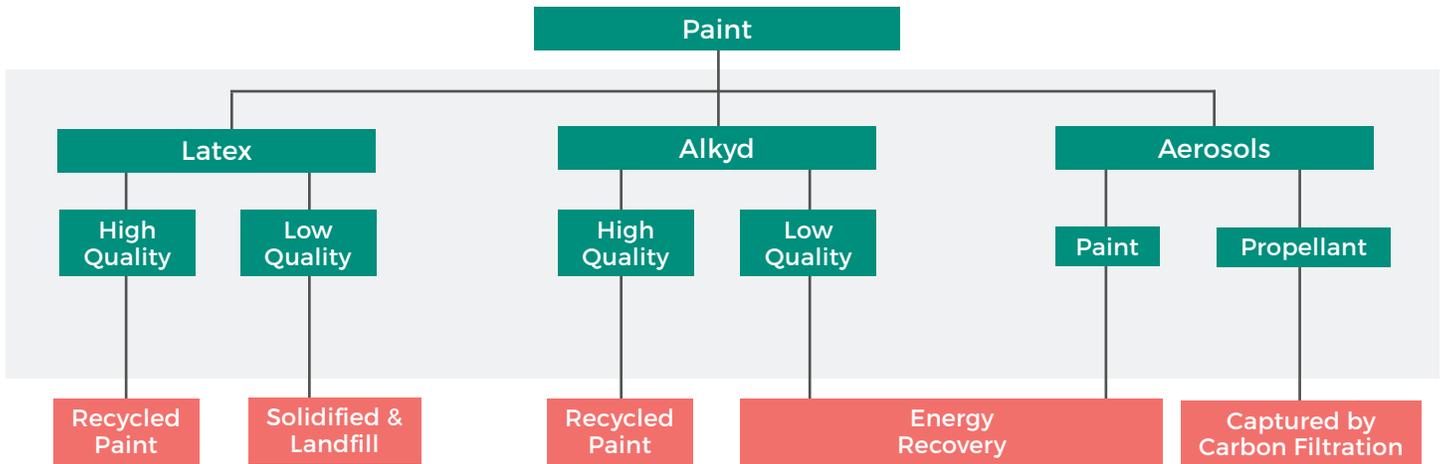
Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year.

FINANCIALS

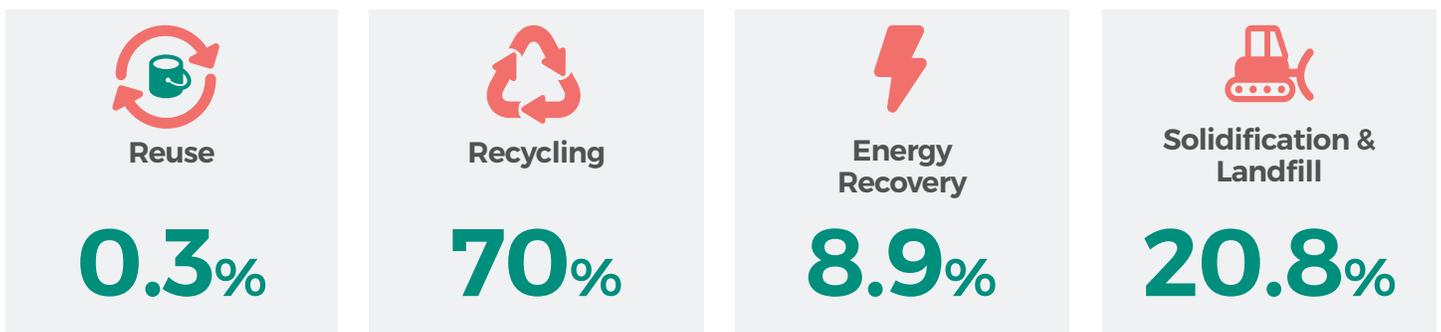
2015

Revenues	\$896,957
Program Expenses	
Processing	538,164
Transportation	130,494
Collection	80,579
Depreciation	248
Total Program Expenses	\$749,485
General and Administrative Expenses	
Recycle NB	60,000
Communications	56,639
Administration	27,575
Overhead allocation	66,787
Total General and Administrative Expenses	\$211,001
Total Expenses	\$960,486
Deficiency of revenues over expenses for the year	(\$63,529)

PRODUCT MANAGEMENT



MANAGEMENT OF LEFTOVER PAINT



Nova Scotia


PaintRecycle
**93**

collection sites

**477,512**

litres of paint collected

**57%**

program awareness

The Nova Scotia Paint Stewardship Program, also known as Nova Scotia PaintRecycle, began in 2002 in partnership with RRFB Nova Scotia, with PCA assuming full responsibility for the program in July 2012.

The Program accepts paint products through an established network of collection sites, including government facilities and Enviro-Depots.

ACCEPTED PRODUCTS

Latex (water-based), alkyd (oil-based) and solvent-based architectural coatings, including paints and stains, both interior and exterior, whether tinted or untinted.

RECOVERY RATE

**8.8%**

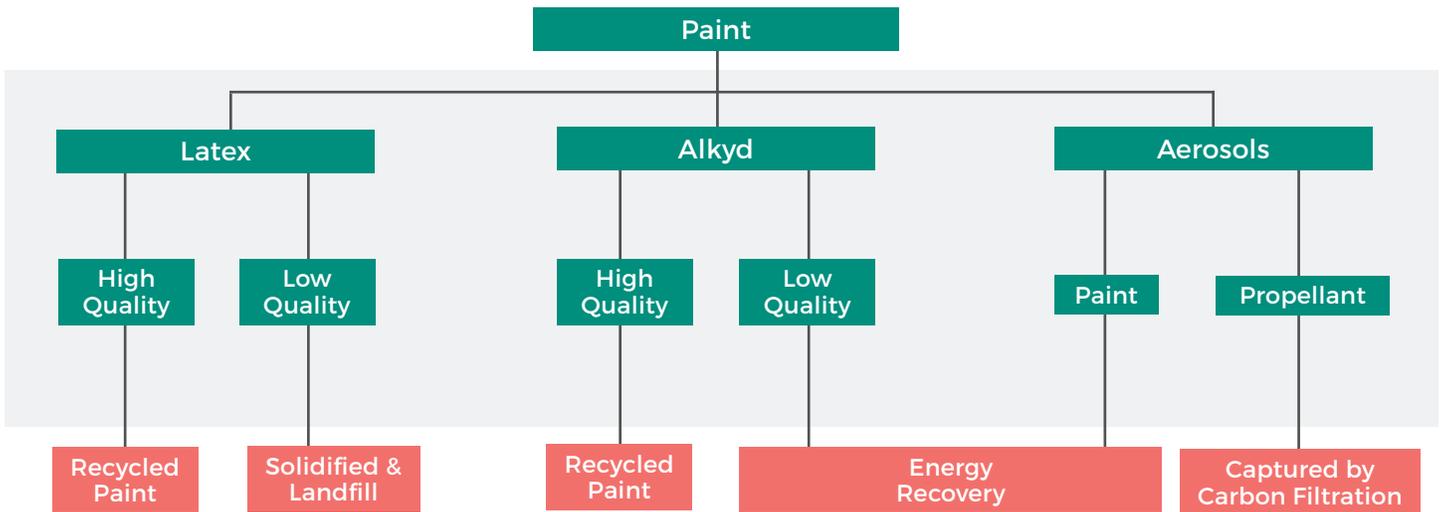
Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year.

FINANCIALS

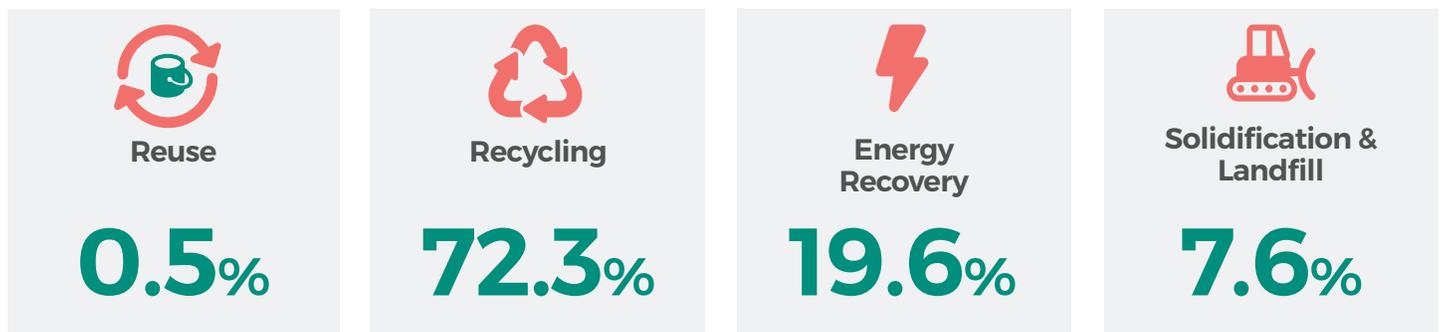
2015

Revenues	\$1,331,740
Program Expenses	
Processing	750,874
Collection	163,042
Transportation	79,466
Depreciation	14,284
Total Program Expenses	\$1,007,666
General and Administrative Expenses	
Communications	54,973
Administration	79,975
Overhead Allocation	79,279
Total General and Administrative Expenses	\$214,227
Total Expenses	\$1,221,893
Excess of revenues over expenses for the year	\$109,847

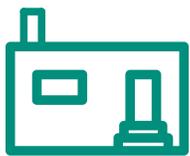
PRODUCT MANAGEMENT



MANAGEMENT OF LEFTOVER PAINT



Newfoundland & Labrador



59

collection sites



162,901

litres of paint collected



45%

program awareness

The Newfoundland & Labrador Paint Recycling Program, also known as Newfoundland & Labrador PaintRecycle, began April 2012.

The Program accepts paint products through its collection network comprised of government facilities, Green Depots, and retailers. Collection events held around the province augment the collection system.

ACCEPTED PRODUCTS

Latex (water-based), alkyd (oil-based) and solvent-based architectural coatings, including paints and stains, both interior and exterior, whether tinted or untinted.d.

RECOVERY RATE



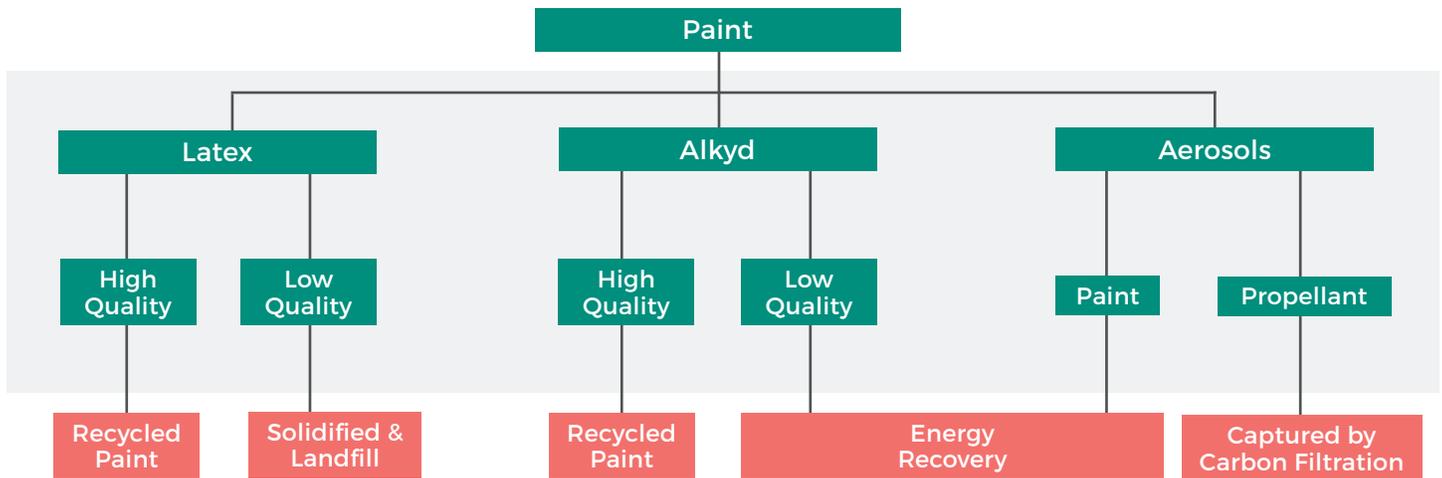
4.4%

Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year.

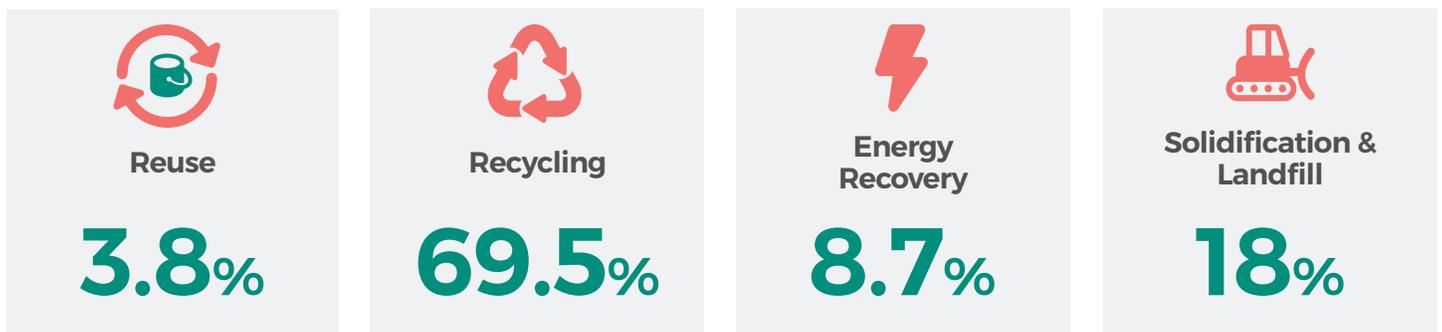
FINANCIALS

	2015
Revenues	\$700,515
Program Expenses	
Processing	301,633
Transportation	168,963
Collection	37,839
Warehouse Storage	9,900
Depreciation	31,077
Total Program Expenses	\$549,412
General and Administrative Expenses	
Communications	86,246
Administration	38,117
Overhead Allocation	46,882
Total General and Administrative Expenses	\$171,245
Total Expenses	\$720,657
Deficiency of revenues over expenses for the year	(\$20,142)

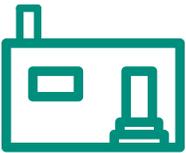
PRODUCT MANAGEMENT



MANAGEMENT OF LEFTOVER PAINT



Prince Edward Island



6

collection sites



78,111

litres of paint collected



47%

program awareness

The Prince Edward Island Paint Stewardship Program, also known as PEI PaintRecycle, began September 2012.

The Program utilizes the network of collection facilities operated by Island Waste Management Corporation.

PEI PaintRecycle introduced the Paint Exchange program in 2015 offering leftover paint to the public for reuse.

ACCEPTED PRODUCTS

Latex (water-based), alkyd (oil-based) and solvent-based architectural coatings, including paints and stains, both interior and exterior, whether tinted or untinted.

RECOVERY RATE



8.7%

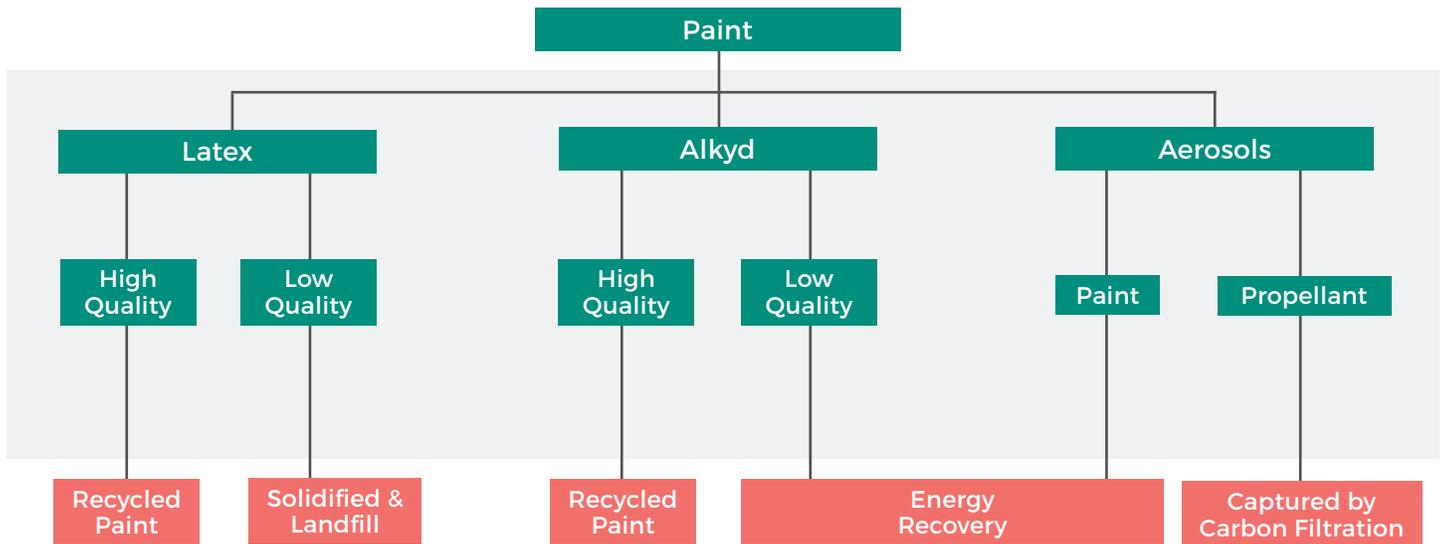
Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year.

FINANCIALS

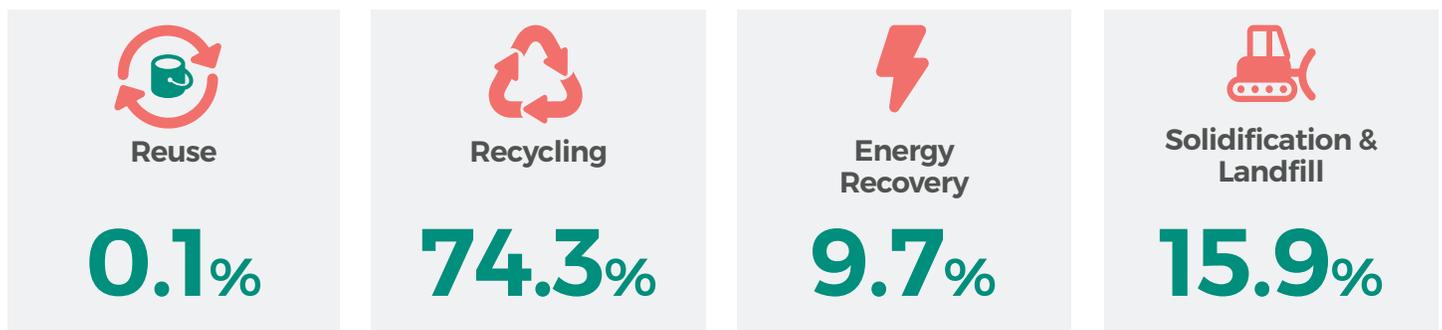
2015

Revenues	\$231,067
Program Expenses	
Processing	148,332
Collection	23,007
Transportation	50,762
Total Program Expenses	\$222,101
General and Administrative Expenses	
Communications	35,719
Administration	18,948
Regulatory	10,354
Total General and Administrative Expenses	\$65,021
Total Expenses	\$287,122
Deficiency of revenues over expenses for the year	(\$56,055)

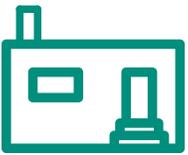
PRODUCT MANAGEMENT



MANAGEMENT OF LEFTOVER PAINT

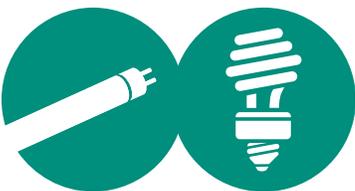


Prince Edward Island



7

collection sites



44,880

units collected



32%

program awareness

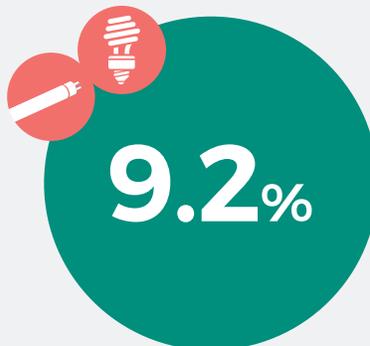
Product Care's newest light recycling program, the Prince Edward Island Lamp Stewardship Program, also known as PEI LightRecycle, began April 2015.

The Program accepts all types of lights including fluorescent tubes, compact fluorescents, LEDs, incandescent, halogen and high intensity discharge lamps. The Program utilizes the network of collection facilities operated by Island Waste Management Corporation, as well as retail locations.

ACCEPTED PRODUCTS

- Fluorescent tubes
- Compact fluorescent lamps (CFL)
- High intensity discharge lamps (HID)
- Incandescent and halogen lamps
- Light emitting diode (LED) lamps

RECOVERY RATE

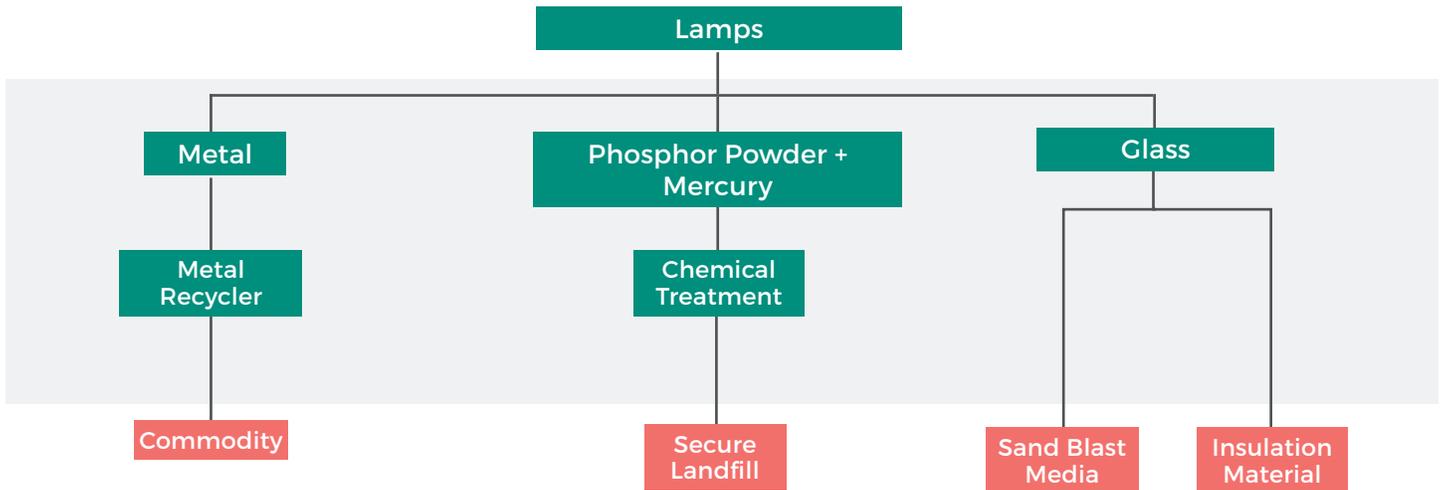


Recovery rate is the quantity of product collected as a percentage of the quantity of product sold into the market in the same year.

FINANCIALS

	2015
Revenues	\$81,126
Program Expenses	
Processing	13,634
Collection	18,854
Transportation	6,287
Total Program Expenses	\$38,775
General and Administrative Expenses	
Communications	15,281
Administration	27,526
Regulatory	3,750
Total General and Administrative Expenses	\$46,557
Total expenses	\$85,332
Deficiency of revenues over expenses for the year	(\$4,206)

PRODUCT MANAGEMENT



Product Care Association Financial Statements



ROLFE, BENSON LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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Vancouver, B.C. V6E 3V7
Tel: 604-684-1101 Fax: 604-684-7937
E-mail: admin@rolfebenson.com

INDEPENDENT AUDITORS' REPORT

To the Members,
Product Care Association of Canada

Report on the Financial Statements

We have audited the accompanying financial statements of Product Care Association of Canada, which comprise the statement of financial position as at 31 December 2015, and the statements of net assets, operations and cash flows for the year then ended, and 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 accounting standards for not-for-profit organizations, 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the Association'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 Association'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.



ROLFE, BENSON LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT - Continued

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 statements present fairly, in all material respects, the financial position of Product Care Association of Canada as at 31 December 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Rolfe, Benson LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
16 May 2016

PRODUCT CARE ASSOCIATION OF CANADA
Statement of Financial Position
31 December 2015

	2015	2014
Assets		
Current		
Cash and cash equivalents	\$ 16,151,104	\$ 15,452,516
Accounts receivable	7,128,235	4,588,098
Prepaid expenses and deposits	393,250	132,671
	23,672,589	20,173,285
Forgivable loans (Note 3)	236,694	37,000
Reserve - at market value (Note 4)	11,981,227	11,845,555
Capital assets (Note 5)	6,468,554	6,096,307
Intangible assets (Note 6)	608,617	385,202
	\$ 42,967,681	\$ 38,537,349

Liability

Current		
Accounts payable and accrued liabilities	\$ 5,371,452	\$ 2,657,547

Commitments (Note 7)
Contingencies (Note 11)

Members' Equity

Unrestricted	18,537,831	17,552,738
Invested in capital and intangible assets	7,077,171	6,481,509
Reserve - internally restricted	11,981,227	11,845,555
	37,596,229	35,879,802
	\$ 42,967,681	\$ 38,537,349

APPROVED BY THE DIRECTORS:

"Darrin Noble" _____ Director

"Claude Brosseau" _____ Director

The accompanying notes are an integral part of these financial statements.

PRODUCT CARE ASSOCIATION OF CANADA
Statement of Changes in Net Assets
For the year ended 31 December 2015

	Unrestricted	Invested in Capital and Intangible Assets	Internally Restricted Reserve	Total 2015	Total 2014
Net assets - beginning of year	\$ 17,552,738	\$ 6,481,509	\$ 11,845,555	\$ 35,879,802	\$ 27,688,557
Excess of revenues over expenses for the year	1,716,427	-	-	1,716,427	8,191,245
Transfer to invested in capital and intangible assets, net	(595,662)	595,662	-	-	-
Transfer to reserve	(135,672)	-	135,672	-	-
Net assets - end of year	\$ 18,537,831	\$ 7,077,171	\$ 11,981,227	\$ 37,596,229	\$ 35,879,802

The accompanying notes are an integral part of these financial statements.

PRODUCT CARE ASSOCIATION OF CANADA
Statement of Operations
For the year ended 31 December 2015

	2015	2014
Revenues	\$ 33,242,778	\$ 26,785,134
Operating expenses		
Collection, disposal, transportation and event advertising	<u>28,056,124</u>	<u>16,348,487</u>
Gross margin	<u>5,186,654</u>	<u>10,436,647</u>
Administrative expenses		
Technical, professional and management	2,828,483	2,228,780
Insurance, rent and administration	679,475	611,689
Communications	221,792	251,494
Program start-up and development costs	38,013	274,066
	<u>3,767,763</u>	<u>3,366,029</u>
Excess of revenues over expenses from operations	<u>1,418,891</u>	<u>7,070,618</u>
Other income		
Investment income	863,112	1,119,338
Interest income	161,865	135,420
Gain on sale of marketable securities	1,915	3,405
Unrealized loss on investments	<u>(729,356)</u>	<u>(137,536)</u>
	<u>297,536</u>	<u>1,120,627</u>
Excess of revenues over expenses for the year	<u>\$ 1,716,427</u>	<u>\$ 8,191,245</u>

The accompanying notes are an integral part of these financial statements.

PRODUCT CARE ASSOCIATION OF CANADA
Statement of Cash Flows
For the year ended 31 December 2015

	2015	2014
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses for the year	\$ 1,716,427	\$ 8,191,245
Items not involving cash		
Loss (gain) on sale of marketable securities	(1,915)	(3,405)
Market value adjustment to reserve	729,355	137,536
Amortization	306,260	221,145
	2,750,127	8,546,521
Changes in non-cash working capital balances	(86,811)	1,104,135
	2,663,316	9,650,656
Investing activities		
Transfer to reserve	(863,112)	(1,119,338)
Purchase of capital assets	(579,759)	(197,504)
Purchase of intangible assets	(322,163)	(272,533)
	(1,765,034)	(1,589,375)
Financing activity		
Issuance of forgivable loans	(199,694)	(37,000)
	698,588	8,024,281
Net increase in cash	698,588	8,024,281
Cash and cash equivalents - beginning of year	15,452,516	7,428,235
Cash and cash equivalents - end of year	\$ 16,151,104	\$ 15,452,516
Cash and cash equivalents consists of:		
Cash	\$ 1,203,401	\$ 3,900,218
Term deposits and savings accounts	14,947,703	11,552,298
	\$ 16,151,104	\$ 15,452,516

The accompanying notes are an integral part of these financial statements.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2015

1. Nature of operations

On 7 May 2001, Product Care Association (the “Association”) was incorporated under the Canada Corporations Act. The new entity was the result of the amalgamation of PPC Paint and Product Care Association and Consumer Product Care Association. Effective 7 January 2015, the Association filed Articles of Continuance under the Canada Not-for-Profit Corporations Act and changed its name to Product Care Association of Canada. The Association is a not-for-profit organization and as such, the Association is not subject to income taxes.

The purpose of the Association is to design, implement, and operate product stewardship programs in Canada or elsewhere. Product stewardship programs are industry funded and managed programs which provide a collection system to consumers for unwanted products. The program then takes responsibility for the recycling and proper disposal of the waste products. Products accepted by the Association’s stewardship programs include: paint, pesticides, flammables liquids and other household hazardous waste, lighting products and smoke and carbon monoxide alarms. The Association operates product stewardship programs for some or all of these products in BC, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Financial instruments

(i) Measurement of financial instruments

The Association initially measures its financial assets and liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market and investments in other securities, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable and forgivable loans.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Association’s financial assets measured at fair value include the reserve which is comprised of various investments in mutual funds.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2015

2. Summary of significant accounting policies - Continued

(a) Financial instruments - Continued

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

(iii) Transaction costs

The Association recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(b) Cash and cash equivalents

The Association's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Term deposits that the Association cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

(c) Capital assets

Capital assets are recorded at cost. The Association provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Storage depots	5 years
Office equipment	2 years
Depot equipment	2, 3 and 5 years
Leasehold improvements	5 years

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2015

2. Summary of significant accounting policies - Continued

(d) Intangible assets

Intangible assets are recorded at cost. The Association provides for amortization using the declining balance method at rates designed to amortize the cost of the intangible assets over their estimated useful lives. The annual amortization rates are as follows:

ERP software	5 years
--------------	---------

Intangible assets with an indefinite life are not amortized and are assessed annually for impairment.

(e) Revenue recognition

Eco-fees are received from registered members within the provinces which participate in the Association's programs. The Association recognizes these fees as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Eco-fee revenues are recognized as individual stewards' report and remit them as required by applicable provincial environmental legislation.

Investment income includes interest income, and realized and unrealized investment gains and losses. Unrealized gains and losses are reported in the statement of operations. Unrestricted investment income is recognized as revenue when earned.

(f) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies at the date of the statement of financial position. Accounts and disclosures subject to significant estimates include amortization of capital and intangible assets, accrued liabilities, revenue recognized for eco-fees receivable and commitments for unprocessed product on hand. Actual results could differ from those estimates

(g) Foreign exchange

Monetary assets and liabilities of the Association which are denominated in foreign currencies are translated at year end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2015

3. Forgivable loans

During the year, the Association has advanced funds in the form of forgivable loans to various organizations for the development of collection facilities for specific programs (Note 7). Providing that the collection facility commences operations and meets the various criteria in the collection site agreement, these funds and any related interest are forgiven at the rate of 10% the original amount of the loan on each anniversary of the commencement of the collection site's operations. If the development of the collection facility is not completed, or the collection facility does not commence operations, the amounts advanced are repayable to the Association plus interest at 8% per annum.

	2015	2014
Balance - beginning of year	\$ 37,000	\$ -
Funds advanced during the year	199,694	37,000
Balance, end of year	\$ 236,694	\$ 37,000

4. Reserve

The reserve fund was established to (1) respond to environmental impairment liability exposures and director and officers liability exposures up to predetermined levels in conjunction with the overall insurance program and (2) to fund the ongoing operations, future program expenses, potential penalties and various other projects of the Association from time to time. The amount is internally restricted and expenditures from the reserve are at the discretion of the Board of Directors. Transfers to the reserve fund are made upon resolutions passed by the Board of Directors. During the year the transfers to the fund were limited to the income earned on the investments in the reserve fund.

The assets in the reserve fund consist of cash and investments in fixed income and equity securities and are independently managed. All income earned on these investments are initially reported in the unrestricted fund and then transferred to the reserve fund. During the year, \$135,672 was transferred from the unrestricted fund to the reserve fund, which consisted of an unrealized loss of \$729,355 at 31 December 2015 and realized investment income of \$865,027. In the prior year, \$985,207 was transferred from the reserve fund to the unrestricted fund, which consisted of an unrealized loss of \$137,536 at 31 December 2014 and realized investment income of \$1,122,743.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2015

5. Capital assets

	Cost	Accumulated Amortization	2015 Net	2014 Net
Land	\$ 3,423,983	\$ -	\$ 3,423,983	\$ 3,423,983
Building	2,693,809	-	2,693,809	2,393,458
Depot equipment	1,714,164	1,372,088	342,076	269,923
Office equipment	120,481	119,927	554	2,559
Leasehold improvements	501,296	493,164	8,132	6,384
	\$ 8,453,733	\$ 1,985,179	\$ 6,468,554	\$ 6,096,307

In a prior year, the Association purchased land and building and is in the process of preparing the building for use (Note 7). As the building is not in use as at 31 December 2015, no amortization has been taken on the building.

Legal ownership of the building resides with a bare trustee corporation. The Association has beneficial ownership of the building.

6. Intangible assets

	Cost	Accumulated Amortization	2015 Net	2014 Net
ERP Software	\$ 657,364	\$ 98,747	\$ 558,617	\$ 335,202
Quebec RecycFluo Program	50,000	-	50,000	50,000
	\$ 707,364	\$ 98,747	\$ 608,617	\$ 385,202

During the fiscal year 2012, the Association acquired certain intangible assets related to commencement of the Quebec RecycFluo Program for \$50,000. The intangible assets acquired consist of the program trademark and the list of program members that was established by the previous program manager. Management of the Association is of the opinion that no impairment allowance is required for the 2015 fiscal year.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2015

7. Commitments

The Association has a lease agreement for a 60 month lease term on the Surrey office and building facility which expires on 31 January 2021. The lease includes a clause that the Association can terminate the lease with six months notice.

The Association has a lease agreement for the Vancouver office building which expires on 31 January 2018. The Association has the option to renew this lease for an additional 36 months.

The Association has a lease agreement for the Quebec office suite which expires on 31 May 2018. The Association has the option to renew this lease for an additional five years.

The annual lease payments for the Association's premises and other operating leases are as follows:

2016	\$ 351,277
2017	328,606
2018	184,135
2019	154,171
2020	154,171
Thereafter	<u>12,848</u>
	<u>\$ 1,185,208</u>

The Association has committed up to \$800,000 to be used for the development of collection facilities for certain programs. These funds are to be disbursed at the discretion of the Association based on an application process from qualifying organizations. As of 31 December 2015, \$236,694 funds have been disbursed relating to this commitment (Note 3).

The Association has entered into a construction contract to prepare its building (Note 5) for use in operations. As of 31 December 2015, the estimated remaining cost on this contract was \$3,001,073.

Additionally, at year end the Association had unprocessed product on hand with an estimated cost to process, transport and recycle of \$715,879 which will be incurred during 2016.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2015

8. Financial instruments

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations at the statement of financial position date, 31 December 2015.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's main credit risks relate to its cash and cash equivalents and accounts receivable. Cash is in place with major financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers. The Association has evaluation and monitoring processes in place and writes off accounts when they are determined to be uncollectible.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is not exposed to this risk due to its strong working capital position.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association has investments denominated in U.S. dollars included in the reserve (Note 4). As such, these investments are exposed to foreign exchange fluctuations.

Certain assets and liabilities are exposed to foreign exchange fluctuations due to transactions denominated in foreign currency. As at 31 December 2015, cash and accounts receivable of \$20,992 USD and \$263,981 USD (2014 - \$31,072 USD and \$234,912 USD) respectively has been converted into Canadian dollars and accounts payable and accrued liabilities of \$31,231 USD (2014 - \$37,116 USD) has been converted into Canadian dollars.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2015

8. Financial instruments - Continued

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Association to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Association is exposed to other price risk through its investments held in the reserve.

9. Controlled organization

The Association controls PCA Product Stewardship Inc. ("PCA PSI") as it is the sole member of PCA PSI and has the right to appoint the majority of PCA PSI's board of directors. The Association and PCA PSI have certain members of the Board of Directors in common.

PCA PSI was created to develop and manage programs in the USA that allow members to easily satisfy state regulations around the end of life handling of various products produced and sold by industry. PCA PSI is currently managing the Washington State LightRecycle program.

PCA PSI has not been consolidated in the Association's financial statements. Financial statements of PCA PSI are prepared in accordance with US generally accepted accounting principals FASB ASC 958, not-for-profit entities. The financial summary as at 31 December 2015 and for the year then ended are based on the audited financial statements and are translated to Canadian dollars using the current rate method.

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2015

9. Controlled organization - Continued

PCA PSI

	<u>31 December 2015</u>	<u>31 December 2014</u>
Financial Position		
Total assets	\$ 937,636	\$ 143,311
Total liabilities	284,009	199,834
Total net assets	<u>653,627</u>	<u>(56,523)</u>
	<u>\$ 937,636</u>	<u>\$ 143,311</u>
 Results of Operations		
Total revenue	\$ 2,406,427	\$ 1,237,929
Total expenses	<u>1,740,176</u>	<u>1,305,289</u>
Excess (deficiency) of revenues over expenses	<u>\$ 666,251</u>	<u>\$ (67,360)</u>
 Cash Flows		
Cash provided (used) by operating activities	\$ 299,680	\$ (33,498)
Cash provided (used) by investing activities	<u>(31,314)</u>	<u>-</u>
Increase (decrease) in cash	<u>\$ 268,366</u>	<u>\$ (33,498)</u>

PRODUCT CARE ASSOCIATION OF CANADA
Notes to the Financial Statements
For the year ended 31 December 2015

10. Related party transactions

The Association is related to PCA PSI (Note 9). The following summarizes the related party balances and transactions for the year.

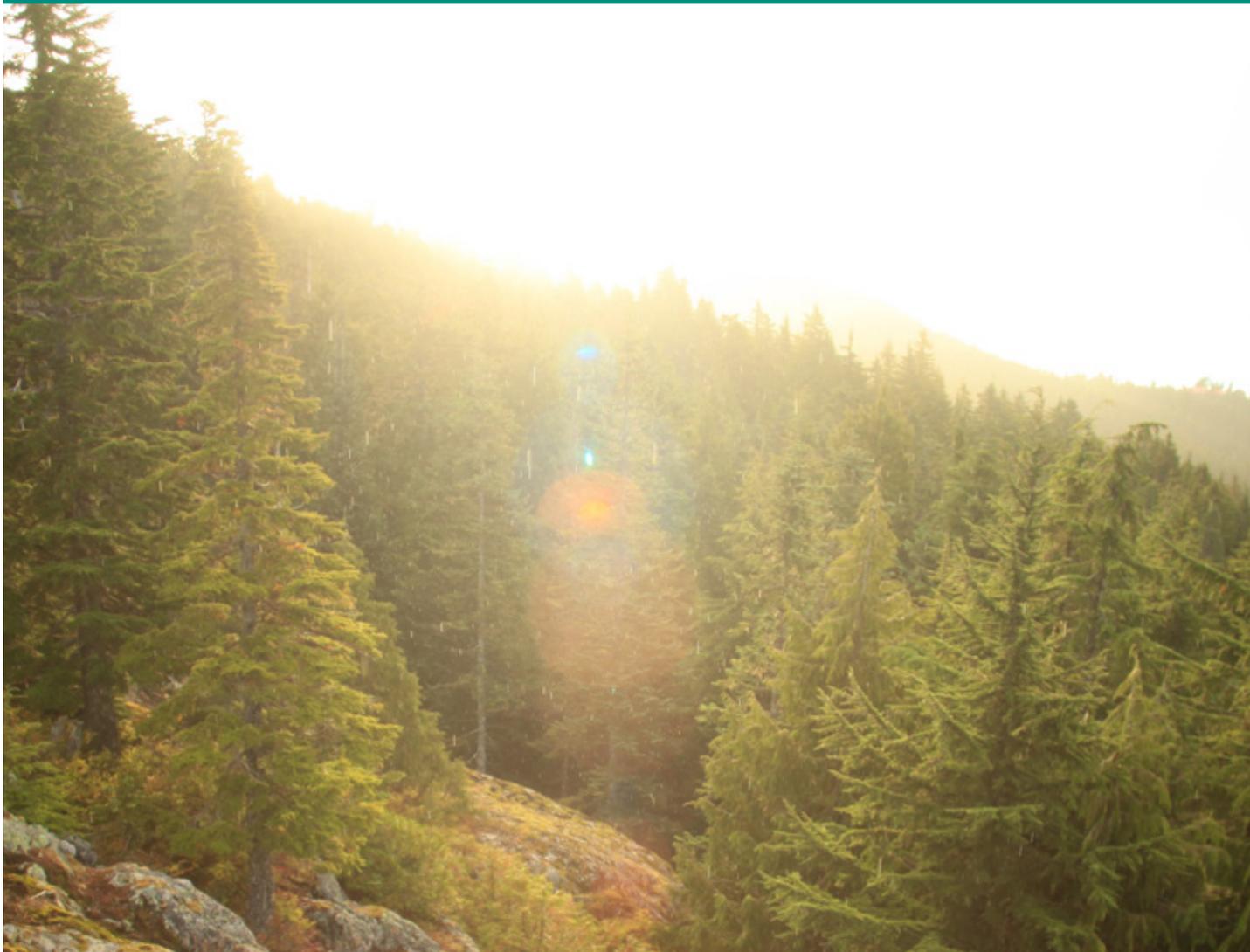
Included in accounts receivable is \$43,003 (2014 - \$194,731) due from PCA PSI. These amounts are unsecured, non-interest bearing and will be received in the 2016 fiscal year.

Included in revenues is \$178,317 (2014 - \$Nil) charged to PCA PSI for administrative expenses.

These transactions are in the normal course of operations and have been valued at the exchange amount which is the amount of consideration established and agreed to by the related parties.

11. Contingencies

Included in operating expenses are penalties of \$314,968 pertaining to the Quebec RecycFluo Program not meeting certain collection targets for program materials in the 2015 fiscal year. These penalties are payable to the Quebec Green Fund in 2020 and can be offset over the next 5 years if the program exceeds collection targets.



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