PRODUCT CARE ASSOCIATION

FINANCIAL STATEMENTS

31 DECEMBER 2012 AND 2011

ROLFE, BENSON LLP
CHARTERED ACCOUNTANTS

PRODUCT CARE ASSOCIATION
Financial Statements
For the years ended 31 December 2012 and 2011

Contents

ROLFE, BENSON LLP

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Members,
Product Care Association

Report on the Financial Statements

We have audited the accompanying financial statements of Product Care Association, which comprise the statements of financial position as at 31 December 2012, 31 December 2011 and 1 January 2011, and the statements of net assets, operations and cash flows for the years ended 31 December 2012 and 31 December 2011, 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 audits. We conducted our audits 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.

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

INDEPENDENT AUDITORS' REPORT - Continued

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Product Care Association as at 31 December 2012, 31 December 2011 and 1 January 2011, and the results of its operations and its cash flows for the years ended 31 December 2012 and 31 December 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Rolfe, Benson LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
31 May 2013

PRODUCT CARE ASSOCIATION
Statements of Financial Position
31 December 2012 and 2011

	31 December 2012	31 December 2011 (Note 3)	1 January 2011 (Note 3)
Assets			
Current			
Cash and cash equivalents	**$ 3,942,378**	$ 2,233,650	$ 2,036,120
Accounts receivable	**4,466,952**	2,096,064	1,591,524
Prepaid expenses and deposits	**86,565**	68,145	66,737
	8,495,895	4,397,859	3,694,381
Reserve - at market value (Note 4)	**9,237,050**	8,437,175	8,439,952
Capital assets (Note 5)	**388,023**	205,744	210,750
Intangible assets (Note 6)	**50,000**	-	-
	$ 18,170,968	$ 13,040,778	$ 12,345,083
Liability			
Current			
Accounts payable and accrued liabilities	**$ 2,692,096**	$ 1,279,854	$ 1,724,030
Commitments (Note 7)			
Members' Equity			
Unrestricted	**5,853,799**	3,118,005	1,970,351
Invested in capital assets	**388,023**	205,744	210,750
Reserve - internally restricted (Note 4)	**9,237,050**	8,437,175	8,439,952
	15,478,872	11,760,924	10,621,053
	$ 18,170,968	$ 13,040,778	$ 12,345,083

APPROVED BY THE DIRECTORS:

_____________________________ Director _____________________________ Director

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

ROLFE, BENSON LLP
CHARTERED ACCOUNTANTS

PRODUCT CARE ASSOCIATION
Statements of Net Assets
For the years ended 31 December 2012 and 2011

	Unrestricted	Invested in Capital Assets	Internally Restricted Reserve	Total 2012	Total 2011 (Note 3)
Net assets - beginning of year	$ 3,118,005	$ 205,744	$ 8,437,175	**$ 11,760,924**	$ 10,621,053
Excess of revenues over expenses for the years	3,717,948	-	-	**3,717,948**	1,139,871
Transfer to reserve	(799,875)	-	799,875	-	-
Transfer to invested in capital assets, net	(182,279)	182,279	-	-	-
Net assets - end of year	**$ 5,853,799**	**$ 388,023**	**$ 9,237,050**	**$ 15,478,872**	$ 11,760,924

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

ROLFE, BENSON LLP
CHARTERED ACCOUNTANTS

PRODUCT CARE ASSOCIATION
Statements of Operations
For the years ended 31 December 2012 and 2011

	2012	2011 (Note 3)
Revenues	**$ 14,701,725**	$ 9,251,748
Operating expenses		
Collection, disposal, transportation and event advertising	**9,546,200**	6,891,169
Gross margin	**5,155,525**	2,360,579
Administrative expenses		
Technical, professional, management and communication	**1,689,769**	892,972
Office, rent and travel	**472,113**	221,445
Association and depot start up costs	**230,966**	116,434
	2,392,848	1,230,851
Expense recoveries	**(138,042)**	-
	2,254,806	1,230,851
Excess of revenues over expenses from operations	**2,900,719**	1,129,728
Other income (expenses)		
Investment income	**324,583**	207,358
Interest income	**17,354**	10,919
Gain on disposal of capital assets	**-**	2,000
Gain (loss) on sale of investments	**1,511**	(8)
Unrealized gain (loss) on investments	**473,781**	(210,126)
	817,229	10,143
Excess of revenues over expenses for the years	**$ 3,717,948**	$ 1,139,871

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

ROLFE, BENSON LLP
CHARTERED ACCOUNTANTS

PRODUCT CARE ASSOCIATION
Statements of Cash Flows
For the years ended 31 December 2012 and 2011

	2012	2011 (Note 3)
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses for the years	**$ 3,717,948**	$ 1,139,871
Items not involving cash		
Gain on disposal of capital assets	**-**	(2,000)
Loss (gain) on sale of investments	**(1,511)**	8
Market value adjustment to reserve	**(473,781)**	210,126
Amortization	**188,246**	137,853
	3,430,902	1,485,858
Changes in non-cash working capital balances	**(977,066)**	(950,131)
	2,453,836	535,727
Investing activities		
Transfer to reserve	**(324,583)**	(207,350)
Purchase of capital assets	**(370,525)**	(132,847)
Proceeds on disposal of capital assets	**-**	2,000
Purchase of intangible assets	**(50,000)**	-
	(745,108)	(338,197)
Net increase in cash and cash equivalents	**1,708,728**	197,530
Cash and cash equivalents - beginning of year	**2,233,650**	2,036,120
Cash and cash equivalents - end of year	**$ 3,942,378**	$ 2,233,650
Cash and cash equivalents consists of:		
Cash	**$ 1,816,426**	$ 1,209,579
Term deposits	**2,125,952**	1,024,071
	$ 3,942,378	$ 2,233,650

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

1. Incorporation of Product Care Association

On 7 May 2001, Letters Patent were obtained for the creation of Product Care Association (the "Association"). The new entity is the result of the amalgamation of PPC Paint and Product Care Association with Product Care Association on 1 July 2001. The Association is a not-for-profit organization and as such, the Association is not subject to income taxes.

The Association was created to collect and dispose of paint, aerosols, solvents, pesticides, gas and other household waste in an environmentally safe manner as mandated by various provinces.

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, and accounts receivable.

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.

(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.

2. Summary of significant accounting policies - Continued

(a) Financial Instruments - Continued

(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

(d) Intangible assets

Intangible assets are recorded at cost. Management has estimated the useful life of the intangible assets to be indefinite and as such, the intangible assets are not amortized and are assessed annually for impairment.

(e) Revenue recognition

Revenue from eco-fees is recognized at the time an eco-fee applicable product is sold by a member of the Association, and the eco-fee becomes due and payable.

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.

2. Summary of significant accounting policies - Continued

(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 and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. 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.

3. Impact of the change in the basis of accounting

Effective 1 January 2012, the Association adopted the new Canadian Accounting Standards for Not-for-Profit Organizations. These financial statements are the first financial statements prepared in accordance with the new accounting standards and the transitional provisions of Section 1501, "First-time Adoption by Not-for-Profit Organizations", on a retrospective basis.

The Association has applied the new accounting standards in preparing the financial statements for the year ended 31 December 2012, the comparative information for the year ended 31 December 2011 and the opening statement of financial position at 1 January 2011, the Association's date of transition.

The adoption of the new accounting standards had no impact on the previously reported assets, liabilities and net assets of the Association, and accordingly, there has been no restatement of the comparative statements of financial position, statement of operations and changes in net assets and the cash flow statement. The presentation and disclosures provided in these financial statements reflect the requirements of the new accounting standards.

3. Impact of the change in the basis of accounting - Continued

The rules for transition to Canadian Accounting Standards for Not-for-profit organizations normally require that an enterprise prepare its opening balance sheet using the standards that will be followed thereafter. However, certain elective exemptions from this rule are available. In preparing the opening balance sheet shown above, the Association used the following elective exemptions:

(a) Business combinations

The Association has elected not to account for business combinations entered into before 1 January 2011 in accordance with section 1582, "Business Combinations". Rather, these business combinations have been recognized in accordance with previous standards. All subsequent business combinations will be recognized in accordance with the standards of section 1582.

(b) Fair value of financial assets and liabilities

The Association has irrevocably elected for its investments in other securities, which are included in the reserve (Note 4), to be measured at fair value.

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 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, $799,875 was transferred from the unrestricted fund to the reserve fund, which consisted of an unrealized gain of $473,781 at 31 December 2012 and realized investment income of $326,094. In the prior year, $2,777 was transferred from the reserve fund to the unrestricted fund, which consisted of an unrealized loss of ($210,126) at 31 December 2011 and realized investment income of $207,350.

5. Capital assets

	Cost	Accumulated Amortization	31 December 2012 Net	31 December 2011 Net (Note 3)	1 January 2011 Net (Note 3)
Depot equipment	$ 1,279,814	$ 928,891	$ 350,923	$ 198,912	$ 194,266
Office equipment	114,672	89,062	25,610	6,832	16,484
Storage depots	576,096	576,096	-	-	-
Leasehold improvements	496,516	485,026	11,490	-	-
	$ 2,467,098	$ 2,079,075	$ 388,023	$ 205,744	$ 210,750

6. Intangible assets

During the year, 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.

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 2016. The lease includes a clause that the Association can terminate the lease with six months notice.

The Association also has a lease agreement for a 36 month lease term on the Vancouver office building which expires on 31 January 2015. The Association has the option to renew the lease term for an additional 36 months.

The annual lease payments are as follows:

2014	$ 204,571
2015	204,571
2016	134,905
2017	10,714
	$ 554,761

Additionally, at year end the Association had unprocessed product on hand with an estimated cost to process, transport and recycle of $178,792 which will be incurred during 2013.

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 2012.

(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.

(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.

8. Financial instruments - Continued

(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 Reserve.