PRODUCT CARE ASSOCIATION

FINANCIAL STATEMENTS

31 DECEMBER 2011

ROLFE, BENSON LLP
CHARTERED ACCOUNTANTS

PRODUCT CARE ASSOCIATION
Financial Statements
For the year ended 31 December 2011

Contents

ROLFE, BENSON LLP
CHARTERED ACCOUNTANTS

1400 – 900 West Hastings Street
Vancouver, B.C. V6C 1E3
Telephone: 604-684-1101 Fax: 604-684-7937
E-mail: admin@rolfebenson.com

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 statement of financial position as at 31 December 2011, 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 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.

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.

We believe that the audit evidence we have obtained in our audit 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 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Rolfe, Benson LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
17 May 2012

PRODUCT CARE ASSOCIATION
Statement of Financial Position
31 December 2011

	2011	2010
Assets		
Current		
Cash and short-term investments	$ 2,233,650	$ 2,036,120
Accounts receivable	2,096,064	1,591,524
Prepaid expenses and deposits	68,145	66,737
	4,397,859	3,694,381
Reserve - at market value (Note 3)	8,437,175	8,439,952
Capital assets (Note 4)	205,744	210,750
	$ 13,040,778	$ 12,345,083
Liability		
Current		
Accounts payable and accrued liabilities	$ 1,279,854	$ 1,724,030
Commitments (Note 5)		
Members' Equity		
Unrestricted	3,118,005	1,970,351
Invested in capital assets	205,744	210,750
Reserve - internally restricted (Note 3)	8,437,175	8,439,952
	11,760,924	10,621,053
	$ 13,040,778	$ 12,345,083

APPROVED BY THE DIRECTORS:

"J.D. Glassford" Director "Dave Russell" Director

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

ROLFE, BENSON LLP
CHARTERED ACCOUNTANTS

PRODUCT CARE ASSOCIATION
Statement of Net Assets
For the year ended 31 December 2011

	Unrestricted	Invested in Capital Assets	Internally Restricted Reserve	Total 2011	Total 2010
Net assets - beginning of year	**$ 1,970,351**	**$ 210,750**	**$ 8,439,952**	**$ 10,621,053**	$ 9,246,588
Excess of revenues over expenses for the year	**1,139,871**	**-**	**-**	**1,139,871**	1,374,465
Transfer to reserve	**2,777**	**-**	**(2,777)**	**-**	-
Transfer to invested in capital assets, net	**5,006**	**(5,006)**	**-**	**-**	-
Net assets - end of year	**$ 3,118,005**	**$ 205,744**	**$ 8,437,175**	**$ 11,760,924**	$ 10,621,053

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

PRODUCT CARE ASSOCIATION
Statement of Operations
For the year ended 31 December 2011

	2011	2010
Revenues	**$ 9,251,748**	$ 7,875,857
Operating expenses		
Collection, disposal, transportation and event advertising	**6,891,169**	6,200,620
Gross margin	**2,360,579**	1,675,237
Administrative expenses		
Technical, professional, management and communication	**892,972**	669,505
Office, rent and travel	**221,445**	211,656
Association and depot start up costs	**116,434**	247,535
	1,230,851	1,128,696
Excess of revenues over expenses from operations	**1,129,728**	546,541
Other income (expenses)		
Investment income	**207,358**	196,645
Interest income	**10,919**	6,236
Gain on disposal of capital assets	**2,000**	-
Gain (loss) on sale of investments	**(8)**	873
Unrealized gain (loss) on investments	**(210,126)**	624,170
	10,143	827,924
Excess of revenues over expenses for the year	**$ 1,139,871**	$ 1,374,465

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

ROLFE, BENSON LLP
CHARTERED ACCOUNTANTS

PRODUCT CARE ASSOCIATION
Statement of Cash Flows
For the year ended 31 December 2011

	2011	2010
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses for the year	$ 1,139,871	$ 1,374,465
Items not involving cash		
Gain on disposal of capital assets	(2,000)	-
Loss (gain) on sale of investments	8	(873)
Market value adjustment to reserve	210,126	(624,170)
Amortization	137,853	105,979
	1,485,858	855,401
Changes in non-cash working capital balances	(950,131)	(566,655)
	535,727	288,746
Investing activities		
Transfer to reserve	(207,350)	(197,517)
Purchase of capital assets	(132,847)	(105,640)
Proceeds on disposal of capital assets	2,000	-
	(338,197)	(303,157)
Net increase (decrease) in cash and short-term investments	197,530	(14,411)
Cash and short-term investments - beginning of year	2,036,120	2,050,531
Cash and short-term investments - end of year	$ 2,233,650	$ 2,036,120
Cash and short-term investments consist of:		
Cash	$ 1,209,579	$ 1,019,396
Term deposits	1,024,071	1,016,724
	$ 2,233,650	$ 2,036,120
Supplemental Cash Flow Information:		
Interest received	$ 10,919	$ 6,236

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 generally accepted accounting principles. The significant policies are detailed as follows:

(a) Cash and cash equivalents

Short-term fixed income investments that either mature within 90 days of the balance sheet date or can be readily redeemed for cash are considered cash equivalents.

(b) 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	3 and 5 years
Leasehold Improvements	5 years

(c) 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 on held-for-trading financial assets are reported in the statement of operations. Unrestricted investment income is recognized as revenue when earned.

2. Summary of significant accounting policies - Continued

(d) Investments

The Association has elected to classify all of its investments as held-for-trading, and accordingly they are recorded at fair value. Changes in fair values during the year are reported in the statement of operations.

Quoted market prices were used to determine the fair value of the investments as at the year end date.

(e) Use of estimates

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 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.

(f) Future accounting changes

Changes in accounting framework

The Association is classified as a not-for-profit organization. The Association will be required to adopt a new accounting framework and the options are Canadian Accounting Standards for Not-for-Profit Organizations or International Financial Reporting Standards (IFRS), effective for fiscal years beginning on or after 1 January 2012. The Association is in the process of reviewing the potential impact of these two accounting standards on its reporting framework and financial statements.

3. 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 there were no transfers to 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, $2,777 was transferred from the reserve fund to the unrestricted fund, which consisted of an unrealized loss of ($210,127) at 31 December 2011 and realized investment income of $207,350. In the prior year, $821,688 was transferred from the unrestricted fund to the reserve fund, which consisted of an unrealized gain of $624,170 at 31 December 2010 and realized investment income of $197,518.

4. Capital assets

	Cost	Accumulated Amortization	2011 Net	2010 Net
Depot equipment	$ 955,070	$ 756,158	$ 198,912	$ 194,266
Office equipment	81,658	74,826	6,832	16,484
Storage depots	576,096	576,096	-	-
Leasehold improvements	483,749	483,749	-	-
	$ 2,096,573	$ 1,890,829	$ 205,744	$ 210,750

5. 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.

During the year, the Association entered into 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:

2012	$ 198,238
2013	204,571
2014	204,571
2015	134,905
2016	10,714
	$ 752,999

Additionally, at year end the Association had unprocessed product on hand with an estimated cost to process, transport and recycle of $75,919 which will be incurred during 2012.

6. Management of capital

The Association considers its capital to be its net assets invested in capital assets and its unrestricted and restricted net assets. The Association manages its capital primarily through its investments and adheres to the guidelines of the Association's investment policies. There have been no changes to these guidelines during the year. In addition, the Association's capital is restricted for the purposes as described in Note 3.

7. Financial instruments

The Association has elected to use the exemption provided by the CICA permitting not-for-profit organizations not to apply the CICA Handbook Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments – Presentation" which would otherwise have applied to the financial statements. The Association applies the requirements of Section 3861 of the CICA Handbook.

The Association's financial instruments consist of cash and short-term investments, accounts receivable, reserve and accounts payable and accrued liabilities.

(a) Fair value

Cash and short-term investments are classified as held for trading, accounts receivable as loans and receivables and accounts payable and accrued liabilities as other liabilities and are measured at their carrying amounts since it is comparable to their fair value due to the approaching maturity of these financial instruments.

The reserve is classified as a held-for-trading financial asset. It is measured at fair value, determined on the basis of market value.

(b) Credit risk

The Association's financial instruments that are exposed to concentrations of credit risk consist of cash 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.

8. New Brunswick Paint Recycling Program

The New Brunswick Paint Recycling Program was developed by Product Care Association on behalf of the paint industry in response to the New Brunswick "Designated Materials Regulation". The program has been approved by the government agency, Recycle New Brunswick, for a three year period commencing 1 April 2009. The Association operates the New Brunswick Paint Recycling Program on behalf of the paint industry "brand owners" who are the manufacturers and retailers of household paint in New Brunswick ("NB").

2011 Results:
The Association collects the eco fees from the NB members and subsequently pays the depots and processors for collection and disposal of paint. In 2011, eco fee revenue relating to the NB program was $953,465 (2010 - $1,038,929) and expenses relating to collection, processing, and administration for the NB program were $776,073 (2010 - $743,231).