

BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION
2005 ANNUAL REPORT



Thanks for making a difference



The efforts of British Columbians to preserve our environment have allowed the BC Used Oil Management Association (BCUOMA) to once again share good news about our program.



Through active public and corporate participation, recovery of used oil, used oil filters and used oil containers surpassed the record levels set in 2004. The credit for this belongs to the many individuals and businesses that made the responsible recycling of used oil, filters and containers a priority.



During the past year, participation has grown at all levels, with over 160 wholesalers and retailers, 40 collectors, 31 processors, 540 local return collection facilities, and more than 4,000 generators participating in the program.

Since 2003 when the BCUOMA mandate to manage the recovery of used oil materials began, the returns have continued to improve. With used oil alone, over 70% is now being recovered for recycling and reuse.

And while we know recovery rates can achieve even higher levels, BCUOMA has initiated a usage study to gather data on post-primary use patterns of oil in particular. This study, which we will share with you in the coming year, investigates what happens to the millions of litres of oil that are not collected and recycled by BCUOMA each year in British Columbia.

The results of this study will help create new strategies for us to continue our collective efforts, that ultimately prevent damage to our water supply, keep hazardous materials from our landfills, and protect our environment from harmful effects of unrecycled oil, filters and containers.

Thank you for your efforts. Your actions have made a significant difference and encourage us to continue our commitment to achieving the highest possible recovery rates. Based on the results since 2003, we know that British Columbians share our commitment.

A handwritten signature in black ink that reads "Dave Schick".

Dave Schick,
Board Chair, BCUOMA

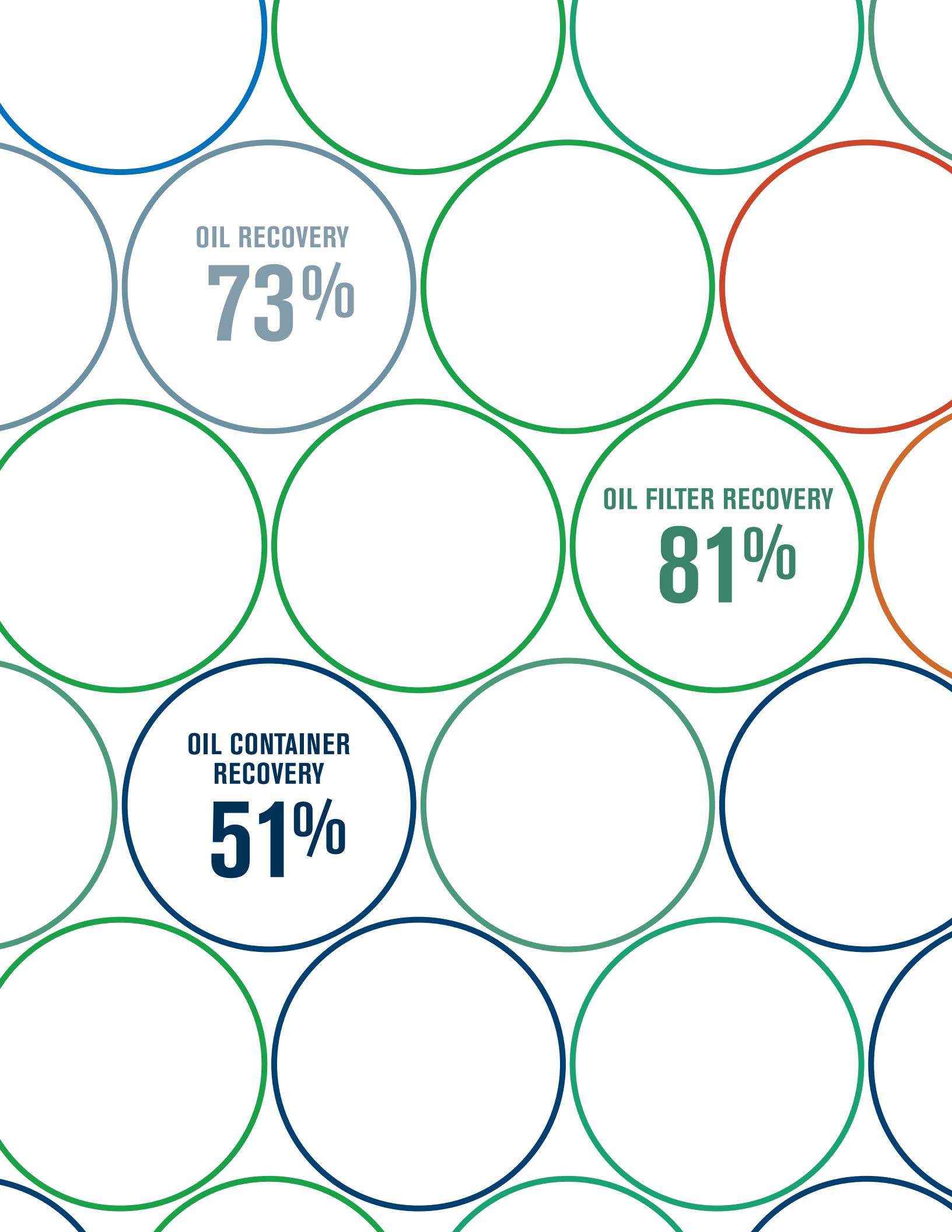
A handwritten signature in black ink that reads "Ron Driedger".

Ron Driedger,
Executive Director, BCUOMA



BCUOMA

British Columbia Used Oil
Management Association



OIL RECOVERY
73%

OIL FILTER RECOVERY
81%

OIL CONTAINER
RECOVERY
51%

MARCH 31, 2006

AUDITORS' REPORT

To British Columbia Used Oil Management Association

We have audited the schedule of used oil materials collected as reported by British Columbia Used Oil Management Association for the year ended December 31, 2005, calculated as disclosed in note 1 to the schedule. This information is the responsibility of the management of the Association. Our responsibility is to express an opinion on this information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the information. An audit also includes assessing the significant estimates made by management, and evaluating the overall presentation of the financial information.

In our opinion, this schedule presents fairly, in all material respects, the used oil materials collected in accordance with the basis of measurement as described in note 1 as reported by British Columbia Used Oil Management Association for the year ended December 31, 2005.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia

Schedule of Used Oil Materials Collected December 31, 2005

	Current year volumes January 1, 2005 to December 31, 2005	Prior period volumes January 1, 2004 to December 31, 2004
Used oil	47,740,794 litres	44,119,202 litres
Used oil filters	4,925,339 filters	4,721,232 filters
Used oil containers	1,241,032 kilograms	1,055,969 kilograms

See accompanying note to schedule.

Note to Schedule of Used Oil Materials Collected

1 Basis of presentation

Volume measurement and measurement uncertainty

Volumes of oil and oil containers and weight of filters collected are based on actual measurements taken by the Collector/Transporters of these materials and verified by Generators and Processors. Volumes of filters collected are calculated based on the number of full 111 kg drums as reported by Collector/Transporters and verified by Generators and Processors, multiplied by management's best estimate of the number of filters less than or equal to 203 millimetres in length and the number of filters greater than 203 millimetres in length in each full drum. In management's best estimate, there are, on average, 115 filters less than or equal to 203 millimetres in length and 15 filters greater than 203 millimetres in length in each full drum. Management's estimates and assumptions affect the reported filter volumes during the reporting period. Actual results could differ from these estimates. The weight of oil containers collected is an actual weight of the oil containers collected in bulk and may include some non-oil containers of the same type of plastic.

MARCH 31, 2006

AUDITORS' REPORT

To the Members of British Columbia Used Oil Management Association

We have audited the balance sheet of British Columbia Used Oil Management Association as at December 31, 2005 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia

BALANCE SHEET

AS AT DECEMBER 31, 2005

Assets

	2005	2004
	\$	\$
Current assets		
Cash	908,837	176,586
Accounts receivable	2,427,171	2,653,856
Prepaid expenses	<u>5,528</u>	<u>6,060</u>
	<u>3,341,536</u>	<u>2,836,502</u>
Property and equipment (note 4)	<u>6,793</u>	<u>18,727</u>
	<u><u>3,348,329</u></u>	<u><u>2,855,229</u></u>

Liabilities

Current liabilities		
Return incentives and infrastructure development incentives payable	1,307,752	1,159,684
Accounts payable and accrued liabilities	<u>232,939</u>	<u>130,400</u>
	<u><u>1,540,691</u></u>	<u><u>1,290,084</u></u>

Commitment and contingencies (note 5)

Net Assets

Unrestricted	1,800,845	1,546,418
Invested in property and equipment	<u>6,793</u>	<u>18,727</u>
	<u><u>1,807,638</u></u>	<u><u>1,565,145</u></u>
	<u><u>3,348,329</u></u>	<u><u>2,855,229</u></u>

See accompanying notes to the financial statements.

Statement of Changes in Net Assets

For the year ended December 31, 2005

	Unrestricted	Invested in property and equipment	2005	2004
	\$	\$	\$	\$
Balance – Beginning of year	1,546,418	18,727	1,565,145	870,798
Excess of revenue over expenditures	254,727	(12,234)	242,493	694,347
Investment in property and equipment	<u>(300)</u>	<u>300</u>	<u>-</u>	<u>-</u>
Balance – End of year	<u>1,800,845</u>	<u>6,793</u>	<u>1,807,638</u>	<u>1,565,145</u>

See accompanying notes to the financial statements.

Statement of Revenue and Expenditures

For the year ended December 31, 2005

Revenue

	2005 \$	2004 \$
Environmental handling charges	10,605,308	10,361,928
Investment income	47,543	20,619
Registration fees	3,800	6,200
	<u>10,656,651</u>	<u>10,388,747</u>

Expenditures

Program costs		
Return incentives and infrastructure development incentives	9,537,496	8,710,817
Communications and public relations	264,213	300,150
Compliance reviews	50,131	33,776
Management and administration contracts	39,499	39,806
Consulting	39,299	82,782
Legal fees	24,638	16,276
	<u>9,955,276</u>	<u>9,183,607</u>

Administrative costs

Management and administration contracts	262,795	268,250
Office and general expenses	75,148	92,486
Legal fees	46,073	59,720
Financial audit fees	27,462	23,650
Board expenses	18,542	40,663
Rent	16,628	15,471
Amortization	12,234	10,553
	<u>458,882</u>	<u>510,793</u>
	<u>10,414,158</u>	<u>9,694,400</u>

Excess of revenue over expenditures

See accompanying notes to the financial statements.

Statement of Cash Flows

For the year ended December 31, 2005

Cash provided by (used in)

Operating activities

	2005 \$	2004 \$
Environmental handling charges	10,765,335	8,842,240
Other income	107,860	(8,334)
	<u>10,873,195</u>	<u>8,833,906</u>

Program activities

Return incentives and infrastructure development incentives	(9,389,428)	(8,680,239)
Other program activities	(285,759)	(501,018)
Administration	(465,457)	(458,704)
	<u>(10,140,644)</u>	<u>(9,639,961)</u>

	2005 \$	2004 \$
Investing activities		
Purchase of property and equipment	(300)	(8,025)
Increase (decrease) in cash	732,251	(814,080)
Cash – Beginning of year	<u>176,586</u>	<u>990,666</u>
Cash – End of year	<u>908,837</u>	<u>176,586</u>

See accompanying notes to the financial statements.

Notes to Financial Statements

December 31, 2005

1. Authority and purpose

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

In 2004, the Post-Consumer Residual Stewardship Program Regulation, B.C. Reg. 111/97 was repealed and replaced by the Recycling Regulations, B.C. Reg. 449/2004. The Association has three years to become compliant with this new Regulation.

2. Significant accounting policies

The Association bases its accounting policies on generally accepted accounting principles in Canada, specifically those comprising the accounting recommendations for not-for-profit organizations included in the Accounting Recommendations of the Canadian Institute of Chartered Accountants Handbook.

a) 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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting year. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to return incentives payable and environmental handling charges receivable.

b) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line basis over the estimated useful lives, as follows:

Furniture and fixtures	5 years
Computer equipment	3 years

c) Revenue recognition

Environmental handling charge revenue is recognized when the lubricating oil material is sold by a registrant.

d) Return incentives and infrastructure development incentives

Return incentive expenditures are accounted for when the lubricating oil material is collected by a registered collector.

Infrastructure development incentives are recognized when the used oil containers are received at a processor.

3. Credit line facility

The Association has a \$400,000 operating line of credit arrangement. Interest is charged at the bank's prime lending rate. A general security agreement and a general assignment of accounts receivable have been provided as collateral for any advances. At December 31, 2005, there was no amount drawn on the facility.

4. Property and equipment

		2005	2004
	Cost	Accumulated amortization	Net
	\$	\$	\$
Furniture and fixtures	3,492	1,922	1,570
Computer equipment	<u>32,211</u>	<u>26,988</u>	<u>5,223</u>
	<u>35,703</u>	<u>28,910</u>	<u>6,793</u>
			<u>18,727</u>

5. Commitments and contingencies

- a) Under the terms of financial services and use agreements, the Association is charged a fee for provision of financial administration services of various staff to August 2006. In addition, under the terms of a service agreement expiring March 2007, the Association is charged a monthly rate for provision of professional and technical services. The estimated minimum annual payments required under these agreements are as follows:

2006	239,401
2007	19,892
	<u>259,293</u>

- b) In the normal course of its operations, the Association is subject to claims and legal actions that may be made by registrants or others. While the final outcome with respect to actions outstanding or pending as at December 31, 2005 cannot be predicted with certainty, the Association believes the resolution will not have a material effect on the Association's financial position or results of operations.

6. Financial instruments

The fair values of financial instruments including cash, accounts receivable, return incentives and infrastructure development incentives payable and accounts payable and accrued liabilities as reported on the balance sheet, approximate their carrying value due to their short-term maturities.

The Association is exposed to credit risk through its accounts receivable. The risk is minimized due to the large registrant base.

MINISTRY LETTER

Congratulations to the British Columbia Used Oil Management Association for making British Columbia's oil recycling program such an overwhelming success.

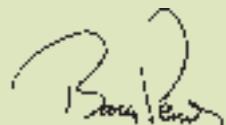
This industry-led stewardship program has significantly decreased the amount of used oil, filters, lubricants and containers that otherwise would have gone into our landfills and waterways. By providing consumers with a convenient and economical way to recycle, BCUOMA is leading the way to a better environment for our citizens, our environment and our wildlife.

This kind of responsibility and leadership by government and industry will ensure long-term economic opportunities and contribute to protecting our environment.

We can all be very proud of our province. We are world leaders in maximizing used oil collection rates, with 81 per cent of oil filters collected in 2005. In addition, BCUOMA is among the very few programs in the world to collect oil, filters and containers. It is a testament to how the people of British Columbia have rallied together to work toward achieving the province's goal of leading the world in sustainable environmental management.

Looking ahead, I wish you continued success and an even brighter future.

Sincerely,



Barry Penner
Minister of Environment





Back row left to right: Doug Waldie, Natalie Zigarlick, Ted Stoner and Lonnie Cole. Front row left to right: Dave Schick, Ron Driedger and Aaron Dinwoodie.

On behalf of the British Columbia Used Oil Management Association, we would like to thank all of our program participants – from collectors to processors, from businesses to individual British Columbians – for your active support of the used oil recycling initiative. With your help, we look forward to continued success.



Richard Voyer



Garnet Brimacombe

Dave Schick,
Board Chair
BCUOMA

Ron Driedger,
Executive Director
BCUOMA



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