British Columbia Used Oil
Management Association

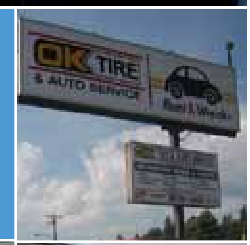
2009 ANNUAL REPORT

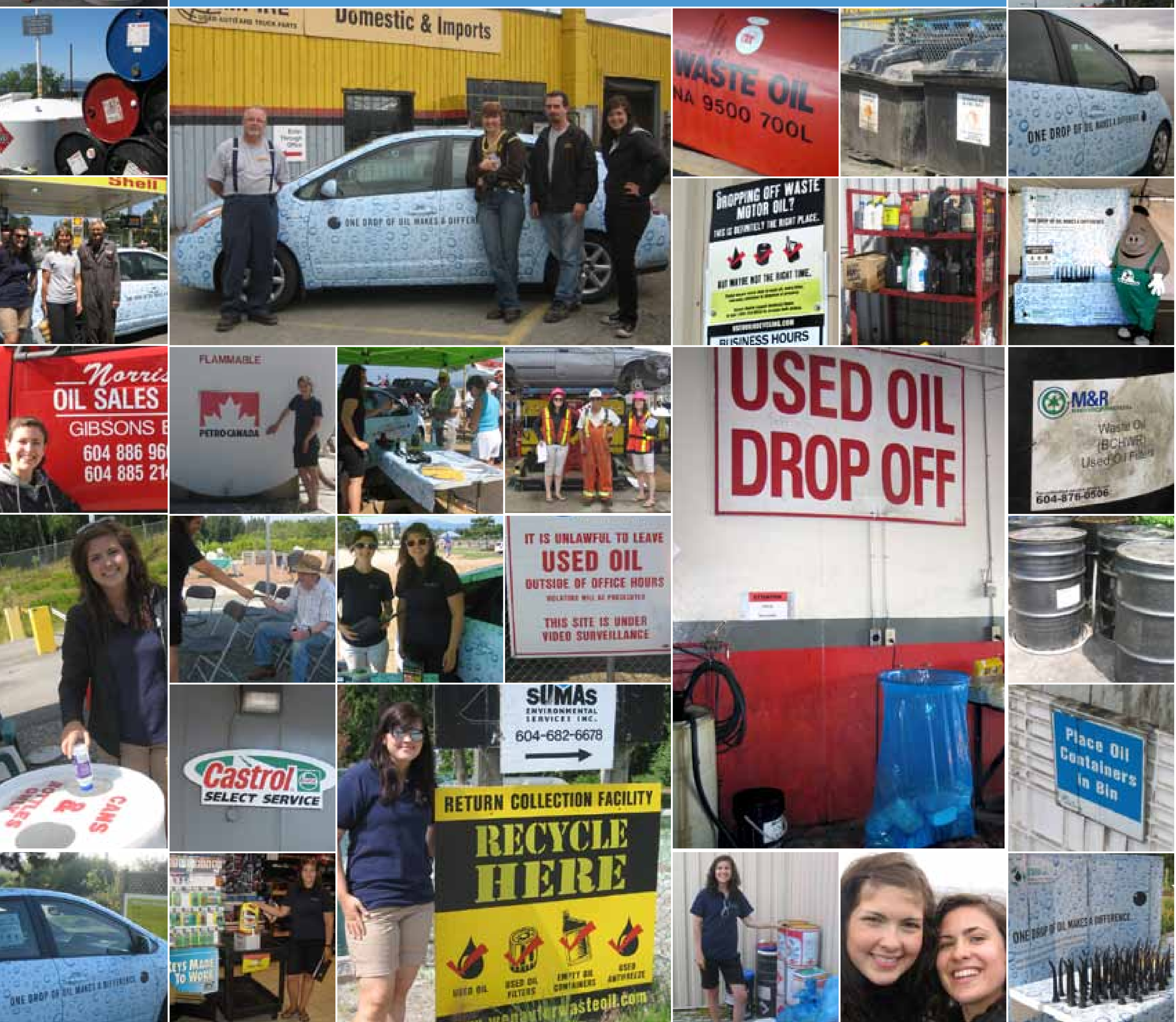
BCUOMA

Last year marked the fourh annual

Summer Ambassador Program

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





Back row, left to right: Ron Driedger, Lonnie Cole, Richard Voyer, Ted Stoner.
Front row, left to right: Dave Schick, Don Hetherington, Natalie Zigarlick.

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

Thanks, a million.

Dave Schick,
Board Chair
BCUOMA

Ron Driedger,
Executive Director
BCUOMA

WORKING TOGETHER TO MAKE EVERY DROP COUNT

The British Columbia Used Oil Management Association (BCUOMA) is now in its seventh year of operation and we are pleased to report to you on the year 2009. With the recession seriously affecting economic activity and curtailing the movement of goods in British Columbia, the sales of oil in 2009 dropped dramatically to 83.6 million litres from 96.6 million litres in 2008. However, with a significant contribution from our Collectors, Processors, Generators and the public, BCUOMA continued to obtain excellent recovery rates for used oil, filters and oil containers in 2009.

Recovery Rates For Used Oil Materials

Product	Year	Sales in Millions	Recoverable Portion in Millions	Quantity Recovered in Millions	Percentage Recovered
Oil	2007	99.7 Litres	69.7 Litres	49.0 Litres	70.3
	2008	96.6 Litres	67.5 Litres	49.3 Litres	73.0
	2009	83.6 Litres	58.4 Litres	44.9 Litres	76.9
Filters	2007	6.24 Filters	6.24 Filters	5.24 Filters	84.0
	2008	5.77 Filters	5.77 Filters	5.64 Filters	97.8
	2009	5.74 Filters	5.74 Filters	5.19 Filters	90.4
Containers	2007	2.19 Kg	2.19 Kg	1.39 Kg	63.4
	2008	2.01 Kg	2.01 Kg	1.47 Kg	73.1
	2009	1.77 Kg	1.77 Kg	1.43 Kg	80.8

Only a portion of every litre of oil sold is available for recovery because approximately 30.1 per cent of the oil is consumed during use. Of the 58.4 million litres available for recovery, 44.9 million litres were recovered with a recovery rate of 76.9 per cent, higher than last year. The remaining 13.5 million litres did not come back through the BCUOMA collection and recycling program. Rather much of it was used by others in processes such as manufacturing explosives, oil space heaters, chain oil, and a variety of other industrial applications. After over six years of operation, much more of the used oil available for collection is being recovered by the program than was recovered in the first few years. In addition, less of the used oil is disposed of in an unsafe manner than occurred before the program commenced in mid 2003.

Every used oil filter and oil container has the potential to be recycled and BCUOMA is pleased to report that the recovery rate for these two materials was very good for 2009. As it is difficult for automotive service centres to separate out the other automotive containers such as antifreeze, windshield washer and fuel and oil additive containers from the oil containers, about 19 per cent of what was recovered were non-oil containers. In late 2009, the Ministry of Environment amended the *Recycling Regulation* to add antifreeze and antifreeze containers to the program, effective July 1, 2011.

In determining recovery rates, it is important to recognize that looking at only one year in isolation does not necessarily give a fair indication of the actual recovery rate. In years of sharply falling sales, as happened in 2009 for oil and containers, the recovery rate will likely appear higher than expected since much of the oil and containers picked up in 2009 were those sold the previous year, when sales were higher. For filters, where the drop in sales was only marginal, the recovery rate is closer to what was expected.

Environmental Handling Charges (EHCs) increased in 2009

As reported in the 2008 Annual Report, the amount of revenue collected from EHCs in that year was less than was required to manage the program. Since the recovery rates were expected to increase even further in 2009, the deficit projected for 2009 was even greater than in 2008. As a result, the members of BCUOMA voted at the 2009 Annual General meeting to increase the EHC on both oil containers and oil filters. For oil containers, it was increased from $0.05/litre of container to $0.10/litre.

For filters less than eight inches long, the increase was from $0.50/filter to $0.55/filter and for filters eight inches or longer, the increase was from $1.00/filter to $1.25/filter. Only about 10 per cent of the filters sold in the province are the large filters and experience has shown that a disproportionate amount of Return Incentives (RIs) were being paid to the Collectors for collecting these filters compared to the small filters. It is expected that the increased revenue from the larger filters will more closely cover the costs of collecting and recycling them.

The EHC for oil was not increased from the current $0.05/litre. The objective of the program is to have the revenue from oil pay for oil collection and recycling, with the same principle applying for filters and oil containers. In the next five to eight years, the goal is to have about 80 per cent of the EHC revenue for each of the oil materials paid out to collect and recycle each material, about 10 per cent of the EHC revenue for managing the program and the remaining 10 per cent to build up a reserve account equal to about nine months to one year of revenue.

BCUOMA continues to spread the message to British Columbians about the Program

Despite the fact that the program has been in operation for over six years, the need to spread the message of the importance of collecting and recycling the used oil materials remains a high priority. Local governments, Return Collection Facilities, the local media and the public at large are all important sectors to reach with our message that a single drop of motor oil can contaminate a million drops of clean water.

For 2009, the Summer Ambassador Program was the main communications program which focused on informing and educating British Columbians on the importance of recycling used oil materials. To accomplish this goal, BCUOMA engaged a team of two university students driving a Toyota Prius hybrid vehicle which was wrapped in 'water droplet' graphics.

The 2009 Summer Ambassador Program marked the fourth consecutive year in operation. The Program ran for a 13 week period during which time the team traveled to many communities, visited 433 return collection facilities, met with 17 local governments, attended five community events and spoke with 42 different radio, newspaper and television media throughout most of British Columbia. In 2009, BCUOMA partnered with the Post-Consumer Pharmaceutical Stewardship Association to hand out their brochures at community events and at meetings with local government officials.

The recession of 2009 posed a challenge for BCUOMA, as it did for many others in British Columbia. Just over 500 of the over 4,000 generators located all across the province continue to participate in our program as a Return Collection Facility for the do-it-yourselfer to take back their used oil materials at no charge. Their contribution to the success of the program is significant and much appreciated.

The contribution of the Registered Collectors, who regularly pick up the used oil materials from the generators, is critical to making the program work. The Collectors deliver the used oil materials to the BCUOMA Registered Processors, where they are processed to the point that they can be sold as raw materials for remanufacturing or used as an approved fuel source in the case of some of the used oil.

Finally, we would like to thank the BCUOMA Board members for giving their time and expertise in attending Board meetings and providing the overall leadership and Board governance.

Dave Schick, Board Chair BCUOMA	Ron Driedger, Executive Director BCUOMA

April 19, 2010

AUDITORS' REPORT

To the Members of 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, 2009, 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, 2009.

PricewaterhouseCoopers LLP

Chartered Accountants

SCHEDULE OF USED OIL MATERIALS COLLECTED

FOR THE YEAR ENDED DECEMBER 31, 2009

	Current year volumes January 1, 2009 to December 31, 2009		Prior year volumes January 1, 2008 to December 31, 2008	
Used oil	44,906,365	litres	49,269,955	litres
Used oil filters	5,113,622	filters	5,636,090	filters
Used oil containers	1,430,664	kilograms	1,464,770	kilograms

See accompanying note to schedule.

NOTE TO SCHEDULE OF USED OIL MATERIALS COLLECTED

DECEMBER 31, 2009

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 116.95 kg drums as reported by Collector/Transporters and verified by Generators and Processors. This drum number is 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, 143.8 filters less than or equal to 203 millimetres in length and 12.5 filters greater than 203 millimetres in length in each full drum. Management's estimates and assumptions affect the reported filter volumes during the reporting year. 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. Based on studies performed by independent consultants, management estimates that of the actual weight of the containers collected and reported in the Schedule, approximately 19% are non-oil containers. Actual results could differ from these estimates and such differences could be material.

April 19, 2010

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, 2009 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, 2009 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

BALANCE SHEET

AS AT DECEMBER 31, 2009

	2009	2008
	$	$
Assets		
Current assets		
Cash	734,512	934,418
Accounts receivable	2,656,767	2,175,478
Prepaid expenses	7,622	7,363
	3,398,901	3,117,259
Property and equipment (note 5)	6,406	18,176
	3,405,307	3,135,435
Liabilities		
Current liabilities		
Return incentives and infrastructure development incentives payable	1,091,487	1,004,241
Accounts payable and accrued liabilities	105,241	136,321
	1,196,728	1,140,562
Commitments (note 7)		
Net Assets		
Unrestricted	2,202,173	1,976,697
Invested in property and equipment	6,406	18,176
	2,208,579	1,994,873
	3,405,307	3,135,435

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Invested in property and equipment	2009	2008
	$	$	$	$
Balance – Beginning of year	1,976,697	18,176	1,994,873	2,278,539
Excess of (expenditures over revenue) revenue over expenditures	225,476	(11,770)	213,706	(283,666)
Balance – End of year	2,202,173	6,406	2,208,579	1,994,873

See accompanying notes to the financial statements.

STATEMENT OF REVENUE AND EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
	$	$
Revenue		
Environmental handling charges	9,528,302	9,862,343
Investment income and other	19,169	59,135
Registration fees	4,000	2,600
Bad debt recovery	-	65,142
	9,551,4 71	9,989,220
Expenditures		
Program costs		
Return incentives and infrastructure development incentives	8,590,035	9,371,284
Communications and public relations	114,085	231,994
Management and administration contracts (note 9)	47,249	53,593
Compliance reviews	42,609	52,800
Legal fees (note 9)	6,092	17,926
Depot infrastructure	5,920	51,798
Consulting	-	33,925
	8,805,990	9,813,320
Administrative costs		
Management and administration contracts (note 9)	319,120	305,405
Office and general expenses	66,897	65,438
Board expenses	56,720	11,732
Financial audit fees	31,970	31,355
Legal fees (note 9)	23,990	14,713
Rent	21,308	21,119
Amortization	11,770	9,804
	531,775	459,566
	9,337,765	10,272,886
Excess of revenue over expenditures (expenditures over revenue)	213,706	(283,666)

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 $	2008 $
Cash provided by (used in)		
Operating activities		
Environmental handling charges	9,093,403	10,022,976
Other income	23,169	126,877
	9,116,572	10,149,853
Program activities		
Return incentives and infrastructure development incentives	(8,502,790)	(9,472,516)
Other program activities	(275,486)	(332,871)
Administration	(538,202)	(311,400)
	(9,316,478)	(10,116,787)
Investing activities		
Purchase of property and equipment	-	(20,306)
(Decrease) increase in cash	(199,906)	12,760
Cash – Beginning of year	934,418	921,658
Cash – End of year	734,512	934,418

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STAEMENTS

DECEMBER 31, 2009

1. Authority and purpose

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

2. Significant accounting policies

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

a) Property and equipment

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

Furniture and fixtures	5 years
Computer equipment	3 years
Leasehold improvements	Term of the lease

b) Revenue recognition
Environmental handling charge revenue is recognized when the lubricating oil material, filters and containers are first sold by a registrant.

c) Return incentives and infrastructure development incentives

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

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

d) Financial instruments

The Association's financial assets include cash and accounts receivable. Cash is classified as held-for-trading and is recorded at fair value with realized and unrealized gains and losses reported in the statement of revenue and expenditures for the period in which they arise. Accounts receivable is classified as loans and receivables and is accounted for at amortized cost using the effective interest rate method. Accounts receivable is initially recorded at fair value.

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

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

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

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

e) Allocated expenses

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

	2009 %	2008 %
Management and administration contracts		
Executive director contract		
Program costs	20	20
Administrative costs	80	80
Other contract staff		
Program costs	10	10
Administrative costs	90	90
Legal Fees		
Program costs	20	20
Administrative costs	80	80
(Unless legal services relate exclusively to a function)		

3. Change in accounting policies

a) Not-for-profit organizations
Effective January l, 2009, the Association adopted the following amendments to existing guidelines which are relevant to not-for-profit organizations from the Canadian Institute of Chartered Accountants Handbook ("CICA Handbook"):

CICA 4400 – *Financial Statement Presentation by not-for-profit organizations,*
CICA 4430 – *Capital Assets held by not-for-profit organizations,*
CICA 4460 – *Disclosure of Related Party Transactions by not-for-profit organizations,*
CICA 4470 – *Disclosure of Allocated Expenses by not-for-profit organizations,*
CICA 1540 – Cash *Flow Statements,* and
Emerging Issues Committee "EIC" 123 – *Reporting Revenue Gross as a Principal Versus Net as an Agent.*

Adoption of these accounting standards did not impact the financial statements except for disclosure of allocated expenses as required under CICA 4470 (notes 2(e) and 9).

The amendment to CICA 4400 – *Financial Statement Presentation by not-for-profit organizations* eliminates the requirement to separately disclose the amount of net assets invested in property and equipment. The Association has chosen to continue its current disclosure of investment in property and equipment.

b) Credit risk and fair value of financial assets and financial liabilities
In January 2009, the CICA issued EIC-173 – *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities,* which requires the Association to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. The accounting treatments provided in EIC-173 have been applied in the preparation of these financial statements and as required have been applied prospectively without restatement of prior periods. The adoption of this standard did not have an impact on the valuation of financial assets or liabilities.

c) Recent accounting pronouncement issued but not yet adopted
Effective January 1, 2010, the Association will be required to adopt the amendment to CICA 1506 – *"Accounting Changes"* which excludes from its scope, changes in accounting policies upon the complete replacement of any entity's primary basis of accounting. Adoption of this amendment to the standard is not expected to have a material impact on the Association's financial statements.

4. Credit line facility

The Association has a $400,000 operating line of credit arrangement. Interest is charged at the bank's prime lending rate plus 0.25% (2.5% as at December 31, 2009). A general security agreement and a general assignment of accounts receivable have been provided as collateral for any advances. At December 31, 2009, there was no amount drawn on the facility.

5. Property and equipment

			2009	2008
	Cost $	Accumulated amortization $	Net $	Net $
Furniture and fixtures	6,337	6,089	248	754
Computer equipment	25,508	23,660	1,848	4,494
Leasehold improvements	17,956	13,646	4,310	12,928
	49,801	43,395	6,406	18,176

6. Capital disclosures

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

The Association defines capital as net assets comprised of investment in property and equipment and unrestricted funds.

Since inception, the Association has primarily financed its liquidity through environmental handling charges, interest income from bank deposits and registration fees. The Association expects to continue to meet future requirements through this source.

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

7. Commitments

Under the terms of financial services and use agreements, the Association is charged a fee for provision of financial administration services of various staff to August 2010. In addition, under the terms of a service agreement expiring March 2012, the Association is charged a monthly rate for provision of professional and technical services. The Association has a lease for office space until June, 2010 for the current location. A new lease has been negotiated for a location starting in July 2010 and ending in June 2015. The estimated minimum annual payments required under these agreements are as follows:

	Contract services $	Facilities $	Total $
2010	280,205	12,544	292,749
2011	110,689	16,576	127,265
2012	33,253	16,971	50,224
2013	-	17,367	17,367
2014	-	17,762	17,762
Thereafter	-	8,980	8,980
	424,147	90,200	514,347

8. Ineligible containers

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

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

Based on studies performed by independent consultants in 2008, the Association has determined that the amount of ineligible containers is approximately 19% by weight.

9. Allocated expenses

For the year ended December 31, 2009, total expenses allocated between program costs and administrative costs were as follows:

	$
Management and administration contracts	
Executive director contract	104,335
Other contract staff	262,036
	366,371
Legal fees	30,083

10. Financial instrument

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

Credit risk

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

Interest risk

The Association's operating line of credit bears interest at variable rates. There were no amounts drawn down on this facility as at December 31, 2009. The Association does not use derivative instruments to reduce its exposure to this interest rate risk.

USED OIL

77%

RECOVERY

USED OIL FILTERS

90%

RECOVERY

USED OIL CONTAINERS

81%

RECOVERY

BCUOMA

British Columbia Used Oil
Management Association

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