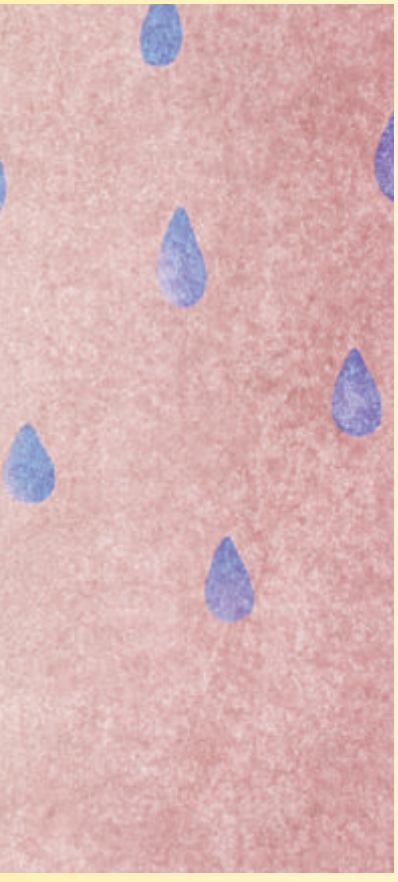
SOGHU
Société de gestion des huiles usagées

2013 ANNUAL REPORT

Table of Contents



SOGHU celebrates its ninth anniversary 4
Standard Flow Cycle of funds and products 5
SOGHU, getting better all the time 6
Scoreboard 8
SOGHU Members 10
SOGHU Committees 12
SOGHU Zones 14

Financial Statements

Independent Auditor's Report 15
Income 16
Changes in Net Assets 17
Balance Sheet 18
Cash Flow 19
Notes to Financial Statements 20

SOGHU celebrates its ninth anniversary

Since 2005, SOGHU, a private non-profit corporation, has managed, for all of Quebec, the recovery and reclamation of products subject to the Regulation respecting the recovery and reclamation of products by enterprises. Its member companies have elected a Board of Directors composed of representatives from different sectors, such as oil manufacturers, filter manufacturers, the petroleum industry, the automobile manufacturing industry, the antifreeze manufacturing industry, the cooperative sector, and major retailers, as well as a representative of RECYC-QUÉBEC and the chair of a vigilance committee. Today, SOGHU is easily recognized by its logo, which includes the five icons of the products for which it is responsible.

Collectors registered with SOGHU collect the designated products from the Generators and deliver them to the Processors, also registered with SOGHU, to give them a second life. Collectors and Processors registered with SOGHU must prove their activities are in compliance with the existing regulations. In addition, they are audited at least every four years.

Throughout Quebec, over 12,000 Generators (auto repair garages or industries) are served by a collection service, and more than 1,000 of them are registered as Collection Facilities, so that individuals or low-volume businesses can bring in the designated products free of charge. We thank them. We ask the people using this service to both respect the hours of operation and refrain from leaving products unattended outside business hours. This program rallies many volunteers (all GM and Toyota dealers, the Monsieur Muffler and Octo auto repair garages along with several private auto repair garages and municipalities), all of which are directly involved in improving the environment and providing better service to their respective clienteles.

Thanks to rigorous management and an exceptional partnership with the Collectors and Processors, SOGHU reports some of the best recovery rates and the lowest costs in Canada.

Recognized for its excellent management and its concern for providing its Members with an efficient high-performance system, SOGHU has been chosen by the Government of New Brunswick to manage that province's program. We anticipate that, within the next few years, the SOGHU approach will extend to all the Atlantic Provinces. A single Board of Directors, "SOGH***U***OMA" (Société de Gestion des Huiles Usagées de l'Atlantique/Atlantic Used Oil Management Association), is in place for the four Atlantic Provinces.

Given that one litre of oil can contaminate one million litres of water, SOGHU's motto is easy to understand: "Making every drop count".

Standard Flow Cycle of funds and products

MEMBERS

Brand Owners or Primary Importers or Suppliers who fund the system at $0.04 (since January 1st, 2013) per litre for applicable lubricating oils; $0.10 per litre for oil and antifreeze containers of 50 litres or less (antifreeze since July 1st, 2012); $0.17 per litre for non-metal or non-HDPE oil and antifreeze containers of 50 litres or less (since October 1st, 2013); $0.10 per litre of antifreeze mix; $0.16 per litre of antifreeze concentrate (antifreeze since July 1st, 2012); $0.35 (since January 1st, 2013) per filter of 8 inches or less (203 mm height); $0.85 (since January 1st, 2013) per filter of more than 8 inches (203 mm or more); $0.35 (since January 1st, 2013) per sump type filters for automatic transmissions and $0.25 per aerosol container

RECYC-QUÉBEC
Québec

SOGHU
Société de gestion des huiles usagées

PROCESSORS

Establishments that give a second life to products

COLLECTORS

Establishments that collect the products from Generators and receive subsidies from SOGHU (for additional information see page 14)

GENERATORS

Establishments that generate used products (garages, dealers, commercial, industrial and municipal sectors, forestry, agriculture, transporters, individuals)

COLLECTION FACILITIES

Establishments registered with SOGHU to receive from the public, at no cost to them, used oil products governed by the Regulation

PRODUCTS

$ FUNDS

SOGHU,
getting better all the time

In its first nine years of operation, SOGHU has been able to set worthy performance standards, thanks to the involvement and professionalism of all its partners (Members, Board of Directors, Collectors, Processors, Generators, Collection Facilities and Users who bring back the products of their own oil changes). This well-managed Association has permitted to reduce the environmental handling charges, introduce online remittance for its Members and in agreement with RECYC-QUÉBEC, limit the number of audits according to considerable volumes. Remarkably enough, these low costs go together with stable collection rates ranging from 85% to 90%.

SOGHU is offering an electronic system for Collectors

SOGHU is investing proactively and offering that Collectors use a new system that would reduce paperwork as well as the risk of errors when filling out incentive claims (which delay payments). It would also shorten the number of hours required to enter data, and significantly cut operating costs.

SOGHU is currently working on a system whereby truck drivers could enter their data electronically on a mobile device.

When the data is entered, the device will flag volume errors, indicate the client's location (so that the zone-appropriate incentive amount can be entered), and won't shut down if a signature is missing, etc.

The data will be sent immediately to the Collector's manager and SOGHU. An invoice can be printed on the spot and emailed to the Generator.

Our pilot projects are a positive proof of success. Collectors are excited by the benefits this system offers, and integration is gradually underway. There are many benefits for Collectors, as this system can also manage their non-SOGHU products without sending any information to SOGHU.

Original manufactured equipment containing designated materials

Since July 1st, 2013, SOGHU as well as the Western provinces have started to receive environmental handling charges on the manufactured products thanks to an excellent cooperation with the automobile and light-weight truck manufacturers associations as well as a remarkable cooperation with certain top name manufacturers in the transportation sector, heavy agricultural machinery sector and the construction industry.

In fact, many of our Members got involved in order to put in place a fairly simple system to quantify the oil, filter and antifreeze volumes that are marketed annually and ease the payment of environmental handling charges.

The Atlantic Provinces have formed a Board of Directors: SOGH*U*OMA

Over the past year, SOGHU also worked with the New Brunswick Environmental Ministry and Recycle New Brunswick in order to prepare the implementation of SOGH*U*OMA NB.

The objective was a start date of the new organization on January 1st, 2014. All partners (Members, Collectors, Processors) were approached and asked to contribute to the establishment of the first Board of Directors representing the four provinces. It goes without saying that the financing as well as the Collector's rates will be calculated by province. The Collectors were involved to determine zones and rates for each zone and each product.

Following in the footsteps of New Brunswick, Newfoundland and Prince Edward Island should join SOGH*U*OMA in the course of 2014. Nova Scotia is also initiating procedures to implement a regulation.

SOGHU's board members and staff are very proud of all the projects developed during this ninth year of operations and the results achieved. An approach based on exceptional win-win partnerships between SOGHU, Collectors, Processors, Generators and Municipalities remains valid and is enhanced by the excellent work all the partners have done during the past year. Also we would like to thank RECYC-QUÉBEC for its excellent cooperation with SOGHU.

To conclude, we believe our program is a model of sustainable development, keeping a perfect balance between business needs and those of civil society.

Carol Montreuil
Chairman of the Board

Gilles Goddard
General Manager

1ST ROW > Mr. Benoit Camirand – Mr. Maxime Rivet – Mr. Serge Ouellette – Mr. Jean-François Lacasse – Mr. Carol Montreuil, Chairman. – Mr. Gilles Goddard, G.M. – Mr. Michael Paul – Mr. François Gingras – Mr. Paul Granda
2ND ROW > Mr. Laurent Gagnon – Mr. Paul Lefebvre – Mr. Alain Gariépy – Mr. Guy Bélanger – Mr. Raymond Savard – Mr. L. Pierre Comtois
ABSENT > Mr. Roch Cousineau – Mr. Robert Huberdeau – Mr. Pierre-Yves Larose – Mr. Luc Lortie

Scoreboard

Summary of Sales and Collections for 2013

Products	Sales	Collectable	Reused 5%	Collected	Collection Rate (%)	Objective R-Q
Oils (litres)	96,879,867	70,625,423[1]		64,785,138	91.7%	75.0%
Filters (units)	9,677,444	9,677,444		7,665,067	79.2%	75.0%
Filters (kg)	3,636,995[2]	3,636,995		2,880,700[3]	79.2%	75.0%
Oil Containers (litres)	36,687,846	36,687,846	1,834,392[4]	36,415,283[5]	99.3%	75.0%
Oil Containers (kg)	1,863,983	1,863,983	93,199[4]	1,850,135[5]	99.3%	75.0%
Aerosol lubricant (kg)	233,824	233,824		96,004	41.1%	75.0%
Aerosol brake cleaner (kg)	267,685	267,685		112,701	42.1%	25.0%†
Antifreeze (litres)	13,262,856	5,968,285[6]		1,523,638	25.5%	25.0%†
Antifreeze Containers (litres)	5,715,365	5,715,365		1,358,594[7]	23.8%	25.0%†
Antifreeze Containers (kg)	249,461	249,461[4]		59,299	23.8%	25.0%†

	Oils			Filters			Containers		
	RI	In litres	%	RI	In Kg	%	RI	Oil	%
Zone 1	$0.03	31,394,073	48.46%	$0.65	1,410,607	48.97%	$1.27	657,589	35.54%
Zone 2	$0.04	7,508,930	11.59%	$0.65	337,742	11.72%	$1.70	149,926	8.10%
Zone 3	$0.07	9,253,241	14.28%	$0.80	488,501	16.96%	$1.95	287,462	15.54%
Zone 4	$0.07	3,011,774	4.65%	$0.82	166,749	5.79%	$1.95	174,916	9.45%
Zone 5	$0.07	3,116,069	4.81%	$0.85	126,022	4.37%	$2.25	118,549	6.41%
Zone 6	$0.09	2,499,192	3.86%	$0.90	128,527	4.46%	$2.33	85,581	4.63%
Zone 7	$0.07	2,746,328	4.24%	$0.90	86,682	3.01%	$2.33	136,182	7.36%
Zone 8	$0.10	2,417,788	3.73%	$0.95	54,260	1.88%	$2.55	57,598	3.11%
Zone 9	$0.10	1,164,547	1.80%	$0.95	19,068	0.66%	$2.55	44,328	2.40%
Zone 10*	$0.28*	350,884	0.54%	$1.35	4,945	0.17%	$5.25	3,636	0.20%
Zone 11**	$0.28**	741,680	1.14%	$1.50	46,292	1.61%	$5.25	28,521	1.54%
Zone 12***	$0.20	580,632	0.90%	$0.55	11,304	0.39%	$1.20	105,846	5.72%
Total	$0.05	64,785,138	100.00%	$1.11	2,880,699	100.00%	$1.47	1,850,135	100.00%

ZONE LEGEND

Zone 1: Montréal
Zone 2: Québec
Zone 3: Centre-du-Québec
Zone 4: Outaouais – Laurentides
Zone 5: Saguenay–Lac-Saint-Jean
Zone 6: Bas-Saint-Laurent – Gaspésie
Zone 7: Abitibi
Zone 8: Côte-Nord
Zone 9: Nord-du-Québec
Zone 10: Îles-de-la-Madeleine
Zone 11: Nord du Nord-Québec, Basse-Côte-Nord, Île d'Anticosti
Zone 12: Municipal

RATINGS LEGEND

1 - 72.9% of oils are recyclable
2 - Average weight of filters marketed
< 8" = 0.31487 kg and > 8" = 1.11053 kg
3 - Actual collections X 0.66
0.66 = Actual weight of crushed filters
4 - 5% of containers are reused
according to a study dated March 25, 2008
5 - 93.6% of containers collected = lubricants,
which gives a recovery rate of 84.1%
6 - 45% of antifreeze is recyclable
7 - Actual collections X 3.0%
Antifreeze containers only
8 - Decontamination oil containers = $573,053
Decontamination antifreeze containers =
$17,723

BREAKDOWN: As of December 31, 2013

Members	269
Collectors	24
Processors	61
Internal Collectors	4

Products	EHC	RI	Net Difference	Average RI per quantity collected		
Oils $$	3,881,321	3,501,611	379,710	0.054	$0.054 L	
Filters $$	3,762,204	3,207,215	554,988	0.418	$0.418 un.	$1.11 kg
Oils containers $$	4,484,472	4,175,553	308,918	0.115	$0.115 un.	$2.26 kg
Decontamination $$	0	590,776[8]	(590,776)	0.016	$0.016 un.	$0.30 kg
Antifreeze $$	1,216,065	302,417	913,649	0.198	$0.198 L	
Antifreeze containers $$	571,537	129,141	442,396	0.095	$0.095 un.	$2.18 kg
	13,915,598	11,906,713	2,008,885			

Containers				Antifreeze		
Antifreeze	%	Total Kg	%	Rate	In litres	%
710,693	18.46%	1,368,282	35.54%	$0.16	841,975	55.26%
162,033	4.21%	311,960	8.10%	$0.18	200,965	13.19%
310,676	8.07%	598,139	15.54%	$0.23	256,285	16.82%
189,041	4.91%	363,957	9.45%	$0.23	65,565	4.30%
128,122	3.33%	246,671	6.41%	$0.30	45,770	3.00%
92,492	2.40%	178,073	4.63%	$0.34	36,634	2.40%
147,179	3.82%	283,361	7.36%	$0.32	31,524	2.07%
62,250	1.62%	119,848	3.11%	$0.45	20,186	1.32%
47,908	1.24%	92,236	2.40%	$0.45	4,470	0.29%
3,930	0.10%	7,565	0.20%	$0.50	0	0.00%
30,824	0.80%	59,346	1.54%	$0.50	8,825	0.58%
114,394	2.97%	220,240	5.72%	$0.50	11,438	0.75%
1,999,542	51.94%	3,849,677	100%	$0.20	1,523,637	100.00%

Collection Facilities		
Commercial	Municipal	Total
175	97	272
59	55	114
106	141	247
23	77	100
30	20	50
44	76	120
18	34	52
13	21	34
3	2	5
6	0	6
0	2	2
0	0	0
477	525	1,002

* Note: For zone 10, Îles-de-la-Madeleine, a special transportation RI of $ 0.18 per litre is allowed for used oils and used antifreeze (antifreeze starting July 1st, 2012) carried to the mainland.

** Note: For zone 11, Basse-Côte-Nord and Île d'Anticosti, a special transportation RI of $0.28 per litre is allowed for all unprocessed used oils and used antifreeze (antifreeze starting July 1st, 2012) in zone 11.

*** Note: Zone 12 is privileged from a particular functioning following a contract with Laurentide re/sources for a specific service to municipalities.

† These rates will be applicable in 2015.

Note: This information is based on remittances received and RIs paid up to March 20, 2014. These figures can change if additional remittances and incentives are added to this period.

SOGHU **Members**

3M Canada Company
9169-1931 Québec Inc. (VAG Motorsport)
9189-0731 Québec Inc. / Envirolin Canada
ABB Inc. (Québec)
Acklands-Grainger Inc.
ADF Diesel Montréal Inc.
Aerochem Inc.
Affinia Canada ULC
AGCO Corporation
Agnico-Eagle Mines Ltd, Division Meadowbank
ALFA Services Conseils Inc.
Altrom Canada Corp.
American Grease Stick Co.
Amsoil Inc.
Antirouille Métropolitain
April Super Flo
Arctic Cat Sales Inc.
Armored Autogroup Canada ULC
Asalco Inc.
Atelier HP Ltée
Atelier PV Hydraulique (2004) Inc.
Atlas Copco Compressors Canada
Auto Master Supplies King Inc.
Auto Modena Inc.
Auto-Camping Ltd
Autolectra Inc.
Auto-Moto Canada Inc.
Aviall Canada Ltd
AvJet Holding Inc.
Baldwin Filters Inc.
Baldwin Filters Inc. (DBA Hastings Filters)
BASF Canada Inc.
Beck/Arnley Worldparts, Inc.
Benson Group Inc.
BestBuy Distributors Ltd
Black Dog Lubricants Ltd
Blue Water Agencies Ltd
Bluewave Energy
BMW Canada Inc.
Bosch Rexroth Canada Corporation
BP Lubricants USA Inc.
Bronswerk Marine Inc.
BRP
Busch Vacuum Technics Inc.
Camions Freightliner Rivière-du-Loup Inc.
Campbellton Auto Supply
Canadian General Filters Limited
Canadian Kawasaki Motors Inc.
Canadian Pacific Railway
Carquest Canada Ltd
Castrol Industrial North America Inc.
Centre du Camion J.L. Inc.
Centre Hydraulique Hydrep Inc.
Chalifour Canada
Champion Laboratories Inc.
Chauffage Premier Inc.
Chem-Ecol Ltd
Chevron Canada Limited
Chicago Pneumatic Tool Company Canada LTD
Chrysler Canada Inc.
CNH America LLC.
COMAIRCO LTEE
Compresseurs Québec Div. Inter-Power A.K. Corp.
Control Chemical (1989) Corporation
Contrôle-air Compresseur 2010 Inc.
Cool Distribution Inc.
Costco Wholesale Canada Ltd.
CPT Canada Power Technology Limited
CRC Canada Inc.
Cummins Est du Canada SEC
D.A.S. Distributors, Inc.
D.D. Distributions Lubrifiants Inc.
Daimler Trucks North America LLC
Denis Gauvin inc.
Distribution M.C. Opéré par 9222-2850 Québec Inc.
Distributions J. Pilon enr.
Echo Power Equipment (Canada)
ECL Services Inc.
Elso Ltée/Ltd
Empack Spraytech Inc.
Engrenage Provincial Inc.
ENI USA R&M CO. INC
Entrepôt de Montréal 1470 Inc.
Entreprises Électriques Nadco Inc.
Équipement SMS Inc.
Équipements E.M.U. Ltée
Équipements Lourds Papineau Inc.
Fastenal Canada Ltd
Federated Co-operatives Limited
Ford Motor Company of Canada Ltd
For-Min Div. DK Spec Inc.
FRAM Group (Canada) Inc.
Fred Deeley Imports Ltd
Fuchs Lubricants Canada Ltd.
Fullbore Marketing Ltd
G.F. Thompson Company Limited
G.K. Industries Ltd.
Gamma Sales Inc.
Garage Guy Audet
Garage R. Nadeau
Gates Canada Inc.
Gauvin Équipement Inc.
GEA Farm Technologies Inc
General Electric Canada - Transportation Systems
General Motors du Canada Limitée
Gilles Cusson Inc.
Granby Industries Limited Partnership
Grenier Poulin Inc.
Groupe BMR Inc.
Hall-Chem MFG Inc.
Hangsterfer's Laboratories Incorporated
Henkel Canada Corporation
Hewitt Équipement Limitée
Home Depot of Canada Inc.
Home Hardware Stores Limited
Honda Canada Inc.
Houghton Canada Inc.
Hudson's Bay Co.
Husqvarna Canada Corp.
Hydralogie Inc.
Hydromec Inc.
Hyundai Auto Canada Corp.
Importations Thibault Ltée
Inter Outaouais Inc.
Irving Blending & Packaging
J. Walter Compagnie Ltée
Jacques Larochelle Inc.
Jaguar Land Rover Canada ULC
John Deere Canada ULC
Jonjo Transport Refrigeration Ltd / Thermo King Montréal
Kaeser Compresseurs Canada Inc.
Kia Canada Inc.

Kimpex Inc.
King-O-Matic Industries Limited
Kleen-Flo Tumbler Industries Limited
Krown Corporate
Kubota Canada Ltd
La Coop fédérée
Laboratoires St-Antoine Inc.
Le Groupe GLM Inc.
Le Groupe Harnois Inc.
Leader Auto Ressources LAR Inc.
Les Distributions Automont Inc.
Les Distributions R.V.I. Ltée
Les Entreprises Ethier Hi-Tech Inc.
Les Équipements Industriels IBS Inc.
Les Industries Gotham inc.
Les Industries Spectra / Premium Inc.
Les Industries Wajax Limitée
Les Industries Zeroflo Ltée
Les Lubrifiants Sentinel Corp.
Les Pétroles R.L. Inc.
Les Pétroles Sonic (Coopérative Fédérée de Québec)
Les Pièces d'Auto T.D.G. Inc.
Les Pièces d'Auto Transbec Inc.
Les Pièces d'Auto Transit Inc.
Les Pièces de Transmission Unitrans Ltée
Les Services Maintech
Loblaws Inc.
Lubri-Expert Inc.
Lubrifiants et Produits Spécialisés Kenbec Inc.
Lubrifiants Petro-Canada inc.
Lubrification Québec Inc.
Lubri-Lab Inc.
Lucas Oil Products
M & M Fournels Corp. Ltd
MacEWEN PETROLEUM INC.
Machinerie R. Gagnon inc.
Magnéto Hydraulique et Pneumatique
Malmberg Truck Trailer Equipment Ltd
Matech BTA Inc.
Maxim Transportation Services Inc.
Mazda Canada Inc.
MCS-Servo Inc.
Mechanick Pieces d'Autos (144597 Canada Inc.)
Mercedes-Benz Canada Inc.
MFTA Canada Inc.
Milacron Canada, division of Milacron Canada Corp
Mitsubishi Motor Sales of Canada
Modern Sales Co-op
Montreal 4 Cylindres – Pièces Inc.
Motion Industries (Canada) Inc.
Motor Coach Industries Limited
Motovan Corporation
MSC Industrial Supply Co. / Barnes Distribution
National Energy Equipment Inc.
National Pneumatic Inc.
Navistar Canada, Inc.
Nissan Canada Inc.
NLS Products
Oto-Protec Inc.
Paccar Parts, A Division of Paccar of Canada, Ltd
Para-Performance Inc.
Parker Hannifin Canada
Parts Canada
Permatex Canada
Pétroles Petro-Canada 6989641 Canada Inc.
Pétrolière Impériale
Philippe Gosselin & Associés Limitée
Pièces D'Auto Carluce Inc.
Pièces d'Auto J.L. Ltée
Pièces d'Auto Ultra Chateauguay Inc.
Pièces d'Autos Jean Leblanc
Pièces de Camion de la Beauce Inc.
Polaris Industries Ltd
Porsche Cars Canada Ltd
Prévost, une division de Groupe Volvo Canada Inc.
PRINOTH LTD
Produits Automobiles Laurentide inc.
Produits Chimiques Magnus Ltée
Produits Industriels Kara Inc.
Produits Lubri-Delta Inc.
Produits Shell Canada Limitée
Prolab Technolub Inc.
Radiator Specialty Company of Canada Ltd
Recochem Inc.
Recyclage Ramtech Inc.
Regional Automotive Warehousing Ltd
Réseau C.B. (Div. Canadian Bearings)
Ridge Tool Company
Robco Inc.
Robert Bosch Inc.
Rona inc.
Safety-Kleen Canada inc.
SC CLS Holdings ULC
Sears Canada Inc.
Service de Filtres Sefor Inc.
Shoreline Lube Distribution Inc.
Siemens Transformateurs Canada Inc.
Sinto Inc.
Southwestern Petroleum Canada Ltd
Spécialités Hipertech Inc.
State Industrial Products
STIHL Limited
Subaru Canada Inc.
Suzuki Canada Inc.
Systèmes de Distribution Intégrés LP Div Detroit Diesel Allison Canada East (1995)
Target Canada Co.
TEC Automotive Industries Inc.
Technologies de procédé WARCO
Teklub Canada Ltée
Texas Refinery Corp. of Canada Limited
The North West Company Inc.
The Sherwin-Williams Co.
Thermal-Lube Inc.
Total Canada Inc.
Toyota Canada Inc.
Transformateurs Pioneer Ltée
TruServ Canada Inc.
Turf Care Products Canada Limited
UAP Inc.
Uni-Sélect Québec Inc.
Valley Napa Auto Parts
Valvoline Canada Ltd
Verco International Inc.
Vermeer Canada Inc.
Viscosity Oil Company
Volkswagen Canada Inc.
Volvo Cars of Canada Corp.
Volvo Group Canada Inc.
Wainbee Limited
Wajax Industrial Components Ltd
Wakefield Canada Inc.
Wal-Mart Canada Corp.
WD-40 Company (Canada) Ltd
Westpier Marine & Industrial Supply Inc.
Worldpac Canada Inc.
Wurth Canada Limitée
Yamaha Motor Canada Ltd

SOGHU Committees

SOGHU'S BOARD OF DIRECTORS

Affinia Canada ULC	Serge Ouellette
Association canadienne des constructeurs de véhicules (ACCV)	L. Pierre Comtois
Beck/Arnley (Division Uni-Select)	Raymond Savard
Costco Wholesale Canada Ltd	Luc Lortie
Association canadienne des carburants	Carol Montreuil
La Coop fédérée	François Gingras
Lubrifiants Chevron Canada inc.	Pierre-Yves Larose
Pétrolière Impériale	Jean-François Lacasse
Produits Shell Canada Limitée	Guy Bélanger
Recochem inc.	Paul Lefebvre
Robert Bosch Inc.	Roch Cousineau
Produits Automobiles Laurentide inc.	Alain Gariépy
Total Canada inc.	Benoit Camirand
Valvoline Canada Limitée	Michael Paul
Wakefield Canada Inc.	Robert Huberdeau
RECYC-QUÉBEC	Maxime Rivet
Awareness Committee President	Laurent Gagnon
General Manager	Gilles Goddard
Legal Advisor, Sheahan & Associés, s.e.n.c.	Paul Granda

LEGAL ADVISOR

Sheahan & Associés, s.e.n.c.

SOGHU'S AWARENESS COMMITTEE

CAA-Québec	Jacques Maheu
Campor Environnement inc.	Laurent Gagnon
Conseil québécois du commerce de détail	Françoise Paquet
Front commun québécois pour une gestion écologique des déchets	Karel Ménard
Ministère du Développement durable, de l'Environnement et des Parcs	Nicolas Boisselle
Union des municipalités du Québec	Carl Bégin
RECYC-QUÉBEC	Maxime Rivet
SOGHU'S General Manager	Gilles Goddard

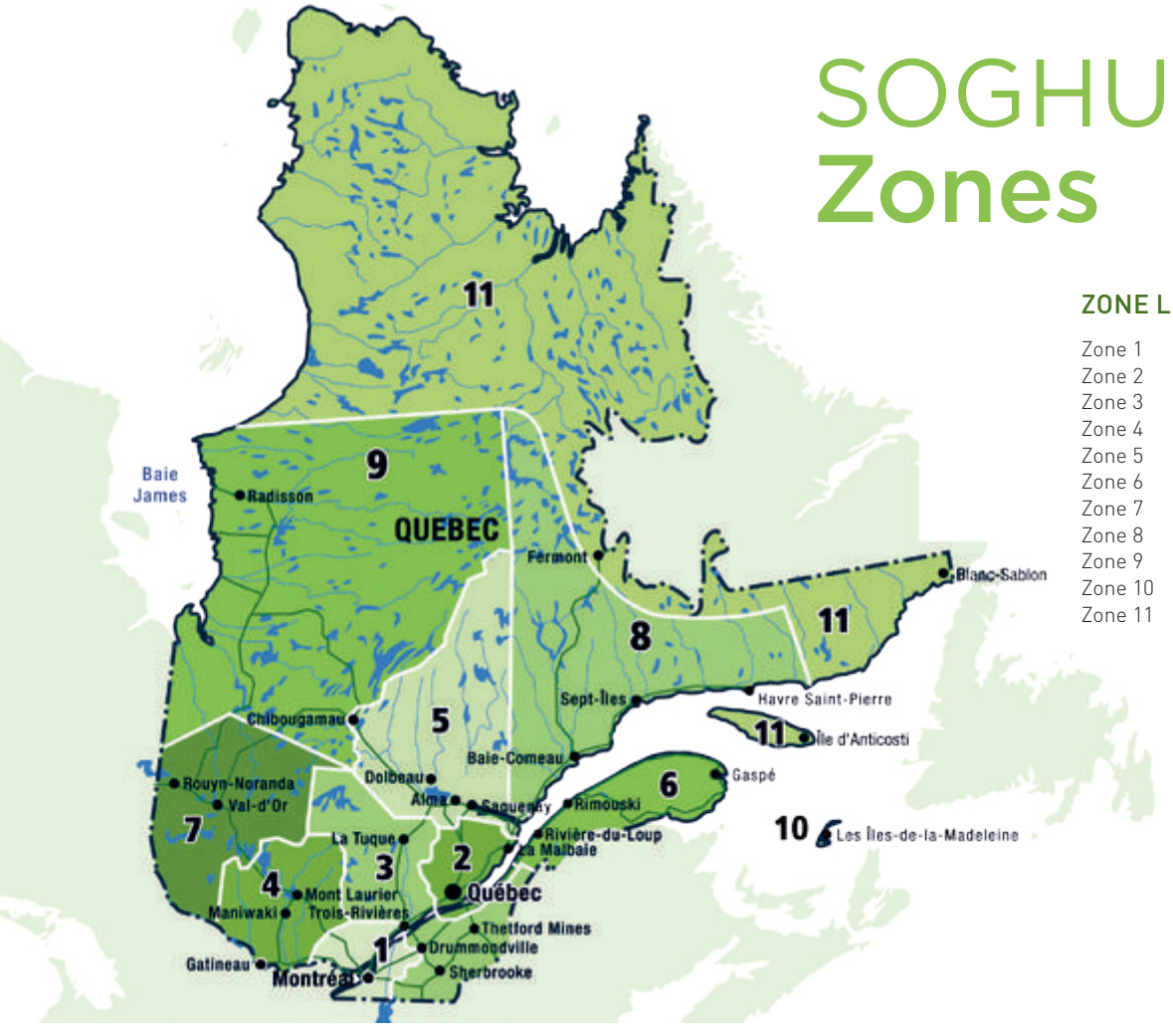
EMPLOYEES AND CONSULTANTS

Gilles Goddard	General Manager
Diane Caron	Assistant to the General Manager
Magalie Morrissette, CPA, CMA	Controller
Carmen Mensher	Accounting Manager
Kim DeMaisonneuve	Administrative Assistant
Joël Ouimet	Field Inspector

AUDITORS

LEHOUX BOIVIN COMPTABLES AGRÉÉS SENC
4255, boul. Lapinière, bureau 300, Brossard (Québec) J4Z 0C7

SOGHU Zones



ZONE LEGEND

Zone 1	Montréal
Zone 2	Québec
Zone 3	Centre du Québec
Zone 4	Outaouais – Laurentides
Zone 5	Saguenay—Lac-Saint-Jean
Zone 6	Bas-Saint-Laurent – Gaspésie
Zone 7	Abitibi
Zone 8	Côte-Nord
Zone 9	Nord-du-Québec
Zone 10	Les Îles-de-la-Madeleine
Zone 11	Nord du Nord-Québec Basse-Côte-Nord Île d'Anticosti

Subsidy Table

ZONE	USED OIL ($/litre)	USED ANTIFREEZE (45-55) ($/litre) (Starting July 1st, 2012)	USED FILTERS ($/kg)	USED OIL AND USED ANTIFREEZE CONTAINERS ($/kg) (Rates as of February 1st, 2008 and used antifreeze containers starting July 1st, 2012)	AEROSOL ($/kg) (as of August 2006)
1	0.03	0.16	0.65	1.27	3.67
2	0.04	0.18	0.65	1.70	3.67
3	0.07	0.23	0.80	1.95	3.84
4	0.07	0.23	0.82	1.95	3.84
5	0.07	0.30	0.85	2.25	3.87
6	0.09	0.34	0.90	2.33	3.92
7	0.07	0.32	0.90	2.33	3.97
8	0.10	0.45	0.95	2.55	3.97
9	0.10	0.45	0.95	2.55	3.97
10[1]	0.10	0.50	1.35	5.25	4.37
11[2] (Boundary post to zone 11 as of January 1st, 2012)	0.10	0.50	1.50	5.25	4.37
12[3] Municipal	0.20	0.50	0.55	1.20	0.55

Note 1: For zone 10, Les Îles-de-la-Madeleine, a special transportation return incentive of $0.18 per litre is allowed for used oils and used antifreeze (antifreeze starting July 1st, 2012) carried to the mainland.

Note 2: For zone 11, Basse-Côte-Nord and Île d'Anticositi, a special transportation return incentive of $0.28 per litre is allowed for all unprocessed used oils and used antifreeze (antifreeze starting July 1st, 2012) in zone 11.

List of cities for zone 11: Blanc-Sablon, Brador, Chevery, Harrington Harbourg, Kegaska, La Romaine, La Tabatière, Lourdes-de-Blanc-Sablon, Middle Bay, Mutton Bay, Old Fort Bay, Pakua Shipi, Port Menier (Île d'Anticosti), Saint-Augustin, St-Paul's River, Tête-à-la-Baleine.

Note 3: Zone 12 is privileged from a particular functioning following a contract with Laurentide re/sources for a specific service to municipalities.

NOTE: For information concerning RI rates for Internal Collectors Processors, please contact SOGHU.

Independent Auditor's **Report**

TO THE MEMBERS OF SOCIÉTÉ DE GESTION DES HUILES USAGÉES (SOGHU)

We have audited the accompanying financial statements of the **SOCIÉTÉ DE GESTION DES HUILES USAGÉES (SOGHU)**, which comprise the balance sheet as at **December 31, 2013** and the statements of income, changes in net assets and cash flow 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.

Auditor's 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 auditor's 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 entity'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 entity internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accouting 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **SOCIÉTÉ DE GESTION DES HUILES USAGÉES (SOGHU)** as at **December 31, 2013**, 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.

Lehoux Boivin
Brossard, April 7, 2014

CPA auditor, CGA, public accountancy permit No A127955

Income

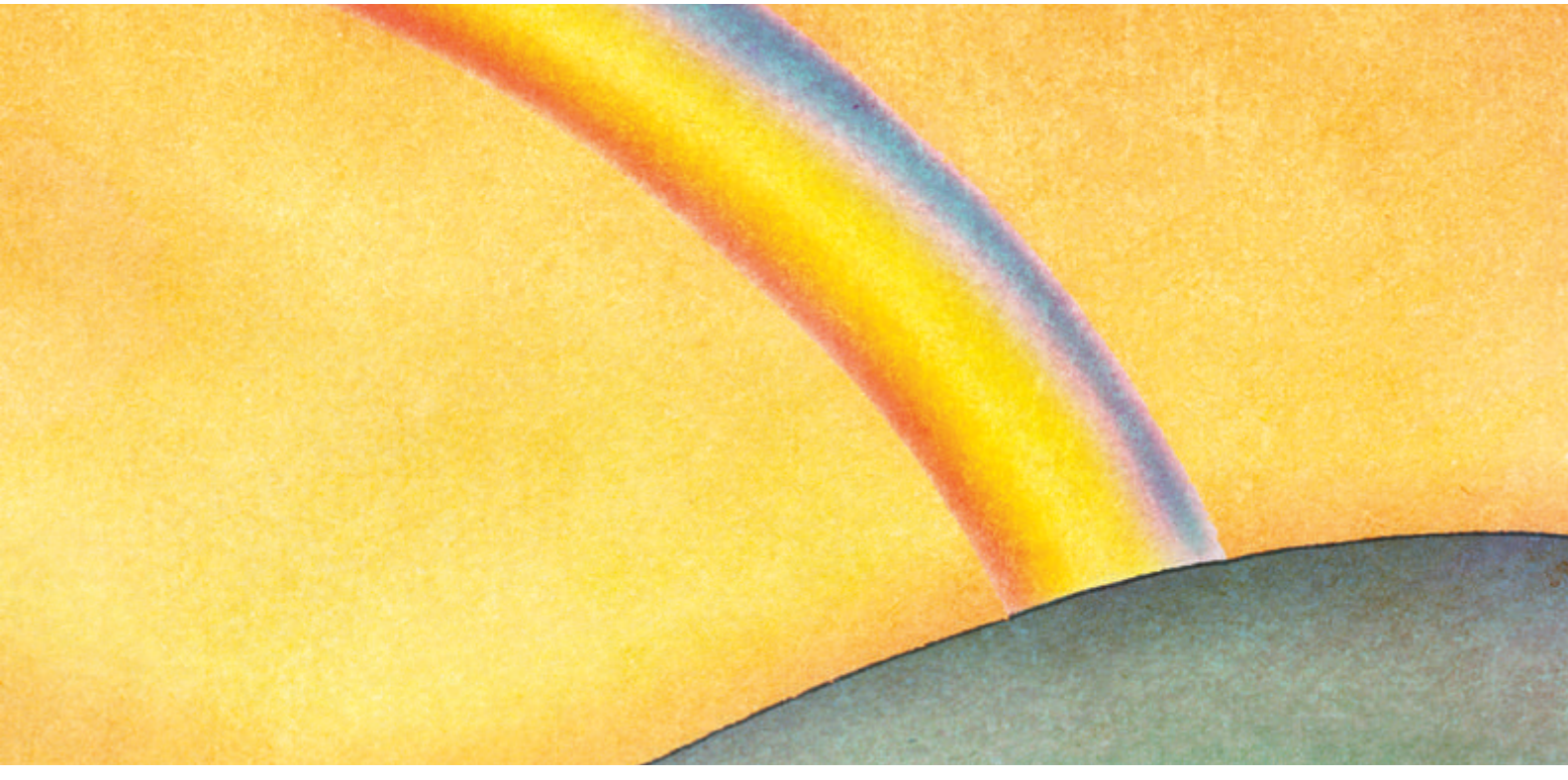
FOR THE YEAR ENDED DECEMBER 31, 2013	2013 $	2012 $
REVENUES		
Environmental Handling Charges	**13,863,325**	13,730,626
Transfer to Eco Peinture (aerosol)	**87,477**	118,970
Registration and renewal	**9,200**	8,000
Interest	**361,567**	359,881
Support of RECYC-QUÉBEC to the advertising and communications expenses	**–**	39,676
Support of RECYC-QUÉBEC to the container segregation and studies	**–**	58,118
	14,321,569	14,315,271
EXPENSES		
Program		
Return incentives	**11,297,764**	10,459,291
Process incentives	**590,776**	594,709
Collection facilities incentives	**30,970**	50,053
Transfer to Eco Peinture (aerosol)	**87,477**	118,970
Container segregation	**61,027**	53,170
Advertising and communications	**337,232**	449,806
Contribution to RECYC-QUÉBEC	**127,913**	296,943
Legal fees	**8,487**	50,862
Salaries, fringe benefits and management and administration contracts	**306,927**	250,071
Office and general expenses	**63,653**	56,211
Consulting fees	**4,921**	80,800
Compliance reviews and audits	**172,027**	108,170
Depreciation – fixed assets	**22,800**	26,280
	13,111,974	12,595,336
Administration		
Office and general expenses	**200,147**	145,230
Legal fees	**19,057**	11,184
Rent	**27,900**	27,900
Salaries, fringe benefits and management and administration contracts	**246,383**	239,973
Professional fees	**20,844**	12,075
Depreciation – fixed assets	**5,010**	8,807
	519,341	445,169
	13,631,315	13,040,505
EXCESS OF REVENUE OVER EXPENSES	**690,254**	1,274,766

The accompanying notes are an integral part of the financial statements

Changes in Net Assets

FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Reserve Fund	Invested in Fixed Assets	2013 $	2012 $
BALANCE, BEGINNING OF YEAR	2,703,280	10,200,000	48,867	**12,952,147**	11,677,381
Excess (deficiency) of revenue over expenses	718,064	–	(27,810)	**690,254**	1,274,766
Investment in fixed assets	(92,297)	–	92,297	**–**	–
BALANCE, END OF YEAR	3,329,047	10,200,000	113,354	**13,642,401**	12,952,147



The accompanying notes are an integral part of the financial statements

Balance Sheet

AT DECEMBER 31, 2013	2013 $	2012 $
ASSETS		
Current Assets		
Cash	**676,697**	715,696
Accounts receivable (Note 3)	**4,397,081**	3,957,191
Advances to an organization, SOGHUOMA, without interest	**96,380**	–
Prepaid expenses	**6,371**	2,675
Current portion of investments	**1,100,000**	800,000
	6,276,529	5,475,562
Investments (Note 4)	**9,114,850**	9,400,000
Fixed Assets (Note 5)	**113,354**	48,867
	15,504,733	14,924,429
LIABILITIES		
Current Liabilities		
Accounts payable (Note 6)	**1,862,332**	1,972,282
NET ASSETS	**13,642,401**	12,952,147
	15,504,733	14,924 429

The accompanying notes are an integral part of the financial statements

On behalf of the Board:

Mr. Carol Montreuil, Director

Mr. Robert Huberdeau, Director

Cash **Flow**

FOR THE YEAR ENDED DECEMBER 31, 2013	2013 $	2012 $
OPERATING ACTIVITIES		
Cash receipts – members	**13,446,998**	13,453,947
Cash receipts – interest and others	**434,681**	343,259
Cash paid – suppliers and employees	**(13,717,151)**	(12,953,341)
	164,528	843,865
INVESTING ACTIVITIES		
Acquisition of investments	**(814,850)**	(2,500,000)
Cashing of investments	**800,000**	1,500,000
Acquisition of fixed assets	**(92,297)**	(19,170)
Advances to an organization, SOGHUOMA, without interest	**(96,380)**	
	(203,527)	(1,019,170)
DECREASE IN CASH AND CASH EQUIVALENTS	**(38,999)**	(175,305)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**715,696**	891,001
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**676,697**	715,696

The accompanying notes are an integral part of the financial statements

Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2013

1. STATUTES AND NATURE OF ACTIVITIES

The organization is incorporated under Part III of Quebec Companies Act. According to the Federal and Provincial Income Tax Acts, it is a non-profit organization and is therefore exempt from income taxes.

According to the terms of a consent agreement with RECYC-QUÉBEC, the company has the mandate to establish and manage a program for recovery and reclamation of used oils and antifreeze, oil or fluid containers and used filters.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) and include the following significant accouting policies:

Use of Estimates

The preparation of these financial statements, in accordance with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the current period. Actual information could differ from that determined based on these estimates and assumptions. These estimates are reviewed periodically and adjustments are made to income in the year they become known.

Return Incentives

Return incentives expenses are recognized when the lubricating oil and antifreeze and/or containers and filters are collected by a SOGHU registered Collector.

Processing Incentives

Processing incentive expenses are recognized when the lubricating oil containers are processed by a SOGHU registered Processor.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Measurement of financial instruments
The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. They are subsequently measured at amortized cost, except for other investments and advances from shareholders, which are measured at cost and investments in quoted shares which are measured at fair value. Changes in fair value are recognized in net income.

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 net income. 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 net income.

Cash and Cash Equivalents

Cash and cash equivalents include cash and other highly liquid financial instruments with maturities of three months or less from date of purchase. Term deposits with maturities exceeding three months from date of purchase are not included in cash and cash equivalents. They are considered as an investing activity.

Investments

Investments are accounted for at market value.

Revenue Recognition

Revenue from Environmental Handling Charges are recognized when the lubricating oil and/or oil containers and oil filters are sold by members, based on their remittance forms, except for revenue from prior years received in the current year following a new registration, because Environmental Handling Charges must be remitted retroactively from seven years, and for additional revenue determined following a compliance review. These Environmental Handling Charges are recognized in the year during which they are determined.

Notes
to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Fixed assets are accounted for at cost and depreciation on the basis of their useful life using the following method and rates.

Computer hardware	33%
Computer software	33%
Collection equipment	20%
Furniture and fixtures	20%

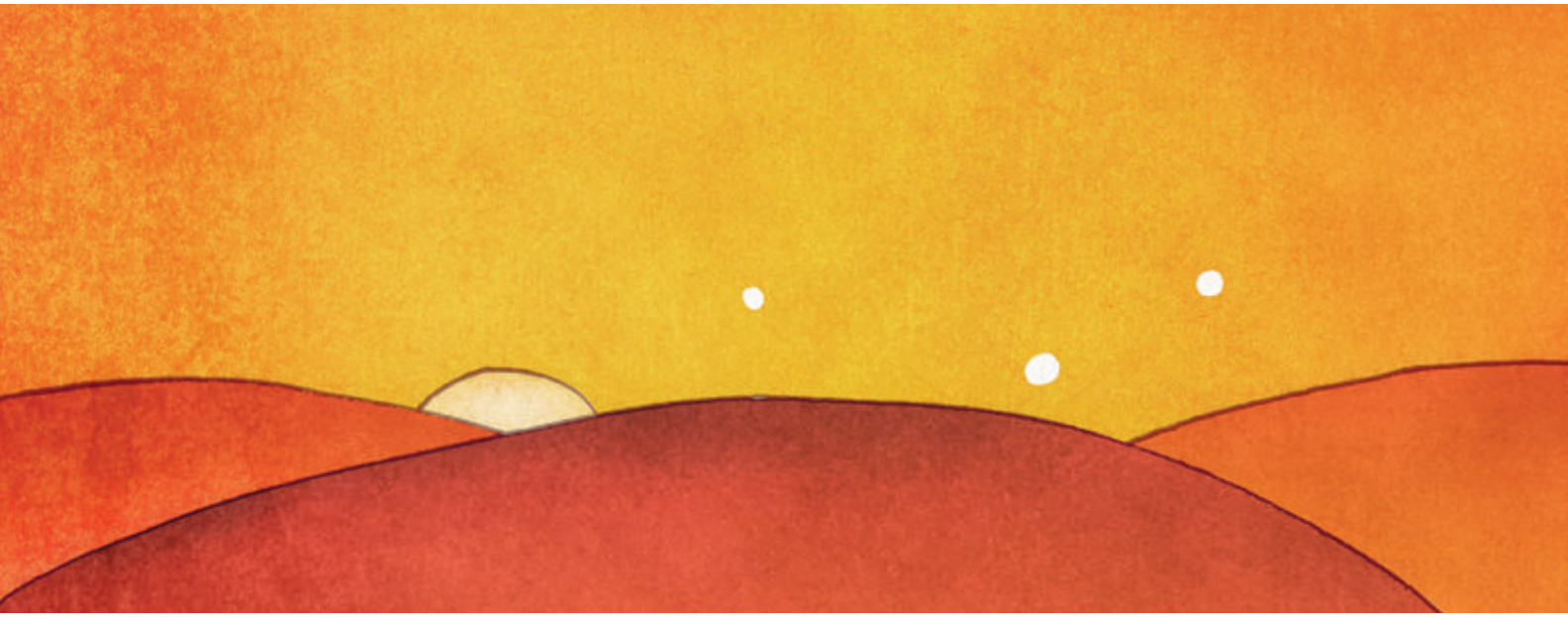
Expense allocation

The Society displayed its expenses by functions.

Salaries, fringe benefits and management and administration contracts shared by program and administration functions are allocated proportionaly to hours spent as follow:

	Program	Administration
Management and administration contracts – manager	70%	30%
Salaries, fringe benefits and management and administration contracts	from 10% to 50%	from 50 % to 90%

Legal fees which are not specifically allocated to the program or administration are allocated on 20% to legal fees – program and 80% to legal fees – administration.



3. ACCOUNTS RECEIVABLE

	2013 $	2012 $
Accounts receivable	**4,172,882**	3,659,878
Sales taxes receivable	**18,572**	95,616
Accrued interest receivable	**205,627**	201,697
	4,397,081	3,957,191

4. INVESTMENTS

	2013 $	2012 $
Term deposits, bearing interest at rate from 2.6% to 3.8%, maturing from July 2014 to February 2018	**10,214,850**	10,200,000
Current portion of investments	**1,100,000**	800,000
	9,114,850	9,400,000

5. FIXED ASSETS

	Cost	Accumulated Amortization	2013 $ Net Value	2012 $ Net Value
Computer hardware	5,233	2,879	**2,354**	3,750
Computer software	68,878	–	**68,878**	10,470
Collection equipment	62,400	26,040	**36,360**	27,160
Furniture and fixtures	12,590	6,828	**5,762**	7,487
	149,101	35,747	**113,354**	48,867

6. ACCOUNTS PAYABLE

	2013 $	2012 $
Trade	**1,837,547**	1,845,013
Wage payable	**1,503**	1,164
Benefits payable	**8,294**	7,446
Others	**14,988**	118,659
	1,862,332	1,972,282

Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2013

7. COMMITMENTS

Agreement

The Society has a consent agreement with RECYC-QUÉBEC until December 31, 2015, which is renewable annually until December 2017. The new agreement was approved on October 22, 2012. In accordance with this agreement, the Society must collect Environmental Handling Charges from its Members and pay a financial contribution to RECYC-QUÉBEC. Also, the Society must obtain compliance reviews for selected firms by SOGHU and has to pay its fees.

Management and Administration Services

Under the terms of a management agreement, the Society is charged a fee for provision of management services until June 2015.

Software and Technology Services

The organization has commitment for the year of 2014 regarding the execution of software and technology services.

Compliance Reviews

The organization has commitment until 2015 with the firm regarding the execution of the compliance reviews. The estimated minimum annual payments under this commitment cannot be determined at this time.

Rent

The Society has a lease commitment until November 2014 for the rental of office space.

Minimum Payments

The estimated minimum annual payments required under these agreements are as follows:

	Management and Administration $	Rent $
2014	220,304	25,575
2015	103,002	–
	323,306	25,575

8. RELATED PARTY TRANSACTIONS

In regular course of its business, the Society receives Environmental Handling Charges from its Members and pays Return Incentives to Collectors and Processors. Some Members and one Collector (without voting right) have representatives who are part of the Board of Directors. These transactions are measured at the exchange amount and are subject to the usual commercial conditions or the Society.

The principal transactions concluded with companies or organizations members of the Board of Directors of the Society during the year are as follows:

	2013 $	2012 $
REVENUES		
Environmental Handling Charges	**2,905,364**	3,225,605
Registration and renewal	**–**	200
Support of RECYC-QUÉBEC to expenses	**–**	97,794
EXPENSES		
Return incentives	**862,864**	709,572
Contribution to RECYC-QUÉBEC	**127,913**	296,943
Legal fees	**27,245**	–

Finally, the accounts receivable include an amount of $525,842 (2012: $774,755) to be received from companies managed by members of the Board of Directors and the accounts payable include $194,591 (2012: $242,032) to be paid to companies and organizations managed by members of the Board of Directors.

9. EXPENSE ALLOCATION

Expense amounts for salaries, fringe benefits and management and administration contracts and legal fees were allocated as follows:

	Legal fees		Salaries, fringe benefits and management and administration contracts	
	2013 $	2012 $	2013 $	2012 $
Program	**8,487**	50,862	**306,927**	250,071
Administration	**19,057**	11,184	**246,383**	239,973
	27,544	62,046	**553,310**	490,044

Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2013

10. FINANCIAL INSTRUMENTS

Credit Risk

In the regular course of its operations, the Society monitors the Members that did not produce monthly remittance forms and did not remit Environmental Handling Charges.

The Society is not exposed to any significant risk with respect to a credit concentration.

Market Risk

The Society is exposed to the interest rate risk, which is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

11. RECLASSIFIED ACCOUNTS

Some accounts in the financial statements of the previous year have been reclassified to conform with disclosure adopted in the current year.

SOGHU
Société de gestion des huiles usagées

SOCIÉTÉ DE GESTION DES HUILES USAGÉES
1101 Brassard Blvd., Suite 214, Chambly, Quebec J3L 5R4
Phone: 450 447-9996 | Fax: 450 447-9988
E-mail: soghu@soghu.ca | **www.soghu.com**

Toll free:
1 877 98-SOGHU (1 877 987-6448)

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