



ANNUAL REPORT 2007

TIRE
Stewardship
New value from old tires
BC



CONTENTS

2007 HIGHLIGHTS: EXECUTIVE SUMMARY	3
INDUSTRY GETS BEHIND THE WHEEL	5
THE CYCLE OF RESPONSIBILITY	6
KEEPING BC'S ENVIRONMENT FREE OF SCRAP TIRES	9
PEAK PERFORMANCE: THE NUMBERS	11
MOVING TOWARDS A GREENER FUTURE	12
FINANCIAL STATEMENTS	13



100% of scrap tires generated at TSBC registered retailers or scrap tire generators are collected for recycling or reuse

2007 highlights

EXECUTIVE SUMMARY

On January 1, 2007, industry got behind the wheel. Tire Stewardship BC, a not-for-profit society formed to represent the tire retailers in the province, took responsibility for the Ministry of Environment's tire recycling program which operated from 1991 to 2006.

2007 was a year of change for everyone involved. Our sincere thanks go out to all participants who played their part to sustain and grow one of the most effective tire programs in Canada. On behalf of the Board of Directors and TSBC staff we are proud to deliver our first annual report to stakeholders describing our 2007 activities, achievements and highlights of our way forward.

- ✓ The first major accomplishment was the smooth transition from government to industry, no small task for our staff and more than 2,600 retailers, scrap tire generators, haulers and processors that had to adapt to new procedures and rate structures.
- ✓ Tipping fees that had crept into the system over many years were eliminated. This created free disposal options for stakeholders, removing any incentive for illegal dumping of scrap tires.
- ✓ 40,000 tonnes of scrap tires were collected. This equates to about one car tire for every person in BC and a diversion rate of 100%.
- ✓ Over 80% of the scrap tires were recycled into products such as crumb rubber and blast mats. The remainder was used as a fuel supplement replacing fossil fuel alternatives.
- ✓ The cost of program operations was significantly reduced through a competitive tendering of the management and administration function.

Tire Stewardship BC is committed to continuous improvement – in 2008 we:

- ✓ Introduced an incentive available to BC manufacturers for the use of BC crumb. This will create stable and sustainable markets for BC processors and crumb supplies for BC manufacturers.
- ✓ Are piloting a Community Grant program to provide financial support to eligible BC community projects that use BC tire derived products. This is an opportunity to partner with local communities and local industry to bring recycled scrap tire products "full circle" back to the community.
- ✓ Introduced a Return to Retailer program that allows the public to return scrap tires to participating retailer sites instead of taking them to landfills. This will be cheaper and more convenient to the public and will reduce the landfill costs of handling and storing scrap tires.

With everyone playing their part, we are moving steadily towards our goal of dealing with BC's scrap tires within BC.



Don Blythe
Board Chair



Mike Hennessy
Executive Director



Over 80% of the tires collected in 2007 were recycled into products, primarily crumb rubber, used to manufacture other products such as playground surfaces.

INDUSTRY GETS **behind the wheel**

TIRE STEWARDSHIP BC ASSOCIATION (TSBC) is a not-for-profit society responsible for operating BC's scrap tire recycling program in accordance with its Ministry of Environment approved Tire Stewardship Plan and the BC Recycling Regulation.

TSBC is accountable to both its stakeholders and the public for the collection, processing and environmentally sound disposal of all scrap tires designated under the Recycling Regulation.

TSBC collects an eco fee on the sale of every new tire. These fees are used to pay for transporting and recycling BC's scrap tires, so that these tires are disposed of in environmentally responsible ways instead of ending up in our landfills.

With TSBC firmly behind the wheel, none of the eco fees we collect go to government. 100% of the money is used in the operation and enhancement of the tire recycling program in BC.

The society is governed by a volunteer Board, comprised of seven directors representing the following member organizations:

- Retail Council of Canada
- Western Canada Tire Dealers
- Rubber Association of Canada
- New Car Dealers Association



Our vision for BC is an environment free of scrap tires.

OUR BOARD OF DIRECTORS



Don Blythe
(Chair)
Western Canada
Tire Dealers

Bert Sauer
Western Canada
Tire Dealers

Mark Endersby
Western Canada
Tire Dealers

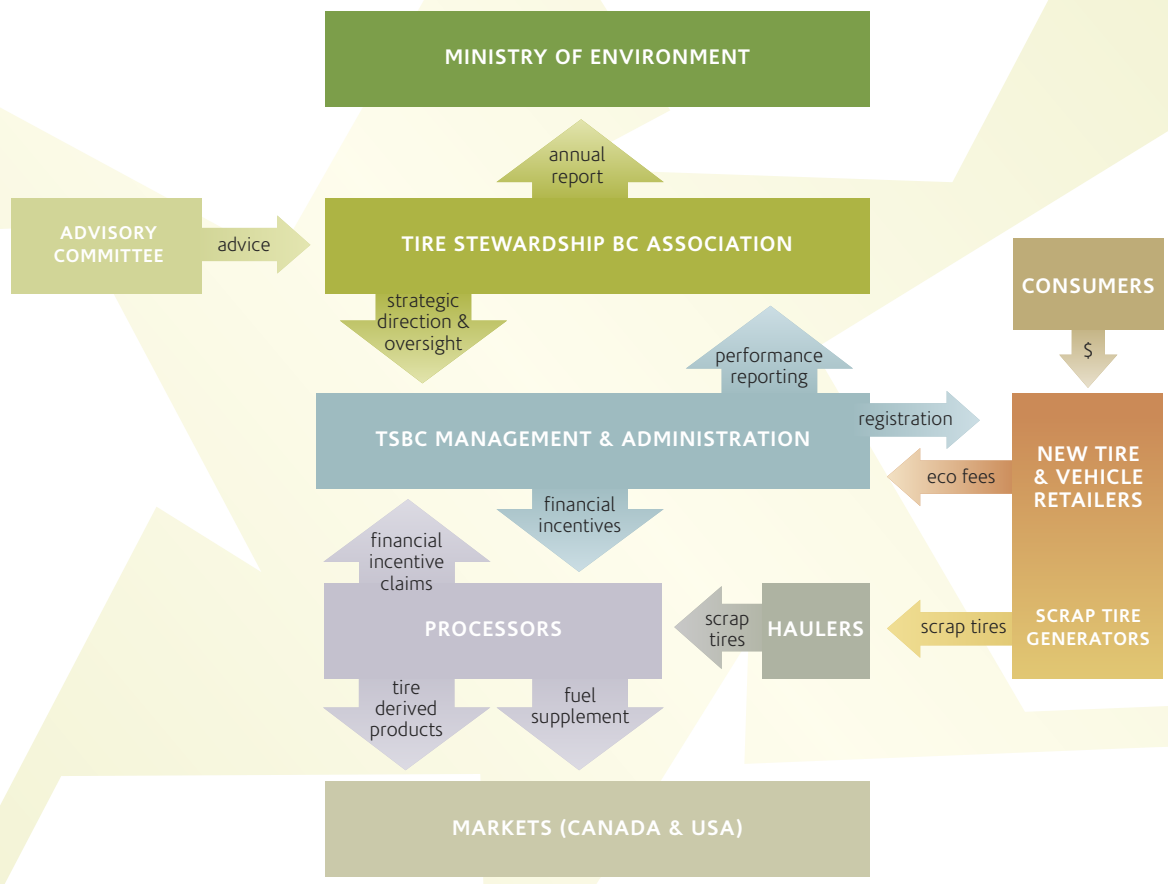
Alec Pigulevsky
Rubber Association
of Canada

Ken Rees
Retail Council
of Canada

Glenn Maidment
Rubber Association
of Canada

Glen Ringdal
New Car Dealers
Association

THE CYCLE OF responsibility



This model illustrates the functions of different stakeholders and the responsibilities they have to each other and to the process.

MINISTRY OF ENVIRONMENT

The ministry requires industry to have an approved scrap tire stewardship plan according to the Recycling Regulation, and monitors TSBC's annual performance.

TIRE STEWARDSHIP BC ASSOCIATION

A board of directors directs and governs all aspects of the program and produces an annual report to demonstrate the program's accountability to stakeholders.

ADVISORY COMMITTEE

Representatives from the retailers, scrap tire generators, haulers, processors, manufacturers, Recycling Council of BC and local government provide advice on program policy and operations.

TSBC MANAGEMENT & ADMINISTRATION

Management and administration registers retailers, scrap tire generators and processors as eligible participants in the program. They collect eco fees from the retailers and pay financial incentives to processors for the transportation and processing of scrap tires. They also manage all other aspects of program delivery and report on performance.

NEW TIRE & VEHICLE RETAILERS

Tire retailers accept at least one scrap tire for each new tire sold and remit eco fees to TSBC. New vehicle dealers remit eco fees for each tire included with the new vehicle.

SCRAP TIRE GENERATORS

Examples of generators are landfills that accept scrap tires from the consumer and auto wreckers that generate scrap as part of their regular business.

HAULERS

Haulers pick up scrap tires from retailers and scrap tire generators for delivery to processors.

PROCESSORS

BC companies process scrap tires to be used for tire-derived products or fuel supplements as well as sell tire-derived products to markets in Canada and the US. They submit claims to TSBC for transportation and processing incentives.

MARKETS

Purchase tire-derived products from processors for sale or resale, or for further manufacture into new products. Additional markets are fuel consumers such as pulp and paper mills.

CONSUMERS

Consumers purchase new tires from retailers and pay the eco fees. Most consumers leave their old tires with the retailer for disposal.



Crumb rubber processing plant



40,000 tonnes of scrap tires were
diverted from the environment,
which roughly equates to
one car tire per person in BC

KEEPING BC'S **environment**

FREE OF SCRAP TIRES

Tires of Many Shapes and Sizes

For every new tire sold, the retailer collects an Advance Disposal Fee (ADF), commonly referred to as an eco fee, from the consumer and remits it to TSBC.

The ADFs are set by TSBC. The new fees vary by tire type to adequately compensate for the higher costs of collecting and disposing of larger tires.

For 2007, the fees for the different tire types were:

TIRE CATEGORY	ADF
Passenger & Light Truck Tire (PLT)	\$4
Medium Truck Tire (MT)	\$9
Agricultural Drive Tire (AG)	\$15
Logger / Skidder Tire (LS)	\$35

Off-the-road (OTR) tires are excluded from the Recycling Regulation because there is currently no viable recycling solution for these larger tires.

100% of fees collected go towards the operation of the scrap tire recycling program.

Collection numbers for PLT and MT are consistent with prior years. The difference between numbers sold and collected reflect the growth in new car sales and total vehicle registrations in BC and a vibrant tire replacement market.

2007 was the first year of tracking collection data for AG and LS tires. It suggests that the tire-for-tire exchange at time of sale does not occur for these larger tires.

Scrap Tire Collection

Unlike other product recycling programs where consumers have to choose between putting their end of life product into the waste stream, or taking it to a collection depot for recycling, most motorists exchange their old tires for new ones at the time of purchase. Retailers take back one old tire for every new tire sold and arrange for haulers to collect and transport the tires to processors.

Other motorists choose to take their old tires home rather than leave them with the retailer for disposal. Ultimately, these orphan tires end up at a landfill where they are held for collection by haulers. Recognizing that this is a cost and logistical problem for some landfills, TSBC is working on providing alternative disposal options to reduce this burden.



Most motorists exchange their old tires for new ones at time of purchase.

TIRE TYPE	SOLD	COLLECTED
	No. of Units (000)	
Passenger & Light Truck	3,100	2,600
Medium Truck	227	219
Agricultural Drive	15	2
Logger / Skidder	2	1



Scrap tires are processed into crumb rubber.

New Value From Old Tires

Over 80% of the tires collected in 2007 were recycled into products, primarily crumb rubber, granules of rubber with the steel and fiber removed. Crumb is then used to create a variety of products including athletic tracks, synthetic turf fields and golf courses; non-slip pavers for patios, walkways and playgrounds; colourful, resilient flooring in recreational facilities; flooring and mats for agricultural and industrial use; and asphalt rubber.

In addition to crumb based products, many highway truck tires are made into mats used in the construction industry. The remaining 20% are used as a fuel supplement in the cement and pulp and paper industries.

Extending Tire Life

Recycling tires at their end-of-life is important. But lengthening their life so that fewer are used is essential. Tire manufacturers are making progress:

since 1981 the average tire life has gone up 53 per cent (from 46,000 kms to over 72,000 kms). Also, average tire rolling resistance has reduced by more than 25 per cent, simply by making the tires lighter and stronger. Manufacturers also recognize the need to balance environmental concerns with tire safety and customer satisfaction. TSBC is proud to work in partnership with The Rubber Association of Canada and Natural Resources Canada in their annual Be Tire Smart Campaign which focuses on educating the motoring public of the benefits of proper tire inflation and maintenance.

Greenhouse Gas Emissions

With 2007 being the first operating year for TSBC, no Greenhouse Gas (GHG) assessments were made. Going forward, TSBC will report the GHG impacts of collection and recycling of scrap tires.

These are some of the products created from recycled tires that are manufactured right here in BC.



Artificial turf



Athletic tracks



Patio pavers



Playground surfacing



Commercial flooring

peak performance

THE NUMBERS

TSBC’s key accomplishment was a smooth transition for all stakeholders from a government-run program to an industry-run program.

An early step in the transition was the elimination of tipping fees that had crept into the old program. By eliminating these extra costs that were often charged back to the consumer, TSBC created free disposal options and removed the incentive for illegal dumping of scrap tires.

The financial incentives to transport and process scrap tires were updated to reflect the significant

changes in costs in recent years and to enable a sustainable recycling industry.

A competitive tendering of the management and administration function was also undertaken in 2007 to reduce program administration costs.

Initial performance targets were set in our Tire Stewardship Plan. Our 2007 targets and achievements are outlined below:

PERFORMANCE TARGET	RESULT
Achieve a 90% scrap tire collection rate equating to 3.8 million passenger tire equivalents (PTEs) diverted in the calendar year.	3.9 million PTEs were collected from retailer and scrap tire generator sites which we estimate is 100% of the scrap tires available for collection from these sites.
93% registration for retailers and scrap tire generators in BC.	Over 2,000 retailers and 600 generators were registered which we estimate is 97% of all the retailers and scrap tire generators in BC.
A minimum of two scrap tire collections per year from each site.	Significantly exceeded minimum requirements, with over 17,000 collections. Frequency depends on the scrap tire volume and space availability—some retailers received 52 pick-ups per year, others received the target minimum.
Implement Data Mapping technology to track and audit compliance.	Systems are in place to enable tracking and auditing compliance at scrap tire generator location.
Establish compliance audit triggers and processes, complete one audit per quarter and establish compliance baseline on completed audits.	Deferred to 2008.
Complete stockpile abatement.	Survey of Regional Districts indicated no significant stockpiles. TSBC is unaware of any significant abandoned accumulations of tires.
Increase crumb rubber production to 70% of all collected scrap tires and reduce tire-derived fuel production to 27.5 %.	80% of collected scrap tires are recycled into products and 20% are used as a fuel supplement.
Resolve all credible disputes within 60 days.	No disputes were filed.

MOVING TOWARDS A greener future



Getting the word out

Being TSBC's first year of operation, our main focus was getting retailers informed and registered with the new program. Retailers are TSBC's primary ambassadors to the consumer.

We used several communication vehicles to educate our stakeholders:

- Point of sale brochure
- Retailer display poster
- Website: www.tsbc.ca
- Toll free phone number: 1.866.759.0488
- Monthly retailer bulletins

For 2008, the focus will shift to educating consumers and other stakeholders on what happens to the eco fees and what happens to the scrap tires.

2008 Initiatives

Going forward TSBC will continue to pursue initiatives to enhance the program for the benefit of all stakeholders.

Community Grant Program: We are currently piloting a program that provides funding support to eligible BC community projects that use BC tire-derived products. Our first pilot project will be funding for a fully accessible and safe playground facility for all ages in the south east Kootenay region. TSBC sees this as an opportunity to partner with local communities and local industry to bring recycled scrap tire products "full circle" back to the community.

Return to Retailer Program: Most consumers leave their scrap tires with the retailer when they purchase a new one. In some cases consumers take their old tires home. The Return to Retailer program, launched in May, 2008 allows consumers to return these orphan tires to participating retailers instead of landfills. This is more convenient and cheaper for both consumers and landfill operators.

Manufacturer Incentive Program: This program will promote the increased use of crumb rubber in BC by providing BC manufacturers with a financial incentive to use BC crumb rubber in the manufacture of crumb derived products. This will help TSBC move closer to its goal of dealing with BC's scrap tires solely within BC.

Coming full circle: TSBC is moving closer to dealing with BC's scrap tires solely within BC.





TIRE STEWARDSHIP B.C. ASSOCIATION
FINANCIAL STATEMENTS

For the Year From January 1, 2007
(Date of Commencement of Operations)
To December 31, 2007

AUDITORS' REPORT

To the Members of Tire Stewardship B.C. Association

We have audited the balance sheet of Tire Stewardship B.C. Association as at December 31, 2007 and the statements of operations, surplus and reserve, and cash flows for the year from January 1, 2007 (date of commencement of operations) to December 31, 2007. These financial statements are the responsibility of the society'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 society as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Norgaard Neale Camden Ltd.
CHARTERED ACCOUNTANTS

Victoria, B.C.
February 6, 2008

Tire Stewardship BC Association

BALANCE SHEET

As at December 31, 2007

	2007	2006
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	3,913,124	-
Accounts receivable	1,642,636	-
	<u>5,555,760</u>	<u>-</u>
Deferred Start-up Costs	-	424,744
	<u>5,555,760</u>	<u>424,744</u>
LIABILITIES		
Current Liabilities		
Bank overdraft (note 3)	52,350	52,707
Accounts payable and accrued liabilities	1,394,225	372,037
Goods and services tax payable	105,726	-
	<u>1,552,301</u>	<u>424,744</u>
STABILIZATION RESERVE (note 4)	<u>4,003,459</u>	<u>-</u>
	<u>5,555,760</u>	<u>424,744</u>

Signed by Directors on behalf of the Board:



 Director



 Director

Tire Stewardship BC Association

STATEMENT OF OPERATIONS, SURPLUS AND RESERVE

For the Year Ended December 31, 2007

	2007	2006
	\$	\$
REVENUE		
Advance disposal fees	14,741,538	-
Interest	87,990	-
Total Revenue	14,829,528	-
EXPENSES		
Recycling program		
Program incentives	11,359,989	-
Administration		
Insurance	10,657	-
Professional fees	102,120	-
Interest and bank charges	3,435	-
Promotional materials	2,986	-
Program management	1,106,059	-
Start-up	424,744	-
Travel and board	16,079	-
Total Expenses	13,026,069	-
NET INCOME FROM OPERATIONS	1,803,459	-
Grant Revenue (note 2)	2,200,000	-
SURPLUS FOR THE YEAR BEING STABILIZATION RESERVE - END OF YEAR (note 4)	4,003,459	-

Tire Stewardship BC Association
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007

	2007	2006
	\$	\$
CASH PROVIDED FROM (USED FOR):		
OPERATING ACTIVITIES		
Surplus for the year	4,003,459	-
Changes in non-cash working capital balances related to operations -		
Accounts receivable	(1,642,636)	-
Deferred start-up costs	424,744	(424,744)
Accounts payable and accrued liabilities	1,022,188	372,037
Goods and services tax payable	105,726	-
	<u>3,913,481</u>	<u>(52,707)</u>
INCREASE (DECREASE) IN NET CASH	3,913,481	(52,707)
Net Cash - Beginning of Year	(52,707)	-
Net Cash - End of Year (note 7)	<u>3,860,774</u>	<u>(52,707)</u>
Net cash consists of:		
Cash and cash equivalents	3,913,124	-
Bank overdraft	(52,350)	(52,707)
NET CASH - END OF YEAR	<u>3,860,774</u>	<u>(52,707)</u>

Tire Stewardship BC Association

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

1 PURPOSE OF THE ORGANIZATION

Tire Stewardship British Columbia Association ("TSBC") is a not-for-profit Stewardship Agency registered in British Columbia, was incorporated under the British Columbia Society Act as a not-for-profit organization on August 25, 2003 and is exempt from income taxes pursuant to Section 149(1)(l) of the Income Tax Act, Canada. From the date of incorporation to December 31, 2006 TSBC established a stewardship program. On January 1, 2007 TSBC accepted responsibility for the Ministry of Environment FIRST Program and agreed to manage the industry stewardship of scrap tires in British Columbia for the period ending September 19, 2011.

In preparation for this transition the B.C. Recycling Regulation (449/2004) was amended to include tires and include the requirement that all producers, as defined in the regulation, prepare or be part of an approved stewardship plan.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, specifically those comprising the accounting recommendations for not-for-profit organizations, and include the following significant accounting policies summarized below:

Revenue Recognition

TSBC follows the deferral method of accounting. Restricted revenue is recognized in the year in which the related expenses are incurred. Unrestricted revenue is recognized when received or receivable if the amount received can be reasonably estimated and collection is reasonably assured.

TSBC charges an advance disposal fee to tire retailers on the sale of new tires. This fee is variable based on the type of tires sold. Advance disposal fee revenues are collected by the producers at the point of sale and reported to TSBC in the following months. TSBC accrues the advance disposal fee revenues and recognizes them in the month in which they were generated as reported by the producers.

Any revenues resulting from TSBC's compliance and enforcement activities are recorded as revenue in the period in which they are received.

Grant Revenue

A grant of \$2,200,000 received from the British Columbia Ministry of Environment to facilitate the transition of the Government-led FIRST program to the TSBC Industry Stewardship program has been reflected as a revenue item separate from TSBC operations.

Cash and Cash Equivalents

Cash and cash equivalents includes balances with banks and a bankers' acceptance with a maturity of less than three months.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Incentives Payable

Incentives payable to processors are due only after the processing is complete and the product is sold for an eligible end use (or in the case of tire-derived fuel uses, delivered to the facility consuming the fuel). Incentives payable as of the end of the fiscal year are included in accounts payable and accrued liabilities.

Use of Estimates

Financial statements are based on representations that often require estimates to be made in anticipation of future transactions and events and include measurements that may, by their nature, be approximations.

As discussed in note 4, the incentive payments to the processors are payable only after the processing is complete and the product is sold. An inventory of processed materials not sold, and unprocessed tires, exists at the processors' plants. This inventory is estimated based on reports from the processors, and actual inventories may vary significantly from this estimate. These estimates are reviewed periodically.

3 BANK OVERDRAFT

TSBC maintains a credit facility in the form of a demand revolving loan that is available as an overdraft on the operating account. The loan bears interest at the bank's prime rate plus 0.50%. The maximum demand revolving loan available is \$100,000. The overdraft balance at December 31, 2007 was \$52,350 (2006 - \$52,707).

TSBC also maintains an unused credit facility in the form of a demand non-revolving loan that is available through multiple advances subject to conditions precedent being met at the time of the advance. The loan bears interest at the bank's prime rate plus 0.50%. The maximum demand non-revolving line loan available is \$500,000.

4 STABILIZATION RESERVE

During the year, the Board of Directors internally restricted funds through the establishment of a Stabilization Reserve for the following purposes:

- a) To ensure that funds are available, in the event of wind-up, so that it could proceed in an orderly manner; and
- b) To ensure that funds are available to meet the potential incentives owing to processors for the whole tire and unsold product from previously delivered tires.

TSBC has entered into agreements with processors to provide incentives to process and sell their products. The incentive is paid when the product is sold. As of December 31, 2007, whole tire and unsold product at registered processor facilities was estimated at 985,974 passenger tire equivalents

Tire Stewardship BC Association
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

4 STABILIZATION RESERVE (continued)

("PTE"). The incentive payments to processors could amount to a future liability of up to \$2,553,673. The amount of \$4,003,459 was internally restricted as at December 31, 2007 and is subject to change at the discretion of the Board.

5 COMMITMENT

TSBC has entered into an agreement for the provision of management and administrative services for a period of 4 years beginning January 1, 2008.

6 FINANCIAL INSTRUMENTS

TSBC's financial instruments consist of cash and cash equivalents, accounts receivable, bank overdraft, and accounts payable and accrued liabilities. These items are reported at their fair values on the balance sheet. The fair values are the same as the carrying values due to their short-term nature.

Interest Rate Risk

Unless otherwise noted it is management's opinion that, under normal circumstances, TSBC is not exposed to significant interest rate risk arising from these financial instruments.

Currency Risk

Unless otherwise noted it is management's opinion that, under normal circumstances, TSBC is not exposed to significant interest rate risk arising from these financial instruments.

Credit Risk

Credit risk arises from the potential that registered tire retailers who collect an advance disposal fee on their tire sales will fail to perform their respective obligation to remit these funds to TSBC. TSBC is exposed to credit risk from these registrants. However, TSBC has a large number of registered tire retailers, which minimizes the concentration of credit risk.

7 SUPPLEMENTARY NOTE TO STATEMENT OF CASH FLOWS

	2007	2006
	\$	\$
Cash received from:		
Interest	75,025	-

8 SUBSEQUENT EVENT

Advance Disposal Fee Increase - Effective January 1, 2008

The advance disposal fee on the Passenger and Light Truck Tire Category (including Motor Cycle / ATV / FreeRolling Farm Tires) has been increased from \$4.00 per unit sold to \$5.00 per unit sold.

As of July 01, 2008
a copy of this Annual Report is available on our web site at
www.tsbc.ca



cover printed on 55% recycled / 25% post-consumer waste paper



inside pages printed on 100% post-consumer waste recycled paper



TIRE Stewardship ^{BC}

New value from old tires

PO Box 5366
Victoria, BC V8R 6S4
1.866.759.0488

To find out more about tire recycling,
the eco fee or upcoming initiatives
please visit: www.tsbc.ca