



ANNUAL REPORT 2009

TIRE
Stewardship
New value from old tires
BC





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

2009 highlights

EXECUTIVE SUMMARY

For Tire Stewardship BC (TSBC) Directors and staff, 2009 was a year of continuous improvement.

Key Accomplishments

- ✓ Scrap tires continued to flow from retailer and generator sites through to processors and markets despite the severe economic downturn that cut deeply into the traditional recycled rubber product markets in North America. TDF (Tire Derived Fuel) markets provided the temporary relief we needed to weather the storm felt by most product recyclers.
- ✓ TSBC supported seven communities using recycled rubber products to build new recreation facilities or renovate existing ones with grants totaling over \$85,000 through our Community Demonstration Grant Program. Promotion and funding of the program has been ramped up for 2010. TSBC expects many more communities will be taking advantage of TSBC's support during these tough economic times when government support is being cut.
- ✓ Climate change due to greenhouse gas (GHG) accumulation in the atmosphere is top of mind in British Columbia. To assess the impact that tire recycling has on GHG emissions, TSBC conducted a baseline inventory study of GHG emissions from BC's recycling operations which was then compared to the findings in a USA study of the GHG avoidance. These findings suggest that for every tonne of CO₂e emitted by BC's tire recycling operations, five tonnes are diverted. That's good news for the planet!
- ✓ To ensure everyone is paying a fair share of the costs to collect and recycle BC's tires, TSBC initiated changes to its systems to collect the eco fees for tires on vehicles imported into BC from the USA. With the same objective, the eco fee compliance program was expanded by deploying two co-op students, enabling more reviews around the province. The retailer response has been very positive.
- ✓ 2009 was the first year of a broader education and communications campaign to: raise awareness and support for tire stewardship; increase the number of R2R (Return to Retailer) locations for orphan tires; and encourage proper tire inflation and maintenance. It also included a pilot project in partnership with the Peace River Regional District to promote two fall tire round-ups. The campaign's impact was very positive: the number of R2R locations grew by over 10%, and TSBC learned that a focus for future campaigns should be tire disposal challenges in the province, particularly the remote, sparsely populated areas.



Don Blythe
Board Chair



Mike Hennessy
Executive Director



Over 60% of the tires collected in 2009 were recycled into products, primarily crumb rubber, used to manufacture other products such as playground surfaces.

INDUSTRY IS **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 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 collected 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 Board, comprised of seven directors representing the following member organizations:

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



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

OUR BOARD OF DIRECTORS



Don Blythe
(Chair)
Western Canada
Tire Dealers
Association



Bert Sauer
Western Canada
Tire Dealers
Association



Mark Endersby
Western Canada
Tire Dealers
Association



Adrian Courtenay
Rubber Association
of Canada



Ken Rees
Retail Council
of Canada

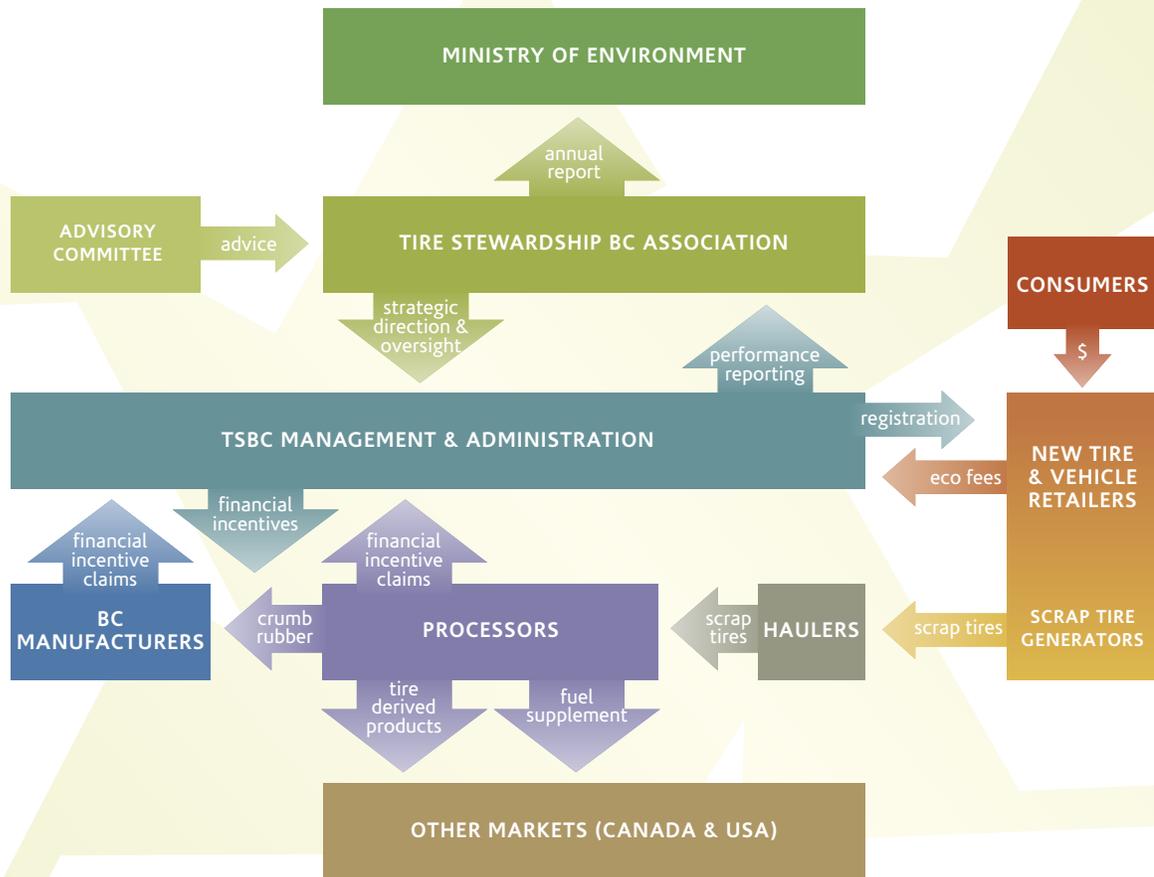


Glenn Maidment
Rubber Association
of Canada



Glen Ringdal
New Car Dealers
Association of BC

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, processors and manufacturers 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 and BC manufacturers for using BC crumb rubber. 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.

BC MANUFACTURERS

BC manufacturing companies that purchase crumb rubber from BC Processors for manufacture into new products are eligible for a manufacturing incentive.

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

Most consumers leave their old tires with the retailer for disposal on purchase of new tires.



37,000 tonnes of scrap tires were
diverted from the environment,
which roughly equates to
one car tire per person in BC

DOING OUR PART TO PROTECT BC'S environment

Tires of Many Shapes and Sizes

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

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

For 2009, the fees for the different tire types remained at:

TIRE CATEGORY	ADF
Passenger & Light Truck Tire (PLT)	\$5
Medium Truck Tire (MT)	\$9
Agricultural Drive Tire (AG)	\$15
Logger / Skidder Tire (LS)	\$35

Other 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.

As the number of vehicle registrations continues to increase and with the greater use of snow tires in BC, there is an ever increasing number of "tires in use" or "in storage and ready for use".

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 continues to work on providing alternative disposal options to reduce this burden such as the Return to Retailer program and tire round-up events.



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

TIRE TYPE	SOLD	COLLECTED FOR RECYCLING
	No. of Units (000)	
Passenger & Light Truck	2,979	2,633
Medium Truck	170	182
Agricultural Drive	12	2
Logger / Skidder	1	1

New Value From Old Tires

63% of the tires collected in 2009 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; landscaping mulch and playgrounds; colourful, resilient flooring in recreational facilities; flooring and mats for agricultural and industrial use; and asphalt rubber.

The remaining 37% were used as a fuel supplement.

Scrap tires are processed into crumb rubber.



Artificial turf



Playground surfacing



Landscaping mulch

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

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 continues 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.

Environmental Benefits of Tire Recycling

There are many environmental benefits from diverting tires from landfills and from the environment in general: reduced fire hazard and the potential for air, water and land pollution; fewer breeding habitats for West Nile Virus-carrying mosquitoes; and the recovery of rubber and steel that are very energy intensive materials to obtain raw, and consequently major contributors of greenhouse gases.

Recent studies have shown the net effect of tire recycling on greenhouse gas (GHG) emissions to be positive. In 2009 a baseline inventory of GHG emissions commissioned by TSBC for BC's 2008 tire recycling operations was completed. The report concluded that a total of 27,196 tonnes of carbon dioxide equivalents (CO₂e) were emitted as a result of transporting and processing 40,000 tonnes of scrap tires and shipping the recycled rubber to market:

- 90.5% of the emissions occurred as a result of processing the scrap tires;
- 5.2% were due to transporting the scrap tires; and
- 4.3% of emissions were from shipping the recycled rubber to market.

These numbers tell only part of the story. As the study did not include the more complex analysis of the GHGs emission avoided from the extraction of virgin materials, TSBC looked to other studies for evidence. A recent analysis¹ in the US by the Institute of Scrap Recycling Industries (ISRI) suggests that recycling four tires saves the energy equivalent of 18 gallons of gasoline and reduces the greenhouse gas emissions by 323 lbs. of CO₂e. Translated for BC, recycling 40,000 tonnes (equivalent to 4 million passenger tires) of scrap tires would reduce GHG emissions by over 146,500 tonnes for net CO₂e savings of 119,304 tonnes. These findings suggest that for every tonne of CO₂e emitted by tire recycling operations, 5 tonnes are avoided in the resource extraction process. Going forward, TSBC will continue to look for other studies to corroborate and refine the analysis of GHGs avoided by BC's tire recycling program.

The GHG emissions avoided by recycling BC's tires is the equivalent of removing 33,000 cars from the roadway each year.

1 www.marketwire.com/press-release/Scrap-Recycling-Provides-Positive-Opportunities-for-the-Environment-1164263.htm

peak performance

THE NUMBERS

For TSBC Directors and staff, 2009 was a year of continuous improvement. Our 2009 performance targets and achievements are outlined below:

2009 PERFORMANCE TARGETS	2009 RESULTS
1. Fewer than 4% of registered retailers and generators complain to TSBC of backlogs, stockpiles or disruptions in collection service.	Less than 0.2% of retailers and generators contacted TSBC to complain (5 complaints from 3073 registered participants) primarily related to scheduling of pick-up service.
2. Scrap tire diversion from the environment (expressed as a percentage of # tires sold / # tires collected) is maintained at approximately 100%.	The diversion rate was 89% based on #tires sold / #tires collected. Since establishing this performance target TSBC has realized that a target of 100% diversion is not achievable, as diversion is defined. However, virtually all scrap tires available for collection from TSBC registered retailers or scrap tire generators were collected. The diversion targets for 2010 and 2011 have been reset to approximately 90%.
3. Any stockpiles brought to the attention of TSBC are abated.	We are not aware of any stockpiles of program tires in BC.
4. At least 442 retailers participate in the Return to Retailer (R2R) program to provide consumers with a no-cost alternative to disposal of their orphan scrap tires. (Note: only 6-7% of used tires are "orphans", i.e. taken home by consumers instead of leaving them with the retailers at the time new replacement tires are purchased.)	Of the 2200 retailer collection points in BC where 93% of the tires generated are collected, 401 were also R2R retailers on December 31, 2009. To provide even better access to collection facilities in the remote regions of the province, tire round-ups will be held, with at least 6 targeted in 2010 and 15 targeted for 2011.
5. A retailer compliance review program established to ensure all retailers a "paying their fair share" and at least 150 retailer compliance reviews completed annually.	184 compliance reviews were completed.
6. Fewer than 50 retailers or consumers complain to TSBC about the Advance Disposal Fees they pay, indicating the extent to which they are getting "value for money" for the fees paid.	There were no complaints about the Advance Disposal Fee.
7. A survey of consumer awareness is conducted to establish a baseline measure.	Two surveys in 2009 of 345 callers to the Recycling Council of BC (RCBC) indicated 41% are aware of the program and 58% are aware of the eco fee. These results are down slightly from 2008 (42% and 61%).
8. The ratio of higher value tire derived product (TDP) to tire derived fuel (TDF) as per MoE's 5R Hierarchy is maintained at approximately 80% TDP to 20% TDF.	The actual ratio in 2009 was 63% TDP to 37% TDF. The change reflects the decreased demand for crumb rubber due to the economic downturn in North America and a corresponding spike in demand for use as fuel.
9. Complete an inventory of Green House Gas emissions (GHG) for the tire stewardship program for base year 2008.	A GHG inventory baseline study was completed in 2009 for the base year 2008. More particulars are provided in page 13.
10. 10 million pounds of crumb (produced in BC from BC scrap tires) used in the manufacture of crumb-derived products by a BC manufacturer.	Due to the economic downturn in North America in 2009, only 5.7 million pounds of crumb were used in the manufacture of crumb-derived product in BC.
11. Formal agreements in place with each major processor and manufacturer receiving incentives from TSBC (as a dispute avoidance mechanism). Resolve all credible disputes within 60 days.	Achieved. The process of negotiating comprehensive agreements has helped maintain sound relationships with the key industry participants.

MOVING TOWARDS A greener future

2009 was TSBC's third year of operation and we highlight below the continuous improvement of our program for all stakeholders:

- More tire disposal options for consumers resulting in decreased burden on Regional Districts;
- Giving back to communities through grants for worthwhile projects;
- Reduced carbon footprint by encouraging local governments to buy BC recycled rubber;
- Promotion of innovative uses for recycled rubber through research and development to add value to recycled rubber and grow green jobs in BC; and
- Improving systems to ensure everyone pays their fair share of the cost to recycle tires in BC.

Getting the word out

In the spring, TSBC focused its stakeholder outreach on a broader education and communications campaign to: raise awareness and support for tire stewardship; increase the number of R2R (Return to Retailer) locations for orphan tires; and encourage proper tire inflation and maintenance. Working through a media relations company TSBC put together an integrated advertising campaign in community newspapers to create awareness and convey the environmental and economic benefits of tire recycling in BC. And to drive home the benefits of proper tire inflation and maintenance TSBC branded tire gauges were distributed to all our R2R participants. In the fall TSBC also partnered with the Peace River Regional District to pilot two tire round-ups. The campaign's overall impact was very positive: the number of R2R locations grew by over 10%, and it was learned that the focus of future campaigns should be tire disposal challenges in some of the more remote regions of the province.

Tire Round-ups

Since launching the Return to Retailer (R2R) program in 2008 the disposal of orphan tires has become more convenient and cheaper for consumers. In 2009 two tire round-ups were piloted as another disposal option. With the success of this pilot project we took it one step further by partnering with R2R retailers and Regional Districts to deliver six more round-ups in the spring of 2010. While the focus was the collection of car tires, any program tires as well as tires on rims were collected.

In 2010 and 2011 TSBC is committed to run more of these events in partnership with retailers and Regional Districts where the need is the greatest. These events are also used to promote the program and provide the public with information on what happens to the eco fees they pay and what happens to the tires they discard.

BuyBlackGoGreen

Several artificial turf fields were built in BC in 2009 using crumb rubber as infill, but none used BC crumb rubber, highlighting the need for TSBC to do a better job in promoting BC's tire recycling industry. The result – in 2010 the Buy BC campaign was launched to tell the owner/operators of facilities using recycled rubber, primarily local governments, that virtually all the recycled rubber products they require are available in BC. A Buy BC postcard was sent to all municipalities and schools and a new web page added to explain why sourcing your recycled rubber from BC makes good economic and environmental sense. TSBC will continue this focus to keep BC recycled rubber and jobs in BC.

Community Demonstration Grant Program

In 2009 TSBC supported seven communities building new recreation facilities or renovating existing ones with grants totaling over \$85,000 through our Community Demonstration Grant Program. The program supports the use of BC recycled rubber in BC community projects. Promotion and funding of the program has been ramped up for 2010 and it is expected many more communities will be applying for TSBC's support during these tough economic times when government support is being cut. This is an excellent way of bringing recycled scrap tire products "full circle" back to the community.

Research and Development

TSBC's Research and Development (R&D) strategy has three key goals: development and growth of recycled rubber products and markets; development of technical capability to recycle OTRs (Off-the-Road tires); and sound business cases (economic and environmental) that underlie a sustainable tire recycling industry in BC.

We are progressing towards these goals in collaboration with CATRA (Canadian Association of Tire Recycling Agencies) to share the costs and benefits of R&D efforts. TSBC has taken a leadership role by chairing a CATRA committee to research these three key issues as they pertain to OTRs. The committee is researching the nature and extent of scrap OTR supplies, recycling capabilities and challenges, and the current and potential future products and markets for OTR recycled rubber. The committee's first report will be presented at the CATRA annual meeting in September, 2010. Given the size and complexity of the

OTR challenge in Canada it is impossible to set targets beyond this date.

In addition, a R&D policy is being developed to guide how to fund projects from our R&D Reserve Account. The program is under development and will include guidance on the types of R&D projects TSBC will support, eligible applicants, funding mechanisms and levels, intellectual property and commercialization rights, and program governance.

Import Vehicles

In 2009 TSBC identified that the tires on vehicles being imported into BC from the USA were not attracting the eco fees. The missed revenue and the cost to recycle these tires at end of life are significant so a fair and equitable eco fee collection system was needed.

To collect this fee from the importer, TSBC is partnering with the Registrar of Imported Vehicle inspection stations. In 2010 the vehicle importer will pay an eco fee at the time of inspection which will be submitted to TSBC by the inspection station. Thanks to the cooperation of these stations, everyone will now be paying their fair share.



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, 2009
To December 31, 2009

AUDITORS' REPORT

To the Members of Tire Stewardship B.C. Association

We have audited the statement of financial position of Tire Stewardship B.C. Association as at December 31, 2009 and the statements of operations, changes in net assets, and cash flows for the year then ended. 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, 2009 and the results of its operations, changes in net assets, 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 12, 2010

Tire Stewardship B.C. Association

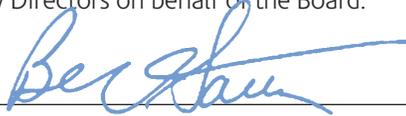
STATEMENT OF FINANCIAL POSITION

As at December 31

	2009	2008
	\$	\$
ASSETS		
Current Assets		
Cash	5,695,921	2,327,591
Investments (note 3)	3,603,000	3,580,666
Accounts receivable	1,937,398	2,022,209
	11,236,319	7,930,466
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	1,892,080	1,562,224
	1,892,080	1,562,224
NET ASSETS (NOTE 4)		
Unrestricted	-	-
Stabilization Reserve	9,194,239	6,268,242
Research and Development Reserve	150,000	100,000
	9,344,239	6,368,242
	11,236,319	7,930,466

COMMITMENTS (NOTE 5)

Signed by Directors on behalf of the Board:



 Director



 Director

Tire Stewardship B.C. Association
STATEMENT OF OPERATIONS
 For the Year Ended December 31

	2009	2008
	\$	\$
REVENUE		
Advance Disposal Fees	16,655,092	17,440,169
Investment Income	44,999	138,382
Total Revenue	16,700,091	17,578,551
EXPENSES		
Program Incentives	12,407,176	14,152,777
Administration		
Program Management	843,703	745,559
Communications and Education	159,177	169,560
Community Grant Program	85,242	0
Professional Fees	106,148	50,462
Board Expenses and Travel	122,648	95,410
Total Expenses	13,724,094	15,213,768
EXCESS OF REVENUES OVER EXPENSES	2,975,997	2,364,783

Tire Stewardship B.C. Association
STATEMENT OF CASH FLOWS
 For the Year Ended December 31

	2009	2008
	\$	\$
CASH PROVIDED FROM (USED FOR):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	2,975,997	2,364,783
Changes in non-cash working capital balances related to operations -		
Accounts receivable	84,811	(379,573)
Accounts payable and accrued liabilities	329,856	62,273
	<u>3,390,664</u>	<u>2,047,483</u>
INVESTING ACTIVITY		
Purchase of investments	(22,334)	(2,081,081)
	<u>3,368,330</u>	<u>(33,598)</u>
INCREASE (DECREASE) IN NET CASH	3,368,330	(33,598)
Net Cash - Beginning of Year	2,327,591	2,361,189
NET CASH - END OF YEAR (note 7)	5,695,921	2,327,591

Tire Stewardship B.C. Association

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31

	Unrestricted	Restricted		2009	2008
		Stabilization Reserve	Research and Development Reserve	Total	Total
	\$	\$	\$	\$	\$
Net Assets - Beginning of Year	-	6,268,242	100,000	6,368,242	4,003,459
Excess of revenues over expenses	2,975,997	-	-	2,975,997	2,364,783
Transfers (note 4)	(2,975,997)	2,925,997	50,000	-	-
Net Assets - End of Year (note 4)	-	9,194,239	150,000	9,344,239	6,368,242

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

1 PURPOSE OF THE ORGANIZATION

Tire Stewardship B.C. Association ("TSBC") is a Stewardship Agency registered in British Columbia and incorporated under the British Columbia Society Act as a not-for-profit organization on August 25, 2003. TSBC is exempt from income taxes pursuant to Section 149(1)(l) of the Income Tax Act, Canada. On January 1, 2007, TSBC assumed responsibility for the Ministry of Environment FIRST Program and entered into an agreement to manage the industry stewardship program for scrap tires in British Columbia until September 19, 2011.

The B.C. Recycling Regulation (449/2004) includes the requirement that all producers, as defined in the regulation and referred to in these notes as "tire retailers", prepare or be part of an approved stewardship plan. Presently, TSBC has the only approved tire stewardship program in the province and accordingly all tire retailers in B.C. must be registered.

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. Under this method, 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. Investment income is recognized when earned.

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 tire retailers at the point of sale and reported to TSBC in the following month. TSBC accrues the advance disposal fee revenues and recognizes them as unrestricted revenues in the month in which they were generated as reported by the tire retailers.

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 to manufacturers are due on receipt of crumb rubber from the processor or on sale of the final manufactured product depending on manufacturers' processes. Incentives payable as of the end of the fiscal year are included in accounts payable and accrued liabilities.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. As discussed in note 5, 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 yet sold, and unprocessed scrap 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.

Financial Instruments

Financial assets and financial liabilities are recognized on the statement of financial position when TSBC becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods is dependent upon the classification of the financial instrument as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

TSBC has implemented the following classifications:

- Cash is classified as held-for-trading and any changes in fair value are recorded through the statement of operations for the year. The fair value is the same as the carrying value due to its short-term nature.
- Accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest rate method. Interest is recorded in excess of revenues over expenses for the year, as applicable. The fair values are the same as the carrying values due to their short-term nature.
- Investments (note 3) are classified as held-to-maturity as management intends to hold the investments to maturity as they are comprised of Guaranteed Investment Certificates. The fair values are the same as the carrying values due to their short-term nature.
- Accounts payable and accrued liabilities, are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. Interest is recorded in excess of revenues over expenses for the year, as applicable. The fair values are the same as the carrying values due to their short-term nature.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Accounting Policies

As of January 1, 2009, TSBC adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook: Section 1535, Capital Disclosures, and Section 3855, Financial Instruments - Recognition and Measurement.

Section 1535 requires TSBC to disclose information about its objectives, policies and processes for managing capital, describe what it regards as capital and indicate whether it has complied with any capital requirements. This change in accounting policy had an immaterial effect on the financial statements of the current year and comparative year.

Section 3855 requires TSBC to classify its financial instruments depending on their nature as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Measurement in subsequent periods depends on the classification of each financial instrument. This change in accounting policy had an immaterial effect on the financial statements of the current year and comparative year.

Recent Accounting Pronouncements

The Accounting Standards Board (AcSB) and the Public Sector Accounting Board (PSAB) are working together to assess the strategic direction of financial reporting standards for not-for-profit organizations in Canada. The strategy will ensure that accounting standards for not-for-profit organizations are responsive to the diverse nature of the sector, allow for comparability between the private and public sectors and provide decision-useful financial statements for the multiple and varied users of not-for-profit statements.

The existing accounting standards used by the not-for-profit sector - those from the CICA Handbook - Accounting - will continue to apply, unchanged, until proposed new directions for not-for-profit organizations in both the public and private sectors are developed and published for comment, consultation is conducted and the standards are finalized.

It is important to note that although Canadian publicly accountable enterprises are required to adopt International Financial Reporting Standards on January 1, 2011, not-for-profit organizations are not required to make a choice or to follow the same transition schedule. The transition to a new strategy for not-for-profit financial reporting will be based on a separate timeline that allows adequate time to plan and transition successfully.

As such, TSBC has no plans to adopt any new accounting standards. It is expected though that, subject to the outcome of the AcSB's forthcoming consultations on future directions in setting standards for this sector and decisions on a requirement and timetable for adoption of IFRSs, not-for-profit organizations may be required to adopt new accounting standards at some undefined point in the future.

Tire Stewardship B.C. Association

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

3 INVESTMENTS

Investments are comprised of Guaranteed Investment Certificates with a maturity of one year.

4 NET ASSETS

In 2009, TSBC's board of directors internally restricted net assets amounting to \$2,975,997. Of this amount, \$2,925,997 was transferred to the Stabilization Reserve and \$50,000 was transferred to the Research and Development Reserve.

Stabilization Reserve:

- Ensures that funds are available to meet the potential incentives owing to processors for the whole tires 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.
- Assists, in the event of a cessation of the Tire Stewardship Program or the wind up of the Society, with the potential financial consequences that may arise if such events were to occur.

Research and Development Reserve:

- Ensures that funds are available to conduct research and development activities needed to ensure a sustainable tire-recycling program in the province of British Columbia.

5 COMMITMENTS

As of December 31, 2009, whole tires and unsold product at registered processor facilities was estimated at 818,046 (2008 - 538,204) passenger tire equivalents ("PTE"). The incentive payments to processors could amount to a future liability of up to \$2,305,486 (2008 - \$1,544,645).

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, investments (note 3), accounts receivable, and accounts payable and accrued liabilities.

Interest Rate and Currency Risk

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

Credit Risk

Credit risk arises from the potential that registered tire retailers who are required to remit advance disposal fees 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.

Tire Stewardship B.C. Association

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

7 CAPITAL MANAGEMENT

TSBC considers its capital to be the balance maintained in its Net Assets, subject to the restrictions placed upon the assets of the restricted funds. The primary objective of TSBC is to invest its Capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Capital is invested under the direction of the Board of Directors of TSBC with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements.

TSBC's Capital is comprised of its Net Assets. As at December 31, 2009, TSBC's balances amounted to \$9,344,239 (2008 - \$6,368,242).

TSBC is not subject to any externally imposed requirements of its Capital.



TIRE Stewardship New value from old tires BC

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