

2010

ANNUAL REPORT



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

2010 Comments

FROM THE CHAIR AND EXECUTIVE DIRECTOR

2010 was a year of steady, continuous improvement, and stable, predictable operations with no major changes implemented. What is notable however is that this annual report, published on July 1, 2011, marks the 20th anniversary of BC's tire recycling program.

For the first sixteen years it was a government run program and for the last four, industry has been behind the wheel. Not all those years were without challenge but the efficient collection and recycling of all of BC's eligible scrap tires was achieved early in the program's history and continues today. BC's tire recycling program is the oldest and arguably the best program in North America.

The secret to this success is undoubtedly the people. The TSBC team is unique in both the longevity and continuity of its players and the diversity of their experience.

✓ TSBC Board of Directors – the seven Directors have a combined 31 years of service on the Board. The Directors bring many years of experience in the tire industry and as Directors on other not-for-profit Boards where good governance practices were learned.

✓ TSBC Management and Administration – the core team has over 40 years of experience designing and operating the tire recycling program going right back to its launch in 1991. With three other members of the 1991 team assisting from time to time, the original team is virtually intact after 20 years!

✓ Processors, Manufacturers, Haulers – The three companies that currently process tires and/or manufacture products were in operation before the program started in 1991 and continue today as key players. Similarly most of the original tire haulers are still collecting tires from over 3,000 retailers and other scrap tire generators throughout BC. Many other players have come and gone but these companies continue to be the backbone of BC's recycling program.

✓ Retailers - BC's retailers play their part by being the face of TSBC to motorists, regularly remitting the eco fees, and accepting scrap tires from the public.



Don Blythe
Board Chair



Mike Hennessy
Executive Director



Over 70% of the tires collected in 2010 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 Advance Disposal Fee (ADF), commonly referred to as 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 STATEMENT
All scrap tires are transformed to the environmental, economic, and social benefit of BC's citizens.

OUR BOARD OF DIRECTORS



Don Blythe
(Chair)
Western Canada
Tire Dealers
Association



Norm Schmidt
Western Canada
Tire Dealers
Association



Mark Endersby
Western Canada
Tire Dealers
Association



Adrian Courtenay
Rubber Association
of Canada



Ken Rees
Retail Council
of Canada

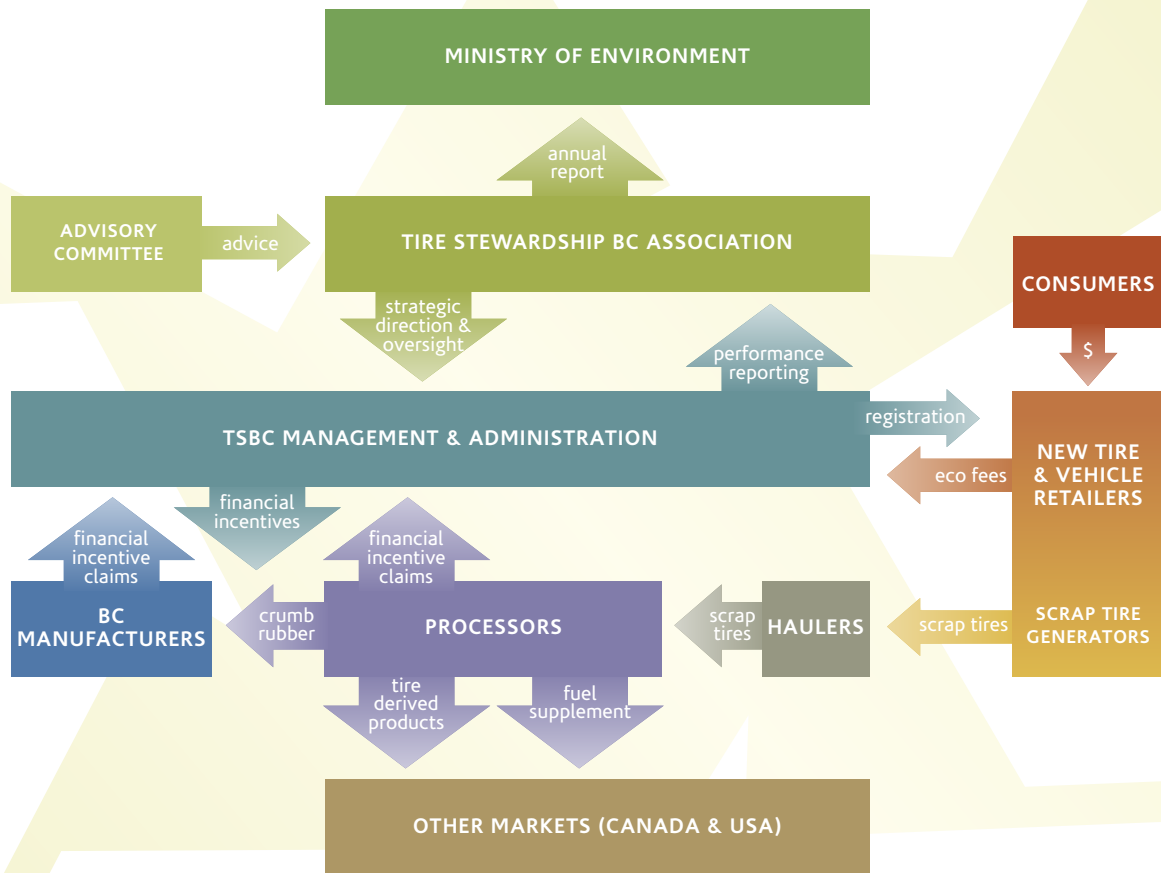


Glenn Maidment
Rubber Association
of Canada



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.



38,000 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 2010, 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 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	3,127	2,550
Medium Truck	214	208
Agricultural Drive	12	2
Logger / Skidder	2	1

New Value From Old Tires

71% of the tires collected in 2010 were recycled primarily into crumb rubber, which is granules of rubber with the steel and fibre removed. Recycled rubber is then used to create a variety of products including: athletic tracks, synthetic turf fields, playground surfacing; colourful resilient flooring in recreational facilities; flooring and mats for agricultural and industrial use; and coloured landscaping mulch.

The remaining 29% were used as an industrial process fuel supplement.

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 56% (from 46,000 kms to over 72,000 kms) and average tire rolling resistance has decreased by more than 25%, 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.



New value from old tires

Recycled tires gain new life as playground surfaces, running tracks and landscaping mulch.



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,

Five tonnes are avoided in the resource extraction process. Another study² in France corroborates these conclusions.

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

2. http://www.aliapur.fr/media/files/RetD_new/Conferences_Publications/Article-_Internation_Journal_of_Life_Cycle_Assessment_110910.pdf

peak performance

THE NUMBERS

Our 2010 performance targets and achievements are outlined below:

2010 PERFORMANCE TARGETS	2010 RESULTS
1. Fewer than 2% of registered retailers and generators complain to TSBC of backlogs, stockpiles or disruptions in collection service.	Less than 0.3 % of retailers and generators contacted TSBC to complain (9 complaints from 3,171 registered participants) primarily related to scheduling of pick-up service.
2. Scrap tire diversion from the environment (expressed as a percentage of # tires collected / # tires sold) is maintained at approximately 90%.	The diversion rate was 82% based on #tires collected / #tires sold. This diversion measure is significantly affected by a number of factors which are all out of TSBC's influence. Tires are culled and shipped off-shore for reuse, never to return as scrap and therefore not available for collection in BC. Further, as the total number of vehicle registrations continues to increase, and with the greater use of snow tires, there is an ever increasing number of tires "in use" or "in storage and ready for use" further reducing the number of tires available for collection.
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 525 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 2,192 retailer collection points in BC where the majority of the tires generated are collected, 407 were also R2R retailers on December 31, 2010. To compensate, especially in the remote regions of the province, 10 tire round-up events were held in 2010 and 20 more are targeted for 2011.
5. A retailer compliance review program established to ensure all retailers are "paying their fair share" and at least 150 retailer compliance reviews completed annually.	235 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 on regular sales but TSBC did receive 5 complaints early on regarding the implementation of eco fees charged on tires on vehicles imported from the US.
7. A survey of consumer awareness is conducted to establish a baseline measure.	A survey in 2010 of 238 callers to the Recycling Council of BC (RCBC) indicated 37% are aware of the program and 56% are aware of the eco fee.
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 2010 was 71% TDP to 29% TDF. The four year averages since 2007 were 69% TDP to 31% TDF. Year to year fluctuations in these percentages is largely a reflection of ever-shifting markets for TDP and TDF.
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 on 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.	9.3 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.	All agreements are in place. The process of negotiating comprehensive agreements has helped maintain sound relationships with the key industry participants.

MOVING TOWARDS A greener future

2010 was TSBC's fourth year of operation and we highlight below how the program has been continuously improved for all stakeholders:

- More convenient tire disposal options for consumers e.g. tire round ups;
- Grants of up to \$20,000 to communities for projects using recycled rubber;
- Encouragement to local governments to buy BC recycled rubber;
- More innovative uses for recycled rubber e.g. landscaping mulch, and rubber-plastic composite patio blocks; and
- The collection of eco fees for tires on vehicles imported from the US.

Getting the word out

TSBC focused its stakeholder outreach on a broad education and communications campaign. Working with a media relations company TSBC put together an integrated advertising campaign in community newspapers to raise consumer awareness of the Return to Retailer (R2R) program and tire round ups in particular, and to convey the environmental and economic benefits of tire recycling in general. To drive home the benefits of proper tire inflation and maintenance, TSBC-branded tread depth gauges were distributed to all our R2R participants.

BuyBlackGoGreen

In 2010 TSBC launched the Buy BC campaign to inform the owner/operators of facilities using recycled rubber – primarily local governments and school districts – 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 was added to explain why sourcing 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 2010 TSBC supported 17 communities building new recreation facilities or renovating existing ones with grants totalling over \$247,000 through our Community Grant Program. This was a significant increase in community participation over 2009 and due to this success, TSBC has committed to making this an annual program. Community grants support the use of BC recycled rubber in BC community projects as an excellent way of bringing recycled scrap tire products “full circle” back to the community.





Tire Round-ups

Since 2009 TSBC has piloted 12 tire round-ups as another convenient option for disposing of orphan tires on or off rim. Tires on rims are a significant cost and inconvenience issue for many consumers. Based on early successes, TSBC has plans in place for several more round ups in 2011, including some joint collection events with other stewardship agencies that recycle products such as electronics, cell phones and used oil. These events are also used to promote the programs and provide the public with information on what happens to the eco fees they pay and what happens to the materials they discard.

Import Vehicles

In 2010 TSBC implemented a system to collect eco fees for tires on vehicles imported into BC from the US. In partnership with the Registrar of Imported Vehicle inspection stations, TSBC now collects the fee from the importer. Thanks to the cooperation of these stations, everyone now pays their fair share.

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 economic and environmental business cases that underlie a sustainable tire recycling industry in BC.

TSBC made progress towards these goals in collaboration with CATRA (Canadian Association of Tire Recycling Agencies) to share the costs and benefits of R&D efforts. In 2010, TSBC took a leadership role by chairing a CATRA committee to research the nature and extent of Canada's scrap OTR supplies, recycling capabilities and challenges, and the current and potential future products and markets for OTR recycled rubber. The report was presented at the Rubber Association of Canada conference in October 2010. It revealed that BC has a very high proportion of giant OTRs that are used on the huge open pit mine haul trucks. Tires of this size, each weighing up to five tonnes, present unique transportation and processing challenges. TSBC continues its research toward a specific solution for BC.

Bike Tires and Tubes

On the other end of the tire size scale, the cycling community approached TSBC in 2010 to research and develop a recycling solution for bicycle tires and tubes, units weighing half a pound on average. While not obligated under the BC Recycling Regulation, TSBC accepted the challenge. Working in partnership with the retailers, cyclists and the tire re-cycling industry, a unique approach was devised that had to meet some demanding criteria. The solution had to be available and convenient to people throughout the whole province, not just those in urban areas; it had to be free to both cyclists and bike retailers; and the cost to TSBC had to be very low. The solution was fully developed in 2011 and launched on June 1, 2011.



TIRE STEWARDSHIP B.C. ASSOCIATION
FINANCIAL STATEMENTS

For the Year From January 1, 2010 To December 31, 2010

INDEPENDENT AUDITORS' REPORT

To the Members of Tire Stewardship B.C. Association

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Tire Stewardship B.C. Association, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in net assets, and cash flows 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 generally accepted accounting principles, 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.

Auditors' 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 auditor considers 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's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting 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 Tire Stewardship B.C. Association as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

April 20, 2011

Tire Stewardship B.C. Association


STATEMENT OF FINANCIAL POSITION

As at December 31

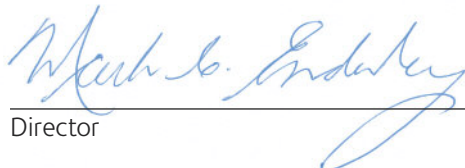
	2010	2009
	\$	\$
ASSETS		
Current Assets		
Cash	1,667,693	5,695,921
Current portion of investments (note 3)	3,900,000	3,603,000
Accounts receivable	1,819,517	1,937,398
	<hr/> 7,387,210	<hr/> 11,236,319
Investments (note 3)	7,100,000	-
	<hr/> 14,487,210	<hr/> 11,236,319
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	2,761,591	1,892,080
	<hr/> 2,761,591	<hr/> 1,892,080
NET ASSETS (NOTE 4)		
Unrestricted	-	-
Stabilization Reserve	11,525,619	9,194,239
Research and Development Reserve	200,000	150,000
	<hr/> 11,725,619	<hr/> 9,344,239
	<hr/> 14,487,210	<hr/> 11,236,319

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

	2010	2009
	\$	\$
REVENUE		
Advance Disposal Fees	17,756,559	16,655,092
Investment Income	129,571	44,999
Total Revenue	17,886,130	16,700,091
EXPENSES		
Program Incentives	13,890,519	12,407,176
Administration		
Program Management	970,341	843,703
Communications and Education	141,093	159,177
Community Grant Program	244,589	85,242
Professional Fees	121,353	106,148
Board Expenses and Travel	136,855	122,648
Total Expenses	15,504,750	13,724,094
EXCESS OF REVENUES OVER EXPENSES	2,381,380	2,975,997

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

	2010 \$	2009 \$
CASH PROVIDED FROM (USED FOR):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	2,381,380	2,975,997
Changes in non-cash working capital balances related to operations -		
Accounts receivable	117,881	84,811
Accounts payable and accrued liabilities	869,511	329,856
	<u>3,368,772</u>	<u>3,390,664</u>
INVESTING ACTIVITY		
Purchase of investments	(7,397,000)	(22,334)
INCREASE (DECREASE) IN NET CASH	(4,028,228)	3,368,330
Net Cash - Beginning of Year	5,695,921	2,327,591
NET CASH - END OF YEAR	<u>1,667,693</u>	<u>5,695,921</u>

Tire Stewardship B.C. Association

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31

	Unrestricted	Restricted		2010	2009
		Stabilization Reserve	Research and Development Reserve	Total	Total
	\$	\$	\$	\$	\$
Net Assets - Beginning of Year	-	9,194,239	150,000	9,344,239	6,368,242
Excess of revenues over expenses	2,381,380	-	-	2,381,380	2,975,997
Transfers (note 4)	(2,381,380)	2,331,380	50,000	-	-
Net Assets - End of Year (note 4)	-	11,525,619	200,000	11,725,619	9,344,239

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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.

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.

New Financial Reporting Framework

In December 2010, a new financial reporting framework was issued for Canadian not-for-profit organizations. This new standard, Accounting Standards for Not-for-Profit Organizations in the CICA Handbook - Accounting (Part III), is mandatory for not-for-profit organizations that do not adopt International Financial Reporting Standards (IFRS) in the CICA Handbook - Accounting (Part I). Earlier application of either of these standards is permitted. TSBC is currently reporting under the existing accounting standards used by the not-for-profit sector - those from the CICA Handbook - Accounting (Part V). TSBC will continue to apply these standards until January 1, 2012 at which time it will adopt the Accounting Standards for Not-for-Profit Organizations. The impact of the transition on TSBC's financial statements has yet to be determined.

3 INVESTMENTS

	2010	2009
	\$	\$
Guaranteed Investment Certificates with maturity dates of 12 months or less	3,900,000	3,603,000
Guaranteed Investment Certificates with maturity dates of more than 12 months	7,100,000	-
	<hr/> 11,000,000	<hr/> 3,603,000
Current portion	(3,900,000)	(3,603,000)
Investments	<hr/> 7,100,000	<hr/> -

4 NET ASSETS

In 2010, TSBC's board of directors internally restricted net assets amounting to \$2,381,380. Of this amount, \$2,331,380 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, 2010, whole tires and unsold product at registered processor facilities was estimated at 917,300 (2009 - 818,046) passenger tire equivalents ("PTE"). The incentive payments to processors could amount to a future liability of up to \$2,823,579 (2009 - \$2,305,486).

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.

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, 2010, TSBC's balances amounted to \$11,725,619 (2009 - \$9,344,239).

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



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