

ANNUAL REPORT 2011

New value from old tires

TIRE
Stewardship 
BC







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

2011 Comments

FROM THE CHAIR AND EXECUTIVE DIRECTOR

In 2011 TSBC completed the fifth year of operations under its BC government approved five year Stewardship Plan. No fanfare, no fireworks, just another year of diverting 37,000 tonnes of scrap tires from BC landfills.

What happened to the tires?

A few numbers tell the story. There were almost 17,000 tire pick-ups in 2011 from communities throughout BC for delivery to processors in Delta and Chemanius. Yet TSBC received only 18 collection service complaints, an impressive achievement! And around the province there were 449 Return to Retailer (R2R) sites where consumers can drop off their orphan tires free of charge. Going forward, TSBC would like to see every retailer and generator that has regular tire pick-up become an R2R site, reducing the burden on municipal landfills and virtually eliminating the excuses for people who are tempted to abandon their orphan tires in urban and rural landscapes.

After tires are collected, here again the numbers tell a story of continuous improvement. The tires collected are either recycled into products or used as a fuel supplement. The five year average of 73% being recycled significantly increased to 88% in 2011, primarily due to the development of a new product, coloured landscaping mulch for the retail landscaping market. Despite the trend to more recycling, TSBC plans to maintain tire derived fuel as an eligible end use in years of weak product markets.

What happened to the money?

Of the \$17.5m in eco fees collected in 2011, \$15m was paid out in transportation, processing and manufacturing incentives. TSBC is also very pleased with the response to its Community Grant Program. TSBC provides grants to not-for-profit organizations that use BC recycled rubber in local projects, putting money back into the communities that ultimately pay the eco fees. In 2011 42 grant applications were received and \$631,337 was awarded for projects all around the Province.

What about the next five years?

TSBC submitted an updated Stewardship Plan for 2012-2017 and is awaiting approval by the Ministry of Environment. It outlines TSBC's focus for the next five years and includes a set of performance measures and targets. Once approved, the Plan will be available online at www.tsbc.ca.



Don Blythe
Board Chair



Mike Hennessy
Executive Director



88% of the tires collected in 2011 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 Board of Directors

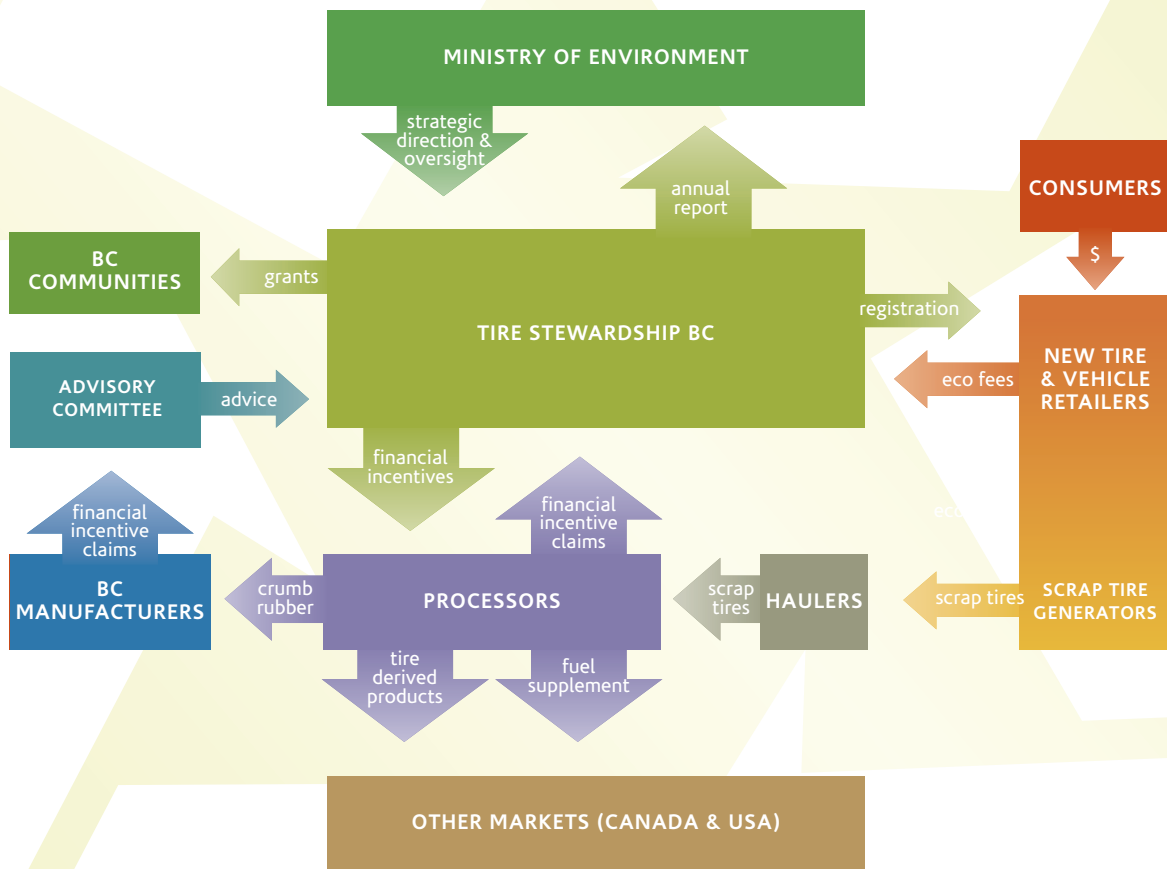
BACK ROW, left to right: **Glen Ringdal** New Car Dealers Association of BC, **Mark Endersby** Western Canada Tire Dealers Association, **Adrian Courtenay** Rubber Association of Canada, **Norm Schmidt** Western Canada Tire Dealers Association

FRONT ROW, left to right: **Ken Rees** Retail Council of Canada, **Don Blythe (Chair)** Western Canada Tire Dealers Association, **Glenn Maidment** Rubber Association of Canada

OUR VISION STATEMENT

All scrap tires are transformed to the environmental, economic, and social benefit of BC's citizens.

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. Management and administration staff 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.

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.

BC COMMUNITIES

Not for profit BC community organizations may apply for a 50/50 matching funds grant if they use BC recycled rubber products in eligible community recreational projects, such as outdoor / indoor recreational surfaces.

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 new tire included with each 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.

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 the fourth consecutive year, the fees in 2011 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.

PLTs 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. In addition AG tires stay in use for 14+ years.

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.



TIRE TYPE	SOLD	COLLECTED
	No. of Units (000)	
Passenger & Light Truck	3,036	2,450
Medium Truck	242	221
Agricultural Drive	12	3
Logger / Skidder	3	2

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

New Value From Old Tires

88% of the tires collected in 2011 were recycled primarily into crumb rubber, which are 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 12% 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 and is an area where both the motorist and industry can play a part. Tire manufacturers are making progress with the introduction of innovative tire lines specifically designed and constructed for low rolling resistance, which significantly increases the life of a tire. Motorists can also play their part by ensuring tires are properly inflated and maintained. TSBC continues to work in partnership with The Rubber Association of Canada in their annual Be Tire Smart Campaign which focuses on educating the motoring public of the benefits of proper tire inflation and maintenance. For example TSBC participated in several TV and radio interviews during Be Tire Smart Week as well as gave away tire pressure gauges at all its public events, including tire round ups and tradeshow.



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 2011 performance targets and achievements are outlined below:

2011 PERFORMANCE TARGETS	2011 RESULTS
1. Fewer than 2% of registered retailers and generators complain to TSBC of backlogs, stockpiles or disruptions in collection service.	Less than 0.6 % of retailers and generators contacted TSBC to complain (18 complaints from 3,352 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 81% 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.	TSBC is 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: approx 5% are "orphans", i.e. scrap tires taken home by consumers instead of leaving them with the retailers at the time new replacement tires are purchased and eventually disposed of at a local transfer station or landfill.)	Of the 2,260 retailer collection points in BC where the majority of the tires generated are collected, 449 were also R2R retailers on December 31, 2011. To compensate, especially in the remote regions of the province, 18 tire round-up events were held in 2011.
5. A retailer compliance review program established to ensure all retailers are "paying their fair share" and at least 200 retailer compliance reviews completed annually.	263 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 3 complaints regarding having to pay the eco fee charged on tires on vehicles imported from the US.
7. A survey of consumer awareness is conducted to establish a baseline measure.	A survey of 136 callers to the Recycling Council of BC (RCBC) indicated 35% are aware of the program and 48% are aware of the eco fee. TSBC plans to conduct a more comprehensive survey in 2012 as a follow up to a survey conducted by the Rubber Association of Canada in 2009.
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 2011 was 88% TDP to 12% TDF. The five year average since 2007 is 73% TDP to 27% to 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. 20 million pounds of crumb (produced in BC from BC scrap tires) used in the manufacture of crumb-derived products by a BC manufacturer.	11.4 million pounds of crumb were used in the manufacture of crumb-derived product in BC, an increase from 9.3 million pounds in 2010.
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

As in prior years, continuous improvement remained a focus in 2011, specifically in the following areas:

- Drop off locations for orphan tires – the number of Return to Retailer locations increased from 407 to 449 and TSBC partnered with other BC product stewards to pilot multi product roundups in addition to TSBC’s own tire round ups;
- Community Grant Program – in 2011 TSBC increased the maximum grant available from \$20,000 to \$30,000 to provide increased funding for communities with large projects;
- Bike Tires – On June 1 2011 TSBC implemented a free and voluntary bike tire and tube recycling program in partnership with bike and tire retailers;
- Getting the word out – TSBC updated its POS brochure and created “moving” billboards by displaying TSBC graphics on several of its scrap tire collection trailers.

Getting the word out

TSBC focused its stakeholder outreach on a broad education and communications campaign. Working through a media relations company TSBC used events such as tire round ups and community grant projects as media hooks to raise consumer awareness of “where the money goes” and “where the tires go”. TSBC also had the opportunity through attendance at tradeshow and sponsorship events to meet directly with local governments and the public to talk about the tire program in general. To drive home the benefits of proper tire inflation and maintenance, TSBC-branded tire pressure gauges were distributed at all our tire round up and tradeshow events.

Community Grant Program

Since the grant program launched in 2008, TSBC has supported 63 communities building new recreation facilities or renovating existing ones with grants totalling over \$1m. 2011 saw a significant increase in community participation with 42 applications and over \$600,000 provided to communities throughout the province. This increase was due in part to TSBC ongoing efforts in getting the word out and showcasing completed projects. 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.





Orphan Tire Disposal

In 2011, orphan tires represented less than 5% of the scrap tires generated in the province annually. Consumers will typically dispose of their orphan tires at the landfill where they are held for collection by program haulers, a costly option for both the consumer and landfill operators. In its ongoing efforts to provide alternative disposal options for the orphan tires TSBC increased its Return to Retailer locations by 10% in 2011. In addition TSBC held both tire round ups and participated in multi product round ups as a pilot project with other BC stewards. With minimal participation and low collection volumes in the multi product roundups, TSBC's plan for 2012 is to hold tire only roundups and participate in community driven recycling collection events.



Bike Tires and Tubes

In partnership with the local cycling community and the Bicycle Trade Association of Canada, TSBC developed and launched a recycling solution for bicycle tires and tubes in 2011. Bike retailers in the province that will accept tires and tubes for recycling have partnered with their local tire retailer to piggyback on the existing collection infrastructure for car tires. The program launched the program on June 1, 2011 in conjunction with TSBC's sponsorship of the Victoria Bike to Work Week event. The launch attracted significant media attention with over 20 print and radio stories during the launch week alone. The response from the cyclists and bike stores has been very positive and TSBC is delighted to be part of this free provincial solution.



TIRE STEWARDSHIP B.C. ASSOCIATION
FINANCIAL STATEMENTS

For the Year From January 1, 2011 To December 31, 2011

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, 2011, 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, 2011, 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

April 25, 2012

Victoria, B.C.

Tire Stewardship B.C. Association


STATEMENT OF FINANCIAL POSITION

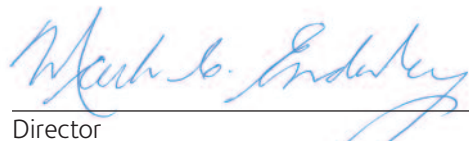
As at December 31

	2011	2010
	\$	\$
ASSETS		
Current Assets		
Cash	2,708,347	1,667,693
Current portion of investments (note 3)	5,116,000	3,900,000
Accounts receivable	1,586,073	1,819,517
	<hr/> 9,410,420	<hr/> 7,387,210
Investments (note 3)	6,715,342	7,100,000
	<hr/> 16,125,762	<hr/> 14,487,210
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	3,657,279	2,761,591
	<hr/> 3,657,279	<hr/> 2,761,591
NET ASSETS (NOTE 4)		
Unrestricted	-	-
Stabilization Reserve	12,218,483	11,525,619
Research and Development Reserve	250,000	200,000
	<hr/> 12,468,483	<hr/> 11,725,619
	<hr/> 16,125,762	<hr/> 14,487,210

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

	2011	2010
	\$	\$
REVENUE		
Advance Disposal Fees	17,551,819	17,756,559
Investment Income	289,329	129,571
Total Revenue	17,841,148	17,886,130
EXPENSES		
Program Incentives	14,839,167	13,890,519
Administration		
Program Management	1,101,635	970,341
Communications and Education	226,352	141,093
Community Grant Program	631,337	244,589
Professional Fees	134,429	121,353
Board Expenses and Travel	165,364	136,855
Total Expenses	17,098,284	15,504,750
EXCESS OF REVENUES OVER EXPENSES	742,864	2,381,380

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

	2011 \$	2010 \$
CASH PROVIDED FROM (USED FOR):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	742,864	2,381,380
Changes in non-cash working capital balances related to operations -		
Accounts receivable	233,444	117,881
Accounts payable and accrued liabilities	895,688	869,511
	<u>1,871,996</u>	<u>3,368,772</u>
INVESTING ACTIVITY		
Purchase of investments	(831,342)	(7,397,000)
	<u>1,040,654</u>	<u>(4,028,228)</u>
INCREASE (DECREASE) IN NET CASH	1,040,654	(4,028,228)
Net Cash - Beginning of Year	1,667,693	5,695,921
NET CASH - END OF YEAR	2,708,347	1,667,693

Tire Stewardship B.C. Association

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31

	Unrestricted	Restricted		2011	2010
		Stabilization Reserve	Research and Development Reserve	Total	Total
	\$	\$	\$	\$	\$
Net Assets - Beginning of Year	-	11,525,619	200,000	11,725,619	9,344,239
Excess of revenues over expenses	742,864	-	-	742,864	2,381,380
Transfers (note 4)	(742,864)	692,864	50,000	-	-
Net Assets - End of Year (note 4)	-	12,218,483	250,000	12,468,483	11,725,619

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

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 ("Ministry") FIRST Program and entered into an agreement to manage the industry stewardship program for scrap tires in British Columbia in accordance with a Ministry-approved Stewardship Plan. The 2007-2011 Stewardship Plan remains in force and operational until such time as the 2012-2017 plan is approved by the Ministry.

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) include both held-for-trading and held-to-maturity investments. The investments classified as held-for-trading include cash and cash equivalents, fixed income securities, and equities. The held-for-trading investments are subsequently measured at fair value and any changes in fair value are recorded through the statement of operations for the year. The investments classified as held-to-maturity consist of Guaranteed Investment Certificates ("GICs"). The GICs with maturities of 12 months or less are included in the current portion of investments. The GICs have fixed or determinable payments and fixed maturities and TSBC has both the ability and the intention to hold the investments to maturity, so they are subsequently measured at amortized cost using the effective interest rate method. Interest is recorded in excess of revenues over expenses for the year, as applicable.

- 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

	2011	2011	2010	2010
	\$	\$	\$	\$
	Cost	Fair Value	Cost	Fair Value
GICs with maturity dates of 12 months or less	5,116,000	5,116,000	3,900,000	3,900,000
GICs with maturity dates of more than 12 months	1,648,800	1,648,800	7,100,000	7,100,000
Cash and cash equivalents	309,313	309,313		
Fixed income	3,658,711	3,673,741	-	-
Equities	1,106,179	1,083,488	-	-
	11,839,003	11,831,342	11,000,000	11,000,000
Current portion	(5,116,000)	(5,116,000)	(3,900,000)	(3,900,000)
Investments	6,723,003	6,715,342	7,100,000	7,100,000

The GICs' interest rates ranged from 2.00% to 3.05% and their maturities ranged from May 18, 2012 to May 21, 2013.

4 NET ASSETS

In 2011, TSBC's board of directors internally restricted net assets amounting to \$742,864. Of this amount, \$692,864 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, 2011, whole tires and unsold product at registered processor facilities was estimated at 1,018,301 (2010 – 917,300) passenger tire equivalents ("PTE"). The incentive payments to processors could amount to a future liability of up to \$3,259,887 (2010 - \$2,823,579).

TSBC has entered into an agreement for the provision of management and administrative services for a period of 5 years beginning January 1, 2012.

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, 2011, TSBC's balances amounted to \$12,468,483 (2010 - \$11,725,619).

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



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