



# NEW BRUNSWICK TIRE STEWARDSHIP BOARD



ANNUAL REPORT 2004



---

## **The New Brunswick Tire Stewardship Board**

P. O. Box 308, Station A  
Fredericton, New Brunswick  
E3B 4Y9

102 Queen Street, Suite C  
Fredericton, New Brunswick  
E3B 1A5

Tel: 506 454 8473 (TIRE)  
Fax: 506 454 8471  
Toll Free: 1 888 322 8473

Email: [nbtire@nbnet.nb.ca](mailto:nbtire@nbnet.nb.ca)  
[www.nbtire.com](http://www.nbtire.com)



---

# LETTER TO THE MINISTER

March 31, 2005

Honourable Brenda Fowlie  
Minister of the Environment and Local Government  
P.O. Box 6000  
Fredericton, NB  
E3B 5H1

Dear Minister:

On behalf of the Board of Directors of the New Brunswick Tire Stewardship Board, I am pleased to submit our Annual Report for the fiscal year January 1, 2004 to December 31, 2004, which includes a brief overview of the program since its introduction in 1996.

Sincerely,



**Humphrey Sheehan**  
*Chairperson*  
*New Brunswick Tire Stewardship Board*

Attach.

---

# INTRODUCTION

*New Brunswick's Tire Stewardship Program (TSP) experienced another record year in 2004. Almost 1 million scrap tires from all regions of the Province were successfully re-captured for recycling into new 'value-added' rubber products. This represents the largest recovery achieved since the TSP was launched on October 1, 1996.*

Beyond the program's direct impacts, its eighth year of operation also marked the culmination of a highly productive chapter in the history of New Brunswick stewardship, and the start of another challenging growth phase.

Under its original structure, the TSP steadily advanced over time to become one of Canada's leading scrap tire recycling systems. Based on that positive track record, a major effort began in 2004 aimed at further expansion of stewardship activity province-wide.

Key steps taken during the year included restructuring the New Brunswick Tire Stewardship Board (NBTSB) to confirm its status as a provincial agency, phasing out the original Board membership and establishing an 'interim' Board to guide a comprehensive change process. In this context, a review also began to examine what models exist across Canada in the area of 'Multi-Material Stewardship' programming.

The year also saw additional investments in 'state-of-the art' technology at Tire Recycling Atlantic Canada Corporation; an extensive re-design of the Minto plant's production floor, and a major pilot project on recycling oversized 'Off-the-Road' scrap tires. NBTSB operations in 2004 were also focused on strengthening information technology systems, appointing a new general manager and updating procedures for program monitoring, data collection and financial reporting.

In retrospect, 2004 served to underscore the major accomplishments of the TSP and the strong support it continues to receive from the Province and the people of New Brunswick. The year also ushered in a new era of expanded programming, in which 'Multi-Material Stewardship' could become the watchword in years to come. Based on our collective experience to date, both the NB environment and our economy seem certain to benefit as a result.

# CONTENTS

Letter to the Minister	
Introduction	
Tire Recycling in New Brunswick 1996 - 2004.....	4
Charting New Directions 2004 .....	7
Industry and Markets .....	9
Special Projects .....	10
Operations .....	12
Trends .....	14
New Brunswick's Stewardship Pioneers.....	15
Interim New Brunswick Tire Stewardship Board .....	16
Financial Statements .....	17
Auditor's Report .....	18
Statement of Financial Position .....	19
Statement of Operations .....	20
Statement of Changes in Net Assets.....	21
Statement of Cash Flows .....	22
Notes to Financial Statements .....	23

# TIRE RECYCLING IN NEW BRUNSWICK 1996 - 2004

*From a modest beginning in the 1990's, New Brunswick's Tire Stewardship Program has steadily grown to become one of the most successful operations of its kind in Canada.*

In 2004, the equivalent of 989,000 scrap passenger tires (PTEs)\* were systematically collected from all areas of the Province for recycling into a wide range of new 'value-added' products. The TSP's cumulative impact since 1996 has been dramatic. Over eight years, more than 6.7 million scrap PTEs have been successfully diverted from New Brunswick's solid waste stream for recovery and re-use.

The program was initially designed to solve a range of chronic problems associated with scrap tire disposal throughout New Brunswick. Attempting to handle such material in landfill sites had become an excessive cost burden for regional solid waste commissions, as well as local taxpayers. The concurrent spread of illegal tire dumping in our fields, forests, rivers and streams was also threatening the environment, and scarring the image of 'the Picture Province.'

## **An 'In-Province' Solution**

From the outset, New Brunswick's approach to this challenge was designed to produce a long-term 'in-province' solution, rather than relying on larger jurisdictions beyond our borders to complete the cycle. The priority goal would be manufacturing new 'value-added' rubber goods in NB, rather than producing raw 'crumb rubber' for recycling facilities elsewhere.

Over the years, this emphasis on the broader concept of tire stewardship has produced significant benefits for our provincial economy, as well as the environment. By transforming a problem 'solid waste' into a valuable resource, the TSP helped to build a sustainable 'home-grown' industry, providing employment for more than 50 New Brunswickers province-wide.

Most of these new job opportunities have been focused at Tire Recycling Atlantic Canada Corporation (TRACC) in Minto, NB. TRACC's plant has evolved over the past eight years to become one of the most technically advanced operations of its kind. Since 2000, more than 98% of its entire annual production has been in the form of 'value-added' rubber-based goods.

\* (PTEs) 'Passenger Tire Equivalents' – NBTBS uses an industry standard measurement of 20 lbs, based on the amount of waste material contained in an average passenger car tire. Scrap tires from passenger cars are counted as 1 PTE, while larger heavier truck tires are counted as 5 PTEs.

## 'Value-Added' Products and Diverse Markets

In the earliest days of the TSP, production capacity at Minto was limited by the available technology, and the lead time required for developing and serving new markets.

Following a change in ownership in 1997, and major investments in new equipment, TRACC began a resilient move forward. Since then, the firm has also shown a unique capacity for designing new technologies 'in-house' and identifying new markets to support product diversification.

TRACC's highest volume output at the present time is focused on 'Pro-Mat' rubber-based livestock mattresses, which have been very well received by the dairy industry across North America and beyond. Through regular acquisition of new technology, and

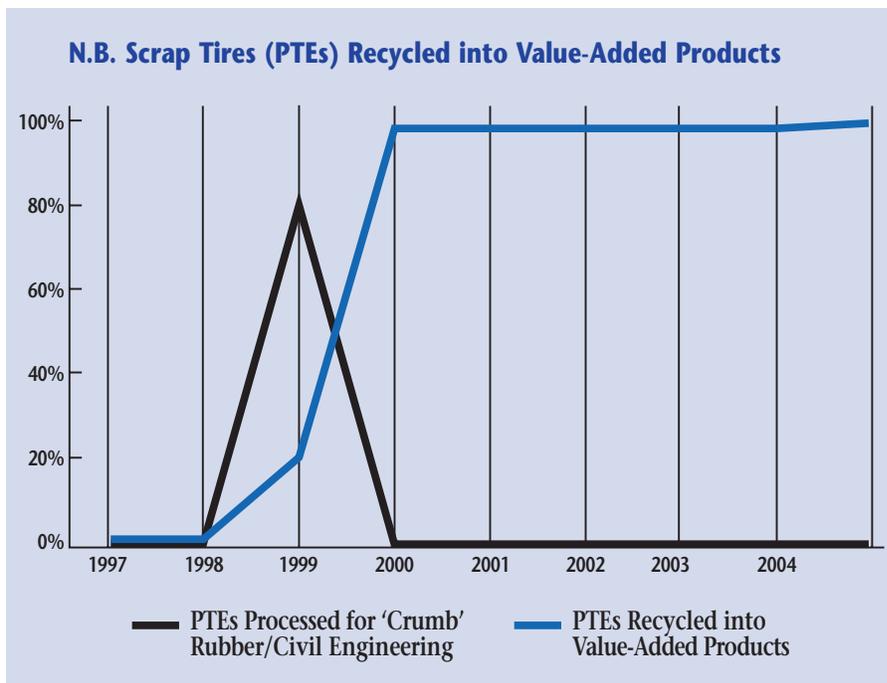
streamlining of the process, more than 100,000 mattress units are now shipped annually from Minto to customers world-wide.

The Company also produces a range of precision-made rubber gaskets for use in heavy industry, noise and shock suppression materials, hard rubber bases for highway and street maintenance posts, truck and trailer mud flaps, as well as other special purpose industrial products.

## Focused on Technology

Over the past five years in particular, NBTSB and TRACC have jointly supported an active research and development program, aimed at introducing new products with long-term market potential.

The most advanced of these is a new type of 'slate-style' roofing tile, made from a hybrid mix of processed scrap tires and recycled plastic. With key input from the University of New Brunswick's Faculty of Engineering, as well as financial support from NBTSB and the Atlantic Canada Opportunities Agency (ACOA), the product should be ready for 'roll-out' during 2005. Initial feedback shows that positive opportunities are available for marketing such 'high-end' construction materials in both Atlantic Canada, and the northeastern U.S. Several suppliers are showing significant interest at this time.



NBTSB has also been working to develop a new system for successfully recycling oversize 'Off-The-Road' (OTR) scrap tires from the agriculture, forestry, construction and mining sectors. Until recently, the huge dimensions and internal structure of OTR scrap tires meant they couldn't be processed with equipment designed to handle passenger car and truck tires. Several options are currently being assessed and it's expected that a full-scale OTR recycling process will be operational in New Brunswick by next year.

### Maximizing Resource Recovery

On average, more than 900,000 new tires are sold in New Brunswick each year. Most of the scrap tires removed from vehicles during installation of these new units are simply left with the retail outlet by the purchaser. The retailer then places them in temporary 'on site'

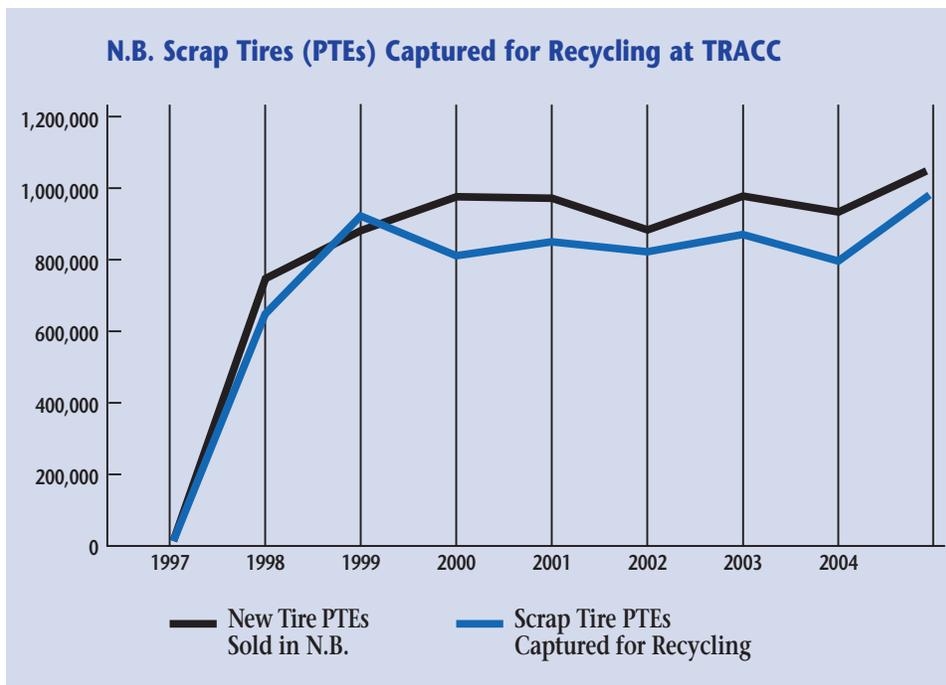
storage, until they are collected and transported by truck directly to TRACC.

Not all the used tires removed from vehicles are left with the retailer, however. Between 10 and 15% are retained by their owners for re-installation at a later date, such as the next change of season in the case of 'snow' tires.

When the TSP was first introduced, a key method chosen for measuring the program's impact over time was the so-called scrap tire 'capture rate.' By carefully comparing the number of new tires sold each year, against the number of scrap tires received annually at the TRACC site, a clear picture emerges of TSP collection efficiency.

Since the late 1990's, New Brunswick's scrap tire 'capture rate' has consistently been among the highest of its kind throughout North America. Holding at an average of 87%, this represents a major achievement in terms of resource recovery.

Virtually every single scrap tire potentially available for recycling in New Brunswick is being captured, transported and processed at TRACC, within weeks of its initial storage at the retailer's site.



# CHARTING NEW DIRECTIONS 2004

*Beyond its obvious impact on tire recycling, the TSP experience to date provides a valuable source of reference information for future program planning.*

It documents how an environmental challenge can be turned around over time to produce sustainable development, and meaningful economic growth. In the broadest sense, it also underlines the benefit of incorporating stewardship principles more generally, as New Brunswick looks toward the future.

## **Expanding Stewardship in NB**

With a specific focus on the longer term, detailed discussions began within Government early in 2004 to examine the potential for expanded stewardship activity across the Province.

The positive track record established by the TSP is clearly an advantage in this regard. It offers a strong operational base and province-wide contacts with various key stakeholders. During the development phase for any new initiative, such assets can prove advantageous.

Several other jurisdictions in Canada have also been moving to increase the number and variety of stewardship services they provide.

Through the Canadian Association of Tire Recycling Agencies (CATRA), NBTBSB has direct access to current and archival data generated on such efforts, which can be equally helpful in the design of new program strategies.

## **Clarifying Harmonized Sales Tax Treatment**

Another major issue for detailed examination in 2004 concerned structural aspects of the TSP in relation to the Federal-Provincial Harmonized Sales Tax. Since 1996, all environmental fees charged on new tire purchases in NB have included an HST component. The fees were implemented in conjunction with the TSP and have remained unchanged at \$3.00 per tire with rim sizes 8" to 17", and \$9.00 per tire with rim size greater than 17" up to a maximum of 24.5".

Provincially administered tire recycling programs throughout Canada have been addressing a series of complex issues around HST calculation with the Canada Customs and Revenue Agency for several years. In New Brunswick's case, the original 1996

decision to establish NBTBSB as a ‘non-profit corporation,’ separate from the Provincial Government, ultimately placed the TSP in a ‘grey area’ as far as HST calculations are concerned.

It was ultimately determined that, without a change in its corporate structure, NBTBSB could be required to pay an additional HST charge in the future, on services received from TRACC, despite the fact that the mandatory 15% HST is already incorporated in the environmental fees paid by consumers on new tire sales.

## **Building A New Structure**

To clarify this matter once and for all, Government took specific action in 2004 to formally revise the legislative and structural definitions of NBTBSB, in order to clarify its status as an agency of the Province. This was achieved through amendments to NB Regulation #96-82, which came into effect on March 26<sup>th</sup>. These regulatory changes preserve New Brunswick’s long-standing approach to calculating the HST on scrap tire environmental fees, and avoid any additional cost implications for Provincial consumers.

## **Creating An ‘Interim’ Board**

Important revisions to the membership structure of the Board were also needed as part of the regulatory changes noted above. The traditional membership requirement for Board members, for example, where industry

stakeholders formed the majority, could not be maintained under the revised provincial agency definition. A new ‘interim’ Board was subsequently appointed to oversee this overall change process, comprising representatives from the Department of the Environment and Local Government.

Board Members from the previous NBTBSB structure, who had served continuously since the TSP’s inception, were concurrently released from their obligations to the Department. This cleared the way for each individual to submit their resignation, which had the legal effect of phasing out the original Board, after eight years of extraordinary accomplishment by all participants involved.

## **Assessing Program Options**

One of the first actions taken by the ‘interim’ Board was to commission a review of Multi-Material Stewardship programming in Canada. Should the Province decide to adopt this new approach, the Board’s future efforts would expand well beyond scrap tire recycling.

Although no determinations have been made as yet, potential new areas being considered for future programming include waste paint recycling, as well as recovery and re-use of electronic components. It’s expected that a dynamic new agency could be fully operational by early 2006, charged with implementing a broader stewardship mandate for New Brunswick.

---

# INDUSTRY AND MARKETS

*Tire Recycling Atlantic Canada Corporation of Minto, NB (TRACC) has functioned as the Board's central contractor for scrap tire collection, processing and recycling since 1996.*

The existing five-year agreement between NBTSB and TRACC extends to 2007. It underlines the importance of developing new 'value-added' products to complement those already contributing to the TSP's strong performance in the marketplace. As part of an extensive technology upgrade, the firm's overall production capacity increased in several key areas during 2004.

The first step in this year long effort focused on initial processing in the tire receiving area. Construction of a new exterior shredding system was completed early in 2004. This had an immediate impact, as the speed of preliminary processing increased dramatically and its output stream became more consistent in terms of size and weight.

In recent years, the plant's largest single manufacturing area has been reserved for livestock mattresses. As the year progressed, a second major investment in new technology cleared the way for a complete re-design of these production facilities.

Following acquisition of a new state-of-the-art 'Rasper' unit, the amount of floor space required for mattress production decreased by more than 50%. At the same time, production speed on the 'Pro-Mat' line rose by 200%, as the Rasper came on line. TRACC's investment

in this regard is seen as a pivotal step, providing the firm with significant capacity for further expansion.

Financial assistance from both NBTSB and ACOA played a key role in acquiring this 'ultra-modern' technology, which immediately prompted further upgrading at the Minto plant. For example, the large production floor space previously reserved for livestock mattresses is now being re-designed and re-tooled for other manufacturing operations.

Another major impact of the Rasper system is its ability to meet steadily rising demand for livestock mattress shipments, by increasing the amount of inventory stored on site. More than 100,000 mattress units are now being manufactured annually at TRACC. Having a larger inventory on hand will be a major advantage in scheduling shipments to customers in both Europe and North America.

Another potential off-shore market which TRACC is pursuing involves Central America and the Caribbean, where responses to a production test run of smaller-sized retread and re-mold tires proved encouraging. Further exploration of this opportunity is expected in 2005, as the focus of TRACC's tire re-build operation is exclusively directed toward overseas markets.

---

# SPECIAL PROJECTS

*Research and development of potential new service components, value-added products, or processing systems to further strengthen the TSP, has been a long-standing priority for the Board.*

The continuing search for a practical and affordable method of recycling 'Off-The-Road' scrap tires (OTRs) produced important results in 2004. A new effort also began during the year to test the use of specially formulated crumb rubber in school playgrounds.

## **OTR Recycling**

Roughly 300 tons of oversized OTR scrap tires from central New Brunswick were successfully recycled in the first half of 2004, as part of a collaborative pilot project between NBTSB and Recyc Granutech Ltd. of Plessisville, Quebec.

More than 5,000 scrap OTR's are generated each year from the agriculture, forestry, construction and mining sectors in New Brunswick. In numerical terms, this is less than 0.5% of the Province's total generation of scrap tires. When size is taken into account, however, OTR's would represent almost 8% of total PTEs collected. The huge dimensions and reinforced design of such 'special grade' tires means they can't be processed with equipment designed for normal truck and car tire shredding.

The Recyc Granutech project began in mid-winter and was carried out in cooperation with the Fredericton Region Solid Waste Commission. The Commission had been separating oversize scrap tires from their normal solid waste stream for several years.

Earlier research had shown that Recyc Granutech offered the lowest cost technical solution, within a reasonable transportation distance from New Brunswick. The Board had also received assurances that the Plessisville plant could handle even the largest OTR units. Operating through the winter and spring period, the pilot project successfully met all required performance criteria on recycling output. The transportation component went smoothly as well, while overall costs were calculated at roughly \$270 per ton of OTR rubber.

Confirmation that such an 'out-of-province' solution could be technically viable was an important step forward. Nevertheless, it remains clear that finding a cost-efficient processing option for OTR's, within the boundaries of New Brunswick, would be more preferable.

## Testing 'Playground' Crumb Rubber

A new style of 'rubber crumb,' specifically designed for use as a base material in school playgrounds, is undergoing a 12 month 'on-site' evaluation in Fredericton.

NBTSB provided the funding, while RTS Co. Ltd. of Nova Scotia completed the installation at Park Street School on the city's north side. Susan Mackenzie of the Fulton Heights Community Park Committee was the main organizer of the project.

The composition of this 'playground' crumb is significantly different from that used in earlier trials. It contains noticeably larger more 'string-like' pieces, bonded together to form a resilient honeycomb base. The result is a durable ground cover somewhat similar in appearance to multicoloured straw matting.

The surface is noticeably softer under foot than the 'pea-gravel' traditionally used in high traffic areas around slides and climbing apparatus. The aim of such applications is to lower the risk of playground scrapes, cuts or bruises, without any corresponding increase in long term maintenance costs.

It also makes the area more accessible for wheelchairs, unlike traditional surfaces which can severely impede their movement. Because of its porous structure, the material drains water easily as well, which should result in less ice build-up during the winter months.

The Board welcomed this opportunity to support the local community while continuing its evaluation efforts on alternative uses for crumb rubber. The installation was completed in June 2004, and initial evaluations will take place next summer, after Park Street School students give this unique surface a year's worth of enthusiastic use, in all weather conditions.

# OPERATIONS

*Administering the TSP, which recovers and recycles scrap tires every business day of the year, represents a sizable task in terms of data collection, storage and management.*

Almost 3 million dollars in environmental fees are also collected annually on all new tires sold in the Province, to partially subsidize TSP operations. Ensuring these revenues are precisely accounted for at all stages in the process is equally demanding. Program staff members are constantly focused on these functions, working with TRACC and more than 900 retail tire outlets across NB.

The data systems involved require sophisticated upgrading and maintenance on a regular basis to handle the huge amount of information generated in support of the TSP.

During 2004, a new approach to monitoring the precise number of scrap tires received at the TRACC site every week began preliminary operation. When this system is ultimately completed, automatic scanning equipment will enable monitoring of such data at various points in the program cycle, and allow further efficiencies to be realized.

Beyond its established responsibilities, NBTSB also began a major internal change process during the year.

Phasing out the original 1996 Board structure, in order to clarify the TSP's status regarding the Harmonized Sales Tax, was a key step in this regard. Final confirmation that NBTSB is a designated 'provincial agency' regarding the HST cleared the way for appointment of a new 'Interim' Board.

Resolution of this issue also removed a significant potential fiscal liability, which could have been created by a substantial rise in HST payments on future environmental fees. NBTSB has always maintained a contingency reserve to ensure program stability during any significant future downturn in recycling markets, or other unexpected occurrence. By resolving the HST question, funds which had been held in a separate account for that specific purpose became available for transfer to the Board's general contingency reserve. This had the effect of further bolstering NBTSB's capacity to protect the long term interests of NB tire consumers and the program as a whole.

In June, 2004, Jamie Seamans was appointed as the new NBTSB's General Manager. Mr. Seamans' appointment followed an executive search process and publicly advertised competition which had begun earlier in the year.

To provide the Interim Board with further planning support, a comparative review of stewardship programming across Canada was also commissioned to consider the potential establishment of a Multi-Material Stewardship Program in New Brunswick.

Another important operating change during the year dealt with the way environmental fee revenues are calculated for financial reporting purposes.

From the earliest days of the TSP, it was recognized there would be a delay between the date on which tire purchasers paid their environmental fees, and the point at which tire retail outlets would transfer those funds to NBTSB. There is no additional handling charge for this process, as tire retailers in New Brunswick pass on each environmental fee they receive in full.

Over the years, however, the time lag in completing these fee transfers became considerable. For financial reporting purposes, it also proved increasingly impractical, particularly for the final weeks of each fiscal year. Environmental fee revenues from one year, for example, were often still being compiled for reporting purposes well into the next twelve-month period.

To rectify this situation, simplify the basis for year-to-year comparisons, and ensure all revenue reporting is consistent in the future, a major change in procedure is being introduced with this fiscal year. From 2004 onward, January 31<sup>st</sup> will stand as the final closing date for reporting environmental fee transfers from tire retailers to NBTSB. No revenues received after that date will be credited to the previous fiscal year. Instead, a separate account will be created for tracking “prior year’s revenue” as required by the applicable accounting procedure.

In the short term, these revisions will have the obvious effect of creating an apparent ‘revenue shortfall’ for NBTSB in 2004, when compared with previous annual reports. On the other hand, this should be counterbalanced in 2005 by applying all fee revenues received after February 1<sup>st</sup> to the new fiscal year, without reference to the date of the actual tire purchase.

This ‘one-time’ anomaly in revenue calculations is aimed directly at improving the accuracy of future annual reporting. It’s also seen as the most transparent method of affecting the required change in accounting procedure. The Board will continue to focus on detailed and comprehensive financial reporting, as the overall program moves forward in the future.

---

# TRENDS

*Nine Canadian provinces and the Yukon Territory presently operate centralized tire recycling systems. Most of these programs were introduced in the 1990's, as part of an increased emphasis by all governments on waste reduction and sustainable development.*

Although the structural design of such programs may vary from one jurisdiction to another, they have generally enjoyed broad public support, and been able to forge strong links with industry at all stages in the waste diversion and recycling process.

Their positive impact nationally to date has also helped to spur interest in applying similar 'stewardship' models to other market sectors. More recently, this has been reflected in the establishment of 'multi-material' stewardship structures, particularly in eastern Canada.

At present, Quebec and Nova Scotia, as well as Newfoundland & Labrador, all operate multi-material stewardship agencies, which

include scrap tire recycling as one of their key responsibilities. Prince Edward Island has also created a multi-purpose waste management corporation, and Ontario is actively developing similar initiatives to meet expanded waste reduction targets.

Against this background, and given New Brunswick's solid track record with the TSP, the transition currently underway toward a 'multi-material' system is seen as a natural evolution.

By the end of 2006, it's widely expected that the Interim Board will have fully discharged its mandate; a new agency of the Province will be in place, and an expanded program will be underway.

---

# NEW BRUNSWICK'S STEWARDSHIP PIONEERS

*The remarkable province-wide impact of the Tire Stewardship Program since 1996 owes much to the commitment and dedication of the founding members of the Board, most of whom served continuously, under the original structure, over eight years.*

These 'charter members' of the NBTSB included the Board Chairperson, Dr. David Besner, and industry representatives Frank Connor, Wayne Flinn, and Alban Gaudet. Together with former colleagues George Irlam, Nabil Elhadi, and the late Sandy Leblanc, the lasting contribution of these individuals to the advancement of stewardship in New Brunswick cannot be overstated.

Their constant efforts to build the TSP in gradual increments, highlight its R&D efforts, and ensure a sustainable future for tire recycling in the Province, proved extraordinarily successful. As the 'pioneers' of NBTSB, they built a truly solid foundation for today's program. This, in turn, is now helping to ensure an even stronger role for stewardship in our collective future.

---

# INTERIM NEW BRUNSWICK TIRE STEWARDSHIP BOARD

**Humphrey Sheehan**

*(Chairperson)*

Assistant Deputy Minister  
Environment and Local Government

**George Haines**

Assistant Deputy Minister  
Environment and Local Government

**Greg Shanks**

Director, Stewardship Branch  
Environment and Local Government

**Frank LeBlanc**

Beverage Container & Recycling Program,  
Stewardship Branch  
Environment and Local Government

**Liane Macfarlane**

Director, Policy and Planning Branch  
Environment and Local Government

**Christelle Léger**

Environment and Local Government

---

# FINANCIAL STATEMENTS



**KPMG LLP**  
**Chartered Accountants**  
Frederick Square  
77 Westmorland Street Suite 700  
Fredericton NB E3B 6Z3  
Canada

Telephone (506) 452-8000  
Fax (506) 450-0072  
Internet www.kpmg.ca

## AUDITORS' REPORT

To the Board of Directors

We have audited the statement of financial position of the New Brunswick Tire Stewardship Board as at December 31, 2004 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 Board'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.

The Board derives revenue from the collection of tire levies pursuant to the provisions of the Clean Environment Act, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these fee and levy revenues was limited to the amounts recorded in the records of the Board and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets, liabilities and surplus.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the fee and levy revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2004 and the results of its operations and changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Fredericton, Canada  
February 3, 2005

**STATEMENT OF FINANCIAL POSITION**

December 31, 2004, with comparative figures for 2003

	2004	2003
<b>Assets</b>		
Cash	\$ 131,709	\$ 749,216
Accounts receivable	484,929	408,347
Investments	1,791,100	1,514,313
Advance to Tire Recycling Atlantic Canada Corporation (note 2)	286,172	-
Prepaid expenses	2,989	2,657
Capital assets (note 3)	18,251	9,849
	<b>\$ 2,715,150</b>	<b>\$ 2,684,382</b>

**Liabilities and Net Assets**

<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 21,059	\$ 1,836,046
Accrued processing fees	1,080,622	300,000
<b>Net assets:</b>		
Invested in capital assets	17,893	9,849
Unrestricted	1,595,576	538,487
	<b>1,613,469</b>	<b>548,336</b>
	<b>\$ 2,715,150</b>	<b>\$ 2,684,382</b>

See accompanying notes to financial statements.

On behalf of the Board:



Director

**STATEMENT OF OPERATIONS**

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Fees and levies	\$ 2,732,926	\$ 2,600,807
Expenses:		
Scrap tire processing costs	3,010,943	2,275,026
Salaries and employee benefits	163,040	150,154
Travel	28,677	26,523
Board meetings	3,157	2,386
Professional services	44,853	69,030
Consulting fees	105,051	10,224
Off the Road recycling project	71,764	-
Communication and translation	33,553	35,338
Office	14,530	19,517
Telephone	5,740	5,026
Rent	11,205	12,420
Insurance	5,622	3,432
Training and subscriptions	1,387	2,259
Interest and bank charges	735	1,649
Depreciation	6,553	6,485
Donations	14,400	-
Recyclable Development Program	48,500	-
Security service	3,304	4,891
	3,573,014	2,624,360
	(840,088)	(23,553)
Other income:		
Investment income	92,703	88,168
Harmonized sales tax (note 4)	1,812,518	-
	1,905,221	88,168
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 1,065,133</b>	<b>\$ 64,615</b>

See accompanying notes to financial statements.

**STATEMENT OF CHANGES IN NET ASSETS**

Year ended December 31, 2004, with comparative figures for 2003

	Invested in capital assets	Unrestricted	2004 Total	2003 Total
Balance, beginning of year	\$ 9,849	\$ 538,487	\$ 548,336	\$ 483,721
Excess (deficiency) of revenue over expenses	(6,553)	1,071,686	1,065,133	64,615
Net change in investment in capital assets	14,597	(14,597)	-	-
Balance, end of year	\$ 17,893	\$ 1,595,576	\$ 1,613,469	\$ 548,336

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOWS**

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 1,065,133	\$ 64,615
Depreciation, not involving cash	6,553	6,485
Changes in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(76,582)	49,206
Increase in prepaid expenses	(332)	(1,695)
Increase (decrease) in accounts payable and accrued liabilities	(1,814,987)	137,612
Increase in accrued processing fees	780,622	75,000
	(39,593)	331,223
Financing and investing activities:		
Capital assets acquired	(14,955)	(5,777)
Increase in investments	(276,787)	(62,752)
Increase in advance to Tire Recycling Atlantic Canada Corporation	(300,000)	-
Decrease in advance to Tire Recycling Atlantic Canada Corporation	13,828	-
	(577,914)	(68,529)
Increase (decrease) in cash position	(617,507)	262,694
Cash position, beginning of year	749,216	486,522
Cash position, end of year	\$ 131,709	\$ 749,216

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2004

The New Brunswick Tire Stewardship Board (the "Board") is a not-for-profit organization incorporated under the Clean Environment Act. The principal business activity is overseeing the collection and recycling of used tires on behalf of the Minister of Environment for the Province of New Brunswick.

### 1. Significant accounting policies:

#### (a) General:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

#### (b) Investments:

Investments are carried at cost. If the market value of the investments becomes lower than cost and this decline is considered to be other than temporary, the investments are written down to market value.

#### (c) Fees and levies:

The New Brunswick Tire Stewardship Board requires retail registrants to remit to the Board, a levy on prescribed new tires sold. Revenue is recognized by the Board at the time tires are sold.

#### (d) Capital assets:

Capital assets are recorded at cost. Depreciation is recorded using the following method and annual rates:

Asset	Basis	Rate
Office equipment	Straight-line	5 years
Furniture and fixtures	Straight-line	5 years
Computer equipment	Straight-line	3 years

#### (e) Scrap tire processing costs:

The Board remits a portion of all levies to Tire Recycling Atlantic Canada Corporation (TRACC). Half of the amount payable is remitted at time of collection and half is payable when TRACC has sold products containing the recycled material. The total amount due to TRACC is accounted for at time of pickup.

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2004

### 1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

### 2. Advance to Tire Recycling Atlantic Canada Corporation:

The amount advanced to TRACC is supported by a demand promissory note, secured by a general security agreement, bearing interest at 3.75%, repayable in monthly instalments of \$5,476 including principal and interest and due September 2009.

### 3. Capital assets:

	Cost	Accumulated depreciation	2004 Net book value	2003 Net book value
Office equipment	\$ 16,774	\$ 15,055	\$ 1,719	\$ 633
Furniture and fixtures	10,759	6,966	3,793	4,413
Computer equipment	43,666	30,927	12,739	4,803
	\$ 71,199	\$ 52,948	\$ 18,251	\$ 9,849

### 4. Harmonized sales tax:

After extensive discussion between the Board and the Canada Revenue Agency, it was determined that the Board was entitled to full relief from GST/HST. Effective March 26, 2004, the Board was added to the list of Government of New Brunswick Entities. HST accrued from prior year's billings has been recognized as a separate line item under the statement of operations.

### 5. Fair value of financial assets and financial liabilities:

The fair value of the Board's cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts.

The fair value of investments at December 31, 2004 was \$1,781,497 (2003 - \$1,515,515) based on published listings of market values.