



**New Brunswick  
Tire Stewardship Board**

**Annual Report 2007  
Management Plan 2008-2009**

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# Letter to the Minister

March 31, 2008

Honourable Roland Haché  
Minister of Environment  
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, 2007 to December 31, 2007.

Sincerely,

**Murray Driscoll**

Chairman, New Brunswick Tire Stewardship Board

Attach.

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# Chairman's Report

For New Brunswick's Tire Stewardship Program, (TSP) 2007 was a year of historic accomplishments, major new challenges and comprehensive change.

From every perspective, it's clear that our province's environment and economy have been well served by the TSP since its inception 11 years ago.

As 2007 drew to a close, the program passed a remarkable milestone which underscores its positive impact over the years. The TSP was first introduced on October 1, 1996. All evidence now confirms that more than 10 million scrap tires have subsequently been diverted from our solid waste disposal stream to become high quality 'made-in-NB' rubber products.

Compared with similar programs elsewhere on a per capita basis, New Brunswick's tire recycling system is widely seen today as one of the most advanced operations of its kind in North America.

It's equally important to note that TSP operations have always been entirely self-supporting and receive no financial assistance from government. Recognizing that environmental fees charged on new tire sales in NB had not been adjusted since the program began, a wide-ranging analysis of TSP input costs and revenues was undertaken by NBTSB in 2007.

Massive additional demands for recycled rubber output were experienced during the year as well, for use in an innovative new road-building application. To fully meet this requirement, the import of scrap tires from out-of-province for processing within NB became necessary for the first time in TSP history.

2007 also marked the beginning of a major new era in NBTSB policy and program direction, when community-based representation was adopted as central focus of Board membership. Nine New Brunswickers representing a broad cross-section of regions and sectors throughout the province were appointed to the newly constituted Board by Minister Haché in mid-June.

On behalf of all my colleagues, I wish to express our deep commitment as NBTSB directors to meeting this vital challenge on behalf of all New Brunswickers. We sincerely appreciate the Minister's leadership and support in this regard, and will spare no effort in working to ensure that sustainable development remains the TSP's guiding principle as the future unfolds.

**Murray Driscoll**  
*Chairman, NBTSB*

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# Operations Summary

New Brunswick's province-wide scrap tire collection system operates every business day of the year. There are more than 950 retail outlets in NB where new tires are purchased and scrap tires generated during the installation process.

TSP collection volumes at these locations will vary from month to month, as new tire sales typically fluctuate with seasonal changes. On average, more than 900 tractor trailer loads of NB scrap tires are delivered annually to Tire Recycling Atlantic Canada Corporation (TRACC) in Minto.

To ensure a sufficient supply of raw material for its recycling operation at any time of the year, TRACC has traditionally maintained an additional scrap tire reserve inventory at its plant site, to supplement feedstock volumes as required.

In 2007, more than 1.6 million scrap tire equivalents were recycled through the Company's various production streams, a dramatic increase of 65% over the previous year.



On average, more than 900 tractor trailer loads of scrap tires collected across NB are delivered annually to Tire Recycling Atlantic Canada Corporation (TRACC) in Minto.

To ensure that all the company's production targets for 2007 could be met on schedule, importing 3000 additional tons of scrap tires from Nova Scotia was also required.

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The prime factor driving this expanded output was the need to generate huge amounts of bulk tire shred for use as engineered construction material in a unique road building embankment project. The company's substantial on-site reserve of scrap tires proved crucial in meeting this extra demand at the outset.

Ultimately, however, 2007 marked the first time in the program's history that TRACC's total feedstock requirements significantly exceeded the number of scrap tires being recovered through the TSP collection system, as well as those available from the company's on-site inventory.

Beyond exceptional opportunities such as the provision of shredded tires for use in highway construction, TRACC's year-round demand for raw material has been rising substantially in recent years, as its product lines become more and more diverse.

By the summer of 2007, it became obvious that further steps would be needed to make up the plant's feedstock shortfall. To ensure that all TRACC production targets for the year could be met on schedule, the company was formally authorized by NBTSB to import 3000 additional tons of scrap tires from Nova Scotia.

The innovative use of bulk tire shred as a fill component for a new highway embankment near St. Stephen was the first project of its kind in Atlantic Canada, although the process has been used extensively elsewhere in North America.



TRACC's technical capacity for shredding huge tire volumes to meet tight schedules and detailed specifications proved to be a major advantage as the year progressed.

Such engineered applications are designed for unique site conditions where tire shred represents an advantage over standard fill, because of its lighter weight and better water drainage capacity.

By late September, more than 7,700 tons of the required material had been produced by TRACC and delivered for use in Phase 1 of the project schedule. Its final phase is planned for 2008, and TRACC will again supply the necessary tire shred.

It's important to note in this context that TRACC's Minto facility remains the only scrap tire processing and manufacturing plant operating in Atlantic Canada today.

NBTSB and the company are both well aware that the feedstock challenge experienced in 2007 could be a sign of things to come. If so, the need to import additional scrap tires from other Atlantic provinces to meet production targets in Minto might eventually become a regular component of TSP operations, rather than a unique project-specific requirement.

# New Board Structure Adopted

For NBTBS as an organization, the most significant development during 2007 involved a far-reaching change in the composition of the Board itself.

A new group of nine New Brunswickers representing a broad cross-section of regions and sectors throughout the province was appointed to replace the previous Board structure, in which the interim directors of NBTBS were also officials in the NB Department of Environment.

In announcing the new appointments, Environment Minister Roland Haché said they “highlight a major step in building the future of environmental stewardship in New Brunswick through strong, community-based involvement. We are very fortunate to have such an outstanding group of New Brunswickers ready to take on this key responsibility.”

Murray Driscoll, a retired educator and deputy mayor of Quispamsis, was appointed to chair the new Board. For many years, Mr. Driscoll has been active in a wide range of community organizations, including the New Brunswick Nursing Homes Association and the Rothesay Regional Police Commission. He also serves as a commissioner with the Fundy Region Solid Waste Commission.

Professor Yves Gagnon, director of the environmental studies graduate program at the Université de Moncton, was appointed as the Board’s vice-chair. An experienced researcher and administrator, Professor Gagnon holds the K.C. Irving Chair in Sustainable Development and is a former visiting executive at the Natural Sciences and Engineering Research Council of

Canada. He was also the founding president and CEO of the New Brunswick Innovation Foundation.

Joining Mr. Driscoll and Professor Gagnon as new members of the New Brunswick Tire Stewardship Board are:

- Thérèse Bourgeois of Grand Falls - hospitality and tourism sector specialist, vice-president of the Kalroutex Club;
- Mary Ann Coleman of Waterford - executive director, New Brunswick Environmental Network;
- Robert Gamble of Fredericton - independent consultant, former president of Service New Brunswick;
- Roland Guitard of Pointe Verte - retired insurance executive, former deputy mayor of Pointe Verte;
- Colombe Leblanc King of Saint-André - retired educator, active in community service and development planning;

- Paul Losier of Beresford - chairman, Nepisiguit-Chaleur Solid Waste Commission; and

- Julian Walker of Fredericton - St. Thomas University faculty, former New Brunswick deputy minister of Environment.

The new Board members focused their initial work together on a comprehensive review of policy and administrative issues aimed at building a productive sustainable future for the TSP, in its second full decade of operations.

The program’s traditional focus on in-province recycling and value-added manufacturing was officially re-confirmed by the Directors as part of this process. To underline the importance of environmental protection in its policy decisions, the new Board also determined that burning NB scrap tires as a fuel source in any setting will have no place whatsoever in future operations of the TSP.



2007 marked the beginning of a major new era in NBTBS policy planning and program direction, as nine New Brunswickers were appointed to the Board representing a broad cross-section of regions and sectors throughout the Province.



# TSP Administration

Since the program's introduction in October 1996, the administrative framework for its province-wide operations has been captured in a comprehensive contract between NBTSB and TRACC. This agreement covers all scrap tire collection activity, as well as subsequent processing and manufacture of new recycled rubber products.

The original operating agreement was extended for a further five years in late 2001 with no substantial change. Completion of a nation-wide tendering process during 2006 again confirmed TRACC as the successful bidder for the opportunity to conclude a new multi-year contract with the Board.

All parties involved in the negotiations were aware at this point, however, that the partial subsidy payments NBTSB had been providing to TRACC for ten years to support TSP operations would require adjustment as part of any new agreement.

The most obvious examples of increased input costs for TRACC over the program's first decade relate to energy. The average price of gasoline

in NB virtually doubled during this period. During the same time frame, the number of retail tire outlets requiring regular TSP collection service increased by 35% and total scrap tire generation from all retail sources in the province rose from roughly 450,000 to 950,000 annually.

From the fiscal perspective, the TSP system has always been entirely self-supporting and receives no financial support from the NB Government. An environmental fee is charged at the retail level on all new tire sales in the province. This revenue stream represents the sole source of any subsidies paid to TRACC by NBTSB under the terms of its operating agreement.

As 2007 began, it was recognized the increased subsidy provisions needed to complete a new multi-year contract with the company would require comprehensive examination of the existing environmental fee structure. The specific fees applicable on new tire sales, and based on rim size categories, had remained unchanged since their original establishment in 1996.

An interim agreement was signed by NBTSB and TRACC to cover on-going operations as the year progressed, while in-depth analysis began on all aspects involved in the ultimate determination of future TSP fee levels. The Board has long maintained a contingency financial reserve for use in special circumstances to ensure program continuity. The increased subsidy funding needed to proceed with the interim operating arrangement was accessed from this reserve.

Ultimately, the new Board members appointed to NBTSB were also able to bring their individual perspectives and experience to bear on the on-going assessment of fee levels and sustainability going forward.

Various technical factors required consideration as part of the decision-making process, including the need to apply new internationally recognized tire use designations in determining fee categories. Such designations - (P passenger), (LT light truck), (T temporary), (ST service trailer) were not as widely used a decade ago, but are now universally applied in the global tire market.

As 2007 drew to a close, the Board concluded its process and recommended a new more detailed fee structure to the Province. This was subsequently approved for implementation on March 1, 2008 and is summarized in the following table.

Tire Size	Current Fee	Mar. 1, 2008 Fee
All P, LT, T and ST 8" to 17" tires	\$3.00	<b>\$4.50</b>
All P, LT, T and ST 17.1" to 24.5" tires	\$9.00	<b>\$4.50</b>
All other 8" to 17" tires <sup>1</sup>	\$3.00	<b>\$4.50</b>
All other 17.1" to 24.5" tires <sup>2</sup>	\$9.00	<b>\$13.50</b>

<sup>1</sup> Includes all motorcycle, moped, ATV, garden tractor, golf cart or other 8" to 17" tires.

<sup>2</sup> Includes all large RV, bus, commercial truck or other 17.1" to 24.5" tires.

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# Management Plan

As the tire recycling industry continues to evolve on a regional national and international scale, New Brunswick's TSP is now well positioned to continue its solid performance in 2008-2009 and beyond.

After more than 11 years without a change, adjusting the environmental fee structure on new tire sales effective March 1, 2008 will ensure that the Board's subsidy financing arrangements with TRACC remain fully self-supporting. On this basis, the operational period for the new multi-year agreement will apply until March of 2013.

Since the TSP was introduced, the North American tire market as a whole has been gradually trending toward larger size tires on average, reflecting the popularity of sport utility vehicles, minivans, etc.

More recently, the introduction of so-called 'super single' tires for use on tractor-trailers is creating a new generation of extra wide scrap units for recycling operations to handle.



The average scrap tire in NB today is 18% heavier and generates at least 18% more recyclable rubber than it did when the TSP began 11 years ago.

On average, the typical scrap tire received at the TRACC plant today is 18% heavier and generates at least 18% more recyclable rubber than was the case when program began 11 years ago.

In the years ahead, it's always possible that the impact of steadily rising energy costs on vehicle designs and consumer choices could potentially affect tire specifications in different directions, and present a new series of challenges for recycling engineers. TRACC's reputation as a technology leader with a strong capacity for in-house innovation will clearly remain a key asset for the TSP, as retail tire markets continue to evolve.

During the 2008-2009, NBTSP and TRACC will jointly undertake a comprehensive overhaul of the data management system used to coordinate TSP scrap tire collections across the province. The aim is to create a shared database constantly accessible to both organizations, while also able to receive specific input from individual retail tire outlets.



The new TSP database system will provide retailers with web-based access for requesting pick-up service as their on-site storage nears maximum capacity.

The new system will ultimately enable retailers to provide on-site scrap tire inventory data directly to the NBTSB-TRACC database using a special access section of the TSP website.

Electronic requests from retail outlets for pick-up service when their on-site storage facility is nearing capacity will also become practical with this expanded web service. Coordination of TSP collection truck route schedules and overall system monitoring will be significantly enhanced as a result.

Comprehensive auditing of TSP program operations at the retail level is a vital part of NBTSB's mandate, to ensure peak efficiency and compliance at all times with every procedure required. Further broadening of this oversight function will be another key focus, as the new database delivers increasingly detailed and current information on more than 950 individual sites province-wide.

The initial stages of the NBTSB-TRACC central data management system are expected to be operational by the summer of 2008.

Expanding the number of scrap tires being collected across New Brunswick at any time of the year will be more crucial than ever before as the future unfolds, particularly if TRACC's feedstock demands continue trending upward.

Active promotion will clearly continue on the 'Return to Retailers' drop-off service for individual consumers with old scrap tires still in domestic storage.

In addition, regional solid waste commission sites throughout NB have now been designated by the Board as official TSP collection points. This change is designed to ease the process of recovering scrap tires which arrive at waste management sites from time to time, and encourage their re-shipment to Minto instead. Joint education efforts with solid waste commissions on tire recycling will be another focus in the drive to re-capture as many scrap units as possible for productive use.



**OLD TIRES  
Taking Your Space?**

**TSP Recycling is 'Just For You!'**

Getting rid of scrap tires in your basement, garage or shed is 'Easy and Green' with TSP Recycling.

Your old tires can be dropped off, free of charge, during regular business hours, at any retail tire outlet in New Brunswick... even if they were not originally purchased at that location. They'll be stored on-site and picked up for recycling through our normal TSP operations.

Our 'Return to Retailers' service is specifically designed for New Brunswickers just like you... individuals with a few old tires to drop off. Not all retailers have the same amount of on-site storage space, so please don't bring them more than 5 tires at any given time.

Commercial operators, or anyone else with a large number of tires ready for recycling, should contact the TSP office directly instead.

**New Brunswick Tire Stewardship Board**  
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Promoting the 'Return to Retailers' drop-off service for individual consumers is focused on recapturing as many NB scrap tires as possible still in domestic storage province-wide.

As noted earlier, the import of extra tire resources from elsewhere in Atlantic Canada was required during 2007, to supplement annual collection volumes within NB, as well as reserve inventories at the TRACC plant site. The future could see similar situations arise as the TSP collection system steadily nears a maximum level of cost-effective resource recovery.

2008-2009 will see continued efforts by NBTSB and all other members of the Canadian Association of Tire Recycling Agencies (CATRA) to address the complex challenges presented by so-called 'Off-the-Road' scrap tires, or OTRs. In New Brunswick, roughly 5000 scrap OTR units are generated each year from the agriculture, forestry, mining and construction sectors.

Such special purpose tires are typically manufactured in sizes which dwarf normal car or truck tires, and are internally reinforced to withstand harsh operating conditions. Their oversize dimensions and unique internal composition remain a major processing challenge for recyclers in terms of cost-efficiency.

Although some newer technologies are beginning to show promise, no provincial tire recycling program in the country has yet been able to extend its existing operation to cover OTRs. Given the issue's national scope, CATRA is leading the effort to develop Canada-wide OTR recycling standards, as well as a common approach to ensuring the financial sustainability of such initiatives over the long term.

# Products and Markets

Making specially-designed livestock mattresses for large scale ultra-modern dairy farms has been a mainstay of TRACC's manufacturing operation since the late 1990's. In 2007, more than 120,000 finished units were shipped from Minto to customers across North America, Europe and beyond.

Each mattress contains roughly 120 pounds of recycled rubber from New Brunswick's scrap tire resource. Their reputation for consistent high quality has proved a major advantage in building new market opportunities over the years on a global scale.

TRACC makes a range of other rubber-based products as well, such as drill stem protectors for oil and gas drilling operations, road construction signpost bases, and floor cover matting for locker room areas in hockey arenas.

The company has also developed advanced technology in-house for generating sophisticated bulk products such as synthetic rubber bark mulch, and other types of ground cover for use in landscaping, or resilient surfaces

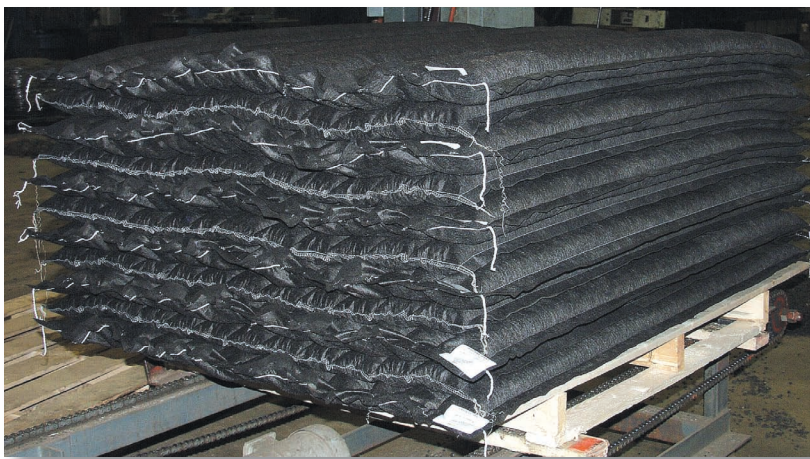


TRACC uses leading-edge technology to generate bulk rubber products for a range of specialized ground cover applications, from commercial and residential landscaping to resilient surfaces in children's play areas.

in children's play areas. As an example, TRACC's soft rubber 'Safe-play' material is now available in bulk form for large scale projects, as well as convenient individual bags for retail market distribution.

2007 also witnessed the largest recycled bulk rubber order ever received by TRACC for innovative use in highway embankment construction. The plant's technical capacity for shredding huge tire volumes on a tight schedule to meet detailed specifications proved a major advantage to meeting this unique demand.

More than 250 tractor trailer loads of the finished product were ultimately delivered to the site contractor as part the project's initial phase.



More than 120,000 livestock mattresses for use in large scale ultra-modern dairy farms were manufactured by TRACC during 2007 for customers across North America, Europe and beyond.



Markedly less expensive to install than natural slate, TRACC's 'Moderne Slate' shingles ensure a virtually identical appearance. In durability tests, a fully finished roof was able to withstand artificially generated winds topping 170 kilometers per hour, with no impact of any kind.

## ***Momentum Builds For Roofing Shingles***

One of firm's most promising new technologies uses a hybrid mix of recycled plastic and scrap tires to make high-performance synthetic slate roof shingles. Originally researched in conjunction with the University of New Brunswick, the finished product can be generated in various colours and stone-like surface designs.

Markedly less expensive to install than natural slate, TRACC's 'Moderne Slate' shingles ensure a virtually identical appearance. Feedback from roofing contractors and their customers has been steadily positive, as output capacity in Minto has continued to expand.

One of the many advantages of this unique product is that cold weather doesn't affect the flexibility of the shingles themselves. This provides contractors the chance to extend the roof construction season well beyond the traditional 'hot' months of the year.

At the same time, the strength and durability of the finished product after installation has been thoroughly confirmed by field test data. During 2007, a series of experiments on wind resistance showed no impact of any kind on a 'Moderne Slate' roof, in the face of artificially generated winds topping 170 kilometers per hour.

Until 2007, TRACC had focused its distribution efforts on NB-based roofing contractors, as part of a multi-year product development

program. With its high-speed production capacity fully in place, however, the Company was able to expand its marketing focus as the year progressed, placing special emphasis on export opportunities.

Initial feedback from British industry sources proved particularly encouraging in this regard. By the end of 2007, TRACC was actively engaged in building U.K.-based distribution networks for its roofing shingle system. Based on experience to date, it appears that the combination of a durable 'eco-friendly' recycled product from Canada, which ensures a very attractive slate roof 'look' on completion, has solid market potential in the European construction sector.

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# N.B. Tire Stewardship Board

## *Members of the Board*

**Murray Driscoll**, (Chair), Quispamsis

**Yves Gagnon** (Vice-Chair), Dieppe

**Thérèse Bourgeois**, Grand Falls

**Mary-Ann Coleman**, Waterford

**Robert Gamble**, Fredericton

**Roland Guitard**, Pointe Verte

**Colombe Leblanc King**, Saint-André

**Paul Losier**, Beresford

**Julian Walker**, Fredericton

## *Legislative Framework*

The New Brunswick Tire Stewardship Board is a provincial government agency whose members are appointed by the Minister of the Environment.

The Board was established in 1996 under the Clean Environment Act. The applicable provisions of the legislation are specified in Section 22.1 as follows:

The Minister may, in accordance with the regulations, establish a stewardship board for the following purposes:

- (a) managing the manufacture, storage, collection, transportation, recycling disposal, or other handling of a designated material; and
- (b) ensuring that that an industry's manufacture, storage, collection, transportation, recycling, disposal or other handling of a designated material is done in accordance with a stewardship plan approved by the Board.

The New Brunswick Tire Stewardship Regulation (Regulation 96-82) was filed on August 8, 1996. Section 4 of this Regulation designates tires as 'designated material' for the purposes of Section 22.1 of the Clean Environment Act.



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## AUDITORS' REPORT

To the Board of Directors of New Brunswick Tire Stewardship Board

We have audited the statement of financial position of New Brunswick Tire Stewardship Board as at December 31, 2007 and the statements of operations and changed 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 unrestricted net assets.

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, 2007 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 14, 2008

# Statement of Financial Position

December 31, 2007, with comparative figures for 2006

	2007	2006
<b>Assets</b>		
Cash	\$ 140,251	\$ 515,024
Accounts receivable	555,060	610,478
Prepaid expenses	3,247	3,067
Current portion of advance to Tire Recycling Atlantic Canada Corporation (note 3)	62,593	60,292
	761,151	1,188,861
Investments (note 4)	769,649	1,917,205
Advance to Tire Recycling Atlantic Canada Corporation (note 3)	49,268	111,861
Capital assets (note 5)	10,313	23,191
	\$ 1,590,381	\$ 3,241,118

## Liabilities and Net Assets

<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 301,627	\$ 281,873
Accrued processing fees	399,764	961,526
	701,391	1,243,399
<b>Net Assets</b>		
Invested in capital assets	10,313	23,191
Unrestricted	878,677	1,974,528
	888,990	1,997,719
	\$ 1,590,381	\$ 3,241,118

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_  
Director



# Statement of Operations

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Fees and levy	\$ 2,782,890	\$ 2,746,147
Expenses:		
Scrap tire processing costs	3,519,917	2,060,364
Salaries and employee benefits	183,191	148,287
Communication and translation	89,409	51,981
Office	39,688	24,131
Professional services	29,798	32,201
Board	24,658	1,429
Security services	24,463	23,110
Amortization of capital assets	15,365	17,721
Rent	10,800	10,800
Travel	9,233	8,499
Telephone	9,028	7,446
Insurance	5,257	5,172
Interest and bank charges	1,020	679
Training and subscriptions	962	1,493
Retroactive payment on scrap tire processing	-	270,096
	<u>3,962,789</u>	<u>2,663,409</u>
	(1,179,899)	82,738
Investment income	89,900	100,533
(Deficiency) excess of revenue over expenses	\$ (1,089,999)	\$ 183,271

See accompanying notes to financial statements.

## Statement of Changes in Net Assets

Year ended December 31, 2007, with comparative figures for 2006

	Invested in capital assets	Unrestricted	2007 Total	2006 Total
Balance, beginning of year	\$ 23,191	\$ 1,974,528	\$ 1,997,719	\$ 1,814,448
Change in accounting policy (note 1)	-	(18,730)	(18,730)	-
(Deficiency) excess of revenue over expenses	(15,365)	(1,074,634)	(1,089,999)	183,271
Net change in investment in capital assets	2,487	(2,487)	-	-
Balance, end of year	\$ 10,313	\$ 878,677	\$ 888,990	\$ 1,997,719

See accompanying notes to financial statements.

# Statement of Cash Flows

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
(Deficiency) excess of revenue over expenses	\$ (1,089,999)	\$ 183,271
Items not involving cash:		
Amortization of capital assets	15,365	17,721
Amortization of bond premium	10,719	14,820
Unrealized gain on investments	(20,298)	-
	<u>(1,084,213)</u>	<u>215,812</u>
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	55,418	(106,749)
(Increase) decrease in prepaid expenses	(180)	703
Increase in accounts payable and accrued liabilities	19,754	19,856
Decrease in accrued processing fees	(561,762)	(300,589)
	<u>(1,570,983)</u>	<u>(170,967)</u>
Investments:		
Increase in investments	-	(217,079)
Decrease in investments	1,138,405	135,000
Repayment from Tire Recycling Atlantic Canada Corporation	60,292	58,077
Capital assets acquired	(2,487)	(3,038)
	<u>1,196,210</u>	<u>(27,040)</u>
Decrease in cash position	(374,773)	(198,007)
Cash, beginning of year	515,024	713,031
Cash, end of year	<u>\$ 140,251</u>	<u>\$ 515,024</u>

See accompanying notes to financial statements.

# Notes to Financial Statements

Year ended December 31, 2007

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New Brunswick Tire Stewardship Board (the "Board") is an agent of the crown, 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. Change in accounting policy:

On January 1, 2007, the Board adopted the new accounting standards that were issued by the Canadian Institute of Chartered Accountants. Handbook Section 3855, *Financial Instruments - Recognition and Measurement*. The new standards are not applied retroactively and accordingly, comparative amounts for prior periods, if any, have not been restated.

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and financial derivatives. It requires financial assets and financial liabilities, including derivatives, be recognized on the statement of financial position upon entering into a financial instrument or a financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Re-measurement in subsequent periods depends on the classification of the instrument.

The Board has elected to classify its financial assets and financial liabilities as held for trading. Measurement is at fair value with changes in those fair values recognized in the statement of operations.

As a result of adopting this Section, the opening balance of the investments has been decreased by \$18,730 to \$1,898,475 to reflect the prior year's cumulative depreciation of the fair value of investments.

The Board has elected to classify the advance to Tire Recycling Atlantic Canada Corporation as a loan and receivable. Measurement is at amortized cost.

## 2. Significant accounting policies:

### (a) General:

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

### (b) Investments:

Investments are carried at fair value. In prior years, investments were recorded at amortized cost and realized gains and losses were recognized in the year of disposal.

# Notes to Financial Statements

Year ended December 31, 2007

## 2. Significant accounting policies (continued):

(c) Fees and levies:

Fees and levies are recognised by the Board when cash is received or receivable from the tire retailers. The Board uses a closing date of January 31st of the following year to recognise fee transfers from tire retailers related to the current year as a receivable.

(d) Capital assets:

Capital assets are recorded at cost. Amortization 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). \$1.50 is remitted to TRACC at the time of tire collection, and \$1.80 is payable when TRACC has sold products containing the recycled material. The total amount due to TRACC is accounted for at time of pickup.

(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 amount of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

## 3. 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.

# Notes to Financial Statements

Year ended December 31, 2007

## 4. Investments:

Face Value			2007 Fair Market Value	2007 Cost	2006 Cost
<u>Bonds, Coupons and Treasury Bill</u>					
\$ 134,000	5.25 %Province of New Brunswick	June 2, 2009	\$ 136,045	\$ 138,776	\$ 138,776
130,000	6.375% Province of New Brunswick	June 15, 2010	136,586	142,149	142,149
190,000	4.10% Canadian Housing Trust	December 15, 2008	190,173	196,890	196,890
84,000	4.25% Government of Canada (2006 - 184,000)	September 1, 2008	84,168	84,643	185,408
200,000	4.25% Government of Canada	September 1, 2009	201,427	206,800	206,800
-	5.70% Province of Ontario	December 1, 2008	-	-	138,280
-	5.75% Municipal Finance Corp	July 17, 2007	-	-	176,850
-	4.35% Farm Credit Corp	August 15, 2007	-	-	199,462
-	4.40% CIBC	August 26, 2008	-	-	198,255
-	Amortization of premium	-	-	(10,719)	(29,591)
-	Cash held in brokers' account	-	21,250	21,250	363,926
			\$ 769,649	\$ 779,789	\$1,917,205

## 5. Capital assets:

	2007		2006	
	Cost	Accumulated amortization	Net book value	Net book value
Office Equipment	\$ 16,774	\$ 16,324	\$ 450	\$ 794
Furniture and fixtures	12,679	10,792	1,887	1,841
Computer equipment	80,008	72,032	7,976	20,556
	\$ 109,461	\$ 99,148	\$ 10,313	\$ 23,191

## 6. 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, 2007 is \$764,384 (2006 - \$1,898,475) based on published listings of market values. The fair value of the advances to TRACC at December 31, 2007 is approximately \$108,000.

The fair value of the accrued processing fees is not possible to estimate given the uncertainty of timing related to processing and related payment.