

# Tire Stewardship of Saskatchewan Inc.



**2017**  
**Annual Report**

[www.tirestewardship.sk.ca](http://www.tirestewardship.sk.ca)



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## 1. MESSAGES

### HONOURABLE DUSTIN DUNCAN | MINISTER OF ENVIRONMENT

On behalf of the Government of Saskatchewan and the Ministry of Environment, I would like to congratulate Tire Stewardship of Saskatchewan on a successful introduction and initiation of their operation of the Saskatchewan tire recycling program.

We saw many significant milestones for scrap tire management in 2017 which required the collaboration and participation of many groups and individuals. *The Scrap Tire Management Regulations, 2017* came in to force in July which reflects changing industry needs and addresses increasing public expectations for governance, accountability and transparency.

Tire Stewardship of Saskatchewan took over core-service program delivery of the Scrap Tire Recycling Program on September 1, 2017. The ministry is grateful for the efforts of Tire Stewardship of Saskatchewan during this transition phase which helped to ensure scrap tire recycling activities remained uninterrupted. From September to December 31, 2017, Tire Stewardship of Saskatchewan oversaw the collection of 344,349 tires and the processing of roughly 7,732,116 million pounds of tires.

The work of Tire Stewardship of Saskatchewan helps to maintain the quality of the environment in Saskatchewan and we look forward to continuing working with them towards this goal into the future. Thank you and good luck in 2018.



## COLIN FRASER | CHAIR, BOARD OF DIRECTORS

My name is Colin Fraser and I am honoured to be Chair of the inaugural Board of Directors for the Tire Stewardship of Saskatchewan Inc. (TSS). I am pleased to be representing the Retail Council of Canada on the Board and have appreciated the opportunity to bring my experience in the industry to the table as an owner/operator of a tire retail store in Saskatchewan. This role has allowed me to participate in my industry in a different way, by focusing on the stewardship of the product we sell to a useful end life.

The TSS was approved as the scrap tire recycling program operator for the previous Product Management Program on July 27, 2017. In a very short period of time we set up a Board, established operations and began running the program status quo on September 1, 2017. The Board is very proud of what was accomplished to effectively keep scrap tire collection and recycling happening in the province. It is truly a testament to the capable Board and team that we have at the TSS.

With that, on behalf of the Board of Directors, I am pleased to present the 2017 Annual Report for the Tire Stewardship of Saskatchewan Inc., reporting on operations for the period of September 1 to December 31.

The organization took several essential steps throughout its establishment, including the hiring of an Executive Director and support staff, and engaging with retailers, collectors and processors, all while maintaining service levels to ensure minimal disruption in service. Beyond these foundational steps, the TSS had a successful four months of operations that can be seen by the highlights outlined in this report. During this timeframe, we also received approval for the TSS Product Stewardship Program for 2018 – 2020, which provides to us the mandate from the Ministry of Environment to continue operating the scrap tire recycling program in the province for this time period.

I would like to take this opportunity to thank the TSS' founding organizations (the Retail Council of Canada and the Western Canada Tire Dealers), the TSS Board of Directors, the Saskatchewan Ministry of Environment, our stakeholder organizations, our contracted service providers, our retailers and the Saskatchewan Scrap Tire Corporation (the previous program operator) for their support and understanding during this period of change.

The Board of Directors has the utmost confidence in the team we have assembled and we look forward to continually improving our processes and outcomes to move forward towards becoming the best tire recycling program in Canada.



## BRAD COLIN | EXECUTIVE DIRECTOR, TIRE STEWARDSHIP OF SASKATCHEWAN

My name is Brad Colin and I am the Executive Director of the Tire Stewardship of Saskatchewan Inc. I am pleased to introduce our first annual report and share program highlights for 2017.

The final four months of 2017 were an exciting time for setting the foundation to renew scrap tire management in Saskatchewan. The TSS began operations with a focus on ensuring that there would be minimal disruption to retailers in collection service. In our first four months of operations, there were more than half a million tires sold and over one-third of a million collected. Excitingly, over seven and a half million pounds of scrap tires were recycled into processed goods which will be used for surfacing, landscaping and commercial products, among other applications. There were over ten and a half million pounds of current generation scrap tires were diverted from landfills, stockpiles or other irresponsible forms of disposal. We are also proud of the increased administrative efficiencies we have been establishing, including increased electronic communication and Electronic Fund Transfers for fee remittance. This commitment to efficiency will pay dividends down the road to ensure we can keep tire recycling fees at a reasonable level.

Beyond current operations, the TSS also gained approval from the Ministry of Environment to be the program operator for the next three years under a new Product Stewardship Program. Although exciting, we acknowledge we have much to do to build off of what we have started to realize more significant outcomes for the program into the future.

The TSS has seven key core values: accountability and transparency; stewardship; integrity and respect; collaboration; responsiveness; innovation and continuous improvement, and; education and communication. The TSS' vision is to have the best tire recycling program in Canada and we are going to work towards just that. Now that the initial phase of establishing operations is complete, I look forward to working closely with the TSS Board as we pursue that vision.

## 2. NEW BEGINNINGS

In the early stages of 2017, the Minister of Environment (the Minister) established a review of the Scrap Tire Recycling Program in Saskatchewan. This review was led by an independent advisory committee who completed substantial engagement with stakeholders involved in the program. The review ended with recommendations and culminated in changes in the regulatory framework. Based on these recommendations the Saskatchewan Scrap Tire Corporation, the previous operator of the program, decided to wind down operations, creating the need for a new operator of the Scrap Tire Recycling Program.

Organizations that sell tires (retailers) are obligated through *The Scrap Tire Management Regulations, 2017* to participate in an approved tire recycling program. Therefore, the industry had to quickly establish a new program operator to take over operations effective September 1, 2017. Given the importance of this program and industry's interest in ensuring retailers would have continued collection services as of September 1, the Retail Council of Canada (RCC) and the Western Canada Tire Dealers (WCTD) established the Tire Stewardship of Saskatchewan Inc. (TSS) as a solution. On July 26, 2017, the Minister of Environment approved the TSS' request to take over core-service tire recycling programming in Saskatchewan by transferring the previous operator's Product Management Program (PMP) to the TSS. A new Product Stewardship Program (PSP) approved by the Ministry began on January 1, 2018.

## 3. YEAR IN REVIEW

The Tire Stewardship of Saskatchewan met many key milestones throughout its first four months of operations. The TSS made its official launch on September 1, 2017 from its location in Regina, Saskatchewan. Upon launch, several initiatives were completed including lining up leadership, employees and service providers. Four board members were appointed to the TSS Board of Directors that met once a month to support establishment, management of operations and planning for the future of the Product Stewardship Program. Additionally, a TSS Advisory Committee of eight diverse members was established to give advice and feedback on the PSP, opportunities, and program changes. Staff was hired during this phase including an Executive Director. The TSS also successfully re-registered all retailers previously registered with the former program and successfully entered into service agreements with four collectors and one processor.

The TSS was able to complete these important foundational steps while also providing a continuation of service. Highlights regarding program operations and stakeholder engagement included:

- Continued processing and recycling of scrap tires, with the majority staying within the province to support our primary local processor, Shercom Industries.
- The Return to Retailer (R2R) program continued to support consumers in dealing with legacy scrap tires by allowing them to drop off up to ten scrap tires at registered R2R retailers.
- Engagement and communication with registered retailers, including Retail Council of Canada members, the TSS Advisory Committee including the Saskatchewan Association of Rural Municipalities and Saskatchewan Urban Municipalities Association, as well as all contracted service providers.
- Participation in the Warman Household Waste Day on October 14<sup>th</sup>, where Shercom provided a trailer and employee to support the drop off of tires from citizens.
- Presentation by the TSS Board at the SARM Midterm Convention on November 8<sup>th</sup> in front of approximately 1,000 SARM delegates and visitors in Regina.
- Focus on implementing improved operational efficiencies including moving the majority of retailers to e-mail notifications, eliminating the need to manually mail information to the 1,300 retailers, and allowing for Electronic Fund Transfers (EFTs) to pay monthly TRFs, eliminating substantial amounts of clerical work.

This period was focused on the launch of the TSS' operations, ensuring continuity of service and a smooth transition with registered retailers and contracted service providers. Overall, the TSS received positive feedback from stakeholders regarding the TSS' ability to take on operations so quickly.

#### 4. STRATEGIC DIRECTION

##### A. VISION

To have the best tire recycling program in Canada.

##### B. MISSION

To operate an efficient tire recycling program across Saskatchewan that provides effective stewardship to avoid the safety and health hazards scrap tires can present, to improve our environment and to support industry and economic success to get the most value from consumer-paid tire recycling fees. We will work collaboratively with our stakeholders, the provincial government and our contracted service providers to collect, process and recycle scrap tires responsibly on behalf of the people of Saskatchewan.

##### C. CORE VALUES

- **Accountability & Transparency:** The TSS will foster accountability with its board, management, staff and service providers to take ownership and responsibility in everything we do, deliver on our commitments, conduct business openly and always acting in the best interest of our stakeholders and the public.
- **Stewardship:** The TSS acknowledges we are responsible stewards of consumer-paid fees and honor the intent of these fees by using our resources efficiently and effectively to maximize the benefits we can achieve for the environment, the tire recycling industry and the people of Saskatchewan.
- **Integrity & Respect:** The TSS will conduct our business activities ethically and promote a culture of integrity and respect with all service providers and participants that are part of the tire recycling "system" in Saskatchewan.
- **Collaboration:** The TSS will facilitate a culture of collaboration within the tire recycling "system", acknowledging the unique expertise, capabilities and experience that all participants bring to the table, to make informed and better program decisions and provide the best service and results we can.
- **Responsiveness:** The TSS will always try to service the needs of all stakeholders while balancing different interests in a timely and appropriate manner.
- **Innovation & Continuous Improvement:** The TSS will strive for continuous improvement, creating and adopting leading practices and encouraging market development and innovation to ensure we can deliver the best possible outcomes for tire recycling and the industry in Saskatchewan.
- **Education & Communication:** The TSS will commit to effective engagement with consumers to ensure expected outcomes result from consumer-paid tire recycling fees and to ensure there is general awareness of, and support for, the tire recycling program in Saskatchewan.

## 5. MANDATE

The Tire Stewardship of Saskatchewan Inc. (TSS) was established in 2017 and is a provincially incorporated non-profit organization. The TSS is the sole organization approved by the Ministry of Environment to administer a Product Stewardship Program (PSP) for the recycling of scrap tires in the province.

As of September 1, 2017, the TSS has operated the Scrap Tire Recycling Program on behalf of all first sellers in the province. On October 19, 2017, the TSS received approval to operate the Scrap Tire Recycling Program in the province for the next three years, effective January 1, 2018. The PSP and its approval by the Minister is a requirement under *The Scrap Tire Management Regulations, 2017* and associated PSP Guidelines. The PSP must include:

- A board of directors,
- An advisory committee,
- A plan for current generation scrap tires in how they will be collected, recycled and managed,
- A plan for private stockpile scrap tires in how they will be collected, recycled and managed,
- The records to be maintained,
- The management of supplier contracts,
- The approach for funding the program,
- Quality control aspects,
- Public education, and
- Details on managing greenhouse gas emissions.

## 6. GOVERNANCE

### A. BOARD OF DIRECTORS

The TSS is governed by a Board of Directors (the Board) with a maximum of five members. It is an industry-led Board which has been selected based on the inclusion of strong representation, perspectives and experience from those that are obligated under the regulations, complemented by independent perspective to bring additional values and competencies to round out the Board composition. The majority of Board members are located in Saskatchewan to ensure strong local perspective to influence the program based on the needs of local retailers and dealers. The TSS Board of Directors has the fiduciary responsibility to set the strategic direction for the TSS and provide management direction and oversight which aligns with achieving the desired outcomes for the program on behalf of its stakeholders.

The TSS Board of Directors was comprised of the following four members throughout 2017. Three out of the four members are located in Saskatchewan:

- **Colin Fraser, Chair** – Owner/Operator OK Tire, Prince Albert  
*Representative Appointed by the Retail Council of Canada*
- **Ray Geleta, Vice-Chair** – Executive Director  
*Representative Appointed by the Western Canada Tire Dealers*
- **Len Ritcho** – General Manager, Market Tire  
*Retailer-At-Large*
- **Richard (Porky) Porter** – *Independent Member-at-Large*



## B. TSS STAFF

The TSS program staff delivers the Product Stewardship Program, based on the direction and oversight from the board and in collaboration with retailers, service providers and program stakeholders. The TSS was led in 2017 by Brad Colin, Executive Director along with two additional program staff supporting the delivery of operations and program administration.

## C. ADVISORY COMMITTEE

The TSS Advisory Committee (the Committee) provides strategic advice and program input to the Board of Directors and senior management of the TSS. The Committee has no decision-making authority – rather it is a source of information, knowledge and advice for the Board and senior management related to strategic program development, continuous improvement and new opportunities.

In terms of composition, the Committee consists of up to eight senior management or executive level individuals with considerable knowledge and experience to offer the TSS. Members were nominated and approved by the TSS Board and consist of industry experts and program stakeholders that can provide objective advice in the development and management of an efficient and effective tire recycling program. There is sufficient Saskatchewan perspective represented. However, TSS may also choose to have experts from outside of the province to provide valuable advice regarding experiences in other jurisdictions. Owners, management employees or agents of organizations that are under contract as a service provider to the TSS are not eligible as members of the Advisory Committee to prevent unfair representation or influence to one service provider over another and to maintain a level playing field. These service providers are represented in the TSS Industry Working Groups which are described below.

The TSS Advisory Committee, as confirmed by the Board, currently includes the following members who all reside in Saskatchewan:

- **Amy McNeil, Chair** – Executive Director, SARC/SARCAN Recycling  
*Recycling Executive*
- **Brady Pollock** – Director – Environmental Assessment & Stewardship, Ministry of Environment  
*Government of Saskatchewan Representative*
- **Gerald Hendry** – Owner/Operator, Integra Tire  
*Retailer-At-Large*
- **Laurie Wishira** – Zone Manager, Kal Tire  
*Retailer-At-Large*
- **Kevin Derenisky** – Regional Manager – Business Development, OK Tire Stores Inc.  
*Retailer-At-Large*
- **Bill Huber** – Director, Saskatchewan Association of Rural Municipalities  
*Representative Appointed by SARM*
- **Gordon Barnhart** – President, Saskatchewan Urban Municipalities Association  
*Representative Appointed by SUMA*
- **Hartley Markusson** – Owner, Markusson New Holland  
*Representative Appointed by Western Equipment Dealers Association*

## D. INDUSTRY WORKING GROUPS

The TSS will be striving to establish industry working groups in 2018 with the three major groups of service providers in the tire recycling industry in order to ensure all stakeholders are having their needs met.

- 1. Retailers:** The Retailers Working Group will provide valuable input and feedback on the programming relevant to them, including the remittance process, customer information and awareness building, tire recycling fee rates, collection services, etc. Ultimately the TSS is delivering this program on behalf of the retailers in order to allow them to meet their legislated obligations for scrap tire management and, as such, regular engagement and feedback from retailers are key to ensure we are meeting their needs effectively and efficiently.
- 2. Collection & Transportation:** The Collection & Transportation Working Group will provide valuable input and feedback in terms of the collection and transportation services that are a key part of scrap tire management in the province. Often a first point of contact for retailers, this group will be important for collecting on-the-ground intelligence to catch potential issues early and relay them to management so they can be addressed. This group will touch on issues related to efficient and effective pickup, transportation and delivery of tires to a designated processor.
- 3. Processing & Recycling:** As a critical service provider in ensuring scrap tires are responsibly processed and recycled, the Processing & Recycling Working Group will provide valuable input and feedback in terms of processing capacity, service to collectors for drop-off, acceptable and non-acceptable uses, value-added processing and manufacturing, market development and input on strategies.

## E. OTHER STAKEHOLDERS

### Consumer Engagement

The TSS is committed to engaging with different consumers and communities. One example was the participation in the Warman Household Waste Day on October 14<sup>th</sup>, where Shercom provided a trailer and employee to support collecting scrap tires from consumers.

### Collaboration with Other Stakeholders

The TSS is committed to collaboration with key stakeholders in the industry and experts in their fields. This includes engagement with retailers, processors and collectors. It also means engagement with industry organizations, such as attending annual events hosted by the Canadian Association of Tire Recycling Agencies and others. The TSS Vice-Chair attended the annual CATRA conference in Halifax in October 2017 and presented an update to members on the program in Saskatchewan.

### Independent Audit

Financial management activities are reviewed on a yearly basis by an independent audit firm. This audit ensures that the TSS is meeting all accounting standards and requirements.

## 7. FINANCIAL OVERVIEW

### A. REVENUE GENERATION

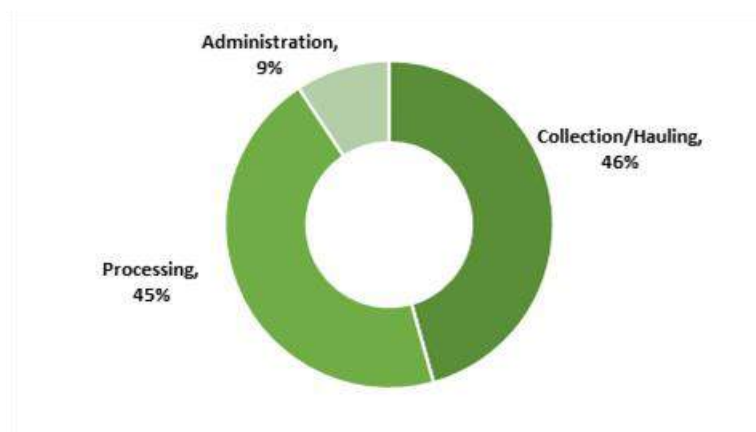
Tire Recycling Fees (TRFs) are the consumer paid fees at point of purchase on all tires sold to support those tires through to end of life and recycling. Retailers are responsible for collecting and remitting these fees to the TSS. The TSS then uses this revenue for collection, processing and other value-added programming to support the outcomes of the TSS and provide benefits to all stakeholders and the people of Saskatchewan.

The TSS is mindful of keeping TRFs at a reasonable level to support the competitiveness of our Saskatchewan retailers, while minimizing cross-subsidization of tires. Through running an efficient operation, the TSS has kept fees at the same level as in previous years. These fees will be reviewed annually.

Tire Type	TRF
Passenger Car/Light Truck (PLT)	\$4.00
Medium/Semi-truck (MTRK)	\$14.00
Agriculture (AG)	\$25.00
Off the Road/Mining (OTR I)	\$57.00
Off the Road/Mining (OTR II)	\$140.00

### B. EXPENSE BREAKDOWN

The following chart provides an overview of the TSS operating expenses as a percentage of revenue for the months September to December, 2017. The TSS has strived to keep program administrative costs to a minimum, including securing cost-effective office space, leveraging a smaller staff team and reducing unnecessary expenditures.



## 8. PROGRAM RESULTS

The following provides the key program metrics and results from the first four months of the TSS' operations.

### A. RETAILER REGISTRATION

As mentioned, in its first few months of operations the TSS was focused on re-registering applicable retailers who were with the prior program. The TSS currently has 1,282 retailers registered with the program. Please note, this total includes active retailers who remit fees either monthly, quarterly or annually. It does not include, for example, wholesalers who may have registered with the program but do not remit tire recycling fees since the obligation lies with the retailer.

### B. NEW TIRE SALES

The following table provides the new tire sales for the four months ending December 31, 2017.

Type	Tires Sold	% of Sales
PLT	407,087	69.38%
MTRK	72,978	12.44%
AG	11,560	1.97%
OTR I	1,721	0.29%
OTR II	299	0.05%
New Vehicle Tires	93,080	15.87%
<b>Total Units</b>	<b>586,725</b>	<b>100%</b>

A large portion of sales from September to December were PLTs, which may be explained by the seasonality of winter tire sales. Data combined from the previous program operator (from January to August 2017) with that of the TSS (from September to December 2017) shows an increase in total tire sales from 2016 to 2017 of 4.5%, from 1,460,561 to 1,526,342 total tires sold.

### C. COLLECTION & TRANSPORTATION

The following table provides the collection and transportation of scrap tires for the four months ending December 31, 2017.

Type	Tires Collected	% of Collection
PLT	287,955	83.62%
MTRK	50,543	14.68%
AG	5,257	1.53%
OTR I	567	0.16%
OTR II	27	0.01%
<b>Total Units</b>	<b>344,349</b>	<b>100%</b>

Collections are handled by the TSS' four contracted collectors. Combined data shows Saskatchewan had a year over year increase in tire collection from 2016 to 2017 of 7.90%, from 806,013 to 869,667 total tires.

#### D. RECOVERY RATES

The following table provides the recovery rates for September to December 2017. The recovery rate is defined as the total number of tires collected divided by the number of new tires sold. The TSS includes New Vehicle Sales into the calculation of the overall recovery rate.

Type	Tires Sold	Tires Collected	Recovery Rate
PLT	407,087	287,955	71%
MTRK	72,978	50,543	69%
AG	11,560	5,257	45%
OTR I	1,721	567	33%
OTR II	299	27	9%
New Vehicle Tires	93,080	-	0%
<b>Total Units</b>	<b>586,725</b>	<b>344,349</b>	<b>59%</b>

#### E. PROCESSING & MANUFACTURING

The following table provides the different inventory levels for the processors. The primary processor of scrap tires in Saskatchewan is Shercom Industries. Shercom creates surfacing, landscaping, agricultural and commercial products, among others, from the processed scrap tires. Shercom primarily received PLT, MTRK and AG tires, while OTR tires were directed to Western OTR Recycling to continue status quo operations as per the previous program operator. All values are in pounds. Based on these statistics, 98% of the scrap tires collected by the program were kept within Saskatchewan to support local processing and recycling.

	Shercom Industries (Saskatchewan)	Western OTR (Manitoba)	Total
Opening Inventory	22,791,734	-	22,791,734
Weight Rec'd from TSS	16,455,929	281,000	16,736,929
Tire Volume Recycled	7,732,116	281,000	8,013,116
<b>Closing Inventory</b>	<b>31,515,547</b>	<b>-</b>	<b>31,515,547</b>

The following table provides the total weight of scrap tires that have been converted into different products.

Type	Shercom Industries	
	Pounds Processed	% of Processing
Crumb	169,240	2%
Shred/Mulch	7,122,606	92%
Molded/Stamped	440,270	6%
<b>Total</b>	<b>7,732,116</b>	<b>100%</b>

## 9. LEGACY & OTHER VALUE-ADD PROGRAMMING

The TSS is committed to having the best scrap tire program in Canada. The TSS is currently contemplating different options for programming to deliver on this vision in the future. These ideas have come from engagement and analysis of other scrap tire programs in other jurisdictions in Canada, as well as feedback from stakeholders during the program review. The TSS will be working on a strategy, in later 2018, for new or enhanced programming. With that, the TSS has continued to offer the following programs which support our obligation to manage legacy scrap tires in the province

### Return to Retailer (R2R)

The Return to Retailer program is an important program for the TSS. It deals directly with legacy tires and provides consumers with an additional scrap tire disposal option. The objective of this program is to capture tires in areas that may have been missed from previous cleanup efforts and prevent future stockpiling from reoccurring. The program allows people to bring rimless tires to registered R2R Retailers, who then accept the tires and add them to the current generation tires for collection and processing. TSS covers the cost of collection and processing of these legacy tires. Between September and December 2017 there were 6,274 tires collected through the program.

### Scrap Tire Stockpiles

As the first four months of TSS' operations (September to December 2017) were focused on transition and establishing and managing operations status quo, no work was done on existing stockpiles. The TSS is exploring opportunities to advance stockpile initiatives in 2018.

### Bike Tire Recycling

The Bike Tire Recycling Program is another program that was continued by the TSS. Bicycle tires are not regulated as a part of the formal scrap tire program and there are no tire remittance fees paid upon their purchase. As such, this is a value-added program funded by the TSS. Since the TSS is a stewardship program of tires in the province, we believe this is a good value-add program to offer to deal with these types of tires.

The program successfully collected 1,259 lbs of bike tires in 2017 (this amount accounts for the entire year). The program currently has six registered bicycle retailers.

### Community Events

As mentioned previously, the TSS participated in the Warman Household Waste Day on October 14th, where Shercom provided a trailer and employee to support collecting scrap tires from consumers.

### Auto Recyclers Partnership

The TSS has also continued the partnership with the Saskatchewan Auto Recyclers Association. The agreement allows auto recyclers, who are registered SARA and TSS, to have scrap tires picked up from their location.

## **10. ACCOUNTABILITY & TRANSPARENCY**

### **A. ANNUAL FINANCIAL AUDIT**

On an annual basis, the TSS has a financial audit completed. The first audit was completed for the four months ending December 31, 2017, the results of which can be found in the audited financial statements at the end of this report. The audit is an examination of the financial report of the organization, including balance sheet, income statement, cash flow and analysis of significant accounting policies. The audit ensures the information provided in the financial statements reflects the financial position of the organization.

### **B. RETAILER, COLLECTOR & PROCESSOR COMPLIANCE AUDITS**

This initial phase of the TSS was focused on the establishment of the program, re-registration of all retailers and maintaining status quo service delivery to all stakeholders. Plans have begun to take shape for compliance programs beginning in 2018.



## APPENDIX A: FINANCIAL STATEMENTS



**Tire Stewardship of Saskatchewan Inc.**  
**Financial Statements**  
*December 31, 2017*

## Management's Responsibility

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To the Members of Tire Stewardship of Saskatchewan Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

March 1, 2018



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Executive Director

## Independent Auditors' Report



To the Members of Tire Stewardship of Saskatchewan Inc.:

We have audited the accompanying financial statements of Tire Stewardship of Saskatchewan Inc., which comprise the statement of financial position as at December 31, 2017, and the statements of earnings, changes in net assets and cash flows for the six months 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 accounting standards for not-for-profit organizations, 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 auditors' 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 of Saskatchewan Inc. as at December 31, 2017 and the results of its operations, changes in net assets and its cash flows for the six months then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Regina, Saskatchewan

March 1, 2018

*MNP LLP*

Chartered Professional Accountants

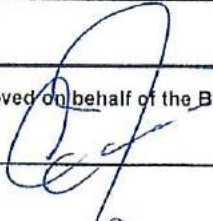


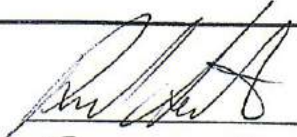
Tire Stewardship of Saskatchewan Inc.  
Statement of Financial Position

As at December 31, 2017

	2017
<b>Assets</b>	
Current	
Cash (Note 3)	847,952
Accounts receivable	19,517
Prepaid expenses and deposits	9,968
	<hr/> 877,437
<b>Liabilities</b>	
Current	
Accounts payable and accruals	778,534
GST payable	27,510
	<hr/> 806,044
<b>Net Assets</b>	<hr/> 71,393
	<hr/> 877,437

Approved on behalf of the Board

  
COLIN FRASER  
BOARD CHAIR

  
RAYMOND GERZT  
BOARD VICE CHAIR

The accompanying notes are an integral part of these financial statements

**Tire Stewardship of Saskatchewan Inc.**  
**Statement of Operations**

*For the six months ended December 31, 2017*

**6 Months  
Ended  
December 31  
2017**

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<b>Revenue</b>	
Tire recycling fees	2,603,951
<hr/>	
<b>Cost of sales</b>	
Recycling fee commission	45,352
Collectors	1,173,509
Marshalling yard	78,918
Processors	1,404,995
Truckers	125,019
	<hr/>
	2,827,793
<hr/>	
<b>Gross profit</b>	<b>(223,842)</b>
<hr/>	
<b>Expenses</b>	
Advertising	631
Bank charges and interest	926
Computer	6,871
Consulting	223,200
Directors' remuneration	13,792
Insurance and licences	4,984
Meeting expense	112
Office rent	12,000
Office supplies	6,725
Postage	4,029
Printing and publications	1,926
Professional fees	37,857
Salaries and benefits	34,207
Travel	12,526
	<hr/>
	359,786
<hr/>	
<b>Deficiency of revenue over expenses</b>	<b>(583,628)</b>

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*The accompanying notes are an integral part of these financial statements*

**Tire Stewardship of Saskatchewan Inc.**  
**Statement of Changes in Net Assets**

*For the six months ended December 31, 2017*

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	<i>6 Months Ended December 31 2017</i>
<b>Net assets, beginning of period</b>	-
<b>Deficiency of revenue over expenses</b>	<b>(583,628)</b>
<b>Contributions from SSTC (Note 4)</b>	<b>655,021</b>
<b>Net assets, end of year</b>	<b>71,393</b>

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*The accompanying notes are an integral part of these financial statements*

**Tire Stewardship of Saskatchewan Inc.**  
**Statement of Cash Flows**

*For the six months ended December 31, 2017*

**6 Months  
Ended  
December 31  
2017**

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**Cash provided by (used for) the following activities**

**Operating**

Cash received from retailers	2,594,434
Cash received from SSTC	729,388
Cash paid for program service expenses	(2,440,737)
Cash paid for salaries and benefits	(34,207)
Cash paid for interest	(926)

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**Increase in cash resources** **847,952**

**Cash resources, beginning of year** **-**

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**Cash resources, end of year** **847,952**

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*The accompanying notes are an integral part of these financial statements*

**Tire Stewardship of Saskatchewan Inc.**  
**Notes to the Financial Statements**  
*For the six months ended December 31, 2017*

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**1. Incorporation and nature of the organization**

Tire Stewardship of Saskatchewan Inc. (the "Organization") was incorporated under the *Not-for-profit Corporation's Act* and is exempt from income taxes. The purpose of the Corporation is to serve as the scrap tire recycling program operator in Saskatchewan.

The Organization was incorporated on June 28, 2017, and as such, this is the first year of operations; therefore, no comparative information is presented.

**2. Significant accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada.

***Revenue recognition***

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from tire recycling fees is recognized as revenue when retailers submit reports for tires sold, or as the fees can be determined and collection is reasonably assured. All other revenue is recognized in the period it is earned.

***Financial instruments***

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions*.

All financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

***Measurement uncertainty***

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

***Contributed assets***

On dissolution, Saskatchewan Scrap Tire Corporation contributed their retailer database system to the Organization. Due to the difficulty of determining its fair value, contributed assets are not recognized in the financial statements.



**Tire Stewardship of Saskatchewan Inc.**  
**Notes to the Financial Statements**  
*For the six months ended December 31, 2017*

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**3. Line of credit**

The Organization maintains an authorized line of credit limit of \$150,000 which bears interest at 3.45%.

As at December 31, 2017, the Organization has drawn \$nil from the line of credit.

**4. Contribution from SSTC**

During the year, the Organization received contributions from Saskatchewan Scrap Tire Corporation (SSTC) upon its dissolution. The funds paid to the Organization are unrestricted, thus, the full amount has been recorded as a direct increase to the current years net assets.

**5. Financial instruments**

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

***Liquidity risk***

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization exposure to liquidity risk is dependent on the receipt of tire recycling fees, collection of accounts receivable, purchasing commitments and obligations or raising funds to meet commitments and sustain operations.

***Credit risk***

The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Organization could incur a financial loss.