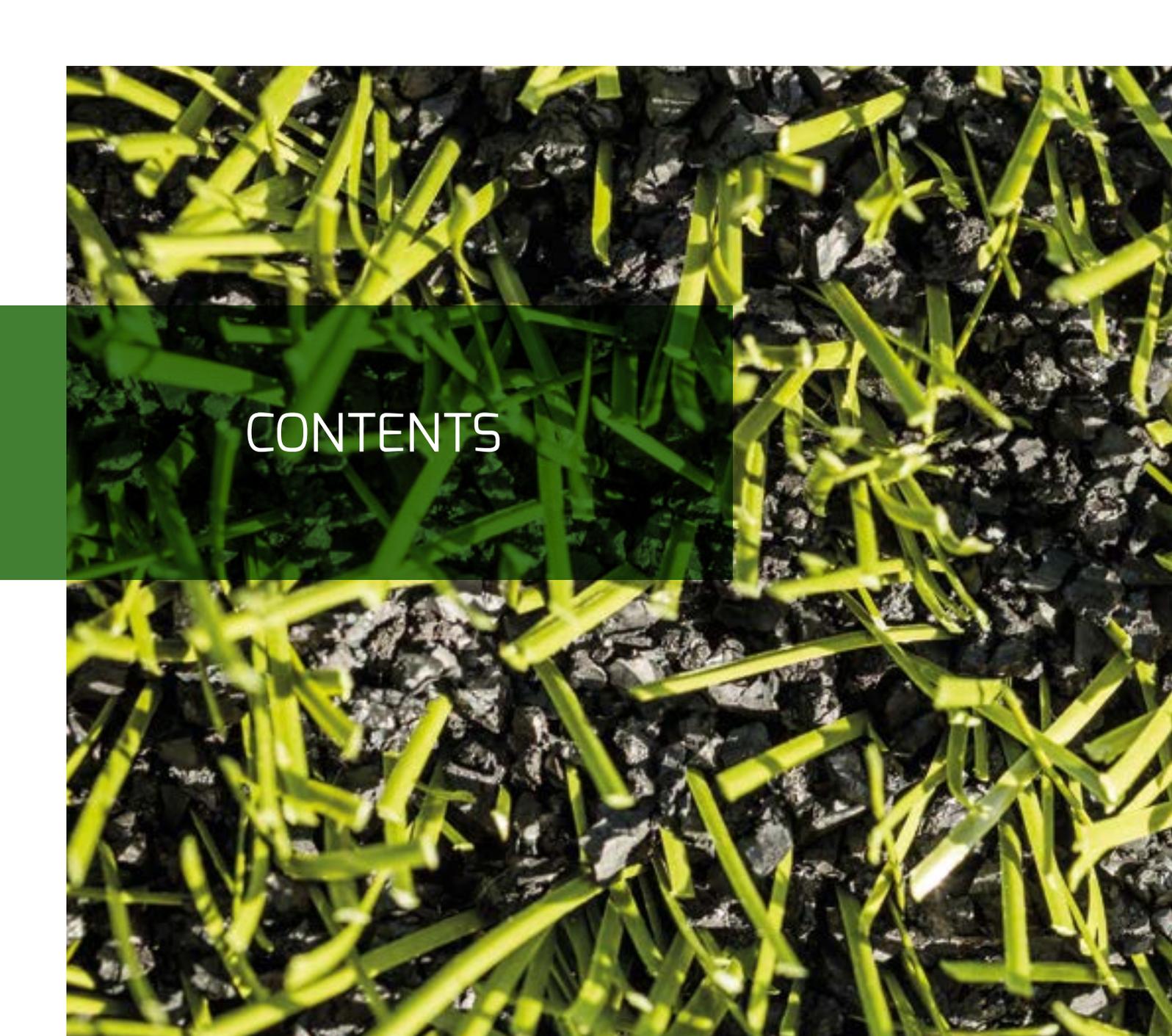




TYRE STEWARDSHIP
AUSTRALIA LTD
2015/16 ANNUAL REPORT

INCLUDING FINANCIAL DATA UP TO 30 JUNE 2016



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CHAIRMAN'S REPORT

As the new Chairman of Tyre Stewardship Australia I am delighted to present this Annual Report. By the end of the second year of operation, Tyre Stewardship Australia can claim to have made significant progress in meeting each of its core objectives.

The TSA Accreditation Scheme now includes over 1,200 tyre retailers throughout the nation. These retailers have committed to working towards sustainable management of end-of-life tyres. Further down-stream, the accreditation of collectors and recyclers has reached the point where the clear majority of end-of-life tyres are now managed by TSA accredited operators.

To support the accreditation scheme, reporting of disposals, collections and recycling volumes is now underway. This will soon provide TSA with meaningful information on actual fate of end-of-life tyres.

A public education campaign now underpins the value of the accreditation scheme to retailers. With a significant, coordinated advertising program covering major daily newspapers, online and digital elements and billboards we are advising consumers that by choosing a TSA accredited retailer they can play their part in achieving sustainable end-of-life tyre management. A significant increase in traffic to the TSA website, principally to search for accredited retailers, offers proof that the message is getting through.

The third core objective of TSA is to help develop the local market for tyre-derived raw material. Here too TSA has made significant progress. There have been two successful funding rounds completed and over \$1.2 million allocated research and development programs. These are supporting the development of new technologies, increased commercialisation of existing applications and aided in the improvement of processes that will all offer better environmental, commercial and social outcomes for use of end-of-life tyres.

The support of the major players in the Australian tyre industry, continues to be key to the ongoing work of TSA. We are fortunate to have gained and retained the support of most of the major tyre brands and the majority of the large tyre retail networks. It is not an insignificant outcome to see such fierce market competitors work together in the search for more sustainable outcomes. There is a marked desire within the industry to ensure long-term sustainability and to develop new opportunities within this market.

TSA also continues to enjoy the support of State and Federal Governments. Through regular and close cooperation with the relevant state and federal authorities, TSA can ensure that the challenge of managing end-of-life tyres into the future is being addressed.

As TSA enters its third year of operation, we can be confident that we are making progress, not only in addressing the challenge presented by end-of-life tyres, but also in helping to develop locally based, value and job creating outcomes and uses for tyre-derived raw material.

David Spear



Chairman, Tyre Stewardship Australia
November 2016

PRIORITIES OVERALL AND NEXT 12 MONTHS



APPOINT A NEW CHIEF EXECUTIVE OFFICER

The Board has begun the search process for a new Chief Executive Officer. An external recruitment consultant will be appointed and a comprehensive search will be conducted.

The Board is fully confident that a strong field of highly experienced candidates will emerge. That executive leader will have the task of driving TSA towards delivering on the objectives set for its next phase of growth.

NEW STRATEGIC PLAN

As TSA becomes further established as the industry cooperative body, the organisation will need to develop a new strategic plan. That plan will see it move from the initial establishment phase to the one of increasing recognition of both its verification and market development roles. TSA is working to ensure that it is regarded as the principle industry and consumer information and education body.

ACCC REPORT

The approval of the Tyre Product Stewardship Scheme by the ACCC requires regular reporting of TSA progress, against key performance indicators, in achieving broad industry acceptance and participation. TSA will engage with ACCC to ensure that obligation is met.

EXPANSION OF REPORTING SYSTEMS

Reporting of the flow and final destination of end-of-life tyres is a key element of the Tyre Product Stewardship Scheme. TSA will build on the work to-date to facilitate maximum reporting and information capture across all groups participating in the scheme.

INCREASE LOCAL GOVERNMENT AUTHORITY PARTICIPATION

Local Government Authorities play a valuable role in both the use of end-of-life tyre-derived products and in ensuring the sustainable management of their fleet tyres. Recruiting and accrediting more such authorities is central to building community recognition of the scheme and to the development of a strong market for tyre-derived products.

CONTINUE TO BUILD ON MARKET DEVELOPMENT ACTIONS

Over the coming year TSA will work to successfully conclude a number of the currently funded market development projects and will initiate new funding agreements for further projects. It is anticipated that at least an equivalent level of funding will be provided in the coming year.

ACCREDITATION STATUS



www.tyrestewardship.org.au

A key component of the Tyre Product Stewardship Scheme, which operates with the approval of the ACCC, is the delivery of an accreditation program. This program aims to promote consumer and industry recognition of those within the scheme. It also implies obligations to report on the flow and fate of end-of-life tyres.

The primary focus for year was to increase the participation of tyre retailers. Subsequently, the focus shifted to collectors and recyclers. As a result, today, the majority of end-of-life tyre volume in Australia is now handled by accredited operators. TSA has also begun the of Local Government authorities, with a view to sustainable management of their end-of-life tyres and the specification of tyre-derived products.

ACCREDITATION OF RETAILERS

By the end of the year there were over 1,200 accredited tyre retailers within the scheme.

On most estimations, the total number of tyre retailers, allowing for all automotive general service outlets, is believed to be around 2,500. However, the clear majority of volume is sold through tyre retail chains in urban and regional centres. The current number of TSA accredited retailers easily accounts for 50% of the retail volume sold in Australia each year.

Work continues on the task of recruiting as many of the remaining retail outlets as possible, with the expectation that growth will be continue.

ACCREDITATION OF COLLECTORS AND RECYCLERS

The accreditation of almost all of the licensed collectors and recyclers operating across the country has been achieved.

Collectors have found that participation in the scheme has quickly become a prerequisite of securing new contracts. As the number of accredited major retail outlets has grown, retailers have helped promote the scheme to collectors and encouraged them to participate. In addition, the participation of major tyre recyclers has ensured that they also encourage participation by collectors supplying them.

Industry promotion of the scheme has been a primary of its establishment. Accreditation within the TSA Product Stewardship Scheme is now seen as being an essential requirement for any legitimate operator in end-of-life tyre collection and recycling.

ACCREDITATION OF FLEETS & LOCAL GOVERNMENT AUTHORITIES

Over the year the environmental, community and economic benefits of participation within the Tyre Product Stewardship Scheme has been promoted to Local Government Authorities.

Local Government Authorities are often operators of large fleets that can be a significant source of end-of-life tyres. As decision makers in awarding contracts for community infrastructure Local Government Authorities are also in a position to specify tyre-derived products where beneficial and appropriate.

TSA has already accredited major commercial and government fleets such as Australia Post and the Department of Defence. By the end of the 2015-16 year TSA was in final discussions to accredit a number of regional and metropolitan councils.

REPORTING STATUS

October 2016
due in 6 days

Inputs								
	Passenger Car	Light Truck and RV	Truck and Bus Small	Truck and Bus Large	Baled Tyres	Street	Motorcycle	Solid
Fleet	<input type="text"/>							
Outputs								
	Passenger Car	Light Truck and RV	Truck and Bus Small	Truck and Bus Large	Baled Tyres	Street	Motorcycle	Solid
Berwick's	<input type="text"/>							
camos tyre disposal pty ltd	<input type="text"/>							
Chip Tyre Pty Ltd	<input type="text"/>							
C&R Tyre Recycling	<input type="text"/>							

Over the period covered by this report, TSA began the roll-out of the reporting platform that will allow for the tracking of volumes from retail, to collector, to recycler, to end use.

The objective has always been to make the reporting process as simple as possible, in order to encourage the highest level of participation and accuracy. Reporting began in late 2015, with retailers being the first group asked to report their disposals.

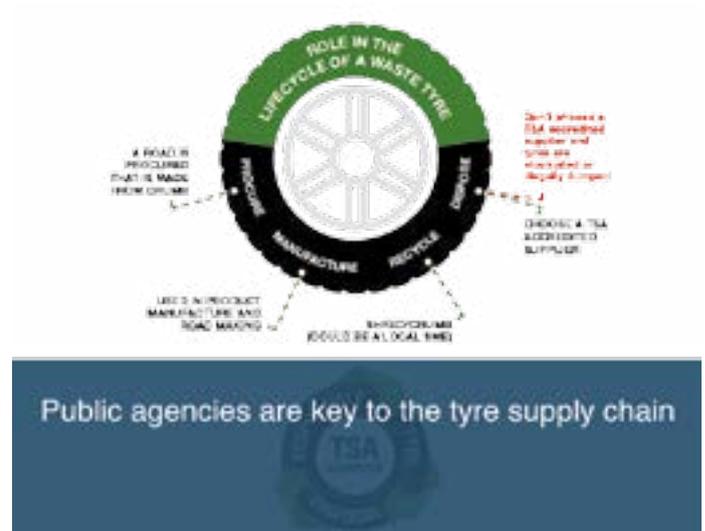
The reporting process also allows for tracking of disposals direct to end-use and to non-accredited entities. The latter allows TSA the opportunity to identify any non-accredited licenced operators and offer them the opportunity of becoming accredited.

Of the over 1,200 retailers accredited by TSA more than 50% were registered to report on the reporting platform by the June 30, 2016. In addition, centralised reporting by large groups is in the process of being coordinated. Whilst initial reporting numbers have been low, there has been a steady increase in regular reporting. TSA will now request ongoing reporting compliance as a requirement as for continued accreditation.

Reporting by fleets, collectors, recyclers will begin before the end of 2016 and will, over the course of 2017, become a requirement for retaining TSA Accreditation.

EVENTS AND CONFERENCES

TSA participated in two Australian Local Government Association events during the course of the year. These were the National Local Roads and Transport Congress, held in Ballarat in November of 2015 and the 2016 National General Assembly of Local Government, held in Canberra in June.



Public agencies are key to the tyre supply chain

At both events TSA worked to engage with decision makers in local government on addressing the challenge of discarded tyres. The focus was on the dual objectives of sustainable management of end-life-tyres derived from Local Government Authorities and the promotion of tyre-derived products for local projects.

Through both events TSA established a level of interest in accreditation from over 40 Local Government Authorities and is now working through the accreditation process with many.

In December 2015, as part of its industry education role, TSA held a briefing for members, and invited industry and authority guests, addressed by Peter Taylor OBE, Director of the Imported Tyre Manufacturers' Association (ITMA Europe) and Secretary General of the UK Tyre Recovery Association (TRA).

The briefing provided an opportunity to hear from an international thought-leader on the topic of market development for recovered material. It also included a panel discussion with key industry and government representatives.

TSA plans to hold similar briefings and discussions with international industry leaders as opportunities are presented.

TSA representatives also attended and presented at various events related to both waste recovery and potential use of tyre-derived raw material and products. Events included those to the Waste 2015 conference, the National Energy from Waste Conference, state and federal level environmental authority events, and the conferences of the Institute of Public Works Engineering Australasia as well as the Local Authority Waste Management Advisory Committee.

MARKET DEVELOPMENT



TSA has been active in the 2015/16 year in relation to Market Development activities. TSA undertakes a range of activities to support the EOL tyre market.

These include research and development of new and enhanced applications for TDP, providing better information and data to inform investment and decision making and influencing procurement to reduce barriers to increased uptake of locally produced TDP.

TSA's key investment mechanism to support the market is the Tyre Stewardship Research Fund. The first of its kind in Australia, the TSRF was first released in December 2015 and received a very high number of diverse responses (29) to the Project and Scholarship streams of the Fund. From these applications over \$1.2 million has been committed to nine projects representing a broad cross section of the waste tyre, manufacturing, research and innovation industries project participants. These projects work with increasing market demand for TDP in applications such as roads, rail, explosives, polymers, super composite materials, pyrolysis, prefabricated construction, concrete and permeable pavements.

TSA is also co-funding and working collaboratively with government authorities (in QLD, NSW, WA & Victoria) to produce a national market development strategy for EOL tyres to increase the use of Tyre Derived Products (TDP) (Strategy). This will be supported by an action plan to implement the 5-year Strategy the coordinates government activity along with key collaborating agencies such as TSA.

A great example of this is the building upon the extensive research in the roads sector that TSA has already undertaken with the Australian Roads Research Board in conjunction with Transport & Main Roads and Department of Environment Heritage Protection in Queensland as well as VicRoads and Sustainability Victoria. TSA is working with the Australian Asphalt & Pavement Association to develop crumb rubber training courses and complementary information to build upon this work and increase user understanding of the crumb rubber products to proliferate its use.

NEGOTIATED ROUND

Swinburne University	An applied research project undertaken with VicRoads and Sustainability Victoria to characterise and assess the engineering properties of tyre derived aggregate as a supplementary material with recycled crushed concrete and crushed rock in pavement (which actually means roads!) subbase applications. It will look at TSA blends of 1%, 2% & 3%.
University of Wollongong – EcoFlex	Examine the performance of a rubber- based energy absorbing layer (REAL) as a capping stratum (beneath the ballast) to minimise track degradation.
ARRB QLD/DOT	To transfer proven crumb rubber modified surfacing technologies to QLD in order to optimise the use of recycled tyre rubber. There is an initial focus on increasing the use of spray seals in QLD as there is very little use relative to the Victorian market.
ARRB VIC/SV	Develop an evidence based strategy to revise current VicRoads asphalt specifications and to identify engineering and economically viable applications for CRA.
University SA ARC	To demonstrate that reinforced crumb rubber concrete is an economically viable and sustainable alternative to conventional reinforced concrete for residential structural engineering applications.

ROUND 1

University Melbourne – Comp (Prefab)	Green lightweight composite panel system using recycled tyres: Use tyres as a low density aggregate in lightweight concrete sandwich panels for construction. This will look to replace foam concrete (which can falter structurally) with rubberised concrete that may increase potential load bearing while still maintaining a low weight and insulation properties required.
University Melbourne – Pavement	Recycled tyres in permeable pavement: Investigate the suitability of using a 60% waste tyre mix in permeate pavement applications as a new storm-water management solution
Chip Tyre	High speed polymer coating of rubber crumb fuelled explosives: Develop a high speed method for using rubber in on-site production of explosives at mines, quarries and construction projects
University Wollongong – RMCRC	Performance of recycled rubber inclusions for improved stability of railway: Identify opportunities to use rubber mats manufactured using TDP to improve rail ballast performance and replace more costly geo-synthetic materials
Polymeric Powders	Tyre crumb derived Polymeric Powder/Polyolefin composite material pipping: Develop and test for a new injection moulded plastics/extruded plastics product – specifically new plastic/rubber composite material piping for oil & gas, irrigation and sewerage pipes

SCHOLARSHIPS

UNSW	Developing Graphene Integrated Super-composite materials using EOL Tyres
Monash	Assessment of liquid fuel, chemicals and porous material production from end-of-life tyres

INDUSTRY AND PUBLIC EDUCATION CAMPAIGN

Helping to develop an understating of the scope of the challenge of sustainable management of Australia's annual end-of-life tyre stock had been the initial focus of the TSA industry and public education task.

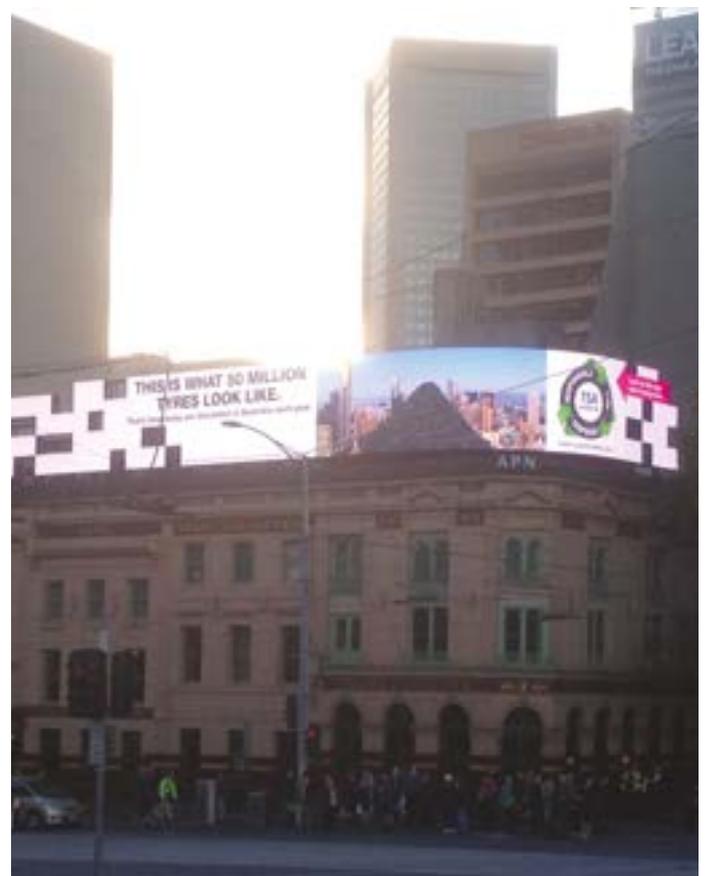
In giving the issue a real-world context, to make it relatable to industry and general public alike, TSA approved the creation of an advertising campaign that is themed around arresting images.

The campaign first appeared in industry journals, such as Australian Tyre Dealer and Waste Management Review and was strongly supported by placements in online and digital industry publications. The campaign made its public debut with a week-long presence on, arguably, Melbourne's most visible billboard, opposite Flinders Street Station.

The subsequent public campaign has included national and metropolitan newspapers, continued targeted industry journals, online and digital components and high profile billboard executions.

To aid in the consistency of the message, the TSA website was refreshed to mirror the campaign and to enhance public usability. In addition, a range of other promotional material, both printed and digital, was developed around the same central campaign imagery and messages.

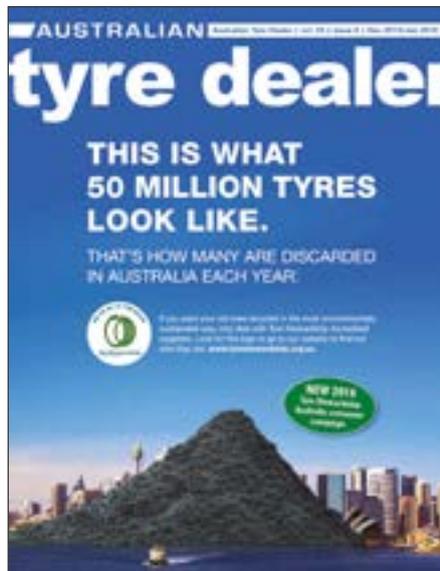
Initial impact of the campaign could be measured during the year through increased traffic on the TSA website and increased public and industry enquiry around interactions with TSA and the provision of advice on the management of discarded tyres.



MEDIA COVERAGE

Over the course of the year a range of media releases, primarily targeted at industry publications, saw TSA stories appear on matters from market development funding, new member companies and retail chains, to ministerial events, gain coverage.

All were focussed on demonstrating the progress of TSA in meeting its three key goals of delivering an industry accreditation program, educating industry and public and assisting market development for tyre-derived raw materials.



MEMBERS AND ACCREDITED BRANDS

Members



Brands



FINANCIAL REPORT

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DIRECTOR'S REPORT

The directors present their report on the company for the financial year ended 30 June 2016.

INFORMATION ON DIRECTORS

The names of each person who has been a director during the year and to the date of this report are:

David Spear – appointed 11 August 2016
Justin Siebert
Gerry Morvell – retired 8 April 2016
Peter Kreitals
Steve Brown
Alan Sutton
Chris Hummer – retired 30 November 2015
Steve Clifford
Andrew Moffatt
David Wilson
Melissa Holzberger – appointed 11 August 2016
Lawrie de La Rue – appointed 26 August 2016

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

OPERATING RESULTS

The surplus of the company after providing for income tax amounted to \$2,198,299.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company during the year.

PRINCIPAL ACTIVITIES

The principal activities of the company during the financial year was the management of the voluntary Tyre Product Stewardship Scheme as per ACCC approval dated 11 April 2013.

The operation of the scheme involves:

- i) Contributing to research and development of solutions for end-of-life tyres including developing new markets for tyre derived products;
- ii) Accreditation and audit of participants in the scheme;
- iii) Communicating and educating on the subject of end-of-life tyres.

EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

ENVIRONMENTAL ISSUES

The company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

INFORMATION ON DIRECTORS

David Spear – Independent Chairman

David will assume the title of Independent Chairman with immediate effect: he is an experienced Company Director and Governance Consultant, currently a Director of VUCA Pty Ltd, Independent Chairman SMSF Remuneration and Nominations Committee, Non Executive Director of Gelganyum Ltd and Non Executive Director of Kilkayi Ltd, Independent Chairman Basketball Adelaide and Chairman of the Free Throw Foundation.

Justin Siebert – Director and Treasurer

Justin has been with Michelin for thirteen years and has been based both in Australia and overseas. He is currently Business Controller for Asia Pacific for the Earthmover product line, along with responsibility for Public Affairs for Oceania. Justin was previously Chief Financial Officer for Michelin's Oceania entities for over six years. Prior to joining Michelin Justin worked in a number of different companies and industries, in both Finance and General Management roles. Justin has a Bachelor of Business from QUT and MBA(Exec) from AGSM. He is a Fellow CPA and Graduate member of AICD.

Gerry Morvell – Former Independent Chairman

Gerry is a company director and consultant on energy and environment issues including renewable energy, low emission technologies, waste management and conservation. He was previously a senior executive in the Australian Government where he was responsible for high level policy and program advice to Ministers on a range of issues, including low emissions energy, environmental assessment, coastal and marine policies, climate change, and sustainable industry development. He has extensive high-level experience in Australian and international organisations including the United Nations Headquarters. He chairs the boards of Conservation Volunteers Australia, Conservation Volunteers New Zealand and Brown Coal Innovation Australia.

Peter Kreitals – Director

Peter was the Executive Director of the Australian Tyre Recyclers Association for more than 10 years, up until December 2013. During this time he was instrumental in helping with the development of the Tyre Product Stewardship Scheme that is now in place, always focussed on ensuring that it is credible, transparent and reflects the best interests of all key stakeholders without unduly favouring any one single interest. Peter has an extensive history in developing and implementing highly strategic industry programs in his 35+ years' career, initially with the Federal Government and over the last 25 years with a vast variety of industry sectors. In addition, he has a proven expertise in helping a diverse range of small to medium sized businesses implementing strategic new growth strategies and has been responsible for initiating and facilitating a series of collaborative research projects between key supply chain partners and relevant research organisations. Peter has a Bachelor of Economics from the ANU and in addition to being a Director with Tyre Stewardship Australia, he is also a member of various other Boards and Committees including with the Australian Textiles Technologies and Innovation Centre, the Furniture Cabinets Joinery Alliance, RMIT University's School of Fashion & Textiles Industry Advisory Group, and the Mining and Textiles Collaborative Industry Network (M-Tex).

Steve Brown – Director

Steve Brown has been in the Oil, Gas & Automotive industries for over twenty years across Europe and Australia and during that period has been involved in many projects and initiatives directly relating to environmental responsibility and sustainability. He currently is Managing Director of Continental Tyres of Australia, a subsidiary of Continental AG the world's 4th largest tyre manufacturer. His qualifications include a BSc in Physics and an MBA gained at Cass Business School, London. Steve is committed to ensuring Continental fully support the ideals and objectives of Tyre Stewardship Australia and that together as an industry we can significantly improve the collection and recycling rates of end-of-life tyres in Australia.

Alan Sutton – Director

Alan is the Customer Engineering Manager for Goodyear Dunlop Tyres Australia (GDTA) a position he has held for the last 15 years and is responsible for product performance/government compliance across all tyre categories except Earthmover and Aviation. As well as being a director of Tyre Stewardship Australia, he is the GDTA representative on the Australian Tyre Industry Council (ATIC) and trucking associations ATA ITC and ARTSA. Alan has worked in the tyre industry for over 40 years, previously working for Pirelli (UK), General Tyre (Zambia) and Bridgestone (South Australia). He joined Goodyear in 1988 as an automotive engineer and has worked in a variety of tyre engineering roles in his time with the company and has been a regular visitor to the technical centres in Luxembourg, Akron and Hanou.

Chris Hummer – Former Director

Chris is the current President of the Australian Tyre Dealers and Retreaders Association – a trade association under the MTAA umbrella representing tyre dealer and retreader members of the state MTA's and Automotive chambers. Chris has extensive experience in the tyre industry both nationally, running his own tyre business and overseas, having worked with the Sime Darby tyre technology centre developing and marketing specialty tyres in Malaysia including tyre derived/recycled products. Chris is a graduate of the Australian Institute of Company Directors diploma course.

Steve Clifford – Director

Steve worked for Yokohama Tyre Australia for 20 years, and as General Manager for the last 15 years. Now retired Steve continues to represent Yokohama as their nominee on the TSA Board. Past responsibility within Yokohama included the implementation and maintenance of the company's governance and compliance across many aspects of the business. While wholesale sales were the focus his role also included retail tyre store development. Steve has been involved at all levels within the tyre Industry and he has held many positions during his 44 years in the industry. He has also held a Board position at the Sydney Heritage Fleet for the past two years providing sales and marketing experience to a Not for Profit organisation. Steve holds a Graduate Diploma in Management (Commerce) from the University of Wollongong.

Andrew Moffatt – Director

Andrew is Managing Director of Bridgestone Australia and New Zealand. Andrew was appointed Managing Director in January 2013, the first non-Japanese head of Australian & NZ operations since Bridgestone took over Uniroyal in 1980. He is committed to Bridgestone's global Corporate Social Responsibility objectives, which include environmental best practice, safety of operations, and giving back to society through support of the Leukaemia Foundation in Australia and Breast Cancer Foundation in New Zealand. In his 21 years with Bridgestone, Andrew has helped oversee expansion, the introduction of more female-friendly stores and the closure of Bridgestone's tyre factory in Salisbury, SA, in April 2010. Andrew has a Bachelor of Economics and is a Chartered Accountant.

David Wilson – Director

David was appointed Chief Executive Officer of Tyrepower in 2010. After graduating with a Science degree in Applied Mathematics from Monash University, David has worked in many roles in retail over the last thirty years in Australia and New Zealand. He has held senior roles in supermarkets, general merchandise, cosmetics and more recently the tyre industry. David is also a director of a lean manufacturing business supplying parts to leading OEM's.

Melissa Holzberger – Director

Melissa is an independent company director and commercial lawyer. She is currently Deputy Chair and a Director of the national motorsport organisation, Karting Australia; and Chair of the company's Governance, Finance and Risk Management Committee. Melissa holds a position on the Federal Government's Australian Radiation Protection and Nuclear Safety Agency's Advisory Council.

Principal of Sloan Holzberger Lawyers, Melissa has extensive experience in advising multinational and Australian corporations on all legal, commercial and strategic aspects of projects and business operations. In addition, she regularly advises on corporate governance, risk management and compliance. Melissa was previously Legal Counsel at BHP Billiton advising the organisation's petroleum and mining businesses.

In 2006 Melissa was awarded the Telstra SA Young Business Woman of the Year. She holds a Master of Laws in Resources Law (Distinction) as a Chevening scholar from the Centre for Energy, Petroleum and Mineral Law and Policy, University of Dundee in Scotland; a Diploma in International Nuclear Law (Hons) as an OECD Nuclear Energy Agency scholar from the University of Montpellier in France; and a Bachelor of Laws and Bachelor of Arts from the University of Adelaide. Melissa is a graduate and a member of the Australian Institute of Company Directors.

Lawrie de La Rue – Director

Lawrie De La Rue commenced his career in the tyre industry in 1965 with an independent family business in Richmond. Lawrie established his own family business in 1975 and began to build a reputation for providing the highest quality service in the industry, with many customers still dealing with Lawrie 50 years on. Lawrie remains actively involved in tyre retailing and spent many years on the VTDA committee, including several years as Vice President. In addition to wealth of his retail experience, Lawrie has a long history in tyre distribution. He began importing Hankook tyres in 1980 and became the sole distributor for Victoria/Tasmania for over 15 years. Lawrie pioneered the marketing of the Hankook brand and became one of the most successful independent Hankook distributors globally. One of Lawrie’s great passions is knowledge, and he was one of a select few distributors invited to study tyre chemistry and physics annually at Hankook’s main R&D facility in South Korea. Lawrie then established the Topro Training Centre where he trained tyre dealers on ever-evolving tyre technology and tyre performance characteristics. He also spent much of his time in the field assisting dealers and consumers in gaining the best performance from their tyres and extending the tyre life, particularly in commercial tyres. Lawrie was a foundation member of the Australian Tyre Importers Group which later became the Australian Tyre Industry Council, and he contributed both personally and financially in the research and development of tyre stewardship in Australia. He remains very passionate about his industry and thrives on improving his knowledge and sharing that knowledge with his peers. His dedication and commitment to the tyre industry is acknowledged and recognized throughout the retail sector. He is currently involved in establishing “TYRESMART” which is a retail tyre store focusing on precision tyre care.

MEETINGS OF DIRECTORS

During the financial year, 7 meetings of directors were held. Attendances by each director during the year were as follows:

Directors’ Meetings		
	Number eligible to attend	Number attended
David Spear	0	0
Justin Siebert	7	7
Gerry Morvell	6	5
Peter Kreitals	7	6
Steve Brown	7	7
Alan Sutton	7	6
Chris Hummer	4	2
Steve Clifford	7	5
Andrew Moffatt	7	7
David Wilson	7	5
Melissa Holzberger	0	0
Lawrie de La Rue	0	0

TYRE STEWARDSHIP AUSTRALIA LIMITED
A.B.N. 44 164 971 939

DIRECTORS' REPORT

Dividends paid or recommended

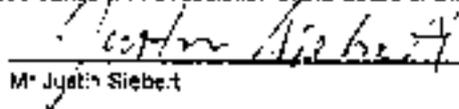
No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made. The legally binding constitution of Tyre Stewardship Australia Limited prevents the issue of dividends to members.

Auditor's Independence Declaration

The lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001 for the year ended 30 June 2016 has been received and can be found on page 6.

Signed in accordance with a resolution of the Board of Directors:

Director:



Mr Justin Siebert

Dated this day of 24 October 2016

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS
OF TYRE STEWARDSHIP AUSTRALIA LIMITED**

We declare that, to the best of our knowledge and belief, during the year ended 30 June 2016 there have been

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

MSI Ragg Weir

MSI RAGG WEIR
Chartered Accountants

L.S. Wong

L.S. WONG
Partner

Melbourne: 24 October 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

		2016	2015
	Note	\$	\$
Income			
Revenue	3	3,865,535	1,456,459
Expenditure			
Accountancy expenses		(27,925)	(7,500)
Advertising expenses		(183,422)	(124,546)
Auditors' remuneration	4	(21,250)	-
Commissions paid		(4,339)	(130)
Research expenditure and professional fees	4	(727,619)	(564,672)
Depreciation and amortisation expenses		(5,028)	-
Employee benefits expenses		(375,779)	(9,166)
Director, secretary and chair fees		(152,661)	-
Other expenses		(169,213)	(60,160)
		2,198,299	690,285
Surplus for the year	4	2,198,299	690,285
Total comprehensive income for the year		2,198,299	690,285

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

		2016	2015
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	2,651,893	767,861
Trade and other receivables	6	707,401	190,268
Other current assets	7	933	-
TOTAL CURRENT ASSETS		3,360,227	958,129
NON-CURRENT ASSETS			
Property, plant and equipment	8	18,390	7,365
Intangible assets		2,424	3,232
TOTAL NON-CURRENT ASSETS		20,814	10,597
TOTAL ASSETS		3,381,041	968,726
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	9	282,461	68,445
TOTAL CURRENT LIABILITIES		282,461	68,445
TOTAL LIABILITIES		282,461	68,445
NET ASSETS		3,098,580	900,281
EQUITY			
Retained earnings	10	3,098,580	900,281
TOTAL EQUITY		3,098,580	900,281

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Retained surplus	Total
	\$	\$
Balance at 1 July 2014	209,996	209,996
Surplus attributable to equity shareholders	690,285	690,285
Balance at 30 June 2015	900,281	900,281
Surplus attributable to equity shareholders	2,198,299	2,198,299
Balance at 30 June 2016	3,098,580	3,098,580

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from levies	3,645,518	1,453,073
Payments to suppliers and employees	(1,779,728)	(833,814)
Interest received	34,295	1,706
Net cash generated from operating activities	<u>1,900,085</u>	<u>620,965</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(16,053)	(7,365)
Net cash (used in) investing activities	<u>(16,053)</u>	<u>(7,365)</u>
Net increase in cash held	1,884,032	613,600
Cash at the beginning of the financial year	767,861	154,261
Cash at the end of the financial year	<u>2,651,893</u>	<u>767,861</u>

The accompanying notes form part of these financial statements.

NOTES FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The financial reports cover Tyre Stewardship Australia Limited as an individual entity. Tyre Stewardship Australia Limited is a not-for-profit proprietary company incorporated and domiciled in Australia. Tyre Stewardship Australia Limited is an entity limited by Guarantee.

The functional and presentation currency of Tyre Stewardship Australia Limited is Australian dollars.

The financial report was authorised for issue by the Directors on 24 October 2016.

Comparatives are consistent with prior years, unless otherwise stated.

1 BASIS OF PREPARATION

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001.

Tyre Stewardship Australia Limited applies Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

These financial statements and associated notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PROPERTY, PLANT AND EQUIPMENT

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, is depreciated on a straight line basis over the assets useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

FINANCIAL INSTRUMENTS

Financial instruments are recognised initially using trade date accounting, i.e. on the date that company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The company's trade and most other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category. The company's available-for-sale financial assets comprise listed securities.

Available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period the company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

INCOME TAX

No provision for income tax has been raised as the entity is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

REVENUE AND OTHER INCOME

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the company and specific criteria relating to the type of revenue as noted below, has been satisfied.

All revenue is stated net of the amount of goods and services tax (GST).

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Interest revenue

Interest revenue is recognised using the effective interest rate method.

Rendering of services

Revenue in relation to rendering of services is recognised depends on whether the outcome of the services can be measured reliably. If this is the case then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period. If the outcome cannot be reliably measured then revenue is recognised to the extent of expenses recognised that are recoverable.

Other income

Other income is recognised on an accruals basis when the company is entitled to it.

GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

COMPARATIVE AMOUNTS

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening statement of financial position at the earliest date of the comparative period has been presented.

	2016	2015
	\$	\$

3 REVENUE AND OTHER INCOME

Revenue

Sales revenue:

Rendering of services	3,828,740	1,454,753
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Other revenue:

Interest received	34,295	1,706
-------------------	--------	-------

Other revenue	2,500	-
---------------	-------	---

	36,795	1,706
--	--------	-------

Total revenue	3,865,535	1,456,459
---------------	-----------	-----------

Interest revenue from:

Interest Received	34,295	1,706
-------------------	--------	-------

Total interest revenue on financial assets not at fair value through profit or loss	34,295	1,706
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Other revenue from:

Other Revenue	2,500	-
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Total other revenue	2,500	-
---------------------	-------	---

	2016	2015
	\$	\$

4 SURPLUS FOR THE YEAR

Surplus before income tax from continuing operations includes the following specific expenses:

Expenses

Depreciation of property, plant and equipment	5,028	-
Research expenditure and professional fees	727,619	564,672
Bellchambers Barrett audit fees	7,500	-
MSI Ragg Weir audit fees	13,750	-

5 CASH AND CASH EQUIVALENTS

Term Deposit	1,500,000	-
Cash at Bank	2,119	913
Cash at Bank	1,149,774	766,948
	<u>2,651,893</u>	<u>767,861</u>

6 TRADE AND OTHER RECEIVABLES

Current

Trade Debtors	700,466	189,768
Other Loans	500	500
Security Bond	6,435	-
	<u>707,401</u>	<u>190,268</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short term nature of the balances.

	2016	2015
	\$	\$

7 OTHER NON-FINANCIAL ASSETS

Current

Prepayments	933	-
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8 PROPERTY, PLANT AND EQUIPMENT

PLANT AND EQUIPMENT

Plant and Equipment:

At cost	23,418	7,365
Accumulated depreciation	(5,028)	-
Total Plant and Equipment	18,390	7,365

9 TRADE AND OTHER PAYABLES

Current

Trade Creditors	164,025	25,694
Other Creditors	28,887	3,057
Contributor Deposits Refundable	20,833	-
Input Tax Credits	4,953	-
GST Payable	63,763	39,694
	282,461	68,445

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value

	2016	2015
	\$	\$

10 RETAINED EARNINGS

Retained earnings at the beginning of the financial year	900,281	209,996
Net surplus attributable to members of the company	2,198,299	690,285
Retained earnings at the end of the financial year	<u>3,098,580</u>	<u>900,281</u>

11 KEY MANAGEMENT PERSONNEL COMPENSATION

The total remuneration paid to key management personnel (KMP) of the company during the year are as follows

Key management personnel compensation	<u>432,103</u>	<u>564,672</u>
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12 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

Related party payments:

Directors and professional fees	<u>518,279</u>	<u>564,672</u>
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13 COMPANY DETAILS

Tyre Stewardship Australia Limited

C/O Joyce Dickson Accountants
Level 3, 53 Blackall Street
BARTON ACT 2600

14 CONTINGENT LIABILITIES

Tyre Stewardship Australia Limited had the following contingent liabilities at the end of the reporting period:

As at 30 June 2016 Tyre Stewardship Australia Limited had signed and entered into various non-cancellable research project funding agreements amounting to \$1,314,843 inclusive of GST.

Payments are made to the contracting parties subject to various conditions being met in particular milestones as specified in the agreement. Pursuant to the Accounting Standards, the company has recognised the liability and expense amounts relating to milestones that have been reached at 30 June 2016. The balance of the contracts that will be payable upon the remaining milestones being reached is accounted for as a contingent liability and amount to \$1,102,552 inclusive of GST at 30 June 2016.

TYRE STEWARDSHIP AUSTRALIA LIMITED A.B.N. 44 164 971 939

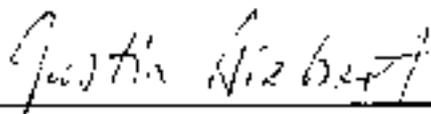
DIRECTORS' DECLARATION

The directors of the company declare that:

- 1 The financial statements and notes, as set out on pages 1 to 18, for the year ended 30 June 2016 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards, as stated in basis of preparation Note 1 to the financial statements; and
 - (b) give a true and fair view of the financial position and performance of the company
- 2 In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director:



Mr Justin Sieben

Dated this day of 24 October 2016

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TYRE STEWARDSHIP AUSTRALIA LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Tyre Stewardship Australia Limited which comprises the statement of financial position as at 30 June 2016 and the statement of profit or loss and other comprehensive income, statement of changes in equity for the year then ended, statement of cash flows, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

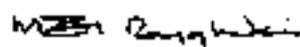
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TYRE STEWARDSHIP AUSTRALIA LIMITED**

Auditors' Opinion

In our opinion,

- (a) the financial report of Tyre Stewardship Australia Limited is in accordance with the Corporations Act 2006 including:
- (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date, and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001


MSI RAGG WEIR
Chartered Accountants



L.S. WONG
Partner

Melbourne: 24 October 2016

KEY PERFORMANCE INDICATORS

This information is presented as part reporting requirements outlined in the Australian Competition and Consumer Commission (ACCC) determination on 11 April 2013 (Authorization Numbers: A91336-A91337).

1. The number of participants in the Scheme

Tyre Stewardship Australia (TSA) has focused most communication and engagement activity on recruiting tyre manufacturers and importers, tyre retailers, tyre collectors and recyclers, as reflected in Table 1 below.

Table 1 – Participation in the scheme (approximate at 30 June 2016)

Category	Dec 2014	30 June 2015	30 June 2016	Total
Importers	6	1	1	8
Retailers	4	434	634	1068
Collectors	0	2	4	6
Recyclers/Collectors	0	2	16	18
Fleet	1	1	1	3
Local Government	0	0	0	0
Mining	0	0	0	0

The number of participants in the scheme continues to grow especially with the priority tyre retailers, collectors and recyclers participant categories. Although this ACCC key performance indicator refers to the number of participants by category as being a measure of success of the Scheme, it should be clarified that a high number of participants in these categories does not necessarily reflect market capture by volume and therefore influence of the Scheme. Work is currently underway to better determine market capture by volume more accurately, as this will provide a clearer indication of the market leverage and influence of the Scheme. The extent of this leverage throughout the supply chain is a key instrument in enabling TSA to achieve the Schemes objectives.

TSA continues to engage across the tyre supply chain to recruit all participant categories. Future recruitment will focus more directly on increasing numbers in the fleet, local government authorities and the mining sector participant categories.

2. The percentage of tyre importers and vehicle manufacturers and importers that are participants in the scheme – the aim being to have 90% in the scheme within 5 years

Table 2 – Importers/Participants.

Type	Percentage of participants
Tyre Importers	27%
New Vehicle Importers	0%

TSA's founding members are some of Australia's largest tyre operators and provide significant leverage to generate positive environmental outcomes for waste tyres as they represent in excess of 50% of the total consumer (passenger) tyre retail market volumes sold.

TSA continues to engage with other tyre importers to encourage greater involvement from the industry. As TSA enters stage three of its communication strategy that focuses on consumer engagement and promotion of the Scheme, greater involvement from the remaining tyre importers and retailers is expected. New vehicle imports also remain a major focus.

3. The national resource recovery and recycling rates of end-of-life tyres (EOLT)

Table 3 below provides a breakdown of the destination for Australian EOLT in 2015/16.

Table 3 – Destination of Australian EOLTs 2015/16

End-of-Life Destination	Percentage as at 2014/15 ¹	Percentage as at 2015/16
Energy Recovery (local)	0.6%	0.0%
Material reuse & recycling (local)	3.6%	3.5%
Civil Applications (local)	0.8%	2.2%
Exported (Tyre Derived Fuel (TDF), baled & casings)	32.6%	47.7%
Landfilling/Stockpiling ²	48.7%	36.61%
Unknown Destination ³	13.6%	10.0%
TOTAL	100%	100%

It is noted that the 2015/16 data differs from 2014/15 data in terms of methodology, as the previous year's data was sourced from external consultant reports. The 2015/16 data reflects the most current industry information available from tyre recyclers.^{2,3}

The data provided indicates that exported EOLT predominately goes to TDF with a small percentage going to casings and reuse.

Given the substantial volumes of end-of-life tyres that are exported, especially when focusing on recoverable numbers once mining tyres are excluded, a priority for TSA in the coming year is to work with exporters to determine a verification system for EOLT tyres leaving Australia. A robust verification process in this regard will enable more accurate reporting on resource recovery and recycling rates as well as figures in relation to the environmentally sound end use of EOLT.

4. The resource recovery and recycling rates of end of life tyres that can be attributed to the scheme

TSA is working with the tyre retail industry and the recycling industry to develop timely, relevant and regular data to more accurately monitor and report on this important index. While quantifying an attribution rate to a scheme of this nature can be challenging, TSA is confident that a set of parameters can be established that will provide greater accuracy in this regard.

Key activity areas where positive outcomes will be attributable to TSA include the audit and compliance regime where end-of-life tyres that may have once gone to unaccredited operators previously are now more likely to be going to TSA accredited entities. These entities undergo a rigorous auditing process. There are approximately 1,100 tyre retailers currently accredited by TSA: this indicates a substantial market reach and capacity to leverage positive outcomes for end-of-life tyres through the cumulative procurement power of the accredited retailers. In addition TSA market development initiatives for tyre-derived products have commenced implementation. This investment of around \$1.5 million in R&D through the Tyre Stewardship Research Fund is complemented by the development of a collaborative strategic plan with government to identify and overcome barriers to the increased consumption of Tyre Derived Products, advocacy work influencing procurement and specifications to create demand for recycled tyre product and the promotion of the business case around the benefits of using recycled tyre products.

5. The increase in the percentage of EOLT that are going to an environmentally sound use – the schemes performance target is to increase this percentage from 16% to 50% of tyres going to an environmentally sound use by the end of 5 years

The TSA data collection tool is beginning to provide better information to support this KPI. TSA is currently undertaking a two year ACCC review. This review will assess reporting requirements in relation to recycling and environmentally sound use rates to ensure consistency in reporting requirements and associated data protocols.

¹ Sourced from the *Stocks and fate of end-of-life tyres 2013-14 Study* accessed at <http://www.nepc.gov.au/resource/stocks-and-fate-end-life-tyres-2013-14-study>

² Note that landfilling also includes EOL off the road tyres that are "managed on-site" at mining facilities.

³ Unknown destination may include recycling figures from non-TSA accredited recyclers.

In general terms, the 50% target will be reached through local and international markets for tyre-derived products and tyre-derived fuels. TSA is currently collecting evidence as part of the audit and compliance program to ensure that overseas customers can verify that end-of-life tyres being exported from Australia are finding environmentally sound end uses.

6. The volume of tyre-derived products sold or otherwise provided for environmentally sound use

Table 4 – EOL tyres going to environmentally sound use 2015/16

End-of-Life Destination 2015/16	Percentage	Quantity (Equivalent Passenger Units or EPU)
Material reuse & recycling (local)	3.5%	1.78 million
Civil Applications (local)	2.2%	1.1 million
Exported (TDF, baled & casings) (export)	47.7%	24.3 million

The current size of the local market for recycling is approximately 5.65% with the production of rubber crumb being the key outlet. However, a further 47.7% of end-of-life tyres are exported for use as tyre-derived fuel or for reuse or re-treading. Our preference is to support and promote local markets for value added products (such as crumb rubber), however the export of tyre-derived fuels will remain a major part of Australia's end-of-life tyre recovery processes and as such we will continue to do work with accredited Scheme Participants to ensure that environmentally sound end uses are being employed with overseas customers and end markets. This work will be undertaken as part our initiative to verify 'downstream vendors' of end-of-life tyres from Australia to international markets.

7. The total levy funds collected under the scheme

TSA 2015/16 Annual Report provides a full, audited set of accounts for the financial year. Levy receipts for 2015/16 totalled \$3,828,740.

8. A breakdown of how levy funds were spent during the period

TSA 2015/16 Annual Report provides a full, audited set of accounts for the financial year.

9. An explanation of how the funds being spent is contributing to achieving the schemes objectives – that is, to increase resource recovery and recycling and to minimise the environmental, health and safety impacts of EOLT in Australia; and to develop the domestic tyre recycling industry and markets for tyre derived products

Disbursement of the funds for the financial year 2015/16, as in past years, fall across the four TSA strategic priority areas:

ACCREDITATION, AUDITS & COMPLIANCE

End-of-life tyres that may have previously gone to unregulated operators are increasingly being directed to TSA accredited entities through the TSA accreditation and compliance regime.

An extensive Audit Program is conducted to ensure that accredited Participants using the TSA brand are representing best practice management of End-of-life tyres . The Audit Program is directed by the Accreditation & Compliance Manager, with audits involving tyre collectors, tyre recyclers and tyre retailers that are completed by third-party, independent environmental, health and safety auditors.

100% of TSA accredited recyclers and collectors are audited annually to ensure they meet TSA compliance commitments. These commitments ensure that tyres being collected through TSA accredited entities are being disposed of in an environmental sound manner.

In 2015/16 TSA met the target of auditing 100% of accredited recyclers and collectors.

As of 30 June 2016, there were 1,068 tyre retailers TSA accredited under the Scheme and in 2015/16 TSA rolled out a pilot auditing scheme for retailers, in which 5 retailers or less than 1% of TSA retailers.

In 2016/17, the target is to audit 10% or approximately 120 of TSA retailers.

MARKET DEVELOPMENT

The intent of TSA market development initiatives is to increase markets for Australian tyre derived product to support the local EOLT market. TSA has a range of initiatives currently underway to achieve this outcome which include:

- Investment of around \$1.5 million in R&D through the Tyre Stewardship Research Fund. This has seen significant investment in industries related to crumb rubber for spray seal and asphalt applications, rail ballast improvement, polymer manufacture, prefabricated infrastructure construction and explosives for the mining sector.
- Funding collaborative initiatives with government agencies to identify and overcome barriers to the increase consumption of tyre-derived products.
- Influencing and altering procurement and specifications to create demand for recycled tyre product
- Capturing and promoting the business case around the benefits of recycled tyre product utilisation and creating awareness of tyre-derived products and their benefits to new markets

COMMUNICATION, EDUCATION AND AWARENESS

TSA continues to communicate, educate and create awareness regarding end-of-life tyres, its initiatives and the positive steps the industry is taking to deal with the issue. TSA has been involved in several trade shows, waste management association conferences (WA & SA), EPA meetings and presentations to regional Queensland local governments in Townsville to name just a few national engagement activities. Additionally, TSA has run extensive billboard and print media campaigns nationally.

ADMINISTRATION AND OPERATIONS

A full breakdown of operational costs is contained in the TSA accounts included in this document. The Directors of TSA are acutely aware of operational costs and continually strive to maintain a low ratio of expenditure in this regard. Staff numbers have not increased over the last year, however with the third-party assistance TSA engages, the organisation continues to deliver the Scheme in an effective and efficient manner.

10. To the extent possible, data on the volume of EOLTs not going to an environmentally sound use (broken down into the proportion of EOLT being illegally stockpiled, going into landfill and inappropriately exported)

Data collected by TSA and presented in Table 5 shows that approximately 46.6% of all end-of-life arising's in Australia are not currently going to an environmentally sound use.

Table 5 – EOL Tyres in 2015/16 not going to an environmentally sounds use.

End-of-Life Destination	Percentage	Quantity (Equivalent Passenger Units or EPU)
Landfilling/Stockpiling ⁴	36.6%	18.7 million
Unknown Destination	10.0%	5.1 million
TOTAL	46.6%	23.8 million

If the commonly used number of 51 million equivalent passenger units (EPUs)⁵ is used to estimate the total volume of end-of-life tyres generated in Australia every year, this equates to approximately 23.8 million EPUs that were not disposed of in an environmentally sound use in 2015/16.

Whilst the bulk of Australian End-of-life tyres is not going to an environmentally sound use is disposed of at existing landfills (including OTR tyres that are managed "in pit"), the end-of-life destination of around 5 million EPUs remains unknown. This includes material that is disposed to unlicensed landfills, illegitimately stockpiled or exported (for example under false export codes or without appropriate customs documentation) or illegally dumped.

⁴ 'Stockpiling' in this category refers to the level of stock on site at legitimate operator sites that is yet to be processed.

⁵ Sourced from the *Stocks and fate of end-of-life tyres 2013-14 Study* accessed at <http://www.nepc.gov.au/resource/stocks-and-fate-end-life-tyres-2013-14-study>

FAQS ABOUT THE SCHEME

WHAT HAPPENS TO A TYRE WHEN IT REACHES THE END OF ITS LIFE?

Environmentally sound use for an end-of-life tyre for the purposes of the Tyre Product Stewardship Scheme includes:

- (i) Recycling into tyre crumb, shred, chips, granules, steel and other tyre components
- (ii) Use as a fuel (other than in direct incineration without effective energy recovery and unsustainable burning for energy recovery) or other means to generate energy
- (iii) Production of tyre derived products, including tyre derived fuel.
- (iv) Civil engineering.

The following uses are excluded from the definition of environmentally sound use:

- Disposal through dumping, landfill, direct incineration or burning
- Stockpiling as an end point
- Low temperature uncontrolled burning for energy recovery
- Export of baled tyres for non-approved uses.

WHAT CAN RECYCLED TYRES BE USED FOR?

They are used as road surfaces, soft fall surfacing for playgrounds, equestrian arenas, brake pads, industrial and domestic flooring,



tile adhesive and sporting surfaces. They can also be used for fuel, engineering projects and drainage aggregates.

One innovative use of crumbed rubber is as diesel fuel substitute in explosive compounds for large volumes in the mining industry.

HOW MANY TYRES REACH END-OF-LIFE IN AUSTRALIA ANNUALLY?

Approximately 51 million equivalent passenger units (EPUs).

HOW BIG IS AUSTRALIA'S STOCKPILE OF END-OF-LIFE TYRES?

Surprisingly, no national database of stockpile exists today. One of the roles of TSA will be to establish a map of existing volumes and the priorities for their disposal.

HOW MANY OF AUSTRALIA'S END-OF-LIFE TYRES ARE RECYCLED?

Approximately only 5% are recycled in Australia (according to the latest Hyder industry-wide study).

WHAT ARE THE FACTORS THAT DETERMINE THE FATE OF END-OF-LIFE TYRES FROM AUSTRALIAN SOURCES?

The type of tyre and where it reaches end-of-life; local landfill prices and controls; global commodity prices and demand; and the availability of cost-effective transportation to an end market.

Lack of transparency about sustainable uses and impacts of inappropriate disposal are also factors.

WHAT'S THE COST TO DUMP AN OLD TYRE VERSUS THE COST TO DESTROY OR RECYCLE?

Tyres are engineered to be extremely robust and therefore require costly processes to reduce to their constituent components.

Disposal costs are sometimes incorporated into the price of a new tyre and this is at the discretion of individual retailers.

This charge varies from retailer to retailer and recycler to recycler. Under the Scheme, costs to consumers are likely to become minimised once the Scheme has become successful.

FAQS ABOUT ACCREDITATION

WHAT DOES ACCREDITATION MEAN FOR MY ORGANISATION?

Accreditation allows companies involved to communicate their participation in the Scheme.

Accreditation requires ongoing reporting of tyre disposals, recycling and collection and provides for independent verification of environmentally responsible end-of-life tyre management.

WHAT ARE MY COMMITMENTS AS AN ACCREDITED PARTICIPANT OF THE TSA?

The specific commitments for each type of participant in the Scheme differ depending on your level of participation. These can be seen on the TSA website at www.tyrestewardship.org.au.

The general commitments require all participants in the Scheme to:

- Deal transparently and ethically with others involved in the tyre supply chain, including consumers
- Use the Scheme's branding and logo and adhere to conditions that apply to that use
- Comply with relevant laws and practices, including those that apply to the environment and occupational health and safety

>

- Cooperate with TSA in conducting random audits – this includes retaining and, providing relevant documentation.

All participants in the Scheme are required to commit to contribute to:

- The environmentally sound use of end-of-life tyres
- Elimination of both the inappropriate export of baled tyres from Australia and the illegal dumping of end-of-life tyres.

HOW DO YOU VERIFY MY APPLICATION?

Verification is carried out when TSA assesses an application for participant status and continues after participant status is awarded. For collectors and recyclers, this may also require that a site audit be undertaken prior to accreditation.

WHAT ARE MY REPORTING REQUIREMENTS?

Reporting requirements differ for each participant depending on their business profile. For a full list of your reporting requirements visit the TSA website at www.tyrestewardship.org.au.

WHY SHOULD OUR ORGANISATION JOIN THE TSA SCHEME?

Demonstrating environmental responsibility is an important part of brand positioning in a competitive market.

Participation in the Federal Government supported and ACCC authorised Tyre Product Stewardship Scheme allows companies to meet their environmental responsibilities.

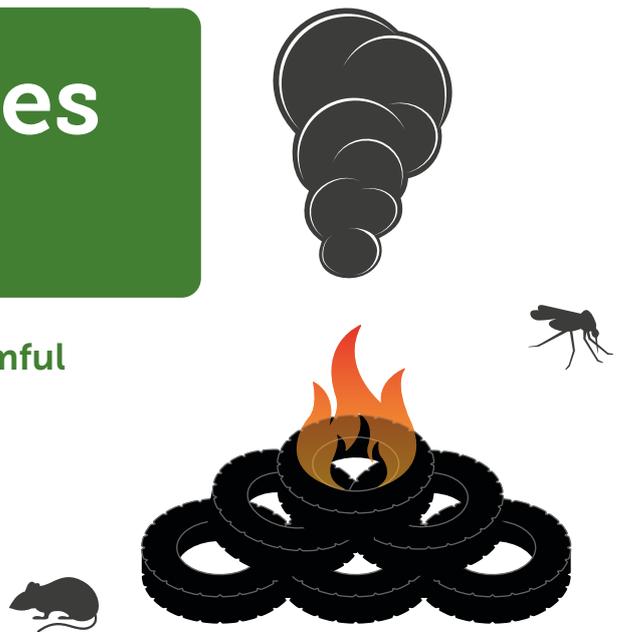
WHAT DOES AN AUDIT INVOLVE?

An audit will include an independent review of processes and documentation related to end-of-life tyre management, disposal, sale or any other form of transfer outside of the company's control. Audits may also include a physical inspection of tyre storage and disposal facilities and tyre recycling facilities, including those manufacturing recycled product feedstock.

Can my old tyres be recycled?

Not managed properly, tyres can be harmful to the environment and human health.

Fires in stockpiles release toxic gases into the environment and tyre stockpiles are breeding habitats for mosquitoes and vermin.



AUSTRALIANS DISPOSE OF

51
MILLION
OLD TYRES EACH YEAR



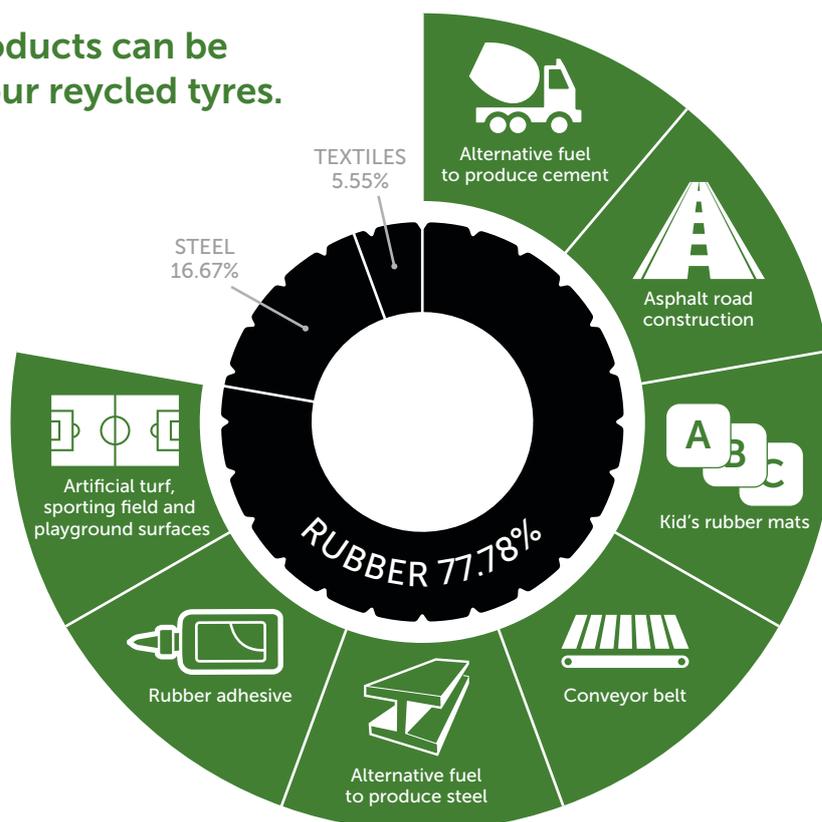
MORE THAN



LESS THAN



Many useful products can be derived from your recycled tyres.



tyrestewardship.org.au