

A
Brighter
Future
Through
Recycling

The
Saskatchewan
Scrap Tire
Corporation
manages the
collection and
processing of
scrap tires for
recycling and
reuse, in order to
eliminate tire
waste in local
landfills.



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**After all,
you can make
just so many
tire swings.**



2004

1,083,465
new tires
were sold
in Saskatchewan

635,354
scrap tires
were collected
from retailers

4.7 million
pounds of tires
were removed from
Saskatchewan landfills

35.5 million
pounds of tires
were processed into
recyclable material
for manufacture

The SSTC is a non-governmental management agency that is comprised of a body of independent stakeholders who represent the industries involved with or affected by the scrap tire issue. Representatives appointed by these stakeholders form the SSTC Board of Directors.

Through the Environmental Management and Protection Act (EMPA) and the Scrap Tire Management Regulations (1998), thereunder Section 4(1), the authority is provided to make scrap tires a designated material. Therefore, the SSTC, (being the only approved scrap tire-recycling program in Saskatchewan) is allowed to impose and collect a tire-recycling fee on the sale of all new tires.

The EMPA regulations, under Section 2.2(1) of the act, are enforced by Environment Officers who can administer notices of violation to non-compliant tire retailers not collecting the tire-recycling fee and on members of the public known to be improperly disposing of tires.

Rates and fundamentals of the program are established by the SSTC. Through the reporting of these program fundamentals such as budgets, operations and annual financial reviews, the SSTC fulfills its obligation to be accountable to the Minister of Environment.

The SSTC does not regulate ownership, control or use of scrap tires outside the program, nor does it guarantee a supply of tires to processors or encroach on the waste management responsibilities of municipalities.

A Brighter Future Through Recycling



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*The following information reflects the operating year 2004.
Every effort has been taken to prepare accurate data;
however discrepancies may be present due to human error.*

THE SASKATCHEWAN SCRAP TIRE CORPORATION

The Saskatchewan Scrap Tire Corporation (SSTC) was established in 1996. As a non-government agency, SSTC is responsible to administer and manage the provincially legislated scrap tire recycling program.

Accountable to both the provincial government and the public, the SSTC manages the collection and processing of scrap tires for recycling and reuse, in order to eliminate their entry into local landfills.

The SSTC works co-operatively with tire retailers, auto dealers, municipalities, local governments, regional waste authorities, processors, collectors and the general public to ensure that scrap tires are reclaimed and recycled or re-used in an environmentally friendly and sound manner. Over 1,200 retailers are involved in the collecting and recycling of approximately one million tires per year.

The program relies on a user-pay principle, which means that the consumer of the tire bears the responsibility for the product once it has reached the end of its useful life. The Corporation manages the public funds collected through the recycling levy and uses these funds to pay incentives to private companies to collect, process and recycle scrap tires. Surplus funds are used to clean up and reclaim existing landfills that contain scrap tires.

The SSTC readily shares research and information with its national associations to further the advancement of tire recycling practices, tire processing opportunities and find innovative new uses for recycled tire material.



MESSAGE FROM THE MINISTER



During our Centennial Celebration of 100 Years of Heart and on this occasion of your annual general meeting, I would like to send my warmest regards to the members and Board of Directors of the Saskatchewan Scrap Tire Corporation (SSTC).

As Minister of Environment, and on behalf of the people of Saskatchewan, I would like to acknowledge the outstanding work the SSTC has accomplished this past year and the SSTC's commitment to environmental protection.

The SSTC and its product management program are an integral part of our waste diversion strategy and waste minimization activities. I am very proud to acknowledge that your organization is directly responsible for diverting 12 million kilograms of rubber from Saskatchewan's waste stream on an annual basis.

Our province actively promotes a number of recycling initiatives for a variety of materials through a collaborative and cooperative approach. The province has found this approach to waste minimization to be an effective mechanism in the development and delivery of environmental management and protection strategies. The SSTC serves as an example of how, through this collaborative and cooperative approach, government and industry can work together to address a significant waste issue while promoting the development of a green and prosperous economy.

Once again, congratulations to the SSTC and all its members on your accomplishments and your commitment to environmental protection. Saskatchewan Environment looks forward to your continued success and the continuation of our strong relationship.

David Forbes
Minister of Environment

CHAIRMAN'S REPORT



I am pleased once again, to report on the success of Saskatchewan's tire recycling program and the progress of the SSTC.

By any form of measurement, the results achieved by the SSTC have been extraordinary since *Scrap Tire Management Regulations, 1998* were passed. As we enter our seventh year of operation as the province's only approved tire-recycling program, more than five million tires have been diverted from landfill disposal; an effective recycling industry has emerged within Saskatchewan creating more than 50 jobs and our environment has benefited on a province-wide basis.

Our efforts to promote the use of recycled tire material within our province have been successful on many fronts. Together with the SSTC, the Department of Highways & Transportation has been working on the development of a paving project that will use recycled crumb rubber. It is anticipated that this rubberized asphalt project will utilize over 420,000 pounds of material and is expected to get underway this summer. During 2004, the SSTC Playground Restructuring Grant was awarded to another five communities that used over 150,000 pounds of recycled tire material in their play areas instead of sand.

I am also pleased to report that under the Phase II Landfill Clean Up component of our program the SSTC removed over 4.7 million pounds of scrap tire material from 36 municipal landfill sites. We continue to focus on this phase of the program so that communities throughout the province will benefit from the removal of scrap tires stockpiled at their landfill and the liability associated with those piles.

Once again, the program Collectors have done a great job of handling the 635,354 scrap tires that were generated at the Retailers business locations. The Collectors are vital to the success of the program, as their activity keeps tires out of the landfills, and introduces them into the recycling stream.

Program Processors have made an impressive effort to ensure that all of these tires were recycled into reusable material for manufacturing or loose material use. On the manufacturing side, a positive addition to our already innovative industry is a Saskatoon based business that makes

roofing material for commercial and residential use. As the idea of using recycled scrap tire products gains momentum, I am sure you will continue to see a variety of new products developed and manufactured.

These successes have made the SSTC a model Stewardship program made possible by the diligence and dedication of many Saskatchewan people. There is no doubt that the success of the recycling program are due, in large part, to the dedicated efforts of the tire and vehicle dealers who have accepted their vital role in this important initiative, to the Processors and Collectors whose activities were mentioned earlier and to the ongoing commitment by the stakeholders, industries and board members to this recycling challenge. All of these groups play an integral role in our achievements and long-term success and are to be commended.

On behalf of the Board of Directors and administration, I am pleased to present the Saskatchewan Scrap Tire Corporation's 2004 Annual Report to the Honourable David Forbes, Minister responsible for the Environment and to the people of Saskatchewan.

Donald E. Schlosser
Chairman

**SSTC Collectors
picked up 70% of the
scrap generated
through new tire sales.**



1) Legislative Mandate & Accountability:

The Saskatchewan Scrap Tire Corporation (SSTC) is a not-for-profit, non-government Corporation that operates as an Administrative and Management Organization under the auspices of the *Scrap Tire Management Regulations (1998)* and the Saskatchewan Minister of Environment. The regulations allow stakeholders to participate in environmental stewardship initiatives that protect the quality of air, land and water for the benefit and enjoyment of all Saskatchewan residents.

The SSTC is the only organization in Saskatchewan approved by Saskatchewan Environment, to offer a product management program for scrap tires.

Section 4(1) of the Scrap Tire Management Regulations (1998)... no retailer shall sell, distribute, offer for sale or supply by lease or rental, either directly or indirectly, tires in Saskatchewan unless the retailer:

- (a) *operates a product management program approved by the minister;*
or
- (b) *enters into an agreement with a person who operates on the retailer's behalf a product management program approved by the minister.*

In addition to its legislative mandate, the SSTC's ultimate goal is to foster an environment where a self-sustaining tire recycling industry capable of handling all scrap tires in Saskatchewan will develop.

The SSTC uses the following principles as a management tool to fulfill its mandate. We fund program activities by collecting a Tire Recycling Fee based on a user pay principle and we use that revenue to manage the program and ensure Saskatchewan's scrap tires are recycled.

Operating Principles

- Collect tires that are at the end of their useful life for recycling and reuse, eliminating their disposal in local landfills;
- Provide a program through which all tire dealers in Saskatchewan comply with the *Scrap Tire Management Regulations (1998)* by offering the most effective and efficient product management program for scrap tires;

- Work closely with national counterparts for the purpose of sharing research and information about tire recycling practices, tire processing opportunities and innovative new uses for recycled tire material.

2) The Tire Recycling Program

The SSTC program involves three phases of tire recycling:

Phase I - Current Generation Tires: The daily activity of gathering scrap tires accumulated at the retail level. At no cost to the retailer, tires are picked up by the SSTC Collectors to divert them from disposal in landfills.

Phase II - Landfill Clean Up: Removal of pre-program tires from all registered cities, towns, rural municipalities and villages that have passed a bylaw prohibiting the disposal of scrap tires in community landfills. This phase is made possible through surplus revenues from the program.

Phase III - Private Stockpiles: Private stockpiles include tires that rural or urban dwellers keep on private property. The policies of this phase are not extended to private retailers and will only be addressed after all municipal landfill sites have been reclaimed.

3) Provincial Enforcement

The SSTC program exists as a result of the *Scrap Tire Management Regulations (1998)*, and is therefore enforced by Saskatchewan Environment.

Saskatchewan Environment Conservation Officers enforce (all of) Saskatchewan Environment's regulations. These include the environmental regulations that have given life to the SSTC and its program. As of December 17, 2003 the *Scrap Tire Management Regulations (1998)* were referenced under the *Summary Offences Procedure Act*. This provides Saskatchewan Environment Conservation Officers with a new set of enforcement capabilities for selected infractions under the regulations.

4.7 million pounds of tires were removed from 35 landfills under Phase II of the program, completed at no cost to the communities.



Enforcement Officers are mandated to not only serve violation notices to non-compliant retailers but also to individuals who are improperly disposing of scrap tires. Saskatchewan Environment also operates a confidential phone line to accept reports of non-compliant retailers and illegal dumping activities by the public.

4) Financial Accountability

The SSTC is accountable for its business activities to both the provincial government and the public. Accountability is provided through the following policies and procedures:

Financial Management

- The SSTC is charged with the administration of the collected Tire Recycling Fees and managing the operations of the program. The SSTC has procedures in place to ensure proper financial management and accountability.
- A comprehensive financial administration and accounting system is maintained to manage and report on revenues and expenditures resulting from SSTC activities.
- An Investment Policy has been established by the Board. It is used as a management tool to ensure the proper security and investment of any funds set aside for future recycling purposes.
- The SSTC's financial activity is reviewed annually by an independent auditing firm. The audit provides assurances that the corporation is conducting business in accordance with acceptable accounting practices.

Surcharge Compliance and Collection Systems

The SSTC has implemented accounting and tracking systems to fulfill its mandate regarding the compliance of the tire retailer and the accountability of the Tire Recycling Fee. Key strategies include:

- A system for registering and tracking all companies required to collect and remit the Tire Recycling Fee on the retail sales of new tires. The system deals with over 1,200 retailers (tire dealers, car and truck dealers, farm implement dealers, automotive service companies, etc.).

- Specific procedures to ensure complete reporting of the recycling fee revenue collection, including:
 - A comprehensive tracking system specifically designed to accurately record the incoming tire recycling fees and the supporting tire sales information as reported by the retailer. The system also tracks the scrap tire collections as reported by tire collectors.
 - Ongoing compliance reviews to ensure that retailers are making proper and timely remittances of the recycling fees collected in trust from the consumer. The SSTC uses the contract services of outside sources (accounting firms and legal services) to ensure that the retailer is in compliance with the SSTC program.
- The SSTC records and tracks all of the recycling and collecting activities as reported by the tire collectors and processors participating in the program. These companies are accountable to the SSTC for their business operations.

Statistical information is gathered on a variety of tire recycling activities available through these tracking systems and policies. These include revenue from tire sales; estimated number of tires in individual landfills; the number of tires collected; the poundage of tires recycled; the revenue generated from the collected tires, etc.

5) Committees of the Board

To ensure the efficient and effective operations of the SSTC, four main committees are in place to assist the Board in dealing with specific issues faced by the program.

Executive Committee

The Executive Committee is comprised of the Chairman, Vice Chairman and Treasurer who act as officers of the Board. This committee has the authority and ability to execute decisions in the absence of the SSTC Directors. The Executive Committee is frequently called upon to address and resolve issues that challenge the Corporation.

Since 1999, 150 Saskatchewan communities have had their landfills cleared of scrap tires. Some 137 communities are still awaiting this complimentary service.

Finance Committee

This committee oversees and reviews the financial activity of the Corporation. The Committee assists with the review of the SSTC financial and annual budget. The Committee also ensures proper processes and accounting practices are in place. The Committee monitors the financial activities of the corporation and reports all issues to the Board of Directors. The Finance Committee is also involved in the Retailer Compliance Review processes.

Industry Committee

The Industry Committee is responsible to review the operation policies and procedures of the scrap tire collectors and processors registered with the SSTC program. The committee monitors and reviews recycling credits, recycling methods, industry development and agreements. The Committee is also a liaison between the industry and the Board, handling all issues and concerns brought forward.

Bylaw Committee

The Bylaw Committee ensures that the operating bylaws of the Corporation are valid and upheld. The Committee also handles the nomination process of the Board.

6) External Committees and Partnerships:

The SSTC belongs to a number of organizations that share the same environmental beliefs and we have obtained unlimited support and information from these associations. The SSTC realizes and appreciates the benefits of partnerships in the promotion of this industry and by supporting:

Canadian Association of Tire Recycling Agencies (CATRA)

CATRA is comprised of leaders from the tire recycling programs in Canada. Its purpose is to work together for the betterment of tire recycling initiatives in Canada. CATRA's goal is to enhance the effectiveness of scrap tire diversion and recycling across the country through sharing of information, expertise and resources. It serves as an umbrella organization to address tire recycling issues with inter-provincial or national ramifications and includes representation from all provinces and the Yukon Territory.

Saskatchewan Waste Reduction Council (SWRC)

The SWRC is a strong recycling voice in the province and brings together the major players of the recycling industry in Saskatchewan to create a solid, unified presence for the benefit of the environment.

7) Landfills

When excess monies are available, the SSTC removes scrap tires from registered landfills, enabling a community to maximize the land without worrying about tire storage. This is very important, as many municipalities are limited to the space available for waste disposal.

In 2004, SSTC removed tires from 36 municipal landfills, yielding more than 4.7 million pounds of scrap tire material – at no cost to the communities.

As communities submit their tire-banning bylaws to the SSTC, clean up is handled on a first-come first-served basis. Since 1999, 150 communities have had 21 million pounds of tires removed from their landfills.

Numerous community landfill sites have been removed from the SSTC landfill list as there are no longer any tires at the site. Some 137 sites still need to be cleaned up.

8) Communication

The SSTC provides current information about the tire recycling program in Saskatchewan to its membership affiliates, urban and rural municipalities, provincial colleagues and the public.

- The SSTC maintains a website to assist people both locally and globally in obtaining information about the scrap tire program in Saskatchewan.
- The SSTC provides retailers ongoing news updates of current events that occur through a fax distributed update. *Fax Flash News* is sent out on an as needed basis to provide program updates.

86% of all tires sold in Saskatchewan last year were replacement passenger car tires or passenger car tires sold on new or leased vehicles.

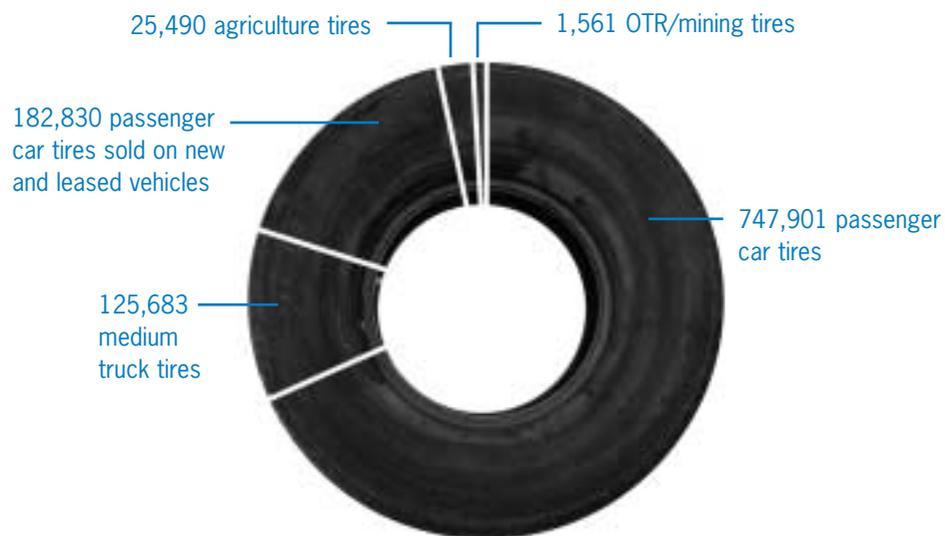


SASKATCHEWAN INDUSTRY

The SSTC is responsible to arrange for the pick up of scrap tires from tire retail sites. The SSTC accomplishes this through agreements held with five tire collection companies. These companies pick up the scrap tires generated through the sale of new tires from all registered tire retailers.

In keeping with the theory that a scrap tire is generated as a result of a new tire sale, all tires that are collected are based on the number of tires reported as sold during the operating year.

Tires Sold in 2004



SSTC retailers reported the selling of 1,083,465 tires through their monthly remittances.

Tires Collected in 2004

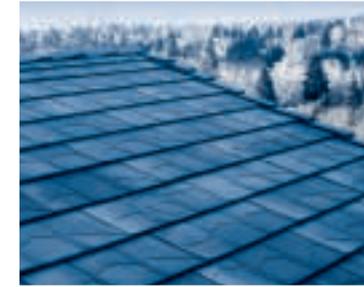
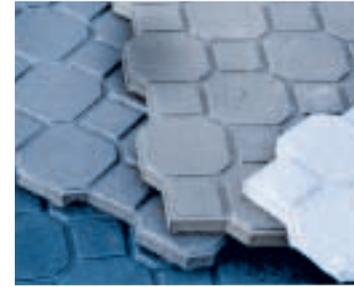


The SSTC collectors removed 635,354 scrap tires of various sizes from the 1,200 registered tire retailer locations. These tires equated to 26.4 million pounds of scrap tire material being delivered to the recycling sites in Saskatchewan for processing. This is in addition to the 4.7 million pounds of landfill scrap tires delivered.

Pounds of Tires Processed in 2004



Over 35.5 million pounds of scrap tires were processed into a value added product or into raw material for further processing.



Processing and Manufacturing

All of the collected tires are delivered to processing facilities for recycling within Saskatchewan. SSTC has agreements with five processing and manufacturing facilities. These businesses recycle the province's scrap tires in an environmentally approved and effective manner into a value-added product or raw material, which can be further processed. The businesses are Saskatchewan operated, employing Saskatchewan people.

The processors are eligible for recycling credits for the level of recycling that they provide. There are three major levels of processing eligible for recycling credits:

- **Tire Shred:** the shredding of scrap tires to specific standards and specific uses.
- **Crumb Rubber:** the recycling of whole scrap tires into various grades of crumb rubber, free of excess fiber and steel.
- **Rubber Manufactured Product:** products made from crumb rubber or products fabricated from cut or stamped tire pieces.

Many recycled tire products are beneficial for industrial, commercial, residential and civil engineering applications. Loose playground crumb, pour-in-place rubber, paving stones and parking curbs are just a few examples of these products available to consumers.

During the 2004 operating year, over 31 million pounds of scrap tire material were delivered to processing facilities in Saskatchewan. This included 26.4 million pounds of material that was collected by SSTC Collectors and 4.7 million pounds of scrap tire material taken from landfills under Phase II of the SSTC program.

The 2004 operating year saw an increase in the processing for Saskatchewan. Over 35.5 million pounds of scrap rubber were processed into value added products or into raw material that can be used in manufacturing applications. This included the material collected during the year, plus inventory carried over from previous years.

- **Crumb Rubber** – Over 21 million pounds were processed into crumb rubber that was sold to markets in USA for use in athletic fields and rubberized asphalt material. A small percentage was used in Saskatchewan as playground material, replacing sand and gravel.
- **Waste Products** – The 11.5 million pounds of waste material were comprised of the steel and fibre that is removed from the tires through the recycling process. These materials are byproducts and, wherever possible, are recycled.
- **Tire Shred** – Consisting of pieces of mechanically cut-up tires, usually 1" or 2" chunks, "shred" is a material used in civil engineering projects. In Saskatchewan 322,423 pounds of tire shred material was used in sound barrier project in the City of Saskatoon.
- **Manufactured Product** – During this period, there was an increase in the amount of manufactured product being processed. The 294,735 pounds of product were made from crumb rubber or cut/stamped pieces produced in Saskatchewan and consisted of molded paving tiles, roofing material for residential and commercial applications, Armorback tires, Treadwear Belts, mats, etc.
- **Other** - The balance was comprised of scrap tire material that was accumulated through the SSTC program however not recycled in our province. This includes large mining tires (OTR), tire tubes that are collected through the daily tire collection activity, however not part of the SSTC program; sidewall rings, tires used for cattle feeders, material utilized by other processors and scrap tire material that is used by businesses not affiliated with the SSTC program.

An inventory balance of 11.7 million pounds of recycled product and whole tire material was carried over at year-end.

150,000 pounds of crumb rubber was used in Saskatchewan playgrounds in 2004; that's the equivalent of 7,500 passenger car tires.



The SSTC consists of eight organizations that have a direct interest in Saskatchewan's scrap tire challenge. Every year, each organization appoints a representative to the Board of Directors. In addition, the Minister of Environment appoints technical advisors to participate with the Board. The following are the Directors of the Saskatchewan Scrap Tire Corporation for the 2004 year:

**Saskatchewan
Urban
Municipalities
Association
(SUMA)**

Don Schlosser,
Chairman



**Saskatchewan
Association of
Rural Municipalities
(SARM)**

Don Taylor, Treasurer

Canadian Tire

Don Funk,
Vice Chairman



**Saskatchewan
Waste Reduction
Council (SWRC)**

Joanne Fedyk, Director

**Saskatchewan
Automobile
Dealers
Association
(SADA)**

Susan Buckle,
Director



**Western Canada
Tire Dealers (WCTD)**

Don Blythe, Director

**CAA
Saskatchewan**

Kevin Lane,
Director



**Saskatchewan
Environment
(non-voting)**

Victor Chang, Advisor

**Canada West
Equipment
Dealers
Association
(Can-West)**

Pat Zatylny,
Director



**Saskatchewan
Environment
(non-voting)**

Richard Wilkins, Advisor

Saskatchewan Scrap Tire Corporation

Theresa McQuoid, Executive Director
Jane Relke, Accounting & Member Compliance

MANAGEMENT'S RESPONSIBILITY

To the Members of Saskatchewan Scrap Tire Corporation:

Management has the responsibility for preparing the accompanying financial statements and ensuring that information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgements and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibility 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 proper records are maintained.

The Board of Directors and Audit Committee are composed entirely of directors who are neither management nor employees of the Corporation. The Audit Committee is appointed by the Board to review the financial statements in detail with management and to report to the Board prior to their approval of the financial statements for publication.

External auditors are appointed by the Board 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 management and the Audit Committee to discuss their audit findings.



Management



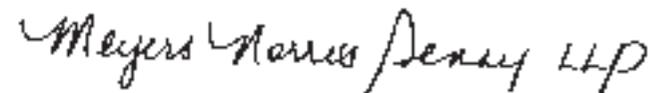
AUDITORS' REPORT

To the Board Members of Saskatchewan Scrap Tire Corporation:

We have audited the balance sheet of Saskatchewan Scrap Tire Corporation as at December 31, 2004 and the statements of revenue, expenses and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Regina, Saskatchewan

February 9, 2005

Saskatchewan Scrap Tire Corporation
Balance Sheet

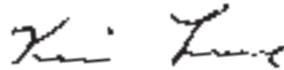
As at December 31, 2004

	2004	2003
Assets		
Current		
Cash	593,564	2,210,261
Accounts receivable	61,788	48,869
Funds held in trust (Note 3)	100,249	-
Prepaid expenses and deposits	7,128	10,173
	762,729	2,269,303
Property and equipment (Note 4)	23,564	27,841
Investments (Note 5)	1,286,657	276,863
	2,072,950	2,574,007
Liabilities		
Current		
Accounts payable and accruals	172,579	26,402
Goods and Services Tax payable	44,652	55,067
Funds held in trust (Note 3)	100,249	-
	317,480	81,469
Surplus		
Surplus (Note 6)	1,755,470	2,492,538
	2,072,950	2,574,007

Approved on behalf of the board



Director



Director

The accompanying notes are an integral part of these financial statements

Saskatchewan Scrap Tire Corporation
Statement of Revenue, Expenses and Surplus

For the year ended December 31, 2004

	2004	2003
REVENUE		
Tire recycling fee	4,217,017	4,251,591
Interest	54,290	43,971
	4,271,307	4,295,562
PROGRAM ADMINISTRATION EXPENSES		
Advertising and promotion	17,665	11,436
Amortization	7,446	8,721
Bad debts (recovery)	(23,536)	375
Computer support	31,162	19,938
Conferences	3,779	3,135
Directors' remuneration	20,121	25,000
Equipment rental	4,090	4,106
Insurance and licences	4,175	4,182
Meeting expense	7,621	6,988
Office operations	4,441	6,128
Postage	5,001	5,066
Printing and publications	28,142	12,542
Professional fees	268,599	146,309
Rental	6,900	6,900
Salaries and benefits	136,983	127,198
Summer program	-	16,472
Stationary and supplies	7,447	7,097
Telephone, fax and internet	6,640	7,321
Training and education	948	-
Travel	7,369	11,446
	544,993	430,360
RECYCLING COSTS		
Recycling fee commission	67,193	67,194
Provision incentive payments – collector	1,475,916	1,345,732
Provision incentive payments – processors	2,676,492	1,346,079
Special projects	243,781	125,173
	4,463,382	2,884,178
Net (loss) earnings	(737,068)	981,024
Surplus, beginning of year	2,492,538	1,511,514
Surplus, end of year	1,755,470	2,492,538

The accompanying notes are an integral part of these financial statements

Saskatchewan Scrap Tire Corporation

Statement of Cash Flows

For the year ended December 31, 2004

	2004	2003
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers	4,127,382	4,258,662
Cash paid to suppliers	(4,742,916)	(3,253,017)
Cash paid to employees	(136,983)	(127,198)
Interest received	48,533	43,971
	(703,984)	922,418
Financing activities		
Advances of funds held in trust	100,249	-
Investing activities		
Purchases of property and equipment	(3,168)	(7,097)
Increase in investments	(1,009,794)	(5,519)
	(1,012,962)	(12,616)
(Decrease) Increase in cash resources	(1,616,697)	909,802
Cash resources, beginning of year	2,210,261	1,300,459
Cash resources, end of year	593,564	2,210,261

The accompanying notes are an integral part of these financial statements

Saskatchewan Scrap Tire Corporation

Notes to the Financial Statements

For the year ended December 31, 2004

1. Incorporation and commencement of operations

Saskatchewan Scrap Tire Corporation is incorporated under the *Not-for-profit Corporations Act* and is exempt from income taxes. The purpose of the Corporation is to establish and manage a mandatory scrap tire waste reduction program on behalf of its members as set out in *The Scrap Tire Management Regulations*.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Revenue recognition

Revenue from tire recycling fees is recognized when retailers submit reports for tires sold.

Investments

Investments are carried at the lower of cost and market value.

Property and equipment

Property and equipment are initially recorded at cost. Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer equipment	declining balance	30 %
Computer software	declining balance	100 %
Office equipment	declining balance	20 %

In the year of acquisition, amortization is taken at one-half of the above rates.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after the evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided when necessary. Amortization is based on the estimated useful lives of the assets.

As explained in Note 6, the incentive payments to the processors are payable only after the processing is complete and the product is sold. Therefore, an inventory of processed and unprocessed tires exists at the processor's plant. This inventory is estimated based on collector reports and the actual inventory may vary significantly from this estimate. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

3. Funds held in trust

Funds held in trust represents a performance bond.

Saskatchewan Scrap Tire Corporation

Notes to the Financial Statements

For the year ended December 31, 2004

4. Property and equipment

	Cost	Accumulated amortization	2004 Net Book Value	2003 Net Book Value
Computer equipment	29,666	20,538	9,128	10,700
Computer software	12,319	12,319	–	493
Office equipment	31,786	17,350	14,436	16,648
	73,771	50,207	23,564	27,841

5. Investments

	2004	2003
Greystone - balanced fund	283,298	276,863
TD Waterhouse	1,003,359	–
	1,286,657	276,863

Market value of the Greystone investments at year end was \$295,689 (\$268,259 in 2003), and \$1,008,794 (\$nil in 2003) for the TD Waterhouse investments.

6. Commitments

The Corporation has entered into various lease agreements with estimated minimum annual payments as follows:

2005	3,320
2006	588
2007	588
2008	588

In addition, the Corporation has entered into agreements to provide incentives to the processors to process and sell their products. The incentive is paid when the product is sold. At December 31, 2004, whole tire and unsold product was estimated at 549,200 (780,000 in 2003) passenger tire equivalents (PTE). The incentive payments to processors range from \$0.50 to \$2.75 per PTE, which could amount to \$1,510,300 (\$2,145,000 in 2003).

7. Financial instruments

The Corporation as part of its operations carries a number of financial instruments which include cash, accounts receivable, investments, accounts payable and accruals and Goods and Services Tax payable. Estimated fair values of investments reported in Note 5 are based on quoted market prices of the Corporation's investments. The carrying amount of all the remaining Corporation's financial instruments approximates their fair value, due to their relatively short-term maturities.