



SSTC

S A S K A T C H E W A N
S C R A P T I R E C O R P O R A T I O N

2007

A N N U A L R E P O R T

R E - T I R E • R E C L A I M • R E C Y C L E

2007 Program Highlights

- In 2007, SSTC marked the 10 millionth tire collected and recycled under its province-wide product stewardship program. This equates to over 200 million pounds of potentially hazardous and environmentally harmful scrap material that has been removed from the provincial waste stream and kept out of Saskatchewan landfills since this program began.
- The SSTC Board of Directors developed a strategic plan to identify and focus the organization on key priorities for the coming three-to-five year period. As part of that exercise, the board committed to a planning and budgeting process that will see the clean-up of scrap tires from all municipal landfills completed by 2010, and the clean-up of private tire stockpiles to begin after that.
- SSTC moved to a new front-end payment system for processor incentives. This new approach streamlines the administrative and accounting process, removes SSTC from the day-to-day business operations of the processors, and more closely matches the timing of payments with the incurrence of costs. Overall, it will result in a much stronger and more stable recycling program for Saskatchewan scrap tires.

The Life of Your Tire

Step 1: Purchasing a new tire

Over 1,200 Saskatchewan retailers that sell tires directly or indirectly (i.e. on vehicles or other pieces of equipment) are members of the SSTC program. For every tire that you purchase, these retailers collect and remit a Tire Recycling Fee that funds the entire SSTC program.

In 2007 the program's 1,200 participating retailers reported selling 1,307,984 tires of various sizes (903,354 passenger car/light truck; 151,584 medium truck tires; 29,613 ag tires; 4,608 OTR/mining tires; 218,825 on new/leased vehicles) generating \$6.2 million for the program.

Step 2: Enjoying the drive!

While you are getting good miles out of your tires, SSTC is cleaning decades worth of old, pre-program tires from municipal landfills across

Saskatchewan and sending them for recycling. This is done free of charge to the municipality and its citizens, removing tonnes of potentially hazardous and environmentally harmful nuisance products and extending the life of these important and expensive pieces of infrastructure.

In 2007 over 3.3 million pounds of tires (or the equivalent of 165,707 whole tires) were removed from 13 landfill sites across the province.

Step 3: Replacing your old tires

When it comes time to replace your tires, the old treads that are removed are kept by the retailer, then collected and sent for recycling by the SSTC. In this manner, we can ensure that no "new" scrap tires are being generated in Saskatchewan, so that all the work we are doing is truly making the problem smaller!



- SSTC funded 12 community improvement projects in 2007 through the Community Demonstration Grant Program (CDGP). The CDGP offers up to \$5,000 in matching funding to Saskatchewan municipalities, schools, community groups, First Nations and Metis settlements for capital projects that make use of recycled tire products.
- SSTC contributed towards the new state-of-the-art turf installed on Taylor Field at Mosaic Stadium, which uses 18,000 recycled Saskatchewan scrap tires in its make-up. As the Roughriders marched to the Grey Cup title this year, it just may have been on top of your old tires!
- SSTC supported two major paving projects that used rubberized asphalt made from recycled Saskatchewan scrap tires. Twenty kilometres of the Trans Canada Highway near the Saskatchewan-Alberta border and 12 kilometres of Highway 11 between Regina and Saskatoon were rejuvenated with the product, that research shows is more durable and longer lasting than standard asphalt.
- The administrative component of the SSTC program remained at three full-time staff members for 2007, and in fact was down to two staff members for much of the year. This constitutes a very efficient and cost-effective operation, delivering excellent value to the people of Saskatchewan.

In 2007 program collectors removed 742,219 scrap tires of various sizes from the retailer locations.

Step 4: Processing and recycling the old treads

All the scrap tires collected from the province's retailers or cleaned out of municipal landfills are sent to be processed and/or recycled. For an idea of the dozens of innovative products currently being made from Saskatchewan scrap tires – and where they can be purchased – visit the SSTC website at www.scraptire.sk.ca.

In 2007 processors received 34,403,999 pounds (or the equivalent of 1,720,200 whole tires)

of scrap tire material and reported processing on 25,113,123 pounds (or the equivalent of 1,255,656 whole tires). This is comprised of:

• Crumb	10,399,042 lbs
• Shred	4,646,974 lbs
• Energy Recovery	668,200 lbs
• Products	1,452,146 lbs
• Waste	7,813,448 lbs
• Other	133,313 lbs



About the Saskatchewan Scrap Tire Corporation

The Saskatchewan Scrap Tire Corporation (SSTC) was established in 1996. As a non-profit, non-government agency, the SSTC is responsible for the management and delivery of the province-wide tire recycling program for the people of Saskatchewan, in accordance with provincial legislation.

Accountable to both its stakeholders 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 cooperatively 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 reused in an environmentally-friendly and sound manner. Over 1,200 retailers are involved in the collection 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 waste product once it has reached the end of its useful life.

The SSTC 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 used tires.

Scrap tires are recycled into dozens of useful, marketable items, and new applications are being developed all the time. The SSTC readily shares research and information with its sister associations across Canada to further the advancement of recycling practices and tire processing opportunities, and to find innovative new uses for recycled tire material.

For more information on the SSTC or Saskatchewan's tire recycling program, please visit the organization's website at www.scraptire.sk.ca

SSTC

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S C R A P T I R E C O R P O R A T I O N

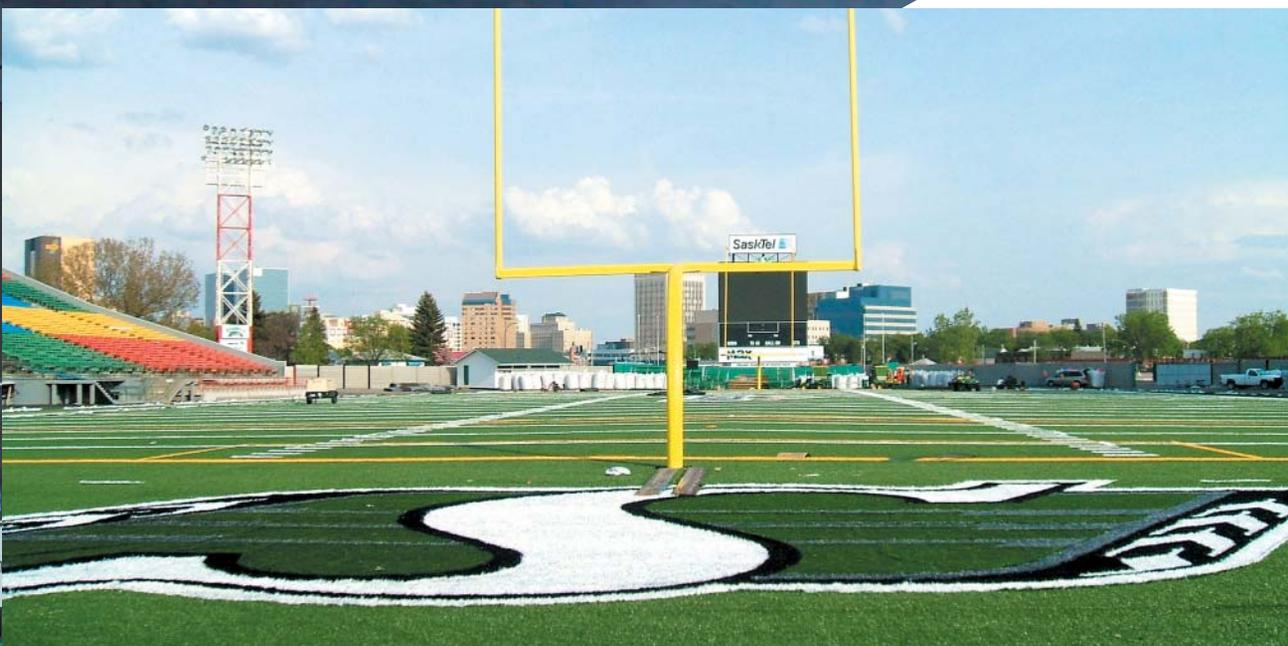
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Management's Responsibility

To the Members of
Saskatchewan Scrap Tire Corporation:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

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

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

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is 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 Board and management to discuss their audit findings.

February 8, 2008



Management



Management

Auditors' Report

To the Board Members of
Saskatchewan Scrap Tire Corporation:

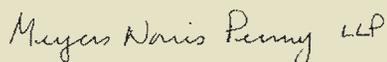
We have audited the balance sheet of Saskatchewan Scrap Tire Corporation as at December 31, 2007 and the statements of revenue, expenses and reserves and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan

February 8, 2008



Chartered Accountants



Saskatchewan Scrap Tire Corporation • F

Balance Sheet

As at December 31, 2007

	2007	2006
Assets		
Current		
Cash and cash equivalents	679,526	600,600
Accounts receivable	24,156	9,510
Funds held in trust (Note 4)	153,760	122,068
Prepaid expenses and deposits	11,032	17,129
	868,474	749,307
Capital Assets (Note 5)	59,701	79,256
Investments (Note 6)	371,800	329,712
	1,299,975	1,158,275
Liabilities		
Current		
Accounts payable and accruals	328,664	508,779
Goods and services tax payable	79,533	79,079
Funds held in trust (Note 4)	153,760	122,068
	561,957	709,926
Reserves		
Unrestricted reserve	-	-
Stabilization reserve (Note 7)	738,018	448,349
	1,299,975	1,158,275

Approved on behalf of the Board



Director



Director

Commitments (Note 8)

Statement of Revenue, Expenses and Reserve

For the year ended December 31, 2007

	2007	2006
REVENUE		
Tire recycling fee	6,272,915	4,700,092
Other	33,243	90,952
	6,306,158	4,791,044
RECYCLING COSTS		
Recycling fee commission	114,571	83,946
Provision incentive payments – collectors, processors, etc.	5,089,509	5,237,259
Professional fees – compliance reviews	64,848	151,747
Special projects	363,445	201,511
	5,632,373	5,674,463
PROGRAM ADMINISTRATION EXPENSES		
Advertising and promotion	41,320	30,872
Amortization	22,618	25,036
Bad debts	3,251	-
Computer support	36,668	28,504
Conferences	9,662	2,426
Directors' remuneration	13,675	21,650
Equipment rental	4,250	3,495
Insurance and licenses	4,647	4,422
Meeting expense	1,722	3,167
Office operations	4,391	4,748
Postage	5,439	7,161
Printing and publications	54,412	20,865
Professional fees	34,064	38,171
Rental	25,796	24,563
Salaries, wages and benefits	148,054	141,823
Stationary and supplies	6,086	4,603
Telephone, fax and internet	5,720	6,664
Training and education	1,009	859
Travel	8,332	15,042
	431,116	384,071
Net income (loss)	242,669	(1,267,490)
Unrestricted Reserve, beginning of year	-	1,715,839
Transitional Adjustment to Reserve (Note 9)	47,000	-
Transfer to Stabilization Reserve (Note 7)	(289,669)	(448,349)
Unrestricted Reserve, end of year	-	-



Financial Statements • December 31, 2007

Statement of Cash Flows

For the year ended December 31, 2007

	2007	2006
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers	6,258,269	4,740,097
Cash paid to suppliers	(6,066,483)	(5,630,833)
Cash paid to employees	(148,054)	(141,823)
Interest received and transitional adjustment	80,243	90,952
	123,975	(941,607)
Investing activities		
Purchases of capital assets	(3,062)	(33,910)
Proceeds on disposition of capital assets	100	-
Increase in investments	(42,087)	(36,541)
	(45,049)	(70,451)
(Decrease) increase in cash resources		
	78,926	(1,012,058)
Cash resources, beginning of year	600,600	1,612,658
Cash resources, end of year	679,526	600,600
Cash and cash equivalents consist of:		
Cash	526,313	348,023
Short-term investments	153,213	252,577
Total	679,526	600,600

Notes to the Financial Statements

For the year ended December 31, 2007

1. Incorporation and commencement of operations

Saskatchewan Scrap Tire Corporation is incorporated under the *Not-for-profit Corporation's 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. All other revenue is recognized in the period it is earned.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Investments

Investments are carried at market value with unrealized gains and losses flowing through income.

Capital assets

Capital assets 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 collectability and an appropriate allowance for doubtful accounts is provided when necessary. Amortization is based on the estimated useful lives of the assets.

Financial Instruments

Saskatchewan Scrap Tire Corporation has classified cash, investments and funds held in trust as financial instruments held for trading. Accounts receivables and accounts payables are classified as loans and receivables and other liabilities respectively. Held for trading financial assets and liabilities are financial instruments that are acquired or incurred principally for the purpose of selling or repurchasing the instrument in the near term. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Held for trading financial instruments are carried at fair value with both realized and unrealized gains and losses included in net income. Initial cost approximates fair value due to the short-term nature of the instruments. Financial assets and liabilities that the Corporation has recorded as loans and receivables and other liabilities are measured at amortized cost.

Recent accounting pronouncements

Effective October 1, 2007, Saskatchewan Scrap Tire Corporation will be required to adopt Canadian Institute of Chartered Accountants ("CICA") handbook sections 3862 – financial instruments – disclosures, and 3863 – financial instruments – presentation. Section 3862 provides standards for disclosure of the risks arising

from financial instruments to which the Corporation is exposed, and how the risks are managed by the Corporation. Section 3863 provides standards for the presentation of financial instruments and non-financial instruments derivatives. The Corporation does not expect the adoption of these new standards to have a material impact of its financial statements; however these standards will have an impact on the financial statement disclosure.

3. Change in accounting policy

Effective December 1, 2006, the Corporation adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. CICA 3855 Financial Instruments – Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. CICA 3861 Financial Instruments – Disclosure and Presentation discusses the presentation and disclosure of these items. Financial instruments are defined as the contractual right to either receive or deliver cash or other financial instrument to another party. These standards have been adopted prospectively and have nil effect of the financial statements. The comparative figures have not been restated.

4. Funds held in trust

Funds held in trust represent a security bond being held for certain processors.

5. Capital assets

	Cost	Accumulated amortization	2007 Net book value	2006 Net book value
Computer equipment	118,106	70,753	47,353	63,157
Computer software	13,830	13,830	–	664
Office equipment	39,452	27,104	12,348	15,435
	171,388	111,687	59,701	79,256

6. Investments

	2007	2006
Greystone – balanced fund	371,800	329,712
	371,800	329,712

The market values of the Greystone investments at year end were \$371,800 (\$377,146 in 2006). Long-term investments are tested for impairment on an annual basis.

7. Stabilization Reserve

In 2006, the Board internally restricted funds through the establishment of a stabilization reserve for the following purposes.

- i. to ensure that funds are available in the event of windup that it could proceed in an orderly manner; and
- ii. to ensure that funds are available to meet the potential incentive(s) owing to processor(s) for the whole tire and unsold product(s) from previously delivered tires.

The amount of \$289,669 (2006 – \$448,349) was transferred to the reserve as at December 31, 2007 and is subject to change at the discretion of the Board of Directors.

8. Commitments

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

2008	14,205
2009	14,513
2010	7,520
2011	527
2012	395

In 2006 and prior years, the Corporation provided incentives to the processors to process and sell their products. The incentive was paid when the product was sold. In 2007, the program was changed; processors are now paid a front end payment for taking delivery of program tires. To facilitate this transition, the Corporation paid the processors for inventory on hand on the date of the change. Therefore, there is no longer an outstanding commitment to the processors.

9. Transitional Adjustment

The Corporation adopted financial instruments effective January 1, 2007. The result being investments were adjusted to fair market value on January 1, 2007 with a corresponding increase in reserves in the amount of \$47,000.

10. 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 6 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.