



**Annual Report 2008**  
ENCORP PACIFIC (CANADA)

## Welcome to the Encorp Pacific (Canada) 2008 Annual Report

To minimize the impact on the environment, we have elected to prepare and produce an online annual report. By doing so, we have saved 15 trees and 4,281 gallons of water.



To move to a different page, click **NEXT** or **PREVIOUS**. Or simply point your cursor to a page corner, press your mouse button and "turn the page" by dragging your mouse.

To **ZOOM**, double click on the area you want to magnify



**HELP** will bring you back to this page.



To move to a specific page, enter the page number in the window to the left of the green button and click on the button. To move to a specific section, go to the main menu and click on the appropriate heading



**READ MORE** reveals a frame with additional text. Keep your cursor within the frame to read the text. Moving the cursor out of the frame closes it.



This symbol as well as an **Orange Colour** indicates that a chart/table has interactive elements. Use your cursor to explore the page.



There are printable PDFs available to download.

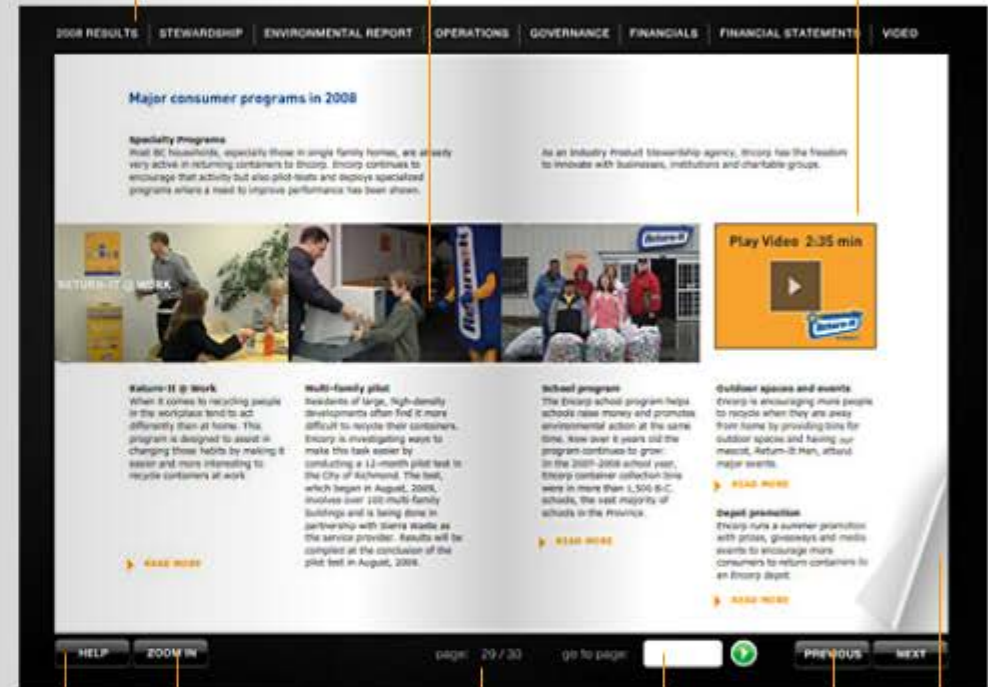
## Here are a few tips that will help you get the most out of our first digital annual report.

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Main menu

Page content with "Read More" and other interactive elements

Video will open in a new window with a full screen mode available



Help Zoom function

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Playhead

Time

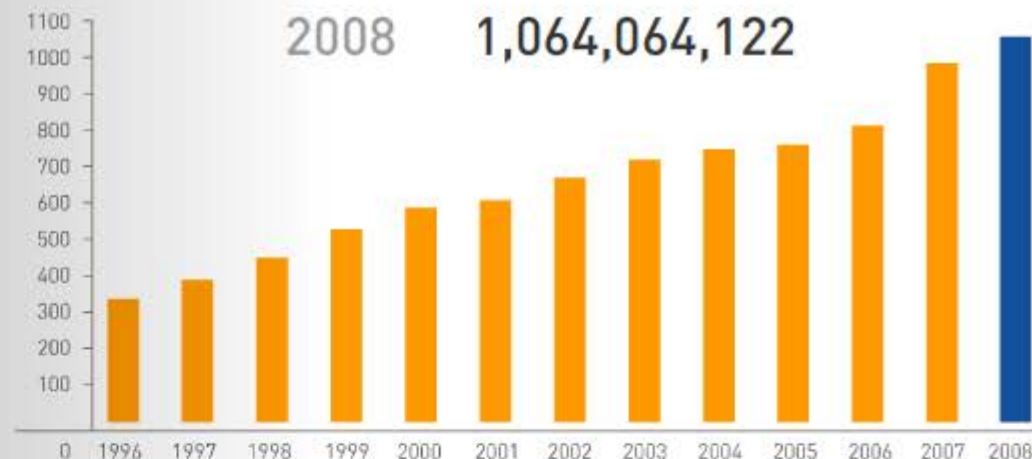
Sound controls

Fullscreen

## Recycling is one of the best things we can do for the environment

In 2008, Encorp Pacific (Canada) recovered over one billion containers (71 million more than in 2007) and continued to demonstrate why we are one of the most respected industry product stewardship corporations in North America.

To minimize the impact on the environment this annual report is available in digital form only. The charts and content, indicated by the printable PDF symbol can be printed using the Free Adobe Acrobat Reader.



Number of used beverage containers collected by the Encorp System



To learn more, point to the orange bars.



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TYPE	CONTAINERS SOLD		CONTAINERS PURCHASED		RECOVERY RATE		WEIGHT RECYCLED (t)	
	2008	2007	2008	2007	2008	2007	2008	2007
▶ Aluminum	465,284,740	462,459,324	379,018,112	371,081,316	81.5%	80.2%	5,416	5,128
▶ Plastic	488,358,445	477,943,398	370,005,128	347,457,630	75.8%	72.7%	14,378	11,087
▶ Glass	257,906,362	189,640,306	225,245,942	182,435,223	87.3%	96.2%	64,548	57,344
▶ Other Metals	6,681,719	7,329,211	3,983,563	3,930,174	59.6%	53.6%	259	258
▶ Pouches	15,552,369	13,852,508	5,505,794	5,125,826	35.4%	37.0%	33	30
▶ Polycoat	143,931,404	152,890,583	79,409,545	82,441,166	55.2%	53.9%	1,966	2,097
▶ Bag-in-Box Liquor	2,172,193	1,188,435	896,038	629,547	41.3%	53.0%	206	145
<b>Totals</b>	<b>1,379,887,232</b>	<b>1,305,303,765</b>	<b>1,064,064,122</b>	<b>993,100,883</b>	<b>77.1%</b>	<b>76.1%</b>	<b>86,806</b>	<b>76,089</b>



To learn more, point to the orange labels.

Note: Alcohol containers April – December 2007 only



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## Message from the Chair and the Chief Executive Officer

Welcome to our inaugural digital annual report. We hope you find this format easy to use. Click on the "READ MORE" text to see an expanded commentary and move your cursor over items to see if there is more information.



*Neil Hastie*  
**Neil Hastie**  
President & CEO



*Dan Wong*  
**Dan Wong**  
Board Chair

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Here are the highlights for 2008, our 14th year of operation:

### **Achieved a record unit recovery rate of 77%:**

We recovered over one billion containers in 2008, 71 million more than in 2007. As a result, our unit recovery rate was 77.1% compared to 76.1% in the previous year. Particularly strong performance was achieved with aluminum at 81.5% vs. 80.2% in 2007 and plastic at 75.8% vs. 72.7% in 2007. Beverage alcohol containers achieved a 90.2% recovery rate. These containers, with controlled distribution and primarily in home consumption, typically enjoy higher rates than containers in the non-alcohol sector. Polycoat containers (aseptic and gable top) showed a modest improvement to 55.2% vs. 53.9% in 2007.

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### **Expanded governance to include the Beverage Alcohol Containers Management Council of BC:**

Our governance structure is designed to accommodate new brand owners and new categories of beverage containers. Effective September 2009, producers of beverage alcohol containers, represented by the Beverage Alcohol Containers Management Council of BC, will be accepted as a member of Encorp Pacific (Canada), joining the four founding members: namely, BC Bottled Water Association, Canadian Council of Grocery Distributors, Juice Council of BC and Refreshments Canada.

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## Message from the Chair and the Chief Executive Officer

### **Responded to the precipitous decline in market prices for aluminum and plastic:**

Revenue received from the sale of collected containers, primarily aluminum and plastic, provided \$15.8 million in 2008. In 2009, however, the precipitous decline in world market prices for these commodities means that we are forecasting a decline of almost \$5 million, about 30%, to only \$10.9 million. It is unclear whether commodity prices will strengthen in late 2009 or stay at historic lows through 2010 as well. To make up for this loss of revenue, we have increased Container Recycling Fees (CRF) on aluminum (from 0 to 1 cent) and plastic (from 3 to 4 cents).

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### **Managed cash flow during a period of planned back-to-back deficits:**

Our accumulated reserves have declined from a high of \$16 million in 2005 to the present level of \$1.8 million which is well below our target range of \$8 to 10 million. While this has created the requirement for active cash management, we have not needed bank financing nor delayed any payments to our many business partners. Our goal is to replenish our reserves over the next 24 months.

### **Developed methods to build system-wide capacity:**

As beverage container volumes collected through our network of depots continues to grow, and as some depots take on new streams such as electronics and milk containers, there are increased demands for more efficient methods to speed up customer transaction times and for materials handling systems that optimize space utilization in the depots' warehouse areas. After several years of testing, we are now rolling out our Generation 3 floor plan and equipment designs that have proven to streamline customer transaction times.

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### **Awarded Business of the Year by Burnaby Board of Trade:**

While we do not actively seek public acclaim for our work, we were honoured to receive the award of Business of the Year in the new category of sustainability.

In the last year, changes within the member associations which own Encorp have contributed to a number of directors leaving the Board. Each has made a major contribution to Encorp and we would like to recognize them and thank them for their efforts at this time. They are David Ryzebol (5 years) from Canada Safeway, Justin Sherwood (4 years) from the Canadian Council of Grocery Distributors and Anthony van Heyningen (2 years) from Refreshments Canada.

**In closing, we would like to acknowledge our Depot owners for providing higher standards of customer service; our business partners for providing us with reliable transportation and processing services at competitive prices; our staff who take great pride in their Company and its purpose, and the hundreds of brand owners for their trust and confidence in Encorp Pacific (Canada) as their Stewardship Corporation.**



## Words we live by

### Vision

In British Columbia, Encorp Pacific (Canada) will lead in the design and delivery of highly effective stewardship programs across a targeted range of end-of-life consumer products and packaging, all organized on the basis of industry self-management and lowest possible cost, consistent with achieving high performance for our industry partners, their consumers, the regulator and other stakeholder groups.

### Mandate

Encorp Pacific (Canada) will be the leading stewardship agency in British Columbia with a continuous focus on beverage containers as our core business.

### Role

Our role as a stewardship corporation is to facilitate brand owner/producer compliance with the Recycling Regulation. We do this by organizing recycling programs through collection and transportation to the final recycling into a variety of end-of-life packaging and products. A key component that underpins the success of our recycling programs is the extent to which our stakeholder universe sees Encorp acting in the public good while attending to the private interests of the producers with whom we partner.

Our stakeholder universe includes producers, consumers, governments and advocacy groups. Their interests are as follows:

**Producers:** low cost, consistent compliance and freedom of packaging choice

**Consumers:** low cost, no financial gain for producers, convenient no-charge access to collection facilities, and confidence that their returns are being recycled in an environmentally sensitive manner

**Governments:** no cost to government, in compliance with regulation, financial transparency, minimal lobbying with elected officials, and industry self-managed

**Advocacy Groups:** no financial gain for producers, no cost to governments, high environmental standards, financial transparency and commitment to continuous improvement



## Our template for success: The Industry Product Stewardship (IPS) model.

The Industry Product Stewardship (IPS) model was first set out in the 1997 regulation called Beverage Container Stewardship Program Regulation (BCSPR). Encorp Pacific (Canada), originally established in 1994, was reorganized in 1998.

Our new corporate architecture – federal incorporation under Part II of the *Canada Corporation Act* – was chosen specifically because it met the requirements of this new style of regulation.

In September 2002, the provincial government further codified the principles to be followed in its Industry Product Stewardship Business Plan.

The key principles are:

- Responsibility for waste management is shifted from general taxpayers to producers and users
- All brand owners for a particular product category are subject to the same stewardship responsibilities
- All consumers have reasonable access to collection facilities
- Programs focus on results and provide brand owners with the flexibility to determine the most cost-effective means of achieving desired outcomes with minimum government involvement
- Programs encourage continued innovation by producers to minimize environmental impacts during all stages of the product life cycle, from product design to end of life management
- Industry is accountable to both government and consumers for environmental outcomes and allocation of revenues from fees/levies

We strive to maintain consistent stakeholder support for Industry Product Stewardship (IPS) and for the way in which Encorp operates its recycling programs.

The IPS model provides Encorp with the optimum flexibility, allowing us to retain control of financial management and governance. Support for this model is fundamental and of the highest strategic importance. The way we operate our recycling programs further validates the IPS model as it demonstrates that industry will meet both public and private policy imperatives.

Brand owners, on behalf of their customers, want to minimize the costs of mandatory compliance schemes consistent with achieving acceptable environmental performance. Recycling, and in particular collection, for most materials is not self-sufficient and requires a subsidy – a cost borne by producers and consumers.





## Differences between product stewardship and the municipal collection system

British Columbia also has extensive curbside and drop-off recycling programs operated by local and regional governments. Here are some key differences between the two systems:

Industry Product Stewardship	Local Government Systems
All costs covered by producers and consumers	Net costs covered by local taxpayers
Only consumers and users of specific products pay for the system	All taxpayers contribute equally regardless of actual consumption and use of products
The types of products and materials included are the same province-wide	The types of products and materials accepted vary by municipality or region
Extensive, province-wide consumer awareness programs	Limited consumer awareness – varies by locale
Financial viability and operations unaffected by fluctuating commodity markets	Reductions in commodity value can result in increased taxpayer cost or reduced services
Producers and consumers accept full life-cycle responsibility for products	No agency accepts full life-cycle responsibility for products included in curbside programs

## A look at the challenges ahead

### We face challenges arising out of two fundamental realities:

1. We are experiencing increased urbanization, with a growing portion of the population living in one form or another of multi-family housing. An accepted maxim is that recycling is less well practiced in multi-family dwellings in contrast to single-family dwellings.
2. Our network of Return-It™ depots has experienced rapid

volume growth over the last five years and many depots are operating at close to capacity, particularly during the peak summer months. Increased rental rates and zoning restrictions in some communities along with contracted territory protection inhibits our ability to open additional depots that would add to the overall capacity of the depot network. Inadequate capacity usually leads to longer waiting times for consumers and that can diminish the motivation to recycle.



Our strategies to meet these challenges are described in other sections of our annual report, namely new market development initiatives such as Return-It @ Work, public spaces and event collection services, and multi-family pilot testing.

However, the challenge of improving recycling performance in multi-family dwellings must be shared with other stewardship programs and local authorities, as all of us have a stake in finding cost-effective solutions to the problem of growing amounts of recyclables ending up in the waste stream instead of the recycling stream.

Our strategies also include depot productivity initiatives such as our Generation 3 container handling system, 5 Star depot certification, management training programs for depot owners, and the in-depot compaction trial.


### **Reduction in greenhouse gas emissions from recycling**

In 2008, Encorp collected and had over 86,800 tonnes of material recycled. The energy saved through the recycling of materials collected by Encorp can be converted into tonnes of carbon dioxide equivalent (CO<sub>2</sub>e), which is the common measure of greenhouse gases (GHGs) based on the US Environmental Protection Agency's (EPA) Waste Reduction Model.

The model calculates net emission reductions based on the average distribution of fuels consumed along the entire life-cycle production process.\*

In total, Encorp's activities in 2008 contributed to the reduction of about 138,000 tonnes of CO<sub>2</sub> equivalent being released into the atmosphere, an increase of 12,000 tonnes compared with the same period of last year.

\*US EPA, Waste Reduction Model, Version 8 (5/06); US EPA, Solid Waste Management and Greenhouse Gases (2002). Exhibits 2-3 to 2-6.



# Environmental Report

## Greenhouse gas emissions associated with Encorp's stewardship activities

While recycling has an overall net benefit in terms of energy and emissions savings, the recycling process itself does require energy and thus has GHG emissions associated with it. While the EPA's Waste Reduction Model does factor in the typical energy use associated with recycling when estimating net savings, Encorp has committed to specifically estimating the GHG emissions associated with its stewardship activities. By doing so, we hope to identify ways in which we can minimize our environmental footprint going forward and maximize the net benefits to the planet.

Since Encorp is not a manufacturing company, the majority of our associated GHG emissions come as a result of transporting materials as well as heating and powering our network of facilities. Therefore, we define Encorp's GHG inventory boundary from the point that empty containers enter into the Encorp system, at either a depot or retailer, to when the materials are delivered to the end processors for recycling into new products. Emissions were estimated using conversion factors and methodologies developed by the World Resource Institute's Greenhouse Gas Protocol.

As this is Encorp Pacific (Canada)'s first emission report, the period spanning January 1, 2008 to December 31, 2008 will serve as the base year for future reports.

## Emissions sources exclusions

Emissions associated with heating and powering the Encorp head office are not included in the GHG inventory since the office is part of a shared lease facility for which heat and power is controlled centrally by the landlord.

Staff commuting to work in personal cars was also excluded, as this is considered to fall under the personal carbon footprint of the employees and Encorp has little control over where people choose to live. However, work will be undertaken to produce travel plans to help reduce this effect under a further scheme.

Staff commuting and travel on BC Ferries was also excluded as it is not quantifiable since BC Ferries does not make the GHG emissions of the ferry fleet available to the public.

Finally, emissions associated with the handling of materials outside of Encorp's core stewardship activities, such as milk cartons and electronics, were excluded since such activities fall out of the scope of Encorp's core recycling stewardship activities for BC.



# Environmental Report

## Emissions Inventory Summary

Type of Emission tonnes CO<sub>2</sub>

**Direct emissions** are emissions from sources that are owned or controlled by Encorp

Employee travel – gas use ----- 29

**Indirect emissions** occur as a consequence of the activities of Encorp, but are from sources not owned or controlled by Encorp. Inclusions are emissions from purchased electricity consumed by Encorp offices, depots, processors and transporters, as well as the transportation of the beverage containers by contracted transporters.

### Offices

Purchased electricity in leased buildings (excluding head office) ----- 23

Employee domestic air travel ----- 9

### Depots

All purchased electricity in owned or leased buildings ----- 686

All natural gas consumed in owned or leased buildings ----- 1,665

### Processors

All purchased electricity in owned or leased buildings ----- 385

### Transportation – depots to processors

Diesel fuel for transporters ----- 3,467

### Transportation – processors to end markets

Diesel fuel ----- 1,675

Rail (based on metric tonne km) ----- 443

Sea travel (based on metric tonne km) ----- 140

**Total Emissions all sources** **8,522**

Encorp has calculated its avoided green house gas emissions in 2008 to be 138,000 MT CO<sub>2</sub>e

## Future emissions reduction strategies

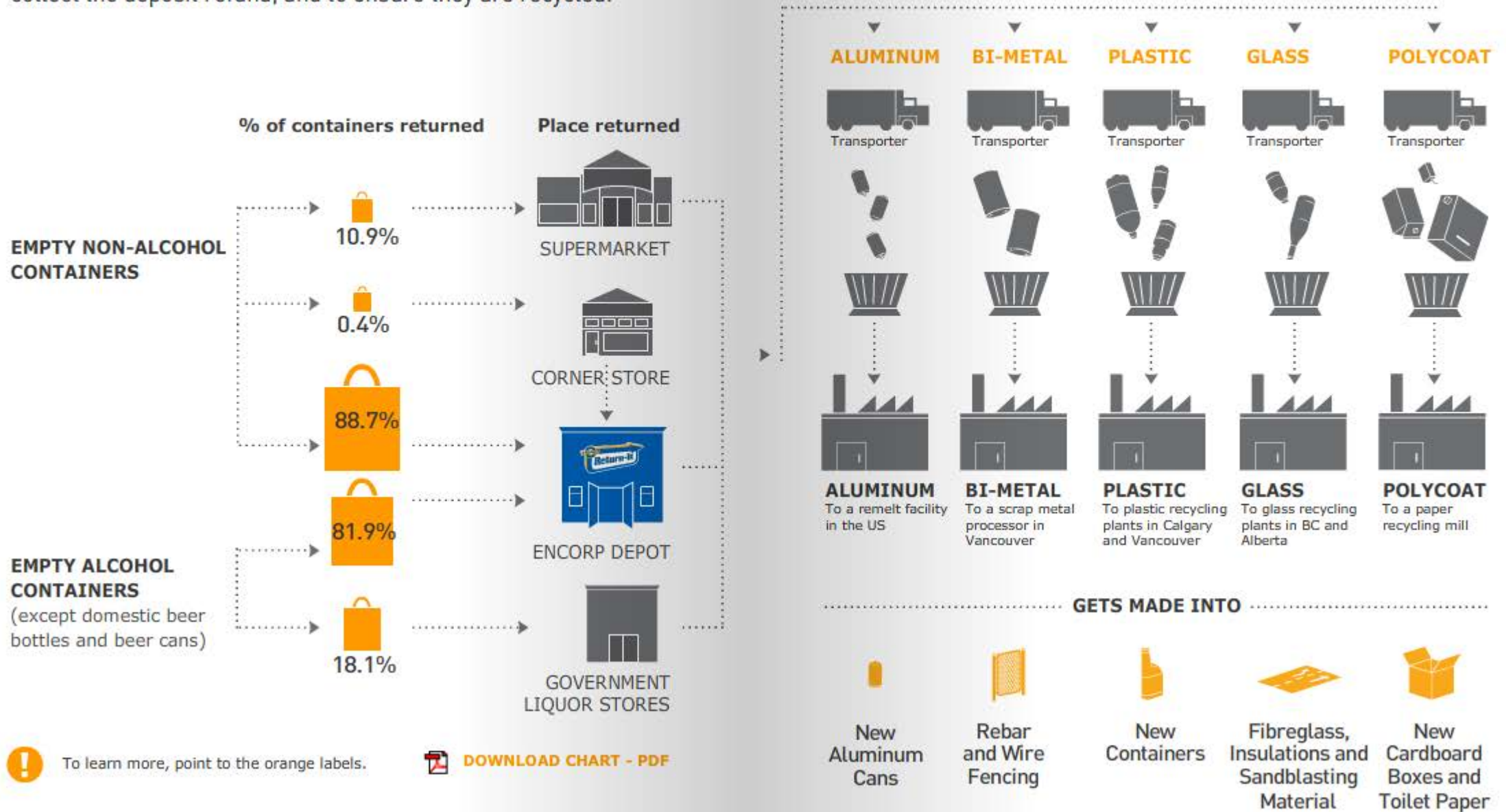
As we work to increase fuel efficiency and reduce our energy costs, we realize that we have to look beyond just the trucks themselves. To be truly effective, we must take a holistic approach to our entire logistics operation – including the supply chain. For instance, we know that if we reduce the amount of air we are transporting by compacting the containers, and get more containers on board each truck, we reduce loads, trucks, fuel burned and emissions. Optimizing our transportation network can potentially reduce the kilometres we drive and loads we haul, also saving fuel and reducing emissions.

 [DOWNLOAD CHART - PDF](#)



## How the collection system works

Consumers take their empty containers to a variety of places to collect the deposit refund, and to ensure they are recycled.



## Raising consumer awareness brings returns

In 2008 the Encorp system collected over 1 billion containers, which is about 243 for every man, woman and child in BC. Keeping the returns coming and the system functioning smoothly is Encorp's primary mission.

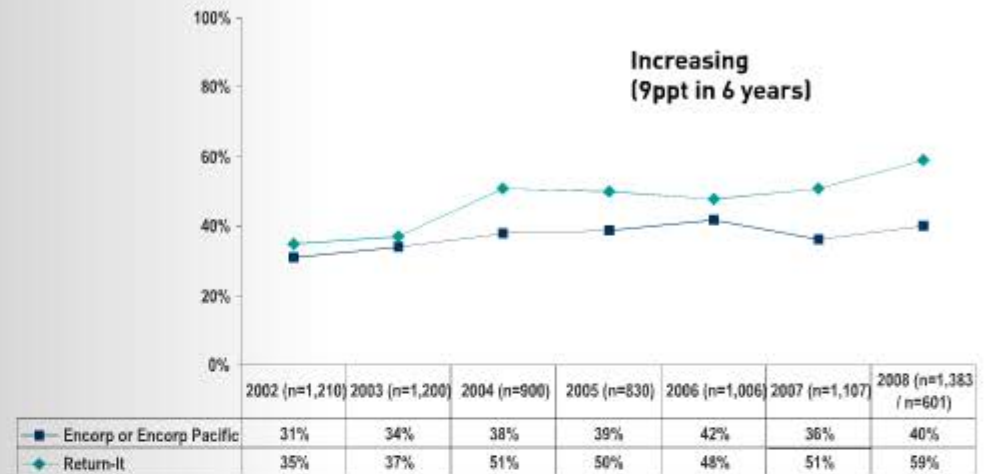
Here is how we do it:

### Awareness

Annually, Encorp commits a significant budget to encourage consumers to continue to return their containers for recycling. To ensure that our message reaches the right people we employ a wide range of tactics, which include general and targeted advertising through a range of media types as well as public relations, promotions and community involvement.



## Aided Awareness of Encorp and Return-It



Base: Total BC respondents (Encorp) / Total BC phone respondents (Return-It)

### Research

Every year Encorp engages a professional research company to survey hundreds of BC consumers to measure their awareness, attitudes and behaviours. The results are compared to years past to measure progress and are also used as a guide in developing programs for consumer awareness.

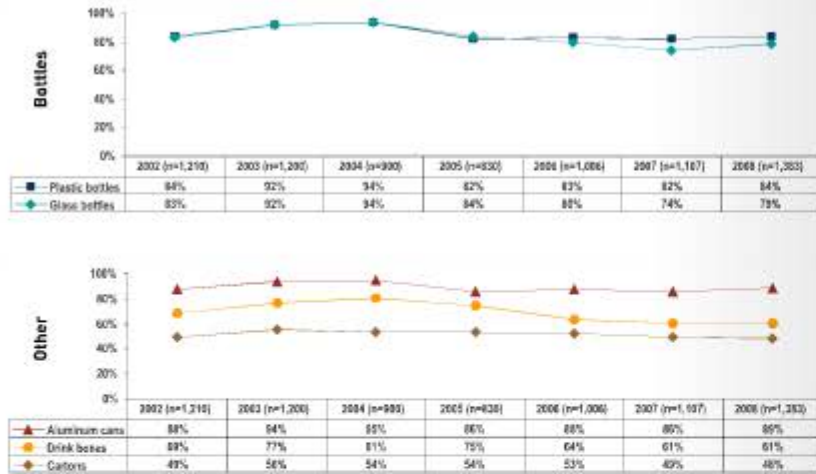
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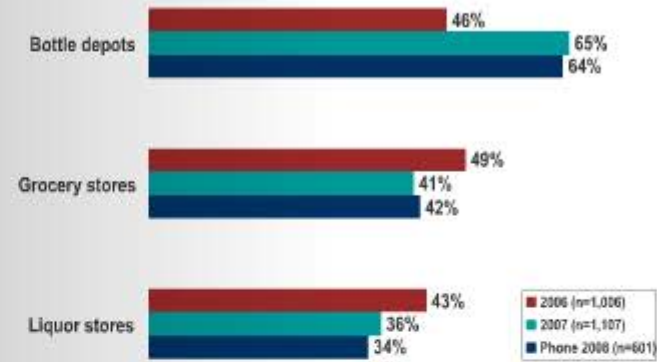
## Research

### Awareness of Type of Containers Deposit is Paid On



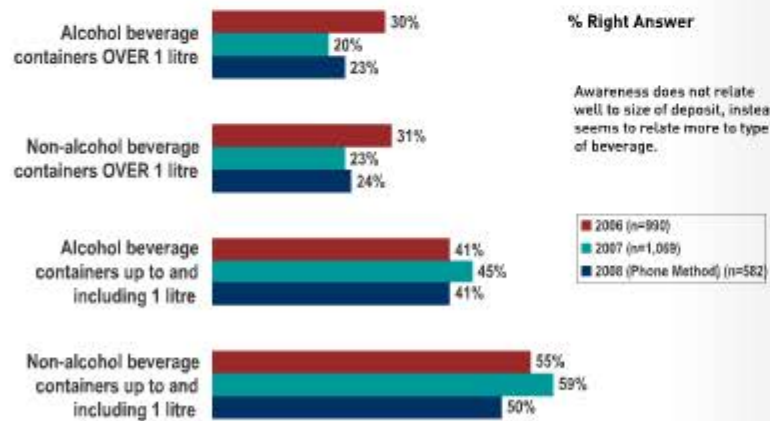
Base: Total BC respondents Ipsos Reid © 2009

### Use of Different Locations to Return Empty Beverage Containers



Base: Total BC respondents Ipsos Reid © 2009

### Awareness of Amount of Refund on Deposit for Types of Beverages and Different Sizes of Containers



Base: Total BC respondents aware of deposits Ipsos Reid © 2009

### Awareness of Type of Beverages Deposit is Paid On



Base: Total BC respondents Ipsos Reid © 2009

## Major consumer programs in 2008

### Specialty Programs

Most BC households, especially those in single-family homes, are already very active in returning containers to Encorp. Encorp continues to encourage that activity but also pilot-tests and deploys specialized programs where a need to improve performance has been shown.

As an Industry Product Stewardship agency, Encorp has the freedom to innovate with businesses, institutions and charitable groups.



### Return-It @ Work

When it comes to recycling, people in the workplace tend to act differently than at home. This program is designed to assist in changing those habits by making it easier and more interesting to recycle containers at work.

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### Multi-family pilot

Residents of large, high-density developments often find it more difficult to recycle their containers. Encorp is investigating ways to make this task easier by conducting a 12-month pilot test in the City of Richmond. The test, which began in August 2008, involves over 100 multi-family buildings and is being done in partnership with Sierra Waste as the service provider. Results will be compiled at the conclusion of the pilot test in August 2009.

### School program

The Encorp school program helps schools raise money and promotes environmental action at the same time. Now over six years old, the program continues to grow. In the 2007-2008 school year, Encorp container collection bins were in more than 1,500 BC schools, the vast majority of schools in the province.

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### Outdoor spaces and events

Encorp is encouraging more people to recycle when they are away from home by providing bins for outdoor spaces and having our mascot, Return-It Man, attend major events.

▶ [READ MORE](#)

### Depot promotion

Encorp runs a summer promotion with prizes, giveaways and media events to encourage more consumers to return containers to an Encorp depot.

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## A strong, province-wide depot network

In 2008, Encorp continued its quest to improve the depot experience for consumers through new designs and improved practices.

Depot Network – Provincial Coverage and Operations



Play Video 



The cornerstone of the Encorp Return-It system is the network of 170 independently owned and operated depots. Each depot has a contract with Encorp to collect beverage containers and many also have contracts to collect milk containers and end-of-life electronics.

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**Generation 3 depots**  
Building on more than 10 years experience, Encorp and its Council of Depot Owners have devised Generation 3 layouts and equipment designed to improve depot efficiency and customer service.

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**3 Star and 5 Star Certification**  
Once a depot is equipped to Generation 3 standards, the owner can apply to have a performance evaluation done based on cleanliness, efficiency and customer service. Successful depots are awarded either 3 Star or 5 Star status and also receive additional financial awards above and beyond their regular fees.

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**Compactors**  
Small compacting machines were tested in two depots in 2008 to assess their potential for reducing the volume of containers in transit to processors. Phase Two of this program will see expansion in up to 15 depots in 2010.

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## Regional breakdown and per capita returns by weight

Returns by Region Summary.  
Alcohol and Non-Alcohol containers: January – December 2008

Region Name	Region Name	Units(000)	Tonnes
Alberni/Clayoquot	Comox/Strathcona		
Bulkley/Nechako	Columbia Shuswap		
Capital Regional District	Cowichan Valley		
Cariboo	East Kootenay		
Central Coast	Fraser - Fort George		
Central Kootenay	Fraser Valley		
Central Okanagan	Greater Vancouver		
<b>Aluminum</b>			
<b>Plastic</b>			
<b>Glass</b>			
<b>Polycoat</b>			
<b>Other</b>			
<b>Total</b>			
<b>Jan - Dec 2008</b>			
Per Capita Container Returns			
<b>Jan - Dec 2007</b>			

 To learn more, point to the orange labels.

## Provincial Statistics

Total Units (000)	<b>1,064,064</b>
Total Tonnes	<b>86,806.2</b>
Per capita totals	<b>242.8</b>

Region Name	Region Name	Units(000)	Tonnes
Kitimat - Stikine	Peace River		
Kootenay Boundary	Powell River		
Mount Waddington	Skeena - Queen Charlotte		
Nanaimo	Squamish - Lillooet		
North Okanagan	Sunshine Coast		
Northern Rockies	Thompson - Nicola		
Okanagan - Similkameen			
<b>Aluminum</b>			
<b>Plastic</b>			
<b>Glass</b>			
<b>Polycoat</b>			
<b>Other</b>			
<b>Total</b>			
<b>Jan - Dec 2008</b>			
Per Capita Container Returns			
<b>Jan - Dec 2007</b>			

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## Delivering the goods

Encorp contracts with independent operators for its transportation needs. In urban areas, dedicated carriers transport only Encorp materials from depots to processors.

In rural areas, carriers transport Encorp materials as part of their general freight business. This category also includes transport systems that move materials from the processing sites where they are compacted to the final recycler.

In 2008 efficiencies built into the system included:

Papason Transport, operating out of Prince George, now provides service to Chetwynd, Fort St. John and Dawson Creek.

Vanguard Transportation, the transportation contractor for Metro Vancouver, has moved into a new 36,000 sq. ft. facility to provide more space for beverage containers and the anticipated expansion of the electronics program.

Central Island Distributors on Vancouver Island added to their warehouse space with a new location closer to Victoria in addition to their Nanaimo facility.





## Recycling in a material world

### Aluminum

Aluminum is the most valuable commodity collected by Encorp. Baled aluminum cans are sent to a major re-melt facility and turned back into sheet stock for new cans.

### Plastic

The two key plastic resins collected by Encorp, PET and HDPE, are sent to separate facilities to be cleaned and pelletized for sale into the open market. End uses for these plastics include new containers, strapping materials and fibres.

Encorp has signed a multi-year contract with Merlin Plastics to ensure long-term markets for these commodities.



### Glass

Glass processing went out to tender in 2008. The successful contractor, United Concrete, has continued to find end markets for glass in Calgary and Seattle despite the shutdown this year of a bottle-making facility in Lavington, British Columbia. Long-term arrangements for utilizing glass collected on Vancouver Island have been made with International Paper Industries. End uses for recycled glass include new bottles, sandblasting materials and construction aggregates.

### Polycoat

Drink boxes and gable top cartons continue to be sold into the markets, primarily in Asia, for recycled papers. The high quality paper fibre that comprises the bulk of these containers is recovered for recycling.



The Processing of  
Material by Type



Play Video



## Focused on quality

For a system that handles well over a billion containers a year, accuracy in counting is vital. The Quality Assurance centre provides two services designed to maintain accuracy:

1. A random audit of container shipments from individual depots.
2. A training program for depot operators to help improve container handling and counting accuracy. Variance from required counts is very low, less than 0.75%. Training is a continuing requirement to maintain the system's accuracy.

The Quality Assurance centre also provides a facility to test new concepts for handling containers. In 2008 the Orwak Model 5040 was tested as a suitable in depot compactor. It is designed to take up very little space and does not require electrical upgrades or extensive operator training. A smaller shipping bin, called a Mini Bag, was also tested. The woven, open-topped Mini Bag is smaller than the pallet-sized Mega Bag currently in use.



## Open to new ideas

Encorp was established in 1994 to recover and recycle deposit-bearing beverage containers. This remains Encorp's core business interest. The flexibility of the Industry Product Stewardship model, however, permits the addition of other product recycling programs, providing they meet key business case requirements:

- Additional services should complement and not interfere with Encorp's core business.
- Each contract must provide some benefit to existing brand owners – typically through the sharing of overhead costs.
- Each additional program must be completely self-financing.
- Under service provider contracts, Encorp does not assume product stewardship agency responsibilities as defined under provincial legislation.

In 2007, Encorp undertook two service provider contracts that met the above criteria: **RETURN-IT ELECTRONICS** and **RETURN-IT MILK**



### RETURN-IT ELECTRONICS

Encorp responded to an invitation for Expressions of Interest issued by the electronics industry to design and operate a collection system for end-of-life electronics.

The proposal met our business case requirements and Encorp's opinion was that the depot network would end up being involved in the implementation of any such program and that it was to Encorp's advantage to ensure that it was integrated into existing depot operations as smoothly as possible. The program is operated by Encorp under contract from the Electronics Stewardship Association of BC (ESABC), which is the product stewardship agency for electronics. ESABC produces a public annual report on the program that can be viewed at [www.esabc.ca](http://www.esabc.ca).

### Electronic Stewardship Association of BC (ESABC)

Under a contract with ESABC, Encorp has operational management of a system that collects, and transports to recyclers, End-of-Life Electronics (EOL) covered by the provincial regulation.

At the end of 2008, there were 93 permanent sites throughout the Province to which consumers and businesses could return designated EOL electronics at no charge; up from 75 at the beginning of the year.



Open to new ideas



### RETURN-IT MILK

Even though milk and milk substitute containers are exempt from the deposit refund regulation, Encorp assisted the B.C. Dairy Council (BCDC) with pilot projects designed to test ways of recovering milk containers from consumers for recycling. Based on the tests, the Dairy Council decided that a depot-based consumer return system was the most appropriate format and approached Encorp to establish a system.

Since Encorp depots already accept beverage containers, adding milk and soy containers was a natural. The contract with BCDC also met all the criteria detailed in the key business case requirements on page 41.



### B.C. Dairy Council (BCDC)

The contract with BCDC covers a voluntary (non-deposit) recovery system for all milk and soy beverage containers. At the end of 2008, there were 133 Encorp depots that accept milk and soy jugs and cartons.

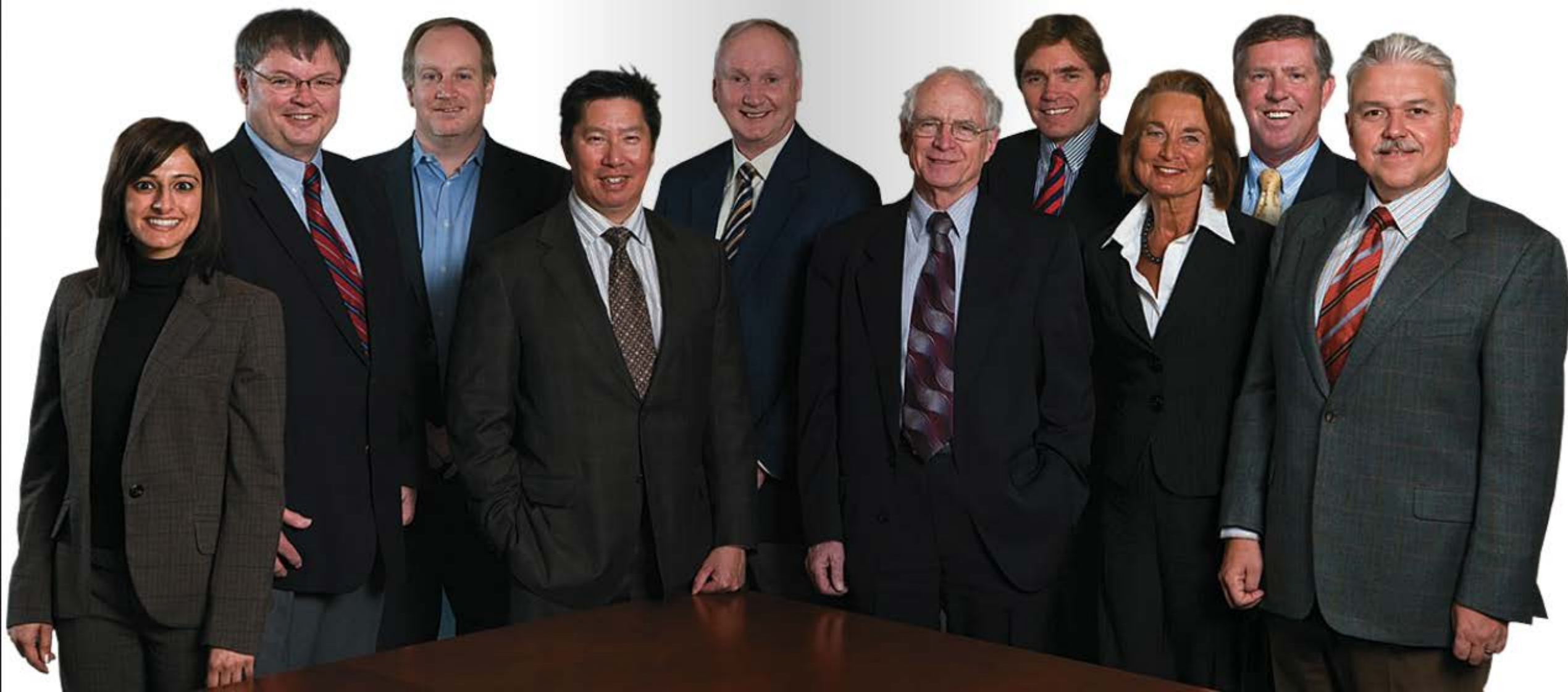
Although the Return-It Milk program is not covered by provincial regulation, and BCDC is not a product stewardship agency, it does produce an annual public report on the program's results, which can be found at [www.milkcontainerrecycling.com](http://www.milkcontainerrecycling.com).

## A governance model built on accountability and transparency

Encorp recognizes that its responsibilities as an Industry Product Stewardship (IPS) corporation require a governance model that places great emphasis on high standards of accountability and transparency.



To learn more, point and click on each person.



## Governance

### Board of Directors

Board Structure – The 10-person Board is made up of nominees of the five key industry sectors and two unrelated directors: two directors appointed by Refreshments Canada representing the major bottlers, one each appointed by the Canadian Bottled Water Association, the Juice Council of BC and the Beverage Alcohol Containers Management Council of BC, and two appointed by the Canadian Council of Grocery Distributors representing the major retail grocery stores. Two directors are unrelated to any aspect of the beverage industry. Encorp's President and CEO is also a director.

#### ▶ READ MORE

In addition to its structure, Encorp's governance model incorporates a number of values and processes that guide the functioning of the Board.

### Accountability

A fundamental part of Encorp's commitment to accountability is a set of policies and practices codified in a Board Manual for Directors prepared by one of Canada's leading experts on corporate and not-for-profit governance.

#### ▶ READ MORE

### Transparency

Encorp provides a comprehensive public explanation of its operations, through this annual report, its Advisory Committee and other methods. This transparency exceeds the requirements of regulation and is designed to provide as much information as possible to the general public.

### Committees

Four Board committees meet regularly to assist the Board in discharging its fiduciary obligations.

#### Audit

Charged with overseeing financial responsibility, assessing the company's risk and control environment, and evaluating internal control and the independent audit processes. The committee is chaired by an unrelated director.

#### Human Resources and Compensation

Establishes the performance evaluation of the CEO, recommends the CEO's compensation and ensures that the company has an appropriate organizational structure and succession policy.

### Governance

Has a public duty and obligation with respect to the purposes, objects, structure and makeup of the company and its Stewardship Plan. It also includes a non-Board member in the person of the Chair of the Advisory Committee.

Each year, Directors complete a written Board assessment the results of which are evaluated and reported to the Board by the Governance Committee. The Committee is chaired by an unrelated director.

#### Nominating

Is tasked with developing criteria that the Board may consider in making appointments to the Board and to the Advisory Committee. The Committee works to ensure that the Board has an appropriate balance of Director skill sets and experience.



## Advisory Committee

Encorp Advisory Committee  
Report to the Board of Directors – 2008

The Advisory Committee met twice in 2008 on May 1 and November 12, with consumer awareness and financial performance as the key agenda items.

The consumer awareness aspects of the company's operations continue to be of particular interest to the Committee with members providing input to Encorp management. Of particular concern were the company's efforts to open additional depots in the City of Vancouver and the campaign to ensure that public events have adequate recycling systems. Individual members provided assistance to company management in support of these efforts.

The reduction in Encorp's operating reserves was a topic of discussion due to the Committee's concern for the operational viability of the company, but members were assured by management's explanations regarding how sufficient reserves were to be restored.

The Committee also received briefings regarding the electronics and milk container recycling programs with special emphasis on how these programs impact the existing beverage container programs.

The Committee is encouraged by the overall growth and development of the company, in particular the improvements in the recovery rates for beverage containers.

Respectfully submitted



A. Lynch  
Chair

## Advisory Committee Members

### **Al Lynch – Chair**

Manager, North Shore Recycling  
Program, North Vancouver  
On Advisory committee since 2000

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### **Linda Barnes**

Councillor, City of Richmond  
On Advisory committee since 2006

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### **Will Burrows**

Executive Director, Coast Waste  
Management Association  
On Advisory committee since 2008

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### **Ken Lyotier**

Founder and Executive Director,  
United We Can  
On Advisory committee since 2005

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### **Brock Macdonald**

Executive Director, Recycling  
Council of BC  
On Advisory committee since 2007

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### **Janice Song**

Owner/operator, Ironwood Bottle  
Depot  
On Advisory committee since 2006

▶ [READ MORE](#)

### **Alan Stanley**

Director of Environmental Services,  
Regional District of Kootenay-  
Boundary  
On Advisory committee since 2008

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### **Catarina Wong**

Director, Tax Operations and  
Government Affairs, Core-Mark  
International  
On Advisory committee since 2000

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## Financing the System

### Commodity Prices and their Impact on Encorp

A portion of the cost of recovering aluminum and plastic containers, the two largest product categories, is covered by the value of the commodity collected. The prices received for these commodities are subject to market forces, and variations can have a significant financial impact on Encorp. In 2008 the price for aluminum dropped from 1.06USD to 0.41USD per pound while plastic dropped from 0.22USD per pound to 0.09USD. The impact of these variations can be seen on these charts.

#### Deposit Refunds

Paid to depots and grocery retailers to reimburse them for the deposits they have refunded to consumers.

#### Container Handling Fees

Per-unit fees paid, in addition to deposit reimbursement, to depots for collecting containers.

#### Transportation & Processing

Contracted trucking companies collect containers from depots and grocery retailers and take them to processors where they are compacted for shipment.

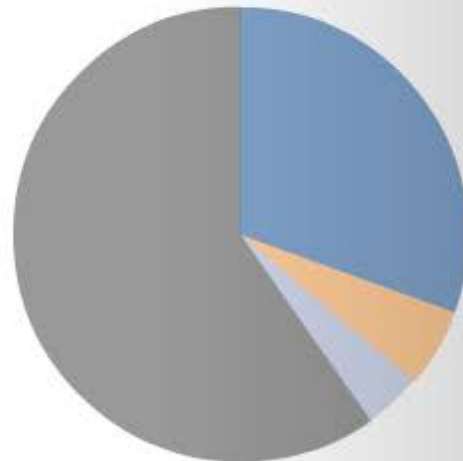
#### Consumer Education & Awareness

Programs that encourage consumers to return containers for recycling.

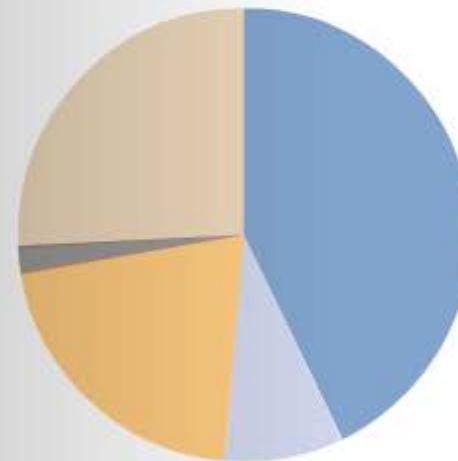
#### Administration

Management of contracts, collection of revenues and payment of expenses.

Where the money is spent  
**EXPENDITURES**



Where the money comes from  
**REVENUES**



#### Unredeemed Deposits

Encorp is paid a deposit on every container sold. Deposits unclaimed are used as revenue.

#### Sale of Collected Materials

All the collected aluminum, plastic, glass, etc. is sold on the open market.

#### Container Recycling Fees

When the revenue from unclaimed deposits and from sales of collected material are insufficient to cover the costs of recovering and recycling a specific container type, a non-refundable recycling fee is added to the container to make up for the shortfall.

#### Other Fees

Revenues from service provider contracts.



To learn more, point to the chart.



[DOWNLOAD CHART - PDF](#)

## Financing the System

### Plastic - up to 1L Account

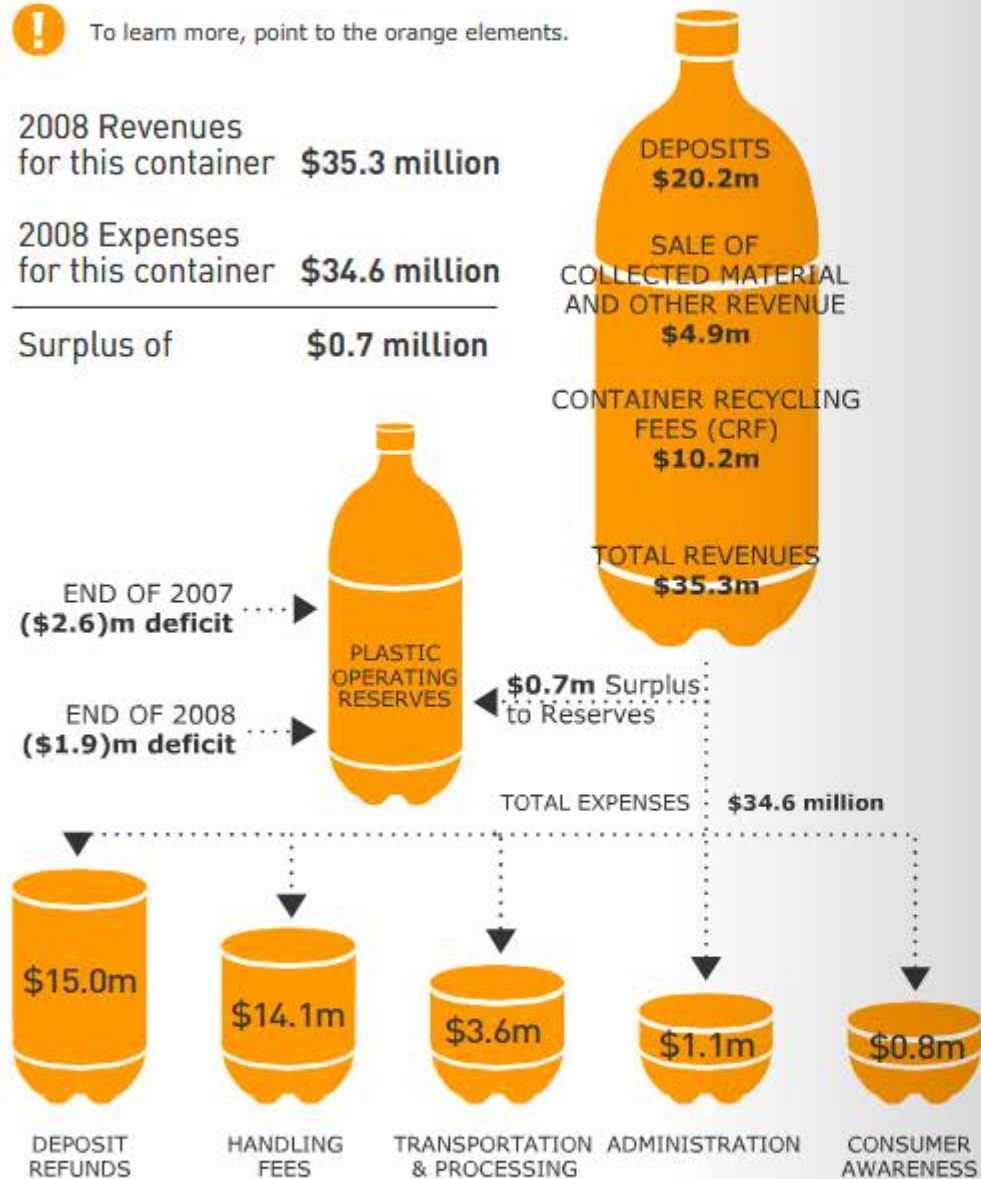
Note: based on draft financial Statements

**!** To learn more, point to the orange elements.

2008 Revenues  
for this container **\$35.3 million**

2008 Expenses  
for this container **\$34.6 million**

Surplus of **\$0.7 million**



[DOWNLOAD CHART - PDF](#)

## Container Recycling Fees (CRF)

The following table shows CRF changes over time for major container categories. CRF included in retail price until spring 2000 CRF shown separately by most grocery retailers after spring 2000.

Container Type	Size	1-Feb-2005	1-Sep-2005	1-Feb-2006	1-Aug-2006	1-Feb-2007	1-Mar-08	4-May-08	1-Feb-09
Aluminum	0-1L	1.0 cent	—	—	—	—	—	—	1.0 cents
Plastic	0-500 ml	3.0 cents	3.0 cents	2.0 cents	1.0 cent	1.0 cent	3.0 cents	3.0 cents	4.0 cents
Plastic	500-1L	3.0 cents	3.0 cents	2.0 cents	1.0 cent	1.0 cent	3.0 cents	3.0 cents	4.0 cents
Plastic	> 1L	4.0 cents	4.0 cents	4.0 cents	4.0 cents	3.0 cents	3.0 cents	3.0 cents	3.0 cents
Polystyrene		1.0 cent	1.0 cent	1.0 cent	1.0 cent	1.0 cent	3.0 cents	3.0 cents	4.0 cents
Glass	0-500 ml	4.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents	5.0 cents	5.0 cents	7.0 cents
Glass	500-1L	4.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents	5.0 cents	5.0 cents	7.0 cents
Glass	> 1L	5.0 cents	5.0 cents	5.0 cents	5.0 cents	5.0 cents	5.0 cents	5.0 cents	7.0 cents
Bi-Metal	0-500 ml	—	—	—	—	—	—	—	—
Bi-Metal	500-1L	—	—	—	—	—	—	—	—
Bi-Metal	> 1L	—	—	—	—	—	—	—	—
Bag-in-Box	> 1L	—	—	—	—	—	—	—	—
Drink Boxes up to 500 ml	0-500 ml	—	—	—	—	—	—	—	—
Drink Boxes 501 ml - 1L	500-1L	4.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents
Drink Boxes > 1L	> 1L	—	—	—	—	—	—	—	—
Gable Top up to 500 ml	0-500 ml	—	—	—	—	—	—	—	—
Gable Top 501 ml - 1L	500-1L	—	—	—	—	—	—	—	—
Gable Top > 1L	> 1L	—	—	—	—	—	—	—	—
Drink Pouches	0-1 L	—	—	—	—	—	—	—	—
Glass Wine & Spirits < 1L	0-1 L	—	—	—	—	9.0 cents	9.0 cents	10.0 cents	12.0 cents
Glass Wine & Spirits > 1L	> 1L	—	—	—	—	12.0 cents	12.0 cents	12.0 cents	14.0 cents
Non-Refillable Beer, Cider, Cooler Glass < 1L	0-1 L	—	—	—	—	6.0 cents	6.0 cents	7.0 cents	5.0 cents
Non-Refillable Beer, Cider, Cooler Glass > 1L	> 1L	—	—	—	—	7.0 cents	7.0 cents	7.0 cents	5.0 cents
Liquor Plastic < 1L	0-1 L	—	—	—	—	2.0 cents	2.0 cents	2.0 cents	4.0 cents
Liquor Plastic > 1L	> 1L	—	—	—	—	7.0 cents	7.0 cents	7.0 cents	7.0 cents
Liquor Bag-in-Box	> 1L	—	—	—	—	—	—	—	—

Containers up to and including 1L - .05 deposit

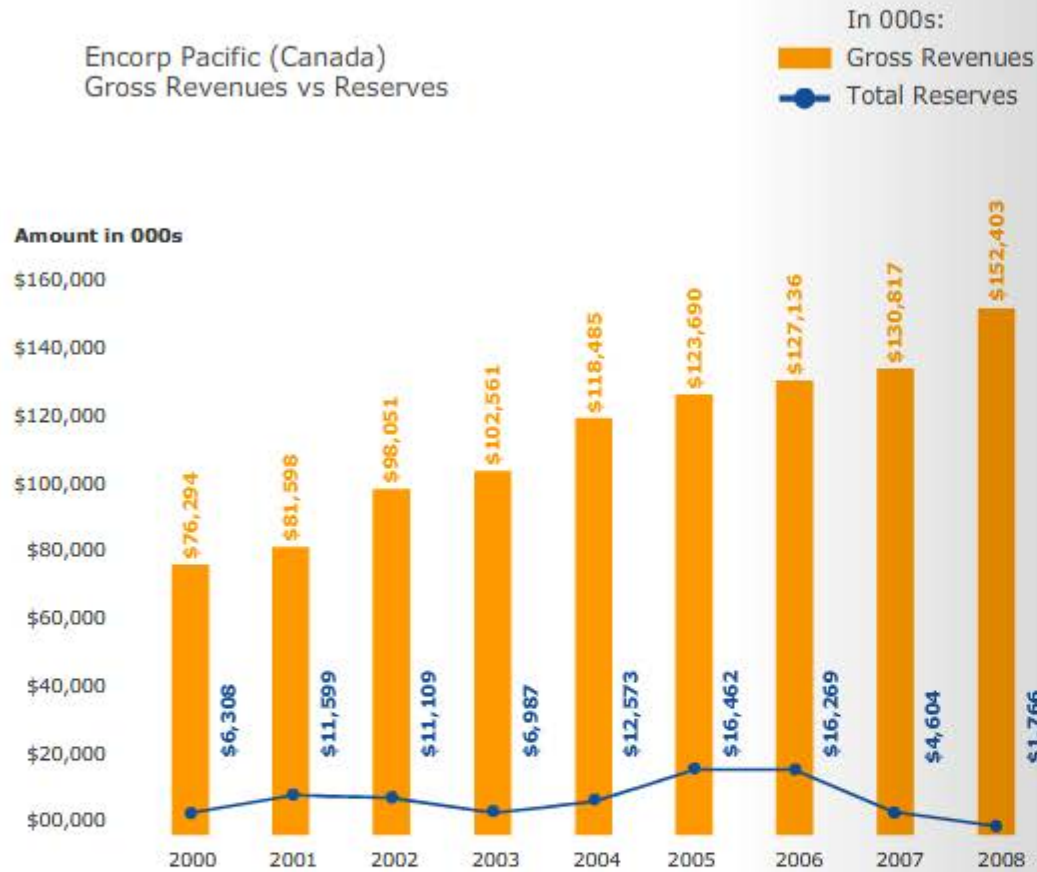
Container over 1L - .20 deposit

A complete list of current CRF amounts is available on our website - [www.encorp.ca](http://www.encorp.ca)

[DOWNLOAD CHART - PDF](#)

## Purpose of Operating Reserves

Encorp Pacific (Canada)  
Gross Revenues vs Reserves



Any funds remaining after all expenses are paid are placed into reserves. Encorp acts as a clearing house for the funds required to reimburse consumer deposits and pay the costs of running the system. To maintain the system's financial viability over the long term Encorp strives to maintain a minimum level of reserves.

If these reserves build up beyond reasonable levels, actions are taken to bring them back into line. These actions can include reduction or elimination of Container Recycling Fees until the reserve is reduced.

Or we reduce the reserve by increasing spending on activities designed to improve the recovery rate for a specific container type. The table shows the changes in the reserves over the past years.

	2006 BALANCE	2007 OPERATING	2007 BALANCE	2008 YEAR	2008 BALANCE
Operating Reserve	\$ 10,686,595	\$ (11,865,779)	\$ (1,179,184)	\$ (2,776,631)	\$ (3,955,815)
Restricted Reserve	5,582,231	201,290	5,783,521	(61,502)	5,722,019
<b>Total Reserve</b>	<b>\$ 16,268,826</b>	<b>\$ (11,664,489)</b>	<b>\$ 4,604,337</b>	<b>\$ (2,838,133)</b>	<b>\$ 1,766,204</b>

Summary of Operating Reserve/(Deficit)  
For the Year Ending December 31, 2008

[DOWNLOAD CHART - PDF](#)

To learn more, point to the orange bars.

[DOWNLOAD CHART - PDF](#)

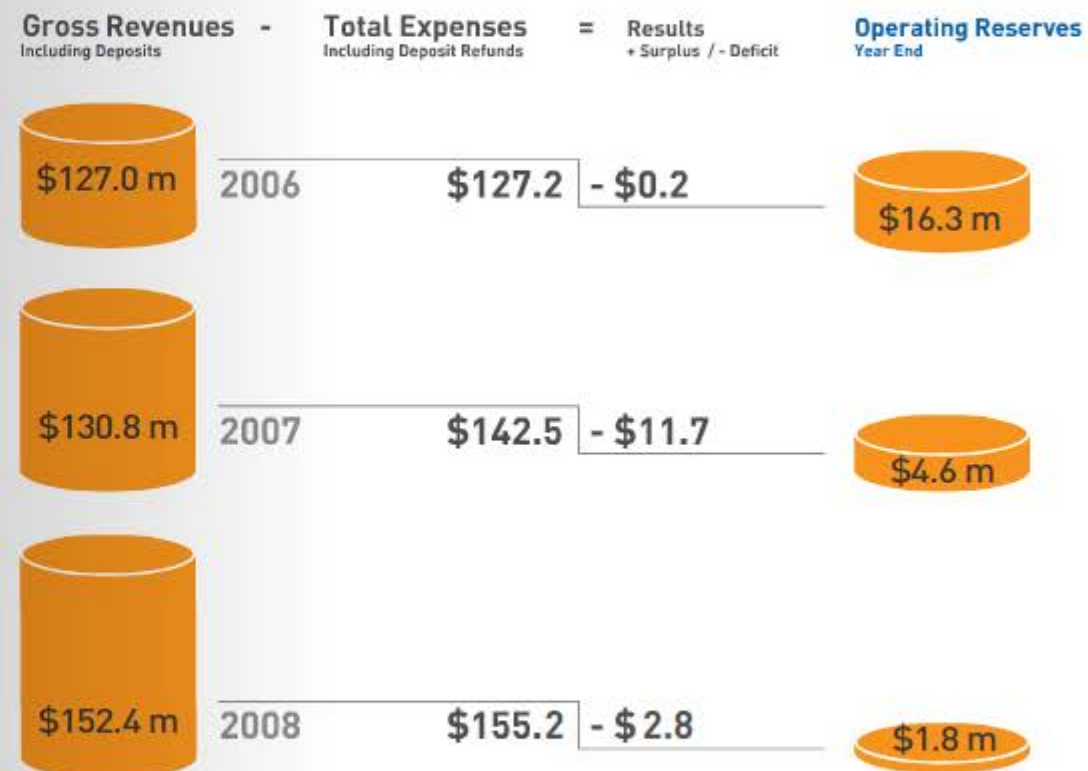


## Management of Operating Reserves

Encorp's financial model requires a reasonable level of operating reserves to provide stability for the system. When these reserves rise above the amount deemed to be reasonable, measures are taken to reduce them to the appropriate level.

Over the past three years indicated in the chart, Encorp's operating reserves have been reduced significantly. These reserves have been used to fund system costs that may otherwise have been reflected in consumer prices.

Encorp will continue to manage operating reserves within an optimal, predetermined range over a span of years.



To learn more, point to the orange elements.



[DOWNLOAD CHART - PDF](#)

## Management's Responsibility for Financial Reporting

The financial statements of Encorp Pacific (Canada) have been prepared by management in accordance with generally accepted accounting principles in Canada. Any financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial statements are prepared in a timely manner.

Encorp Pacific (Canada) maintains a system of internal accounting and administrative controls. They are designed to test the adequacy and consistency of internal controls, practices and procedures. PricewaterhouseCoopers, the independent auditors appointed by the Board of Directors, have audited the financial statements of Encorp Pacific (Canada) in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and expresses an opinion on the financial statements of Encorp Pacific (Canada).



**Neil Hastie**  
President & Chief Executive Officer

April 23, 2009



**Bill Chan, CGA, MBA**  
Vice President & Chief Financial Officer



## Auditors' Report

To the Members of Encorp Pacific (Canada)

We have audited the statement of financial position of **Encorp Pacific (Canada)** as at December 31, 2008 and the statements of operations, changes in net assets 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2007 and for the year then ended were audited by another firm of chartered accountants, who expressed an opinion without reservation in their report dated March 27, 2008.

*PricewaterhouseCoopers LLP*

Chartered Accountants

April 22, 2009

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"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

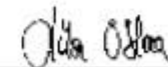
## Statement of Financial Position

Year ended December 31, 2008 with comparative figures for 2007

	2008 \$	2007 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	9,483,151	9,295,649
Accounts receivable	4,618,570	7,701,424
Prepaid expenses and deposit	21,886	45,954
	<u>14,123,607</u>	<u>17,043,027</u>
<b>Capital assets (note 3)</b>	<u>687,985</u>	<u>637,298</u>
	<u>14,811,592</u>	<u>17,680,325</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	6,632,325	5,813,028
Deferred revenue	6,390,314	7,149,525
Current portion of obligation under capital lease (note 5)	22,749	94,652
	<u>13,045,388</u>	<u>13,057,205</u>
<b>Obligation under capital lease (note 5)</b>	<u>-</u>	<u>18,783</u>
	<u>13,045,388</u>	<u>13,075,988</u>
<b>Net assets</b>		
<b>Invested in capital assets (note 3)</b>	665,236	523,863
<b>Internally restricted reserve (note 4)</b>	5,722,018	5,783,520
<b>Unrestricted (note 4)</b>	<u>(4,621,050)</u>	<u>(1,703,046)</u>
	<u>1,766,204</u>	<u>4,604,337</u>
	<u>14,811,592</u>	<u>17,680,325</u>
<b>Commitments (note 6)</b>		

Approved by the Board of Directors

 Director

 Director

See accompanying notes to financial statements.

## Statement of Changes in Net Assets

Year ended December 31, 2008 with comparative figures for 2007

	2008			2007	
	Invested in capital assets \$	Internally restricted reserve \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	523,863	5,783,520	(1,703,046)	4,604,337	16,268,826
Deficiency of revenue over expenses	(375,784)	-	(2,462,349)	(2,838,133)	(11,664,489)
Investment in capital assets	517,157	-	(517,157)	-	-
Transfer from internally restricted reserve (note 4)	-	(61,502)	61,502	-	-
<b>Balance - End of year</b>	<b>665,236</b>	<b>5,722,018</b>	<b>(4,621,050)</b>	<b>1,766,204</b>	<b>4,604,337</b>

See accompanying notes to financial statements.

## Statement of Operations

Year ended December 31, 2008 with comparative figures for 2007

	2008 \$	2007 \$
<b>Revenue</b>		
Deposits on containers	94,869,078	89,330,760
Deposit refunds	(75,325,602)	(72,005,688)
	<u>19,543,476</u>	<u>17,325,072</u>
Container recycling fees	32,486,866	19,619,449
Contract fees	6,232,418	6,270,766
Sale of recyclable materials	15,834,512	15,630,672
Other	1,951,280	740,571
	<u>76,048,552</u>	<u>59,586,530</u>
<b>Direct operations expenses</b>		
Handling fees	47,724,788	43,073,597
Depot operations	377,831	358,976
Transportation and processing fees	23,864,824	20,607,721
	<u>71,967,443</u>	<u>64,040,294</u>
<b>Other expenses (income)</b>		
General and administrative	4,174,314	3,369,295
Consumer awareness	3,398,192	2,697,651
Amortization	375,784	368,087
Foreign exchange (gain) loss	(1,029,048)	775,692
	<u>6,919,242</u>	<u>7,210,725</u>
<b>Deficiency of revenue over expenses</b>	<u>(2,838,133)</u>	<u>(11,664,489)</u>

See accompanying notes to financial statements.

## Statement of Cash Flows

Year ended December 31, 2008 with comparative figures for 2007

	2008 \$	2007 \$
<b>Cash flows from operating activities</b>		
Deficiency of revenue over expenses	(2,838,133)	(11,664,489)
Item not affecting cash - amortization	375,784	368,087
	<u>(2,462,349)</u>	<u>(11,296,402)</u>
<b>Changes in non-cash operating working capital</b>		
Accounts receivable	3,082,854	(1,514,154)
Prepaid expenses and deposit	24,068	(23,615)
Accounts payable and accrued liabilities	819,297	1,236,195
Deferred revenue	(759,211)	2,274,839
	<u>704,659</u>	<u>(9,323,137)</u>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(426,471)	(499,797)
<b>Cash flows from financing activities</b>		
Repayment of obligation under capital lease	(90,686)	(111,227)
<b>Increase (decrease) in cash and cash equivalents</b>	<u>187,502</u>	<u>(9,934,161)</u>
<b>Cash and cash equivalents - Beginning of year</b>	<u>9,295,649</u>	<u>19,229,810</u>
<b>Cash and cash equivalents - End of year</b>	<u>9,483,151</u>	<u>9,295,649</u>

See accompanying notes to financial statements.

## Notes to Financial Statements

Year ended December 31, 2008

### 1 Operations

Encorp Pacific (Canada) (the "Corporation") was incorporated without share capital pursuant to Part II of the *Canada Corporations Act* on October 1, 1998. The Corporation is exempt from income taxes and carries on its operations without monetary gain to its members.

The Corporation has been appointed by participating brand owners to carry out its duties pursuant to the terms of the Recycling Regulation of the *Environmental Management Act* of British Columbia.

Under this appointment, the Corporation acts to develop a Stewardship Plan in the form prescribed by the Recycling Regulation for the collection and management of containers for and on behalf of the brand owners in an efficient, cost-effective, and socially and environmentally responsible manner. The appointment also allows the Corporation to establish charges for its services as required to generate fees sufficient to meet its current and future financial requirements, including deposit refunds and operating costs.

The objectives of the Corporation are to promote and facilitate the recycling of used beverage containers in British Columbia through education, public awareness and management of the Recycling Regulation. Although an excess or deficiency of revenue over expenses may occur on an annual basis, the

Corporation's long-term goal is to operate on a cost recovery basis.

Under contract, the Corporation also provides material handling with respect to recycling of dairy containers and certain consumer electronics.

### 2 Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, incorporating the following significant accounting policies:

#### Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with a maturity date of three months or less from the date of acquisition.

#### Revenue

Deposits on containers and container recycling fees are received from brand owners on each container sold in the province of BC. The Corporation records revenue from deposits on containers net of deposit refunds, and container recycling fees as services are provided in relation to its obligations under the Stewardship Plan.

Recyclable materials revenue is recorded when the containers are shipped to recyclers.

Contract fees are recorded when the services are provided.

## Notes to Financial Statements

Year ended December 31, 2008

### Deferred revenue

The Corporation defers revenue related to deposits and container recycling fees received prior to year-end for which the related deposit refunds, handling fees and transportation and processing fees will be paid for container returns subsequent to year-end. The amount deferred is estimated based on the industry average rate of recovery. The determination of such deferral is subject to estimates that reflect management's determination of the most probable set of economic conditions, including the estimated turnaround time for consumers returning used beverage containers for refunds. The turnaround time is estimated to be 7.5 weeks.

### Direct operations expenses and other expenses

Handling fees to depots and transportation and processing fees are recorded on the date the containers are collected by transporters. Other expenses are recorded as they are incurred.

### Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Exchange differences are included in income as they arise. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date.

### Capital assets

The Corporation records capital assets at cost less accumulated amortization. Amortization is calculated as follows:

Office equipment	5 years straight-line
Computer hardware	3 years straight-line
Computer Software	3 years straight-line
Leashold improvements	3-5 years straight-line

### Use of estimates

A precise determination of many assets and liabilities is dependent upon future events, and therefore, the preparation of financial statements requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Areas requiring significant estimates include deferral of container deposits and container recycling fees received prior to the year-end for which the related deposit refunds, handling fees and transportation and processing fees will be paid subsequent to the year-end.

### Financial instruments

The Corporation applies the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, Financial installments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; and Section 3865, Hedges. These sections provide comprehensive requirements for the recognition and measurement of financial instruments.

Under these standards, all financial assets and liabilities are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities.

All financial instruments are included on the balance sheet and initially measured at fair market value. Subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification.

Held-for-trading financial investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in fund balance. Loans and receivables, held-to-maturity financial investments and other financial liabilities are measured at amortized cost using the effective interest rate method.

The Corporation has classified its cash and cash equivalents and accounts receivable as loans and receivables. Accounts payable and accrued liabilities and obligation under capital lease are classified as other financial liabilities. As permitted by the CICA, the Corporation has elected not to adopt the new standards Sections 3862 and 3863 and continues to apply Section 3861 on disclosure and presentation of financial instruments.

### 3 Capital assets

	2008		2007	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office equipment	359,015	235,084	123,931	135,291
Computer hardware	1,082,967	655,378	427,589	414,229
Computer software	206,480	100,388	106,092	33,557
Leaschold improvements	122,266	91,893	30,373	54,221
	<u>1,770,728</u>	<u>1,082,743</u>	<u>687,985</u>	<u>637,298</u>

## Notes to Financial Statements

Year ended December 31, 2008

Included in capital assets are assets under capital lease with a cost of \$366,234 (2007 - \$366,234) and accumulated amortization of \$342,256 (2007 - \$272,913).

	2008 \$	2007 \$
Capital assets	687,985	637,298
Obligation under capital lease	(22,749)	(113,435)
	<u>665,236</u>	<u>523,863</u>

#### 4 Internally restricted reserve and unrestricted balance

The Board of Directors has established an internally restricted reserve in recognition of the principle that the costs of recycling each container type are to be borne independent of other container types. The objective of the reserve is to defer the implementation of the container recycling fee on container types for which the current unredeemed deposits exceed the net costs of recycling. The reserve may also be used to develop and implement strategies to improve recovery rates of these specific containers. An amount of \$61,502 (2007 - \$201,289 increase) was transferred from the reserve during the current year.

With respect to the unrestricted balance that is currently in a deficit it is management's intention to recover this deficit through the increase of container recycling fees on these container types in future years.

#### 5 Obligation under capital lease

Total minimum payments required under capital leases are as follows:

	\$
2009	22,974
2010	-
	<u>22,974</u>
Interest (rates vary from 5% to 6%)	225
Present value of minimum capital lease payments	<u>22,749</u>

Interest of \$3,533 (2007 - \$9,698) relating to capital lease obligations has been included in depot operations expense.

#### 6 Commitments

The Corporation has entered into operating leases for its premises and certain equipment. The total future minimum lease payments for the years ending December 31 are as follows:

	\$
2009	217,540
2010	217,540
2011	176,770
2012	-

#### 7 Fair value of financial instruments

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short period to maturity of the instruments. The obligation under capital lease is of a long-term nature and, as such, is impacted by changes in market yields, which can result in differences between carrying value and market value. Management estimates that these differences are not material to the financial statements.

#### 8 Related parties

The Corporation owns 100% of Encorp Pacific Inc. (EPI), an incorporated company. EPI is inactive and its statement of financial position is as follows:

	\$
Cash	2
Shareholder's equity	2

During the year, the Corporation paid \$112,581 (2007 - \$118,750) in Board expenses, which comprises fees for some directors and reimbursement of expenses.

#### 9 Capital disclosures

The Corporation defines its capital as the amounts included in its net asset balances.

When managing its net assets, the Corporation's objective is to safeguard its ability to continue as a going concern in order to fulfill its mandate as set out in note 1.

While its net assets are not subject to external restrictions, the Corporation has certain Board imposed restrictions on the use of its net assets as indicated in note 4. The Corporation has internal control processes to ensure that these internally imposed restrictions are met prior to the utilization of these net assets.

The Corporation sets the amount of net asset balances in proportion to risk, manages the net asset structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

#### 10 Currency, interest rate and credit risk management

##### Foreign currency risk

The Corporation is exposed to foreign exchange risk through its cash, accounts receivable and accounts payable that arise on sales of recyclable materials denominated in US dollars. At December 31, 2008, the net US dollar exposure on cash, accounts receivable and accounts payable was US\$1,435,655 (2007 - \$3,850,605).

##### Interest rate risk

The Corporation is not exposed to significant interest rate risk.

##### Credit risk

Accounts receivable consist of amounts outstanding from brand owners and material recyclers. The Corporation monitors the creditworthiness of brand owners and material recyclers to minimize the risk of loss.

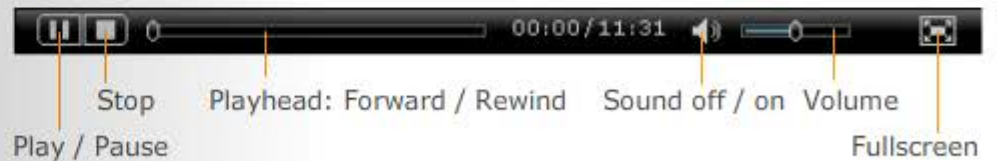


## Corporate video

In conclusion, here is the full Encorp Corporate video. It will open in a new browser window with all the options available to Play, Pause or Rewind. By clicking on the icon on the bottom right of the corner, enlarge the video to the full screen of your computer and enjoy.



### Video controls





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Bank: Royal Bank of Canada



Auditors: PricewaterhouseCoopers