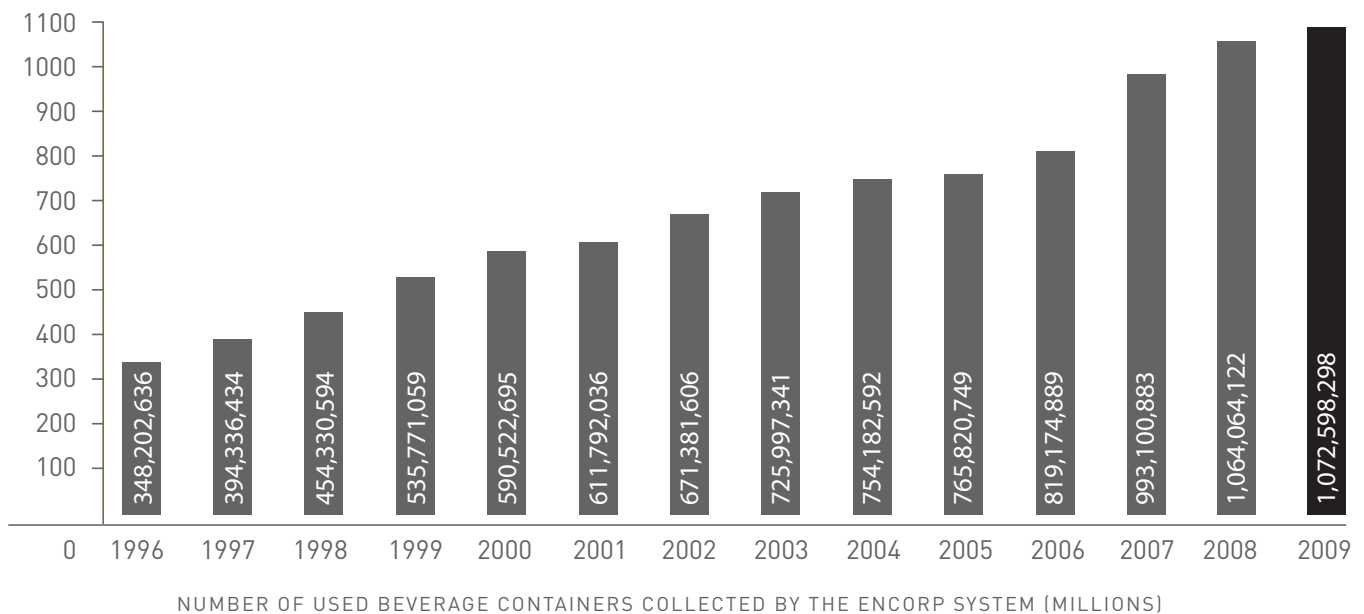


**Encorp Pacific (Canada)
2009 Annual Report**

To minimize the impact on the environment, we have produced an online annual report saving 15 trees and 4,281 gallons of water.

Number of used beverage containers collected by Encorp System

In 2009, Encorp Pacific (Canada) recovered over one billion containers (8.5 million more than in 2008) and continued to demonstrate why we are one of the most effective industry product stewardship corporations in North America.



Returns 2009

Type	Containers Sold		Containers Recovered		% Recovery Rate		Weight Recycled (t)		Recovery Rate by Weight	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Aluminum	451,522,297	465,284,740	377,496,483	379,018,112	83.6%	81.5%	5,315	5,416		
Plastic ≤1L	406,178,868	404,037,559	297,305,762	299,381,071	73.2%	74.1%	7,851	8,802		
Plastic > 1L	70,935,808	71,732,854	62,539,276	60,656,949	88.2%	84.6%	4,294	5,035		
Glass ≤ 1L	41,812,232	51,112,188	32,152,718	36,162,096	76.9%	70.8%	10,405	8,287		
Glass > 1L	152,896	110,319	155,161	177,195	101.5%	160.6%	154	176		
Bi-Metal ≤ 1L	4,465,109	5,400,547	2,904,822	3,317,620	65.1%	61.4%	106	159		
Bi-Metal > 1L	1,039,836	1,281,172	629,387	665,943	60.5%	52.0%	72	101		
Pouches	13,114,513	15,552,369	6,171,672	5,505,794	47.1%	35.4%	35	33		
Bag-in-Box	-	-	-	-	-	-				
Drink Box ≤ 500ML	97,853,139	105,330,491	54,177,529	53,410,289	55.4%	50.7%	624	601		
Drink Box										
501 ML - 1L	26,567,649	22,259,767	19,053,178	16,009,651	71.7%	71.9%	634	635		
Gable Top ≤ 500ML	2,550,585	2,188,792	621,789	516,232	24.4%	23.6%	9	10		
Gable Top										
501 ML - 1L	887,878	1,006,182	334,890	338,349	37.7%	33.6%	19	12		
Gable Top > 1L	14,373,452	13,146,172	9,985,108	9,135,024	69.5%	69.5%	698	708		
NRBC ≤ 1L	120,205,069	121,159,071	118,070,620	114,007,015	98.2%	94.1%	29,799	23,866		
NRBC > 1L	635,749	582,795	523,069	526,305	82.3%	90.3%	307	290		
W & S ≤ 1L	70,731,110	72,457,119	66,139,718	63,678,337	93.5%	87.9%	27,494	24,587		
W & S > 1L	11,925,416	12,484,869	10,855,618	10,694,994	91.0%	85.7%	8,028	7,342		
W & S Plastic ≤ 1L	12,103,318	9,208,555	8,848,662	6,698,056	73.1%	72.7%	378	252		
W & S Plastic > 1L	3,754,802	3,379,477	3,624,991	3,269,052	96.5%	96.7%	238	290		
Bag-in-Box -										
Alcohol	2,323,617	2,172,193	1,007,845	896,038	43.4%	41.3%	230	206		
TOTALS	1,353,133,342	1,379,887,232	1,072,598,298	1,064,064,122	79.3%	77.1%	96,689	86,806	88.5%	84%



Message from the Chair

There are two clear signs of the increased importance British Columbians place on recycling. The first is the significant growth of participation in recycling activities confirmed by consumer research we conducted in the past year. The second is the evolution that has occurred in thinking about recycling in general. In 2010, recycling is no longer an end in itself, but rather one element of a larger obligation we have to protect and improve our environment.

The implication for Encorp Pacific, a business that was once entirely about the collection of bottles and cans, is that we are now expected to play a leadership role in the larger world of product stewardship.

Today, “extended producer responsibility,” “carbon footprint” and “life cycle management” are as much a part of our lexicon as deposits and refunds.

As the boundaries of product stewardship expand, so do public and stakeholder expectations. In 2009, Encorp’s Board of Directors formally agreed that sustainability should be one of our strategic objectives. Consequently we now track our environmental impact and are pleased to report that in 2009, the recycling of beverage containers helped contribute to the reduction of approximately 137,000 tonnes of carbon dioxide equivalent from our atmosphere. That’s equal to taking 37,000 cars off BC roads for a year.

In addition, over the past 3 years we have added alcohol beverage containers, waste electronics and used milk containers to our overall portfolio. One of the key tasks for the Board of Directors is to determine how much more activity the organization ought to take on in its current form. This will continue to be a strategic focus along with our emphasis on enhancing the depot network, reaching out to local communities, managing risk and containing costs.

Like virtually every other industry, our business was affected by the soft economy in 2009. Lower fee and commodity revenue, combined with relatively higher recovery performance, created unprecedented pressure on our reserves. The resulting adjustment in our container recycling fee was not something we wanted to do, but considered necessary to ensure that we could meet our financial obligations. We are confident that the measures taken in the fall of 2009 will stand us in good stead as the economy recovers and beyond.

Encorp’s responsibilities are not just defined by the products we collect, but also by the way we manage ourselves in the context of the regulatory model prescribed in the Environmental Management Act. In 2009 a stakeholder group took aim at Encorp and the regulatory model itself through a concerted lobbying effort. Our response was to explain how we operate and how we are governed, and to highlight our work and our achievements to date. We were gratified by the support we received from audiences at all levels, and by the expressed confidence in our ability to discharge our obligations under the model. We continue to believe that responsibly executed industry management, in conformity with regulatory requirements, is the preferred way to administer stewardship programs.

2009 was Encorp’s 16th year of operation. This is no small feat for an organization created by commercial competitors. Today, Encorp is one of the leading stewardship organizations in North America – a tribute to our dedicated and uniquely talented staff, and to our Board of Directors, whose leadership and sound judgment remain one of the company’s greatest assets.



Dan Wong
Board Chair



Message from the Chief Executive Officer

We reached key milestones in 2009. Our recovery rate on a unit basis at 79.3% is the highest in our history. An alternate method of measuring recovery performance is to track material weight. Using a weight basis to determine collection is common for municipally operated recycling programs. Our 2009 diversion rate on a weight basis was 88.5%.

However, this record recovery rate also had a dramatic impact on our reserves, forcing us into an overall deficit position for the first time. For only the second time in our history we were required to increase our container recycling fees twice during the year - in February (the normal time for rate changes) and again in October. As of this report, we are well on our way to replenishing our reserves and expect to achieve acceptable levels within the next 24 months.

Given this dramatic turn of events, we are making an extra effort to clarify how we finance our stewardship system. To this end, we have featured the connection between the industry-led stewardship regime practiced in British Columbia and our business model in an extensive commentary on pages 13 - 16. As well a Frequently Asked Questions (FAQ) section on page 62 provides more detailed explanations.

There were a number of other significant achievements which demonstrate our commitment to continuous improvement in the depot network and improving convenience of access for consumers throughout the province. Our 5 Star certification program, introduced in 2008, has just enrolled its 11th depot with an additional 7 having attained the 3 Star level. These 18 depots, and others that will follow, represent the ultimate in design and customer service standards. In addition, new depot locations were added in Coquitlam and Saanich. Unfortunately, we were unable to convince City officials to open a much needed new depot in Vancouver.

To support efficiency and increased productivity, we successfully field-tested a new generation of point-of-return software and a pilot test of in-depot compaction. We will roll out these new programs in 2010. Our training centre at the new Coquitlam depot opened in late 2009 as a continuation of our commitment to train and develop highly-qualified depot owners in leadership and customer service best practices.

These efficiencies have a direct benefit as we continue to achieve stellar performance in the two service provider contracts we administer. On behalf of the Electronics Stewardship Association of BC, we have expanded our network of collection sites from 75 to 100. We also achieved an increase of 30% in the volume of collected end-of-life electronics materials, now reaching one of the highest per capita collection rates of any program in North America. Our collection network for milk containers has reached 150 with the year-over-year increase in containers collected of 49%.

We were not spared the impact of the worldwide recession. However, the strength of the industry-led stewardship system, unique to British Columbia, has allowed us to maintain all of our consumer education programs and liquidity for our depots and suppliers without requiring any form of debt financing. We have accomplished this in the face of dramatic reductions in commodity prices for aluminum and plastic and in an actual year-over-year reduction in beverage sales.

During the course of 2009, I had the opportunity to meet with many regional districts and local governments throughout the province. All were impressed by our achievements and universally supported the expansion of industry-led stewardship in British Columbia. At their urging, we spearheaded the publication of the BC RECYCLING HANDBOOK.



Message from the Chief Executive Officer

The handbook is a compilation of the details of the recycling programs operated by the eight stewardship agencies that have approved stewardship plans. Copies of the handbook have been sent to all local governments, elected officials, school boards and community centres in the province. We also provided a link to a flipbook version at www.encorp.ca/ips

Finally, through a partnership with Coca Cola, Encorp was an active participant in the beverage recycling initiatives at the immensely successful 2010 Olympic Winter and Paralympic Games.

I want to acknowledge the leadership of our Board of Directors, the dedication of our depot owners and transportation/processing partners, and finally the consistent loyalty of our staff and brand owners. Together, we have weathered the storm of economic uncertainty without compromising our mission of making recycling an increasingly important value for the citizens of our great province.



Neil Hastie
President and CEO



Why we come to work every day

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.



Industry Product Stewardship in British Columbia.

A robust model for trying times

To understand the uniqueness of the BC model for product stewardship a brief history is in order.

The government-mandated expansion of the beverage container deposit system in 1998 was based on the requirement that the system be self-financing. Industry was left to determine how it would fund the system without passing any costs onto any level of government.

At the time, regulators assumed that the money from unredeemed deposits plus the sale of the collected commodities would be sufficient to pay the costs of collecting, transporting and recycling containers.

The containers collected by Encorp are made of a variety of materials. Some, like aluminum and plastic, command good prices in the marketplace, others are less valuable. The revenue from the sale of each material, less processing and transportation costs, is credited back to the appropriate container category. When beverage brand owners sell new products they submit the deposits, for the total sold, to Encorp. Since not every container sold is returned for refund (the average is 80 out of 100), the deposits not claimed from Encorp are used to fund the container collection. These left over funds are called unredeemed deposits. Each type of container has a separate fund to keep track of costs and revenues.

The beverage industry, however, was already aware that these revenues were insufficient to cover the costs of some container types and, when costs rose for other categories, it was necessary to collect a non-refundable Container Recycling Fee. This allowed Encorp to strive for higher recovery rates without jeopardizing its ability to finance the collection system.

For each container type Encorp has calculated the cost of handling at the depot level, transportation to a processing site, processing, consumer awareness and administration. For each container type where the unredeemed deposits and commodity revenues are insufficient to cover all the costs Encorp applies a non-refundable Container Recycling Fee to cover the net cost of recycling that container type. These fees are adjusted up or down annually to ensure that each container type pays its own way.

Encorp's Fundamental Principles

Encorp deals with a very wide range of brand owner companies and container types. Ensuring equitable treatment for brand owner companies, regardless of size, and making sure that each type of container pays all of its costs for collection and processing is essential if brand owners are to have confidence in the company. A brand owner packaging in one type of container needs to be assured that they are not subsidizing the costs of a different type of container their competition might be using.

As a result, each container type in the Encorp system is run like a separate business with all costs and revenues accounted for within that category. When a specific container type is not paying its own way, container recycling fees for that type are adjusted to bring the account back into balance.



Industry Product Stewardship in British Columbia.

A robust model for trying times

Industry Product Stewardship Principles

The passage of the Recycling Regulation in 2004 further strengthened the requirement for product stewardship agencies to demonstrate the adequacy of their plans for collecting and paying the costs of managing their product categories.

The Encorp financial system is designed to meet both its own principles and those of BC's Industry Product Stewardship Program.

This system faced its greatest challenges in 2008, and continuing for most of 2009, when North American and European economies went through some of the worst financial and economic crises since the Great Depression.

The first impact came as market prices plummeted for recycled commodities such as paper, plastic, metal and glass. In a few short months in 2008, once insatiable demands for many of these products stopped cold and bales of material piled up in processors' yards and warehouses. Fortunately, materials collected by Encorp are considered to be of high value by the marketplace, sales continued but at much lower prices. By early 2009, markets had recovered enough that those stockpiles disappeared but the prices paid were a fraction of those offered only the year before.

The second impact came when, for the first time in Encorp's history, sales of beverages actually fell but the number of used containers collected continued to climb. The result? Much less cash left from unredeemed deposits.

Faced with these challenges how did Encorp survive?

Here's where BC's Industry Product Stewardship model proved its mettle. Since the BC regulation allows industry to respond completely independently of government it was possible to increase Container Recycling Fees on relatively short notice to ensure that the system was able to continue functioning.

No payments to depots for deposit reimbursements or handling fees were delayed at any time and efforts to increase the recovery rate continued unabated.

Container Recycling Fees were controversial at the time of their introduction because most retailers made them visible to consumers rather than including them in the price of the beverage. It quickly became apparent to all interested parties, though, that the fees were generally accepted by consumers once they were adequately explained. This has allowed many other Industry Product Stewardship programs, both in BC and elsewhere, to utilize this method to support other recycling initiatives.

A second key factor in Encorp's survival was the existence of sufficient operating reserves to cushion some of the blow. For a number of years Encorp has had a corporate policy of maintaining operating reserves at levels sufficient to ensure that payments can be made to depots, transporters, processors and other suppliers, despite financial upheavals. When first established these reserves were also controversial and although their levels had been reduced prior to the financial crisis, they provided vital financial cushioning for the system.

The flexibility of financing allowed by the BC model for Industry Product Stewardship to show its value in the past 18 months by maintaining the solvency of the Return-It system. This solvency has maintained employment levels, consumer awareness, school support programs and all other activities throughout the system which, in turn, means that consumers still have a convenient and efficient way to return their beverage containers for recycling.



Key principles of the Industry Product Stewardship 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 minimal 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 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.



Trends that concern us

We face challenges arising out of two recent trends:

1. We are experiencing increased negative publicity about “binner” activity with the net effect that both landlords and local planning officials are rejecting applications for new Return-It™ depots. This is hampering our ability to expand in downtown and urban centres. We regularly make the case that the “binner” phenomenon is not of our doing; bottle depots do not create the social conditions that lead the less fortunate to harvest containers from back alleys and garbage bins. However, faced with community opposition, our explanation is not sufficient to overcome the “not in my backyard” sentiment. We engage actively with local government officials, realtors, landlords and depot owners putting forward the positive economic and environmental benefits that flow from the operation of a Return It™ Centre in their community. In our experience, the high standards imbedded in the design and management of a 5 STAR depot go a long way to overcoming local concerns. This is a key strategic initiative for the corporation.

2. The announced expansion of the list of electronic/electrical products and mercury-bearing equipment covered by the Recycling Regulation will require the establishment of new collection networks beyond the existing 100+ sites established through Encorp by the Electronic Stewardship Association of BC (ESABC). These existing locations will accept the additional electronic items being managed by ESABC but will not accept electrical products such as fluorescent lighting, small/large appliances, electrical tools, etc. We are concerned that the new collection networks may not be as convenient or as well advertised with the consequence that many consumers will assume that all products will be accepted at the Encorp designated sites. We are consulting with the new stewardship agencies on the importance of coordinated public education that provides consumers with as much clarity as possible about the different products accepted at the wide range of collection sites.



Environmental Report

The Government of British Columbia has adopted public policies intended to promote a low carbon economy. As a stewardship agency operating under a provincial regulation, Encorp has an opportunity to disclose the impacts of its stewardship activities. In addition to informing our stakeholders, our benchmarking of our green house gas emissions opens a window for improved efficiency and the potential to reduce energy consumption in the future. We believe there is a sound business case for these initiatives.

Reduction in greenhouse gas emissions from recycling

In 2009, Encorp collected and had over 96,600 tonnes of material recycled, an increase of 9,800 tonnes or 11% from last year. The energy saved through the recycling of materials collected by Encorp can be converted into tonnes of carbon dioxide equivalent (CO₂e) (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 lifecycle production process ⁱ.

In total, Encorp's activities in 2009 contributed to the reduction of about 138 thousand tonnes of CO₂ equivalent being released into the atmosphere, no change from the same period in 2008 ⁱⁱ.

Material	% Energy Savings from Use of Recycled Inputs for Manufacturing of Material	tonnes CO ₂ equivalent reduced
Aluminum	93%	79,724
Plastic	86%	21,551
Pouches/Bag-in-Box	53%	1,028
Glass	34%	26,526
Bi-Metal	82%	1,036
Polycoat	53%	7,679
Total		137,545

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 carbon footprint.

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.

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 excluded as this is considered to fall under the personal carbon footprint of the employee and Encorp has little control over where people choose to live. Staff commuting and travel on BC Ferries was also excluded as it is not quantifiable since BC Ferry does not have 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 of deposit bearing beverage containers, such as milk cartons and electronics, were excluded since such activities fall out the scope of Encorp's core recycling stewardship activities for BC.



Environmental Report

Emissions Inventory Summary (tonnes CO2) 2009ⁱⁱⁱ

Type of Emission

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

Employee travel - gas use 27

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 ^{iv}.

Offices (excluding head office)

Purchased electricity in leased buildings (excluding head office) 54

Employee domestic air travel 22

Depots

All purchased electricity in owned or leased buildings 880

All natural gas consumed in owned or leased buildings 6,820

Processors

All purchased electricity in owned or leased buildings 257

All purchased gas consumed in owned or leased buildings 50

2009

Transportation – depots to processors

Diesel fuel for transporters 3,688

Transportation – processors to end markets

Diesel fuel 1,507

Rail (based on metric tonne km) 388

Sea travel (based on metric tonne km) 1,125

Total Emissions all sources 14,818 tonnes

Restated Emissions for 2008 10,351 tonnes

Total CO2 Equivalent Reduced 137,545 tonnes

Note : the increase in emissions is due primarily to expanded sampling methodology and not due to increased use of carbon based fuels. We will continue to refine our calculation methods.

i US EPA, Waste Reduction Model, Version 10 (10/09); US EPA, Solid Waste Management and Greenhouse Gases (2002) [Exhibits 2-3 to 2-6] were used to calculate 2009 avoided emissions of CO2. In 2008, US EPA, Waste Reduction Model, Version 8 (5/06) was used.

ii US EPA, Waste Reduction Model, Version 8 (5/06); US EPA, Solid Waste Management and Greenhouse Gases (2002) [Exhibits 2-3 to 2-6] were used to calculate 2008 avoided emissions of CO2.

iii GHG Emissions from purchased electricity worksheet V 2.1. (Jun 2009) and GHG emissions from transport or mobile sources V 2.0 (Jun 2009) from the Greenhouse Gas Protocol Initiative were used to calculate emissions for 2009.

iv All indirect emissions except for Office use were calculated based on the sample data provided by selected Depots, Processors, and Transporters.



Environmental Report

Emissions Reduction Strategies

The overall increase in emissions in 2009 compared to 2008 was partly due to industrial activity from the increase in the weight of material recycled.

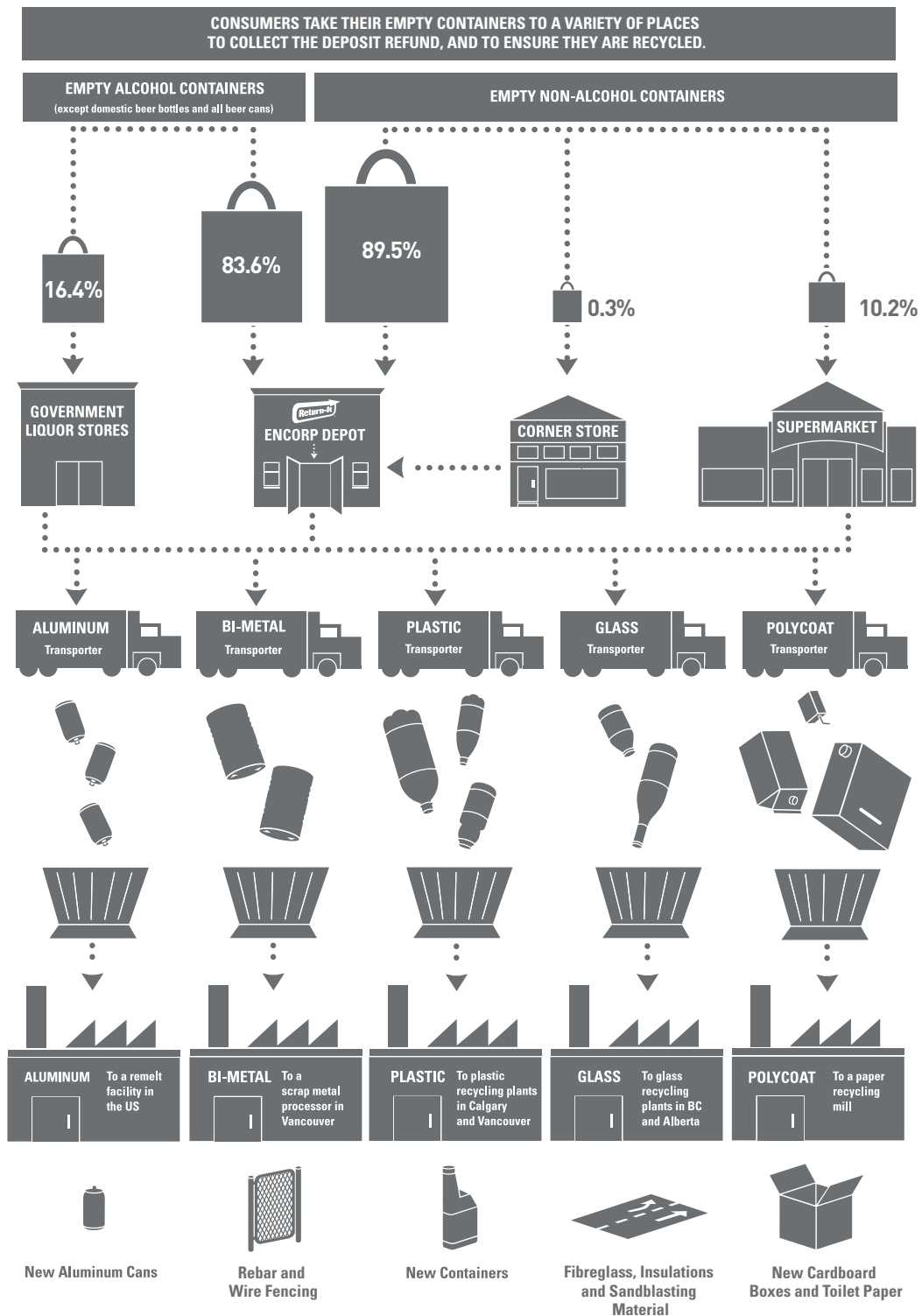
Finding an end market for polycoat containers in North America became challenging in the middle of 2008. We started shipping the material to Korea which contributed to the increase in the emissions of approximately 980 tonnes of CO₂.

To increase fuel efficiency and reduce our energy costs, we were able to find an end market for our glass containers closer to our interim processor in the Lower Mainland. Even though the total weight of collected glass containers increased, we reduced the total distance the containers travelled by almost 400,000 km. This resulted in a decrease in CO₂ emissions by 420 tonnes.

In addition, during 2008 and 2009 Encorp Pacific (Canada) tested the ORWAK compactor at two depot locations in the Lower Mainland. In 2010, 15 more compactors will be installed and used at 12 other depots to achieve the goal of reducing the frequency of pickups from the depots. We will continue optimizing our transportation network to potentially reduce the kilometers driven and loads we haul, thereby saving fuel and reducing emissions.



How the collection system works



Raising consumer awareness keeps the returns coming.

In 2009 the Encorp system collected over 1 billion containers, which is about 241 for every man, woman and child in BC. It takes a lot of work to collect and recycle that many containers. You need a smoothly functioning, comprehensive system that covers the province. And you need a consumer base that understands and appreciates the value of recycling.

Educating consumers is one of the most important jobs we do.

Awareness

Each year we commit a significant budget to encourage consumers to continue to return their containers for recycling. We employ a wide range of tactics to ensure that the right message reaches the right people. In addition to general and targeted advertising through a range of media types, we use public relations, promotions and community involvement.

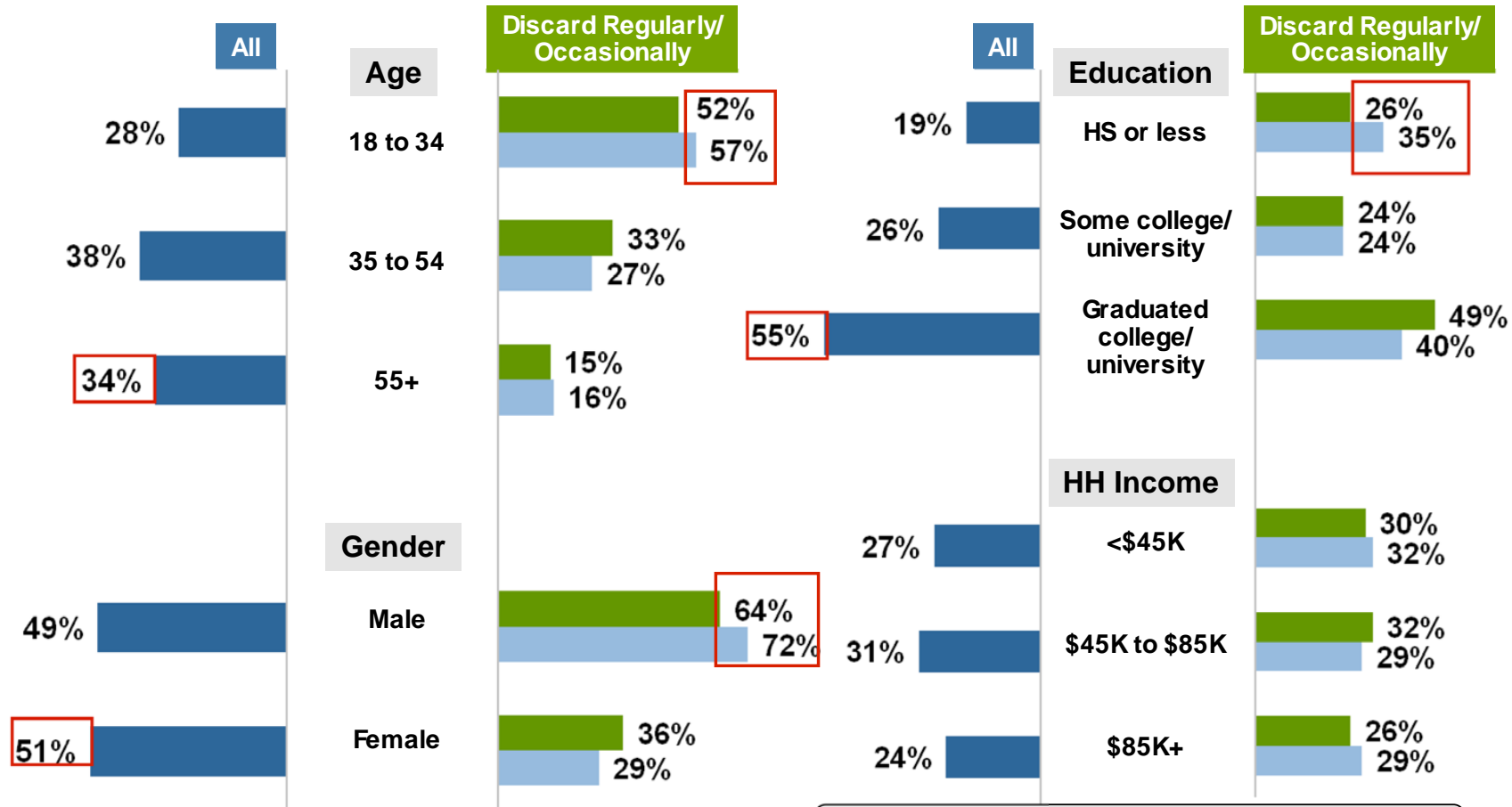
Research

We are results oriented. That's why 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. Our research studies are conducted on an annual basis and are very detailed. This year we focused a section of our study on profiling the discarder—the person who is most likely to throw containers into the garbage.



Research Profile of Discarders

Beverage Container Return Study 2009



 Significantly higher than other group

Base: All respondents (n= 2,083) /Discard Regularly/Occasionally (n=222)/Discard Regularly (n=95*)

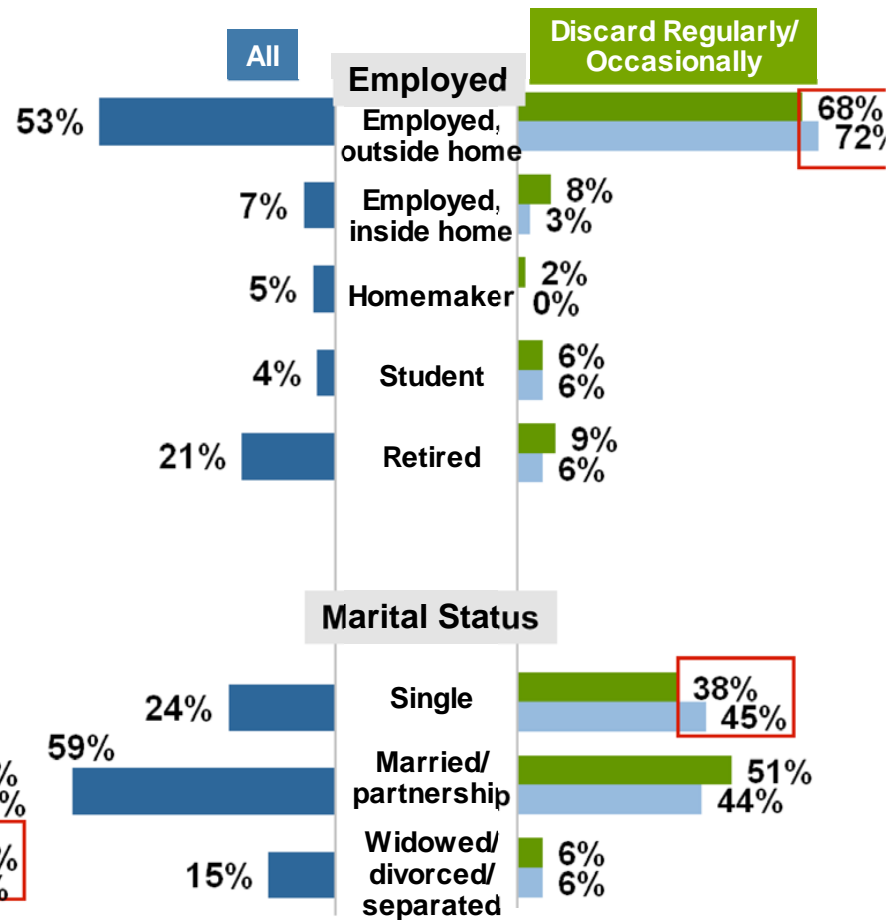
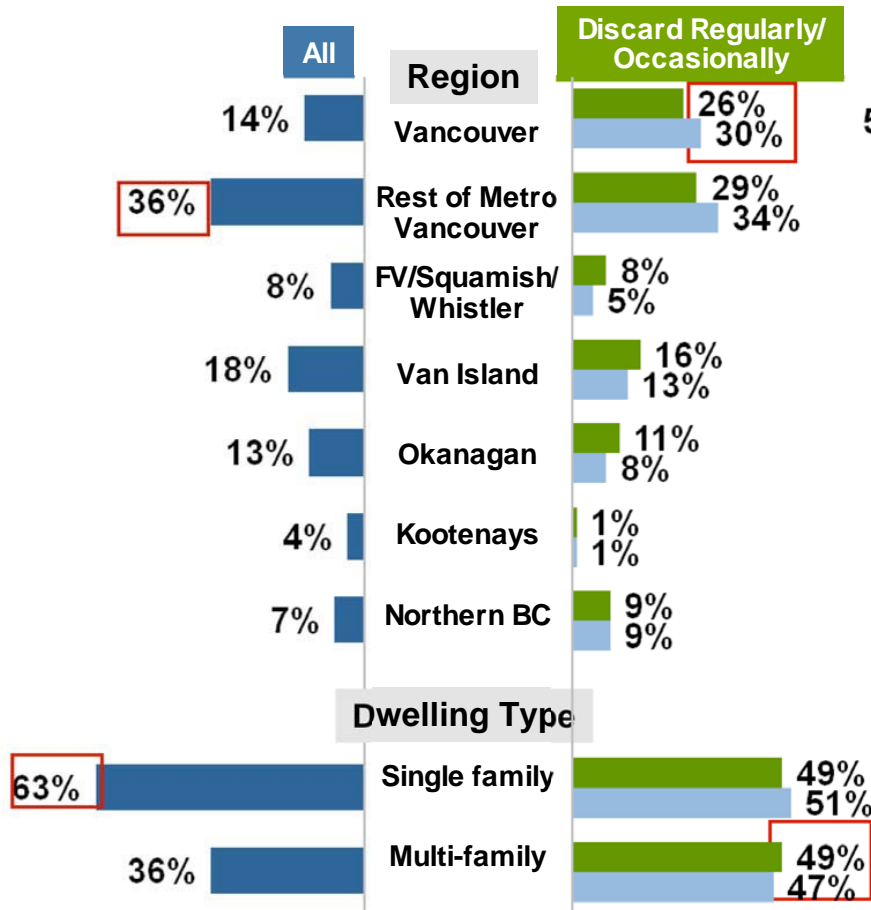
**5% discard "regularly".
11% discard "regularly/occasionally".**

■ Discard Regularly/Occasionally
■ Discard Regularly*



Research Profile of Discarders

Beverage Container Return Study 2009



 Significantly higher than other group

■ Discard Regularly/Occasionally
■ Discard Regularly*

Base: All respondents (n= 2,083) /Discard Regularly/Occasionally (n=222)/Discard Regularly (n=95*)



Major Consumer Programs in 2009

Specialty Programs

Most BC households, especially those in single-family homes, do a good job recycling containers. Encorp continuously encourages that activity but when we see a need to improve performance we pilot-test and deploy specialized programs.

BC Parks Pilot Program

We have been busy keeping our parks clean. In the summer of 2009 we embarked on a pilot program to test bear-proof beverage recycling bins in 3 BC Parks - Rath Trevor Beach, Goldstream and Alice Lake. In total 60 Return-It branded tamper-proof bins were installed on cement pads. The parks involved receive the deposit refunds when containers were returned, and most were donated to their favourite charitable organization. Between August and December, 95,000 containers were collected and \$7,200 in deposits was refunded.

Outdoor Events

By providing bins for outdoor spaces and having our mascot, Return-It Man, attend major events; Encorp is encouraging more people to recycle when they are away from home. Return-It Man was busy in 2009 attending 195 trade shows and outdoor events with an estimated audience of 863,000 people.

School Recycling Programs

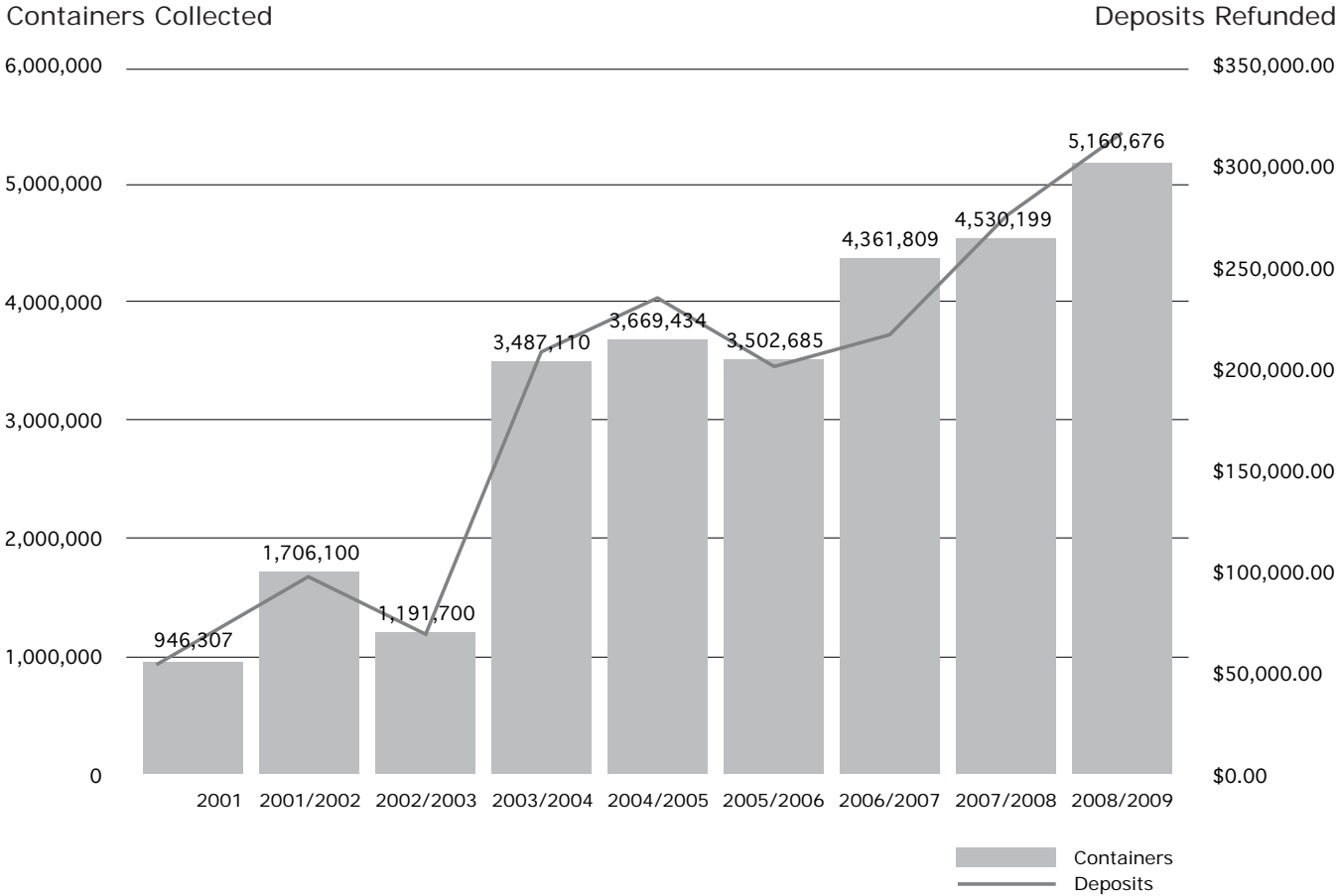
You're never too young to learn to recycle. The Encorp school program helps both elementary and high schools to raise money and promotes environmental action at the same time. Now over 7 years old, the program continues to grow. In the 2008-2009 school year, Encorp container collection bins were in more than 1,500 BC schools, the vast majority of schools in the province. A total of 415 elementary and high schools, with 181,000 students, participated in the annual contest to collect the most containers per student. In the contest the schools earned over \$317,000 in deposit refunds and the winning schools shared \$13,500 in prizes.

Return-It Man School Tour

When striving to change the behaviour of adults, educating kids is one of the key strategies. Our school educational program was very successful. The Return-It Man team gave 39 presentations in 38 elementary schools for 7000 students. With his trusty "Recyclator" he showed kids how we turn juice boxes into toilet paper, aluminum cans into new cans, plastic bottles into new bottles and glass into insulation. The presentation is filled with interactive sorting games, full audience participation, and every child became a recycling hero.



School Programs Containers Collection Report



Major Consumer Programs in 2009

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

Return-It @ Work

People who recycle at home don't always do it at work. Return-It @ Work is designed to make it easier and more interesting to recycle containers in the workplace by providing collection bins and promotional signage for the workplace. In 2009 there were 284 participants in the program and 151 contributed their deposit refunds to the United Way. Total container collections were 742,000. Total deposit refunds paid were \$33,200 of which the United Way received \$12,770.

Multi-Family

Residents of large, high-density developments often find it more difficult to recycle their containers. Encorp is continuously investigating ways to make this task easier. In 2009 we conducted a pilot test in the City of Richmond. The test, which began in August 2008, involved over 100 multi-family buildings. Results were compiled and analyzed. What we learned was used to develop a more permanent program slated to start in the City of Vancouver.

Return-It to Win It

Prizes, giveaways and media events are all part of our summer promotion designed to encourage more consumers to return containers to a Return-It Depot. Highlights of the 2009 depot promotion: Each of the 43 participating depots received a grand prize Video Game System of their choice, an advertising program, promotional material, visits from Return-It Man and financial incentives for staff.

The contest had a 27% ballot return rate and a total of 52,437 ballots were collected over the 8-week span of the contest.

Participating Return-It Depots showed a 1.9% increase in volume over depots that did not participate.



Strength in numbers.

In 2009, Encorp continued its quest to improve the depot experience for consumers through new designs and improved practices.

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. Each depot is a thriving enterprise that provides business and employment opportunities in communities around BC. This is a perfect example of how being good for the environment can also mean being good for the economy.

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. All new depots licensed by Encorp are Generation 3 and Encorp continues to assist existing depots to upgrade to the Generation 3 design.

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.

Small compacting machines were tested in two depots in 2008/09 to assess their potential for reducing the volume of containers in transit to processors. Phase Two of this program is being rolled out with compactors being installed in up to 15 depots in 2010. Compacting containers, particularly aluminum and plastic, at the depot provides transportation advantages, but, until recently, available compaction equipment was too large, too expensive and required specialized operator training.

In addition, the density of the bales from the older style machines prevented the contents from being extracted for required audits. The machines currently being tested meet the requirements for cost, space, staff training and the ability to audit compacted containers.



Regional weights and per capita container returns

Returns by Region Summary. Alcohol and Non-Alcohol containers: January – December 2009

Region	Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan - Dec 2009 Per Capita Container Returns	Jan - Dec 2008 Per Capita Container Returns
110	Bulkley / Nechako	Units(000)	4,988	3,319	1,347	721	70	10,445	268.8	272.5
110	Bulkley / Nechako	Tonnes	70.2	110.6	465.1	14.5	2.9	663.4		
120	Cariboo	Units(000)	7,913	5,874	2,734	1,275	121	17,917	275.4	280.8
120	Cariboo	Tonnes	111.4	197.0	885.4	24.1	6.2	1,224.1		
130	Central Coast	Units(000)	325	164	112	60	11	673	215.7	200.3
130	Central Coast	Tonnes	4.6	5.9	41.6	1.2	0.2	53.6		
140	Fraser - Fort George	Units(000)	11,998	10,195	4,763	2,149	274	29,379	307.1	309.8
140	Fraser - Fort George	Tonnes	168.9	336.4	1,523.9	44.3	9.4	2,082.9		
150	Kitimat - Stikine	Units(000)	4,833	3,533	1,117	772	97	10,353	258.7	263.0
150	Kitimat - Stikine	Tonnes	68.0	117.3	387.5	16.0	3.4	592.3		
160	Skeena - Queen Charlotte	Units(000)	2,877	1,984	789	412	55	6,117	314.7	316.1
160	Skeena - Queen Charlotte	Tonnes	40.5	66.7	271.8	8.6	1.9	389.5		
170	Northern Rockies	Units(000)	744	738	252	87	1	1,822	303.5	278.0
170	Northern Rockies	Tonnes	10.5	22.2	77.0	1.7	0.1	111.5		
180	Peace River	Units(000)	7,143	6,226	2,463	1,078	142	17,052	273.9	275.5
180	Peace River	Tonnes	100.6	202.2	787.8	22.9	3.4	1,116.9		
210	Capital Regional District	Units(000)	29,499	29,115	23,121	5,857	702	88,293	240.2	244.0
210	Capital Regional District	Tonnes	415.4	1,032.4	7,870.4	167.0	41.0	9,526.2		
220	Cowichan Valley	Units(000)	9,695	7,556	4,221	1,597	288	23,358	285.9	286.0
220	Cowichan Valley	Tonnes	136.5	260.0	1,450.5	38.8	11.1	1,896.8		



Regional weights and per capita container returns

Returns by Region Summary. Alcohol and Non-Alcohol containers: January – December 2009

Region	Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan - Dec 2009 Per Capita Container Returns	Jan - Dec 2008 Per Capita Container Returns
230	Alberni / Clayoquot	Units(000)	4,208	3,346	1,795	546	142	10,037	318.2	317.2
230	Alberni / Clayoquot	Tonnes	59.2	111.9	600.2	13.0	3.3	787.6		
240	Comox / Strathcona	Units(000)	10,268	8,138	5,058	1,805	217	25,486	235.4	234.7
240	Comox / Strathcona	Tonnes	144.6	287.7	1,750.5	44.1	13.0	2,239.8		
250	Mount Waddington	Units(000)	1,616	1,017	491	202	10	3,336	277.1	299.4
250	Mount Waddington	Tonnes	22.7	35.4	172.7	4.5	1.3	236.6		
260	Nanaimo	Units(000)	13,056	12,211	7,670	2,289	359	35,586	240.7	235.0
260	Nanaimo	Tonnes	183.8	426.2	2,615.5	62.7	21.5	3,309.8		
310	Greater Vancouver	Units(000)	159,825	177,046	111,860	43,859	5,859	498,449	215.0	216.9
310	Greater Vancouver	Tonnes	2,250.3	6,066.8	37,331.1	1,038.0	202.9	46,889.1		
320	Fraser Valley	Units(000)	28,786	26,113	12,085	6,325	839	74,147	264.6	259.5
320	Fraser Valley	Tonnes	405.3	906.0	3,983.1	133.5	28.9	5,456.8		
330	Powell River	Units(000)	2,066	1,548	930	327	36	4,907	242.9	243.8
330	Powell River	Tonnes	29.1	54.7	324.2	7.7	3.0	418.6		
340	Squamish - Lillooet	Units(000)	3,758	4,132	4,003	681	52	12,627	322.0	337.7
340	Squamish - Lillooet	Tonnes	52.9	137.4	1,336.9	16.9	2.2	1,546.4		
350	Sunshine Coast	Units(000)	2,489	2,135	1,996	480	43	7,143	241.7	248.1
350	Sunshine Coast	Tonnes	35.0	78.1	704.8	13.1	4.8	835.9		



Regional weights and per capita container returns

Returns by Region Summary. Alcohol and Non-Alcohol containers: January – December 2009

Region	Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan - Dec 2009 Per Capita Container Returns	Jan - Dec 2008 Per Capita Container Returns
410	Central Okanagan	Units(000)	16,262	17,082	11,033	4,065	330	48,772	264.5	269.9
410	Central Okanagan	Tonnes	229.0	579.8	3,697.7	88.5	20.8	4,615.8		
420	North Okanagan	Units(000)	10,190	10,401	4,924	2,061	202	27,778	334.0	333.9
420	North Okanagan	Tonnes	143.5	361.3	1,629.3	49.2	11.8	2,195.0		
430	Okanagan - Similkameen	Units(000)	8,429	7,931	4,917	1,473	165	22,915	275.0	278.3
430	Okanagan - Similkameen	Tonnes	118.7	273.5	1,701.6	33.9	11.4	2,139.1		
440	Columbia Shuswap	Units(000)	5,742	5,338	3,881	929	101	15,992	297.7	301.0
440	Columbia Shuswap	Tonnes	80.8	178.3	1,258.4	21.5	6.6	1,545.7		
450	Thompson - Nicola	Units(000)	15,225	14,353	7,949	2,678	351	40,556	308.0	314.0
450	Thompson - Nicola	Tonnes	214.4	474.0	2,547.5	59.4	16.0	3,311.3		
510	Central Kootenay	Units(000)	5,324	3,859	3,581	906	69	13,740	229.9	226.4
510	Central Kootenay	Tonnes	75.0	137.5	1,151.0	21.7	5.7	1,390.8		
520	East Kootenay	Units(000)	7,086	6,398	3,474	987	113	18,059	301.2	320.0
520	East Kootenay	Tonnes	99.8	213.7	1,164.9	24.2	6.3	1,508.8		
530	Kootenay Boundary	Units(000)	3,151	2,564	1,332	548	65	7,660	238.5	245.4
530	Kootenay Boundary	Tonnes	44.4	88.6	455.2	13.0	3.9	605.1		
	Total Units	Units(000)	377,496	372,319	227,897	84,172	10,714	1,072,598	240.8	242.8
	Total Kg	Tonnes	5,315.2	12,761.5	76,185.6	1,984.1	443.1	96,689.5		



Keeping things moving

Encorp contracts with 26 transporters who move material into 12 central processors. The processors compact the material into bales and then forward it on to many different recyclable material end markets.

Encorp's transporters continue to upgrade their fleet by purchasing trucks with the latest low-sulfur diesel and low emission technologies. The new trucks provide the most benefits in the Lower Mainland and Vancouver Island.

Encorp's processors at Metro Waste Paper locations in Surrey, Victoria and Kelowna continue to invest capital into their business to gain further efficiencies in bale weights. Metro Waste Paper in Prince George has also done upgrades to their facility increasing the area for glass processing by 00%. They can now handle over 6 million kilograms of glass annually.

The in-depot Orwalk compaction units allow us to reduce the number of trips made by the local transporters by about one third. The compaction units have also decreased loading times helping drivers build efficiencies into their route planning.



Waste not, want not

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.



Quality is built into the system

Encorp Quality Assurance (QA) plays a vital role in maintaining the integrity of the deposit refund system. With over 1 billion containers a year being returned through the Encorp system, QA performs random bag audits as well as providing education to ensure the containers are handled properly and counted accurately.

Variance from required counts is very low, less than 0.75%. In other words, an accuracy rate of 99.3%. Training is a continuing requirement to maintain the system's accuracy.

Quality Assurance provided testing of the Orwak Model 5040. This depot compactor has proven to be a success. Fifteen more compactors are being installed in depots in 2010.

In addition to the Orwak compactor, a Mini Bag shipping container was also tested. This reusable, larger bag contributes to a reduction in handling within the depot and cost savings as it is reusable. The testing results directed us towards a second option called the Big Bag, currently being tested in several large volume depots with a decision on further roll out expected by the end of 2010.



New ideas welcome

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.

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 2009, there were 99 permanent sites throughout the province to which consumers and businesses could return designated EOL electronics at no charge; up from 75 in 2007.

RETURN-IT MILK

Even though milk and milk substitute containers are exempt from the deposit refund regulation, Encorp assisted the BC 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.

BC 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 2009, there were 142 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.



A governance model built on accountability and transparency

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

Baljit Lalli

Public Affairs and Communications Manager, Western Canada Coca-Cola Bottling Company. Encorp Affiliation – Refreshments Canada. Committee – Governance. Term of office – Commenced 2009

Baljit Lalli has held corporate communications positions with companies such as James Hoggan and Associates for the Sea-To-Sky Highway Improvement Project, Labatt Breweries and the Provincial Government. She is a former Director of Room to Read Canada.

John Nixon

Secretary, Beverage Alcohol Containers Management Council of BC. Encorp Affiliation – Beverage Alcohol Containers Management Council of BC. Committees – Audit/Governance. Term of Office – Commenced 2009.

John Nixon, a graduate of UBC, is an independent public affairs consultant who is also General Manager of the BC Wine Authority. He has had extensive experience in the beverage industry and was a founding member of the Board of Encorp Pacific (Canada).

Allen Langdon

Vice President, Western Region, Canadian Council of Grocery Distributors. Encorp Affiliation – Canadian Council of Grocery Distributors, Committee – Governance. Term of office – Commenced 2008

Allen Langdon has been Director, Spirit of BC for 2010 legacies and an Associate Vice-President for a national public affairs consulting firm. He is also a member of the Board of Directors for the Housing Foundation of BC.

Dan Wong – Chair

President, D. Wong and Associates Public Affairs. Encorp Affiliation – Juice Council of British Columbia Committees – Audit / Compensation / Governance. Term of office – Commenced 1998

Dan Wong currently serves as the Executive Director of the Juice Council of BC. He has been Vice-President,

Corporate Affairs, BC Ferries as well as heading the Corporate Relations practice for western Canada's largest food manufacturer. He holds a Bachelor and Masters degrees in Political Science from UBC.

Neil Hastie

President and CEO, Encorp Pacific (Canada). Encorp Affiliation – Inside Director. Term of office – Commenced 1998

Neil Hastie has been the President and CEO of Encorp Pacific since 1998. He has extensive senior executive experience with a variety of companies. He holds a Masters degree in Business Administration from York University in Toronto.

Dale Parker

Chairman, Pacific Parkinson's Research Institute. Encorp Affiliation – Unrelated Director. Committees – Compensation/Governance. Term of office – Commenced 2002

Dale Parker has been the President and CEO of the Bank of British Columbia and the Workers' Compensation Board of BC. He is also Chair of the Board of Directors of TransLink, a member of the Board of GrowthWorks BC and the UBC Investment Management Trust and is a graduate of the Graduate School of Business Administration, Harvard University.

John B. Challinor II APR

Director of Corporate Affairs, Nestlé Waters Canada. Encorp affiliation: BC Bottled Water Association. Committees: Audit. Term of office: Commenced 2008.

John Challinor has had executive and senior advertising and public affairs roles with leading technology and health industry companies over the last 26 years. He began his career as a newspaper and television reporter and editor. He served as a part-time municipal councillor for 15 years in Milton, Ontario, Canada's fastest-growing community. He holds a Bachelor of Applied Arts degree in Journalism from Ryerson University, an Accredited Public Relations (APR) designation from the Canadian Public Relations Society and a Certificate in Advertising from the Institute of Canadian Advertising. He is a member of the Board of Directors of Alberta Beverage Council and the Canadian Beverage Container Recycling Association.



A governance model built on accountability and transparency

Liisa O'Hara

Commissioner, British Columbia Utilities Commission.
Encorp Affiliation – Unrelated Director. Committee – Audit.
Term of office – Commenced 1999

Liisa O'Hara has been a senior executive with a major pipeline company with responsibilities on its Executive Management Committee and as Chair of its Pension Committee. She is a Director of the Terminal City Club, a graduate of the ICD Corporate Governance College and a Certified General Accountant.

John MacNichol

Vice President Merchandising, H.Y. Louie Company Ltd.
Encorp Affiliation – Canadian Council of Grocery Distributors.
Committee – Compensation. Term of office – Commenced 2009

John MacNichol has had over 30 years of experience in sales and merchandising in the packaged goods industry including 17 years in wholesale and retail operations. He is a Director with the BC Football Hall of Fame and with the First Tee Foundation of Metro Vancouver.

Neil Antymis

Director, Government Affairs, Pepsi Beverages Company Canada. Encorp Affiliation – Refreshments Canada. Committees – Audit/Compensation. Term of office – 2005 to present

Neil Antymis is a Certified General Accountant with 18 years of experience in the beverage industry. He is the Chair of Refreshment Canada's Environmental and Packaging Stewardship Committee and sits on several stewardship boards and committees.



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.

The Board determines the company's strategy and policies, sets objectives for the CEO, approves budgets and fees, and discharges its fiduciary obligations to the brand owners and other stakeholder groups. It provides oversight of Encorp's operations through quarterly Board meetings and an annual strategic planning session.

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.

The policies in the Board manual cover such key items as terms of reference for the Board, the Chair, Directors and the CEO as well as a Code of Conduct for Directors including conflict-of-interest guidelines. The policies also set out how committee memberships are to be established, lay out terms of reference for Encorp's Board committees and specifies important review processes that the Board must undertake of the CEO and of its own performance.

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

Three 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 / Nominating

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.



Encorp Advisory Committee Report to the Board of Directors – 2009

The Advisory Committee met twice in 2009 on April 29 and November 6 with agenda items that included consumer awareness, annual budget and audited financial statements, and the BCBDA letter to the MOE.

The Committee spent considerable time discussing the continuing need to find better ways of educating local governments and the public on how the beverage container deposit/refund system works and how the money is used. Members commented that many people are still confused about what happens to the unredeemed deposits and how the CRF is determined.

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. Members are still concerned with the need for additional depots in the City of Vancouver. There was also discussion on the programs involving schools, businesses, multi-family sites and public event recycling. Members expressed appreciation for the efforts Encorp staff is making in these areas. Members were satisfied that Encorp had addressed the issue of depot representation by forming the Council of Depot Operators. It was also noted that two depot operators were members of the Advisory Committee.

The Committee also received briefings regarding recycling at the 2010 Winter Olympics, and the electronics and milk container recycling programs. Members were interested in how the additional items added to the recycling regulation will impact the existing beverage container programs.

The Committee members continue to offer advice and direction to Encorp management and to the Board of Directors based on the input they receive from their respective sectors.

Respectfully submitted



A. Lynch
Chair



Advisory Committee Members

Al Lynch – Chair

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

Al has been in his present position at North Shore Recycling since 1990. He has written an Integrated Solid Waste Management plan and has implemented a variety of recycling programs. He is Vice-President of the BC Chapter of the Solid Waste Association of North America.

Linda Barnes

Councillor, City of Richmond
On Advisory committee since 2006

Linda has been a council member for the City of Richmond since 1999. She is a former classroom assistant for children with special needs and a former president of the Richmond School Board Employees Union.

Will Burrows

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

In addition to his duties as Executive Director he also runs a consulting business. Will has been the Project Manager for the largest metal recycler on Vancouver Island and is a past Board member of the Victoria Esquimalt Harbour Society.

Ken Lyotier

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

Ken founded United We Can, a non-profit bottle depot, in 1995 in order to provide work experience opportunities and income for residents of the Downtown Eastside Vancouver. He was awarded a Medal for Meritorious Service by the Governor-General of Canada.

Brock Macdonald

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

Brock was RCBC's Director of Communications prior to his role as Executive Director. Formerly he was Communications Manager for Product Care, an industry product stewardship agency, an educator and award-winning journalist.

Janice Song

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

In addition to the Ironwood Depot, Janice owns the Coquitlam Depot, both of which are 3 Star and 5 Star designated. She has been a certified depot operator trainer for Encorp and has trained over 30 new depot operators.

Alan Stanley

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

Alan manages a regional integrated solid waste management system that includes recycling collection programs, recycling depots, landfills and waste transfer stations.

Catarina Wong

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

Catarina has a Master Degree in International Tax Law from Regent University, School of Law and is a Certified Management Accountant.



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 2009 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 fee 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.

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

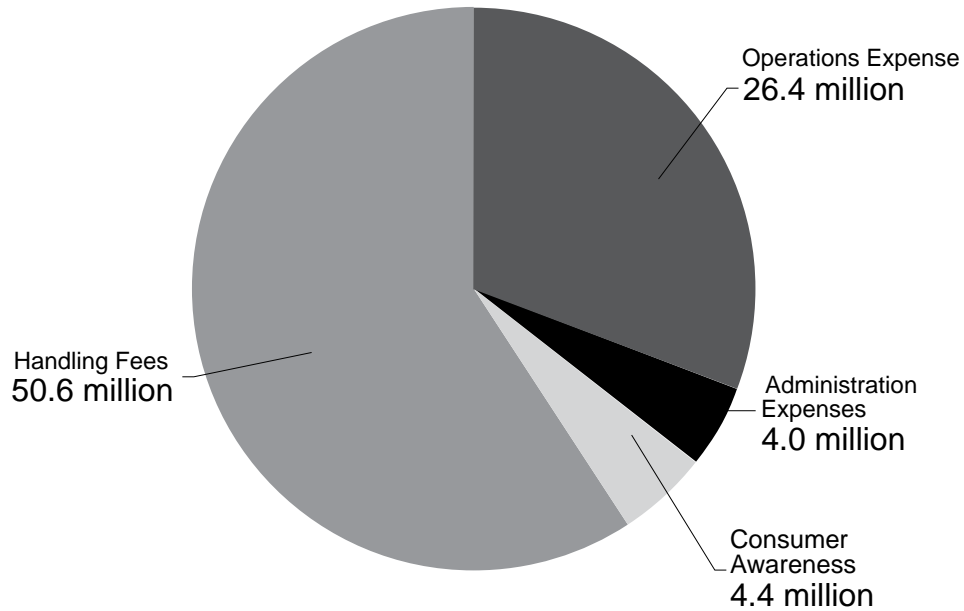
When the revenue from unclaimed deposits and from sales of collected material are insufficient to cover the costs of recovering and recycling a specific container type, a non-refundable recycling fee is added to the container to make up for the shortfall.

Other Fees

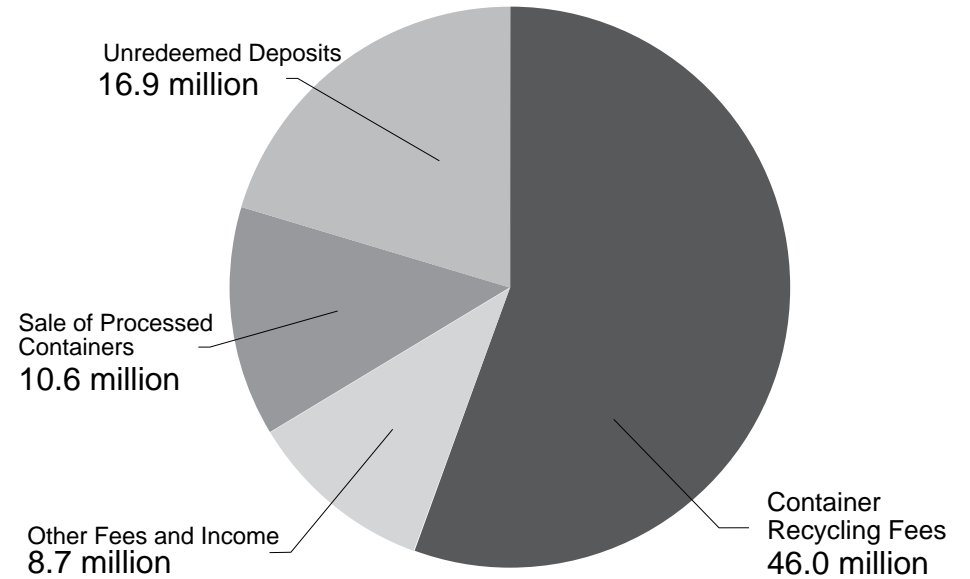
Revenues from service provider contracts.



Financing the System



Expenditures
where the money is spent



Revenue
where the money comes from



How the Money Flows

The arrows show the direction of payments for deposits and container recycling fees (CRF) and the movement of a plastic bottle. The impact of these variations can be seen on these charts.



Our Reserves – Frequently Asked Questions

The recession had a significant negative impact on our revenues. On a positive note, our recovery of containers actually increased. The net result is that our reserves built up over the period of 2002 to 2006 have been depleted.

Notwithstanding the deficit in our reserve account, our day to day operations were not affected. We continued to handle all our obligations (\$2-3 million each week) without requiring any form of debt financing. All our public education programs were maintained as were important research and development activities such as compaction and new generations of information technology.

These results bring into sharper focus the importance of adequate reserves. Here are the most frequently asked questions:

Answer: Our weekly expenses paying for deposit refunds, handling fee payments to depots, transportation and processing must be met without interruption as the many small businesses that rely on these cash payments could not be viable if there was any kind of disruption or delay in our regular and predictable pattern of payments. However, our revenues are not as reliable as they depend on the volatility of the beverage and recycling markets. Therefore we need a cushion to ride through the up and down cycles in these markets. Reserves are our cushion.

How does Encorp create reserves?

Answer: Each year we forecast the sales of beverages expected to be made in the province and our rate of collection of containers to estimate our revenues and expenses and then we determine the level of fees we will have to charge to our brandowners to ensure that we can cover our costs. By setting of the appropriate fees we can create, increase or decrease a reserve for each type of container. Combined together the individual container reserves then represent our total overall reserves.

What size of reserve is required?

Answer: From experience, we believe that we should have a minimum reserve equal to at least 4-6 week's worth of the \$2-3 million per week outgoing cash payments. This cushion will allow us to tolerate the cycles in the beverage and recycling markets.

Why does Encorp need reserves?



Financing the System

Based on 2009 financial Statements

Plastic ≤ 1L Account

Deposits	\$20.3 Million
Sale of Collectible Material	\$ 2.2 Million
CRF	\$15.5 Million
Other Revenue	-
<hr/>	
Total Revenue	\$38.0 Million
<hr/>	
Total Expenses for this Container	\$34.4 Million
<hr/>	
Surplus	\$ 3.6 Million

Total Expenses Breakdown

Deposit Refund	\$14.9 Million
Handling Fee	\$13.9 Million
Transportation and Processing	\$ 4.1 Million
Administration	\$ 0.9 Million
Consumer Awareness	\$ 0.6 Million
<hr/>	
	\$34.4 Million

Deficit end of 2008	(\$1.9) Million
Surplus 2009	\$3.6 Million
Surplus end of 2009	\$1.7 Million

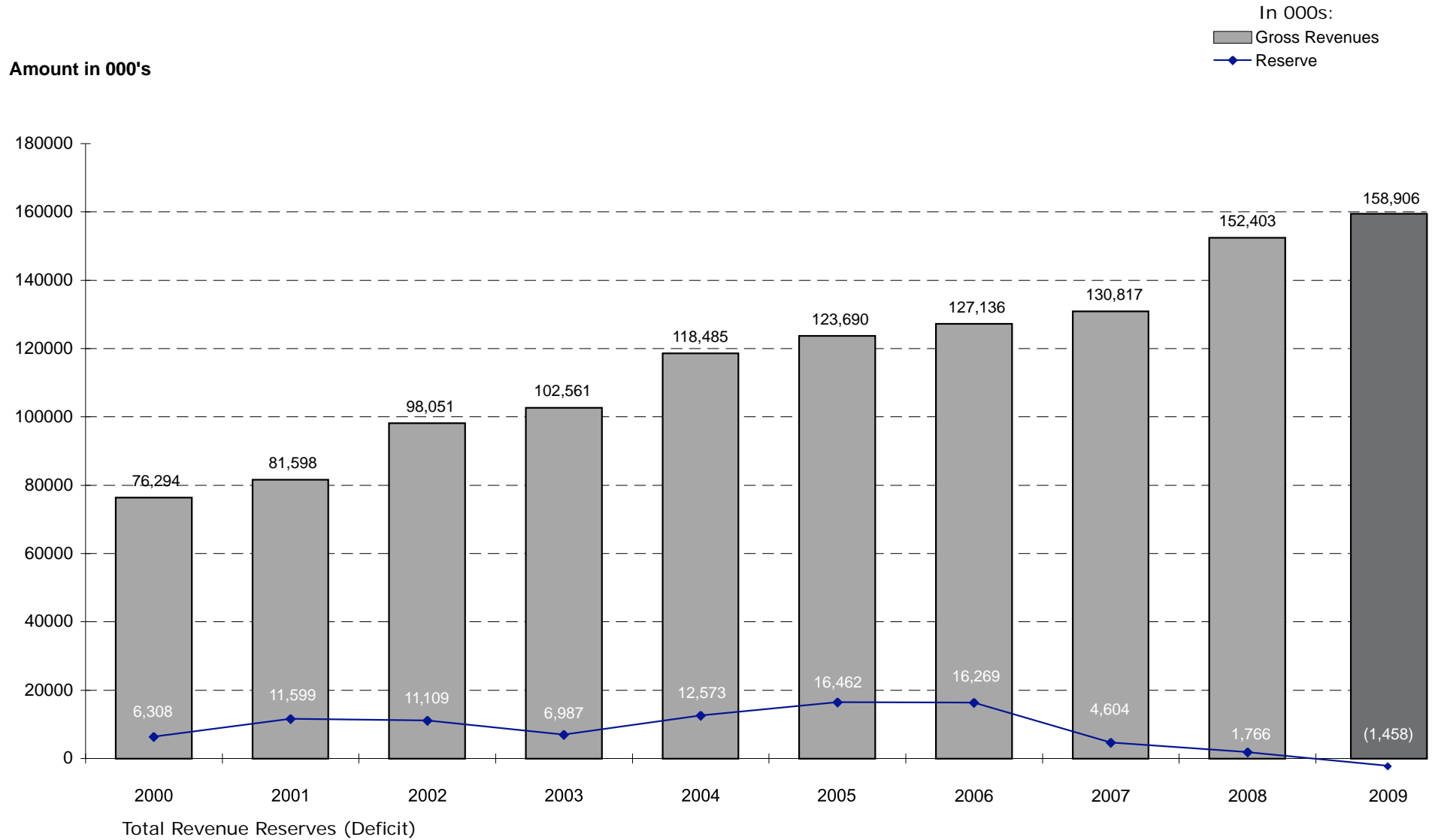


Container Recycling Fees (CRF)

Container Type	Size	Deposit Rate	1-Feb-05	1-Sep-05	1-Feb-06	1-Aug-06	1-Feb-07	1-Apr-07	1-Mar-08	4-May-08	1-Feb-09	1-Oct-09
Aluminum	0-1 L	5.0 cents	1.0 cent	-	-	-	-	-	-	-	1.0 cents	2.0 cents
Plastic	0 - 500 ml	5.0 cents	3.0 cents	3.0 cents	2.0 cents	1.0 cent	1.0 cent	1.0 cent	3.0 cents	3.0 cents	4.0 cents	4.0 cents
Plastic	500 - 1L	5.0 cents	3.0 cents	3.0 cents	2.0 cents	1.0 cent	1.0 cent	1.0 cent	3.0 cents	3.0 cents	4.0 cents	4.0 cents
Plastic	> 1L	20.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents	3.0 cents	3.0 cents	3.0 cents	3.0 cents	3.0 cents	5.0 cents
Polystyrene			1.0 cent	1.0 cent	1.0 cent	1.0 cent	1.0 cent	1.0 cent	3.0 cents	3.0 cents	4.0 cents	4.0 cents
Glass	0 - 500 ml	5.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents	5.0 cents	5.0 cents	7.0 cents	10.0 cents
Glass	500 - 1L	5.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents	5.0 cents	5.0 cents	7.0 cents	10.0 cents
Glass	> 1L	20.0 cents	5.0 cents	5.0 cents	5.0 cents	5.0 cents	5.0 cents	5.0 cents	5.0 cents	5.0 cents	7.0 cents	10.0 cents
Bi-Metal	0 - 500 ml	5.0 cents	-	-	-	-	-	-	-	-	-	-
Bi-Metal	500 - 1L	5.0 cents	-	-	-	-	-	-	-	-	-	-
Bi-Metal	> 1L	20.0 cents	-	-	-	-	-	-	-	-	-	-
Bag-in-Box	> 1L	20.0 cents	-	-	-	-	-	-	-	-	-	-
Drink Boxes up to 500 ml	0 - 500 ml	5.0 cents	-	-	-	-	-	-	-	-	-	-
Drink Boxes 501 ml - 1L	500 - 1L	5.0 cents	4.0 cents	4.0 cents	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	20.0 cents										
Gable Top up to 500 ml	0 - 500 ml	5.0 cents	-	-	-	-	-	-	-	-	-	-
Gable Top 501 ml - 1L	500 - 1L	5.0 cents	-	-	-	-	-	-	-	-	-	-
Gable Top > 1L	> 1L	20.0 cents	-	-	-	-	-	-	-	-	-	-
Drink Pouches	0-1 L	5.0 cents	-	-	-	-	-	-	-	-	-	-
Glass Wine & Spirits ≤ 1L	0-1 L	10.0 cents						9.0 cents	9.0 cents	10.0 cents	12.0 cents	14.0 cents
Glass Wine & Spirits > 1L	> 1L	20.0 cents						12.0 cents	12.0 cents	12.0 cents	14.0 cents	16.0 cents
Non-Refillable Beer, Cider, Cooler Glass ≤ 1L	0-1 L	10.0 cents						6.0 cents	6.0 cents	7.0 cents	8.0 cents	10.0 cents
Non-Refillable Beer, Cider, Cooler Glass > 1L	> 1L	20.0 cents						7.0 cents	7.0 cents	7.0 cents	8.0 cents	10.0 cents
Liquor Plastic ≤ 1L	0-1 L	10.0 cents						2.0 cents	2.0 cents	2.0 cents	4.0 cents	4.0 cents
Liquor Plastic > 1L	> 1L	20.0 cents						7.0 cents	7.0 cents	7.0 cents	7.0 cents	8.0 cents
Liquor Bag-in-Box	> 1L	20.0 cents						-	-	-	-	-



Gross Revenue vs Reserves Year 2000 - 2009



Summary of Operating Reserve (Deficit)

For the Year Ending December 31, 2009

	2006 BALANCE	2007 OPERATING	2007 BALANCE	2008 YEAR	2008 BALANCE	2009 YEAR	2009 BALANCE
Operating Reserve (Deficit)	\$10,686,595	\$(11,865,779)	\$(1,179,184)	\$(2,776,631)	\$(3,955,815)	\$(1,779,477)	\$(5,735,292)
Restricted Reserve	5,582,231	201,290	5,783,521	(61,502)	5,722,019	(1,444,715)	4,277,304
Total Reserves (Deficit)	\$16,268,826	\$(11,664,489)	\$4,604,337	\$(2,838,133)	\$1,766,204	\$(3,224,192)	\$(1,457,987)

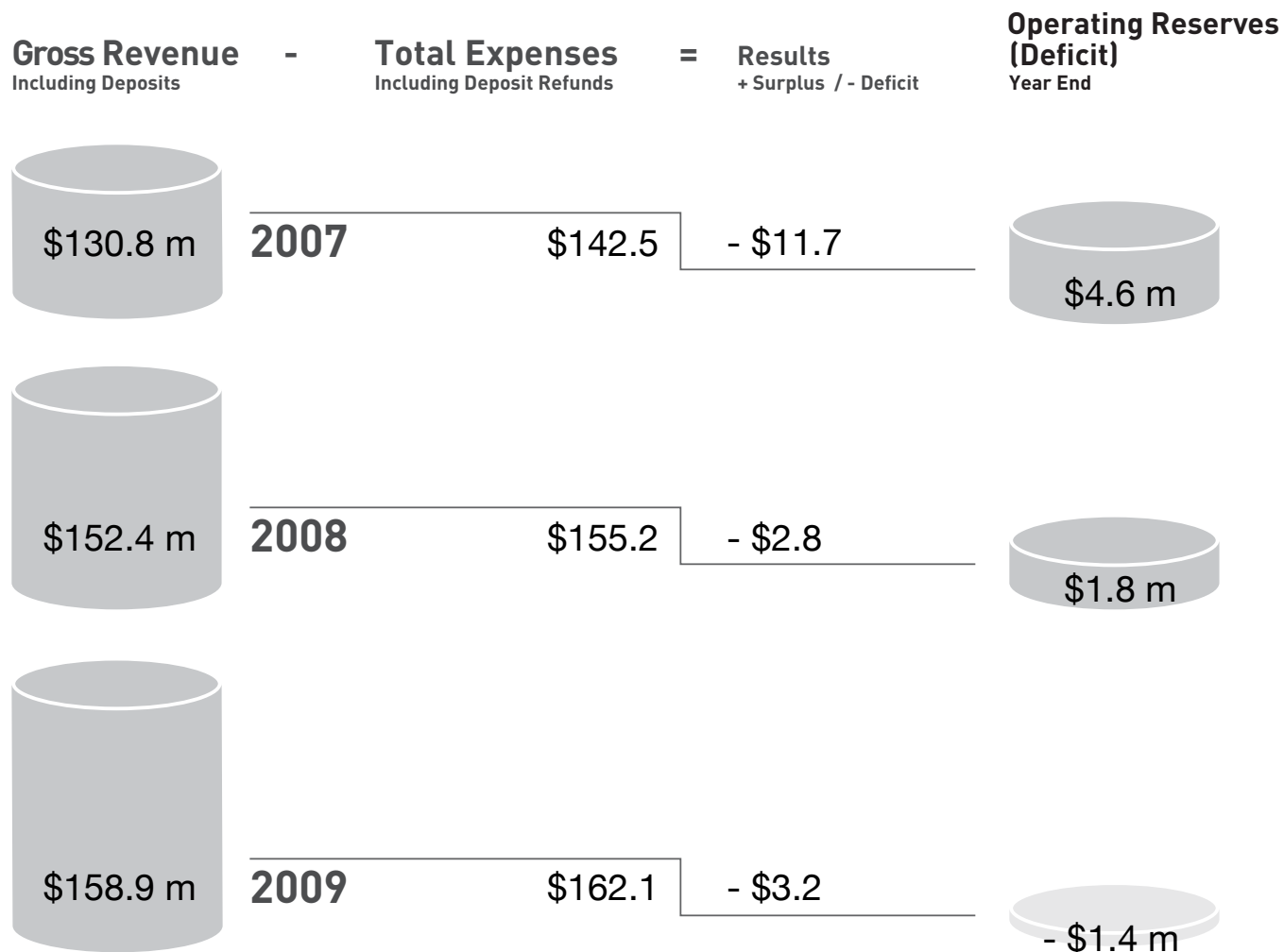


Management of Operating Reserve

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, pre-determined range over a span of years.



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



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



Encorp Pacific (Canada)

Financial Statements
December 31, 2009

April 21, 2010

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, 2009 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, 2009 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

Encorp Pacific (Canada)

Statement of Financial Position

As at December 31, 2009

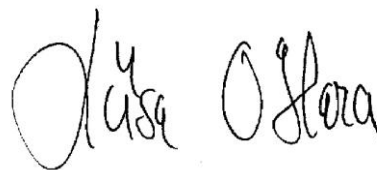
	2009 \$	2008 \$
Assets		
Current assets		
Cash and cash equivalents	8,045,307	9,483,151
Accounts receivable	4,808,032	4,618,570
Prepaid expenses and deposit	23,262	21,886
	<u>12,876,601</u>	<u>14,123,607</u>
Capital assets (note 4)	<u>977,786</u>	<u>687,985</u>
	<u>13,854,387</u>	<u>14,811,592</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	7,586,260	6,632,325
Deferred revenue	7,530,223	6,390,314
Current portion of obligation under capital lease (note 6)	77,031	22,749
	<u>15,193,514</u>	<u>13,045,388</u>
Obligation under capital lease (note 6)	<u>118,860</u>	<u>-</u>
	<u>15,312,374</u>	<u>13,045,388</u>
Net assets		
Internally restricted reserve (note 5)	4,277,304	5,722,018
Unrestricted (note 5)	<u>(5,735,291)</u>	<u>(3,955,814)</u>
	<u>(1,457,987)</u>	<u>1,766,204</u>
	<u>13,854,387</u>	<u>14,811,592</u>

Commitments (note 7)

Approved by the Board of Directors



Director



Director

See accompanying notes to financial statements.

Encorp Pacific (Canada)

Statement of Changes in Net Assets

For the year ended December 31, 2009

			<u>2009</u>	<u>2008</u>
	Internally restricted reserve \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	5,722,018	(3,955,814)	1,766,204	4,604,337
Deficiency of revenue over expenses	-	(3,224,191)	(3,224,191)	(2,838,133)
Transfer from internally restricted reserve (note 5)	(1,444,714)	1,444,714	-	-
Balance - End of year	<u>4,277,304</u>	<u>(5,735,291)</u>	<u>(1,457,987)</u>	<u>1,766,204</u>

See accompanying notes to financial statements.

Encorp Pacific (Canada)

Statement of Operations

For the year ended December 31, 2009

	2009 \$	2008 \$
Revenue		
Deposits on containers	93,579,879	94,869,078
Deposit refunds	(76,680,933)	(75,325,602)
	<hr/> 16,898,946	<hr/> 19,543,476
Container recycling fees	45,986,753	32,486,866
Contract fees	8,983,465	6,232,418
Sale of recyclable materials	10,590,443	16,377,520
Other	139,291	1,951,280
	<hr/> 82,598,898	<hr/> 76,591,560
Direct operations expenses		
Handling fees	50,594,354	47,724,788
Depot operations	235,445	377,831
Transportation and processing fees	25,883,240	24,407,832
	<hr/> 76,713,039	<hr/> 72,510,451
Other expenses (income)		
General and administrative	3,798,585	4,174,314
Consumer awareness	4,398,786	3,398,192
Amortization	538,761	375,784
Foreign exchange loss (gain)	373,918	(1,029,048)
	<hr/> 9,110,050	<hr/> 6,919,242
Deficiency of revenue over expenses	<hr/> (3,224,191)	<hr/> (2,838,133)

See accompanying notes to financial statements.

Encorp Pacific (Canada)

Statement of Cash Flows

For the year ended December 31, 2009

	2009 \$	2008 \$
Cash flows from operating activities		
Deficiency of revenue over expenses	(3,224,191)	(2,838,133)
Item not affecting cash - amortization	538,761	375,784
	<hr/>	<hr/>
	(2,685,430)	(2,462,349)
Changes in non-cash operating working capital		
Accounts receivable	(189,462)	3,082,854
Prepaid expenses and deposit	(1,377)	24,068
Accounts payable and accrued liabilities	953,935	819,297
Deferred revenue	1,139,909	(759,211)
	<hr/>	<hr/>
	(782,425)	704,659
Cash flows from investing activities		
Purchase of capital assets	(594,853)	(426,471)
Cash flows from financing activities		
Repayment of obligation under capital lease	(60,566)	(90,686)
	<hr/>	<hr/>
(Decrease) increase in cash and cash equivalents	(1,437,844)	187,502
Cash and cash equivalents - Beginning of year	9,483,151	9,295,649
	<hr/>	<hr/>
Cash and cash equivalents - End of year	8,045,307	9,483,151
	<hr/>	<hr/>
Non-cash items		
Capital assets acquired under capital lease	233,709	-

See accompanying notes to financial statements.

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2009

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.

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2009

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 a 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
Leasehold 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.

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2009

Financial instruments

The Corporation applies the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3855, *Financial Instruments - 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 statement of financial position 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 net assets. 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.

3 Change in accounting policies

Not-for-Profit Organizations

Effective January 1, 2009, the Corporation adopted retrospectively the changes to the recommendations in CICA Handbook Section 4400, *Financial Statement Presentation by Not-for-Profit Organizations*, which includes the option to eliminate the requirement to separately disclose the amount of net assets invested in property and equipment. The Corporation has therefore eliminated from the financial statements details about the amount of net assets invested in capital assets and the calculation of this amount. As a result, the Corporation has reclassified \$781,895 (2008 - \$665,236) from net assets invested in capital assets to unrestricted net assets.

In connection with the above changes to CICA Handbook Section 4400, the Corporation has also retrospectively adopted the requirement to recognize and present revenues and expenses at their gross amounts when an organization is acting as a principal in transactions. As a result, sale of recyclable materials revenue previously presented net of related transportation fees totalling \$435,113 (2008 - \$543,008) has now been presented on a gross basis.

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2009

4 Capital assets

			<u>2009</u>	<u>2008</u>
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Office equipment	397,754	283,821	113,933	123,931
Computer hardware	1,555,224	1,014,683	540,541	427,589
Computer software	524,047	207,881	316,166	106,092
Leasehold improvements	122,266	115,120	7,146	30,373
	<u>2,599,291</u>	<u>1,621,505</u>	<u>977,786</u>	<u>687,985</u>

Included in capital assets are assets under capital lease with a cost of \$233,709 (2008 - \$366,234) and accumulated amortization of \$71,246 (2008 - \$342,256).

	<u>2009</u>	<u>2008</u>
	\$	\$
Capital assets	977,786	687,985
Obligation under capital lease	<u>(195,891)</u>	<u>(22,749)</u>
	<u>781,895</u>	<u>665,236</u>

5 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 level is reviewed annually. The reserve may also be used to develop and implement strategies to improve recovery rates of these specific containers. As a result of the annual review, an amount of \$1,444,714 (2008 - \$61,502) 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.

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2009

6 Obligation under capital lease

Total minimum payments required under capital leases are as follows:

	\$
2010	77,031
2011	77,031
2012	<u>57,773</u>
	211,835
Imputed interest (rates vary from 5% to 6%)	<u>15,944</u>
Present value of minimum capital lease payments	195,891
Less: Current portion	<u>77,031</u>
Long-term portion	<u>118,860</u>

Interest of \$10,381 (2008 - \$3,533) relating to capital lease obligations has been included in depot operations and general and administrative expense.

7 Commitments

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

	\$
2010	223,880
2011	180,792

8 Fair value of financial instruments

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values 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.

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2009

9 Related parties

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

	\$
Cash	2
Shareholder's equity	2

During the year, the Corporation paid \$132,197 (2008 - \$112,581) in Board expenses, which comprise fees for directors and reimbursement of expenses.

10 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 5. 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.

11 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, 2009, the net US dollar exposure on cash, accounts receivable and accounts payable was US\$1,334,249 (2008 - US\$1,435,655).

Interest rate risk

The Corporation is not exposed to significant interest rate risk.

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2009

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.

12 Comparative figures

Comparative figures have been reclassified where necessary to be consistent with the presentation adopted in the current year. See note 3.

Thank you for recycling



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PRICEWATERHOUSECOOPERS 

Bank: Royal Bank of Canada
Auditors: PricewaterhouseCoopers