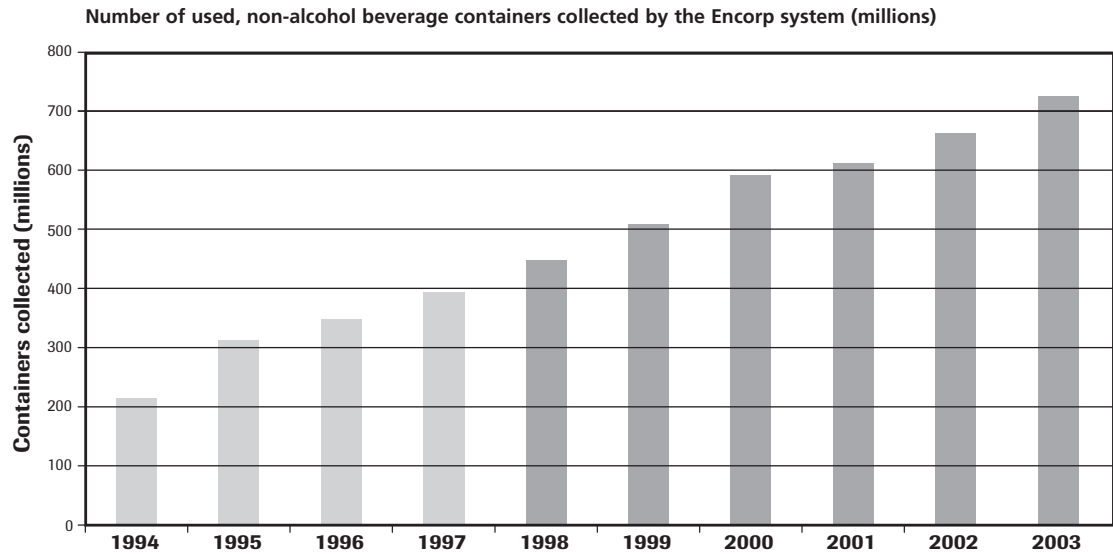


ENCORP PACIFIC (CANADA) 2003 Annual Report



In 2003, the Encorp System collected and recycled 726 million beverage containers, 55 million more than 2002

Type	Metric tonnes of material recycled	
	2003	2002
Aluminum	5,161	5,171
Plastic	9,458	8,137
Polycoat	1,854	1,703
Glass	9,315	9,366
Other	255	244
Total	26,043	24,621
Change	+5.8%	



UNAUDITED

	Containers sold		Containers recovered		% Recovery Rate	
	2003	2002	2003	2002	2003	2002
Aluminum	440,616,087	427,240,674	370,939,449	359,105,736	84.2	84.0
Plastic	285,383,850	248,383,289	229,863,636	195,646,362	80.5	78.8
Polycoat	144,631,664	145,140,655	80,268,692	74,511,666	55.5	51.3
Glass	58,126,404	59,631,288	36,818,498	37,005,345	63.3	62.1
Other Metals	5,383,915	6,147,881	2,674,850	2,794,251	49.7	45.5
Combination	14,255,915	7,058,595	5,432,216	2,318,247	38.1	32.8
TOTALS	948,397,835	893,602,382	725,997,341	671,381,607	76.6	75.1

Note: Does not include alcohol containers.

We have completed our 10th year of operation and reached a milestone – the recycling of a total of 5 billion containers since our inception in 1994.



Neil Hastie (L), Dan Wong (R)

Our efforts to divert containers away from landfill and transform them into useable new products have been quite remarkable. This recycling success story has been good for our environment, good for our businesses and good for our communities too!

Here are the significant highlights for 2003:

- Captured 55 million more non-alcohol containers, thereby achieving a recovery rate of 76.5%, up from 75.1% in 2002.
- Captured 15 million more alcohol containers as the service provider to the Liquor Distribution Branch, an increase of 12% over last year.
- Achieved a provincial recovery return rate of 172 non-alcohol containers per person, a 14.4% increase compared with 2002 and an 86% increase since the expansion of the deposit system in 1998.
- Increased the volumes for the network of 160 authorized depots by 10%.
- Effectively managed our reserves. Our accumulated surplus now stands at \$7 million as a result of a planned operating deficit in 2003 of \$4.0 million.
- Reduced direct consumer charges (container recycling fees) from \$9.4 million in 2002 to \$7.6 million in 2003.

At the same time, Encorp has been the vehicle through which beverage brand owners and their industry partners have demonstrated their commitment to packaging stewardship. The very operation of Encorp as a stewardship agency sets out

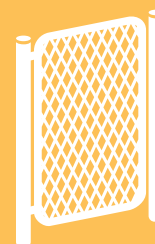
some of the winning conditions for industry operated stewardship programs; namely, good governance practices, industry/consumer funding, transparent reporting, engagement with many stakeholders and a track record of providing education and convenience to consumers at the lowest possible cost.

The depot owners and the BC Bottle Depot Association have joined with us in the pursuit of higher standards by continuing to upgrade their operations, relocating in many cases to larger, more accessible facilities. In December 2003, we authorized the opening of a new depot in downtown Victoria with more openings in Victoria, the Okanagan Valley and the Lower Mainland planned for 2004.

On this our 10th anniversary, we acknowledge the pioneering work in 1994 of John Johnston, Encorp's founding President, Bryan Walton representing the Canadian Council of Grocery Distributors and John Nixon representing the Canadian Soft Drink Association. Their foresight created the system that now delivers sound environmental benefits within an industry-managed framework.

Dan Wong
Board Chair

Neil Hastie
President & CEO



THE ENCORP STORY

In 2004, Encorp Pacific will complete its 10th year of operation and its 5th year as a product stewardship corporation. In the past 10 years many things have changed for Encorp, from the way it is structured and operated to the size of the business itself.

Much of this change has been occasioned by the unique approach to product stewardship that has been taken in British Columbia. The BC model of an industry-managed system is unusual in that it combines private sector efficiencies with a high degree of public sector transparency and accountability. This combination has resulted in a new type of organisation, the industry operated product stewardship corporation.

Encorp Pacific (Canada) has enjoyed great success in meeting its public policy and operational goals and we feel that part of the reason for this success is the type of company Encorp has evolved into to deliver the BC model for product stewardship.

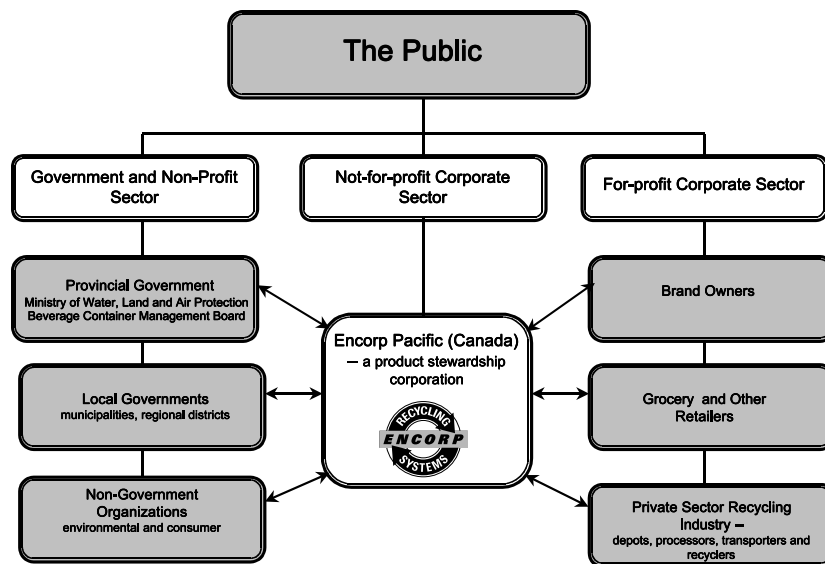
In this Annual Report, we have outlined the component parts which we believe have enabled Encorp Pacific (Canada) to succeed.

The Governance Model

The industry managed model for product stewardship which is practised in BC has proven to be one of the most effective ways of delivering public environmental policy. It allows for the incentives and competition of the private sector to be used while still ensuring that public policy is fulfilled.

The challenge for this model is to meet the very different objectives and needs that the public and private sectors often have. To satisfy all parties that their interests are being attended to, a product stewardship corporation such as Encorp requires as open a governance model as possible; one which is always sensitive to the needs of a wide range of stakeholders.

The diagram below shows where Encorp is positioned between the for-profit private sector and the public sector:



The Choice for Industry

An even more critical success factor in delivering product stewardship is the corporate culture, radically different from a for-profit company, which must be established if a privately-owned, industry stewardship company is to succeed.

Once government has made the policy decision requiring an industry to take care of its products or packaging at end-of-life, the choice faced by the companies affected is between:

- Allowing the government, itself, to establish the fees, collection procedures and the collection system
- OR
- Managing the system themselves

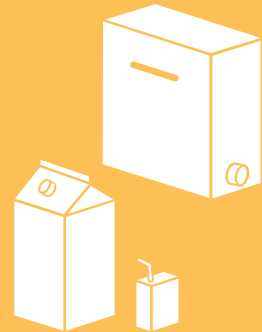
Industry opposition to government-run systems may be predictable but industry self-managed systems also face structural difficulties based on the fundamentals of the market system.

To illustrate:

To be successful, a for-profit corporation requires:	To be successful, industry product stewardship requires:
Brand supremacy in order to acquire market share	All products are generic, separated only by the specific costs associated with handling each category
Commercial confidentiality to protect innovation and financial information	Detailed data must be provided to ensure that costs are equitably shared
Self reliance, any cooperation limited to strictly defined partnerships	Success is achieved through a co-operative
Lobbying for self interests	Companies delegate their interests to the stewardship corporation

British Columbia opted for the industry-run system and Encorp Pacific, during 10 years of operations, including 5 years as the product stewardship corporation for the expanded deposit-refund system, has delivered on these success factors.

- The BC model for industry product stewardship provides:
 - ◇ **Public policy delivery for government**
 - ◇ **Cost effective solutions for brand owners**
 - ◇ **Lowest cost and highest convenience for consumers**
 - ◇ **Broad stakeholder input and influence**



SUCCESS FACTORS FOR INDUSTRY PRODUCT STEWARDSHIP

Not for profit corporate status – This status ensures that Encorp’s decisions are directed solely towards fulfilling its public policy mandate and its commitment to cost-effectiveness; the company is not concerned with actions which might improve its profitability at the expense of either. Encorp’s position as, in effect, a single entity managing the system, also requires that it not be seen to be profiting from this position. Brand owners are assured that Encorp is not competing with them for profit in the marketplace, consumers are assured that Encorp is not profiting from government regulation.

- ***Not for profit means that performance comes first***

“Unrelated” Directors on the Board – The expertise and experience of directors from the beverage industry, combined with that of directors who have no connection to the industry, provides a balanced perspective to the Board’s decision making.

- ***Encorp’s Board meets many of the requirements the Toronto Stock Exchange asks of its listed public companies***

Advisory Committee – To supplement the knowledge and perspectives of the Board of Directors, Encorp has established a broadly-based Advisory Committee which ensures that a wide range of stakeholder interests is not only represented but also has the opportunity to voice its concerns directly to the Board. This committee is another example of how Encorp has organized itself to meet the needs of the BC model for product stewardship.

- ***Local governments, small brand owners and environmental NGOs have a direct line to Encorp’s Board of Directors***

Public reporting and accountability – As a private company, Encorp Pacific is not required to publish detailed financial reports, however, due to its unique position as a product stewardship corporation, Encorp publishes detailed information on its operations and finances. This degree of disclosure is part of the company’s efforts to assure stakeholders that its operations are in keeping with its mandate and to support the continuation of the industry product stewardship model.

- ***In BC, in contrast to many Canadian jurisdictions, it is industry, and not government, that is accountable for the finances of the system***

No cross subsidization between product categories – In addition to reflecting the actual costs of recovering and recycling each category, a worthy environmental goal on its own, this policy provides assurances to brand owners that their product decisions will not benefit their competition through a blending of costs and revenues. This is particularly true in categories where recovery costs are low and the value of the recovered materials is high.

In addition, the BC system of industry product stewardship eliminates the cross-subsidies which exist in many other jurisdictions where any surplus funds collected for a particular recovery and recycling program either go into general government revenues or are used to support programs for completely different products.

- ***Brand owners can support a system which doesn’t subsidize their competition and doesn’t fund government operations or non-related recycling programs***



Equitable treatment for all brand owners – Product stewardship, regardless of product category, will always involve a wide range in the size and influence of individual brand owners. Only if there is a situation in which all brand owners, regardless of company size, feel that they are receiving equitable treatment will small companies sign on, and remain with, a product steward. The use of visible Container Recycling Fees provides constant confirmation to brand owners that all products using the same container type are treated the same way.

- ***Fees are based on the costs of handling each container, not on the size of the brand owner's company or market share***
- ***Brand owners are under no requirement to appoint Encorp as their agent and can change their appointment with as little as 90 days notice***
- ***Encorp must earn a brand owners business by providing the best solutions***

Minimizing the impact on consumer prices – In addition to the overall recovery rate, a key measure of Encorp's success is its ability to minimize the impact of its activities on consumer prices. Keeping the costs of recovery and recycling as low as possible is vital if consumer and brand owner support for the system is to be maintained. Encorp is constantly researching efficiency improvements in all aspects of its system including expansion into other product stewardship programs where this will provide overall cost savings for the system. Recovery and recycling of post-consumer products cannot be self-sustaining solely on the basis of the value of commodities collected, it requires a subsidy from other sources, usually the consumer. Encorp's mandate is to keep that subsidy as low as possible without jeopardizing our recovery rate.

- ***In the recycling and materials recovery industry, increasing the scale of operations means lower costs***
- ***The Encorp model passes those savings along to consumers in the form of minimum possible recycling fees***

Operations through third-party contracts – Encorp takes advantage of the private sector market when it comes to operational delivery. Since Encorp doesn't own any part of the collection, processing, transportation and material recycling system it has the ability to regularly test the market to ensure that cost efficiencies are being realized. This also allows for innovation to be integrated into the system as soon as it has proven itself to be of value.

- ***Contracting for services encourages competitive bids and provides opportunities for all sizes of companies***

Consumer focus – Encorp has achieved its results by recognizing that any successful recovery system needs strong consumer support. From extensive consumer research and market testing have come new, targeted consumer programs which, in turn, have boosted recovery rates. Encorp recognizes the need for consumer convenience and choice so that the return process is as easy as possible. A competitive market is a critical component of providing a high level of consumer service; Encorp's policy of competitive contracts for the provision of services is designed to provide a broad choice at the service delivery level.

- ***Encorp strives to be a consumer-focussed company using the same communications techniques for recovery as brand owners use for sales***



RELOCATED DEPOTS IN KELOWNA, SARDIS AND PRINCE RUPERT ARE ATTRACTING MORE CUSTOMERS THAN EVER



The new Prince Rupert depot is clean & attractive.



In-store posters reinforce the Encorp media message.



Graham Middleton & Ida Verzyl, owner operators of the Prince Rupert Bottle Depot.



Columbia Bottle Depot's new location has enjoyed large volume increases.



Owner Peter Acland & staff assist customers in the new facility.

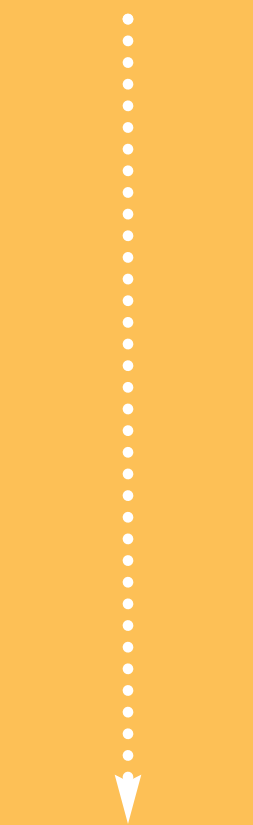
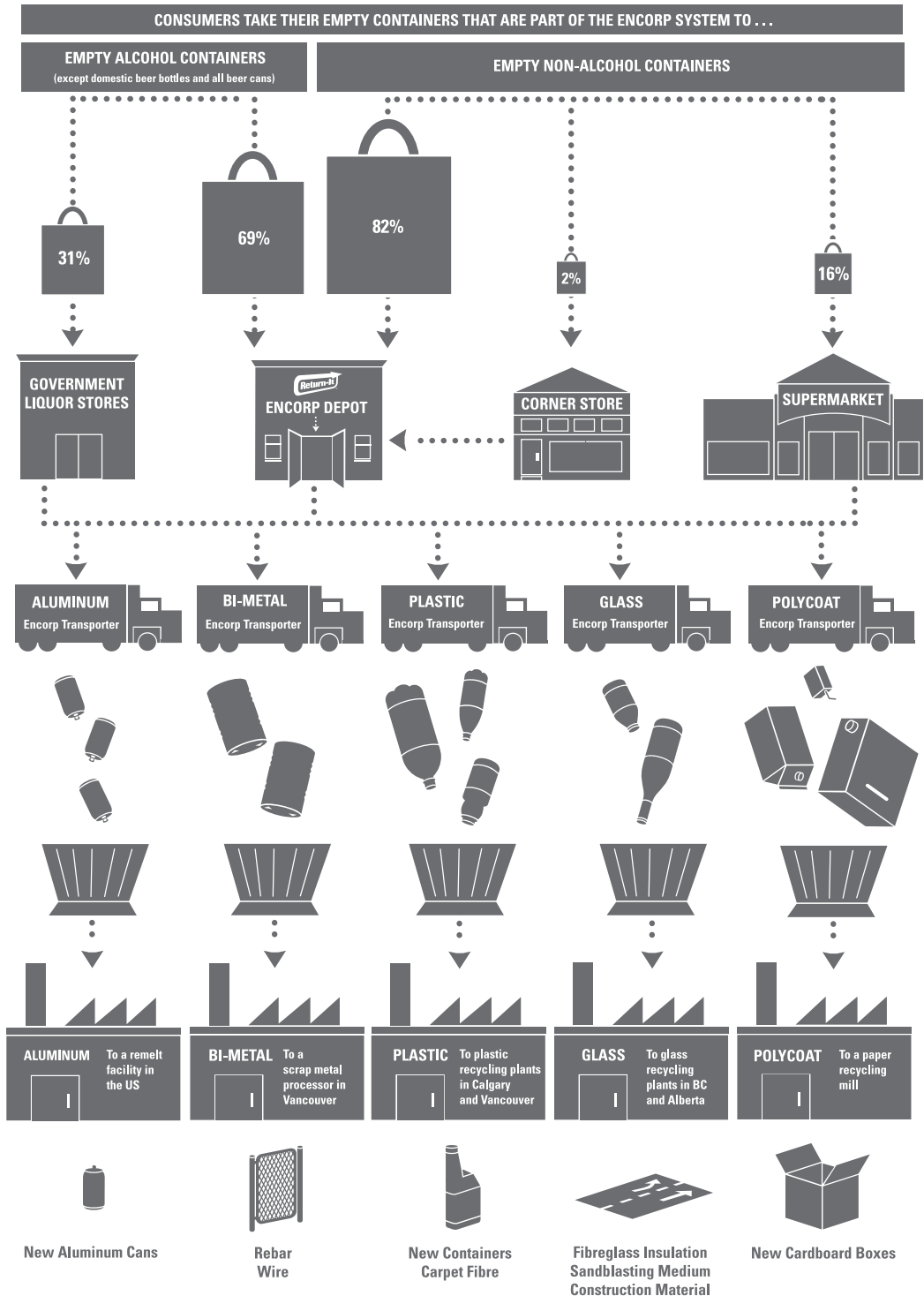


In the two years since relocating, the Sardis Depot has seen its volume nearly double.



THE ENCORP PACIFIC COLLECTION SYSTEM

This graph shows how the Encorp system collects beverage containers from many sources, transports them and sends them to be made into new products.



LOGISTICS AND QUALITY ASSURANCE

Logistics

To move containers collected through the network of depots, grocery stores and Government Liquor Stores, Encorp utilizes a blend of small local carriers and major provincial transport companies. This transportation system, comprised of approximately 35 different companies, picks up containers from over 800 locations around the province and delivers them to one of 15 processors. The processors consolidate and compact the materials by baling or crushing to generate maximum weights of commodities for shipment to markets.

Quality Assurance

The Quality Assurance program begins right at the depot level where Encorp utilizes a “secret shopper” program to verify that consumers are being paid accurate refunds on their containers. The information provided by this program is used to identify problem areas for depot operators and to assist them in improving their operations.

The next steps in the process take place at the Quality Assurance centre which randomly selects shipments from depots and grocery retailers to audit. The centre has a continuous program to refine and improve its ability to audit and assess container streams received from hundreds of collection points around the province.

Among the improvements added in 2003 at the QA centre was new equipment which electronically counts containers. These systems count all types and sizes of containers, further enhancing the accuracy of audits.

Improved counting and control by depot operators has also been in evidence over the past three years. A key measure of depot accuracy is the percentage of variance from required counts for containers; the table below shows how this has improved dramatically since 2001:

2001		2002		2003	
Number of audits	% variance	Number of audits	% variance	Number of audits	% variance
4,141	0.99	4,714	0.71	5,057	0.54

Even with an increasing number of audits, overall depot accuracy has improved significantly. The QA centre has also noted a direct correlation between the experience of the individual operator and the degree of accuracy; the more experienced the operator, the lower the variance percentage.

- ***Experienced depot operators usually have very little difficulty maintaining accurate container counts either at the consumer level or in packaging for shipment to Encorp***



WHERE THE MONEY COMES FROM

REVENUES

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

Sale of collected materials – All the collected aluminum, plastic, polycoat, bi-metal and glass collected is sold on the open market. Revenues vary from a high of \$1,500 per tonne for aluminum to zero for glass

Container recycling fees – Where the above two sources of revenue are insufficient to cover the costs of recovering and recycling a particular container type, a recycling fee is added

Other fees – Revenues from service provider contracts

WHERE THE MONEY IS SPENT

EXPENSES

Deposit refunds – Paid to depots and grocery retailers to reimburse them for the deposits they have paid to customers

Handling fees – About 62% of all Encorp's expenses are the handling fees paid to depots and grocery retailers for collecting containers from customers

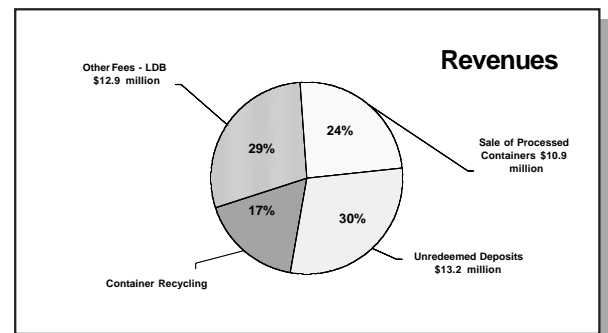
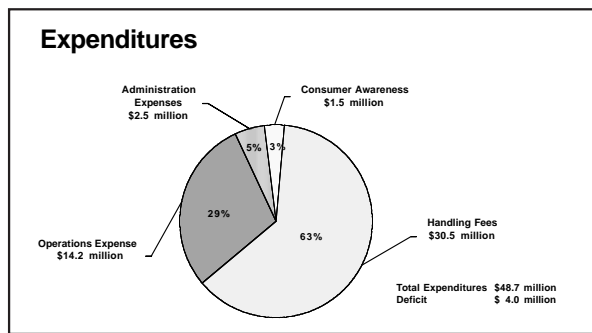
Transportation and processing – Contracted trucking companies collect containers from depots and grocery retailers and take them to processors where they are compacted for shipment

Consumer education and awareness – Programs which encourage consumers to return containers for recycling

Administration – Management of contracts, collection of revenues and payment of expenses

The charts below show the breakdown of all revenue and expenses for Encorp Pacific for 2003

Summary of Operations – Including Alcohol Containers
Year Ended December 31, 2003



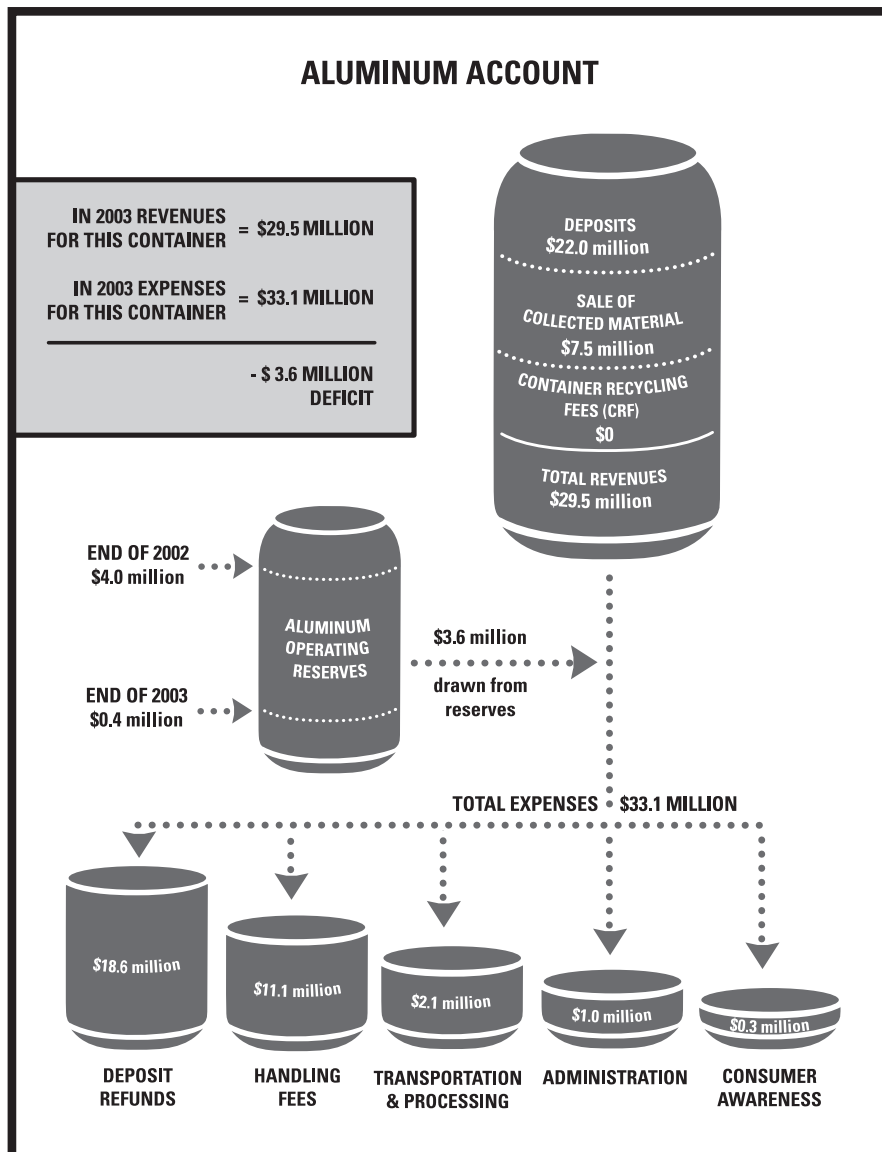
OPERATING RESERVES

As the guarantor of the funds required to reimburse consumer deposits and pay for the costs to operate the system, Encorp maintains operating reserves. The objective for these reserves, over a span of several years, is that they will remain fairly constant at determined levels. When reserves build up beyond those levels, measures are taken to bring them back into line. These measures may include a reduction in the CRF or an increase in activities to improve the recovery rate.

Overall, for 2001 and 2002, operating reserves grew in several large categories resulting in increased reserves being held by Encorp. In 2003, the Container Recycling Fees for several categories were reduced or eliminated. The result was that, overall for 2003, Encorp incurred a deficit of about \$4 million which reduced its operating reserves by one third. In some container categories, in particular that for aluminum cans, the operating reserve was exhausted. With no reserve for these categories Encorp has announced increases in the Container Recycling Fee for 2004 which will offset the deficit in these container categories.

- **Encorp's operating reserves are being used, as planned, to stabilize the finances of the collection system**

The following graphic shows how the reserves have been used to support the recovery of aluminum cans over the past year:

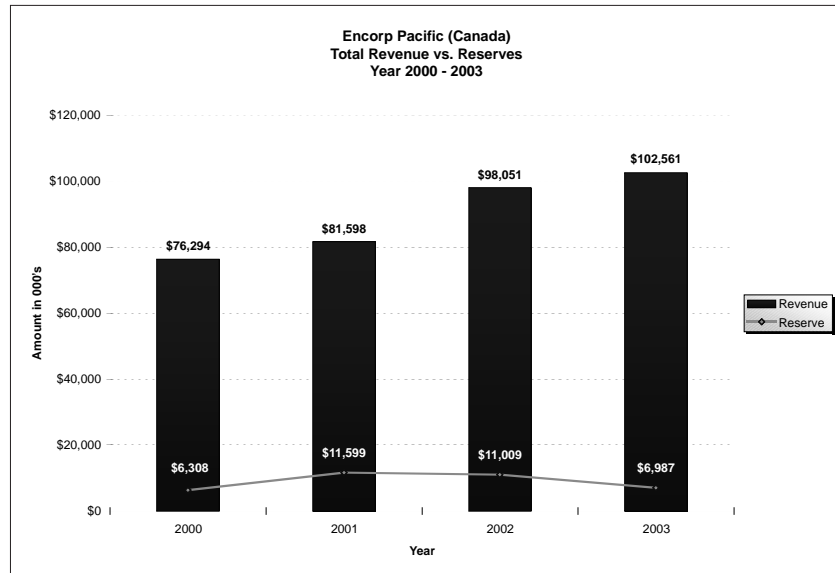


INTERNALLY RESTRICTED RESERVES

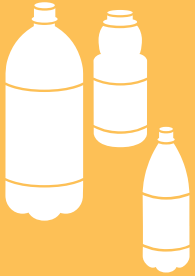
In 2002, the Encorp Board of Directors agreed to establish an Internally Restricted Reserve for those containers with a low recovery rate. The use of this reserve is restricted to improving the recovery rate for these containers and for moderating future Container Recycling Fees as the recovery rate for them improves. Reserves are reviewed annually by the Audit Committee and the Board of Directors.

Detailed information on how the total reserves for all container categories changed in 2003 is contained in the following table:

	Invested in capital assets	Internally restricted reserve	Unrestricted	2003 Total	2002 Total
Balance, beginning of year	\$ 264,852	\$ 4,304,161	\$ 6,440,346	\$11,009,359	\$ 11,599,068
Deficiency of revenue over expenses	(72,568)	-	(3,949,835)	(4,022,403)	(589,709)
Investment in capital assets	36,750	-	(36,750)	-	-
Internal restrictions	-	3,164	(3,164)	-	-
Balance, end of year	\$ 229,034	\$ 4,307,325	\$ 2,450,597	\$ 6,986,956	\$ 11,009,359



This graph shows the operating reserves relative to the overall size of Encorp's business activities.



CONTAINER RECYCLING FEE

The following table shows how the CRF has changed over time for many container types.

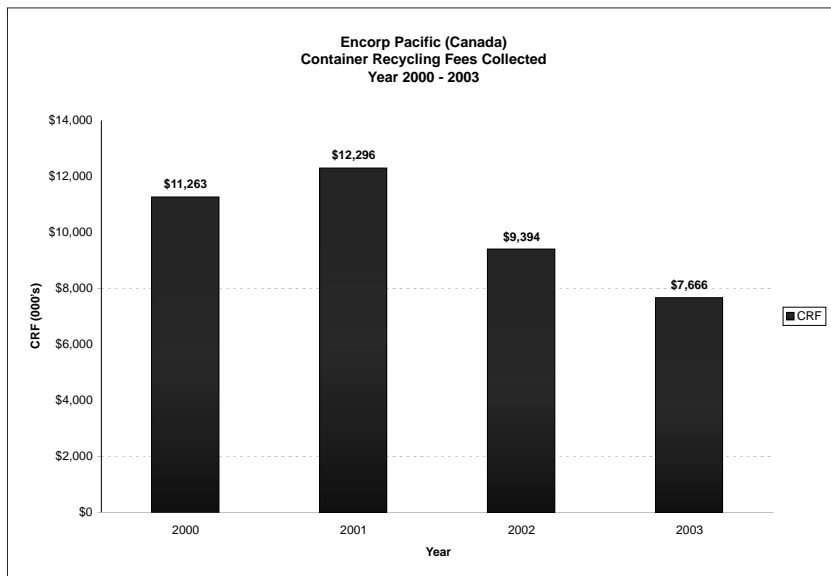
Container Recycling Fee History – Major Categories*

Container type	CRF included in retail price until spring 2000				CRF shown separately by most grocery retailers after spring 2000		
	1999	2000	2001	2002*	2002**	2003*	2004*
Aluminum cans	0¢	1¢	1¢	1¢	0¢	0¢	1¢
Plastic up to 500ml	0¢	1¢	1¢	1¢	1¢	1¢	3¢
Plastic 501ml to 1L	1¢	2¢	2¢	1¢	1¢	1¢	3¢
Plastic over 1L	4¢	5¢	5¢	5¢	4¢	4¢	4¢
Glass up to 1L	3¢	3¢	3¢	3¢	3¢	3¢	4¢
Glass over 1L	7¢	7¢	7¢	5¢	5¢	5¢	5¢
Drink box up to 500ml	N/A	0¢	0¢	0¢	0¢	0¢	0¢
Drink box 501ml to 1L	N/A	0¢	1¢	2¢	2¢	3¢	4¢
Gable top up to 500ml	N/A	0¢	0¢	0¢	0¢	0¢	0¢
Gable top 501ml to 1L	N/A	0¢	1¢	1¢	1¢	1¢	0¢
Gable top over 1L	N/A	0¢	0¢	0¢	0¢	0¢	0¢
Bi-metal less than 1L	N/A	0¢	0¢	0¢	0¢	0¢	0¢
Bi-metal over 1L	4¢	4¢	2¢	0¢	0¢	0¢	0¢
Bag-in-a-box over 1L	4¢	4¢	4¢	0¢	0¢	0¢	0¢

Containers up to and including 1L – 5¢ deposit
Containers over 1L – 20¢ deposit

*February 1
**July 1

* A complete list of current CRF amounts is available on our website – www.encorp.ca



This graph shows the total value of container recycling fees collected each year.

SUPERMARKET	
SOFT DRINKS-12 PACK	4.49
Deposit	0.60
Recycle Fee	0.12
ICED TEA	1.69
Deposit	0.05
Recycle Fee	0.04
ORANGE JUICE	1.59
Deposit	0.05
Recycle Fee	0.01
BOTTLED WATER	1.99
Deposit	0.05
Recycle Fee	0.03
PEACH JUICE	2.69
Deposit	0.05
Recycle Fee	0.04
Amount Due	13.49
CASH	20.00
Change	6.51
Date	02-22-2004
Time	14:22
Lane	5
Clerk	97035
Transit#	4657

The CRF appears on most till tapes like this.



CONSUMER AWARENESS AND EDUCATION

Continuous improvement in recovery rates, and more units recovered, are at the top of the list when measuring the success of Encorp's consumer awareness planning and strategies.

2002 was a great year, with an increase in the recovery rate from 72% to 75%, and 59 million more containers collected, in 2003 we continued to improve our results:

- An increase in the overall recovery rate to 76.5%
- An increase in total containers collected of 55 million bringing the total to more than 726 million
- An increase in the recovery rate of 8% even while sales increased by 6%

How do we do it? By approaching the problem in the same way that any consumer product company would.

Encorp's strategic marketing formulas are based on:

- Annual market research to determine recycling motivators
- Developing messaging, based on the research, that will convince people to recycle more
- Continuously monitoring each container stream to determine which ones we need to focus on, when is the best time to promote them and how much promotion is needed
- Keeping our messages simple, our production costs low and maximizing our media purchases
 - o About 20% of the budget is spent on production
 - o 80% of the budget is spent on media purchases for a combination of 15 and 30 second commercials, 10 second closed-captioning sponsorship, public service announcements and interstitial spots
 - o The program runs for 52 weeks of the year keeping the need to recycle constantly in the public's mind



Samples of Print Materials

Specialized Programs

Elementary Schools

- Increased registration from 282 to 308 schools during the 2002/03 year
- Elementary schools collected a total of 2,185,647 containers equaling \$153,952 in deposit refunds
- Encorp awarded \$3,000 in cash prizes to 9 winning schools

High Schools

- Now in its first full year of operation during the 2003/2004 school year
- For the 2002/2003 school year 101 schools signed up
- High schools collected 81,6324 containers equaling \$71,412 in deposit refunds
- Encorp awarded \$3,000 in cash prizes to three winning schools
- The winner in the largest school category was Robert Bateman who collected 95,597 containers and made close to \$6,000 for their school



2002/2003 Winners

Community Groups

- The newest addition to our line up of specialized programs
- Encorp sponsors container collection contests four times per year
- Depots get involved with groups in their area and the winners are rewarded with advertising packages, and prizes for the kids



2003 Winners



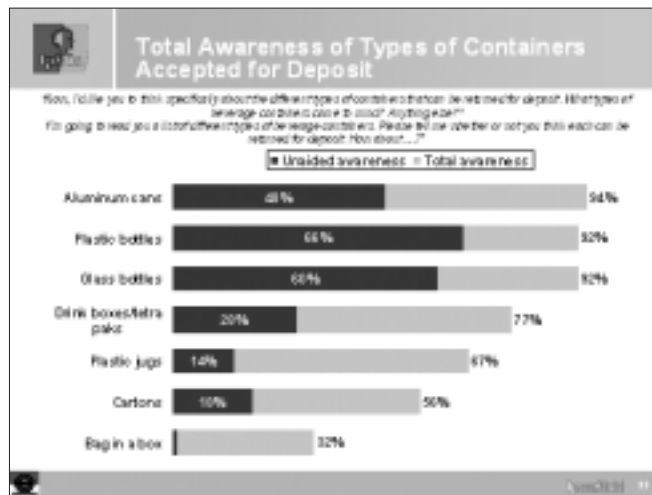
Market Research

Annually, Encorp commissions Ipsos-Reid to conduct a province-wide market research study to track consumer awareness, profile behavior, and attitudes; 2003 marked the fifth wave of this tracking study. A total of 1,200 telephone interviews were conducted between November and December 2003. This level of survey provides 95% certainty that our total results are plus or minus 2.8% of the result had we interviewed very British Columbian over 16 years old.

We specifically, and in detail, tracked the following:

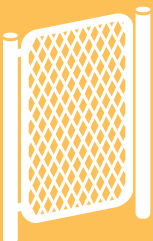
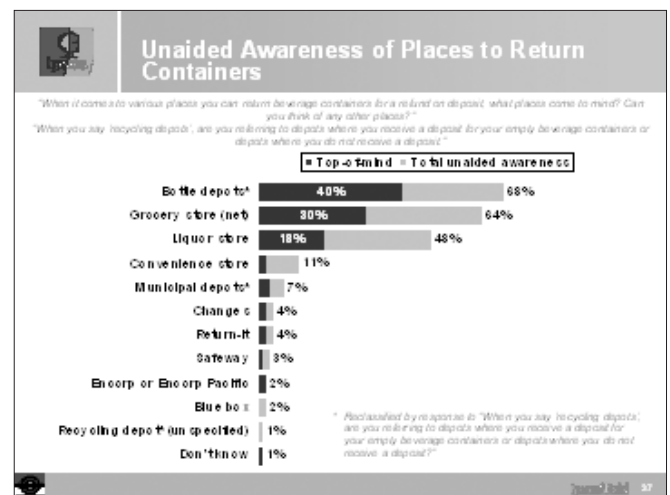
- Awareness of deposit-bearing beverages and containers
- Perceived value of the deposit on alcohol and non-alcohol beverage containers
- Awareness of return locations
- Brand awareness of both Encorp and Return-It
- Consumer return behavior by beverage type
- Motivation for returning containers
- Barriers to returning containers
- Importance placed on specific features and aspects of the recycling/bottle depot

Some of our key findings:



Overall consumers are informed about the types of beverage containers that are accepted for deposit refund. Awareness that aluminum cans, plastic and glass bottles are accepted is extremely high. Awareness has improved for all containers assessed in this study.

Bottle depots continue to place first in terms of destinations for returning containers. Encouragingly, BC consumers appear to be more informed this year on various locations that they can return containers for deposit refund, as awareness of all destinations has increased since last year.



Web Applications

Improved Web Applications have made it easier for all of our stakeholders to do business with us. Encorp has used its web site for several years to administer its School Programs and it has acted as a very useful information centre for the company.

This year's highlights

- Online Brand Owner product registration and sales reporting feature
 - o Provides an easy to use, streamlined procedure which automatically calculates both deposits and recycling fees, and keeps track of all products sold in BC.
- Depot Operators intranet
 - o Encorp collection points can easily log on and see the volumes of Encorp product they have collected, and also what has been collected in their area.
 - o This application also has many more features for Depot Operators which includes the ability to quickly reference or place orders for supplies.



ENCORP PACIFIC (CANADA) BOARD OF DIRECTORS 2003



Rear L to R – Colleen Newell, David Ryzebol,
Larry Brookes, Bryan Walton, Liisa O'Hara
Front L to R – Gemma Zecchini, Neil Hastie,
Dan Wong, Janice Harrington
Inset – Dale Parker (L), Lorne Campbell (R)



NAME	TITLE	ENCORP AFFILIATION	COMMITTEES
Dan Wong – Chair	President, D. Wong & Associates Public Affairs	Juice Council of British Columbia	* Audit * Governance * Compensation
Larry Brookes	VP Industrial Operations Danone Waters of Canada	BC Bottled Water Association	* Audit * Nominating
Lorne Campbell	Vice President of Grocery Operations Thrifty Foods	Canadian Council of Grocery Distributors	* Compensation
Janice Harrington	Manager of Public Affairs - Western Canada Coca-Cola Bottling Company	Refreshments Canada	* Nominating
Neil Hastie	President & CEO Encorp Pacific (Canada)	Inside Director	* Nominating
Colleen Newell	VP Environment & Government Affairs Pepsi-QTG Canada Ltd.	Refreshments Canada	* Governance
Liisa O'Hara		Unrelated director	* Audit * Nominating
Dale Parker		Unrelated director	* Governance * Compensation
David Ryzebol	Vice President Public Relations and Government Affairs Canada Safeway Limited	Canadian Council of Grocery Distributors	* Nominating
Bryan Walton	Vice President, Western Region Canadian Council of Grocery Distributors	Canadian Council of Grocery Distributors	* Governance
Gemma Zecchini	President and Chief Executive Officer Refreshments Canada	Refreshments Canada	* Audit * Compensation

Encorp Committees

ADVISORY COMMITTEE 2003

Andy Telfer (Chair)	Coast Waste Management Association
Wally Erickson	SFU/Delta Recycling
Al Lynch	North Shore Recycling Program
Ken Lyotier	United We Can
Russell Moore	Greatwater Custom Label Inc.
Mondee Redman	Burnaby School District #41
Brenda Southam	BC Bottle Depot Association
Catarina Wong	Coremark International Inc.
Natalie Zigarlick	Recycling Council of BC



ADVISORY COMMITTEE

*Rear L to R – Brenda Southam, Ken Lyotier, Russell Moore, Mondee Redman
Front L to R – Catarina Wong, Andy Telfer, Natalie Zigarlick, Al Lynch
Absent from photo: Wally Erickson*

How Encorp’s Board of Directors and Committees Work

The Board determines the company’s strategy and policies, sets objectives for the CEO, approves budgets and fees, and provides oversight of Encorp’s operations through quarterly board meetings and an annual one-day strategic planning workshop.

In addition, there are four Board committees, namely, Audit, Human Resources and Compensation, Nominating and Governance. These committees meet on a regular basis to do research and analysis on their assigned areas and, from these meetings, provide policy advice to the full Board.

The Advisory Committee, a non-Director committee, meets twice annually to review and comment on Encorp’s budget, consumer awareness programs and any other issues identified by members of the Advisory Committee.

The Board, and all Encorp committees, are operated on the understanding that Encorp, although a private company, has no shareholders in the traditional sense. Therefore, the Board works diligently to balance the needs of consumers as well as those of a broad group of stakeholders in both the public and private sectors .



Brand Owners Represented By Encorp

7-Eleven Canada

A. Bosa & Co. Ltd.
 A. Lassonde Inc.
 Acklands - Grainger Inc.
 Adanac Food Importers Ltd.
 Albi Beverages Division of Triton Marine Group
 Alfresh Beverages Canada Corp.
 Allcity Importers Ltd.
 Alta Beverage Corporation
 Amari Enterprises Inc.
 Anchor Foods International Ltd.
 Arctic Chiller Ltd.
 Artesian Ice Ltd.
 Avani Water Corporation
 Aviara Sales Inc.

Bimex Marketing & Distribution Inc.
 Bioforce Canada Inc.
 Blackwell Dairy Farm Inc.
 Blasko's Ice & Artesian Spring Water
 Blue Spike Beverages Inc.
 Bottle Green Drinks Co. Canada Inc.
 Bremner Foods Ltd.
 Bridge Brand Food Services Ltd.
 Buy-Low Foods Ltd.

C.F. Inc.
 Calkins & Burke Limited
 Campbell Soup Company of Canada
 Canada Pure Water Co. Ltd.
 Canada Safeway Limited
 Canada Youth Orange Network (CYONI)
 Canada's Choice Spring Water Inc.
 Canadian Choice Wholesalers Ltd.
 Canadian Springs Water Company
 Canda Enterprise Co. Ltd.
 Carley Spring Water Sales
 Cawston Cold Storage Ltd. / Nature's First Fruits
 Central Boeki Canada Ltd.
 Chilliwack Water Store Ltd.
 Clearly Canadian Beverage Corp
 Clubwater Incorporated
 Coca-Cola Bottling Ltd.
 Concord Sales Ltd.
 Continental Importers Ltd.
 Continental Packaging Ltd.
 Core-Mark International Inc.
 Corinthian Distributors Ltd.
 Costco Wholesale
 Cott Beverages Canada
 Culligan Private Reserve

Dan-D Foods Ltd.
 Danone Waters of North America Inc.
 Dattani Wholesalers (a Div. of Dattani Foods Ltd.)
 Debaji Citadel
 Diamond Springs Water Co.
 Distribution Missum Inc.

Dole Foods of Canada Ltd.

Eaux Vives Harricana Inc.
 Echo Springs Co. Inc.
 Edoko Food Importers Ltd.
 Elco Fine Foods Inc.
 Elko Developments Ltd.
 Eurobubbles Canada Inc.

Falesca Importing Ltd.
 Far East North America Food Ltd.
 Far-Met Importers Ltd.
 Federated Cooperatives Ltd.
 Fok's Trading (Canada) Ltd.
 Fountain Drinks (Canada) Co. Ltd.
 Fukuda Trading Co. Ltd.

Garland International Holdings (Canada) Ltd.
 Garrod Food Brokers Ltd
 Glacierwind Specialties
 Global H2O Resources Inc.
 Golden Boy Foods Inc.
 Great Western Brewing Company Limited
 Greatwater Custom Label Inc.

H. J. Heinz Co. of Canada Ltd.
 H.Y. Louie Co. Ltd.
 Hanif's International Food Ltd.
 Happy Planet Foods Inc.
 Hong Dao Business Development Ltd.
 Hood River Juice Company, Inc.
 Horizon Distributors
 Horsting's Farm Market
 Hung Gay Enterprises Ltd.

I-D Foods Western Corp/Snapdragon Natural Foods
 Indigo Beverages
 Inform Brokerage Inc.
 Intersave West Buying & Merchandising
 Invenere Hardware & Building Supplies Co. Ltd.
 Island Farms Dairies Co-op Association

J West Food Systems Ltd.
 Jace Holdings Ltd. (Thrifty)
 Jet Trading Co. Ltd.
 Jiva Organic Manufacturing & Distributors Inc.
 Jones Soda Co.
 Joriki Inc.

K Mart Canada
 Kan-Pak
 KO&C Enterprises Ltd.
 Konings
 Kootenay Springs Ltd.
 Kraft Canada Inc.
 Kwong Man Sang Co. Ltd.

Lakeport Brewing Corporation
 Landmark Dairy Ltd.
 Le Kiu Importing Co., Ltd.
 Leading Brands of Canada, Inc.



Left Coast Trading Company Inc.
Lekker Foods Distributors Ltd.
Liusco Enterprises Co. Ltd.
London Drugs Limited

Macdonalds Consolidated Ltd.
Malinda Distributors Inc.
Mandisa, Inc.
Martin-Brower of Canada Ltd
Matheson Creek Farm Ltd.
McCain Foods (Canada)
McKesson Canada (Pharmasave)
Miller Springs Ltd.
Monashee Spring Water Ltd.
Motts Canada, Cadbury Beverages Canada
Mountain Manna Water & Ice Co.
Mr. Case Inc.

Nanton Water & Soda Co.
National Cheese Company (Western) Ltd.
National Importers Ltd.
Natural Brands, Inc.
Natural Glacial Waters Inc.
Natureland Bio Products
Natures Perfection
Nature's Pop Sales
Neptune Food Service Inc.
Nestle Canada Inc.
Nestle Waters Canada
New World Imports Ltd.
New World Natural Foods Ltd.
Nishimoto Trading Co. Ltd.
Noel Canning/Division of Noel Corporation
North American Tea & Coffee
Northleaf Foods
NTC Industrial Co. Inc.
Nutrition Zone Products Inc.

O2 Water Distributors Ltd.
Ocean Spray International Inc.
OGEM
Olympic Foods, Inc.
Orque Tradedevelop Corporation (Canada)
Overwaitea Food Group/Save-On-Foods

Pacific Exotic Foods Inc.
Parmalat Canada
Pepsi-QTG Canada Inc.
Phy-Lor
Polaris Water Company Inc.
Prairie Natural Processing Inc.
Principal Sales Inc.
Procter and Gamble Inc.
PSC Natural Foods, Ltd.
Purified Water Store Corporation

Que Pasa Mexican Foods
Quixtar Canada Corporation
Qwest Foods Ltd.

Renegade Private Stock Ltd.
Rocky Mountain Chocolate Factory
Roy's Ice N' Bottled Water

SAAN Stores Ltd.
San Remo Importers Ltd.
Santa Maria Foods Corp.
Saputo Milk Division (Dairyland Foods)
Sawridge Waters Ltd.
Scott-Bathgate Ltd.
Sea-Van Distributors Ltd.
Shoppers Drug Mart
Siena Foods Limited
SLN Beverages, Inc.
Snapple Beverage Group
Sobeys Capital Inc.
Sparkling Ice/Talking Rain Beverage
Star Marketing Ltd.
Stars Trading Co. Ltd.
Sun Pac Foods Limited
Sun Wah Foods Ltd.
Sun-Rype Products Ltd.
Susan Schembri

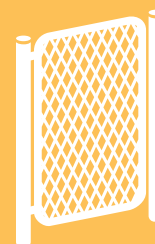
T&T Supermarket Inc.
Tak Tai Trading Co. Ltd.
Tazo Tea Company
Tetley Canada Inc.
TFB & Associates Limited
The Apple Valley Juice Corp.
The Minute Maid Company Canada Inc.
The Pepsi Bottling Group
The TDL Group Corp.
Thomas Canning (Maidstone) Limited
Three Valley Mountain Spring Water Ltd.
Tree of Life/Gourmet Award Foods Canada - West
Tree Top, Inc.
Triple Jim's Juices
Tun Hau Enterprises (Canada) Ltd.

Uno Foods Inc.
Upper 49th Imports Inc.

Van Isle Artesian Springs
Vancol Canadian Industries Inc.
Vansky Trading Co. Ltd.
Vitality Foodservice Canada Ltd.

Wallace & Carey Ltd.
Wal-Mart Canada Inc.
Watermark Beverages Inc.
Weaver's Canada Imports Ltd.
West Coast Water Store Ltd.
Westfair Foods Ltd.
Wet Planet Beverages
White Light Distributors
Wild West Organic Harvest Co-op
Worrenberg Farms
Wycen Foods (Canada) Inc.

Zagu Foods Corporation
Zebroff's Organic Farm
Zellers Inc.



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.

KPMG has performed an independent audit of the financial statements of Encorp Pacific (Canada). The Auditor's 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

May 14, 2004

Financial Statements of

ENCORP PACIFIC (CANADA)

Years ended December 31, 2003 and 2002



KPMG LLP
Chartered Accountants
Box 10426, 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Telefax (604) 691-3031
www.kpmg.ca

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, 2003 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The letters are slanted and written in a cursive-like style.

Chartered Accountants

Vancouver, Canada

March 19, 2004

ENCORP PACIFIC (CANADA)

Statements of Financial Position

December 31, 2003 and 2002

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,597,271	\$ 15,036,694
Accounts receivable	13,564,550	10,807,473
Prepaid expenses and deposit	33,711	45,866
	<u>22,195,532</u>	<u>25,890,033</u>
Capital assets (note 3)	229,034	264,852
	<u>\$ 22,424,566</u>	<u>\$ 26,154,885</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 15,437,610	\$ 15,145,526
Net assets:		
Invested in capital assets	229,034	264,852
Internally restricted reserve (note 4)	4,307,325	4,304,161
Unrestricted	2,450,597	6,440,346
	<u>6,986,956</u>	<u>11,009,359</u>
	<u>\$ 22,424,566</u>	<u>\$ 26,154,885</u>

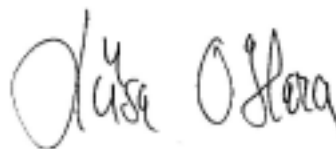
Commitments (note 6)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

ENCORP PACIFIC (CANADA)

Statements of Operations

Years ended December 31, 2003 and 2002

	2003	2002
Revenue:		
Deposits on containers	\$ 70,736,536	\$ 66,268,863
Container recycling fees	7,665,572	9,394,170
Contract fees	12,951,684	11,683,619
Sale of recyclable materials	10,881,275	10,319,568
Other	325,435	385,231
	102,560,502	98,051,451
Deposit refunds	57,545,687	52,117,153
	45,014,815	45,934,298
Direct operations expenses:		
Handling fees	30,489,947	28,662,316
Depot operations	375,280	490,685
Transportation and processing fees	13,768,937	13,368,009
	44,634,164	42,521,010
	380,651	3,413,288
Other expenses:		
General and administrative	2,432,946	2,410,255
Consumer awareness	1,489,960	1,479,376
Amortization	72,568	65,454
Foreign exchange loss	407,580	47,912
	4,403,054	4,002,997
Deficiency of revenue over expenses	\$ (4,022,403)	\$ (589,709)

See accompanying notes to financial statements.

ENCORP PACIFIC (CANADA)

Statements of Changes in Net Assets

Years ended December 31, 2003 and 2002

	Invested in capital assets	Internally restricted reserve	Unrestricted	2003 Total	2002 Total
Balance, beginning of year	\$ 264,852	\$ 4,304,161	\$ 6,440,346	\$11,009,359	\$ 11,599,068
Deficiency of revenue over expenses	(72,568)	-	(3,949,835)	(4,022,403)	(589,709)
Investment in capital assets	36,750	-	(36,750)	-	-
Internal restrictions (note 4)	-	3,164	(3,164)	-	-
Balance, end of year	\$ 229,034	\$ 4,307,325	\$ 2,450,597	\$ 6,986,956	\$ 11,009,359

See accompanying notes to financial statements.

ENCORP PACIFIC (CANADA)

Statements of Cash Flows

Years ended December 31, 2003 and 2002

	2003	2002
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (4,022,403)	\$ (589,709)
Amortization, an item not involving cash	72,568	65,454
	(3,949,835)	(524,255)
Changes in non-cash operating working capital:		
Accounts receivable	(2,757,077)	182,729
Prepaid expenses and deposit	12,155	711,813
Accounts payable and accrued liabilities	292,084	2,002,910
	(6,402,673)	2,373,197
Investments:		
Purchase of capital assets	(36,750)	(102,736)
Increase (decrease) in cash and cash equivalents	(6,439,423)	2,270,461
Cash and cash equivalents, beginning of year	15,036,694	12,766,233
Cash and cash equivalents, end of year	\$ 8,597,271	\$ 15,036,694

See accompanying notes to financial statements.

ENCORP PACIFIC (CANADA)

Notes to Financial Statements

Years ended December 31, 2003 and 2002

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 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 Beverage Container Stewardship Program (the "BCSP"). Although a significant 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.

The Corporation has been appointed by participating brand owners pursuant to the terms of the BCSP Regulation in force on October 1, 1998 in British Columbia. Under this appointment, the Corporation acts to develop a Stewardship Plan in the form prescribed by the 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.

2. Significant accounting policies:

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

(a) Cash and cash equivalents:

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

(b) Revenue:

Deposits on containers and container recycling fees are received from brand owners on each container sold in the province of B.C. The Corporation records revenue on containers upon the sale of containers by the brand owners.

Recyclable materials revenue is accrued on the date the containers are sold by the brand owners.

Contract fees are recorded when the services are provided.

(c) Deposit refunds, direct operations expenses and other expenses:

Deposit refunds, handling fees and transportation and processing fees are accrued on the date the containers are sold by the brand owners. Other expenses are recorded as they are incurred.

ENCORP PACIFIC (CANADA)

Notes to Financial Statements

Years ended December 31, 2003 and 2002

2. Significant accounting policies (continued):

(d) Accruals for recyclable materials revenue and direct expenses:

The recyclable materials revenue accrual and accruals for deposit refunds, handling fees and transportation and processing fees for containers on which fee revenue has been recorded, but which have not yet been returned for refund, are estimated based on the industry average rate of recovery of used beverage containers. The determination of such accruals 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 percentage of used beverage containers being diverted to recycling depots, the estimated fees for services, and recyclable materials revenue prices.

(e) Capital assets:

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

Asset	Rate
Office equipment	20% declining balance
Computer hardware	30% declining balance
Computer software	30% declining balance
Leasehold improvements	3 -5 years straight-line

A half-year of amortization is taken in the year of acquisition.

(f) 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.

(g) Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

ENCORP PACIFIC (CANADA)

Notes to Financial Statements

Years ended December 31, 2003 and 2002

3. Capital assets:

			2003	2002
	Cost	Accumulated amortization	Net book value	Net book value
Office equipment	\$ 126,687	\$ 44,338	\$ 82,349	\$ 71,235
Computer hardware	135,415	94,933	40,482	53,882
Computer software	247,989	171,650	76,339	102,405
Leasehold improvements	49,505	19,641	29,864	37,330
	\$ 559,596	\$ 330,562	\$ 229,034	\$ 264,852

4. Internally restricted reserve:

In 2001, the Board of Directors established an internally restricted fund in recognition of the principle that the costs of recycling each container type be borne independent of other container types. A further \$3,164 (2002 - \$637,864) was transferred during the current year. The objective of the reserve is to defer the implementation of the container recycling fee on container types for which the current unredeemed deposits exceed the net costs of recycling. The reserve may also be used to develop and implement strategies to improve recovery rates of these specific containers.

5. Credit facility:

The Corporation has available a \$4,000,000 credit facility consisting of a \$2,000,000 demand revolving operating loan by way of a current account overdraft and a \$2,000,000 electronic funds transfer facility bearing interest at the bank's prime rate plus 1/4% per annum. The Corporation has provided a general security agreement, a general assignment of book debts, and an assignment of all risk insurance as security for the credit facility. At year-end, there were no funds drawn on the facility.

6. Commitments:

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

2004	\$ 432,719
2005	230,761
2006	98,498

ENCORP PACIFIC (CANADA)

Notes to Financial Statements

Years ended December 31, 2003 and 2002

7. Fair value of financial instruments:

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short period to maturity of the instruments.

8. Related entities:

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

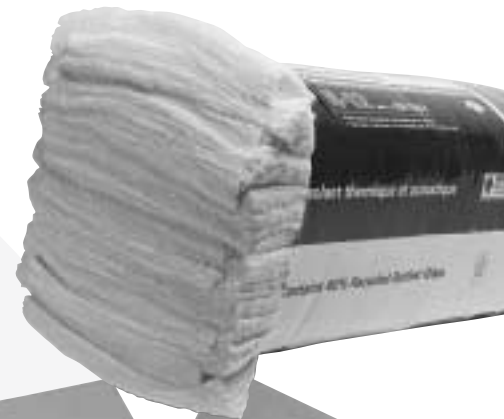
Cash	\$	2
<hr/>		
Shareholder's equity	\$	2



**We invite
you to
match
this life...**



**...to the
next life**



Bank

HSBC Bank Canada

Legal Firm

Fasken Martineau DuMoulin LLP

Auditors

KPMG LLP

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Burnaby, BC V5M 3Z3
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www.encorp.ca**

The Encorp Annual Report was designed and printed in Vancouver, British Columbia at BENWELL-ATKINS, an R.R. Donnelley Company.

The Annual Report is printed on recycled stock; Save-A-Tree Matte coated 96lb Cover & 87lb Text. Save-A-Tree consists of 100% post-consumer waste, process chlorine free and is oxygen bleached. BENWELL-ATKINS, an R.R. Donnelley Company, uses vegetable based inks with a VOC (volatile organic compounds) content of 8% or less. All of the waste water used in the developing of film negatives is processed to remove the heavy metals and is conditioned to meet GVRD standards. The chemicals used in the developing of printing plates and the cleaning of the printing presses are collected by the appropriate supplier and disposed of in a safe manner. All of the waste inks are collected and blended with other substances to be used as an alternative fuel in cement kilns. Ink cans are picked up & recycled by the ink companies. The waste film is processed to remove the silver content and then recycled. All scrap paper is collected by a major recycling company for use in the manufacture of other paper products. The Aluminum plates are also recycled.

ECO AUDIT ENVIRONMENTAL BENEFITS STATEMENT

The Encorp Annual Report is printed with vegetable inks on Save-A-Tree paper; 100% post-consumer recycled, process chlorine free. By choosing 100% Post-consumer recycled fibre instead of virgin paper for this printed material the following savings to our natural resources were realized:

TREES SAVED	WOOD REDUCED (LBS.)	WATER REDUCED (GALLONS)	LANDFILL REDUCED (LBS.)	NET GREENHOUSE EMISSIONS (LBS.)	ENERGY REDUCED (000) BTU (000)
4.3	4.29	2534.36	3726.42	395.16	766.56



1-800-330-9767 www.encorp.ca



It's Worth It