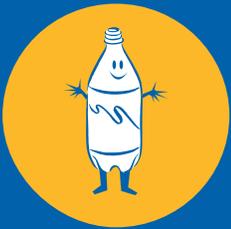




ENCORP PACIFIC (CANADA)

2001 Annual Report



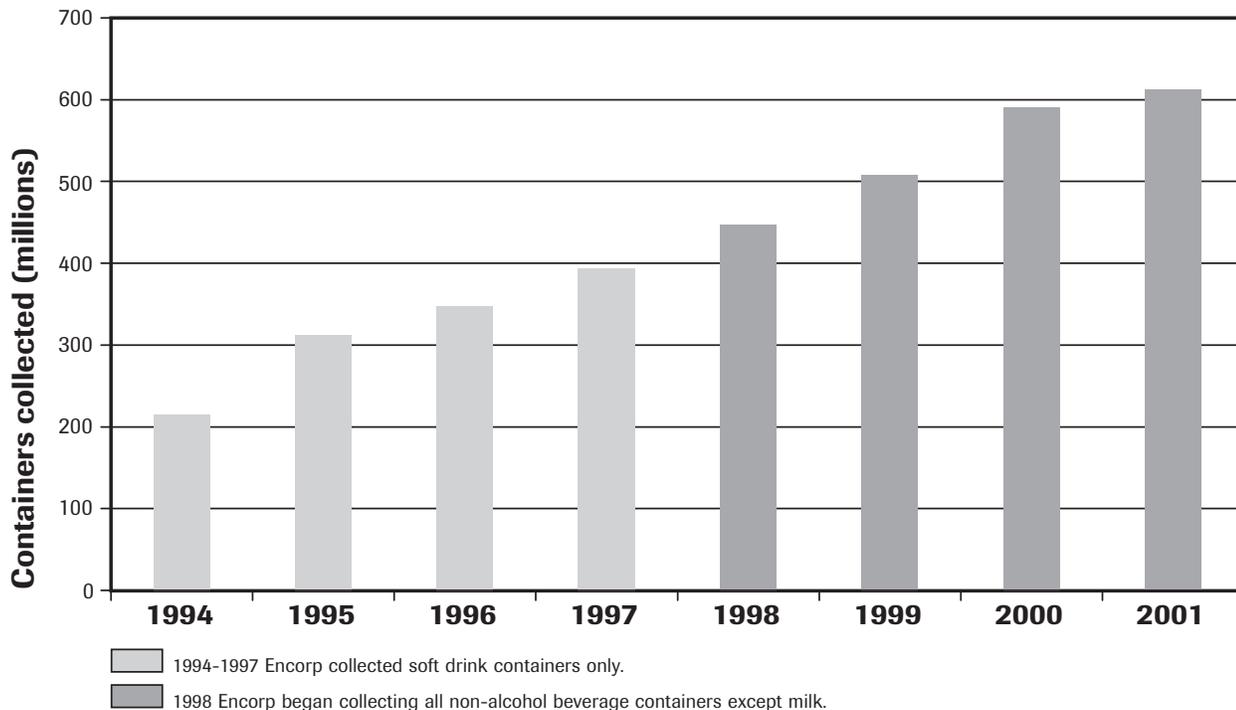
It's Worth It

In 2001, the Encorp System collected and recycled 612 million used, non-alcohol beverage containers – over 21 million more than last year

Type	Millions of Units		Metric tonnes of material	
	2001	2000	2001	2000
Aluminum	344.2	349.5	5,150	5,210
Plastic	165.0	148.1	6,805	6,201
Polycoat	63.4	53.3	1,459	1,228
Glass	36.1	37.2	8,941	9,235
Other	3.1	2.5	292	248
Total	611.8	590.6	22,647	22,122
Change	+3.5%		+2.4%	

On October 1, 2001, the Encorp system began accepting wine, spirits, non-refillable cooler and imported beer bottles on behalf of the B.C. Liquor Distribution Branch. In the three months ending December 31, 2001, the Encorp system collected and recycled 24.9 million of these containers, amounting to 9,827 metric tonnes, in addition to the non-alcohol total above.

Number of used, non-alcohol, beverage containers collected by the Encorp system (millions)





Neil Hastie (L), John Nixon (R)

We are pleased to present our second annual report. Our commitment is to be accountable and transparent in how the beverage brand owners, through Encorp Pacific (Canada), their stewardship corporation, manage the deposit refund system for non-alcohol beverage containers in British Columbia.

The addition of significant volumes of new types of containers in 1999 and 2000 is now complete. The appearance of a visible container recycling fee on retail cash register receipts, first seen in 2000, is generally an accepted practice. Our attention is now focused on setting longer term, fact based performance objectives for the corporation.

There are many measurements available. However, we believe that the most important ones are direct consumer charges – with the goal of keeping them as low as possible, recovery volumes – with the goal of a continuous improvement in recovery performance, and system financial requirements – with the goal of assuring that our financial reserves are sufficient to pay refunds and operating expenses.

Direct consumer charges for 2001 were \$12.3 million compared to \$11.3 million for 2000, an increase of 9%. We are forecasting a reduction in these charges to \$9.4 million for 2002. The visible container recycling fee means that direct consumer charges are not subject to additional trade markup. Over the medium term, these charges, influenced by commodity prices and beverage consumption, will rise and fall. Over the longer term, as the net cost of recycling continues to increase, so will these direct consumer charges.

Recovery volumes increased quite strongly with 21 million more containers recovered than in the previous year. Looking back, our 2001 recovery volumes yielded an overall recovery rate of 73%. The Beverage Container Stewardship Program Regulation sets out a target of 85% recovery within 2 years after introduction of each container type. Our experience in BC and of other similar systems in Canada, suggests that, for non-alcohol beverage containers, 2 years is not sufficient to achieve the degree of consumer awareness required to attain this target. Our efforts are focused on recovering more containers each year. This commitment to continuous improvement represents a sustainable approach where, over time, recovery rates will move up.

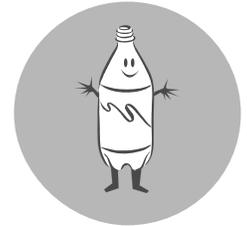
In terms of system financial requirements, we are reporting an operating surplus of \$5.3 million this year, a small increase from last year. This results in an overall reserve of \$11.6 million. With approximately 850 million containers in our system and weekly cash disbursements of \$1.4 million, our reserve requirements are in the range of \$6-8 million. Therefore, we have set aside, from the overall reserve, a restricted reserve of \$3.7 million for containers that entered our system in 1999. As well we have reduced 2002 fees for a number of container categories and, as a consequence, are forecasting an overall operating deficit for 2002.

In this past year, Encorp has continued to demonstrate the merits of industry product stewardship. As the new service provider to the Liquor Distribution Branch for wine, spirits, non-refillable beer and coolers, we have increased consumer access to the province-wide network of depots and achieved overall cost efficiencies that have been passed on to the consumer. We have established beverage container recycling programs in more than 1000 schools. Our innovative consumer awareness programs have been successful in encouraging recycling. Many depot owners have upgraded their facilities and practices to provide improved standards of service.

We wish to acknowledge the consistently impressive performance of our administrative staff, the value added contribution of our many dedicated contract partners, and British Columbians' support for recycling. In 2002, we are confident that these assets will support continuous improvement in the operation and cost effectiveness of the Encorp system.

Neil Hastie
President & CEO

John Nixon
Chair



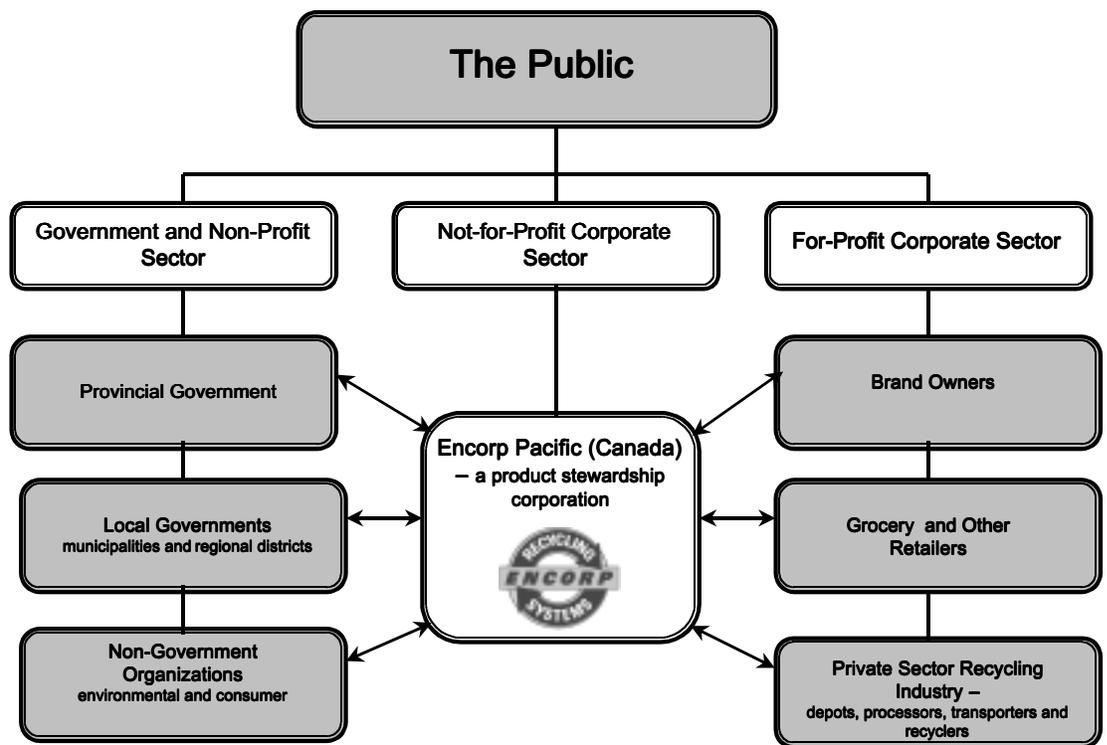
Our Role and Responsibilities



Encorp Pacific (Canada) is a not-for-profit corporation which is the product stewardship agency for all the used non-alcohol beverage containers covered by the British Columbia Beverage Container Stewardship Program Regulation. We develop and manage the system which collects and recycles

used beverage containers on behalf of over 200 brand owners who sell beverages in B.C.

The industry-managed model of product stewardship in British Columbia is unique in North America and has proven to be very successful.



Our Mandate and Activities

As the chart above shows, Encorp Pacific is a central point at which a variety of individual interests converge. To ensure that these differing interests are equitably addressed Encorp has established a

series of principles to guide its operations. Encorp has chosen to produce an annual report detailing the actions taken to ensure that these guiding principles are being adhered to.

Our Guiding Principles

These Are The Guiding Principles Under Which We Operate

1. Develop and operate a system which provides consumer-friendly and convenient return points throughout the province.
 - *Experience has shown us that the best way to increase recovery of containers is to make returning them easier and more appealing for consumers*
2. Manage the system in a cost-effective manner that has the lowest possible impact on consumer prices.
 - *Keeping costs as low as possible for consumers is good public policy*
3. Run a cost based system in which each container type pays its own costs with no cross subsidization.
 - *Some containers cost more to collect than others and should bear their costs*
 - *Individual brand owners would not support a system if they feel that it subsidizes a competing container*
4. Divert used products from landfill and incineration.
 - *Resource recovery that everyone can do*
5. Find useable end products which maximize the value of the recovered materials.
 - *The sale of recovered materials pays a significant portion of the collection costs*
6. Treat all brand owners equitably
 - *There are over 200 brand owners in the Encorp system ranging from multi-national companies to local distributors and Encorp must treat them all fairly*



We Organize And Involve Our Brand Owners

Over 200 brand owners have appointed Encorp as their product stewardship agency. To ensure that the concerns of smaller brand owners are being heard, Encorp has an Advisory Committee which includes brand owners as well as other stakeholders. Encorp produces a newsletter for brand owners called “In The Loop” which has been faxed or mailed to brand owners on a frequent basis since its inception in 1998. In 2001, four issues of the newsletter were produced which provided information to, and requested input from, all brand owners. Encorp holds meetings for brand owners in both eastern and western Canada to ensure that all brand owners, regardless of size, have the opportunity to be heard.

We Satisfy Brand Owners’ Responsibilities As Required By Regulation

The Beverage Container Stewardship Program Regulation requires that brand owners divert used containers from landfill and incineration for recycling or re-use. In 2001, on behalf of its brand owners, Encorp diverted 22,647 metric tonnes of used beverage containers from landfill and incineration, a 2.4% increase from 2000 and about twice as much as was diverted in 1998. We also maintain a comprehensive brand registry which catalogues more than 7,000 different brands and container types.

We Manage The Flow Of Money From Brand Owners Through The System And Back To Consumers

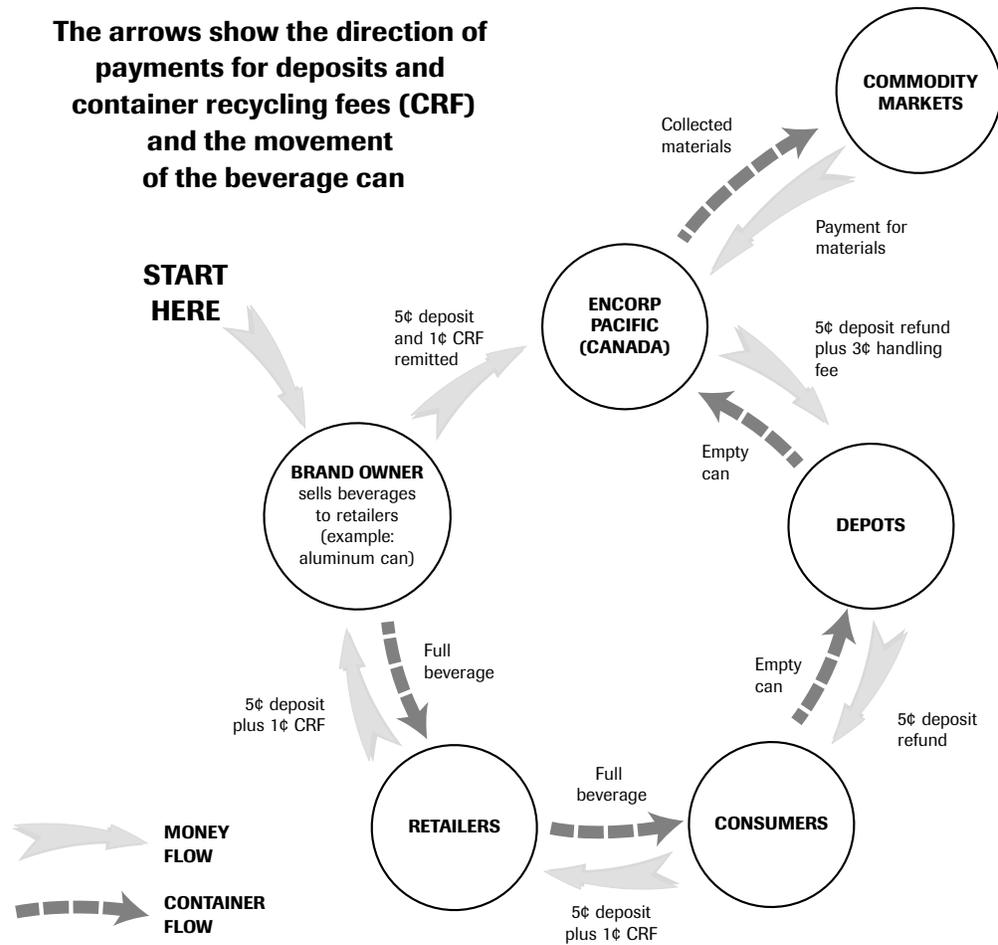
Brand owners pay Encorp a “fee for service” for each full container they sell; the fee includes the applicable deposit and a Container Recycling Fee (CRF), if one is required for that container type. When the container is returned for refund to a depot, Encorp reimburses the depot for the deposits paid out plus Encorp pays the depot a handling fee for each container.

In 2001, paying deposit refunds and collecting, processing and shipping used beverage containers was a \$76,300,000 business. Each week in 2001, Encorp Pacific paid out over \$1,400,000 in deposits, handling fees, transportation, processing, consumer education and administrative costs.

How The Money Flows



The arrows show the direction of payments for deposits and container recycling fees (CRF) and the movement of the beverage can



We Ensure That Each Container Type Pays Its Own Way

- Some containers cost more to collect than others and should bear their costs

The Encorp system divides containers into 15 different types, based on material type and size, with the costs and revenues for each calculated separately. The revenues for each container type include any unredeemed deposit (the money unclaimed because the containers were not returned for refund) and the value of the materials collected. When there is insufficient money from these two sources to pay for that container type's recovery costs, a Container Recycling Fee (CRF) is applied. Any surplus revenues generated by one container type are not used to make up the shortfall for another container type. Shortfalls are made up by a CRF set specifically for that container type. In most grocery retail stores, the CRF is shown as a separate item from the cost of the product itself. By showing the fee, retailers are advising the public that they are passing along the fee with no markup added.

- In 2001, Encorp added a CRF to aseptic and gable top containers in the 501ml to 1 litre category.
- For 2002, Encorp has reduced the CRF on 5 containers and increased it on one container.

Container Recycling Fees

Container Recycling Fee History

Container type	CRF included in retail price until spring 2000		CRF shown separately by most grocery retailers after spring 2000		
	1999	2000	2001	2002 (February 1)	2002 (July 1)
Aluminum cans	0¢	1¢	1¢	1¢	0¢
Plastic up to 500ml	0¢	1¢	1¢	1¢	1¢
Plastic 501ml to 1L	1¢	2¢	2¢	1¢	1¢
Plastic over 1L	4¢	5¢	5¢	5¢	4¢
Glass up to 1L	3¢	3¢	3¢	3¢	3¢
Glass over 1L	7¢	7¢	7¢	5¢	5¢
Drink box up to 500ml	N/A	0¢	0¢	0¢	0¢
Drink box 501ml to 1L	N/A	0¢	1¢	2¢	2¢
Gable top 501ml to 1L	N/A	0¢	1¢	1¢	1¢
Gable top over 1L	N/A	0¢	0¢	0¢	0¢
Bi-metal less than 1L	N/A	0¢	0¢	0¢	0¢
Bi-metal over 1L	4¢	4¢	2¢	0¢	0¢
Bag-in-a-box over 1L	4¢	4¢	4¢	0¢	0¢
Containers up to and including 1L – 5¢ deposit					
Containers over 1L – 20¢ deposit					



How is the CRF calculated?

Each container type and size has its own costs and revenues taken into consideration in calculating the applicable CRF. Here is an example based on PET plastic containers greater than 1 Litre and which carry a 20 cent deposit. The numbers are approximate for illustrative purposes only:

Cash In

Deposits paid to Encorp for 1,000,000 containers sold	$1,000,000 \times .20$	\$200,000
<i>LESS the 89% that consumers return for refund</i>	$890,000 \times .20$	– \$178,000
Unredeemed deposit left with Encorp	$110,000 \times .20$	= \$22,000
Commodity value of returned containers	$890,000 \times .0191$	+ \$17,000
	Total cash available (A)	= \$39,000

Cash Out

Handling fees paid to depots and grocers	$890,000 \times .07$	\$62,300
Transportation, processing, consumer awareness and administration	$890,000 \times .03$	+ \$26,700
	Total expenses	= \$89,000
	Less cash (A)	– \$39,000
	Deficit to be financed by CRF	= \$50,000
Calculation to set CRF on full goods sales <i>This calculation is done in advance of setting the CRF, based on estimates of sales, recovery rates, commodity values and operational costs for the following 12 to 18 months.</i>	$\frac{\$50,000}{1,000,000}$	= 5¢ per unit (.05)

Operating Reserves



In terms of system financial requirements, we are reporting an operating surplus of \$5.3 million this year, a small increase from last year. This results in an overall reserve of \$11.6 million. With approximately 850 million containers in our system and weekly cash disbursements of \$1.4 million, our reserve requirements are in the range of \$6-8 million. Therefore, we have set aside, from the overall reserve, a restricted reserve of \$3.7 million for containers that entered our system in 1999. As well, we have reduced 2002 fees for a number of container categories and, as a consequence, are forecasting an overall operating deficit for 2002.

				2001	2000
	Invested in capital assets \$	Internally restricted reserve \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	174,106	-	6,133,900	6,308,006	1,220,688
Excess (deficiency) of revenues over expenses	(57,040)	-	5,348,102	5,291,062	5,087,318
Investment in capital assets	110,504	-	(110,504)	-	-
Internally imposed restrictions (note 4 of financial statements) †	-	3,666,297	(3,666,297)	-	-
Balance - End of year	227,570	3,666,297	7,705,201	11,599,068	6,308,006

Why do we need operating reserves?

- Revenues from commodities can change rapidly, operating reserves provide a financial cushion and stabilize changes in the CRF
- Depot operations are a cash business, each week Encorp pays out over \$1 million in deposit refunds and handling fees alone.
- Operating reserves are a prudent measure to ensure that funds are available to pay the costs of containers that are still in the marketplace.
- Operating reserves are used only to fund the system, they are not repaid to brand owners.

We Try To Keep The Costs Of The System Stable And Low

Encorp maintains operating reserves for most of its container types. These reserves are used to smooth out fluctuations in costs, recovery rates and commodity prices so that the end cost to consumers is kept as stable as is possible.

- When revenues, less our costs, create a level of reserves beyond prudent requirements for a specific container type, we then reduce fees for that container. In 2001, Encorp reduced the CRF on Bi-metal containers larger than 1 litre.
- When revenues are less than our costs and create a deficit for a container type, we increase our fees for that container.

Operations



- ❑ Operational changes which can save money are constantly being explored. A major change initiated in 2001 was the introduction of large, flexible collection bins called “mega-bags” to handle glass collections. This introduction followed extensive experience with all types of devices for glass collection and the mega bags are designed to provide savings for individual depots, to speed up the system and to reduce transportation costs.

We Arrange For Collection, Transportation, Processing And Recycling Of Containers

Collection:

- ❑ The Encorp system consists of 159 authorized depots, each independently owned and operated, and approximately 360 major grocery retailers. In addition, consumers can return containers to thousands of small retail stores which are serviced by depots.
- ❑ As part of the overall program to improve depot efficiency and customer service, Encorp continued to roll out its computer-based Point-of-Return (POR) system. Encorp supplies the system hardware and proprietary software at no charge to qualified depots; the depots are responsible for the maintenance of the system. The POR system not only simplifies logistics for the depot it also provides a higher level of customer confidence that their returns are being accurately processed. By the end of 2001, POR systems were operational in 53 depots throughout the province.
- ❑ In another joint program with the BCBDA, Encorp Pacific became the primary contractor for the B.C. Liquor Distribution Branch in the provision of collection services for wine, spirits, coolers, and non-refillable beer bottles.

Transportation:

To collect used containers from depots and major grocers in every corner of the province, Encorp contracts with independent owner/operators of trucks who pick up at depots and deliver containers to processors.

Processing:

There are 15 processing sites located in various centres around the province. At each site, processors bale aluminum, plastic and polycoat containers so that they are easier to ship to recyclers. A number of processors also crush glass for use in a variety of ways depending upon the location of the processor.

In a joint program with the B.C. Bottle Depot Association (BCBDA), Encorp developed a set of operating standards, and an evaluation form, for depots. By the end of 2001 over 50% of depots had been evaluated and areas for improvement identified. In 2002, Encorp and the BCBDA will continue with the evaluation and improvement program

Quality Assurance

We Ensure System Accuracy

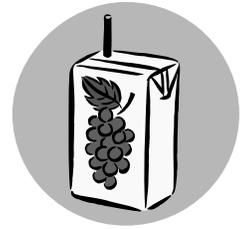
Dealing with hundreds of millions of containers, and millions of dollars, requires a system which assures integrity. Encorp is responsible for protecting the interests of its many stakeholders, including consumers and brand owners. Encorp monitors the accuracy of the system in two major ways.

The first program is concerned with making sure that consumers get the correct refund when they return containers to depots. To do this, Encorp contracts with a security firm to verify the number of containers. If the amount refunded is not correct, the depot is notified and further checks are done to ensure that the problem has been corrected.

- ❑ In 2001, 212 separate checks were made at depots to verify that correct refunds were being given.

The second program deals with the accuracy of counting and sorting done by depots and grocery stores. To verify that the number and type of containers being shipped to Encorp are correct, Encorp has a Quality Assurance (QA) division which randomly selects bags of containers for checking. The containers are taken to the QA centre in the Lower Mainland where they are re-counted using automatic and manual systems. If there is a shortage, the deposits and handling fees payable to the depot or grocer are deducted by the percentage short, if there is an overage, a credit is issued.

- ❑ In 2001, the QA centre audited over 38,000 bags of containers, an average of 147 per day.



Automated auditing at the QA Centre



Consumer Education



Elementary School Program

Since 1999, Encorp has offered elementary schools a complete recycling kit for used beverage containers. This kit includes three bins made of recycled plastic, large labels for each bin showing the type of containers to be placed in it, and materials to encourage school children to collect containers as a school fund raiser.

To promote the use of the bins, Encorp offers an annual contest in which schools compete for prizes and recognition awards based on the number of containers collected per student. The only requirement for participation is the reporting of the number of containers collected, this allows Encorp to estimate that the total number of containers collected by all schools with recycling bins is in the range of 12 to 13 million per school year.

- Number of schools with Encorp's recycling bin kit – about 1,000
- Number of schools reporting container collection for the contest – 292
- Number of containers collected during a 3-month pilot of the contest – 899,359

We Help To Inform Consumers About Recycling Through Awareness And Education Programs

Media Exposure:

Encorp's purpose is to reach B.C.'s residents with targeted educational and awareness campaigns.

To determine how best to reach individual groups, Encorp annually conducts extensive consumer research. The opinions reported are one of the key factors used when developing communications efforts. These results are used to develop targeted campaigns which focus on the particular groups of people most likely to use specific container types. The research also helps to determine the motivating factors which drive recycling behaviour, and mold the message in each campaign. This method has shown itself to be effective in improving the recovery volumes for several types of packages whose recovery performance has been less than optimal. Performance is measured each month and benchmarked against the previous year's volumes and sales of full goods.

As a result of the research, we have recently conducted four basic, targeted campaigns on these areas:

Motivating all citizens – Typical themes

- How much is collected
- What happens to the container afterward
- Details on the program's recovery progress
- Recycling information by commodity

Single serve containers

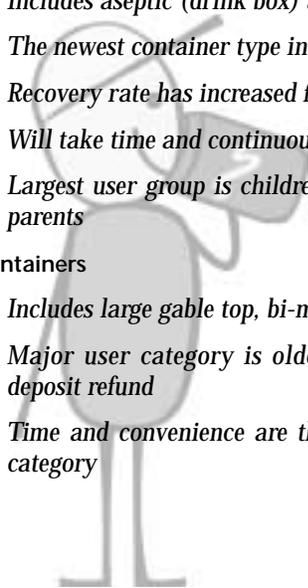
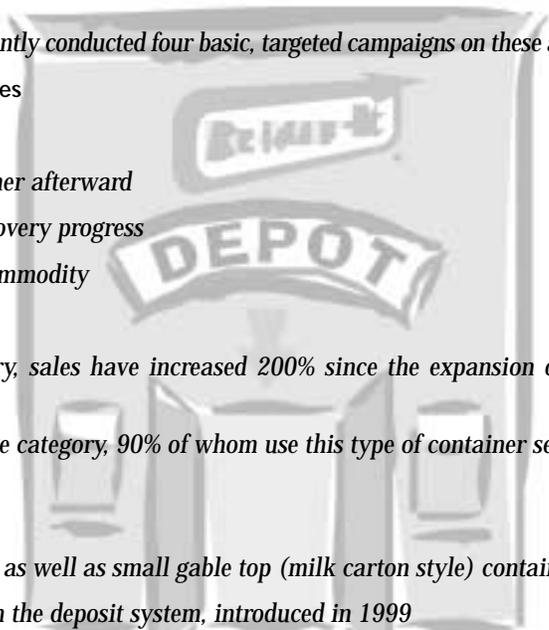
- The fastest growing category, sales have increased 200% since the expansion of the deposit system in 1998
- A favorite in the 16 to 24 age category, 90% of whom use this type of container several times each month

Polycoat containers

- Includes aseptic (drink box) as well as small gable top (milk carton style) containers
- The newest container type in the deposit system, introduced in 1999
- Recovery rate has increased from 43% in 2000, to 47% in 2001
- Will take time and continuous messaging to increase recovery rates
- Largest user group is children under 14, usually as part of school lunch prepared by parents

Large containers

- Includes large gable top, bi-metal ("tin") juice cans, bag-in-a-box
- Major user category is older and more affluent and, therefore, less motivated by deposit refund
- Time and convenience are the major factors influencing recycling behaviour in this category



Consumer Education

Website – www.encorp.ca

Encorp's website has become a major medium for distributing information and education. B.C. is one of the most "on-line" regions in North America and useage is steadily increasing.

2001 Statistics

- 167,815 hits
- 19,000 visitors, many more than once
- Average length of stay – 8 minutes
- Information and resources most often used, in priority order
 - School recycling program and teachers' aids
 - Search of depot listings
 - Search of brand registry, including photos
 - Recycling statistics and progress reports

Fundraising

Community and charitable groups find that bottle drives are a quick way of raising cash for programs. Encorp encourages such groups by sending out regular mailings and by sponsoring contests in which participants can win products made from recycled materials. In 2001, Encorp mailed promotional material on bottle drives to more than 10,000 charitable, sports and community groups.

We Involve Stakeholders And Support Other Recycling Efforts

Part of Encorp's governance structure involves an Advisory Committee which reports to the Board of Directors. This committee includes representatives from local government, institutions, recycling organizations and small brand owners.

Other measures include:

- Voluntarily producing this annual report, a first for an industry product stewardship agency
- Providing assistance to non-profit groups like the Recycling Council of B.C. and the Coast Waste Management Association to support their overall educational efforts
- Providing sponsorship and assistance to the United Nations' International Childrens' Conference on the environment to be held in Victoria, B.C. in May, 2002

We Manage The Used Beverage Container System For The British Columbia Liquor Distribution Branch

On October 1, 2001, Encorp started providing overall management of the LDB's container collection system on a contract basis. For the first time, consumers were able to receive their full deposit refund for wine, spirits and non-refillable beer, cider and cooler bottles at the 159 authorized Encorp depots. The contract includes collection of containers from Government Liquor Stores as well as from depots, a consumer awareness program, administration and recycling of containers.

Encorp and the BCBDA reached an agreement under which the handling fees for non-alcohol and alcohol containers of the same type would be the same. The result was a \$400,000 annual reduction in the handling fees for non-alcohol glass containers. The use of existing infrastructure and administrative resources to handle this volume allowed for a wider distribution of Encorp's system costs and a consequent reduction in cost pressures on consumer shelf prices. Consumers benefited from lower handling fees through a 2 cent reduction in Container Recycling Fees on glass containers larger than 1 litre.



Renfrew Elementary - Burnaby

What Can We Do Better?



Improve The Credibility Of The Depot System For Consumers

Many depots do not offer customers a receipt for their returns which sometimes leaves the impression that the correct amount has not been received by the customer. Customers who feel that they have been short-changed on their returns are unlikely to use depots in the future. Some depots are not well located, or are unattractive to consumers, leading consumers to take containers to the nearest grocery store instead. Encorp will continue to work towards showing depots that receipts, and well located, attractive depots, will lead to more business for them. In addition, Encorp will continue to work with depots to improve their appearance, signage and access for those with disabilities. As part of this effort, depots will be receiving a new interior and exterior signage package in mid-2002.

Improving Recovery Volumes

Improving recovery volumes for containers appears to be a matter of time, not the level of deposit.

- ❑ Aluminum cans, which are usually used for soft drinks and have had a 5 cent deposit for decades, have a recovery rate in the 80+% range. PET plastic containers, with the same deposit level and lightweight characteristics, have a recovery rate in the mid 60% range. The difference? Many plastic containers are for beverages that have only been in the deposit system since 1998.
- ❑ PET plastic containers greater than 1L, usually used for soft drinks, carry a 20 cent deposit and have a recovery rate in the high 80% range. Gable top juice containers larger than 1L also carry a 20 cent deposit, are also lightweight but have a recovery rate of less than 45%. The difference? Large PET soft drink containers have been in the deposit system for the same time as aluminum cans.

Better Recovery Volumes For Some Container Types

The number of containers collected by the Encorp system continues to rise but the number of new containers entering the market is rising even faster. The result is that overall recovery volume is not improving as rapidly as is desired. This phenomenon is apparent in many other deposit/refund jurisdictions. Encorp will work with other jurisdictions to see if any common reasons can be found for the poor recovery rates for certain container types.

Improve Coordination With Local Governments Regarding Consumer Education

The consumer is still receiving mixed messages regarding the proper disposal of used beverage containers. Encorp will improve its coordination with other agencies involved in providing recycling education and awareness and will seek solutions to assure continued improvement.



Encorp By The Numbers

Each week in 2001, Encorp Pacific paid out over \$1,400,000 in deposits, handling fees, transportation, processing, consumer education and administrative costs to collect beverage containers.

The \$76,300,000 paid out by Encorp went to the following major categories:

- \$39.8 million to reimburse depots and retailers for deposit refunds
- \$24.7 million for container handling fees to depots and retailers
- \$4.9 million for transport and depot operations
- \$3.2 million for processing of materials
- \$2.6 million for administration
- \$1.1 million for consumer education



Total operating costs – \$76.3 million less deposit refunds of \$39.8 Million = \$36.5 million.

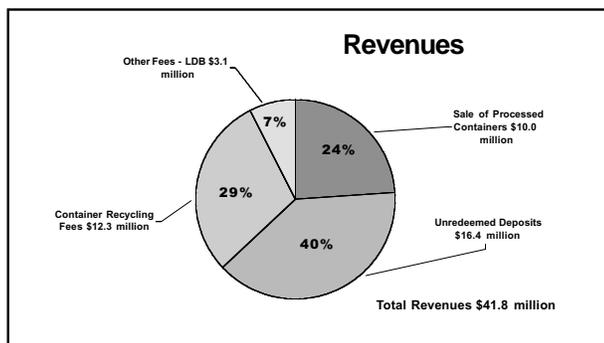
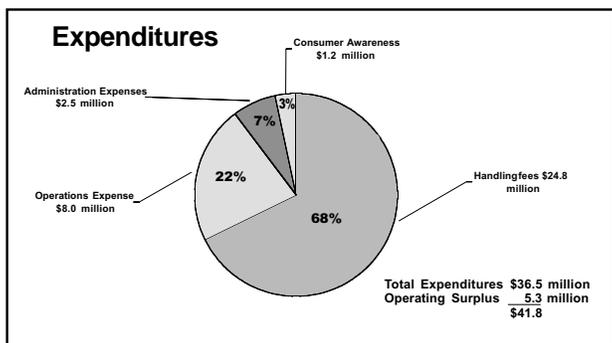
Encorp Pacific (Canada)

Summary Statement of Operations – Including Alcohol Containers

	Year ended December 31, 2001	Year ended December 31, 2000
	\$	\$
Revenues		
Sale of Processed Containers	\$ 10,045,876	\$ 11,788,165
Unredeemed Deposits	16,394,190	15,951,902
Container Recycling Fees	12,295,800	11,262,802
Other Fees – LDB	3,103,864	468,863
	\$ 41,839,730	\$ 39,471,732
Expenditures		
Handling Fees	24,751,427	22,957,032
Operation Expense	8,054,494	7,314,222
Encorp Administration Expense	2,555,110	2,360,104
Consumer Awareness	1,187,636	1,753,056
	\$ 36,548,667	\$ 34,384,415
Operating Reserve (Surplus)	\$ 5,291,062	\$ 5,087,317
Containers Processed	636,678,036	590,522,695
Metric Tonnes Processed	32,474	22,122

Note: Includes the management of LDB containers effective October 1, 2001.

Summary of Operations – Including Alcohol Containers Year Ended December 31, 2001



Encorp By The Numbers



DEPOT HANDLING FEES

In addition to reimbursing depots and grocers for the deposits that they have refunded to consumers, Encorp pays a handling fee for each transaction. This handling fee is the depots gross operating profit for handling Encorp containers. At the end of 2001, the following handling fee rates were being paid to depots.

CONTAINER TYPE AND SIZE	HANDLING FEE PER UNIT
Aluminum cans, bi-metal cans up to 1L, pouches, drink boxes and gable top cartons up to 500ml	3 cents
Plastic up to 1 Litre	4 cents
Glass (all sizes), bi-metal cans over 1L, bag-in-a-box, drink boxes and gable top cartons 501ml and larger	5 cents
Plastic greater than 1 Litre	7 cents

SYSTEM COST PER TONNE

Weight of materials collected –	Aluminum	5,150 metric tonnes
	Plastic	6,805 metric tonnes
	Glass	8,941 metric tonnes
	Polycoat	1,459 metric tonnes
	Other	292

Total weight of materials collected – 22,647 metric tonnes

- Average gross cost per tonne collected - $\frac{\$34,400,000}{22,647} = \$1519 / \text{tonne}$

- Net cost per B.C. household to recover and recycle non-alcohol beverage containers in 2001 - \$15.25.

- Weight of non-alcohol containers recovered per B.C. household – 14.2 kg. (est. 1.6 million households)

- Average net cost per tonne collected:

$$\frac{\$34,400,000 \text{ less } \$10,000,000 \text{ commodity value} = \$24,400,000}{22,647} = \$1077 / \text{tonne}$$

Net cost per tonne by material type

Material	Approximate units per tonne	Total system cost* per tonne	Less approximate commodity value per tonne	Net system cost per tonne	Number of tonnes collected	Total net cost by material type
		1	Minus 2	Equals 3		
Aluminum	67000	\$2984	\$1516	\$1268	5150	\$6,530,000
Plastic**	24000	\$1829	\$319	\$1510	6805	\$10,275,000
Glass	4000	\$383	\$0	\$383	8941	\$3,424,000
Polycoat	43000	\$2708	\$40	\$2668	1459	\$3,892,000

* Total system costs include per-unit handling fees, transportation, processing, consumer awareness and administration.

** Primarily PET plastic

*** Does not include alcohol containers

- The weighted average fee per container paid to depots in 2001 was 3.73 cents.

- In total volume of non-alcohol beverage containers, the average depot in B.C. handled 3.6 million containers in 2001, an increase of 7% over 2000.

- In 2001, the average depot received about \$368,000 from Encorp for handling non-alcohol containers. Of the \$368,000, about \$233,000 was reimbursement of deposits paid out and \$135,000 was in handling fees.

BOARD OF DIRECTORS AND COMMITTEE MEMBERS – 2001



NAME	TITLE	ENCORP AFFILIATION
John Nixon Chair Encorp Pacific (Canada)	Vice-President Western Region Canadian Soft Drink Association	Canadian Soft Drink Association
Sandra Banks	Vice-President, Public Affairs Coca-Cola Bottling Company	Canadian Soft Drink Association
Linda Crompton	President Investor Responsibility Research Centre	Unrelated director
R.C.(Rob) Fletcher	President Aviara Sales Inc.	Juice Council of B.C. B.C. Bottled Water Association
Neil Hastie	President and CEO Encorp Pacific (Canada)	Inside director
Lorne Campbell	Vice President Grocery Operations Thrifty Foods	Canadian Council of Grocery Distributors
Liisa O'Hara	Vice-President Financial Services and Regulatory Affairs Trans Mountain Pipe Line Company Ltd.	Unrelated director
Colleen Newell	Vice-President, Environment & Government Affairs Pepsi-Cola Canada Ltd.	Canadian Soft Drink Association
Linda "Toby" Oswald-Felker	Vice-President, Public Relations & Government Affairs Canada Safeway Limited	Canadian Council of Grocery Distributors
Bryan Walton	Vice-President Western Region Canadian Council of Grocery Distributors	Canadian Council of Grocery Distributors
Dan Wong	Principal D. Wong and Associates	Juice Council of B.C.
Phil Brooks	Vice President Operations Polaris Water Company	B.C. Bottled Water Association

AUDIT COMMITTEE

Liisa O'Hara - Chair	Unrelated director
John Nixon	Canadian Soft Drink Association
Phil Brooks	B.C. Bottled Water Association
Dan Wong	Juice Council of B.C.



ADVISORY COMMITTEE ALL NON-MEMBERS OF BOARD

Margaret Sinclair - Chair	Vancouver General Hospital
Allen Lynch	North Shore Recycling Program
Russell Moore	Private Reserve Water
Mondee Redman	Burnaby School Board
Catarina Wong	Core-Mark International

GOVERNANCE COMMITTEE

Linda Crompton - Chair	Unrelated director
Colleen Newell	Canadian Soft Drink Association
Margaret Sinclair	Vancouver General Hospital - non-member of board
Bryan Walton	Canadian Council of Grocery Distributors
Dan Wong	Juice Council of B.C.

NOMINATING COMMITTEE

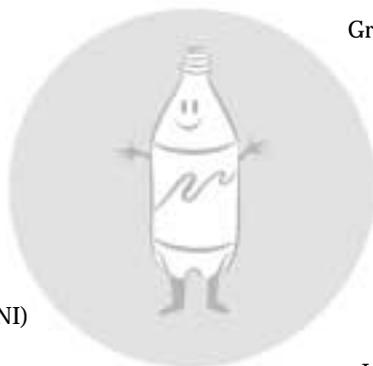
John Nixon	Canadian Soft Drink Association
Rob Fletcher - Chair	Juice Council of B.C.
Neil Hastie	Inside director
Liisa O'Hara	Unrelated director
Toby Oswald	Canadian Council of Grocery Distributors

STAKEHOLDERS COMMITTEE ALL NON-MEMBERS OF THE BOARD

Margaret Sinclair - Chair	Vancouver General Hospital
Karen Asp	Recycling Council of B.C.
Ruth Lotzkar	Environmentally Sound Packaging Coalition
Allan Lynch	North Shore Recycling
Mondee Redman	Burnaby School Board
John Richards	Abbotsford Community Services
Andy Telfer	Coast Waste Management Association
Wally Erickson	Delta Recycling / Simon Fraser University
Stephanie Banks	United We Can Bottle Depot

Brand Owners Represented By Encorp

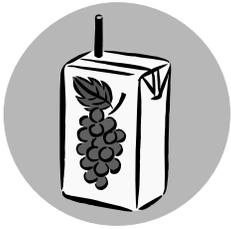
7-11 Canada
 A. Bosa & Co. Ltd.
 A. Lassonde Inc.
 Aberfoyle Springs Ltd.
 Adanac Food Importers Ltd.
 Albi Beverages
 Allcity Importers Ltd.
 Alfresh Beverages Canada Corp.
 Alta Beverage Corporation
 Anchor Foods International Ltd.
 Arctic Chiller Ltd.
 Avani Water Corporation
 Aviara Sales Inc.
 Bessey Juices Inc.
 Bioforce Canada Inc.
 Blackwell Dairy Farm Inc.
 Blasko's Ice & Artesian Spring Water
 Bottle Green Drinks Co. Canada Inc.
 Bridge Brand Food Services Ltd.
 Bulkley Valley Milk Ltd.
 C.F. Inc.
 Cadbury Beverages Canada Inc.
 Calkins & Burke Limited
 Campbell Soup Company Ltd.
 Canada Safeway Limited
 Canada Youth Orange Network (CYONI)
 Canada's Choice Spring Water Inc.
 Canadian Choice Wholesalers Ltd.
 Canadian Springs Water Co.
 Canasoy Enterprises (Canada)
 Canda Enterprise Co. Ltd.
 Capers Community Markets
 Carley Spring Water Sales
 Cawston Cold Storage Ltd. / Nature's First Fruits
 Central Boeki Canada Ltd.
 Chilliwack Water Store Ltd.
 Clearly Canadian Beverage Corp
 Coca-Cola Bottling Ltd.
 Colter Agencies Ltd.
 Concord Sales
 Continental Packaging Ltd.
 Core-Mark International Inc.
 Corinthian Distributors Ltd.
 Costco Wholesale
 Cott Beverages Canada
 Cowichan Valley Water Co. Ltd.
 Dairyworld Foods
 Dan-D Foods Ltd.
 Danone Waters of North America Inc.
 Dattani Foods Ltd.
 Distribution Missum Inc.
 Dole Foods of Canada Ltd.
 Drinkwater Enterprises Inc.
 Echo Springs Co. Inc.
 Edoko Food Importers Ltd.
 Elco Fine Foods Inc.



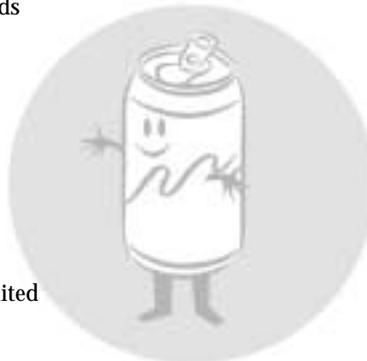
Elko Developments Ltd.
 Eurobubbles Canada Inc.
 Falesca Importing Ltd.
 Far East North America Food Ltd.
 Far-Met Importers Ltd.
 Federated Cooperatives Ltd.
 Fok's Trading (Canada) Ltd.
 Fountain Drinks (Canada) Co. Ltd.
 Fresh Juice Company
 Fukuda Trading Co. Ltd.
 Garland International Holdings (Canada) Ltd.
 Glenmore Sales and Distribution
 Golden Boy Foods Inc.
 Great Canadian Water Co. Ltd.
 Great Canadian Water Co. Ltd.
 Great Western Brewing Company Limited
 H. J. Heinz Co. of Canada Ltd.
 H.Y. Louie Co. Ltd.
 Hanif's International Food Ltd.
 Happy Planet Foods Inc.
 Hi-Country Foods Corporation
 Horizon Distributors
 Horsting's Farm Market
 Hung Gay Enterprises Ltd.
 I-D Foods Western Corporation
 Indigo Beverages
 Inform Brokerage Inc.
 Intersave West Buying & Merchandising
 Invemere Hardware & Building Supplies Co. Ltd.
 Island Farms Dairies Co-op Association
 J West Food Systems Ltd.
 J.M. Smucker (Canada) Inc.
 Jace Holdings Ltd. (Thrifty)
 Johanna Foods, Inc.
 Jones Soda Co.
 Joriki Inc.
 K Mart Canada
 Kan-Pak
 KO&C Enterprises Ltd.
 Konings Wholesale
 Kootenay Joe Orchards
 Kootenay Springs Ltd.
 Kraft Canada Inc.
 Kristall Beverage 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.
 London Drugs Limited
 Lykes Pasco, Inc.
 M.T.F. Mainland Distributors Inc.
 Macdonalds Consolidated Ltd.
 Malinda Distributors Inc.



Brand Owners Represented By Encorp



Martin-Brower of Canada Ltd
 Matheson Creek Farm Ltd.
 McCain Foods (Canada)
 Miller Springs Ltd.
 Minute Maid Company Canada Inc.
 Monashee Spring Water Ltd.
 Mountain Manna Water & Ice Co.
 Nabisco Ltd.
 Nanton Water & Soda Co.
 National Cheese Company (Western) Ltd.
 National Importers Ltd.
 Natural Brands, Inc.
 Natureland Bio Products
 Natures Perfection
 Nature's Pop Sales
 NAYA Waters of Canada
 Nestle Canada Inc.
 New World Natural Foods Ltd.
 Nishimoto Trading Co. Ltd.
 Noel Corporation
 North American Tea & Coffee
 Northern Lite Spring Water Corp.
 Northland Water Company Ltd.
 Nutrition Zone Products Inc.
 Ocean Spray International Inc.
 OGEM
 Okanagan Soft Drink Co.
 Olympic Foods, Inc.
 Overwaitea Food Group/Save-On-Foods
 Pacific Exotic Foods Inc.
 Perrier Group of Canada Ltd.
 Phy-Lor
 Polaris Water Company Ltd.
 Principal Sales Inc.
 Private Reserve Water, Inc.
 Proctor and Gamble Inc.
 PSC Natural Foods, Ltd.
 Purified Water Store Corporation
 Quaker Oats Company of Canada Limited
 Que Pasa Mexican Foods
 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.
 Sawridge Waters Ltd.
 Scott-Bathgate Ltd.



Sea-Van Distributors Ltd.
 Shoppers Drug Mart
 SLN Beverages, Inc.
 Smart fx Distributing Limited
 Sobey's Capital Inc.
 Star Marketing Ltd.
 Stars Trading Co. Ltd.
 Sun Pac Foods Limited
 Sun Wah Foods Ltd.
 Sun-Rype Products Ltd.
 T&T Supermarket Inc.
 Tak Tai Trading Co. Ltd.
 Taplow Sheere / Northleaf Foods
 Tazo Tea Company
 Tetley Canada Inc.
 TFB & Associates Limited
 The Apple Valley Juice Corp.
 The Original Candy Company Ltd.
 The Pepsi Bottling Group
 The TDL Group Ltd.
 Thomas Canning (Maidstone) Limited
 Thorpe Soda Company Ltd.
 Three Valley Mountain Spring Water Ltd.
 Toy's "R" Us Canada Ltd.
 Trade Links Marketing
 Tree of Life/Gourmet Award Foods Canada - West
 Tree Top, Inc.
 Triarc Beverage Group
 Triple Jim's Juices
 Tropicana Canada
 Tun Hau Enterprises (Canada) Ltd.
 Uno Foods 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.
 Westfair Foods Ltd.
 Weston Foods
 Wet Planet Beverages
 Whistler Water Inc.
 Wild West Organic Harvest Co-op
 World Choice Bottling Corp.
 Wtaa International, Inc.
 Wycen Foods (Canada) Inc.
 Zellers Inc.

Note: Brand Owner registrations are constantly changing and all current brand owners may not be included on this list.

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 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 15, 2002

Encorp Pacific (Canada)

Financial Statements
December 31, 2001

March 22, 2002

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, 2001 and the statements of earnings, 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.

The Corporation derives its fee revenue from sales data provided by product brand owners, the completeness of which is not determinable without access to the brand owners' accounting records. Our verification of fee revenue was limited to comparing amounts recorded in the records of the Corporation to amounts reported by the product brand owners, and we were not able to determine whether any adjustments might be necessary to fee revenue, excess of revenues over expenses and unrestricted net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the fee revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

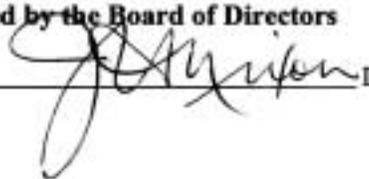
Encorp Pacific (Canada)

Statement of Financial Position

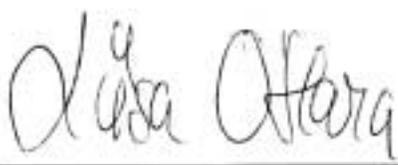
As at December 31, 2001

	2001 \$	2000 \$
Assets		
Current assets		
Cash	12,766,233	8,536,886
Accounts receivable	10,990,202	10,250,068
Prepaid expenses and bid deposit	757,679	70,081
	<hr/>	<hr/>
	24,514,114	18,857,035
Capital assets (note 3)	<hr/>	<hr/>
	227,570	174,106
	<hr/>	<hr/>
	24,741,684	19,031,141
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	<hr/>	<hr/>
	13,142,616	12,723,135
Net assets		
Net assets invested in capital assets	227,570	174,106
Internally restricted reserve (note 4)	3,666,297	-
Unrestricted net assets	<hr/>	<hr/>
	7,705,201	6,133,900
	<hr/>	<hr/>
	11,599,068	6,308,006
	<hr/>	<hr/>
	24,741,684	19,031,141

Approved by the Board of Directors



Director



Director

Encorp Pacific (Canada)

Statement of Changes in Net Assets

For the year ended December 31, 2001

				2001	2000
	Invested in capital assets \$	Internally restricted reserve \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	174,106	-	6,133,900	6,308,006	1,220,688
Excess (deficiency) of revenues over expenses	(57,040)	-	5,348,102	5,291,062	5,087,318
Investment in capital assets	110,504	-	(110,504)	-	-
Internally imposed restrictions (note 4)	-	3,666,297	(3,666,297)	-	-
Balance - End of year	<u>227,570</u>	<u>3,666,297</u>	<u>7,705,201</u>	<u>11,599,068</u>	<u>6,308,006</u>

Encorp Pacific (Canada)

Statement of Earnings

For the year ended December 31, 2001

	2001 \$	2000 \$
Revenues		
Deposits on containers	56,152,879	52,774,445
Container recycling fees	12,295,800	11,262,802
Contract fees	2,343,935	-
Sale of recyclable materials	10,045,876	11,788,165
Other	759,929	468,863
	<hr/> 81,598,419	<hr/> 76,294,275
Deposits refunded	39,758,689	36,822,543
	<hr/> 41,839,730	<hr/> 39,471,732
Direct operations expenses		
Handling fees	24,751,427	22,957,032
Depot operations	594,526	597,269
Transportation and processing fees	7,459,969	6,716,953
	<hr/> 32,805,922	<hr/> 30,271,254
Other expenses		
General and administrative	2,382,607	2,135,801
Consumer awareness	1,187,636	1,753,056
Research and development	115,463	163,533
Amortization	57,040	60,770
	<hr/> 3,742,746	<hr/> 4,113,160
Excess of revenues over expenses	<hr/> 5,291,062	<hr/> 5,087,318

Encorp Pacific (Canada)

Statement of Cash Flows

For the year ended December 31, 2001

	2001 \$	2000 \$
Cash flows from operating activities		
Excess of revenues over expenses for the year	5,291,062	5,087,318
Item not affecting cash - amortization	57,040	60,770
	<hr/> 5,348,102	<hr/> 5,148,088
Changes in non-cash working capital items		
Accounts receivable	(740,134)	74,676
Prepaid expenses and bid deposit	(687,598)	(21,833)
Accounts payable and accrued liabilities	419,481	1,441,603
	<hr/> 4,339,851	<hr/> 6,642,534
Cash flows from investing activities		
Purchase of capital assets	(110,504)	(35,222)
	<hr/> 4,229,347	<hr/> 6,607,312
Increase in cash during the year	4,229,347	6,607,312
Cash - Beginning of year	8,536,886	1,929,574
	<hr/> 12,766,233	<hr/> 8,536,886
Cash - End of year	<hr/> 12,766,233	<hr/> 8,536,886
Interest paid	<hr/> -	<hr/> -

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2001

1 Incorporation and nature of 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).

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, 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.

Effective October 1, 2001, the Corporation entered into an agreement with the Liquor Distribution Branch (LDB) to manage the LDB wine, spirits and non-refillable beer, cider and coolers container collection program.

2 Significant accounting policies

Revenues

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 on the date the containers are sold 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.

Direct expenses

Deposit refunds, handling, transportation and processing fees are accrued on the date the containers are sold by the brand owners.

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2001

Accruals for recyclable materials revenue and direct expenses

The recyclable materials revenue accrual and accruals for deposit refunds, handling, 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 of the rate of recovery of used beverage containers. The determination of such accruals is subject to estimates that reflect management's 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.

Capital assets

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

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.

Use of estimates

A precise determination of many assets and liabilities is dependent upon future events, and therefore, the preparation of financial statements in conformity with generally accepted accounting principles requires management to use 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

3 Capital assets

			2001	2000
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Office equipment	81,627	14,596	67,031	18,699
Computer hardware	122,801	58,305	64,496	46,873
Computer software	191,641	115,667	75,974	108,534
Leasehold improvements	24,041	3,972	20,069	-
	420,110	192,540	227,570	174,106

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2001

4 Internally restricted reserve

In recognition of the principle that the costs of recycling each container type be borne independently of other container types, the Board of Directors of the Corporation directed that \$3,666,297 of unrestricted net assets be transferred to an internally restricted reserve. The objective of the reserve is to defer the implementation of the container recycling fee on container types in which its 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 year ending December 31 are as follows:

	\$
2002	541,000
2003	348,000
2004	244,000
2005	54,000
2006	18,000

Bank

HSBC Bank Canada

Legal Firm

Fasken Martineau DuMoulin LLP

Auditor

PricewaterhouseCoopers LLP

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

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