



Message from the Chair and the Chief Executive Officer

Welcome to our inaugural digital Annual Report. We hope you find this format easy to use.

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

Achieved a record unit recovery rate of 77%

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

Another way to view recovery rates is to make the calculation based on weight, the measurement used in municipally operated collection programs. Using this metric, our recovery rate for 2008 was 84%; somewhat higher than the unit collection rate as the glass category represents some 75% of the weight collected and has a higher collection rate (87.3%) than other categories. These record rates reflect our ongoing commitment to expanding and improving our collection network and our dedication to sustained public education.

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

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

Beverage alcohol containers (wine, spirits, beer, cider and coolers in non-refillable glass and plastic containers) were managed by Encorp from 2001- 2007 under a service provider contract between Encorp and the Liquor Distribution Branch which acted as the stewardship agent. Effective July 1, 2007, these producers appointed Encorp as their stewardship agent and our amended Stewardship Plan was accepted by the Ministry of Environment on November 30, 2007. Admission to full membership with the entitlement to a Board seat is the natural extension of this productive relationship with the beverage alcohol sector.

Beverage alcohol containers represent about 16% of the volume managed by Encorp.

Note: Beer cans, and refillable beer bottles are managed under a separate stewardship plan submitted by Brewers Distributors Ltd.

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

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

While prices have declined, we have not experienced any difficulty moving our commodities to market. Our longstanding relationships with the buyers of aluminum and plastic, and the recognized quality of our materials, have given us privileged priority.





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

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

Developed methods to build system-wide capacity

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

By the end of 2009, we anticipate having 20 depots utilizing Generation 3 designs. We are also testing compaction within the depot to minimize the warehouse space footprint and to reduce pick-up frequency and fuel consumption. The early results are encouraging in the two (2) depots that operate the Orwak 5040 compactor. We are optimistic that a phased rollout to 15 or so depots will be justified for 2010.

Awarded Business of the Year by Burnaby Board of Trade

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

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

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

Neil Hastie
President & CEO

Dan Wong
Board Chair

