

Message from the Chief Executive Officer

The beverage industry in British Columbia continues to face challenging times. Sales in the province have not yet rebounded from the declines experienced in 2009. Manufacturers, and Encorp as their stewardship agency, have adapted to new pressures. Throughout, we have remained focused on our responsibility to maintain financial stability for the many individuals and organizations that rely upon us.

In 2010 our three key achievements were:

1. Strengthening our financial position
2. Maintaining high recovery levels
3. Increasing customer recognition of the Return-It™ depots

Financial Position is Stronger

Our anticipated reserve position is based on an estimate of cash flow requirements. The estimate of \$15 million at the end of 2011 is a conservative position equivalent to 4 to 6 weeks of the cash payments that must be paid out by Encorp to sustain liquidity in the beverage collection system for British Columbia. Accordingly, here is a chronology of our reserve position from January 2010 through the end of December 2011:

January 1, 2010: reserve account deficit of \$1,458,000

December 31, 2010: reserve account surplus of \$7,628,000

December 31, 2011: target surplus of \$15,000,000

Recovery Rates Improve Again

Here are the results:

2010: 80.4%
2009: 79.3%
2008: 77.1%

We achieved this record rate in 2010 in the face of a decline in beverage sales into the province, resulting in fewer containers available for collection. Our recovery efficiency improved as the decline in the actual number of containers collected was less than the decline in containers available.

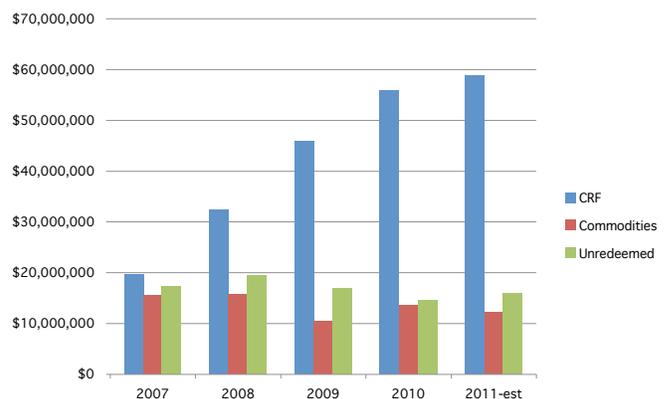
Recognition of the Return-It™ Depots at Record Levels

Here are the results from our annual Ipsos-Reid consumer survey of 1,500 residents:

- 94% are satisfied with their experience at a depot
- 70% have a depot close to home

Financial Stability

Our 2008 and 2009 Annual Reports described the impact on our revenues created by the worldwide recession that started in the fall of 2008. During this same period, our recovery rate continued to improve with a predictable decline in the amount of unredeemed deposits available. As a direct consequence, financing patterns have shifted from, in 2007, an equal balance between commodity revenues, unredeemed deposits and container recycling fees (CRF) to, in subsequent years, a much greater reliance on CRFs.



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This pattern will continue for the foreseeable future. CRF revenue has become fundamental to the financial stability required to sustain a high performing deposit refund beverage container recovery program.

Encorp has had in place a CRF charge to its brand owners since 1996. Brand owners determine whether to charge the retailers separately for the CRF and indicate that at the time of sale, or whether to include the CRF in the total product price. Similarly, it is up to each individual retailer whether to charge the CRF separately and indicate that at the time of sale to the consumer.

Since about 2001, Encorp has engaged in a public education program to inform consumers of the rationale for the CRF and to clearly establish that it was not a government tax. This publicity, coupled with the small size of the CRF (often only 1 to 3 cents per container) has alleviated most consumer concerns. Since 2008, we have made changes to CRF rates four times. While some rates have been reduced, most have been increased for reasons set out previously. Encorp's policy is to review and establish CRF rates on an annual basis.

In closing, I want to acknowledge the leadership demonstrated by our Board of Directors as they made the difficult choices on the road to strengthening our financial position while still supporting the investments in public education, research and development that are fundamental to maintaining high standards of stewardship. This dedication has allowed us to provide consistent support to our many business partners who either operate Return-It™ Depots or are transportation/processing service providers.

Finally, I am proud of the everyday effort of our dedicated staff. Leading Encorp is a rewarding experience made even more enjoyable because of the spirit and commitment of my colleagues.

Sincerely,



Neil Hastie
President and CEO

