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Audited Statements

Independent auditor's report and financial statements from KPMG.

Independent reasonable assurance report for non-financial information.

9.1 Management's Responsibility for Financial Reporting

May 13, 2024

The financial statements of Encorp Pacific (Canada) have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). 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, the independent auditors appointed by the Board of Directors, has audited the financial statements of Encorp Pacific (Canada) in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and expresses an opinion on the financial statements of Encorp Pacific (Canada).



Cindy Coutts

President & CEO



Mike McKay, CPA, CGA

CFO

9.2 Independent Auditor's Report and Financial Statements



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INDEPENDENT AUDITOR'S REPORT

To the Members of Encorp Pacific (Canada):

Opinion

We have audited the financial statements of Encorp Pacific (Canada) (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter - Comparative Information

The financial statements for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 10, 2023.



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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
May 7, 2024

Statement of Financial Position

ENCORP PACIFIC (CANADA)

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 58,606,838	\$ 70,933,838
Accounts receivable, net of allowance for doubtful accounts of \$275,759 (2022 - \$13,571))	6,850,495	6,935,924
Prepaid expenses and deposits	999,233	1,473,350
	66,456,566	79,343,112
Capital assets (note 4)	13,251,084	8,385,597
	\$ 79,707,650	\$ 87,728,709
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 27,448,032	\$ 24,184,721
Deferred revenue	10,721,835	11,612,659
Advance payment from brand owners	1,964,218	1,814,025
Current portion of debt (note 5)	2,353,981	52,614
	42,488,066	37,664,019
Debt (note 5)	1,613,494	1,666,829
	44,101,560	39,330,848
Net assets:		
Internally restricted reserve (note 6(a))	1,788,234	8,188,419
Geographic coverage reserve (note 6(b))	22,869,362	25,408,602
Investment in capital assets	9,283,609	6,666,154
Unrestricted	1,664,885	8,134,686
	35,606,090	48,397,861
Commitments (note 7)		
Subsequent events (note 10)		
	\$ 79,707,650	\$ 87,728,709

The accompanying notes are an integral part of the financial statements.

Approved by the Board:



Director



Director

Statement of Operations

ENCORP PACIFIC (CANADA)

Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Revenues:		
Deposit on containers	\$ 172,670,289	\$ 166,107,152
Deposit refunded	(137,516,157)	(127,248,042)
	<u>35,154,132</u>	<u>38,859,110</u>
Container recycling fees	42,370,708	52,815,899
Sale of recyclable materials	21,768,174	28,589,631
Contract fees	8,615,128	9,340,958
Interest income	3,236,523	1,342,053
Other	419,345	33,385
	<u>111,564,010</u>	<u>130,981,036</u>
Operating expenses:		
Collection	71,576,949	68,707,065
Transportation and processing	35,355,327	36,215,050
	<u>106,932,276</u>	<u>104,922,115</u>
Other expenses:		
General and administrative	9,150,325	7,469,022
Consumer awareness	7,036,423	5,417,954
Amortization	1,079,650	849,305
Foreign exchange loss (gain)	157,107	(1,127,304)
	<u>17,423,505</u>	<u>12,608,977</u>
Excess (deficiency) of revenue over expenses	\$ (12,791,771)	\$ 13,449,944

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

ENCORP PACIFIC (CANADA)

Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative information for 2022

	Internally restricted reserve	Geographical coverage reserve	Investment In capital assets	Unrestricted	2023 Total	2022 Total
Balance, beginning of year	\$ 8,188,419	\$ 25,408,602	\$ 6,666,154	\$ 8,134,686	\$ 48,397,861	\$ 34,947,917
Excess (deficiency) of revenue over expenses	-	-	(1,269,298)	(11,522,473)	(12,791,771)	13,449,944
Changes in investment in capital assets	-	-	3,886,753	(3,886,753)	-	-
Transfers to reserves:						
Internally restricted reserve (note 6(a))	(6,400,185)	-	-	6,400,185	-	-
Geographic coverage reserve (note 6(b))	-	(2,539,240)	-	2,539,240	-	-
Balance, end of year	\$ 1,788,234	\$ 22,869,362	\$ 9,283,609	\$ 1,664,885	\$ 35,606,090	\$ 48,397,861

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

ENCORP PACIFIC (CANADA)

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (12,791,771)	\$ 13,449,944
Items not involving cash:		
Amortization	1,079,650	849,305
Loss on disposal of capital assets	189,648	37,582
	(11,522,473)	14,336,831
Changes in non-cash operating items:		
Accounts receivable	85,429	3,001,436
Prepaid expense and deposits	474,117	174,124
Accounts payable and accrued liabilities	3,263,311	2,460,287
Deferred revenue	(890,824)	1,450,142
Advance payment from brand owners	150,193	80,824
	(8,440,247)	21,503,644
Investing:		
Purchase of capital assets	(6,138,585)	(1,317,599)
Proceeds from sale of capital assets	3,800	5,500
	(6,134,785)	(1,312,099)
Financing:		
Proceeds from debt	2,300,000	-
Repayments of debt	(51,968)	(51,799)
	2,248,032	(51,799)
Net change in cash	(12,327,000)	20,139,746
Cash, beginning of year	70,933,838	50,794,092
Cash and cash equivalents, end of year	\$ 58,606,838	\$ 70,933,838
Non-cash transactions:		
Deposits transferred to capital assets	\$ -	\$ 1,135,033

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

ENCORP PACIFIC (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. 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 and continued effective June 11, 2014 under the Canada Not-for-Profit Corporations Act. The Corporation is exempt from income taxes and carries on its operations without monetary gain to its members.

The Corporation has been appointed by participating brand owners to carry out its duties pursuant to the terms of the Recycling Regulation of the Environmental Management Act of British Columbia.

Under this appointment, the Corporation acts to develop a Stewardship Plan in the form prescribed by the Recycling Regulation for the collection and management of containers for and on behalf of the brand owners in an efficient, cost-effective, and socially and environmentally responsible manner. The appointment also allows the Corporation to establish charges for its services as required to generate fees sufficient to meet its current and future financial requirements, including deposit refunds and operating costs.

The objectives of the Corporation are to promote and facilitate the recycling of used beverage containers in British Columbia through education, public awareness and management under the Recycling Regulation. Although an excess or deficiency of revenue over expenses may occur on an annual basis, the Corporation's objective is to operate on a cost recovery basis.

Under contract, the Corporation also provides material handling with respect to recycling of certain consumer electronics.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"), incorporating the following significant accounting policies:

(a) Controlled entities:

(i) Encorp Pacific Inc.:

The Corporation owns 100% of the issued and outstanding share capital of Encorp Pacific Inc. ("EPI"). The Corporation accounts for this investment using the equity method and provides the disclosures on the balances and transactions of EPI in note 8(a).

(ii) 1304620 B.C. Ltd.:

The Corporation owns 100% of the issued and outstanding share capital of 1304620 B.C. Ltd.. The Corporation accounts for this investment using the equity method and provides the disclosures on the balances and transactions of 1304620 B.C. Ltd. in note 8(b).

Through a bare trust agreement dated May 20, 2021, the Corporation is the beneficial owner of 100% of the real property to which 1304620 B.C. Ltd. holds legal title, and as a result the balances of the trust are included in these financial statements.

Notes to Financial Statements

ENCORP PACIFIC (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(b) Revenue:

Deposits on containers and container recycling fees are received from brand owners on each container sold in the province of British Columbia. The Corporation records revenue from deposits on containers and container recycling fees as services are provided in relation to its obligations under the Stewardship Plan.

Contract fees relate to service contracts with other stewardship agencies and are recognized as revenue as the services are provided.

Sales of recyclable materials revenue is recognized when the containers are shipped to recyclers.

(c) Deferred revenue:

The Corporation defers revenue related to deposits and container recycling fees received or receivable prior to year-end for which the related deposit refunds, collection fees and transportation and processing fees will be paid for container returns received subsequent to year-end. The determination of such a deferral is subject to estimates that reflect management's determination of the most probable set of economic conditions for the estimated turnaround time for consumers returning used beverage containers for refunds. During the year ended December 31, 2023, the turnaround time was estimated to be 7.5 weeks (2022 - 7.5 weeks).

(d) Direct operations expenses and other expenses:

Collection fees to depots and transportation and processing fees are recorded on the date the containers are collected by transporters. Other expenses are recorded in the period the related goods or services are received.

(e) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the statement of financial position date. Exchange differences are included in income as they arise. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date.

Notes to Financial Statements

ENCORP PACIFIC (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(f) Capital assets:

The Corporation records capital assets at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Rate
Building	10 years
Mobile Compaction	10 years
Express & Go stations	5 years
Computer hardware	3 years
Office equipment	5 years
Leasehold improvements	3 to 5 years
Computer software	3 years

Assets under development are not subject to amortization until development is complete.

Capital assets are assessed for impairment whenever events or changes in circumstances indicate that the asset no longer contributes to the Corporation's ability to provide services or that the value of future economic benefits or service potential associated with the asset is less than its carrying amount. If such conditions exist, a nonreversible impairment expense is recorded as the amount by which the carrying amount of the asset exceeds its fair value or replacement cost.

(g) Leases:

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to ownership of the property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the present value of the lessee's minimum lease payments or the property's fair value at the beginning of the lease. All other leases are accounted for as operating leases.

(h) Financial instruments:

The Corporation's financial instruments consist of cash, accounts receivable, accounts payable and debt.

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Corporation is in the capacity of management, are initially recognized at cost.

Notes to Financial Statements

ENCORP PACIFIC (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(h) Financial instruments (continued):

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of financial instruments with repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. The cost of financial instruments without repayment terms is determined using the consideration transferred or received by the Corporation in the transaction. Subsequently, all financial instruments are measured at amortized cost unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such financial instruments at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations.

With respect to financial assets measured at cost or at amortized cost, the Corporation recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases, and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statement of operations in the period the reversal occurs.

(i) Use of estimates:

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Specific items subject to estimation include the allowance for doubtful accounts, estimated useful lives and potential impairment of capital assets, deferred revenue and accrued liabilities.

These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

Actual results could differ from those estimates.

Notes to Financial Statements

ENCORP PACIFIC (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Government remittances:

Government remittances consist of amounts, such as payroll withholdings, sales taxes, employer health tax and Workers' Compensation Board remittances, required to be paid to government authorities and are recognized when the amounts become due. As at December 31, 2023, government remittances are in an aggregate net receivable of \$414,578 (2022 - \$177,353). There are no government remittances payable as at December 31, 2023 and 2022.

4. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Infrastructure for operations:				
Land	\$ 8,531,722	\$ -	\$ 8,531,722	\$ 3,680,786
Building	78,467	11,791	66,676	28,411
General:				
Mobile Compaction	3,163,546	820,551	2,342,995	2,761,599
Express and Go stations	1,540,083	386,630	1,153,453	796,394
Computer hardware	3,662,182	3,312,535	349,647	356,453
Office equipment	1,057,424	915,552	141,872	141,155
Leasehold improvements	692,059	512,527	179,532	410,178
Computer software	362,925	223,758	139,167	210,621
Work in progress	346,020	-	346,020	-
	<u>\$ 19,434,428</u>	<u>\$ 6,183,344</u>	<u>\$ 13,251,084</u>	<u>\$ 8,385,597</u>

5. Credit facilities:

	2023	2022
Revolving demand facility (a)	\$ -	\$ -
Non-revolving term loan (b)	1,667,475	1,719,443
Non-revolving term loan (c)	2,300,000	-
	<u>3,967,475</u>	<u>1,719,443</u>
Less current portion	(2,353,981)	(52,614)
	<u>\$ 1,613,494</u>	<u>\$ 1,666,829</u>

Notes to Financial Statements

ENCORP PACIFIC (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Credit facilities (continued):

The Corporation entered into credit agreement with Royal Bank of Canada ("RBC") dated May 10, 2023 ("2023 Agreement") which replaced its existing credit agreement with RBC. The 2023 Agreement provides for the following facilities:

- (a) a revolving demand facility of up to \$2,000,000 bearing interest at RBC's prime rate plus 0.25% per annum. No amounts were drawn on this facility as at December 31, 2023 and 2022.
- (b) a non-revolving term loan bearing interest at a fixed rate of 2.81% per annum. The loan is repayable monthly in blended payments of \$8,356 and repayable in full on May 27, 2026. During the year ended December 31, 2023, interest related to this loan, which is included in general and administrative expenses, was \$48,306 (2022 - \$48,473).
- (c) a non-revolving term loan in the amount of \$2,300,000. This facility was a new facility added in the 2023 Agreement. The facility is available in variable rate loans, fixed rate term loans, or bankers acceptances. The Corporation drew the entire \$2,300,000 in fiscal 2023 by way of a variable rate loan which bears interest at RBC's prime rate per annum. The loan is repayable in full on May 15, 2024.
- (d) a revolving lease line of credit in the amount of \$1,000,000 which are subject to separate agreements to be entered into with RBC. No leases were drawn on this facility as at December 31, 2023 and 2022.

The facilities under the 2023 Agreement are secured by a general security agreement with first ranking security interest on all property of the Corporation.

The aggregate minimum amount of payments required in the next three years are as follows:

2024	\$ 2,353,981
2025	55,648
2026	1,557,846
	<u>\$ 3,967,475</u>

Notes to Financial Statements

ENCORP PACIFIC (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2023

6. Internally restricted net assets:

(a) Internally restricted reserve:

The Board of Directors has established an internally restricted reserve in recognition of the principle that the costs of recycling each container type are to be borne independent of other container types. The objective of the reserve is to defer the implementation of the container recycling fee on container types for which the current unredeemed deposits exceed the net costs of recycling. The reserve level is reviewed annually. The reserve may also be used to develop and implement strategies to improve recovery rates of these specific containers. As a result of the annual review, an amount of \$6,400,185 was transferred from the internally restricted reserve during fiscal 2023 (2022 - \$720,871 was transferred to the internally restricted reserve).

(b) Geographical coverage reserve:

The Board of Directors has established a geographical coverage reserve. The purpose of the geographical coverage reserve is to increase the geographical coverage in areas where adequate Return-It collection sites are not available and thereby maximize the recovery of deposit bearing beverage containers for recycling. The reserve level is reviewed annually. As a result of the annual review, an amount of \$2,539,240 was transferred from the geographical coverage reserve during fiscal 2023 (2022 - \$25,408,602 was transferred to the geographical coverage reserve).

7. Commitments:

The Corporation has entered into operating leases for its premises and certain equipment. The total future minimum lease payments and related minimum maintenance and services fees for the next five years and thereafter are as follows:

2024	\$ 767,278
2025	767,804
2026	568,379
2027 and thereafter	79,650
	\$ 2,183,111

Notes to Financial Statements

ENCORP PACIFIC (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2023

8. Related parties:

(a) EPI:

The Corporation owns 100% of EPI. EPI is inactive and its balance sheet is as follows:

Cash	\$	2
Shareholder's equity		2

(b) 1306420 B.C. Ltd.:

The Corporation owns 100% of 1306420 B.C. Ltd. The Corporation has no transactions or balances other than in relation to real property covered by the bare trust agreement.

(c) Directors' fees:

During the year ended December 31, 2023, the Corporation paid \$206,960 (2022 - \$199,608) in directors' fees, which is included in general and administrative expenses.

9. Financial risks:

(a) Foreign currency risk:

Foreign currency risks is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchanges rates. The Corporation is exposed to foreign exchange risk through its cash, accounts receivable and accounts payable and accrued liabilities denominated in US dollars. At December 31, 2023, the net US dollar exposure on cash, accounts receivable, accounts payable and accrued liabilities was US\$3,997,206 (CAD \$5,294,979) (2022 - US\$2,436,186 (CAD \$3,299,424)). The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

(b) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Corporation is exposed to interest rate risk through use of debt facilities (note 5). The Corporation does not use derivative instruments to reduce its exposure to interest rate risk.

(c) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation is exposed to credit risk through its cash and accounts receivable. The Corporation maintains its cash with a major, reputable financial institution. Accounts receivable consists of amounts outstanding from brand owners and material recyclers. The Corporation monitors the creditworthiness of brand owners and material recyclers to minimize the risk of loss.

Notes to Financial Statements

ENCORP PACIFIC (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2023

9. Financial instruments (continued):

(d) Liquidity risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation's objective is to have sufficient liquidity to meet its liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2023, the most significant financial liabilities are accounts payable and accrued liabilities and debt.

There has been no change in risk exposure from 2022.

10. Subsequent events:

On January 26, 2024, the Corporation acquired land and building for infrastructure for operations for cash of \$1,600,000. The amount was financed through an amendment to the 2023 Agreement to add a credit facility for \$1,600,000. The facility bears interest at a fixed rate of 6.05% with monthly repayments of \$10,360. The facility has a term of 36 months and an amortization period of 25 years. The facility is subject to the same general security agreement (note 5).

9.3 Independent Reasonable Assurance Report



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INDEPENDENT PRACTITIONER'S REASONABLE ASSURANCE REPORT

To the Board of Directors of Encorp Pacific (Canada)

We have undertaken a reasonable assurance engagement of the following information (the "subject matter information") detailed within the Annual Report (the "Report") of Encorp Pacific (Canada) (the Entity) and included in Appendix 1 of this assurance report, for the year ended December 31, 2023:

- The location of collection facilities, and any changes in the number and location of collection facilities from the previous report in accordance with Section 8(2)(b) of B.C. Regulation 449/2004 (the "Recycling Regulation");
- The description of how the recovered product was managed in accordance with the pollution prevention hierarchy in accordance with Section 8(2)(d) of the Recycling Regulation;
- The total amount of the producer's product sold and collected and, if applicable, the producer's recovery rate in accordance with Section 8(2)(e) of the Recycling Regulation; and,
- Performance for the year in relation to approved targets under Sections 8(2)(b), (d) and (e) in accordance with Section 8(2)(g) of the Recycling Regulation.

Other than as described in the preceding paragraph, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

The Entity has applied internally developed criteria detailed within Appendix 1 which form an integral part of the subject matter information ("applicable criteria").

Management's Responsibility

Management is responsible for the preparation and presentation of the subject matter information in accordance with applicable criteria.

Management is also responsible for such internal control as management determines necessary to enable the preparation and presentation of the subject matter information that is free from material misstatement, whether due to fraud or error. This responsibility includes developing appropriate criteria.



Encorp Pacific (Canada)
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Our Responsibilities

Our responsibility is to express a reasonable assurance opinion on the subject matter information based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*. This standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the subject matter information is free from material misstatement.

Reasonable assurance is a high level of assurance but is not a guarantee that an engagement conducted in accordance with this standard will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report.

The nature, timing and extent of procedures performed depends on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involves obtaining evidence about the subject matter information.

We believe the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Our Independence and Quality

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants and the independence and other ethical requirements of relevant rules of professional conduct/code of ethics in Canada applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

The firm applies Canadian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Significant Inherent Limitations

Non-financial information, such as that included in the Report, is subject to more inherent limitations than financial information, given the characteristics of the subject matter information and the availability and relative precision of methods used for determining both qualitative and quantitative information. The absence of a significant body of established practice on which to draw allows for the selection of different, but acceptable, measurement techniques which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as described in management's internally developed criteria, may change over time. It is important to read the applicable criteria in Appendix 1.



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Opinion

In our opinion, the subject matter information of the Entity detailed within the Report of the Entity and Appendix 1 for the year ended December 31, 2023, is prepared, in all material respects, in accordance with the applicable criteria.

Specific Purpose of Subject Matter Information

The subject matter information has been prepared in accordance with the applicable criteria by the Entity to meet the requirements of regulations 8(2)(d). As a result, the subject matter information and the Report may not be suitable for another purpose. Our conclusion is not modified in respect of this matter.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slightly slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants

Vancouver, Canada
June 26, 2024

ENCORP (PACIFIC) CANADA

Appendix 1
Subject matter information, applicable definitions, and applicable criteria

Year ended December 31, 2023

Section 8(2)(b) the location of its collection facilities, and any changes in the number and location of collection facilities from the previous report.

SUBJECT MATTER INFORMATION

Specific information in the Annual Report for which applicable criteria were developed		
Disclosed information	2023 Claim in the Annual Report	Report Reference
Number of collection facilities	180 facilities	Collection System and Facilities section of Executive Summary on page 1.
Changes in number of collection facilities	1 collection site closed during 2023. 4 collection sites joined the Encorp program during 2023.	

APPLICABLE DEFINITIONS

The following definitions were applied to the assessment of the location of collection facilities, and any changes in the number and location of collection facilities from the previous report in accordance with Section 8(2)(b) of the Recycling Regulation:

- i. Collection Facility: a Return-It™ Depot that has an agreement for the collection of used beverage containers or operates as a corporate Return-It Express Plus™ or a Return-It Express & Go™ unstaffed location.
- ii. List of Return-It™ collection facilities: is a registry of Return-It™ Depots, Return-It Express Plus™ and Return-It Express & Go™ unstaffed stations containing contact information (location, contact and hours of operation) maintained by Encorp.

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Appendix 1

Subject matter information, applicable definitions, and applicable criteria

Year ended December 31, 2023

APPLICABLE CRITERIA

The following applicable criteria were applied to the assessment of the location of collection facilities, and any changes in the number and location of collection facilities from the previous report in accordance with Section 8(2)(b) of the Recycling Regulation:

1. The number of collection facilities is obtained from the List of Return-It™ collection facilities as of December 31.
2. The calculation of the number of Return-It™ collection facilities is done by adding up the total number of Return-It™ collection facilities in the List.
3. The listing is done on a monthly basis.
4. The changes in the number of collection facilities are highlighted in the monthly depot list with the summary provided at the end of the year.
5. A summary reconciliation is completed at year-end identifying the depots at the beginning of the year, changes during the year and the number of depots at the end of the year.

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Appendix 1
Subject matter information, applicable definitions, and applicable criteria

Year ended December 31, 2023

Section 8(2)(d) product management in accordance with pollution prevention hierarchy.

SUBJECT MATTER INFORMATION

Specific information in the Annual Report for which applicable criteria were developed		
Disclosed information	2023 Claim in the Annual Report	Report Reference
A description of how the recovered product was managed in accordance with the pollution prevention hierarchy	Description of the fate of material	'Fate of Material (2023)' column from Section 5.1 Container Recycling End Fate Report on pages 42 to 43.

APPLICABLE DEFINITIONS

The following definitions were applied to the assessment of the description of how the recovered product was managed in accordance with the pollution prevention hierarchy in accordance with Section 8(2)(d) of the Recycling Regulation:

- i. Weight of material collected: Weight obtained from processors invoices for the units collected and processed.
- ii. Weight of material recycled: Weight of baled material as per shipments received by recyclers based on outbound movement authorizations / commodity revenue supporting documents.
- iii. End of life: for used beverage containers is determined when the recovered containers are separated by material stream and delivered to the end recyclers approved by Encorp through a vendor certification process.
- iv. End Recycler: a facility that uses processed used beverage containers to transform recovered material into other product.

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Appendix 1

Subject matter information, applicable definitions, and applicable criteria

Year ended December 31, 2023

APPLICABLE CRITERIA

The following applicable criteria were applied to the assessment of the description of how the recovered product was managed in accordance with the pollution prevention hierarchy in accordance with Section 8(2)(d) of the Recycling Regulation:

1. All non-refillable containers collected during the year are delivered to processing sites across the province of BC where the containers are grouped into six material categories defined in the Stewardship Plan: Aluminium, Plastic, Glass, Polycoat, Pouches, Bag-In-Box, and Bi-Metal and baled for further processing with the exception of glass that is crushed.
2. Once processed, each material stream is shipped to its own end recycler approved by Encorp through a vendor qualification program.
3. Each shipment is documented with the weight of material shipped on the transporter document (waybill/movement authorization form, export declaration).
4. The total weight of material recycled is obtained from the list of shipments to each end recycler in a calendar year by material type.
5. The total weight recycled is compared to the total weight of material collected to assess reasonableness of the total recycled weight published in the Annual report. The calculation of weight of material collected is derived from the weight invoiced by processors for the units processed by material type. A comparison of past three years weight of units processed by commodity type is carried out every year. A significant variance between the weight processed year on year compared to units collected is investigated.

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Appendix 1
Subject matter information, applicable definitions, and applicable criteria

Year ended December 31, 2023

Section 8(2)(e) the total amount of the producer’s product sold/collected and the producer’s recovery rate

SUBJECT MATTER INFORMATION

Specific information in the Annual Report for which applicable criteria were developed		
Disclosed information	2023 Claim in the Annual Report	Report Reference
Product sold	Total sales in units – 1,726,702,889	‘Product Sold / Collected and Recovery Rate’ section of the Executive Summary on page 2.
Product collected	Total product collected in units – 1,375,161,566	
Recovery rate	Recovery rate – 79.6%	

APPLICABLE DEFINITIONS

The following definitions were applied to the assessment of how the total amounts of the producer’s product sold and collected and, if applicable, the producer’s recovery rate has been calculated in accordance with Section 8(2)(e) of the Recycling Regulation:

- i. Recovery Rate: A calculated value derived from dividing total units collected by total units sold and measured as percentage rounded to the first decimal point.
- ii. Product Sold: Number of units (beverage containers) reported by Brand Owners to Encorp.
- iii. Brand Owners: Producers as defined in Schedule 1 of the Recycling Regulation.
- iv. Product Collected: Number of units (used beverage containers) collected by Encorp.
- v. Containers-in-Transit: Containers for which deposits were received but will be refunded subsequent to year-end. The estimated turnaround time for consumers returning used beverage containers for deposit refunds is estimated to be 7.5 weeks.
- vi. Movement Authorization (MA): A document indicating a number of containers and number of shipping containers (bags) collected by transporters on behalf of Encorp.

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Subject matter information, applicable definitions, and applicable criteria

Year ended December 31, 2023

APPLICABLE CRITERIA

The following applicable criteria were applied to the assessment of how the total amounts of the producer's product sold and collected and, if applicable, the producer's recovery rate has been calculated in accordance with Section 8(2)(e) of the Recycling Regulation:

1. The Recovery Rate is determined by dividing the Product Collected by the Product Sold.
2. The Product Sold is based on the reported units sold from sales reports received by Encorp from the Brand Owners in unit sales.
3. The reported units sold are adjusted at year-end to account for Containers-in-Transit.
4. The Product Collected is based on the number of used beverage containers covered by the approved Stewardship Plan and collected by Encorp, as indicated in the Movement Authorization form, during the calendar year.
5. The Product Sold and Product Collected, and the Recovery Rate reconcile to the numbers published in the Annual Report. Once processed, each material stream is shipped to its own end recycler approved by Encorp through a vendor qualification program.

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Appendix 1
Subject matter information, applicable definitions, and applicable criteria

Year ended December 31, 2023

Section 8(2)(g) the performance for the year in relation to approved targets under Section 8(2)(b), (d) and (e).

SUBJECT MATTER INFORMATION

Specific information in the Annual Report for which applicable criteria were developed		
Disclosed information	2023 Claim in the Annual Report	Report Reference
Targets associated with Section 8(2)(b): <ul style="list-style-type: none"> Percentage of the population covered by container redemption facilities - 97% target 	Percentage of the population covered by container redemption facilities – 99.2%	'2023 Access Level' from Collection System and Access section of Executive Summary on page 1. .
Targets associated with Section 8(2)(e): <ul style="list-style-type: none"> Recovery rate with the inclusion of milk and milk substitute products –80% target 	Recovery rate – 79.6%	'Product Sold / Collected and Recovery Rate' section of the Executive Summary on page 2.

APPLICABLE DEFINITIONS

The following definitions were applied to the assessment of performance for the year in relation to the specific targets associated with Section 8(2)(b), (d) and (e) of the Recycling Regulation and the approved stewardship plan.

- i. Container redemption facility: an operation, facility or retail premises, or an association of operations, facilities or retail premises, identified in an approved plan for the collection and redemption of a producer's containers.

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Appendix 1

Subject matter information, applicable definitions, and applicable criteria

Year ended December 31, 2023

APPLICABLE CRITERIA

The following applicable criteria were applied to the description of performance for the year in relation to the specific targets associated with Section 8(2)(b), (d) and (e) of the Recycling Regulation and the approved stewardship plan:

1. Targets in the approved stewardship plan have been identified and reported on by management in the annual report.
2. The description of progress against targets to date is supported by records of progress maintained by Encorp.
3. Reporting on the “coverage” of the collection network is based on the percentage on British Columbia residents living within 30 minutes (urban areas) or 45 min (rural areas) of a container redemption facility.