Thinking beyond the box

Stewardship Ontario

WDO Filing on 2010 Program Performance

Table of Contents

Section 1

2010 Blue Box Program Performance

Blue Box Performance Report for 2010

WDA Requirements

Stewardship Ontario is the industry funding organization responsible for the Blue Box Program Plan, which was approved by the Minister on December 22, 2003 and commenced on February 1, 2004. For further information please see "Guide to the Blue Box Program Plan" at *http://www.wdo.ca/files/domain4116/Guide%20to%20the%20BBPP%20for%202008%20fees%20Oct%2017%202007.pdf*.

A revised plan was submitted by Stewardship Ontario in the spring of 2010, approved by Waste Diversion Ontario and is awaiting approval by the Minister. For further information on the proposed revised plan, please see "Revised Blue Box Program Plan" at http://stewardshipontario.ca/sites/default/files/docs/Final%20Revised%20BBPP%20-%20April%2029%202010.pdf

Stewardship Ontario undertook two consultations in 2011:

- The report on consultations undertaken during the preparation of the Revised Blue Box Program Plan can be found at: *http://stewardshipontario.ca/faq/stewards/library/consultation-archives*,
- The report on consultations undertaken in relation to the establishment of program fees for 2011 can be found at: *http://stewardshipontario.ca/stewards/what-we-do/blue-box/consultation.*

Steward Registration

Steward registration in 2010 totalled 4,354 stewards for the Blue Box Program. Of these, 90 were new steward registrations in 2010.

Total number of Blue Box stewards reporting in 2010 was 1,491. In 2009, 1,544 Blue Box stewards reported.

The total fees paid by the reporting Blue Box stewards in 2010 were $89,397,622. In 2009, $80,635,640 was paid by reporting Blue Box stewards. The fee is as stated in Stewardship Ontario's Statement of Operations; note that steward reports for any prior year's obligations are captured in the year that the reporting takes place.

Report on Blue Box steward audits: in 2010 Stewardship Ontario worked with Deloitte and Touche to create a robust audit framework. The first audit under this framework was completed March 1, 2011. There are nine more in progress from 2010 as part of this pilot project. In 2008-2009, nine audits were conducted which represented 108% of the tonnage target. When the 2010 audits are completed under the new framework, 54% of the tonnage target will be audited.

Program Diversion Performance

The Blue Box program, operated by Ontario municipalities and funded in part by Stewardship Ontario via the Program Plan, achieved a material diversion rate of 65.3% (calendar year 2009).

Market Development

Stewardship Ontario continued its efforts to develop markets for recyclable materials, specifically:

- Stewardship Ontario's investments in two processors of mixed rigid plastics are progressing successfully. Blue box material is being processed successfully and economically into a range of high grade plastics that are being sold for use in the manufacture of new consumer products. Both Entropex and EFS Plastics are now proceeding to the next phase of project expansion and are increasing capacity.

- Stewardship Ontario has also worked with a consumer product manufacturer that is now producing products in Ontario from Blue Box plastics supplied by Entropex and EFS Plastics, and these products are now being sold to consumers by a large national retailer. The key priority now is to ensure that municipalities can produce enough material to satisfy demand.

- The amount of printed newspaper being generated in Ontario is declining dramatically as electronic versions of printed new gain prominence. This is accelerating the change to the mix of materials in the blue box that need to be sorted and marketed (a phenomenon driven initially by increases in plastic packaging to which the Plastic Market Development initiative responded). This has highlighted the need for a strategy to more effectively capture and extract value from paper-based packaging, and therefore in 2010 Stewardship Ontario created a $500,000fund to develop a strategy for paper packaging, following a process similar to that which was used to develop the plastics initiative.

- Stewardship Ontario has also worked with local processors of glass in order to respond to the closing of the Unical recycling plant in Brampton

- A commodity risk assessment was carried out to identify trends in commodity market and processing pressures, to guide future efforts.

Successful market development strategies avoid reactive responses to short-term disruptions in commodities markets and/or actions that aim to address a single emerging issue.

Success invariably requires a systemic approach aimed at the entire supply chain, from the point at which the material is deposited in a blue box to the point at which it is transformed into a commodity suitable for use as a manufacturing input. Where circumstances warrant, Stewardship Ontario can fulfill the role of "venture capitalist", providing foundational support that reduces project risk sufficiently to attract public sector support (such as infrastructure funding), additional private capital partners and/or bank financing.

Accordingly, Stewardship Ontario's efforts will continue to focus on the longer term, assessing risks to the marketability of all blue box materials with a view to anticipating threats to material markets, facilitating systemic strategies to mitigate those risks and/or identifying priorities for long-term market development.

Section 2

2010 MHSW Program Performance

MHSW Performance Report for 2010

WDA Requirements

The MHSW Program is designed to collect consumer household hazardous and special waste material and manage these materials to their end-of-life (recycled or disposed of safely) in accordance with the Waste Diversion Act, 2002.

Program implementation occurred in two phases – Phase 1 launched in July 2008 with nine materials (Ontario Regulation 542/06; Amended O-Reg 28/08). For program plan information please see “Municipal Hazardous or Special Waste” at http://www.wdo.ca/content/?path=page80+item125629. The Consolidated MHSW program (Phase 2 ‘Special Waste’ and Phase 3 ‘Hazardous Waste’) launched July 1, 2010 bringing the total number of materials to 22. For program plan information please see “Consolidated Program Plan” at http://www.wdo.ca/content/?path=page80+item126302.

On July 20, 2010 the Minister of the Environment suspended Phases 2 and 3 (Ontario Regulation 298/10) for a 90-day review period due to consumer confusion and retail implementation issues with ‘eco-fees’. The Minister announced the results of the Government’s 90-Day review of the Orange Drop program on October 12, 2010: “The government is permanently ending the household waste program that took effect on July 1.” (Ontario Regulation 396/10)

The Minister subsequently requested that Stewardship Ontario prepare a revised nine material Phase 1 MHSW program plan and continue to prudently manage Phases 2 and 3 MHSW during a transition period.

Steward Registration

Total number of MHSW stewards reporting in 2010 was 496. In 2009, 448 MHSW stewards reported.

The total fees paid by the reporting MHSW stewards in 2010 were $39,426,587. In 2009, $25,876,102 was paid by reporting MHSW stewards. The fee is as stated in Stewardship Ontario’s Statement of Operations; note that steward reports for any prior year’s obligations are captured in the year that the reporting takes place.

Report on MHSW steward audits: in 2010, six audits were conducted which represented 38% of the tonnage target for the materials audited. A further five audits are in progress, which when completed will bring the 2010 audit total to 11 stewards. The 2010 audits were conducted on two materials - oil filters and oil containers. SO is looking to expand these audits to other materials.

Vendor Registration

Commercial service providers registered for MHSW material management:

Vendor Registrations	Year	Transporters	Processors
	2009	43	28
	2010	47	32
New Vendor Audits	2010	4	4
Monthly Lab Pack Audits	2010	-	6

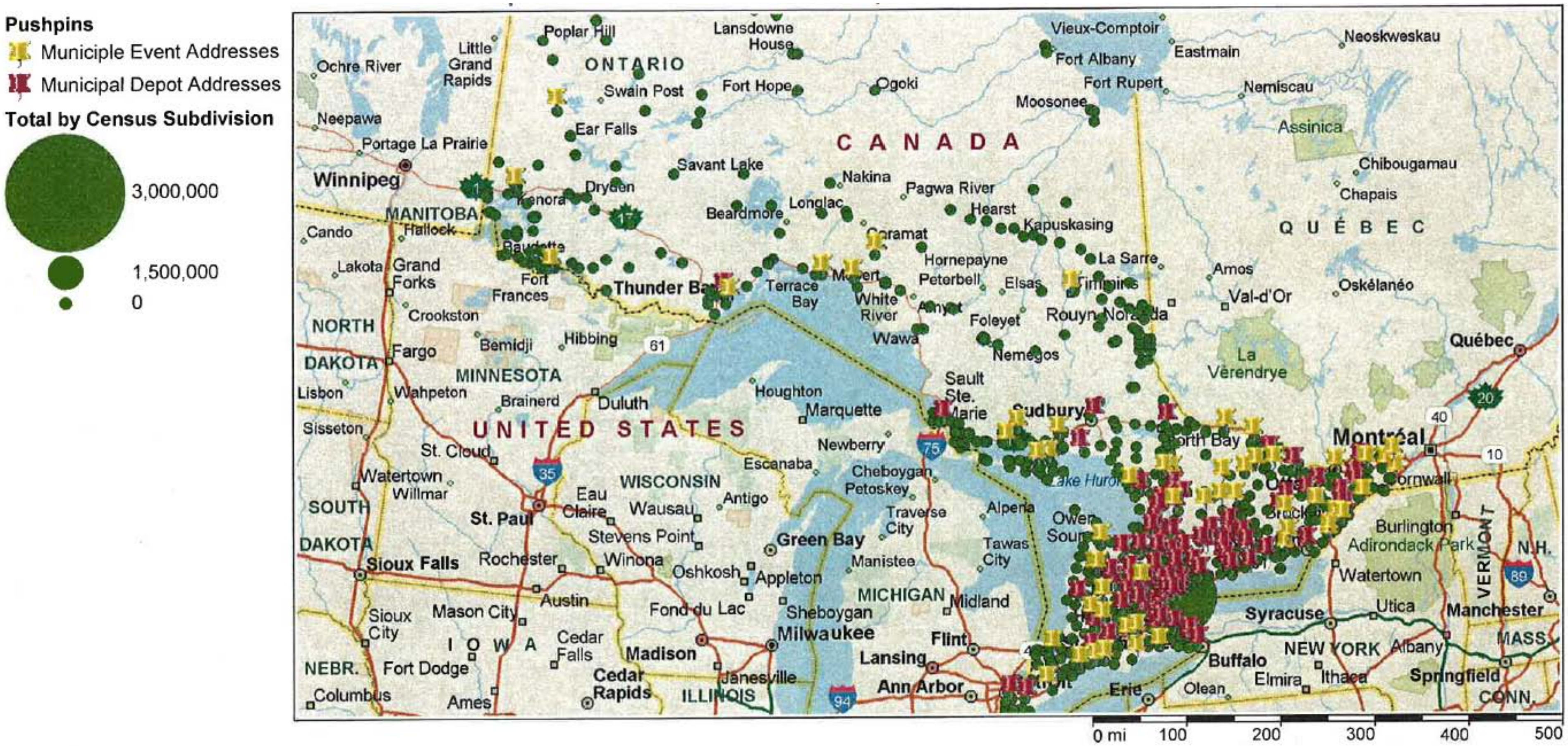
Accessibility

The following chart details consumer accessibility by collector type for MHSW in 2010:

Collector Type		Material	Number	Notes
Municipalities with Depots	Municipality	All	45	75% of the population of Ontario reached
	Depot Sites	All	81	
	Depot Events	All	201	Events July – December 2010
Municipalities – Events Only	Municipality	All	57	
	Events	All	125	Events July – December 2010
Return to Retail		Paint & Batteries	884	4 primary retailers + independents
Automotive Small IC&I Generators		Oil Filters, Antifreeze, Automotive Plastics	10,000	Automotive Incentive Program
Automotive DIY Sites			292	162 DIY sites added in 2010
Public/Private Network Sites		Batteries & Propane	126	Propane tanks: 108 Provincial Parks

Accessibility Map

Population of Ontario mapped to show municipal collection access by depot and event by population density for 2010.



Program Performance against Targets

The 2010 year is being reported in two halves (Q1/Q2 and Q3/Q4) due to the launch of the CMHSW program on July 1, 2010 which triggered new collection and diversion targets for the nine Phase 1 MHSW materials. Since these target rates are substantially different, and some materials have sub-segments created by the CMHSW program, a blended 2010 performance against a blended 2010 target does not meet the reporting requirements.

2010 Tonnes Collected

The source data for collection, as per the explanatory note above, therefore comes from two program plans:

- Q1/Q2: Table 2.7 (Year 2), Phase 1 Plan, pg. 26 * Collection Target Rate
- Q3/Q4: Table 5.9 (Year 1), CMHSW Plan, pg. 43 * Collection Target Rate

It is also important to note that actual collection data** supplied by our service providers, municipal and commercial, undergoes a rigorous validation process. The validation of this inflow of data is still on-going for Q3 and Q4 due to the unanticipated need to separate Phase 1 from Phases 2 and 3 reflecting the Minister's announcement of October 12th. At the time of this report, 20% of Q3/Q4 material management by municipalities has been booked but not yet validated and may be restated in future quarters. 80% has been extrapolated and may be restated in future quarters.

To assist with navigating the Q1/Q2 to Q3/Q4 change, notes have been imbedded into the 2010 Tonnes Collected table below.

<table>
<tr><th>Material</th><th></th><th>2010 Period</th><th>Available for Collection</th><th>Collection* Target Rate</th><th>Collection Target Amount</th><th>Actual** Collection Amount</th><th>Actual** Collection Rate</th><th>Variance (Tonnes)</th></tr>
<tr><td rowspan="7">Paints & Coatings</td><td></td><td rowspan="2">Q1/Q2</td><td>5,413</td><td>55%</td><td rowspan="2">2,977</td><td rowspan="2">5,577</td><td rowspan="2">103%</td><td rowspan="2">2,600</td></tr>
<tr><td>notes</td><td></td><td>Aerosols are included</td></tr>
<tr><td></td><td rowspan="5">Q3/Q4</td><td>10,092</td><td>37%</td><td rowspan="5">3,947</td><td rowspan="5">7,061</td><td rowspan="5">67%</td><td rowspan="5">3,114</td></tr>
<tr><td>notes</td><td></td><td>Aerosols are not included</td></tr>
<tr><td></td><td>505</td><td>49%</td></tr>
<tr><td>notes</td><td></td><td>Paint in aerosol containers</td></tr>
<tr><td>notes</td><td>Concentrate vs. premix modified dilution assumption changes available for collection</td><td>-Gradual net decline in sales
-Extended service intervals
-25% separate rate for containers
(*tables 2.6, 2.7 in Vol.II CMHSW)</td></tr>
</table>

Material		2010 Period	Available for Collection	Collection* Target Rate	Collection Target Amount	Actual** Collection Amount	Actual** Collection Rate	Variance (Tonnes)
Solvents		Q1/Q2	787	39%	307	128	16%	(179)
		Q3/Q4	1,217	46%	560	204	17%	(356)
	notes			- Broader definition - Desire to capture more for recycling vs. EFW - 46% target for Ph3 flammables				
Antifreeze		Q1/Q2	4,944	35%	1,730	1,135	23%	(595)
	notes			Assumed no containers (*table 2.7, footnote #6, pg.27)				
		Q3/Q4	2,893	25%	723	1,097	38%	373
	notes		Concentrate vs. premix modified dilution assumption changes available for collection	-Gradual net decline in sales -Extended service intervals -25% separate rate for containers (*tables 2.6, 2.7 in Vol.II CMHSW)				
Oil Containers		Q1/Q2	1,824	35%	639	1,250	69%	612
		Q3/Q4	1,637	32%	524	1,343	82%	820
	notes			-Contributing factor to lower target: achieved 12% collection in first 9 months of Y1 Ph1 program -Took into consideration state of market for oil container recycling capacity at the time				
Oil Filters		Q1/Q2	6,698	74%	4,957	3,874	58%	(1,083)
		Q3/Q4	6,911	65%	4,492	3,974	58%	(518)
	notes		In May, adjusted weight factor (over-weighing) - decreased the amount available for collection	-Service intervals are longer -Gradual net decline in sales				

Material		2010* Period	Available for Collection	Collection Target Rate	Collection Target Amount	Actual** Collection Amount	Actual** Collection Rate	Variance (Tonnes)
Pressurized Containers - Refillable		Q1/Q2	882	94%	829	284	32%	(545)
	notes		Supplied = what is estimated not going back into "lifecycle management"					
		Q3/Q4	432	83%				
	notes		Same note as above for refillable containers	Based on experience of actual containers collected by municipalities in Phase 1	359	430	100%	72
Pressurized Containers – Non-refillable		Q1/Q2	321	16%	51	55	17%	4
		Q3/Q4	407	14%	57	124	30%	67
	notes			Based on best data available during program development				
Single-Use Dry Cell Batteries		Q1/Q2	3,529	7%	247	318	9%	71
		Q3/Q4	3,847	20%	769	376	10%	(394)
	notes			-Raised by WDO to align with other jurisdictional targets, particularly the EU -Note: Rechargeable also given a separate 20% target				
Pesticides		Q1/Q2	0	52%	0	27	#error	27
	notes		No sales reported	Before banned				
		Q3/Q4	17	n/a	n/a	9	55%	n/a
	notes			Measured Return Share				
Fertilizers		Q1/Q2	0	34%	0	44	#error	44
	notes		-Fertilizers containing pesticides only; before banned pesticides -No sales reported					
		Q3/Q4	0	n/a	n/a	41	#error	n/a
	notes			Measured Return Share				

2010 Tonnes Diverted

The 2010 year is being reported in two halves (Q1/Q2 and Q3/Q4) due to the launch of the CMHSW program on July 1, 2010 which triggered new diversion targets for the nine Phase 1 MHSW materials. Since these target rates are substantially different a blended 2010 performance against a blended 2010 target does not meet the reporting requirements. Therefore, the source data for diversion comes from two program plans:

- Q1/Q2: Table 2.7 (Year 2), Phase 1 Plan, pg. 26 *Diversion Target Rate
- Q3/Q4: Table 5.10 (Year 1), CMHSW Plan, pg. 47 *Diversion Target Rate

It is also important to note that actual diversion data** supplied is a factor based on 2009 processor reporting at the time of this report filing. The actual data is currently being updated using 2010 processor diversion reports received February 2011.

Material	2010 Period	Available for Collection	Diversion* Target Rate	Diversion Target Amount	Actual** Diversion Amount	Actual** Diversion Rate	Variance (Tonnes)
Paints & Coatings	Q1/Q2	5,413	48%	2,598	4,122	76%	1,523
	Q3/Q4	10,092 505	22% 42%	2,403	5,229	49%	2,826
Solvents	Q1/Q2	787	0	-	-	0	-
	Q3/Q4	1,217	0	-	-	0	-
Antifreeze	Q1/Q2	4,944	33%	1,631	1,135	23%	(496)
	Q3/Q4	2,893	25%	723	1,097	38%	373
Oil Containers	Q1/Q2	1,824	28%	511	1,250	69%	740
	Q3/Q4	1,637	32%	524	1,343	82%	820
Oil Filters	Q1/Q2	6,698	69%	4,622	3,603	54%	(1,019)
	Q3/Q4	6,911	65%	4,492	3,696	53%	(796)
Pressurized Containers - Refillable	Q1/Q2	882	94%	829	233	26%	(596)
	Q3/Q4	432	83%	359	353	82%	(6)
Pressurized Containers – Non-refillable	Q1/Q2	321	16%	51	42	13%	(9)
	Q3/Q4	407	14%	57	93	23%	36
Single-Use Dry Cell Batteries	Q1/Q2	3,529	2%	71	274	8%	203
	Q3/Q4	3,847	14%	539	324	8%	(215)
Pesticides	Q1/Q2	0	0	-	-	0	-
	Q3/Q4	17	0	-	-	0	-
Fertilizers	Q1/Q2	0	0	-	-	0	-
	Q3/Q4	0	0	-	-	0	-

2009 Program Performance

MHSW Phase 1 Calendar Year 2009

Jan 1 2009 - Dec 31, 2009

	2009 Supplied to the Market			2009 Available for Collection				2009 Collection Targets					2009 Collection Rate (%)			
Product	Based on Phase 1 Plan Half Yr. 1 & Half Yr. 2 (tonnes)	Actual (tonnes)	Variance	Based on Phase 1 Plan Half Yr. 1 & Half Yr. 2 (tonnes)	Restated (tonnes)		Variance	Based on Phase 1 Plan Half Yr. 1 & Half Yr 2 (tonnes)	Restated (tonnes)[11]	Actual (tonnes)	Variance - 2009 Actual to Plan Half Yr. 1 & Half Yr. 2	Variance - 2009 Actual to Yr. 1 Restated	Phase 1 Plan Half Yr. 1 & Half Yr. 2	Actual Based on Restated	Variance	Supplied to AfC Factor
Antifreeze	16,724	14,932	-11%	14,307	12,799	[1]	-11%	4,293	3,840	2,364	-45%	-38%	30%	18%	-12%	86%
Batteries	5,245	7,507	43%	5,188	7,358	[2]	42%	338	478	401	19%	-16%	7%	5%	-1%	98%
Fertilizers	7,858	1,894	-76%	147	33	[3]	-78%	49	11	58	20%	432%	33%	175%	142%	2%
Oil Containers	4,371	3,455	-21%	4,372	3,455	[4]	-21%	1,421	1,123	986	-31%	-12%	33%	29%	-4%	100%
Oil Filters	16,540	8,683	-48%	18,480	8,683	[5]	-53%	12,844	6,035	7,660	-40%	27%	70%	88%	19%	100%
Paint & Coatings	125,139	116,178	-7%	12,533	11,618	[6]	-7%	6,768	6,274	7,539	11%	20%	54%	65%	11%	10%
Pesticides	540	378	-30%	134	94	[7]	-30%	69	49	64	-7%	32%	52%	68%	16%	25%
Pres.Cont – Non Refillable	683	667	-2%	690	667	[8]	-3%	104	100	144	39%	44%	15%	22%	7%	100%
Pres.Cont – Refillable	2,662	1,619	-39%	2,098	1,262	[9]	-40%	1,951	1,174	530	-73%	-55%	93%	42%	-51%	78%
Solvents	4,302	4,086	-5%	1,508	1,430	[10]	-5%	573	543	239	-58%	-56%	38%	17%	-21%	35%
Totals	184,064	159,400	-13%	59,456	47,401		-20%	28,408	19,627	19,985	-30%	2%	48%	42%	-6%	

[1]Restated 'Available for Collection' is calculated by multiplying the actual 2009 sales data by 86% (supplied to available for collection ratio in the MHSW PP)

[2]Restated 'Available for Collection' is calculated by multiplying the actual 2009 sales data by 98% (supplied to available for collection ratio in the MHSW PP)

[3]Restated 'Available for Collection' is calculated by multiplying the actual 2009 sales data by 2% (supplied to available for collection ratio in the MHSW PP)

[4]SO has revised the conversion factor for litres of oil sold to calculate container weight as per BCUOMA, volume-weight conversion is 1L to 0.05535 kg per oil container.

0.104 kg per liter sold was used in MHSW Phase 1 plan. Restated 'Available for Collection' is calculated by multiplying the actual 2009 sales data by 100% (supplied to available for collection ratio in the MHSW PP

[5]In MHSW PP a dry weight average of 0.694 kg per filter is used to calculate supplied to the market. A wet weight of the average filter is 0.88 kg per filter is used to calculate 'available for collection'.

In the Actual Yr. 1 supplied to the market, SO uses the number of units reported multiplied by the wet weight of 0.46 kg per filter (As per field studies conducted in ON, BC, QUE and SK)

Restated 'Available for Collection' is calculated by multiplying the actual2009 sales data by 100% (supplied to available for collection ratio in the MHSW PP)

[6]Restated 'Available for Collection' is calculated by multiplying the actual2009 sales data by 10% (supplied to available for collection ratio in the MHSW PP)

[7]Restated 'Available for Collection' is calculated by multiplying the actual2009 sales data by 25% (supplied to available for collection ratio in the MHSW PP)

[8]Restated 'Available for Collection' is calculated by multiplying the actual2009 sales data by 100% (supplied to available for collection ratio in the MHSW PP)

[9]Restated 'Available for Collection' is calculated by multiplying the actual2009 sales data by 78% (supplied to available for collection ratio in the MHSW PP)

[10]Restated 'Available for Collection' is calculated by multiplying the actual2009 sales data by 35% (supplied to available for collection ratio in the MHSW PP)

[11]Restated Collection Targets are calculated by multiplying the Restated 'Available for Collection' by the Collection Rate % in the MHSW PP

Promotion and Education

The C-MHSW Program Plan identified the program P&E objectives at launch in July 2010 as:

- Inform citizens that a program to manage this category of waste exists
- Encourage participation in opportunities to dispose of designated MHSW appropriately
- Motivate consumers to adopt and maintain the desired environmental behaviour

For the launch of the C-MHSW program in July 2010, we developed the Orange Drop Brand with a comprehensive multi-media P&E program. We engaged in a strategic approach focused on educating consumers and promoting the program with a strong call to action. The P&E focus and intention was to identify the desired consumer behaviour and drive activity to meet collection targets.

The launch of the new materials gave us the opportunity to communicate to consumers through an integrated program that utilized a social media presence with affiliated social media properties, online communications (web, e-blast) and a consumer-facing "live" educational road show program, which was designed to engage the public and capture contact information to encourage two-way communications with consumers.

These elements were supported by traditional communications vehicles such as print, outdoor, television and radio, all driving to a online destination, where the loop was closed with material-specific messaging and location-based information that assisted consumers to participate in the program.

Our strategy utilized a front-loaded approach to launch the message to consumers and to create awareness around the program in general messaging that would help drive to targets for December 2010.

Our launch also allowed us to maximize the potential of the summer/early fall as a key engagement opportunity for consumers where they were accessible and amenable to lifestyle messaging. Typically this season is when we find them participating in events and activities that lend themselves to clearing out home space and open to returning materials.

The main categories of activities were:

Activity	Results
Integrated social media campaign Online Launch portal media event Online profile building	135,685 unique web visits
Consumer Educational Road show Events sponsorships Collateral & Promotional materials	64 lifestyle shows 4.6 million consumer impressions 300,000 direct interactions
Targeted online advertising	11.3 million impressions
TV program	1.7 million consumer impressions
TV advertising	11.8 million consumer impressions
Radio Advertising & contests	6.3 million impressions
Outdoor advertising Eco bins/convenience stores/Walmart	31.8 million impressions
Public Relations	18 positive public relations stories
School program	19 schools 56 presentations 4,250 students

Section 3

2010 Audited Financial Statements

Stewardship Ontario

Financial Statements
For the year ended December 31, 2010

Stewardship Ontario

Financial Statements
For the year ended December 31, 2010

DRAFT - SUBJECT TO CHANGE

Contents

Independent Auditor's Report

To the Members of
Stewardship Ontario

We have audited the accompanying financial statements of Stewardship Ontario, which comprise the balance sheet as at December 31, 2010, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

March 3, 2011
Toronto, Ontario

DRAFT - SUBJECT TO CHANGE

Stewardship Ontario
Balance Sheet

December 31	2010	2009
Assets		
Current		
Investments (Note 3)	$106,272,427	$ 76,286,121
Accounts receivable	4,731,215	7,712,633
Prepaid expenses and deposits	287,568	341,112
	111,291,210	84,339,866
Capital and intangible assets (Note 4)	2,116,166	972,717
	$113,407,376	$ 85,312,583
Liabilities and Net Assets		
Current		
Bank overdraft (Note 5)	$ 16,399,699	$ 6,408,237
Accounts payable and accrued liabilities	43,340,692	30,166,423
Deferred revenue (Note 6)	42,056,362	30,576,188
	101,796,753	67,150,848
Net Assets		
Invested in capital and intangible assets	2,116,166	972,717
Unrestricted	2,713,165	7,742,558
Internally restricted (Note 7)	6,781,292	9,446,460
	11,610,623	18,161,735
	$113,407,376	$ 85,312,583

On behalf of the Board:

________________________ Director

________________________ Director

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

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Stewardship Ontario
Statement of Changes in Net Assets

For the year ended December 31, 2010

	Invested in Intangible and Capital Assets	Unrestricted	Internally Restricted	2010 Total	2009 Total
Balance, beginning of year	$ 972,717	$ 7,742,558	$ 9,446,460	$ 18,161,735	$ 16,303,038
Excess (deficiency) of revenue over expenses for the year	(249,622)	(4,514,293)	(1,787,197)	(6,551,112)	1,858,697
Investment in capital assets	254,009	(254,009)	-	-	-
Investment in Enterprise Information System (Note 7)	1,139,062	(261,091)	(877,971)	-	-
Balance, end of year	$ 2,116,166	$ 2,713,165	$ 6,781,292	$ 11,610,623	$ 18,161,735

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

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Stewardship Ontario
Statement of Operations

For the year ended December 31	Actual	Budget	2010 Variance	2009 Actual
Revenue				
Blue Box program steward fees	$ 89,397,622	$ 87,379,374	$ 2,018,248	$ 80,635,640
MHSW program steward fees (Phase I)	39,426,587	40,666,576	(1,239,989)	25,876,102
MHSW program steward fees (Phase II)	-	6,451,422	(6,451,422)	-
Investment income (Note 6)	916,490	795,000	121,490	1,662,932
	129,740,699	135,292,372	(5,551,673)	108,174,674
Expenses				
Blue Box Program				
Municipal Transfer Payments	65,639,117	65,640,392	(1,275)	60,161,829
Continuous Improvement Fund (Note 10(c))	16,410,098	16,410,098	-	15,164,559
Research and development	1,936,989	3,520,000	(1,583,011)	64,752
Enterprise Information System	1,124,283	515,000	609,283	704,865
	85,110,487	86,085,490	(975,003)	76,096,005
MHSW Program				
Direct material costs (Phase I)	29,768,541	28,729,412	1,039,129	19,763,452
Direct material costs (Phase II)	7,612,039	6,045,723	1,566,316	-
Shared promotion and education	3,637,916	2,263,371	1,374,545	1,908,700
Program development and start-up	1,709,381	1,233,495	475,886	1,351,771
	42,727,877	38,272,001	4,455,876	23,023,923
Common costs				
Program management	6,999,055	6,999,591	(536)	5,933,636
Waste Diversion Ontario and Ministry of Environment charges (Note 9)	1,454,392	1,475,000	(20,608)	1,262,413
	8,453,447	8,474,591	(21,144)	7,196,049
Total expenses	136,291,811	132,832,082	3,459,729	106,315,977
Excess (deficiency) of revenue over expenses for the year	$ (6,551,112)	$ 2,460,290	$ (9,011,402)	$ 1,858,697

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

Stewardship Ontario
Statement of Cash Flows

For the year ended December 31	2010	2009
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	$ (6,551,112)	$ 1,858,697
Adjustments to reconcile excess (deficiency) of revenue over expenses for the year to cash provided by operating activities		
Amortization of capital and intangible assets	249,622	9,078
Non-cash component of investment income	141,881	(453,239)
Changes in non-cash working capital balances		
Accounts receivable	2,981,418	(847,949)
Prepaid expenses and deposits	53,544	(312,219)
Accounts payable and accrued liabilities	13,174,269	6,529,897
Deferred revenue	11,480,174	9,245,514
	21,529,796	16,029,779
Investing activities		
Purchase of investments	(64,000,000)	(47,500,000)
Proceeds of investments	33,871,813	18,112,763
Purchase of capital and intangible assets	(1,393,071)	(969,827)
Payment from Waste Diversion Ontario	-	681,762
	(31,521,258)	(29,675,302)
Increase in bank overdraft during the year	(9,991,462)	(13,645,523)
Cash (bank overdraft), beginning of year	(6,408,237)	7,237,286
Bank overdraft, end of year	$ (16,399,699)	$ (6,408,237)

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

December 31, 2010

1. Business Organization and Operations

Stewardship Ontario ("Organization") is an Industry Funding Organization created under Section 24 of the Waste Diversion Act, 2002 ("WDA") to operate waste diversion programs on behalf of Waste Diversion Ontario ("WDO").

On February 14, 2003, the Organization was formally incorporated in the Province of Ontario as a corporation without share capital. The first Blue Box Program Plan was approved by the Minister of the Environment in December 2003 and the program commenced operations in February 2004.

On December 11, 2006, the Minister of the Environment prescribed Municipal Hazardous or Special Waste ("MHSW") as a designated waste under the WDA. The Minister required that WDO develop a waste diversion program for MHSW, and the Organization to be the Industry Funding Organization ("IFO"). The Minister of the Environment approved the Phase 1 Program Plan in November 2007. The MHSW officially commenced operations July 1, 2008.

In a letter dated September 22, 2009, the Minister of the Environment approved the commencement of the Consolidated MHSW plan, which added 14 new material categories to the program, to commence July 1, 2010. On July 20, 2010, the Minister of the Environment, through Ontario Regulation 298/10, halted and under Ontario Regulation 396/10 ultimately cancelled the expansion of the Consolidated MHSW program. This put an end to the Organization's ability to collect steward fees against the new materials and definitions under the Consolidated MHSW plan. Material collection and the associated obligation to pay for these costs continued to exist through 2010 for all materials under the Consolidated MHSW program. The Minister of the Environment has committed to reimburse the Organization for all costs deemed appropriate related to development, start-up and implementation of the Consolidated MHSW program and for the management of the materials introduced in the expanded of program. The Organization is currently developing a new MHSW Program Plan that will include the original nine materials of Phase 1 of the MHSW program.

2. Significant Accounting Policies

The following is a summary of significant accounting policies of the Organization:

(a) Revenue Recognition

Steward fees for stewards registered with the Organization are recognized as revenue based on reported tonnages. Steward reported tonnages for prior years' obligations and revenues resulting from compliance and enforcement activities are recognized when the amount can be reasonably estimated and collection is reasonably assured.

The Organization follows the deferral method of accounting for revenues collected and administered on behalf of the Effectiveness & Efficiency Fund ("E&E"), the Continuous Improvement Fund ("CIF") and the Glass Market Development Fund. Amounts received for these programs are recognized as revenue when the related expenses are incurred.

December 31, 2010

DRAFT - SUBJECT TO CHANGE

2. Significant Accounting Policies (Continued)

(b) Investments

The Organization designates its investments as held-for-trading and they are stated at their fair value. Realized and unrealized gains (losses) are recorded in the statement of operations. The Organization accounts for its investments on a settlement date basis and transaction costs associated with investment activities are included in the statement of operations.

Fair value of investments are determined as follows:

Bonds, fixed income securities and short term deposit receipts are valued at year-end quoted market prices.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization and are amortized on the following basis:

Computer equipment	-	3 years straight line
Furniture and fixtures	-	5 years straight line

(d) Intangible Assets

Intangible assets with finite lives are recorded at cost and are amortized over their useful life, beginning once the asset is ready for use. The Enterprise Information System is being amortized on a straight line basis over 5 years.

(e) Financial Instruments

The Organization accounts for bank overdraft as held-for-trading and is carried at fair value. Accounts receivable is classified as loans and receivables and are initially measured at fair value and carried at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and are initially measured at fair value and carried at amortized cost.

The carrying values of bank overdraft, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relative short periods to maturity of these items or because they are receivable or payable on demand.

(f) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Significant estimates include estimates of unreported tonnages and collectability of the related steward fees and accrued post collection costs. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Investments

Investments consist of money market pooled funds, guaranteed investment certificates and bonds that bear interest at 1.10% to 6.00% (2009 - 0.35% to 6.00%), and mature between September 2011 and April 2020. Included in investments is $542,050 (2009 - $254,858) of cash held with broker. The decrease in market value of investments for the year ended December 31, 2010 amounted to $400,940 (2009 - increase of $434,859) which is included in investment income (Note 8).

4. Capital and Intangible Assets

		2010		2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Capital assets				
Computer equipment	$ 106,155	$ 28,069	$ 78,086	$ 30,077
Furniture and fixtures	214,597	27,121	187,476	25,476
	320,752	55,190	265,562	55,553
Intangible asset				
Enterprise Information System	2,056,227	205,623	1,850,604	917,164
	$ 2,376,979	$ 260,813	$ 2,116,166	$ 972,717

The intangible asset represents an Enterprise Information System that was under development during 2009 and 2010 (Note 7). The system was launched in February 2010. All post launch costs related to the system and its ongoing operation were reflected in the Statement of Operations.

5. Bank Overdraft

	2010	2009
Cash in bank	$ 571,354	$ 9,745,694
Outstanding cheques	(16,971,053)	(16,153,931)
	$ (16,399,699)	$ (6,408,237)

Stewardship Ontario
Notes to Financial Statements

December 31, 2010

6. Deferred Revenue

	2010	2009
Blue Box Program		
Glass Market Development Fund	$ 666,017	$ 666,175
Effectiveness & Efficiency Fund	2,278,877	4,818,903
Continuous Improvement Fund	39,111,468	25,091,110
	$ 42,056,362	$ 30,576,188

Deferred revenue in the Blue Box Program represents unspent resources that are externally restricted for various programs.

Each year, the Organization is directed to hold back a portion of the municipal blue box obligation for the Continuous Improvement Fund ("CIF"); see Note 10(c) for further details around the fund. The CIF is managed by external parties and directs the Organization to release funds as required.

Commitments related to the above deferred revenues have been explained in Note 10.

7. Internally Restricted Net Assets

	2010	2009
Sustaining Fund	$ 3,500,000	$ 3,500,000
Plastic Market Development Fund	3,281,292	5,068,489
Enterprise Information System Fund	-	877,971
	$ 6,781,292	$ 9,446,460

During 2006, the directors recognized the need for a Sustaining Fund to enable the Organization to carry out its non-profit activities and satisfy all of its obligations for a period of one year and therefore internally restricted $3,500,000 for this purpose. During 2009, the directors reallocated $2,500,000 of this balance to the Enterprise Information System Fund. As at December 31, 2009 the directors reallocated $2,500,000 from unrestricted net assets to the Sustaining Fund to replenish the Fund.

During 2007, the directors authorized the establishment of a fund in 2008 for investment in infrastructure for plastic markets and activities for their development. An initial investment of $2,400,000 was funded by Blue Box stewards of plastic packaging. During 2009, the directors internally restricted an additional $3,000,000. A further commitment was approved by the directors of $3,000,000 per year in each of 2011 and 2012 to plastic market development. During the year, $1,787,197 (2009 – $64,752) was spent on plastics market development activities. Commitments related to the fund are explained in Note 10(d).

During 2009, as noted above, the directors reallocated $2,500,000 to cover the expected costs of a new information system. Development began in September 2009, with the launch of the system in February 2010. All spending on system development was completed in 2010 and the total system development costs are now reflected in intangible assets.

8. Investment Income

	2010	2009
Interest income	$ 1,505,048	$ 1,409,258
Loss on sale of investments	(13,072)	(60,166)
	1,491,976	1,349,092
Adjustment to fair value	(400,940)	434,859
Investment expenses	(174,546)	(121,019)
	$ 916,490	$ 1,662,932

9. Waste Diversion Ontario

The WDO caused the Organization to be created under the WDA to act as an IFO for waste diversion programs (Note 1). Under the Blue Box and MHSW program agreements, the Organization is required to collect fees to cover both program operations and the program specific and common costs of WDO that relate to program oversight. The total payments for WDO expenses during the year were $1,344,392 (2009 - $1,108,844). In 2010, $161,037 was included in MHSW Program development and start-up (2009 - $nil).

10. Commitments

(a) Glass Market Development Fund

The Blue Box Program Plan committed to pay $2,901,525 to a Glass Market Development Fund from contributions from stewards of glass. As of December 31, 2010, the Organization has paid $2,235,508 and has fully committed the remaining balance for glass market development projects.

(b) Effectiveness & Efficiency Fund ("E&E Fund")

The intent of the E&E Fund was to provide support to Ontario municipalities to help reduce the cost of their Blue Box recycling programs and increase the tonnes recovered. This initiative was part of the Blue Box Program Plan that was created as a result of Ontario's Waste Diversion Act, 2002, and an integral part of the plan to help Ontario achieve the Minister's recycling target of 60% diversion of Blue Box waste by 2008 and to maximize efficiency of individual Blue Box municipal recycling programs and of the system as a whole. As of January 1, 2008, the fund was collapsed and there still remains funds that are unspent. The E&E Fund contributions were fully committed by the end of 2008 and through 2009 approved E&E Fund projects continued to be implemented. In 2009, the Municipal Industry Program Committee ("MIPC") agreed that unspent E&E Fund Contributions would be transferred to the Continuous Improvement Fund as projects were completed. At December 31, 2010, the E&E Fund balance is $2,278,877, of which it is anticipated that approximately $1,376,000 will be unspent and transferred once all approved projects are completed.

10. Commitments (Continued)

(c) Continuous Improvement Fund ("CIF")

The CIF provides grants and loans to municipalities to execute projects that will increase the efficiency of municipal Blue Box recycling and help boost system effectiveness. The CIF started in 2008 with a three year mandate to direct 20% of the Organization's municipal funding obligation to support projects that will identify and implement best practices, examine and test emerging technologies, employ innovative solutions to increase Blue Box materials marketed, and promote gains in cost-effectiveness that can be implemented province wide. Twenty percent of the annual municipal obligation funded by the Organization's stewards is passed along to the CIF each year and any unpaid amounts are reflected in Deferred Revenue (Note 6). As of December 31, 2010, approved project funding and related commitments for the CIF totaled approximately $27,200,000 of the total fund balance of $39,111,468.

(d) Plastic Market Development Fund

(i) Entropex Inc. Agreement:

In February 2010, the Organization entered into a financial assistance agreement with Entropex Inc. (a partnership of Unitec Inc. and 629728 Ontario Limited) by way of a grant of a minimum of $1,289,803. The assistance is intended to support a project that would ultimately determine whether Entropex can successfully process and market mixed rigid plastics from the Ontario residential Blue Box recycling system. To date, approximately $1,169,000 has been paid.

(ii) EFS - Plastics Inc. Agreement:

In February 2010, the Organization along with WDO, entered into an agreement with EFS-Plastics Inc. ("EFS") to assist EFS to purchase additional equipment for its Elmira film and mixed rigid plastics processing plant to increase annual processed throughput. The combined commitment by WDO and the Organization was $1,118,750. To date, approximately $240,000 has been paid.

(e) Realty Lease Agreements

In December 2008, the Organization entered into a lease agreement commencing March 2009. In November 2009, the Organization entered into an additional lease agreement commencing March 2010. Under the terms of the agreements, the Organization is committed to pay basic rent plus operating costs over the next five years approximately as follows:

2011	$ 279,800
2012	280,700
2013	283,700
2014	254,200
2015	235,700

11. Financial Instrument Risk Exposure and Management

Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. A brief description of management's assessments of these risks is as follows:

(a) General Objectives, Policies and Processes:

The Board and management are responsible for the determination of the Organization's risk management objectives and policies and designing operating processes that ensure the effective implementation of the objectives and policies. In general, the Organization measures and monitors risk through preparation and review of monthly reports by management.

(b) Credit Risk:

Financial instruments potentially exposed to credit risk include cash, investments and accounts receivable. Management considers its exposure to credit risk over cash to be remote as the Organization holds cash deposits at a major Canadian bank. Management considers its exposure to credit risk over investments to be remote as the Organization invests in federal or provincial government securities, securities backed by any chartered bank, or guaranteed investment certificates. Accounts receivable are not significantly concentrated, monitored regularly for collections, and the carrying amount of accounts receivable represents the maximum credit risk exposure.

From time to time, materials could be the subject of an Industry Stewardship Plan ("ISP"), which is allowable under the Waste Diversion Act, 2002. Successful ISP's may call into question the Organization's ability to collect monies related to accumulated material deficits or those spent on plan development, shared promotion and education and other common costs.

(c) Interest Rate Risk:

The Organization is exposed to interest rate risk from fluctuations in interest rates depending on prevailing rates at renewal of investments. To manage this exposure, the Organization invests mainly in fixed income securities (federal or provincial government securities, guaranteed investment certificates or securities backed by any chartered bank), and cash and/or money market investments as determined by the Organization's portfolio manager and in accordance with the Organization's investment policy. To further manage interest rate risk, the Organization's investment portfolio has been laddered so that investment maturities are staggered over the long term. Although the overall philosophy of the investment fund is to hold securities until maturity, trading of the portfolio is allowed should the potential for a significant capital gain arise through the movement of interest rates. This investment approach ensures that the portfolio achieves stable and reliable rates of return with minimal interest rate reinvestment risk, and minimal transaction costs.

11. Financial Instrument Risk Exposure and Management (Continued)

(d) Liquidity Risk:

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they come due. The two programs operated by the Organization carry substantially different risks in the ability to forecast and control expenses. Management has taken steps to ensure that the Blue Box and MHSW programs will have sufficient working capital available to meet obligations which it is unable to cover from program revenues in the short term.

12. Capital Management

The Organization defines its capital as the amounts included in its net assets balances.

When managing its net assets, the Organization's objective is to safeguard its ability to continue as a going concern to fulfil its mandate as set out in Note 1.

Capital includes capital invested in capital and intangible assets, internally restricted net assets, and unrestricted net assets. The Organization is not subject to externally imposed capital requirements, but the Board has certain imposed restrictions on the use of its net assets as indicated in Note 7.

The Organization's capital management of the internally restricted reserve funds is described in Note 7.

13. Comparative Figures

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

14. Subsequent Events

The Minister of the Environment has committed to reimbursing costs incurred by the Organization in relation to plan development and start-up for the Consolidated MHSW Program and for operating costs related to the materials covered by the expansion of the Consolidated MHSW Program. To date, the Organization has submitted a claim for these costs. The claim in relation to development and start-up of the Consolidated MHSW Program was submitted to the Ministry of the Environment in January 2011 and totals $9.68 million. Validation efforts by the Ministry are ongoing and any proceeds will be recorded in the Organization's financial statements when funds are received.

Stewardship Ontario

Thinking beyond the box

Report Close