



ENVIRONMENTAL SOLUTIONS

ANNUAL REPORT
2009  2010

13 December 2010

The Hon. Eric Roozendaal, MLC, Treasurer
The Hon. Michael Daley, MP, Minister for Finance

Parliament House
Macquarie Street
Sydney NSW 2000

Dear Ministers,

We are pleased to present the 2009–2010
Annual Report for WSN Environmental Solutions.

This report summarises the organisation's
operational and financial performance as a State-
owned corporation for presentation to both houses
of Parliament in accordance with Section 10 of the
Annual Reports (Statutory Bodies) Act 1984.

Yours sincerely,



Ken Kanofski
CEO



Chris Berkefeld
Chairman

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This is WSN's Annual Report for the period
from 1 July 2009 to 30 June 2010 and it
is our sixth Annual Report trading as WSN
Environmental Solutions.

The Report covers the entire operations
of WSN Environmental Solutions during
2009–2010 and, where possible, those of our
operational contractors and major transporters.

Net Balance Management Group has
independently verified the Report to the
AA1000 Sustainability Reporting Standard
(excluding financial data) and conducted
a review of WSN's obligations under the
National Greenhouse and Energy Reporting
(NGER) Act. Financial data has been audited
by the Audit Office of New South Wales.
This is WSN's sixth year of reporting against
social and environmental indicators and
demonstrates our ongoing commitment to
triple bottom line reporting. The Report has
been prepared with reference to the GRI
Reporting Framework. However, WSN has
chosen not to declare an Application Level
this year.

This Report and those from previous years
are available for download on our website at
www.wsn.com.au.

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KEY HIGHLIGHTS

507,024

Tonnes of resources recovered

1,493

Kilotonnes CO_{2-e} saved through methane capture & electricity generation

84

Local sustainability projects funded to date through our Grass Roots sponsorship program

42,950

Average households' energy requirements generated from waste

352.4

Hectares of land rehabilitated to date

WHAT WE DO



We work with our customers to help achieve their environmental, social and economic goals for waste and recycling



WSN AT A GLANCE

- Provides waste disposal services to over 1.3 million households
- Operates 11 active waste and recycling facilities
- Employs 599 staff
- Collects from around 290,000 households
- Generates enough renewable energy from waste to power over 42,000 homes
- Recovered 507,024 tonnes of resources from waste in 2009–2010
- Generated revenue of \$281.1 million in 2009–2010
- Received 1.8 million tonnes of waste

WSN Environmental Solutions provides tailored waste management solutions

Our services include:

- Kerbside collection of household waste and recyclables.
- Commercial waste collection.
- Processing, recycling and recovery of resources from waste streams.
- Waste disposal.
- Garden organics processing and supply.
- Education, advice, industry programs and other related services.
- General contract and transport services related to waste.

We own and operate one of Australia's largest and most advanced waste management networks, consisting of 11 waste recycling, processing and disposal facilities. This network is designed to deliver uninterrupted service and peace of mind for our customers, 365 days a year.

WSN is pioneering Alternative Waste Technology (AWT) in NSW. Among our network is Australia's largest integrated municipal resource recovery facility, Macarthur Resource Recovery Park, located in South West Sydney and home to our first Ecolibrium™ Mixed Waste AWT facility.

We work with our customers, including councils and commercial enterprises, to help achieve their environmental, social and economic goals for waste and recycling. We also provide householders with convenient access to responsible waste management facilities.

As at 30 June, we employ 599 staff (including full-time, part-time, fixed term and casual employees). Our people have expertise in waste and recycling technology, transport, logistics, engineering, organics, environmental management, sustainability, education, safety, facility management and operations.

WSN Environmental Solutions is wholly owned by the NSW Government.

CHARTER

The Waste Recycling and Processing Corporation (trading as Waste Service NSW) commenced operation as a statutory State-owned corporation on 1 September 2001 under the Waste Recycling and Processing Corporation Act 2001.

On 21 March 2005 the Corporation changed its trading name from Waste Service NSW to WSN Environmental Solutions.

The principal functions of the Corporation are to:

- Establish, maintain and operate waste facilities, secondary resource facilities and related facilities.
- Conduct business or provide services relating to waste and secondary resource recovery.
- Provide waste management services, secondary resource management services and related services.
- Research, develop and implement alternative technologies for managing waste.
- Trade in resources recovered from waste, including plastic, metal, glass and paper.

In exercising its functions, the Corporation must strive to achieve international best practice in waste management, acting in accordance with the principles of ecologically sustainable development.

WHAT WE STAND FOR



We offer solutions designed to minimise waste's contribution to climate change



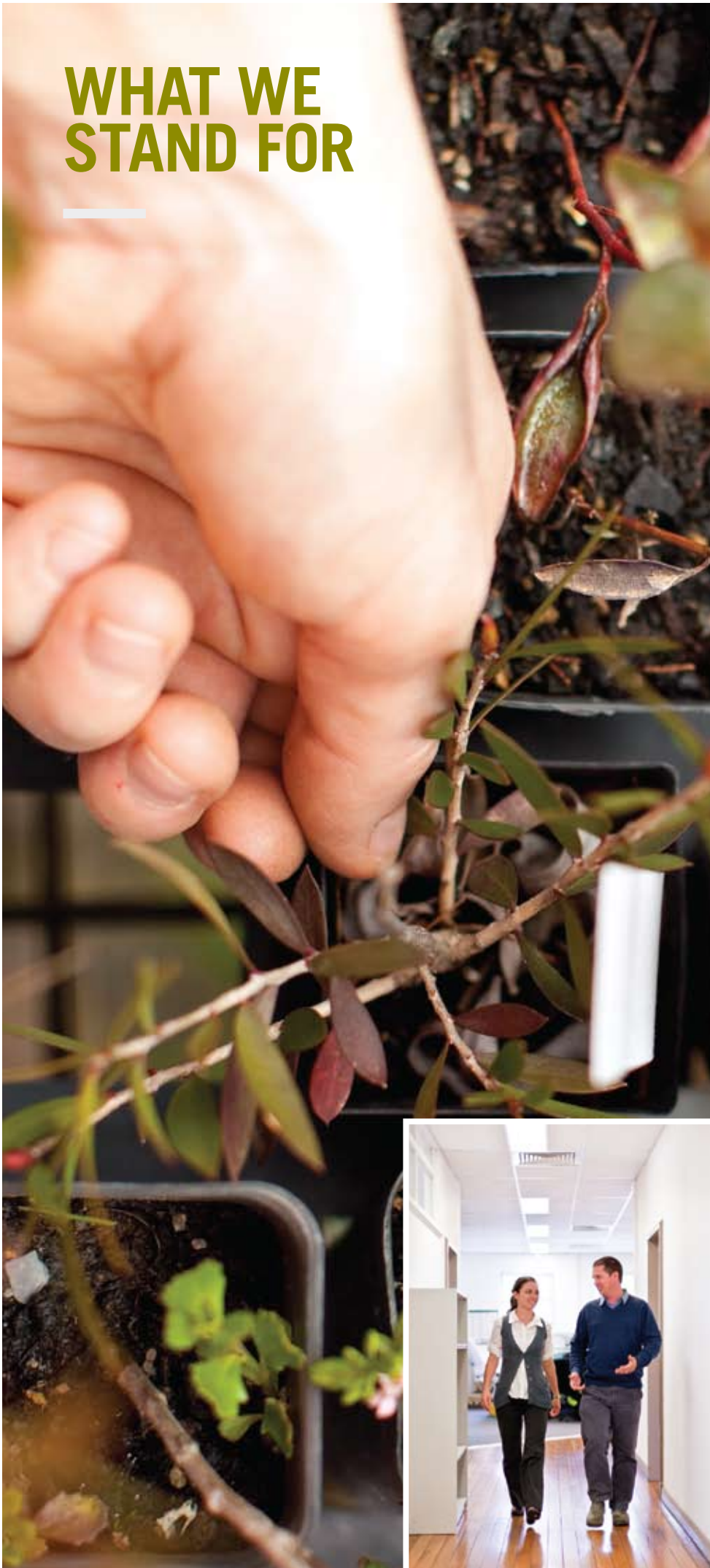
We aim to be Australia's leading provider of integrated and responsible waste, recycling and resource recovery services

We are pioneering change, leading the industry from traditional waste disposal towards economically and environmentally sustainable resource recovery solutions.

We offer solutions designed to minimise waste's contribution to greenhouse gas emissions and climate change.

We are committed to:

- The safety of all employees, customers and visitors to our sites.
- Genuine improvement in environmental outcomes.
- Honesty and integrity in our dealings and activities.
- Respecting our customers and delivering on our promises.
- Encouraging our people to reach their potential.





OUR SERVICES



Our trucks collect mixed waste, recyclables, garden organics and clean-up waste from over 280,000 households



A flexible and reliable collection service. We provide a reliable, cost-effective kerbside collection service to several Sydney councils. In 2009–2010, WSN completed roll-out of a new collection service covering the St George district. This brings the total number of household waste collection services provided by WSN each week to around 366,000.

A network of transfer stations. We operate seven transfer stations conveniently located across Sydney in Artarmon, Auburn, Belrose, Chullora, Rockdale, Ryde and Seven Hills. These transfer stations provide an effective solution for inner-city waste management. They support affordable pricing, significantly reduce vehicle movements and provide waste-streaming and resource recovery services.

GREENSTEP™: A SUSTAINABLE COLLECTION AND DISPOSAL SERVICE FOR BUSINESS

GreenStep™ is our integrated, customised waste solution for organisations seeking sustainable outcomes. The GreenStep™ suite of advisory and processing services is helping businesses to reduce their carbon footprint.

PROCESSING

Alternative Waste Technology (AWT)
Through 2009–2010, WSN continued to increase capacity at the Ecolibrium™ Mixed Waste facility at Macarthur Resource Recovery Park, our fully integrated municipal waste management site located in South West Sydney.

We also have another AWT facility planned for Lucas Heights. The timeline for its construction and commissioning is yet to be confirmed.

Recycling and resource recovery
We operate materials recycling facilities (MRFs) at Chullora, Macarthur Resource Recovery Park and Moruya, where we sort and recover resources from the kerbside collections of around 415,000 households.

We send the sorted materials – aluminium, steel, plastic, paper and cardboard – to manufacturers to be processed into new products.

Glass is processed at WSN's glass recycling plant at Chullora then marketed as material for water filtration, abrasives and fibreglass insulation.

We also accept items such as mattresses, paints, car batteries and engine oil. We recycle these items wherever possible and otherwise responsibly dispose of them.

Returning organics to the earth
At our facilities we process garden organics from over 770,000 households' kerbside collections as well as drop-offs by householders and small businesses. The material is either used as biofuel to produce green energy or processed into compost and mulch for agricultural, horticultural and landscaping applications. Retail wood mulch sales from Chullora and Seven Hills also commenced this year.

WSN reaped the benefits of the vertical integration of our garden organics business, which was made possible through the acquisition of Camden Soil Mix in 2008–2009. This business continues to produce high quality compost from kerbside organics it receives from councils and contractors.



WSN is the largest waste-to-energy producer in Australia



DISPOSAL

Best practice landfills
We work to maximise recycling and resource recovery and anything that cannot be recovered or recycled we dispose of responsibly and safely in landfill.

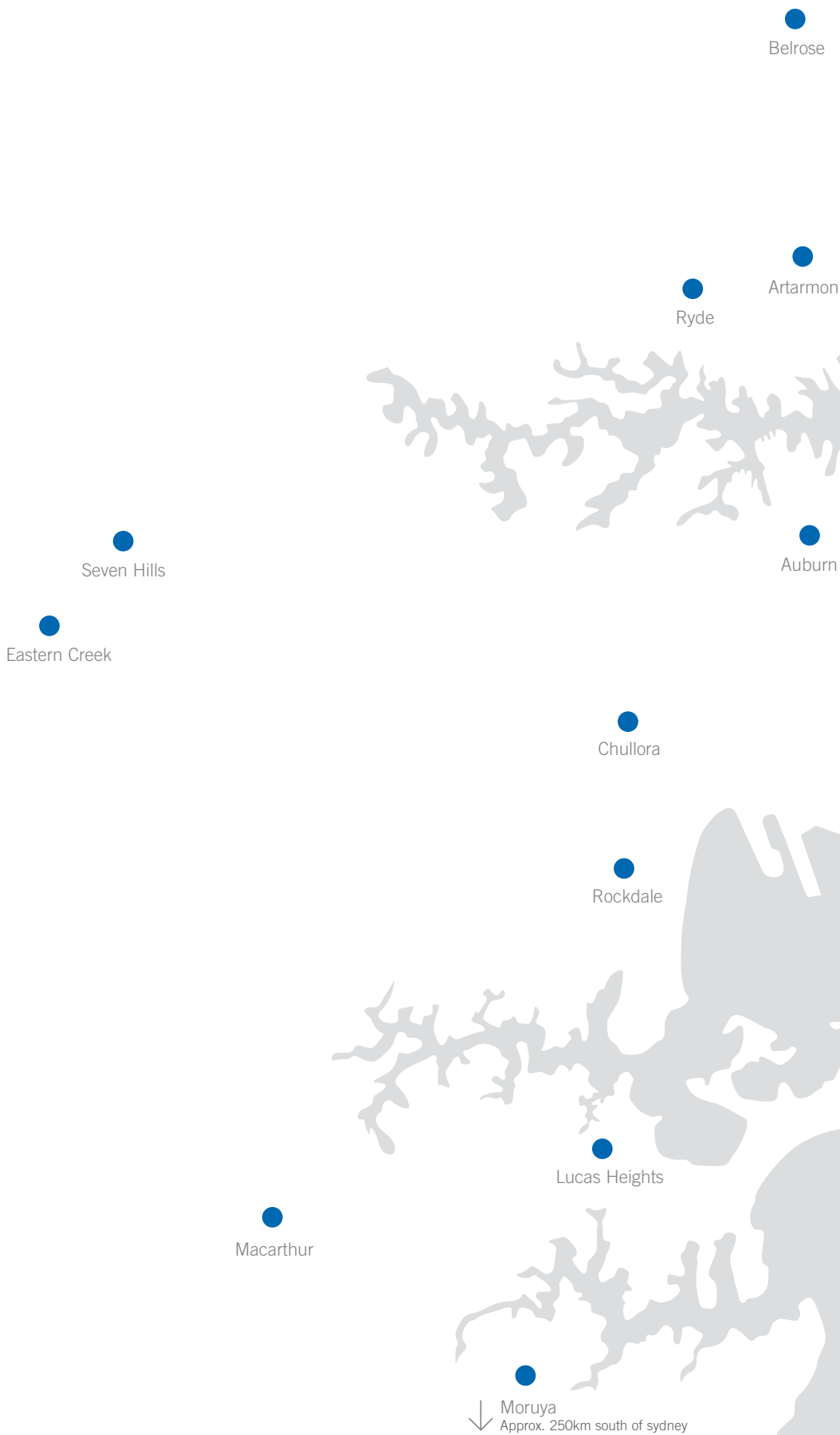
We operate four highly engineered landfills at Belrose, Eastern Creek, Lucas Heights and Macarthur. Waste is delivered to landfill from our transfer stations, directly from kerbside collections and also from householders and businesses at Eastern Creek and Lucas Heights.

Our landfill operations are carefully designed to minimise the amount of space used, maximise the lifetime of the landfill and limit environmental and social impacts. Biogas produced as the waste breaks down is captured and used to generate renewable energy that is exported to the NSW Energy Grid. WSN is the largest waste-to-energy producer in Australia.

**MATTRESSES
BOUNCE BACK**

In 2009–2010, around 35,000 mattresses were reconditioned or dismantled for wood, steel and foam recycling, resulting in airspace savings of around 9,000m³. We also shred mattress materials prior to landfilling, making further airspace savings.

OUR FACILITIES

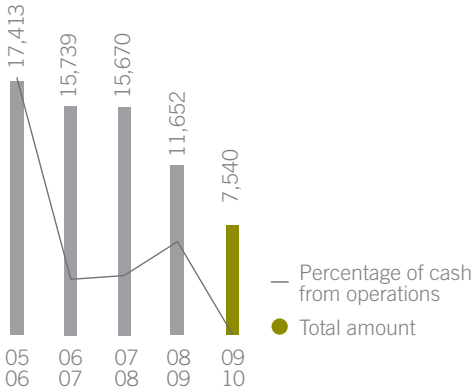


CHAIRMAN AND CEO'S REPORT

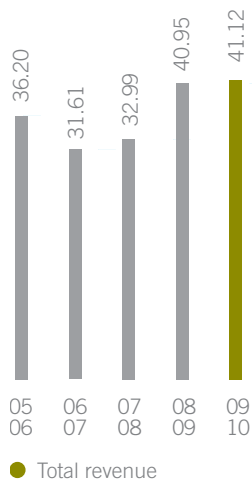
This year saw effective cost control and pricing strategy help mitigate operational and contractual challenges



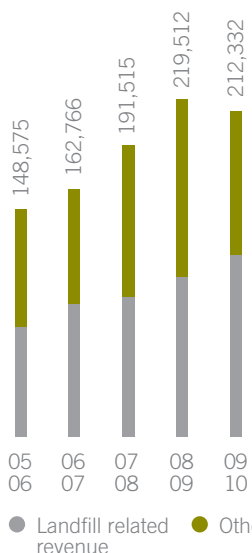
Our MRFs generated profit of \$1.08 million, despite reduced commodity prices



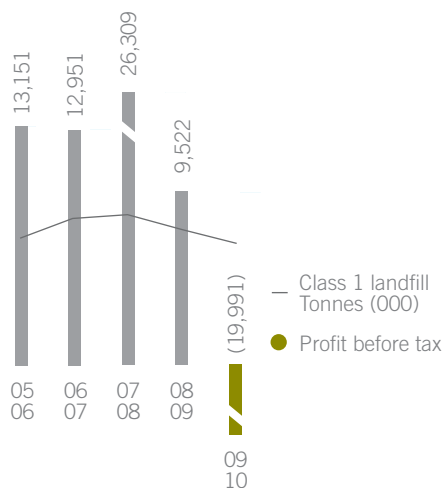
Old rehabilitation and sports field spending (\$000)



New business revenue as a percentage of total revenue (excl. levy %)



Landfill related vs other revenue (excl. levy) (\$'000)



Landfill tonne and total profit (\$'000)

WSN is operating in a very challenging environment. Our core business is changing rapidly in response to customer preference and regulatory change. WSN has taken the lead in the transition from traditional landfilling to resource recovery and the development of Alternative Waste Technology (AWT) facilities as outlined in our legislative charter. We have begun the journey of re-tooling our network of waste and recycling centres for a new generation of technology.

This transition has had its challenges. Losses have been incurred in the AWT business in 2009–2010, however, these are forty year life assets and we are at the start of a market transformation. The work done will lay the platform for WSN to take commercial advantage of this market as it develops.

In addition to the AWT transition our performance in 2009–2010 has been impacted by a number of one-off events.

Key issues for this year have been:

- Preparation of the business for sale and the costs associated with this process
- A 9.5% drop in volumes and low commodity prices
- Challenges associated with start-up of a major new facility
- Several significant contract disputes.

Strong underlying business helps offset operational and contractual challenges

WSN recorded 2009–2010 EBITDA profit of \$29.6 million (down from \$38.4 million in 2008–2009) and generated cash from operations of \$28.8 million.

The underlying business remained strong and performance was bolstered by:

- Effective pricing strategy that enabled WSN to maintain revenue in a competitive market with reduced tonnes
- Reduction of overheads and operating costs.

Despite strong underlying performance the business faced considerable challenges in 2009–2010. These included:

- Processing, reliability and odour issues at the new Macarthur Resource Recovery Park (MRRP)
- Legal issues associated with its Eastern Creek AWT facility (operated by a contractor as a public private partnership)
- Preparation for the sale of the business

- Meeting the challenges of Regulation 51 of the Protection of the Environment Operations (Waste) Regulation 2005 (“3F’s”)

- A fire at Camden Soil Mix, the costs of which were not able to be claimed from insurance

The profitability of business has been impacted by several non-cash write downs in the value of assets relating to:

- The lowering of the market value of a number of WSN properties due to the general economic climate
- The value of the MRRP AWT facility, due to delayed start up, regulation change and engineering issues.

Normal operations generated a small net profit before tax of \$200,000, however, sale of business costs (\$3 million) and asset impairments (\$17.2 million) led to a reported net loss before tax of \$20 million.

While some challenges remain, the most significant issues bottomed out in 2009–2010 and performance is expected to improve significantly over coming years. WSN has strong and detailed plans to improve the financial performance of its MRRP AWT facility. Issues associated with the contractor at the Eastern Creek facility have been resolved and financial performance will improve as council customers move to a current market price for this service.

SALES

Very little of WSN's contracted customer base was tendered in 2009–2010. Revenue under contract at the end of the year was \$534 million*.

*Note: Contract expiry dates used to calculate revenue exclude optional extensions and natural growth of volumes.

ENVIRONMENTAL PERFORMANCE

WSN has reduced its net greenhouse gas emissions by 55% since 2005–2006. Our waste-to-energy projects have contributed significantly to this performance improvement.

We continued to develop our waste-to-energy infrastructure this year with the installation of a new engine at Eastern Creek. This engine boosted capacity by 2.5%, making WSN's total installed generation capacity equivalent to over 45,000 households' annual energy consumption. Overall, we reduced our net

CORPORATE PERFORMANCE MEASURES

	2009–2010	2008–2009	Change on previous year
Return on sales (net of levy)	-9.41%	4.34%	-316.82%
Return on assets	-2.68%	4.16%	-164.44%
Return on capital employed	-6.54%	3.95%	-265.57%
Ecological footprint*	12,149 ha	12,962 ha	-6%
Customer satisfaction index (1-10)	Not measured	Not measured	
Stakeholder satisfaction index (1-10)	Not measured	Not measured	
Staff satisfaction 'Life at Work' rating (1-100)	Not measured	73.7	
No. of penalty infringement notices/ environmental prosecutions	3	1	2 ^
Work Cover notices/fines/prosecutions	0	1	1 v
Lost time injury frequency rate (insourced)	15.7	13.2	19%
Total lost time as % of hours worked	0.46%	0.29%	58%

* A modified calculation method has been used in 2009/2010 and here applied retrospectively to the 2008/2009 result for comparison.

emissions for the year by 6% compared with 2008–2009.

WSN experienced some environmental performance challenges in 2009–2010, receiving three penalty infringement notices issued by the Department of Environment, Climate Change and Water as well as a planning non-compliance issued by the Department of Planning. While this was a disappointing result against our strong performance record of recent years, the problems that led to these breaches were rectified promptly and actions were taken to minimise the risk of future incidents.

During the year WSN faced odour issues at MRRP that impacted some local residents. To resolve the problems and bring the facility's odour performance up to expectation, we made a number of operational changes at the site, invested in excess of \$1 million in odour reduction and prevention measures and are continuing to engage and consult with the local community.

MACARTHUR RESOURCE RECOVERY PARK

Macarthur Resource Recovery Park (MRRP) is Australia's largest fully integrated municipal resource recovery site and incorporates WSN's first Ecolibrium™ AWT and garden organics processing facilities as well as a MRF and a landfill for largely inert waste. MRRP is designed to:

- Divert up to 70% of household waste from landfill
- Generate renewable electricity from waste
- Recover recyclables from mixed waste and recycling streams
- Produce compost, mulch and fertiliser from waste.

The AWT began commissioning in February 2009 and its ramp-up period has taken longer than anticipated.

The plant has encountered process and reliability issues as well as difficulties with marketing recovered plastic due to the global financial crisis and other market changes. Some changes are also necessary to meet the requirements of the revised "3F" regulations (Regulation 51 of the Protection of the Environment Operations (Waste) Regulation 2005). These factors have significantly affected its financial performance.

WSN has invested in plant upgrades to address the processing and reliability issues and is implementing a program aimed at lifting the financial performance of the facility, which has begun to deliver results.

SAFETY

WSN's lost time injury frequency rate (LTIFR) increased to 15.7 after several consecutive years of improvement, including a very significant decrease of 32.3% in 2008–2009 to 13.2.

WSN is part of the Transport and Storage sector, which has an industry average LTIFR of 17.4.

WSN is committed to continuing improvement of our safety performance. We focus on integrating key learnings from incident analysis to strengthen our practices and policies, which are driven by our 5-STAR Safety program and AS/NZ4801 accredited safety systems.

PROPOSED SALE OF WSN

In November 2008, the NSW Government announced an investigation into the sale of WSN. In early 2010, the Government agreed to commence a sale process.

The management and the Board have worked closely with Government on the proposed sale. Some one-off costs have been incurred as a consequence of this process.

We would like to thank our staff and Board who have worked hard to maintain WSN's position in very challenging times and we look forward to embracing the opportunities afforded by our future operating environment in 2010–2011.



Chris Berkefeld
Chairman



Ken Kanofski
Chief Executive Officer



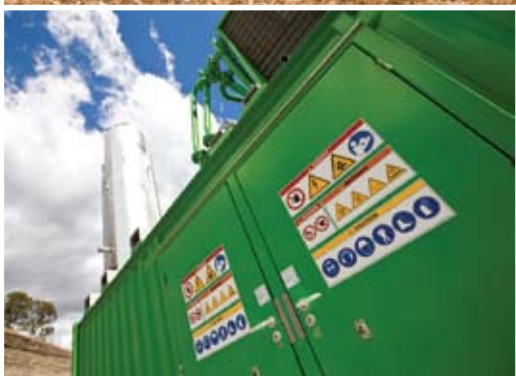
We invested in excess of \$1 million in odour reduction and prevention measures at MRRP



MACARTHUR
RESOURCE
RECOVERY
PARK



MAKING WASTE WORK
FOR OUR COMMUNITY AND ENVIRONMENT



CORPORATE GOVERNANCE

WSN Environmental Solutions is constituted under the Waste Recycling and Processing Corporation Act 2001. It is a statutory State-owned corporation, subject to the governance provisions of the *State Owned Corporations Act 2001*.

WSN is a statutory State-owned corporation

THE SHAREHOLDERS AND PORTFOLIO MINISTER

The Board is appointed by the shareholding Ministers – the Hon. Eric Roozendaal MLC, Treasurer and the Hon. Michael Daley MP, Minister for Finance – in consultation with the portfolio Minister, the Hon. Frank Sartor MP, being the Minister for Climate Change and the Environment.

THE BOARD

The Board is responsible and accountable to the voting shareholders. The Board appoints the Chief Executive Officer.

The Board comprises a non-executive Chairman, the CEO and a maximum of five other non-executive directors.

Board members are profiled below.





Chairman
Chris Berkefeld

Chris Berkefeld has extensive experience in the waste industry, spanning two decades during which he held roles of managing director, executive director and chief executive officer. Mr Berkefeld's achievements include managing the mergers of Brambles Industrial Services and Cleanaway in 2004, the sale of these ex-Brambles businesses in 2006 and the sale of Cleanaway in 2007.



Chief Executive Officer
Ken Kanofski
BBus, MBA, CPA, MAICD

Ken Kanofski has extensive management experience in utilities such as electricity, water supply, telecommunications and waste management. He has a strong track record in the management of large-scale service undertakings and infrastructure development.



Board Director
Ralph Garland
MAICD

Ralph Garland completed a 40-year career with Pacific Power (formerly Australia's largest power generation and transmission utility) as its Executive Chairman. He has extensive experience in major structural change and the commercialisation of government businesses. Mr Garland serves on the Board of Advice for a proprietary limited company and was formerly a Director of Ceramic Fuel Cells Ltd, a Director (and Chief General Manager) of Pacific Power International Pty Ltd, Chairman of Pacific Solar Pty Ltd, Chairman of Pacific Western Pty Ltd and a Director of Powercoal Pty Ltd.

(Term expires 30 November 2010)



Board Director
Jan McClelland
BA (Hons), BLS, FAIIM, FACEL, MAICD, MIPAA

Jan McClelland is an experienced senior executive and a former Director General of the NSW Department of Education and Training and Managing Director of the NSW TAFE Commission. She holds a number of consultancies and company directorships including Chair of NSW Businesslink Pty Ltd and Director of the State Transit Authority, Festival Development Corporation and Stewart House Preventorium. Ms McClelland is also a member of the Council of the University of New England and an Associate of the University of Sydney.

(Term expires 30 November 2010)



Board Director
Steve Turner
JP, BSW, MLLR

Steve Turner is the Assistant General Secretary of the Public Service Association of New South Wales. He has looked after a wide variety of government agencies, including the Ministry for Arts, Transport, the Department of Education and Training and the power industry. Mr Turner has been at the forefront of campaigns to protect and improve public services and to ensure public sector workers have appropriate wages and conditions. He works to ensure there is dignity and respect in the workplace. Mr Turner was responsible for the first successful pay equity case in Australia and is currently President of the Industrial Relations Society NSW.

(Term expires 30 November 2010)



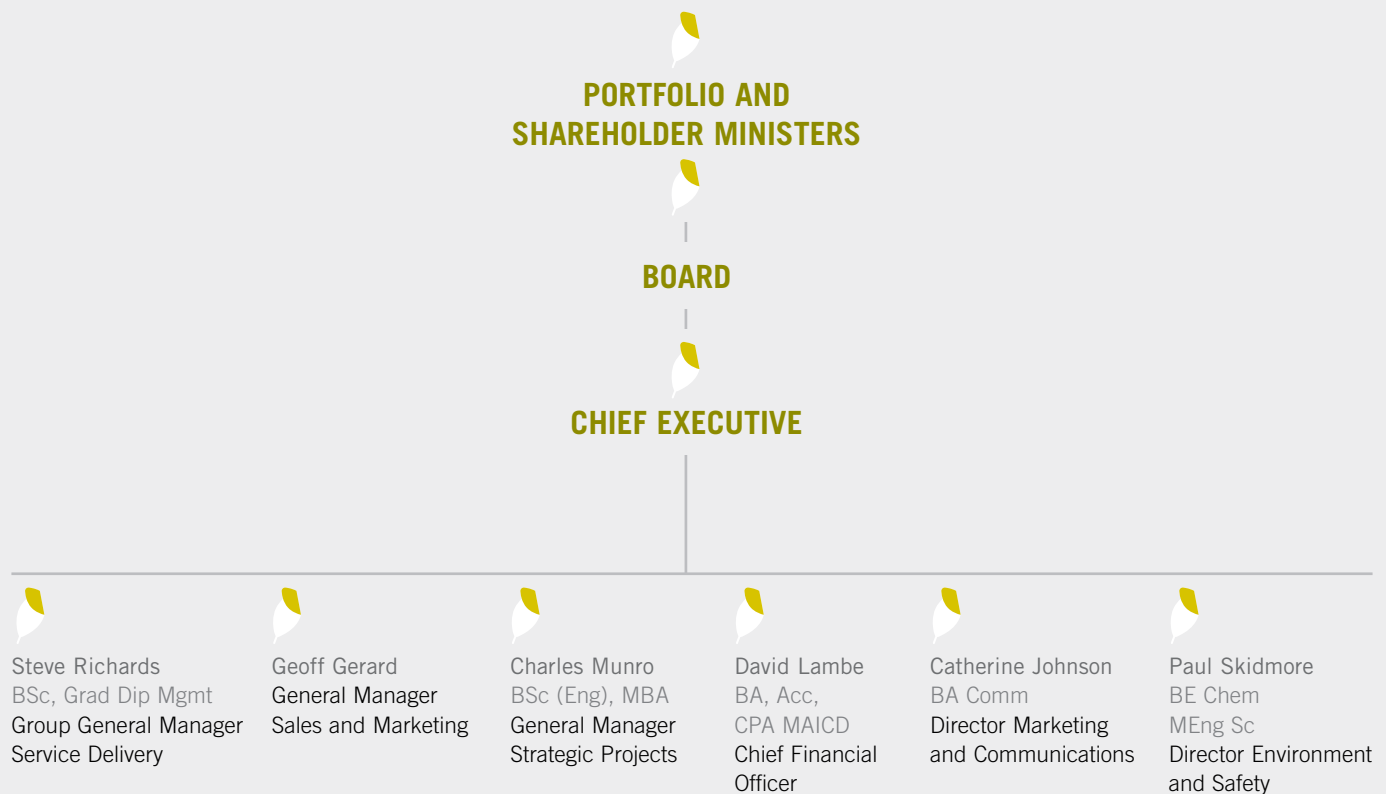
Board Director
Angelo Tsirekas

Angelo Tsirekas commenced his service as a local councillor in 1995, served as Deputy Mayor for three terms and was elected Mayor of the City of Canada Bay in 2003. He works full time as a Senior Environmental Health and Building Surveyor. Mr Tsirekas is the Chair of the Five Dock Leisure Centre, Canada Bay Traffic Committee, Youth Committee, and Policy and Finance Committee. He has also served as Vice President of the IMROC and Director of the Inner Sydney Waste Board. Mr Tsirekas is an Honorary Member of Drummoyne Rotary Club and is the holder of the Paul Harris award. He is also patron of several sporting organisations within the Canada Bay area.

(Term expires 31 January 2011)

ORGANISATION CHART

The CEO is directly responsible for achieving board-endorsed performance targets



The Board delegates authority and responsibility for operational issues to WSN's Chief Executive Officer.



The CEO, with other members of the executive team, is directly accountable for achieving set performance targets through the Board-endorsed Statement of Corporate Intent, policies, the corporate plan, delegated authorities and performance targets.

The Chairman liaises with the voting shareholders and their delegates.

BOARD CHARTER

The Board has adopted a Corporate Governance Policy, formally acknowledging the following elements of its governance framework:

- Monthly Board meetings.
- A system of committees with terms of reference and membership reviewed at least annually.
- An Audit and Compliance Committee made up of non-executive members that meets four times per year and sets aside time to meet with internal and external auditors. Among other things, the committee ensures there are appropriate risk management, business assurance, internal audit and compliance systems in place.
- A system of regularly reviewed policies to give guidance and set limits for management action.
- Active and continuous disclosure of pecuniary and other conflicts of interest.
- Annual Board approval of the corporate plan and budget and regular performance reviews.
- Board approval of major transactions, tenders and acquisitions and divestment of business activities and/or property.
- A comprehensive system of delegations of authority, reviewed annually.
- A code of ethics and conduct, reviewed at least annually.
- A commitment to ongoing education of Board members.
- Reviews of Board performance.

Additional features of WSN's corporate governance framework are:

- The CEO and CFO certify to the Board that accounts are true and fair.
- The CEO's salary, benefits and performance bonus are approved by the full Board.
- Annual review of compliance with consent conditions.
- Monthly financial and operational performance review (including environment and safety).
- Comprehensive quarterly review of environmental and safety performance.
- Probity plans for major transactions.



**Our code of ethics
and conduct is reviewed
at least annually**



COMMITTEES

The Board has appointed three committees:

- The Audit and Compliance Committee
- The Remuneration Committee
- The Infrastructure Committee

Each committee has a charter, which is reviewed annually.

AUDIT AND COMPLIANCE COMMITTEE

This Committee focuses on business assurance, compliance and audit issues and ensures these are dealt with in an independent manner. The Committee's key functions are to:

- Review the integrity of the annual accounts.
- Review the Code of Ethics and Conduct and ethics programs.
- Oversee the annual audit program.
- Review audit report(s).
- Review the performance of the internal auditors.
- Ensure that an effective internal control framework exists (including the Delegations Manual).
- Review and monitor the effectiveness of management systems designed to ensure compliance with legal requirements.
- Review compliance with conditions imposed by regulators.
- Oversee risk management programs.
- Oversee trade practices compliance issues and programs.

The Committee has delegated authority from the Board, within its delegated duties.

BOARD AND COMMITTEE MEMBERS' MEETINGS AND ATTENDANCE (FOR 2009–2010)

Year ended 30 June 2010	Waste Recycling and Processing Corporation Board (10 meetings held)	Audit and Compliance Committee (4 meetings held)	Remuneration Committee (2 meetings held)	Infrastructure Committee Meeting (4 meetings held)
Name	Attended	Attended	Attended	Attended
Graham Cook ¹	3		2	
Chris Berkefeld ²	6			
Ralph Garland	10	4		4
Sandy Halley ³	2	2	2	
Ken Kanofski	10	4		4
Jan McClelland	10		2	4
Steve Turner	10	4		
Angelo Tsirekas	10	4		
Mike Hannon ⁴				4

¹ Resigned 26 November 2009

² Appointed Chairman 8 February 2010

³ Term expired 30 November 2009

⁴ Non-Board committee member

REMUNERATION COMMITTEE

The purpose of the Remuneration Committee is to:

- Ensure WSN has in place a remuneration policy for the CEO, contract executives and award-based staff.
- Ensure conditions are fair and equitable, consistent with similar businesses, enable the recruitment and retention of quality staff and provide appropriate incentives to maximise organisational performance.

This committee was concluded in November 2009.

INFRASTRUCTURE COMMITTEE

The purpose of the Infrastructure Committee is to ensure WSN's infrastructure planning takes into account strategic considerations and provides optimal returns to the Corporation; and to ensure major capital projects achieve price and timing objectives.

MEMBERSHIP OF COMMITTEES (as at 30 June 2010)

Audit and Compliance Committee

Chair: Ralph Garland

Members: Steve Turner, Angelo Tsirekas

Remuneration Committee

Chair: Sandy Halley

Members: Jan McClelland

(Final meeting held September 2009)

Infrastructure Committee

Chair: Jan McClelland

Members: Ralph Garland, Ken Kanofski, Mike Hannon (non-Board member expert)

The Chairman is an ex-officio member of all committees.



WSN's infrastructure planning takes into account strategic considerations to provide optimal returns to the Corporation



PUBLIC POLICY MANAGEMENT

Donations to political parties
WSN has not made donations to any political party.

PRIVACY

WSN's Privacy Policy sets out standards that staff must comply with when handling personal information. The Policy covers collection, use and disclosure, storage, security and accessibility.

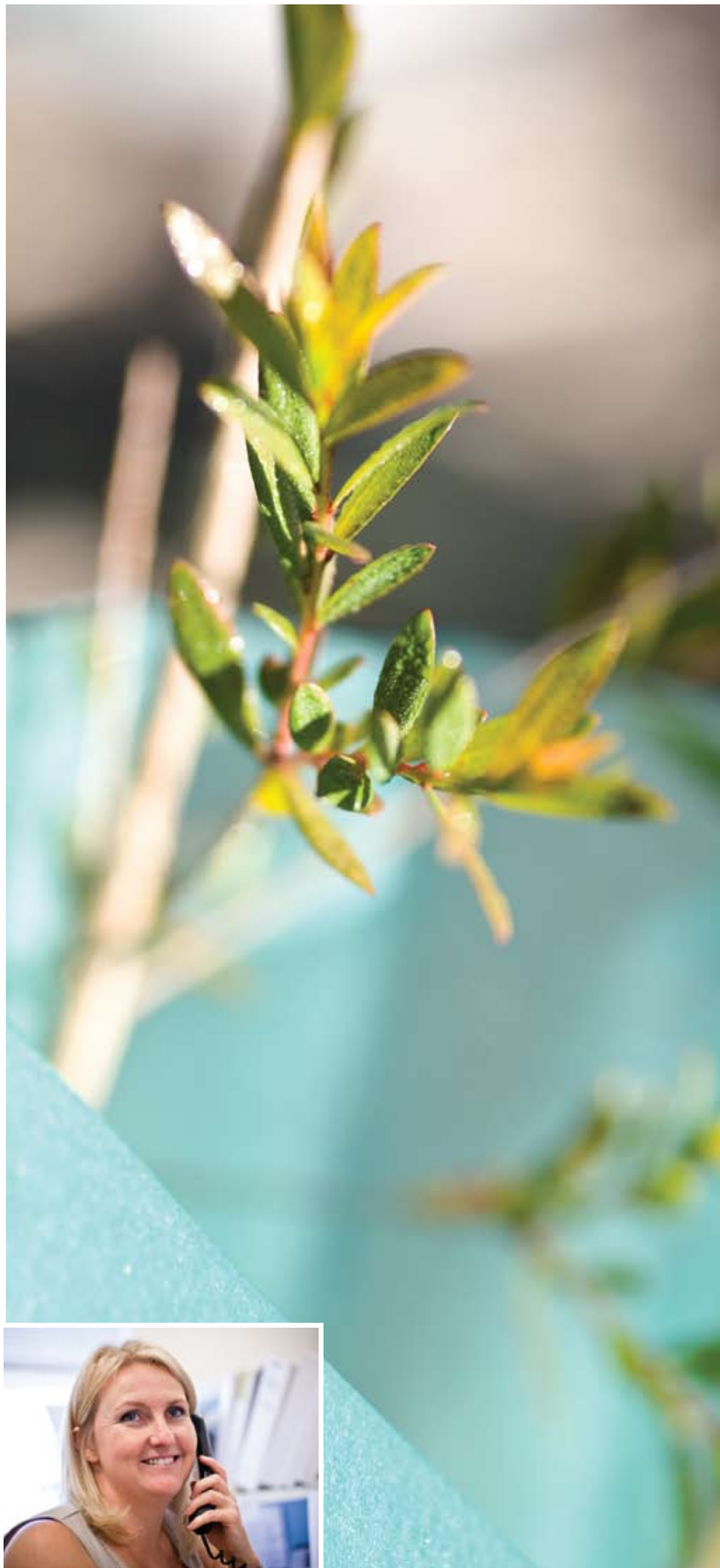
FREEDOM OF INFORMATION

During 2009–2010, WSN received 3 Freedom of Information (FOI) requests.

The first request was made regarding land at Belrose and the second concerned Ma Refine. WSN made no objection to the release of the requested documents in these cases and provided them to the applicants accordingly. In the third case, which related to the Wright Report, WSN declined to release the requested information, concluding that the document was exempt under the Act.

CODE OF ETHICS AND CONDUCT

The Code of Ethics and Conduct was unchanged in 2009–2010, having been reviewed in 2008 with latest amendment in March 2008.





CUSTOMERS AND SALES



WSN maintained its position in the Sydney waste market amid uncertain economic conditions, retaining contracts and expanding the breadth of industries serviced



WSN's main revenue sources are disposal, processing, resource recovery, resource sales and collections

MAIN REVENUE STREAMS

- Disposal, processing and resource recovery. This includes mixed waste, dry waste, garden organics and dry recyclable material.
- Resource sales (plastics, paper, aluminium, glass, energy, compost etc).
- Collections from councils and from business through GreenStep™ Business Solutions.

KEY CUSTOMER SEGMENTS

- Councils.
- Commercial waste collection companies.
- General public and small businesses.
- Commercial and industrial waste generators.

TENDER SUCCESS

WSN successfully tendered for a processing and disposal service to Campbelltown City Council and commenced several new and renewed contracts with commercial customers for GreenStep™ services.

CONTRACTED WORK IN HAND

WSN's future contracted work in hand as at 30 June 2010 is \$534 million*.

* *Note: Contract revenue excludes optional extensions and natural growth of volumes.*

CHANGING REVENUE MIX

The changing nature of WSN's revenue streams reflects our ongoing strategy to diversify from Class 1 landfilling. These revenue streams include:

- Council kerbside collections
- GreenStep™ Business Solutions
- Alternative waste technology (AWT) processing
- Dry waste (Class 2) disposal
- Energy sales
- Organics
- Resource sales
- Glass processing.

Net of waste levy, Class 1 landfilling now accounts for 45% of WSN revenue, down from 49% in 2009 and 85% in 2003.

GREENSTEP™ SOLUTIONS FOR BUSINESS

WSN focused on growing the success of its GreenStep™ service, increasing revenue from \$2.8 million in 2008–2009 to \$3.9 million in 2009–2010. Highlights for the year were the roll-out of complete waste servicing to Macquarie University, which commenced 1 July 2009, as well as the commencement of additional services to customers in the retail food and property sectors.



CASE STUDY



COLLECTIONS: ST GEORGE

WSN completed roll-out of its collection service to the St George area in 2009–2010, with Kogarah and Hurstville Councils' litter, clean-up, mixed waste, garden organics and recyclables collection commencing in November and May, respectively.

Combined with the Rockdale service, which WSN has been operating for the past two years, these new runs amount to 140,000 bin collections each week across the St George district. To manage the volume of bin pick-ups, 25 drivers take out 25 trucks and 15 runners.

While it is considered typical for new collections services to take around six months from initial start-up to reach projected performance standards, the St George service roll-out achieved this level of efficiency and accuracy in just three months.

WSN is delighted to have provided such a strong result and to have received positive feedback from our Council customers.

CASE STUDY



WHITE GLOVE CUSTOMER SERVICE

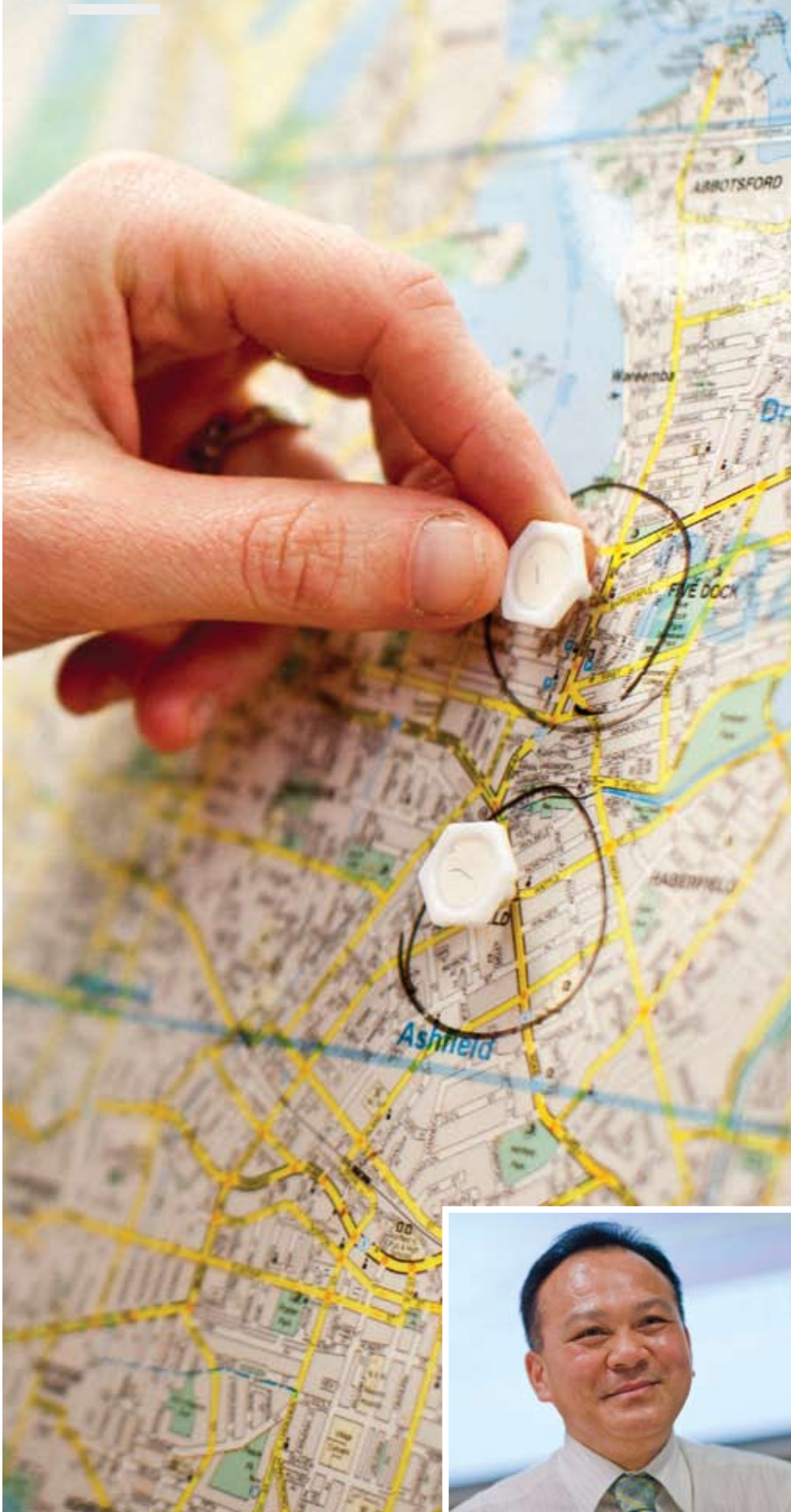
Service Delivery has worked hard to take customer service to the next level this year with its White Glove Service initiative. Designed and implemented internally, the program gives weighbridge and operational staff on site ownership of the cultural change process needed to provide service excellence.

Excellent service means a satisfying experience for customers and staff alike. The project has been rolled out across WSN's full network of facilities, with staff participating in presentations about what makes excellent service and undertaking training to equip them with the necessary skills and behavioural framework to deliver it.

Customer surveys, weighbridge procedure reviews and action plans developed by frontline staff have also proved effective elements in the program; this puts into action the 2010 strategic plan to strengthen customer focus.

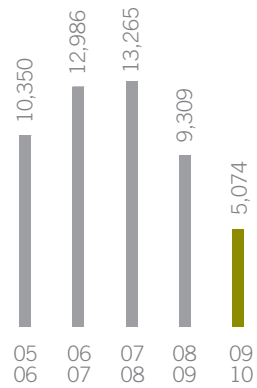
By creating positive change in our staff's attitude and approach, White Glove Service stands to place WSN well in a dynamic trading environment.

FINANCIAL PERFORMANCE

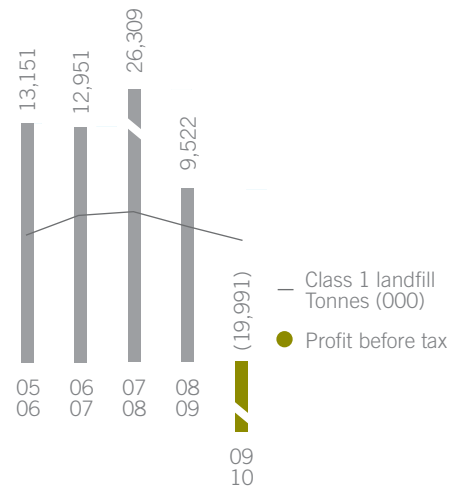


OPERATING CASH FLOW WAS USED TO FUND:

- Capital expenditure \$34.565 million
- Rehabilitation expenditure \$6.556 million
- Payment of interest \$5.318 million



Lucas Heights sports field expenditure (\$'000)



Landfill tonnes and total profit (\$'000)

FINANCIAL PERFORMANCE

	2009–2010 actual	2008–9 actual	2007–8 actual	2006–7 actual	% change
	A	B	C	D	(A-B)/B
Revenue (including levy)	281,084	280,296	247,839	204,127	0.3%
Revenue (excluding levy)	212,333	219,511	191,515	162,766	-3.3%
Profit before interest, tax, depreciation and amortisation	29,561	38,404	49,522	36,618	-23.0%
Operating profit before interest and tax	(10,093)	15,963	29,867	19,264	-163.2%
Profit before tax	(19,991)	9,522	26,309	12,951	-309.9%
Net assets	173,086	195,298	193,207	195,975	-11.4%
Capital expenditure	34,565	52,516	86,211	47,401	-34.2%
Rehabilitation expenditure	6,556	6,391	4,771	7,587	2.3%
Return on equity	-6.54%	3.95%	10.49%	6.53%	-265.6%
Return on total assets	-2.68%	4.16%	8.09%	5.89%	-164.4%
Interest cover – EBIT/interest	-1.02%	2.48	8.39	3.05	-141.1%
Interest cover – EBITDA/interest	2.99	5.96	13.92	5.80	-49.8%
Debt/equity ratio	51.57%	31.80%	17.92%	0.00%	62.2%



WSN's capital expenditure for the year was \$34.565 million



In 2003 almost all of WSN's profit was from Class 1 disposal – now this comprises just 45% of profit

RESULTS AND RETURNS

The EBITDA was \$29.6 million, down from \$38.4 million in 2008–2009. This generated a loss before tax of \$20 million. After allowing for asset impairments (\$17.2 million) and sale of business costs (\$3 million), the normal operations generated a net profit before tax of \$200,000, compared to a profit of \$9.5 million in 2008–2009.

Revenue (excluding levy) for the year was \$212 million, representing a decrease of 3.3% on the previous year's.

The contribution of the disposal business grew marginally despite a 9.5% reduction in overall waste volumes. This was due to reduced operating costs and price growth. The collection business contribution also grew 16% to \$3.8 million.

The Resource Recovery group contribution declined by \$8.3 million. This was despite improvements in the MRF (\$3.1 million) and organics (\$0.5 million) businesses. The organics business contribution growth would have been stronger, but for the costs of a fire at Camden Soil Mix (\$600,000) which were not recoverable from insurance.

The Resource Recovery group position was most impacted by losses of around \$10 million incurred at the MRRP alternative

waste processing plant, due to reliability and odour issues as well as market and regulatory changes. WSN has detailed plans to improve the future financial performance of the plant.

Interest costs increased \$3.5 million due to higher borrowings and higher interest rates attributable to commercial loans after the global financial crisis.

COST MANAGEMENT

Controllable costs at WSN's operating sites during 2009–2010 increased in real terms by 2.3%, following a 2% increase in 2008–2009.

CAPITAL EXPENDITURE

Capital expenditure for the year was \$34.6 million. Of this, \$24.5 million was for capital growth, \$2.7 million was spent on rehabilitation and \$2.3 million was for plant replacement.

\$5.1 million was spent on a pre-corporatisation commitment to build a sports complex at Lucas Heights 1. This commitment will be brought to fulfilment in early 2011.

DIVERSIFICATION OF PROFIT STREAM

Our business has managed to diversify significantly since 2003, when almost all WSN's profits came from Class 1 disposal. In 2009–2010, WSN generated earnings from a variety of streams, including waste collection services, power generation and commodity sales.

CASE STUDY



LUCAS HEIGHTS BARDEN RIDGE SPORTS COMPLEX

Golf Course

During 2009/10 WSN continued to work towards completion of “The Ridge” golf course. Projects included the construction of two water feature ponds and associated drainage works as well as development of the final 9 holes.

PCYC Minibike Club

The Sutherland PCYC Minibike Club’s members are enjoying their exciting new facilities with the completion of the relocation and development of the club site, which was provided in WSN’s DA to extend landfill operations at Lucas Heights.

Located on approximately 11ha, the new improved club site includes: a club house with canteen, office and amenities; an extensive car park; and five rider training tracks as well as a dedicated minikhana events area. The tracks were designed and built to the latest competition requirements, incorporating a dust control system.

CASE STUDIES



BELROSE CAC MOVING AHEAD: BELROSE FUTURE USE CONCEPT

The Belrose Community Advisory Committee (CAC) is active and passionate about the future use of the closed landfill, the protection of the 10 hectare native bushland reserve that is adjacent to the landfill and their entitlements in regards to a community enhancement fund.

WSN worked closely with the community over this past year to ensure we can deliver some positive outcomes for the community. This consultation process has involved extensive engagement, negotiations and goodwill from all stakeholders

The landfill has been extended for an additional 3 years or 180,000 tonnes and, after the site is rehabilitated, it will be handed over for use by the community as a recreation area.

After canvassing the community, in February 2010 WSN delivered a Future Use Concept Plan to the CAC. At this stage the community favours mountain biking; WSN will undertake a feasibility study to assess this option.

The capital used to realise this future use concept will come from the community fund established by WSN; we will continue to contribute to this fund while the landfill is operational. The landfill is expected to close around 2016 with work to develop the site for its future use commencing soon after.

BLACKTOWN CITY COUNCIL GARDEN COMPETITION

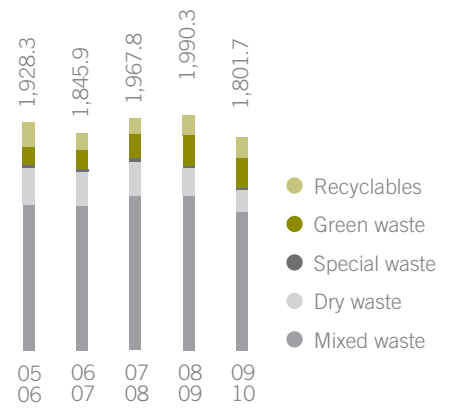
As part of our work to engage with the community and support environmental initiatives in 2009–2010, WSN sponsored the Blacktown City Council Garden Competition.

The Council's annual garden competition is an opportunity for local residents to engage with the natural environment, to showcase their gardening and to take pride in the presentation of their local community.

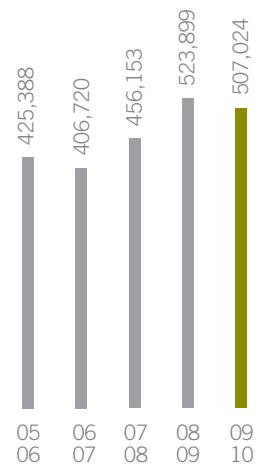
For the fourth consecutive year, WSN donated \$10,000 to the competition, which awarded cash and voucher prizes to winners across an array of categories devised to reach across the entire community.

The competition attracted 84 entries and highlighted how ingenuity and creativity can nourish great gardens, even in sustained dry conditions.

SERVICE DELIVERY



Total waste received by waste type (tonnes)



Recovered resources (tonnes)

The successful roll-out of a large South-Sydney collections contract bolstered performance

WASTE RECEIVED

WSN received less waste in 2009–2010 than in the previous year, with tonnages delivered down 9.5% to 1,801,586 tonnes. This retraction was chiefly accounted for by industry internalisation, with reduced tonnes being delivered to our sites by other waste companies.

Compared with last year, in which the economic downturn contributed to a 19.9% reduction in dry waste received, there was:

- 9.5% reduction in total waste
- 2.4% less garden organics
- 10.6% reduction in mixed waste
- 3.0% increase in recyclables
- 18.8% reduction in dry waste.

TOTAL WASTE SENT TO LANDFILL

WSN disposed of 1.362 million tonnes of solid waste to landfill (Class 1 and 2).

75.6% of all waste received was landfilled, down from 78.9% in 2008–2009.

RESOURCE RECOVERY

Resource recovery continued its upward trend in 2009–2010 with an increase of 9% compared to last year's rate, calculated relative to received waste volumes. This improvement was aided by total volume increases in recovered glass and green waste of 20.2% and 8.8%, respectively.

Over the year, WSN's resource recovery operations saved:

- 525,120 cubic metres of landfill space
- 2,869,365 gigajoules of total energy – equivalent to the annual electricity requirements of 13,285 households
- 85,691 tonnes of CO_{2e} greenhouse gas emissions, equivalent to removing 20,581 average cars from the road for a year
- 2,476,632 kilolitres of water, equivalent to the annual water use of 26,479 people or enough to fill 45,030 average backyard swimming pools.

LANDFILL SPACE CONSUMED

We continue to implement strategies to improve utilisation of landfill space. During 2009–2010, 1,403,899 cubic metres of landfill space was consumed, representing a 2.3% reduction on last year. This was owing to an 11.3% reduction in waste disposed of in landfill checked by a 5.4% decrease in space utilisation.

Measures we employed to use landfill space more effectively included:

- Shredding mattresses prior to disposal
- Introducing Alternative Daily Cover systems
- Managing closely VENM cover systems
- Working cooperatively with contractors.

COLLECTIONS

WSN had a strong year in the collections area, successfully completing roll-out of collections across Hurstville and Kogarah. This brought the total collections by WSN in the St George district to around 140,000 per week.

These collections helped WSN to boost EBITDA by 11.8% for Sydney collections this year.

SITES AND SERVICE

This year we have undertaken works across our network of sites to upgrade facilities, placing extra emphasis on completing painting, landscaping, repairs and cleaning tasks to improve site presentation.

We have also committed resources to refreshing customer service on site, with weighbridge and operations staff participating in a home-grown service excellence initiative. This White Glove Service program is designed to help us achieve our contracted service standards and meet the challenges ahead. (For more details, see the case study on page 21.)

To secure WSN's performance into the future, in 2009–2010 we also worked towards reducing labour costs and overheads at our Waste and Recycling Centres while maintaining employment levels.



Resource recovery continued its upward trend this year, with glass and green waste recovery driving a 9% improvement



Our resource recovery operations avoided the release of 85,691 tonnes of greenhouse gases – equivalent to taking 20,581 average cars off the road for a year

CASE STUDY

FIVE STAR SAFETY

The goal driving WSN's home grown STAR safety program is to stop people getting hurt at work by managing risk across all sites. By enhancing our people's awareness and their commitment to maintaining a safe working environment, we can minimise injuries.

The STAR safety system – See, Think, Act and Report – was developed further through 2009–2010, with a 5-star site rating program created to provide a simple figure to which site managers and staff can easily relate.

The 5-star rating system incorporates five key safety measures: lost time injury rate; internal audit result; non-incident reporting rate; risk reduction; and safety plan completion rate. One star is awarded to each site for every measure in which they achieve their target.

The program roll out was designed to engage staff at all levels. As a learning tool, WSN produced a DVD explaining the program and featuring interviews with staff, including WSN's CEO Ken Kanofski and employees who have suffered workplace injuries.

While there is ongoing work to be done to embed safety deep within WSN's culture, positive indicators such as a risk reduction result 395% above target for 2009–2010 show the 5-STAR program is contributing significantly to WSN's safety mission.



CASE STUDY

CAMDEN SOIL MIX TOP DRESSING

Camden Soil Mix was awarded the tender for the supply of horticultural materials and services to Liverpool City Council in 2009.

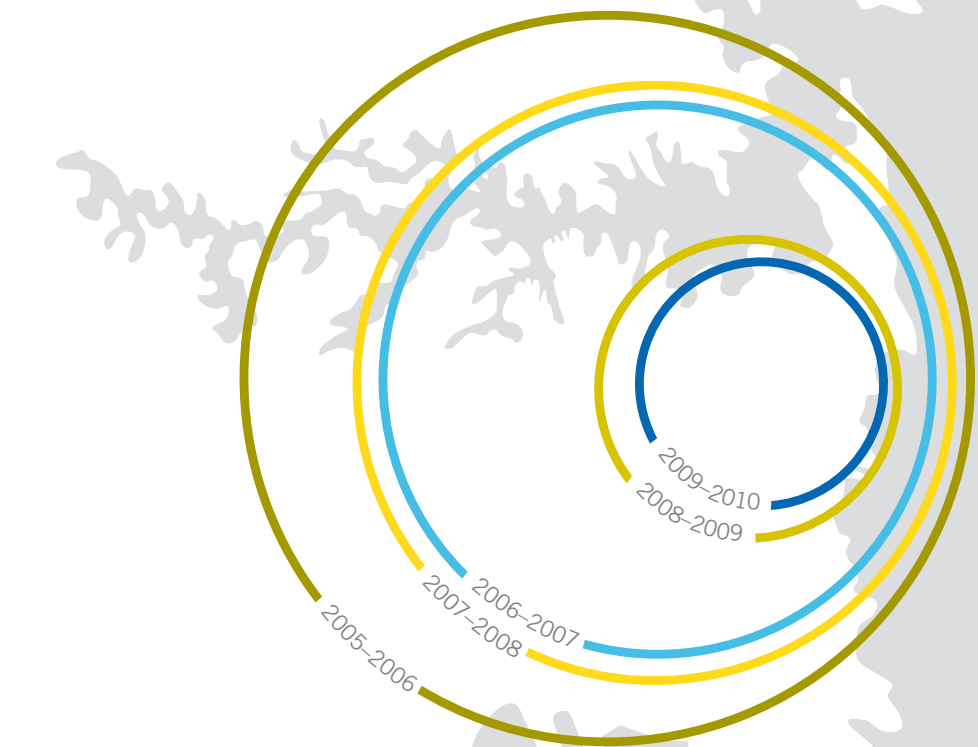
The work involved top dressing sportsfields throughout the council district. For the task, Camden Soil Mix blended a sand-soil material with fully composted and screened organics from kerbside green waste collections as well as semi-composted chicken manure.

The fully composted organics were incorporated for the nutrient mix and water-holding benefit they provide, while also reducing compaction. The semi composted manure was added to give a nitrate boost as a replacement for chemical fertiliser.

Camden Soil Mix's operators then used spreading machines to lay down the soil before brooming over the surface to achieve a final, level finish.

The top dressing encourages grass growth on the fields, leaving sportspeople across Liverpool Council to enjoy the benefits of robust greens underfoot throughout the playing season.

OUR ECOLOGICAL FOOTPRINT



- 2009–2010 Ecological footprint 12,148.75 ha
- 2007–2008 Ecological footprint 23,241.74 ha
- 2005–2006 Ecological footprint 28,164.57 ha

- 2008–2009 Ecological footprint 12,962.09 ha
- 2006–2007 Ecological footprint 22,602.54 ha



WSN's footprint in 09–10 was 58% lower than 04–05



In 2009–2010, we reduced our ecological footprint by 6%, following on from the substantial reduction of 44% we achieved in 2008–2009.

WSN is the first major waste management company in Australia to measure and report its ecological footprint.

In 2009–2010, WSN's ecological footprint was 12,149 hectares, a reduction of 58% since 2004–2005.*

This takes into account WSN's Scope 1 and Scope 2 Emissions, including:

- contributions – fuel use, electricity purchased, and fugitive methane emissions from landfill; and
- offsets – green electricity produced.

WSN has previously presented a footprint incorporating upstream contributions from suppliers and contractors. Due to uncertainty around the methodology for this approach and the unavailability of a suitable consultant, WSN has not included upstream/Scope 3 emissions. The Scope 1 and 2 Emissions have been calculated in accordance with the factors included in the National Greenhouse and Energy Determination. The footprints for previous years have been recalculated using the same methodology to enable a valid year-on-year comparison.

The main reasons for the trimming of our footprint in 2009–2010 were:

- Increased production of renewable energy at Eastern Creek 2, where an additional engine was installed at the WSN/LMS joint venture power station
- Increased production of green electricity at the Macarthur Resource Recovery Park (MRRP) AWT, which power was exported to the NSW Energy Grid.

OUR PLANS FOR THE FUTURE

WSN has plans to reduce its ecological footprint further in 2010–2011:

- Gas capture at the MRRP landfill should increase with the installation of 20 additional gas wells.
- Improvements to underperforming infrastructure at Lucas Heights will boost gas capture and facilitate increased energy production.
- Green electricity production at the MRRP AWT will increase as its operational efficiency continues to improve.

* A modified calculation methodology has been used in 2009/2010 and here applied retrospectively to previous years' results for comparison.

ENVIRONMENT

89.8% of net energy consumed by WSN was from renewable resources

WSN saved 1,493 kilotonnes CO_{2-e} through methane capture and green electricity generation in 2009–2010

ENERGY USE

- WSN used 3.18 petajoules of energy, a 5% decrease on the previous year. This result followed an easing of construction activities at Eastern Creek with the completion of Cell 7.
- The green electricity generated from methane produced at our landfills and the AWT at Macarthur Resource Recovery Park and exported to the NSW Energy Grid was equivalent to 89.8% of our direct energy usage.
- WSN purchased an additional 639,880 kilowatt hours of green power.

For more information on energy, see the graphs on page 43.

FUEL USE

WSN used 11.2% less fuel this year. This is primarily due to reduced cell construction activities at Eastern Creek.

GREENHOUSE GAS EMISSIONS

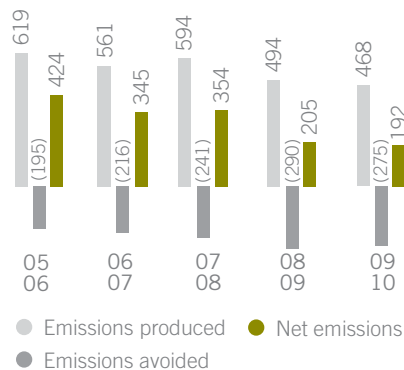
WSN's major source of greenhouse gas emissions is fugitive landfill gas. We minimise these emissions by capturing the gas and then either flaring it or converting it into green electricity.

During 2009–2010, we increased our electricity generation capacity by 1.1 megawatts – a 2.5% increase since last year. This capacity expansion was achieved with the installation of a new engine at Eastern Creek. Our installed power generation capacity is now equivalent to the energy use of over 45,000 households per year.

WSN produced 468 kilotonnes (kt) CO_{2-e} greenhouse gas emissions in the year, a 5.4% decrease since the previous year. By capturing methane from our landfills we prevented 1,218 kt CO_{2-e} and avoided a further 275 kt CO_{2-e} by converting this into green electricity.

WSN's net greenhouse gas emissions were 192 kt CO_{2-e}, down from 205 kt in 2008–2009. This was accounted for by a 5.4% reduction in emissions, offsetting a 4.9% drop in avoidance through green electricity generation.

* 2009–2010 greenhouse gas emissions have been calculated under the National Greenhouse and Energy Reporting Scheme (NGERS) Method 1, in line with the *National Greenhouse and Energy Reporting (Measurement) Determination 2008* as amended by the *National Greenhouse and Energy Reporting (Measurement) Amendment Determination 2009*, and previous years' results have been adjusted to reflect this.



Net greenhouse gas emissions (kt CO_{2-e})

For more information on greenhouse gas emissions, see the graphs on pages 43–44.

ENVIRONMENTAL COMPLIANCE

WSN worked with DECCW and local community to manage odour issues

WASTE AND WASTEWATER

- WSN used 145,035 kilolitres of water in 2009–2010, up 31% from last year. This increase primarily resulted from the continued commissioning of our AWT facility at Macarthur Resource Recovery Park (MRRP). Water use by on-site industries at Eastern Creek and increased use by transfer stations to maintain flow requirements in accordance with the Sydney Water Trade Waste agreement also contributed to the rise.
- WSN discharged 300,204 kilolitres of leachate to sewer, representing a 16.8% decrease on the previous year. This was due to falls in leachate generation at Belrose and Lucas Heights. Leachate volumes were up at Eastern Creek due to the plant's increased operation at full capacity.

SAFETY AND ENVIRONMENTAL ACCREDITATION

As part of our commitment to employee safety and the environment, we maintained certification for environmental management systems AS/NZS ISO 14001:2004 and occupational health and safety AS/NZS 4801:2001.

We have developed standard operating procedures and training programs as part of an integrated system for environmental safety management that promotes compliance with relevant legislation and statutory requirements.

While not mandatory, such accreditation is highly regarded in tenders and is important to our future business as a service provider. The certification assures our customers that we have implemented quality management systems for these two major risks.

WSN's Environment Policy was updated in June 2010.

ENVIRONMENTAL INCIDENTS AND FINES

In 2009–2010, WSN received three penalty infringement notices (PINs) under the Protection of the Environment Operations Act, up from one in 2008–2009, which had been the first since 2005–2006. WSN also received a PIN from the Department of Planning (DOP).

The first of these was for an incident of inadequate landfill coverage at Belrose.

The second PIN was issued for stockpiling clay within 40 metres of a waterway. The infringement occurred during a heavy rain event where some works in progress at Eastern Creek were damaged by stormwater run-off. As a result, there was a discharge of water that contained an elevated level of suspended solids (soil) into the local stream.

The third PIN was issued for an infringement that occurred as a result of failing to manage and contain leachate seeps along the batters of Eastern Creek's Southern Cell. This happened during heavy rain when an earth bund was breached. The secondary leachate catchment system worked to ensure leachate was not released into the environment.

The planning breach occurred in May with the construction of gas pipeline at MRRP connecting the landfill to the waste processing plant. WSN had proceeded with these works believing that planning approval was not required. Once it was recognised that this was not the case, WSN self-reported this breach to DOP, which then issued the PIN. Subsequently WSN made a planning application that was then approved by DOP.

We took corrective action to address each of these PINs. WSN is a responsible license holder with a track record of operating within its license conditions and we have a target of zero PINs in our Environment and Safety Key Performance Indicators.



ODOUR

To resolve odour issues that emerged at MRRP in 2009–2010 and impacted on some local residents, WSN began implementing many additional measures to prevent and treat odour. These initiatives included a number of operational changes as well as a schedule of projects costing \$1.026 million.

The spike in odour complaints at MRRP occurred between March and May 2010, with 234 received during this period. WSN worked closely with the Department of Environment, Climate Change and Water (DECCW) and the local community to identify and eliminate odour sources and, as a result of the actions taken by WSN, odour complaints for the site fell to 29 in June.

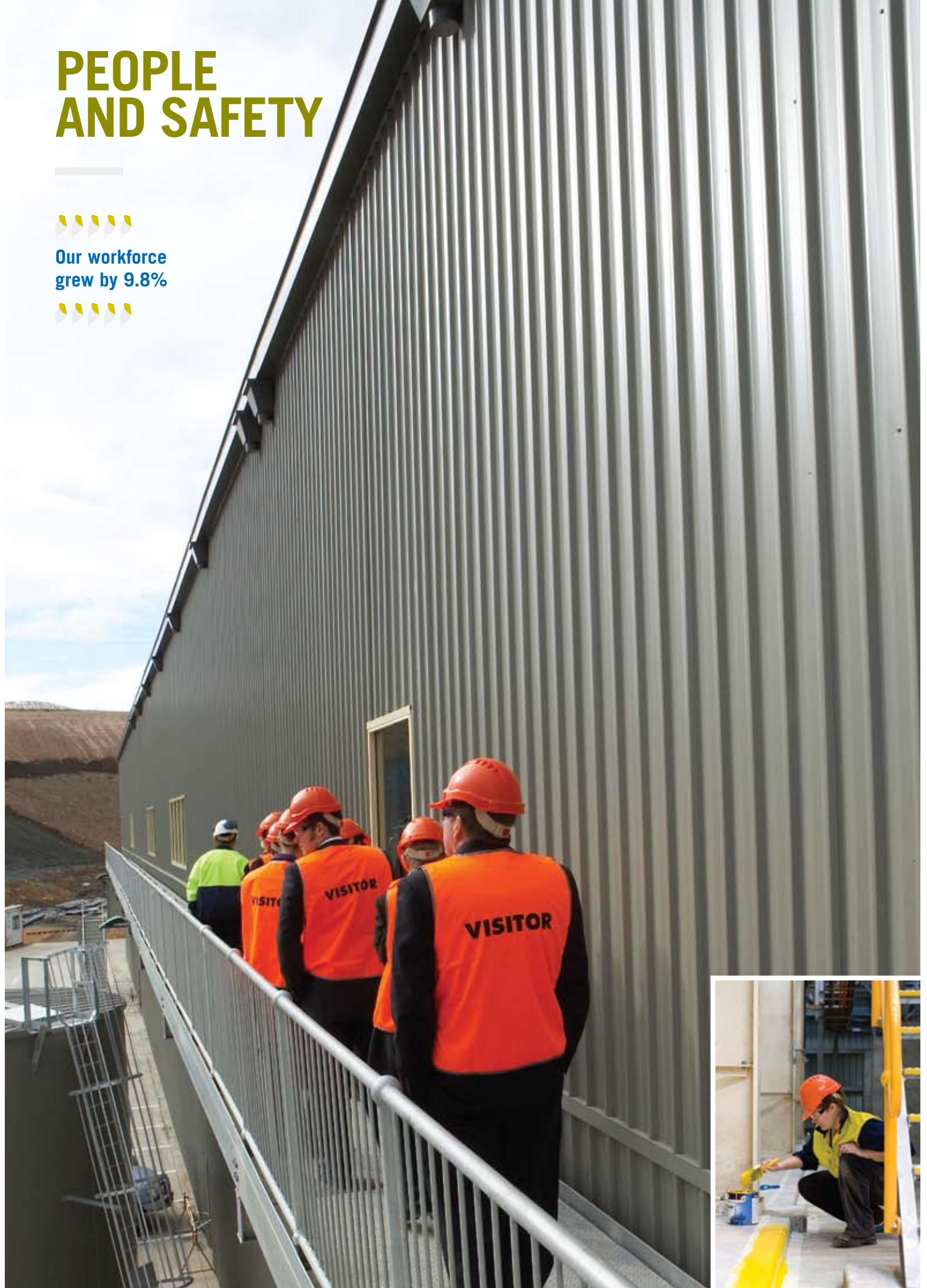
Odour management at MRRP is being managed in accordance with the Environment Protection Licence that governs the site operations.

A potential odour issue emerged at Lucas Heights in May 2010 with NSW police investigations at the site necessitating the suspension of waste covering for several days. Measures were taken to reduce the impact on local community during this time. Odour issues that arose at Belrose in 2009 were also effectively addressed, with works to reduce odour completed in November.

PEOPLE AND SAFETY



Our workforce
grew by 9.8%



WSN's workforce grew by 9.8% to 568.9 full time equivalent staff

WORKFORCE

As at 30 June 2010, WSN's permanent full time and part time workforce comprised 532.1 full time equivalent staff (FTE), an increase of 9.8% on the previous year (484.8). The FTE for all employees including casual and fixed term employees is 568.9.

This growth was due to the start-up of two collections contracts and additional resourcing required for Macarthur Resource Recovery Park. 5 out of 9 fixed term employees were employed to assist with the sale of WSN.

Our workforce consisted of:

- Full time employees – 518 people at 30 June 2010
- Part time employees – 20 people at 30 June 2010
- Fixed term employees – 9 people at 30 June 2010
- Casual employees – 52 people employed throughout the financial year
- Agency labour – WSN used agency labour intermittently at a number of sites throughout the year.

STAFF TURNOVER

Normalised turnover (excluding voluntary redundancies) was 9.5%, up from 7.9% last year.

Key figures were:

- 51 employees left the organisation
- 86 new appointments
- 35 net created positions.

ABSENTEEISM

Absenteeism, including paid and unpaid sick leave and other forms of unscheduled absence was 7.21 days per employee, up from 6.68 in the previous year.

TRAINING

Each site implemented customer service training as the White Glove Service program was rolled out. (See the case study on page 21 for more details.)

DIVERSITY AND EQUAL OPPORTUNITY

WSN is an equal opportunity employer.

WSN's Board consisted of five males and one female.

Six males and one female comprised the Executive team in 2009–2010, which remained unchanged from the previous year.

Representation of the equal employment opportunity (EEO) groups within the employment categories and salary bands is generally indicative of the Sydney labour market and the geographical location of operational sites.

OCCUPATIONAL HEALTH AND SAFETY

WSN's lost time injury frequency rate (LTIFR) increased by 19% to 15.7 after several consecutive years of improvement, including a very significant decrease of 32.3% in 2008–2009 to 13.2. This compares favourably with the industry average figure of 17.4, which is used in the Transport and Storage classification available under WorkCover.

WSN's total lost time as a percentage of hours worked in 2009–2010 was 0.46%, up from 0.29% in 2008–2009. This increase resulted from a small number of longer term injuries.

We are committed to continuing improvement of our safety performance and are integrating key learnings from incident analysis to strengthen our practices and policies in this area.

In particular, in 2009–2010 we have focused on minimising hazards associated with slips, trips and falls and vehicle and plant competencies. This has been achieved through better physical and procedural design as well as training. This year WSN also implemented our 5-STAR rating system to measure and promote site safety. (See the case study on page 28 for more details).

There were 132 compensation claims this year, up from 102 in 2008–2009.*

WSN received no WorkCover Improvement notices this in 2009–2010, down from one last year.

Key achievements for the year include:

- 15 sites/activities exceeding their longest lost time injury free periods.
- Increased internal audit results, which reflect improved site implementation of systems and site conditions.
- Achieving a risk reduction result across sites that stands at 395% above target.

WSN's OH&S Policy was updated in June 2010. More information about safety is available on pages 45–46.

* *Note: workers compensation claims details can change for previous years due to differences between dates of occurrence and of notification.*

GRIEVANCES

There were four grievances raised by individuals in 2009–2010, up from two last year.

Two of these were unfair dismissal claims. One of these was resolved in conciliation and the other proceeded to arbitration. A third grievance was referred to the NSW Industrial Relations Commission and was resolved in conciliation. The fourth consisted of a claim made to the Human Rights Commission. No further action was required for this matter.

OVERTIME

WSN staff worked total overtime of 100,735 hours, with the average per FTE at 177.1 hours – down from 251.3 hours last year. Some areas of WSN's business have regular overtime built into contract arrangements with an agreed spread of hours applying to the work.

COLLECTIVE BARGAINING

502 employees are covered by collective bargaining agreements and awards, representing 84% of the workforce. Two agreements are due to expire in the 2011 financial year.

INFRASTRUCTURE AND REHABILITATION

This year WSN spent \$9.255 million on rehabilitation and aftercare projects

INFRASTRUCTURE

Eastern Creek 2 Bioreactor Landfill
The \$36 million Eastern Creek 2 Stage 4 Bioreactor Landfill was completed in December 2009. WSN has designed the landfill according to EPA best practice guidelines, using clay for the liner and aggregate and pipes for leachate collection. The landfill gas capture system, which was progressively installed during the filling stages, is now producing enough energy to power approximately 6,000 homes.

Macarthur Resource Recovery Park
In response to operational challenges and regulation and market change, further refinements have been made to the Ecolibrium™ Mixed Waste facility to enhance its processing efficacy and environmental performance.

Additionally, twenty new vertical gas wells were installed on the Park's landfill to capture more biogas, thereby producing more green electricity while reducing odour. It is expected these new wells will generate enough renewable energy to power an additional 700–1000 homes.

Lucas Heights

A new 4.5 ML emergency leachate storage dam was installed in late 2009 to enable effective leachate storage during significant wet weather events. The new dam cost \$585,000 and provides additional leachate buffer capacity for both Lucas Heights 1 & 2 sites.

We also continued to investigate possible wastewater reuse options, including irrigation on LH1 golf course and possible transfer to the ANSTO site.

Belrose

WSN installed a new odour suppression management system on the landfill in October 2009. This system has been very effective in reducing off site odour issues and associated odour complaints.

Rehabilitation and aftercare

WSN is committed to ensuring our landfill operations do not leave an adverse legacy to burden future generations. We have continued to invest in rehabilitation and aftercare projects, such as tree planting, landfill gas collection infrastructure and leachate disposal.

Major rehabilitation expenditure items include:

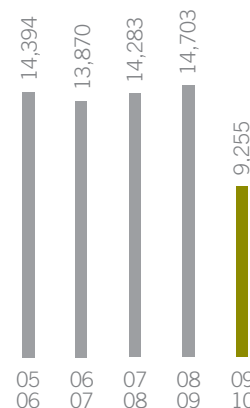
- Landfill gas collection systems that help prevent greenhouse gas emissions in two ways. Firstly, by capturing gas emitted from landfilled waste. Secondly, by replacing energy generated from conventional fossil fuel sources.
- Leachate collection and treatment systems for the safe, environmentally responsible disposal of leachate.
- Landfill capping and revegetation to minimise erosion, minimise leachate generation and create aesthetically pleasing green space or woodland habitat.
- Ongoing monitoring of groundwater, stormwater and landfill gas to ensure the early detection of emerging environmental issues.

In 2009–2010, WSN worked with the local community towards developing the Belrose Future Use Concept Plan, which will see the closed landfill site converted into a passive recreation area around 2016. (See the case study on page 25 for more details.)

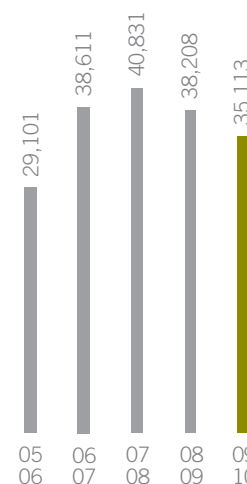
Expenditure

In 2009–2010, WSN spent \$9.255 million on all rehabilitation and aftercare projects, compared with \$14.7 million in the previous year. The main projects included new gas infrastructure and leachate management work at both Lucas Heights and Eastern Creek 2 as well as final cover and revegetation across various landfill sites.

Our cumulative landfill aftercare provision now stands at \$35.1 million, down from \$38.2 million in 2008–2009. WSN has continued to invest responsibly to ensure its landfill sites are effectively rehabilitated.



Rehabilitation and remediation expenditure (\$'000)



Cumulative Landfill Aftercare Provisions (\$'000)



WSN donated 5,785 trees to schools and community groups for use in their own tree planting programs



Cumulative area of rehabilitated land
At the end of June 2010, WSN had rehabilitated a total of 352.4 hectares, including 8.0 hectares in 2009–2010. This year 4.9 hectares were rehabilitated at Lucas Heights. A further 2.5 and 0.6 hectares were rehabilitated at Macarthur Resource Recovery Park and Belrose, respectively.

Tree planting
In 2009–2010, WSN planted 200 trees at Lucas Heights 1, with a larger tree planting campaign planned for 2010–2011.

The nursery at Lucas Heights 2 gave 5,785 trees to schools and community groups for use in their own tree planting programs.

Lucas Heights sport and recreation park – ‘The Ridge’

WSN is contributing \$83 million to develop major sporting and recreation facilities at the former landfill site at Lucas Heights 1, dubbed ‘The Ridge’. Works by WSN associated with the golf course are due for completion in 2011, with finishing of greens and tees by council to follow.

This year WSN also completed works at Lucas Heights 2 to relocate the PCYC Minibike Club, which is now up and running. The total project cost was \$799,000. (See the case study on page 24 for more details.)

STAKEHOLDER ENGAGEMENT

3,452 people visited our sites as part of 145 educational tours

WSN proactively engages with all our stakeholders. Our main stakeholder forums are:

- The Joint Consultative Committee, established between the Corporation and the unions to consult on workplace matters.
- Site-based Community Advisory Committees (CAC), where operational staff meet with site neighbours and community representatives to discuss onsite activities and deal with community concerns about the impact of our operations.

We were particularly active in engaging host communities through CAC meetings in 2009–2010. These forums were used effectively to consult with local residents and stakeholders towards achieving consensus on future use of land at our Belrose facility and working towards community satisfaction regarding resolution of odour issues at Macarthur Resource Recovery Park.

In addition, WSN actively participates in the Waste Management Association of Australia, Environment Business Australia, the Australian Landfill Owners Association and the Total Environment Centre's Green Capital business sustainability program.

In June, WSN participated in the National Recycling Initiative Summit to develop collectively a set of recommendations for Government regarding resource recovery, recycling and waste management. Two of WSN's recommendations were included for submission to the Environment Protection and Heritage Council as priority recommendations. These concerned the prohibition of disposal of problem wastes such as lead batteries and the need for urgent action to foster the recovery of energy from waste.

COMPLAINTS FOR ALL ISSUES BY SITE

	2005/06	2006/07	2007/08	2008/09	2009/10
Waste & Recycling Centres					
Artarmon	26	9	9	9	10
Auburn	3	4	21	15	9
Chullora	1	3	9	3	6
Rockdale	7	8	17	15	23
Ryde	25	24	33	44	21
Seven Hills	3	5	7	4	6
Landfills					
Belrose (includes transfer station)	44	66	52	32	27
Eastern Creek	116	102	44	54	42
Macarthur Resource Recovery Park	42	75	80	29	323
Lucas Heights (1 & 2)	74	117	49	52	49
Closed sites					
Grange Avenue	1	3	0	0	0
Complaints to Head Office	0	0	0	5	9
Total	342	416	321	262	525

EDUCATION

WSN has an important role in supporting our customers with educating their communities about responsible waste management and recycling.

We conducted 145 educational tours in 2009–2010 with 3,452 visitors touring our sites, compared with 144 tours representing 3,320 visitors in 2008–2009. Visitors included international delegates, school groups, university and TAFE students, community groups, local and interstate council staff, industry consultants and company staff.

The Chullora Materials Recycling Facility (MRF) was again the most popular site for visitors, with its interactive displays and comprehensive recycling messages.

COMMUNITY INVESTMENT

We spent \$5.06 million on community investment during the year, compared with \$5.93 million in 2008–2009. This included:

Responsible disposal of paint	\$77,852.69
Community host fees	\$4,864,272
Sponsorship	\$119,577

We are also investing \$83 million over 10 years to create community sporting facilities at the former Lucas Heights landfill site.

SPONSORSHIPS

In 2009–2010, WSN helped many local organisations to tackle environmental issues, particularly those pertaining to waste. In addition to the 9 school and community projects funded through our Grass Roots Sponsorship program, WSN also supported:

Clean Up Australia Day – free acceptance of waste and recyclables collected in the Sydney metropolitan area

Total Environment Centre's Green Capital corporate social responsibility program

Barden Ridgebacks Soccer and Netball Clubs

Blacktown City Council Sustainable Garden Competition

Gosford City Council School Environmental Awareness Program

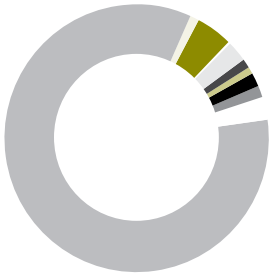
Waste Management Association of Australia Awards

NSW Local Government & Shires Association Annual Conference

Impact Environmental Waste Avoidance and Resource Recovery Conference

Donations to various charities.

COMPLAINTS BY TYPE



- Other 11.8%
- Pricing 4.6%
- OH & S 0.4%
- Compliments 0.9%
- Invoicing 0.9%
- Customer service 6.9%
- Odour 60.7%
- Noise 7.6%
- Delays 0.8%
- Communications 0.0%

COMPLAINTS

Customer service complaints dropped 17% in 2009–2010. 5 of our 10 Waste and Recycling Centres also improved their overall complaints performance. Notably, Ryde received 53% fewer complaints than in the previous year.

Across all categories, complaints received doubled in 2009–2010 as the result of an odour issue at Macarthur Resource Recovery Park, which accounted for around 60% of all complaints.

The odour impacts at Macarthur were associated with the Ecolibrium™ Mixed Waste facility's commissioning, which phase has involved considerable correction of start-up difficulties and refining of processes.

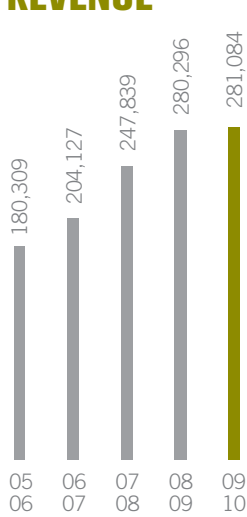
While working with DECCW and implementing extensive measures to reduce odours, we pursued a comprehensive stakeholder engagement program delivered at an individual and community level. This combined approach proved effective, with complaints subsiding dramatically – from 123 in May to 29 in June.



We supported community initiatives through sponsorship valued at \$119,577

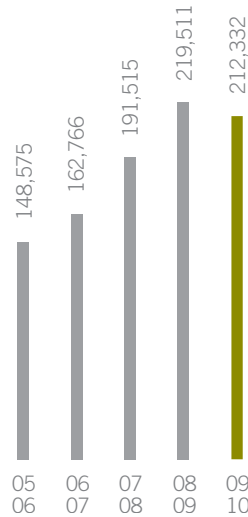


REVENUE

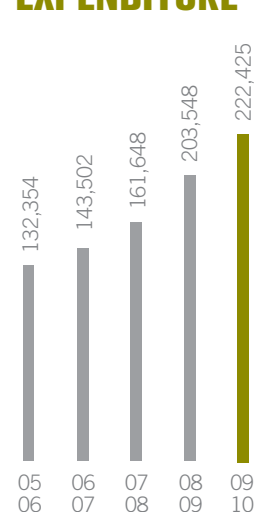


Appendix 1 Total revenue (\$'000)

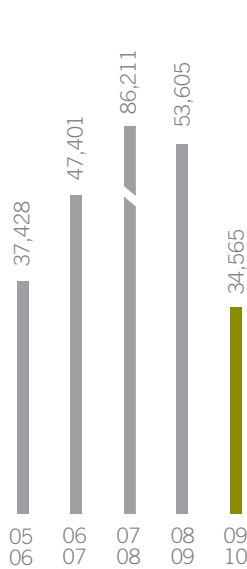
EXPENDITURE



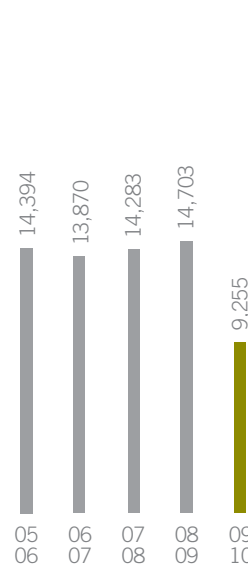
Appendix 1a Total revenue (excluding waste levy) (\$'000)



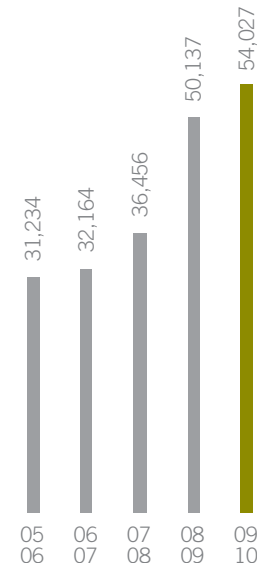
Appendix 2 Total operating expenditure (\$'000) net of levy



Appendix 3 Capital additions (\$'000)



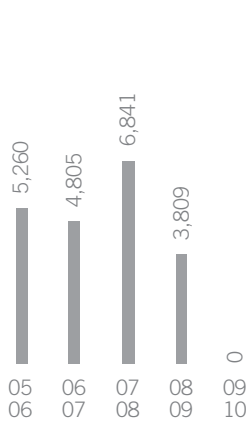
Appendix 4 Rehabilitation and remediation expenditure (\$'000)



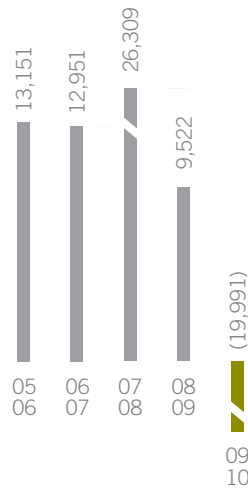
Appendix 5 Salaries, wages and on-costs (\$'000)

Salaries, wages and on-costs have increased dramatically due to acquisitions and new business.

FINANCIAL PERFORMANCE

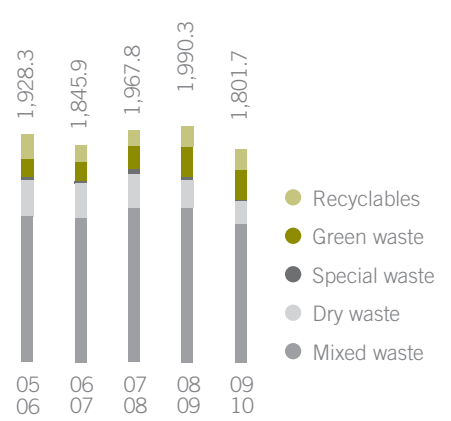


Appendix 6 Dividend provided to State Government (\$'000)

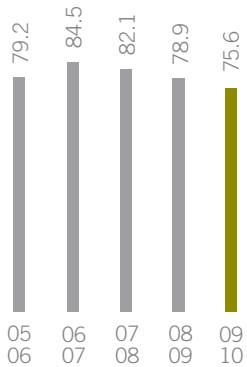


Appendix 7 Operating surplus before tax and individually significant items (\$'000)

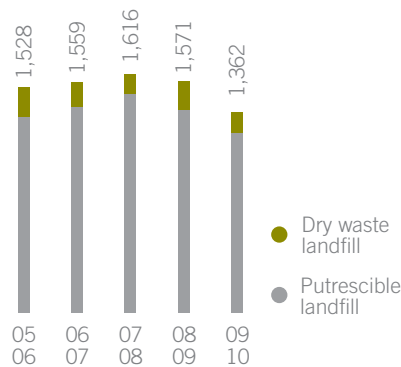
WASTE MANAGEMENT



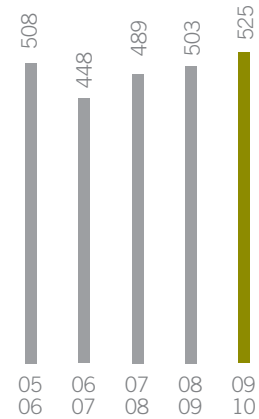
Appendix 8 Total waste received by waste type (tonnes)



Appendix 9 Percentage of total waste received sent to landfill (%)

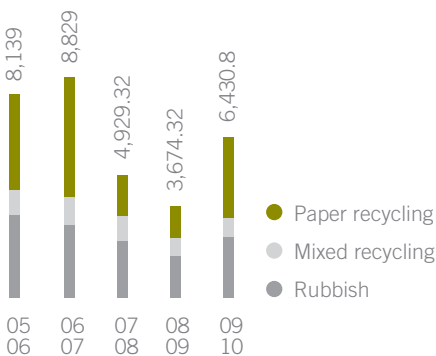


Appendix 10 Total waste landfilled by landfill type (tonnes)

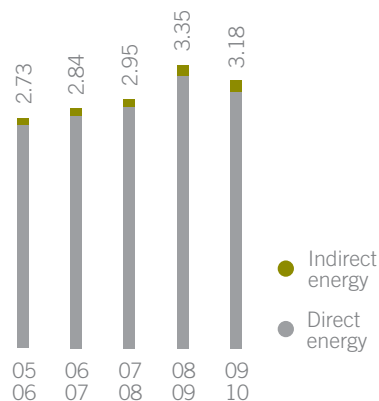


Appendix 11 Landfill space saved by resource recovery (cubic metres)

ENERGY USE



Appendix 12 Head Office waste – total generated and recycled



Appendix 13 Total direct and indirect energy consumption (GJ x 10⁶)

Direct energy consumption increased as a result of commissioning of the Macarthur Resource Recovery Park AWT facility, major construction activities at Eastern Creek and the increase in the number of collection contracts.



- Biomass 87.13%
- Solar 0.00%
- Hydro 0.15%
- Wind 0.03%
- Diesel 8.38%
- Unleaded Fuel 0.21%
- Coal 3.83%
- Natural Gas 0.25%
- Petroleum products 0.02%

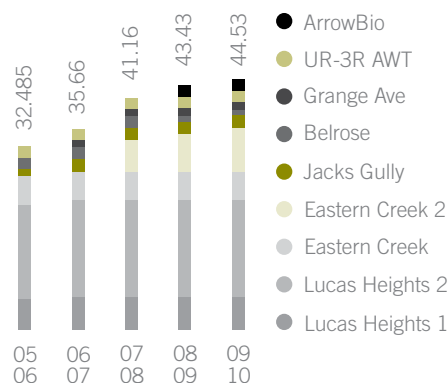
Appendix 14 Total direct and indirect energy production and consumption broken down by primary source (%)

Biomass was again our largest energy source followed by diesel.

GREENHOUSE GAS AND OTHER EMISSIONS



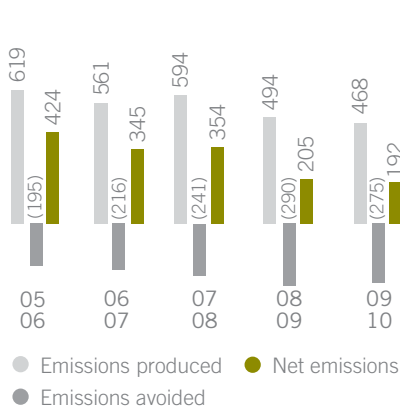
Appendix 15 Total energy consumption met by renewable resources (%)



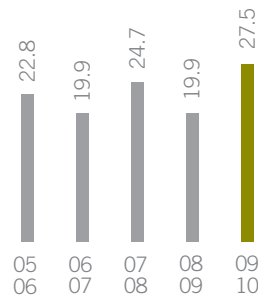
Appendix 16 Total installed electricity generation capacity (MW)



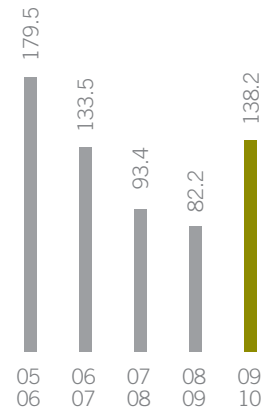
Appendix 17 Methane captured for electricity generation and flaring (scm x 10⁶)



Appendix 18 Net greenhouse gas emissions (kt CO₂-e)



Appendix 19 Greenhouse gas emissions from kerbside collection vehicles (kg CO₂-e/tonne collected)



Appendix 20 Greenhouse gas emissions from WSN head office (kg CO₂-e/m² office space)

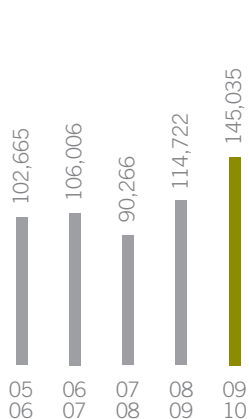
68% increase in emissions was due to an increase in staff numbers and extended office hours relating to the sale of the business.

Air pollutant	Type of emission	2005/06	2006/07	2007/08	2008/09	2009/10
Carbon Monoxide	Point source(t)	1223.84	1058.06	1148.07	1216.17	1139.58
	Fugitive(t)	17.65	16.16	14.16	10.98	10.91
Oxides of Nitrogen (NO _x)	Point source(t)	308.01	405.43	422.78	436.18	328.85
	Fugitive(t)	NA	NA	NA	NA	NA
Volatile Organic Compounds (VOCs)	Point source(t)	3.77	1.38	6.12	1.83	1.17
	Fugitive(t)	180.74	165.50	145.06	112.42	111.74
Sulphur Dioxide (SO ₂)	Point source(t)	10.28	15.60	16.12	19.04	15.29
	Fugitive(t)	4.95	4.48	3.92	2.96	2.97
Particulates	Point source(t)	5.88	7.73	9.97	57.90	33.84
	Fugitive(t)	NA	NA	NA	NA	NA

Appendix 21 Air pollution arising from the burning of landfill gas (point source) and fugitive landfill gas emissions (tonnes)

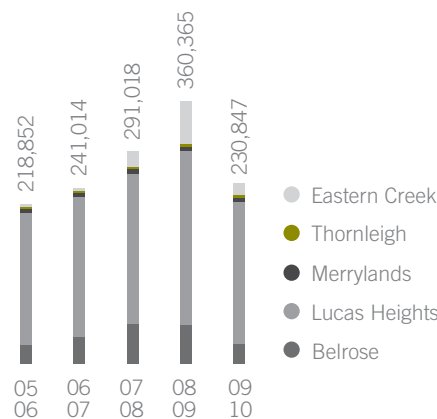
Source of all equations used is: Emission Estimation Technique Manual for Municipal Solid Waste (MSW) Landfills

WATER USE

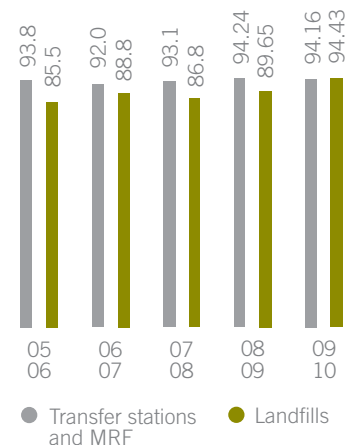


Appendix 22 Total water use (kilolitres)

WASTEWATER

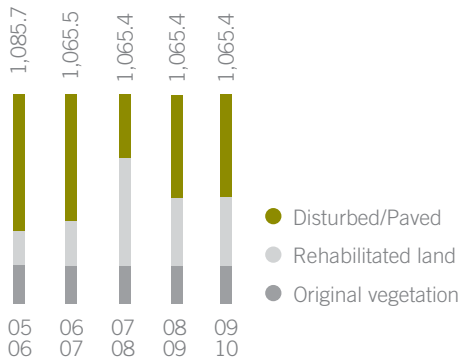


Appendix 23 Quantity of leachate discharged to sewers (kilolitres)



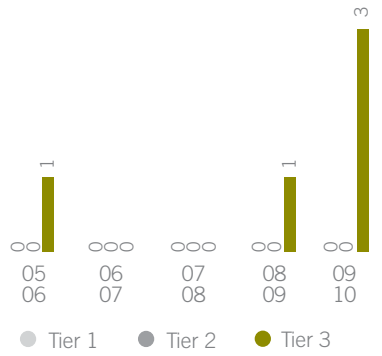
Appendix 24 Trade waste compliance (%)

BIODIVERSITY



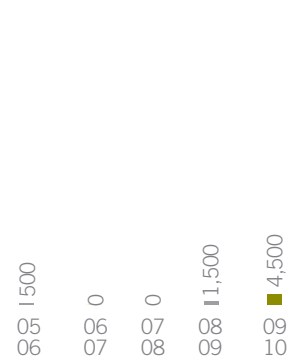
Appendix 25 Composition of total land owned/leased at 30 June (hectares)

ENVIRONMENTAL COMPLIANCE



Appendix 26 Total number and type of environmental infringements received under the protection of the environment operations act 1997

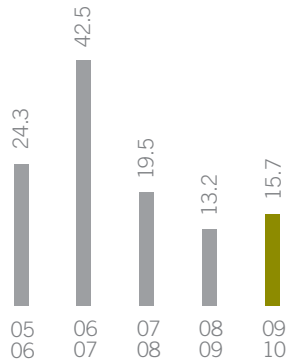
One planning non-compliance penalty infringement notice was also issued by NSW Department of Planning.



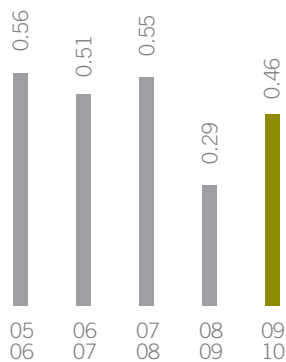
Appendix 27 Total annual cost of environmental infringements received (\$)

The planning non-compliance infringement notice issued by NSW Department of Planning represented an additional cost to WSN of \$4000.

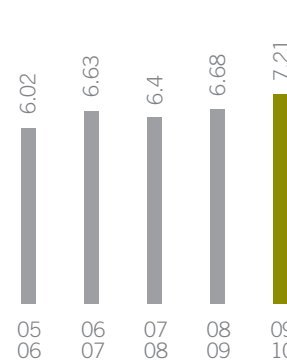
EMPLOYEES



Appendix 28 Lost time injury frequency rate (number of lost time injuries per million hours worked)



Appendix 29 Total lost time as a percentage of hours worked



Appendix 30 Absenteeism per employee (days)

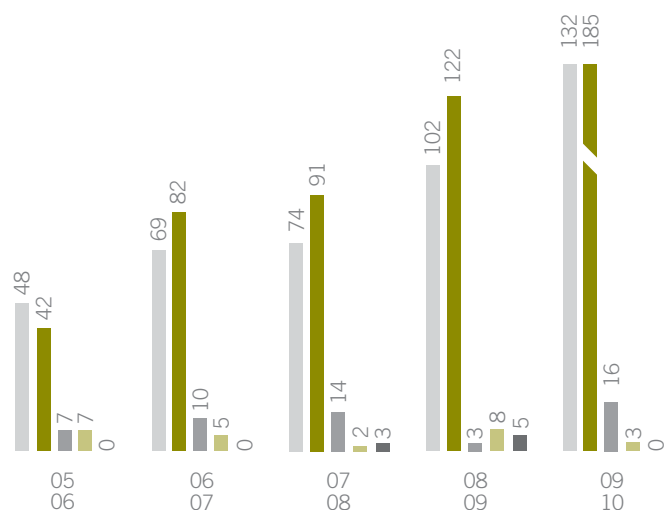
	2006-2007	2007-2008	2008-2009	2009-2010
Number of Workcover improvement notices issued	2	2	1	0
Total cost of Workcover fines issued	0	\$45,000	0	0
Number of worker fatalities	0	0	0	0

Appendix 31 Workcover

	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010
Number of claims	48	70	77	102	132
Net incurred cost	108,211	1,847,791	826,042	586,544	885,746
Average claim cost	2,254	26,397	10,727	5,750	6,710

Note: workers' compensation claims details can change for previous years due to differences in dates of occurrence and notification.

Appendix 32 Workers compensation claims



Appendix 33 Insurance claims*

* insurance claims details can change for previous years due to differences in dates of occurrence and notification.

STAKEHOLDERS

Appendix 34

Freedom of Information – Statement of Affairs
In 2009–2010, WSN received 3 FOI requests.

Appendix 35

A) Statistical Information on EEO target groups

Table 1. Trends in the Representation of EEO Groups¹

EEO Group	Benchmark or Target	% of total staff ²				
		2006	2007	2008	2009	2010
Women	50%	25%	24%	22%	22%	22%
Aboriginal people & Torres Strait Islanders	2.6%	3.2%	4.9%	2.9%	1.3%	2.3%
People whose first language was not English	19%	33%	36%	26%	15%	16%
People with a disability	12%	2%	2%	3%	2%	1%
People with a disability requiring work-related adjustment	7%	NIL	NIL	NIL	1.1%	NIL

Table 2. Trends in the Distribution of EEO Groups³

EEO Group	Benchmark or Target	Distribution Index ⁴				
		2006	2007	2008	2009	2010
Women	100%	95%	89%	94%	94%	93%
Aboriginal people & Torres Strait Islanders	100%	N/A	N/A	N/A	N/A	N/A
People whose first language was not English	100%	81%	81%	86%	91%	85%
People with a disability	100%	N/A	N/A	N/A	N/A	N/A
People with a disability requiring work-related adjustment	100%	N/A	N/A	N/A	N/A	N/A

¹ Staff numbers are as at 30 June 2010.

² Excludes casual staff

³ A distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Value less than 100 means that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

⁴ Excludes casual staff.

B) Commentary on initiatives to eliminate discrimination in employment and promote equal employment opportunity

1. Major policies / programs and their outcomes during the reporting period accounting for planned outcomes set in the previous year.

Program	Outcome
Review of the induction process.	Ensure all new employees are aware of WSN's policies and procedures.
Review of the Working from Home and Study Leave policies.	The Working from Home policy was reviewed to ensure it is relevant and compliant with legislation, and provides flexibility in work-life balance.
Encourage focus on development plans as part of the Performance Management and Development system.	Opportunities for development available to all employees.
Continue the provision of front line management training.	A number of front line managers have attended management training, which has enhanced management skills and capability.

2. Major activities and outcomes planned for the following year.

Program	Outcome
Review of the recruitment process.	Improve the current process to ensure we recruit high quality candidates and attract more women to the industry.
Focus on performance coaching at operational level.	Improve engagement and performance, and provide opportunities for training and development.
Continue the provision of front line management training program.	This program has been successful and contributes to the ongoing development of internal management capability.

GENERAL

Appendix 36

Legal change

There were no changes to the governing Act during the reporting period.

Appendix 37

Publications

Our publications can be viewed at www.wsn.com.au. Printed copies of most publications can be obtained through our Customer Service Centre by calling 1300 651 116. Publications include:

Newsletters

- Renew staff newsletter – published 1 per year
- Resource customer newsletter – published 1 per year
- MRRP community update – published 1 per year

Waste disposal pricing and acceptance criteria

- Waste charges and services (July 2009)
- Waste charges and services (January 2010)

Corporate documents

- Camden Soil Mix company brochure
- Camden Soil Mix application brochures

Appendix 38

SES Level 5 Report

WSN had three employees employed at the equivalent of SES Level 5 or above in 2009–2010.

Chief Executive Officer Ken Kanofski was paid a fixed remuneration package of \$370,240. The Chief Executive Officer received no bonus in 2009–2010.

The Chief Executive Officer's performance was rated across a range of performance agreement areas, including: financial performance; customer, sales and business development; management/leadership; environment and safety; stakeholder management; infrastructure and rehabilitation; and governance and control.

Group General Manager Service Delivery Steve Richards was paid a total fixed remuneration package of \$283,487. The Group General Manager received no bonus in 2009–2010.

The performance of the Group General Manager Service Delivery was rated across a range of areas, including: people and safety; financial performance; cost management; sales and business development; environment; and management and leadership.

The Chief Financial Officer David Lambe was paid a total fixed remuneration package of \$233,000. The Chief Financial Officer received no bonus in 2009–2010.

The Chief Financial Officer's performance was rated across a range of performance agreement areas, including: financial performance; organisational development; customer service standards; and management/leadership.

Appendix 39

Overseas travel

WSN spent a total of \$97,788 on overseas travel in 2009–2010. The purposes of these trips were (1) to meet with the technology provider for the MRRP Ecolibrium™ Mixed Waste facility and (2) to meet with waste management technology providers.

Appendix 40

Credit card certification

The Chief Executive Officer has a company paid credit card that is audited by the internal auditors.

Appendix 41

Statement of responsibility

The internal auditors reported the scope and performance of the internal control systems and other processes reviewed as satisfactory.

Appendix 42

Annual Report costs

The Annual Report 2009–2010 has been produced at a total cost of \$30,701, including GST. Members of the public can obtain a copy by telephoning the number listed in Appendix 44. This report and those of previous years can also be downloaded from our website at www.wsn.com.au.

Appendix 43

Consultants' advice

During the 12 months to 30 June 2010, WSN spent a total of \$696,730 on advice. Work undertaken included the areas of environmental, engineering, finance and taxation and management services.

Appendix 44

Premises and hours of business

Premises

Head Office

Level 1 Building A

Rhodes Corporate Park

1 Homebush Bay Drive

Rhodes NSW 2138

Ph: (02) 9934 7000

Fax: (02) 9934 7185

Customer Service Centre: 1300 651 116

Email: info@wsn.com.au

Web: www.wsn.com.au

Hours of business

7.30am–5:00pm Monday to Friday

Appendix 45

Statement of implementation of Waste Reduction and Purchasing Policy (WRAPP)

WSN continued to implement a waste minimisation strategy consistent with the Department of Environment, Climate Change and Water's Waste Reducing and Purchasing Policy. The purpose of this plan is to reduce the amount of resources we use and minimise the waste we produce. WSN completed the bi-annual WRAPP report as required by the Waste Reduction and Purchasing Policy.

Head Office Recycling

Paper represents the majority of material produced in the office environment of WSN, followed by newsprint. Based on the results of the annual waste audit, approximately 3.4 tonnes of paper was generated at Head Office with 94% being recycled. This represents a slight decrease from 95% in 2008–2009. 100% of cardboard was recycled and 94% of newspaper was recycled, up marginally from 93% 2008–2009.

The recycling rate for aluminium, steel, plastics and glass has declined from 93% in the previous year to 71% in 2009–2010. Plastic, aluminium and steel had the highest recycling rates, while glass recycling declined from 100% to 61%.

WSN will continue to work towards improving recycling rates through education and information sessions held during Staff Communication meetings.

Chullora Cottage waste and recycling is collected through WSN's GreenStep™ service.

Toner cartridges
WSN continues to return all used printer cartridges and toner to Planet Ark's through the 'Close the Loop' program, with 28.3kg being returned in 2009–2010, compared with 66.9kg in 2008–2009.

Appendix 46

Ethnic Affairs Priority Statement
Our Ethnic Affairs Priority Statement (EAPS)

was revised in 2005–2006 to reflect WSN's ongoing commitment to EAPS principles. WSN recognises that local councils are best positioned to know and understand the demographic composition of their areas and to make their local communities aware of the local waste management plan. We have worked with local councils to ensure that the needs of their various ethnic communities are met.

WSN's Waste Charges brochures for July 2009 and January 2010, which provide information on our services and acceptance criteria, contain translated material in Arabic, Chinese, Greek, Italian, Korean, Spanish, Turkish and Vietnamese. This year we have also published company information and GreenStep™ service information in Chinese.

Appendix 47

Exemptions from the reporting provisions

List of financial and annual reporting exemptions for agencies in competition and state owned corporations.

Annual reporting exemptions

Budgets

Detailed budget for the year reported on	s.7(1)(a)(iii) ARSBA
Outline budget for next year	s.7(1)(a)(iii) ARSBA
Particulars of material adjustments to detailed budget for the year reported on	cl. 6 ARSBR

Report of operations

s.7(1)(a)(iv) ARSBA

Summary review of Operations	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that comments and information relating to the "summary review of operations" are to be disclosed in a summarised form.
Management and activities	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that comments and information relating to "management & activities" are to be disclosed in a summarised form.
Research and development	Schedule 1 ARSBR	
Human resources	Schedule 1 ARSBR	
Consultants	Schedule 1 ARSBR	Exemption is subject to a condition. The condition is that the total amount spent on consultants is to be disclosed along with a summary of the main purposes of the engagements.
Land disposal	Schedule 1 ARSBR	
Consumer response	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that comments and information relating to "consumer response" are to be disclosed in a summarised form.
Payment of accounts	Schedule 1 ARSBR	This exemption only applies to statutory SOCs as they are not subject to the payment of accounts provisions in s.18 of the Public Finance and Audit Regulation.
Time for payment of accounts	Schedule 1 ARSBR	As above.
Report on risk management and insurance activities	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that the comments and information are to be disclosed in a summarised form.
Disclosure of controlled entities	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that the names of the controlled entities are to be disclosed along with a summarised disclosure of the controlled entities' objectives, operation and activities and measures of performance.
Investment management performance	cl.12 ARSBR	
Liability management performance	cl.13 ARSBR	

References: ARSBA – Annual Reports (Statutory Bodies) Act 1984 ARSBR – Annual Reports (Statutory Bodies) Regulation 2005

INDEPENDENT ASSURANCE STATEMENT

To the Board and Stakeholders of WSN Environmental Solutions:

WSN Environmental Solutions (WSN) commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of the non-financial components of its Annual Report 2009-10 (the 'Report'). The Report contains WSN's sustainability performance over the period 1 July 2009 to 30 June 2010. WSN was responsible for the preparation of the Report and this statement represents the assurance provider's independent opinion. Net Balance's responsibility in performing its assurance activities is to the Management of WSN alone and in accordance with the terms of reference agreed with them. Other stakeholders should perform their own due diligence before taking any action as a result of this statement.

Assurance Standard and Objectives

The assurance was undertaken in accordance with the AA1000 Assurance Standard (AA1000AS -2008). Assurance undertaken using this standard provides a comprehensive assessment of an organisation's management, performance and reporting on sustainability issues. This is achieved through the evaluation of the organisation's adherence to the AA1000 AccountAbility Principles (2008) and by reviewing the accuracy and quality of disclosed sustainability performance information.

WSN's processes are assessed against the AA1000 Accountability Principles (2008). These Principles are:

Inclusivity: An assessment is made on whether WSN has included stakeholders in developing and achieving an accountable and strategic response to sustainability.

Materiality: An assessment is made on whether WSN has included the material information required by its stakeholders to be able to make informed judgements, decisions and actions in its Report.

Responsiveness: An assessment is made on whether WSN has responded to stakeholder concerns, policies and relevant standards and adequately communicated these in its Report.

Assurance Type and Scope

Net Balance provided Type 2 assurance in accordance with the AA1000AS (2008). This involved an assessment of WSN's adherence to the AA1000 AccountAbility Principles (2008) and an assessment of the accuracy and quality of the reported information on sustainability performance.

The review of the accuracy and quality of sustainability performance information was undertaken using WSN's internal protocols and the Global Reporting Initiative's (GRI) G3 Reporting Principles for Defining Quality as a guide.

Assurance Level and Limitations

The level of assurance provided is moderate as defined by the scope and methodology described in this assurance statement. The assurance covered the whole Report and focused on systems and activities of WSN during the reporting period, with the following exceptions:

- The scope of work did not involve verification of financial data, other than that relating to environmental, social or broader economic performance.
- The assurance provider's involvement with stakeholder engagement was limited to reviewing external and internal stakeholder engagement processes and outcomes.
- Only the corporate office in Rhodes was visited as part of this assurance engagement. Data generated from all other sites was reviewed remotely.

Assurance Methodology

The assurance engagement was undertaken in September 2010, and the process involved:

- the development of a materiality register using the five-part materiality test, including a comparison of WSN against its peers, a review of selected Australian media, a policy review and review of stakeholder feedback
- interviews with key management staff to ascertain their views, understanding and response to material sustainability issues faced by the business
- a review of the processes used by WSN to engage with its stakeholders and the outcomes of the external and internal stakeholder engagement undertaken during the reporting period in order to understand the nature of material issues raised by stakeholders
- a review of WSN's key sustainability strategies, policies, objectives, management systems, measurement and reporting procedures, background documentation and data collection and reporting procedures
- a series of interviews with key personnel responsible for collating and writing various parts of the report in order to substantiate the veracity of selected claims
- a review of the Report for any significant anomalies, particularly in relation to significant claims as well as trends in data
- examination of the aggregation and/or derivation of, and underlying evidence for 55 selected data points and statements made in the report against the GRI G3 Reporting Principles for Defining Quality as a guide
- the collection and evaluation of evidence to support the assurance work undertaken.

Our Independence

Net Balance was not responsible for preparation of any part of the Report. During the reporting period, Net Balance was commissioned to undertake a review of WSN's National Greenhouse and Energy Reporting (NGER) 2009-10 obligations, systems and data requirements. This project was determined by WSN and Net Balance, using our Independence Policy as a guide, as not in conflict with the assurance role.

Our Competency

The WSN assurance engagement was carried out by an experienced team of professionals led by a Lead Sustainability Assurance Practitioner (Lead CSAP), accredited by the International Register of Certified Auditors UK (IRCA UK). The assurance team included consultants with expertise in environmental, social and economic performance measurement across a range of industry sectors. Net Balance is a global leader in the use of Accountability's AA1000AS, having undertaken over 90 assurance engagements in Australia between 2007 and 2010.

Findings and Conclusions

Adherence to AA1000 Principles

Inclusivity: WSN has effective systems in place for stakeholders to participate in the development of the organisation's response to sustainable development issues. Net Balance investigated a number of case studies from the Report and dialogue with senior management that highlight stakeholder engagement, and found a comprehensive and continuous process in place for communicating with stakeholders. The case studies reviewed related to the Community Advisory Committee for the Belrose Landfill site, Macarthur Resource Recovery Park and Eastern Creek.

Materiality: WSN has informal processes in place to determine material issues across the organisation. The organisation is required to report in line with its State Government obligations and this is reflected in the content of the Report. In addition, the issues arising from WSN's extensive stakeholder engagement were well documented internally and included in the Report. The Report was also found to provide balanced information about WSN's sustainability management and performance particularly through the clear documentation of highlights and challenges. WSN could improve adherence to the principle of materiality by reporting mechanisms to prioritise material issues, and by integrating material issues into business planning. For example, the organisation's strategic growth direction, sustainability governance and the impending sale of WSN were identified by Net Balance as material issues which were not formally addressed in the Report. Greater discussion of these issues within the Report would have improved the value it provides to stakeholders in terms of WSN's plan for the future.

Responsiveness: WSN was found to be responsive to stakeholder concerns and expectations. This was clearly demonstrated through the engagement undertaken by the organisation to determine the effectiveness of its communication and consultation in addressing key stakeholder concerns. Net Balance tested responsiveness through a review of management systems and policies that govern the way the organisation responds to stakeholder concerns and interests. Responsiveness was also assessed through the organisation's allocation of resources to stakeholder engagement, the timeliness and accessibility of reported information, and the communication mechanisms regularly employed in its engagement processes.

Reliability of Performance Information

Based on the scope of the assurance process, the following was observed with regard to performance information:

- The assurance engagement found that the systems used for managing sustainability performance information were adequate.
- The level of accuracy of the majority of sustainability performance information was found to be within acceptable limits. Anomalies were attributable to data aggregation, transcription and misinterpretation errors, acknowledging that the verification was partly conducted during the Report's finalisation phase.
- Data trails selected were generally identifiable and traceable.
- A significant improvement to timeliness in the provision of information is noted between last year and this year. This streamlines the assurance process considerably, and no doubt contributes to the accuracy of data and information reported.

Overall, it is Net Balance's opinion that the Report provides a reliable account of WSN's sustainability performance during the reporting period.

The Way Forward

It was found that WSN's systems in place for tracking sustainability performance information were adequate and that the Report addresses most of WSN's environmental and social material issues. To ensure that WSN continues to improve, Net Balance recommends it further develops and formalises materiality assessment processes and incorporates priority findings into future Report content. A system diagnostic audit is also recommended. This requires data management protocols to be reviewed and used by assigned personnel in calculating, documenting and storing data. Such a system would also allow for a program of internal audit and help improve the accuracy of information and data reported.

On behalf of the assurance team
28 September 2010
Melbourne, Australia



Terence Jeyaretnam
Director, Net Balance & Lead CSAP (IRCA UK)



2010 FINANCIAL STATEMENTS



STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2010

	Note	2010 \$000	2009 \$000
Revenue	5	281,084	280,296
Expenses	6	291,177	264,333
Results from operating activities		(10,093)	15,963
Finance expense	7	9,898	6,441
(Loss)/profit before income tax		(19,991)	9,522
Income tax (benefit)/expense	8	(8,674)	1,810
(Loss)/profit for the year		(11,317)	7,712
Other comprehensive income/(expense)			
Revaluation of property, plant and equipment		(10,838)	–
Provision for restoration of land		(4,300)	–
Fair value adjustment on foreign exchange contracts		(1)	117
Defined benefit plan actuarial losses	16	(425)	(2,756)
Income tax on other comprehensive income	8, 12	4,669	827
Other comprehensive expense for the year, net of income tax		(10,895)	(1,812)
Total comprehensive (expense)/income for the year		(22,212)	5,900

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	2010 \$000	2009 \$000	Restated 2008 \$000
Assets				
Current assets				
Cash and cash equivalents	9	5,905	4,809	10,123
Trade and other receivables	10	41,320	37,013	40,194
Inventories	11	2,366	2,127	1,200
Current tax assets	12	10,280	–	–
Total current assets		59,871	43,949	51,517
Non-current assets				
Deferred tax assets	12	16,576	15,787	16,693
Property, plant and equipment	13	296,066	319,866	297,473
Intangible assets	14	3,752	4,474	3,283
Total non-current assets		316,394	340,127	317,449
Total assets		376,265	384,076	368,966
Liabilities				
Current liabilities				
Trade and other payables	15	37,036	43,354	53,516
Borrowings	18	8,000	8,000	–
Current tax payable	12	–	3,600	946
Employee benefits	16	8,774	7,969	5,561
Provisions	17	11,712	14,550	15,301
Total current liabilities		65,522	77,473	75,324
Non-current liabilities				
Borrowings	18	81,267	54,105	34,626
Employee benefits	16	949	473	152
Provisions	17	31,510	27,467	32,371
Deferred tax liabilities	12	23,931	29,260	33,286
Total non-current liabilities		137,657	111,305	100,435
Total liabilities		203,179	188,778	175,759
Net assets		173,086	195,298	193,207
Equity				
Reserves		46,525	57,122	57,005
Retained earnings		126,561	138,176	136,202
Total equity		173,086	195,298	193,207

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2010

	Note	Hedging reserve \$'000	Revaluation reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2008		(117)	62,097	140,537	202,517
Net effect of correction of error	27	–	(4,975)	(4,335)	(9,310)
Restated balance at 1 July 2008		(117)	57,122	136,202	193,207
Comprehensive income for the year					
Profit or loss		–	–	7,712	7,712
<i>Other comprehensive income/(expense)</i>					
Fair value adjustment on foreign exchange contracts		117	–	–	117
Defined benefit plan actuarial losses, net of tax		–	–	(1,929)	(1,929)
Total other comprehensive income/(expense)		117	–	(1,929)	(1,812)
Total comprehensive income for the year		117	–	5,783	5,900
Transactions with owner, recorded directly in equity					
Dividends to State Government		–	–	(3,809)	(3,809)
Balance at 30 June 2009		–	57,122	138,176	195,298
Balance at 1 July 2009		–	57,122	138,176	195,298
Comprehensive expense for the year					
Profit or loss		–	–	(11,317)	(11,317)
<i>Other comprehensive expense</i>					
Revaluation of property, plant and equipment		–	(7,586)	–	(7,586)
Provision for restoration of land		–	(3,010)	–	(3,010)
Fair value adjustment on foreign exchange contracts		(1)	–	–	(1)
Defined benefit plan actuarial losses		–	–	(298)	(298)
Total other comprehensive expense		(1)	(10,596)	(298)	(10,895)
Total comprehensive expense for the year		(1)	(10,596)	(11,614)	(22,212)
Balance at 30 June 2010		(1)	46,526	126,561	173,086

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

STATEMENT OF CASHFLOW

For the financial year ended 30 June 2010

	Note	2010 \$000	2009 \$000
Cash flows from operating activities			
Cash receipts from customers		277,545	283,131
Cash paid to suppliers and employees		(266,628)	(258,697)
Interest received		212	346
Interest paid		(5,318)	(3,040)
Income tax paid		(6,656)	(1,448)
Net cash from operating activities	9 (ii)	(845)	20,292
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	5, 6	10,155	9,099
Payments for property, plant and equipment		(34,565)	(52,516)
Payments for intangibles		(649)	(2,541)
Net cash used in investing activities		(25,059)	(45,958)
Cash flows from financing activities			
Proceeds from borrowings		37,500	27,193
Repayment of borrowings		(10,500)	–
Dividends paid	17	–	(6,841)
Net cash from financing activities		27,000	20,352
Net increase/(decrease) in cash and cash equivalents		1,096	(5,314)
Cash and cash equivalents at the beginning of the financial year		4,809	10,123
Cash and cash equivalents at the end of the financial year	9	5,905	4,809

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

1. REPORTING ENTITY

The Waste Recycling and Processing Corporation (WSN Environmental Solutions) is a NSW State Owned Corporation established on 17 July 2001 by the Waste Recycling and Processing Corporation Act 2001. The Corporation is a for-profit entity which maintains and operates waste and recycling facilities, provides waste management and collection services and secondary resource management services, develops and implements alternative waste technologies and trades in waste and secondary resources.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), the Public Finance and Audit Act 1983 and the State Owned Corporations Act 1989.

The financial statements were approved by the Board of Directors on 1 December 2010.

(b) Basis of measurement

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

(c) Functional and presentational currency

These financial statements are presented in Australian dollars, which is WSN's functional currency. All financial information presented has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

(i) In the application of WSN's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 13 – impairment of assets
- Note 14 – impairment of goodwill
- Note 16 – expected return on superannuation assets
- Note 17 – rehabilitation and future maintenance of landfill sites
- Note 19 – valuation of financial instruments.

(ii) WSN is party to a contract with a supplier of a processing facility, for the processing of certain waste. Recent events have given cause for WSN to consider whether a provision should be recognised for any net costs associated with this contract.

WSN has determined that it can fulfil this contract and that no such provision is necessary. In arriving at this outcome the following key judgements, estimates and assumptions have been made:

- WSN can fulfil its obligations through new contract terms agreed with the operator of the processing facility
- additional capacity of the processing facility can be achieved
- run-off of existing contracts with waste suppliers can be sold at market rates which are currently being tendered or which have previously been achieved
- WSN can achieve relief from waste suppliers for the additional unforeseen costs of processing the waste.

Management performed a sensitivity analysis incorporating key variables, to determine the impact of these on the net present values of future cash flows. After discounting, estimates ranged from a favourable net present value of \$18.9 million to an unfavourable net present value of \$2.9 million. The most likely outcome, using a probability-weighted average, is a favourable net present value of \$6.3 million.

(iii) As part of the annual review of the carrying value of its property, plant and equipment WSN determined the carrying value of the new Alternate Waste Treatment (AWT) at Jack's Gully to be in excess of its recoverable amount.

Management performed a sensitivity analysis incorporating key variables, to determine the impact of these on the net present values of future cash flows. After discounting, estimates ranged from a favourable net present value of \$27.0 million to an unfavourable net present value of \$50.8 million. The most likely outcome, using a probability-weighted average, was an unfavourable net present value of \$14.6 million. Consequently an impairment loss for this amount was recognised in profit and loss (refer Note 13 (iii) (b)).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by WSN.

Certain comparative amounts have been reclassified in order to conform with the current year's presentation (see notes 6, 8, 9 and 10).

(a) Financial instruments

(i) Non-derivative financial instruments
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if WSN becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if WSN's contractual rights to the cash flows from the financial assets expire or if WSN transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Financial liabilities are derecognised if WSN's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for finance income and expense is discussed in note 3(k).

Borrowings

Borrowings are recorded at their current capital value. Any discounts or premiums taken on new loans raised on WSN's behalf by NSW Treasury Corporation are deferred and amortised in profit and loss. The deferred discounts or premiums are applied against the face value of the loans and the adjusted amount is recorded in the balance sheet.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments
WSN holds derivative financial instruments to hedge its foreign currency exposure. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit and loss.

Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit and loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit and loss in the same period that the hedged item affects profit or loss.

(b) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are recognised initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, which may include an appropriate proportion of variable and fixed overhead costs that can be reliably attributed to the assets. Costs may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Items of property, plant and equipment are subsequently valued at fair value. This is determined according to the best available market evidence, including current market selling prices for the same or a similar asset. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost. Where an asset is specialised, or the market buying price and market selling price differ materially because the asset is usually bought and sold in different markets, or the asset would only be sold as part of the sale of the cash-generating operation of which the asset is a part, fair value is measured at the market buying price. The best indicator of this is the replacement cost of the asset's remaining future economic benefits.

When the asset belongs to a cash-generating operation and the sum of the market buying prices of the assets forming that cash-generating operation exceeds the fair value of that operation, fair value is determined after deducting that excess.

Non-specialised assets with short useful lives are measured at depreciated historical cost as a surrogate for fair value.

Land is valued at fair value, having regard to its highest and best use.

Revaluations are made with sufficient regularity to ensure that the carrying amount of property, plant and equipment does not materially differ from fair value at the reporting date. Subject to this, assets are revalued at least every five years. Revaluation increments are credited to the asset revaluation reserve except that, to the extent that an increment reverses a revaluation previously recognised as an expense in profit and loss in respect of the same asset, it is recognised as revenue in profit or loss. Decrements in value are recognised as an expense in profit or loss except that, to the extent that the decrement reverses a revaluation increment previously credited to, and still included in the balance of, an asset revaluation reserve in respect of the same asset, it must be debited directly to that revaluation reserve.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to WSN and its cost can be measured reliably. The carrying amount of the replacement part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis. Apart from landfill costs, this recognition is over the estimated useful lives of each part of an item of property, plant and equipment. Landfill costs are amortised at a rate calculated according to the expected total costs and capacity of the landfill, and applied to the capacity utilised. Estimated total costs and capacity are reassessed annually and may be varied by the compaction rate of the landfill.

Leasehold improvements are amortised over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current period are as follows:

- buildings (including civil works) 40 years
- plant and equipment 2.5–10 years

The estimated useful lives for the comparative period were as follows:

- buildings (including civil works) 8–10 years
- plant and equipment 2.5–10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Estimates in respect of buildings were revised during the year ended 30 June 2010 (see note 13).

(c) Work in progress (WIP)

WIP comprises capital expenditure on ongoing capital projects, and is valued at the lower of cost and market value. On completion of a capital project its carrying cost is transferred to the appropriate fixed asset class and depreciated accordingly.

(d) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates, jointly controlled entities and similar business acquisitions.

Goodwill represents the excess of the cost of the acquisition over WSN's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative it is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

(ii) Computer software

Purchased computer software is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Computer software 2.5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

(f) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to WSN on terms WSN would not consider otherwise, and indications that a debtor will enter bankruptcy.

WSN considers evidence of impairment for receivables at both specific asset and collective level. All individually significant receivables are assessed for specific impairment. Any found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together those with similar risk characteristics.

In assessing collective impairment, WSN uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amount of WSN's non-financial assets, other than inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

(i) Defined benefit plans

WSN's net obligation in respect of defined benefit plans is calculated separately for each of the three plans (State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and State Authorities Non-Contributory Scheme (SANCS)) by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

The discount rate is the yield at the reporting date on Commonwealth Government long-term bonds that have maturity dates approximating the terms of WSN's obligations. The calculation is performed annually by actuaries based on data maintained by the Superannuation Administration Corporation on behalf of the SAS Trustee Corporation, using the latest Triennial Review actuarial assumptions. When the calculation results in a benefit to WSN, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Where the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

WSN recognises all actuarial gains and losses arising from defined benefit plans directly in equity immediately.

(ii) Other long-term employee benefits
WSN's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any assets is deducted.

The discount rate is the yield at the reporting date on Commonwealth Government long-term bonds that have maturity dates approximating the terms of WSN's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iii) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that WSN expect to pay as at the reporting date including related related on-costs, such as workers' compensation insurance and payroll tax. Unused non-vesting sick leave does not give rise to a liability, as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

(h) Provisions

A provision is recognised if, as a result of a past event, WSN has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Rehabilitation

In accordance with legal and contractual requirements a provision for the estimated liability to landscape and revegetate the area of landfills which have been disturbed, and the rehabilitation costs of the leachate and methane gas systems necessary to meet environmentally acceptable standards, is recognised.

The provision is calculated by estimating all future cash flows of rehabilitation (based on current technologies and legal requirements) and discounting them using the 10-year risk-free bond rate. This net present value is then apportioned over the remaining capacity of each landfill, and expensed as and when capacity is used.

The charge is split between a finance expense (representing unwinding of the discount) and a rehabilitation expense taken to profit or loss.

Closed landfills are provided for in full and active landfills are provided for in proportion to their future useful life.

Expenditure on rehabilitation is allocated according to ownership of the landfill incurring the cost.

Rehabilitation expenditure on owned landfills is deemed to be increasing the value of the land and is capitalised. Expenditure on landfills which are not owned by WSN is charged against the provision.

A review of estimated rehabilitation cash flows is carried out annually by WSN and at least every three years externally.

(i) Revenue**(i) Goods sold**

Revenue from the sale of goods is measured at the fair value of the consideration received, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

The stage of completion is assessed by reference to surveys of work performed. If the contract outcome cannot be reliably estimated, revenue is recognised to the extent of costs incurred.

(iii) Rental income

Rental income from subleased property is recognised in profit or loss within other income. It is recognised on a straight-line basis over the term of the lease.

(j) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(k) Finance income and finance costs

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised using the effective interest method. Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

(l) Income tax

WSN operates within the National Tax Equivalent Regime (NTER).

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous tax years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is also not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

(m) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a net basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Jointly controlled operations and assets

The interests of WSN in unincorporated joint ventures are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(o) Presentation of financial statements

WSN applies revised AASB 101 Presentation of Financial Statements which became effective as of 1 January 2009. As a result, WSN presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(p) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact WSN in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for WSN's 2014 financial statements. Retrospective application is generally required, although there are exceptions particularly if NSW Treasury mandates adoption of the standard for the year ended 30 June 2012 or earlier. WSN has not yet determined the potential effect of this standard.
- AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides partial exemption from the disclosure requirements for government-related entities. The amendments, which become mandatory for WSN's 30 June 2012 financial statements, are not expected to have significant impact on the financial statements.
- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for WSN's 30 June 2011 financial statements, are not expected to have significant impact on the financial statements.

4. FINANCIAL RISK MANAGEMENT

WSN has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- currency risk
- interest rate risk
- operational risk

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and WSN's activities.

WSN's Audit Committee oversees how management monitors compliance with the Corporation's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by WSN. The Audit Committee is assisted in its oversight role by third party Internal Auditors, who undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from WSN's receivables due from customers.

To mitigate the risk of financial loss from defaults, WSN has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate. The Corporation's exposure, and the credit ratings of its counterparties,

are continuously monitored. The aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits, which are reviewed and approved per the authorised delegations approved by the Board of Directors.

Trade receivables consist of a large number of customers spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable. WSN does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the balance sheet, net of allowances for losses, represents WSN's maximum exposure to credit risk.

An allowance for impairment is established, representing estimated losses incurred on trade receivables. The main components are a specific loss component relating to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. WSN manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

A bank guarantee facility of \$10 million was available from a major Australian trading bank.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect WSN's income or the value of its holdings of financial instruments. WSN enters into foreign exchange forward contracts to hedge the exchange rate risk arising on the purchase of raw materials.

Currency risk

WSN is exposed to currency risk on purchases denominated in a currency other than the Australian dollar, thus exposure to exchange rate fluctuations arise. This exposure is managed within approved policy parameters, utilising forward foreign exchange contracts.

Interest rate risk

WSN minimises its exposure to interest rate fluctuations by entering into fixed rate borrowing agreements with TCorp.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with WSN's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all WSN's operations.

The Corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to WSN's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Capital management

The Corporation manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Corporation consists of debt, cash and cash equivalents, and equity attributable to the equity holder comprising accumulated funds and reserves. The Board of Directors reviews the capital structure on an annual basis. As part of this review it considers the cost of capital and risks associated with each class of capital, together with new strategic business initiatives and funding structures, to achieve an appropriate funding mix that meets risk targets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

5. REVENUE

(i)	Note	2010 \$000	2009 \$000
Waste charges		273,281	270,569
Income from investments		218	316
Property rentals		2,082	2,054
Other income	5 (ii)	5,503	7,357
		281,084	280,296
<hr/>			
(ii) Other income			
Net revenue from sales of landfill gas		2,469	2,051
Gain on disposal of plant and equipment		1,914	–
Discounts received and other income		1,120	495
Reduction in provision for legal settlement		–	4,623
Net foreign exchange gain		–	188
		5,503	7,357
<hr/>			
(iii) Net gain on disposal of plant and equipment comprises:			
Proceeds from disposal		10,155	–
Written down value of assets disposed	13	(8,241)	–
		1,914	–

The net foreign exchange loss for the year to 30 June 2010 is disclosed in Note 6(iii).

The net loss on disposal for the year to 30 June 2009 is disclosed in Note 6(ii).

6. EXPENSES

(i)	Note	2010 \$000	2009 \$000
Statutory contribution		68,751	60,785
Contract payments		30,653	31,684
Payments for services		71,980	74,346
Personnel expenses:			
Wages, salaries and associated personnel expenses		53,724	49,845
Contributions to defined contribution plans		303	292
Lease and rental expenses		12,667	14,058
Provision for:			
Depreciation and amortisation	13, 14	22,411	22,441
Rehabilitation		1,166	1,515
Employee leave entitlements		3,541	2,184
Impairment loss on property, plant and equipment		17,243	–
Other expenses	6 (iii)	8,328	6,545
Loss on disposal of plant and equipment	6 (ii)	–	5
Impairment loss on trade receivables	19	410	633
		291,177	264,333
<hr/>			
(ii) Net loss on disposal of plant and equipment comprises:			
Proceeds from disposal		–	(9,099)
Written down value of assets disposed	13	–	9,104
		–	5

The net gain on disposal for the year to 30 June 2010 is disclosed in Note 5(iii).

(iii) Other expenses

Included within other expenses is an impairment loss on goodwill of \$1.005 million (2009: \$1.017 million) as detailed in note 14.

Also included within other expenses is a net foreign exchange loss of \$281 thousand. The net foreign exchange gain made in the year to 30 June 2009 is disclosed in Note 5(ii).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

7. FINANCE EXPENSE

	Note	2010 \$000	2009 \$000
Interest expense on financial liabilities		7,605	4,187
Unwinding of discount on rehabilitation provision	17	2,293	2,254
		9,898	6,441

8. INCOME TAX (BENEFIT)/EXPENSE

(i) Income tax recognised in profit for the year

	2010 \$000	2009 \$000
Current tax (benefit)/expense		
Current period	(4,545)	5,458
Adjustment for prior periods	(2,679)	(1,355)
	(7,224)	4,103
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	(1,450)	(2,293)
Total income tax (benefit)/expense recognised in profit for the year	(8,674)	1,810

(ii) Income tax recognised in other comprehensive income

	2010 \$000			2009 \$000		
	Before tax	Tax benefit	Net of tax	Before tax	Tax benefit	Net of tax
Actuarial losses	(425)	127	(298)	(2,756)	827	(1,929)
Revaluation of property, plant and equipment	(10,838)	3,252	(7,586)	–	–	–
Provision for restoration of land	(4,300)	1,290	(3,010)	–	–	–
Fair value adjustment on foreign exchange contracts	(1)	–	(1)	–	–	–
Total income tax benefit recognised in other comprehensive income	(15,564)	4,669	(10,895)	(2,756)	827	(1,929)

(iii) Reconciliation between tax expense and pre-tax accounting profit

	2010 \$000	2009 \$000
(Loss)/profit for the year	(11,317)	7,712
Total income tax (benefit)/expense	(8,674)	1,810
(Loss)/profit before income tax	(19,991)	9,522
Income tax using the Corporation's rate of 30% (2009: 30%)	(5,998)	2,857
Non-deductible expenses	3	308
Over provided in prior periods	(2,679)	(1,355)
	(8,674)	1,810

9. CASH AND CASH EQUIVALENTS

(i)	2010 \$000	2009 \$000
Bank balances	5,905	4,807
Hour Glass investment	–	2
	5,905	4,809

The Hour Glass investment was closed during the year (2009: market value \$2,004).

(ii) Reconciliation of cash flows from operating activities

(Loss)/profit for the year	(11,317)	7,712
Adjustments for:		
Depreciation and amortisation	22,411	22,441
(Gain)/loss on disposal of property, plant and equipment	(1,914)	5
Impairment loss on trade receivables	410	633
Impairment loss on intangible assets	1,005	1,017
Impairment loss on property, plant and equipment	17,243	–
Interest income	(218)	(316)
Interest expense	9,898	6,441
Income tax expense	(8,674)	1,810
Operating profit before changes in working capital and provisions	28,844	39,743
Change in trade and other receivables	(4,711)	2,518
Change in inventories	(239)	(927)
Change in trade and other payables	(8,443)	(12,112)
Change in provisions and employee benefits	(4,534)	(4,788)
	10,917	24,434
Interest received	212	346
Interest paid	(5,318)	(3,040)
Income tax paid	(6,656)	(1,448)
Net cash provided by operating activities	(845)	20,292

10. TRADE AND OTHER RECEIVABLES

	2010 \$000	2009 \$000
Trade receivables	35,175	32,333
Prepayments and other receivables	6,730	5,880
Allowance for doubtful debts	(585)	(1,200)
	41,320	37,013

WSN's exposure to credit risks and impairment losses related to trade and other receivables is disclosed in note 19.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

11. INVENTORIES

	2010 \$000	2009 \$000
Consumables	2,366	2,127
	2,366	2,127

12. TAX ASSETS AND LIABILITIES

(i) The current tax asset of \$10.280 million (2009: tax liability of \$3.600 million) represents the amount of income taxes receivable (2009: payable) on the taxable loss (2009: income) for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax assets and liabilities are attributable to the following:

	2010 \$000	Assets 2009 \$000	2008 \$000	2010 \$000	Liabilities 2009 \$000	2008 \$000
Property, plant and equipment	–	–	–	(23,931)	(29,260)	(32,452)
Prepayments	–	–	–	–	–	(510)
Intangible assets	607	–	–	–	–	–
Employee benefit plans	1,232	1,138	–	–	–	(324)
Other	751	–	–	–	–	–
Provisions	13,986	14,649	16,693	–	–	–
Tax asset/(liability)	16,576	15,787	16,693	(23,931)	(29,260)	(33,286)

(iii) Movement in temporary differences during the year

	Balance at 1 July 2008 \$000	Net effect of correction of error \$000	Restated balance at 1 July 2008 \$000	Recognised in profit or loss \$000	Recognised in other compre- hensive income \$000	Balance at 30 June 2009 \$000	Recognised in profit or loss \$000	Recognised in other compre- hensive income \$000	Balance at 30 June 2010 \$000
Property, plant and equipment	(34,584)	2,132	(32,452)	3,192	–	(29,260)	787	4,542	(23,931)
Prepayments	(510)	–	(510)	510	–	–	–	–	–
Intangible assets	–	–	–	–	–	–	607	–	607
Employee benefit plans	(324)	–	(324)	635	827	1,138	(33)	127	1,232
Other	–	–	–	–	–	–	751	–	751
Provisions	16,693	–	16,693	(2,044)	–	14,649	(663)	–	13,986
	(18,725)	2,132	(16,593)	2,293	827	(13,473)	1,449	4,669	(7,355)

13. PROPERTY, PLANT AND EQUIPMENT

(i)	2010 \$000	2009 \$000	2008 \$000
Landfill cell costs			
At fair value	140,527	128,633	114,248
Accumulated depreciation	(76,134)	(65,946)	(54,148)
Net carrying amount	64,393	62,687	60,100
Landfill land			
At fair value	30,200	38,379	35,450
Net carrying amount	30,200	38,379	35,450
Other land and buildings			
At fair value	166,811	147,495	133,081
Accumulated depreciation	(17,814)	(16,020)	(11,206)
Net carrying amount	148,997	131,475	121,875
Plant and equipment			
At fair value	65,325	39,074	27,475
Accumulated depreciation	(19,998)	(12,269)	(7,225)
Net carrying amount	45,327	26,805	20,250
Work in progress			
At fair value	7,149	60,520	59,798
Net carrying amount	7,149	60,520	59,798
Total			
At fair value	410,012	414,101	370,052
Accumulated depreciation	(113,946)	(94,235)	(72,579)
Net carrying amount	296,066	319,866	297,473

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

13. PROPERTY, PLANT AND EQUIPMENT CONTINUED

(ii) Movement in net carrying amounts

	Landfill cell costs \$000	Landfill land \$000	Other land and buildings \$000	Plant and equipment \$000	Work in progress \$000	Total \$000
Balance at 1 July 2008	60,100	44,830	125,795	20,250	59,798	310,773
Net effect of correction of error	–	(9,380)	(3,920)	–	–	(13,300)
Restated balance at 1 July 2008	60,100	35,450	121,875	20,250	59,798	297,473
Additions	14,385	2,929	14,462	16,469	5,360	53,605
Disposals	–	–	–	(9,104)	–	(9,104)
Transfers from work in progress	–	–	–	4,638	(4,638)	–
Depreciation expense	(11,798)	–	(4,862)	(5,448)	–	(22,108)
Balance at 30 June 2009	62,687	38,379	131,475	26,805	60,520	319,866
Balance at 1 July 2009	62,687	38,379	131,475	26,805	60,520	319,866
Additions	12,019	1,829	4,832	15,396	489	34,565
Disposals	–	–	–	(8,241)	–	(8,241)
Transfers from work in progress	–	–	19,309	34,551	(53,860)	0
Depreciation expense	(10,313)	–	(3,148)	(8,584)	–	(22,045)
Impairment	–	–	–	(14,600)	–	(14,600)
Revaluation	–	(10,008)	(3,471)	–	–	(13,479)
Balance at 30 June 2010	64,393	30,200	148,997	45,327	7,149	296,066

(iii) Revaluation

(a) Land and freehold and leasehold properties at Waste Management Centres were independently valued by CB Richard Ellis Australia at 30 June 2010.

The Chullora Waste and Recycling Centre was considered by CB Richard Ellis to be specialised property (one rarely if ever sold in the open market), and consequently was valued using the depreciated replacement cost method. This calculates the cost of replacing existing structures and then adjusts to reflect their age, condition and obsolescence. Assessment of appropriate depreciation rates is market-based and includes not only physical wear and tear but also functional and economic obsolescence.

For all other property, the value of land was assessed with reference to comparable land sales on the open market, less WSN's estimate of future costs to rehabilitate the land. The value of buildings was assessed with reference to current building indices less an allowance for physical and economic depreciation, together with the valuer's analysis of improved site sales.

As a result of the valuations, an impairment to landfill land of \$10.008 million was recognised, of which \$2.643 million was expensed to profit and loss as the excess over revaluation reserve available. A revaluation loss of \$3.471 million was recognised under other land and buildings.

13. PROPERTY, PLANT AND EQUIPMENT CONTINUED

(b) As part of the annual review of the carrying value of its property, plant and equipment WSN determined that the new Alternate Waste Treatment (AWT) facility at Jack's Gully is a cash-generating unit in its own right. Impairment testing, based on value in use, determined the carrying amount to be in excess of its recoverable amount by \$14.600 million. Consequently an impairment loss was recognised, which was allocated entirely to plant and equipment at the AWT. Value in use was determined by discounting the future cash flows generated from the continuing use of the facility, and was based on the following key assumptions:

- cash flows were projected to the end of the facility's useful life in 2048. These included maintenance expenditure of \$13.7 million to the end of 2013 to bring the facility to an effective performance level
- run-off of existing and new contracts with waste suppliers will be able to be sold at market rates which are currently being tendered or which have previously been achieved
- WSN will be able to achieve relief from existing waste contracts for changes in law and unforeseen costs of processing the waste.
- a pre-tax discount rate of 12.90 percent was applied in determining the recoverable amount of the unit, based on the internal pre-tax weighted average cost of capital.

Management performed a sensitivity analysis incorporating all key variables, to determine the impact of these on the net present value of future cash flows. The estimates ranged from a favourable net present value of \$27.0 million to an unfavourable net present value of \$50.8million. The probability-weighted outcome was an unfavourable net present value of \$14.6 million.

The impairment loss was charged to profit and loss.

(c) Plant and equipment was valued by Rushton Valuers Pty Ltd at 30 June 2006.

(iv) Change in estimates

During the annual review of estimated useful lives of tangible assets, especially with regard to the capitalisation during the year of the new AWT facility at Jack's Gully, WSN determined that the life of buildings is significantly longer than had been previously anticipated. The average age of WSN's existing buildings is 20 years, and no major refurbishment works are anticipated for the foreseeable future. Consequently, WSN has increased the expected useful lives of buildings and leasehold improvements from 10 years to 40 years. The effect of this change on depreciation expense, recognised in expenses, in current and future periods is as follows:

	2010	2011	2012	2013	2014	2015
Decrease in depreciation expense \$000	2,129	2,100	2,100	2,100	2,100	2,100

(v) Jointly Controlled Operation

In 2006 WSN entered into an unincorporated joint venture with Landfill Management Services Pty Ltd to collect and utilise landfill gas produced by the Eastern Creek landfill site. Each party has a 50% interest. Contained within Other Land and Buildings is an amount of \$5.183 million (2009: \$5.173 million) representing WSN's 50% capital contribution to the joint venture as at the balance sheet date.

(vi) If property, plant and equipment were carried at cost, the carrying amounts would be:

	Landfill cell costs \$000	Landfill land \$000	Other land and buildings \$000	Plant and equipment \$000	Work in progress \$000	Total \$000
At 30 June 2009	62,687	35,465	108,857	31,541	60,520	299,070
At 30 June 2010	64,393	37,294	110,585	57,694	7,149	277,115

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

14. INTANGIBLE ASSETS

(i)	2010 \$000	2009 \$000
Goodwill		
At fair value	3,353	4,104
Net carrying amount	3,353	4,104
Computer software		
At fair value	3,168	2,773
Accumulated amortisation	(2,769)	(2,403)
Net carrying amount	399	370
Total		
At fair value	6,521	6,877
Accumulated amortisation	(2,769)	(2,403)
Net carrying amount	3,752	4,474

(ii) Movement in net carrying amounts

	Goodwill \$000	Computer software \$000	Total \$000
Balance at 1 July 2008	3,000	283	3,283
Additions	2,121	420	2,541
Impairment	(1,017)	–	(1,017)
Amortisation expense	–	(333)	(333)
Balance at 30 June 2009	4,104	370	4,474
Balance at 1 July 2009	4,104	370	4,474
Additions	254	395	649
Impairment	(1,005)	–	(1,005)
Amortisation expense	–	(366)	(366)
Balance at 30 June 2010	3,353	399	3,752

(iii) Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to WSN's operating units which represent the lowest level within the Corporation at which goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2010 \$000	2009 \$000
Organics – Camden Soil Mix assets	3,254	3,000
Regional – South Coast revenue streams	99	1,104
	3,353	4,104

14. INTANGIBLE ASSETS CONTINUED

The Camden Soil Mix unit's impairment test was based on its value in use. The recoverable amount of the unit was determined to be in excess of its carrying amount and consequently no impairment loss was recognised.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- cash flows were projected based on the actual operating results and the budget for the 2010 year. Cash flows for a further 5-year period were extrapolated using a constant growth rate of 3 percent, consistent with the period of the lease for the Camden Soil Mix premises.
- a pre-tax discount rate of 9.66 percent was applied in determining the recoverable amount of the unit, based on the internal weighted average cost of capital.

The Regional unit's impairment test was also based on its value in use with similar key assumptions, but extrapolated cash flows to only 30 June 2011 at which time the original rights acquired will cease. The carrying amount of the unit was determined to be in excess of its recoverable amount and consequently an impairment loss of \$1.005 million was recognised (2009: \$1.017 million).

15. TRADE AND OTHER PAYABLES

	Note	2010 \$000	2009 \$000
Trade payables		8,931	7,240
Unrealised loss on forward exchange contract	19	1	–
Non-trade payables and accrued expenses		28,104	36,114
		37,036	43,354

WSN's exposure to liquidity risks related to trade and other payables is disclosed in note 19.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

16. EMPLOYEE BENEFITS

(i)	Note	2010 \$000	2009 \$000
Current			
Liability for annual and long service leave	16 (ii)	4,667	4,175
Superannuation	16 (iii)	4,107	3,794
		8,774	7,969
Non-current			
Liability for long service leave		949	473
		949	473

(ii) The amount of liability for annual and long service leave expected to be settled after more than twelve months is \$2.386 million (2009: \$1.814 million).

(iii) The superannuation provision is calculated by Pillar Administration and represents the estimated liability in relation to staff who contribute to the State Authorities Superannuation Scheme (SASS), the State Authorities Non-Contributory Superannuation Scheme (SANCS) and the State Superannuation Scheme (SSS). These schemes are all defined benefit schemes and are all closed to new members. All fund assets are invested by STC at arm's length through independent fund managers.

	SASS		SANCS		SSS		Total	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Present value of partly funded defined benefit obligations	6,314	5,686	869	799	6,293	5,836	13,476	12,321
Fair value of fund assets	(4,464)	(3,959)	(157)	(141)	(4,748)	(4,427)	(9,369)	(8,527)
Recognised liability/(asset) for defined benefit obligations	1,850	1,727	712	658	1,545	1,409	4,107	3,794

Percentage invested in each asset class at 30 June:

	2010	2009
Australian equities	31.0%	32.1%
Overseas equities	26.8%	26.0%
Australian fixed interest securities	6.1%	6.2%
Overseas fixed interest securities	4.3%	4.7%
Property	9.5%	10.0%
Cash	9.6%	8.0%
Other	12.7%	13.0%

16. EMPLOYEE BENEFITS CONTINUED

(iv) Movement in the present value of the defined benefit obligations:

	SASS		SANCS		SSS		Total	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Defined benefit obligations at 1 July	5,686	5,073	799	673	5,836	4,831	12,321	10,577
Current service costs	189	162	40	37	12	19	241	218
Current interest costs	311	325	43	43	320	310	674	678
Actuarial (gains)/losses recognised in equity	214	216	29	52	417	982	660	1,250
Benefits paid	(196)	(191)	(42)	(6)	(321)	(329)	(559)	(526)
Contributions by fund participants	110	101		–	29	23	139	124
Defined benefit obligations at 30 June	6,314	5,686	869	799	6,293	5,836	13,476	12,321

(v) Movement in the present value of the fund assets:

Fair value of fund assets at 1 July	3,959	4,160	141	113	4,427	5,115	8,527	9,388
Contributions paid into the fund – employer	217	202	45	45	41	45	303	292
Contributions paid into the fund – participants	110	101	–	–	29	23	139	124
Benefits paid by the fund	(196)	(191)	(42)	(6)	(321)	(329)	(559)	(526)
Expected return on fund assets	339	336	12	10	373	409	724	755
Actuarial (losses)/gains recognised in equity	35	(649)	1	(21)	199	(836)	235	(1,506)
Fair value of fund assets at 30 June	4,464	3,959	157	141	4,748	4,427	9,369	8,527

(vi) Expense recognised in profit and loss:

Current service costs	189	162	40	37	12	19	241	218
Interest on obligation	311	325	43	43	320	310	674	678
Expected return on fund assets	(339)	(336)	(12)	(10)	(373)	(409)	(724)	(755)
	161	151	71	70	(41)	(80)	191	141

The expense is recognised in the line item “Expenses” in the Statement of Comprehensive Income.

(vii) Actuarial gains and losses recognised in equity:

Cumulative amount at 1 July	655	(210)	53	(20)	969	(849)	1,677	(1,079)
Recognised during the period	179	865	28	73	218	1,818	425	2,756
Cumulative amount at 30 June	834	655	81	53	1,187	969	2,102	1,677

The cumulative amount of actuarial gains and losses have been restated from 1 July 2004. Prior to this date (the date of adoption of AEIFRS) it is not practical to determine the cumulative actuarial gain or loss as if the policy had always been applied, given that the actuarial gains and losses were not separately identified and accumulated and that the superannuation expense was calculated using a different basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

16. EMPLOYEE BENEFITS CONTINUED

(viii) Principal actuarial assumptions at 30 June:	2010	2009
Discount rate	5.2%	5.6%
Expected return on fund assets	8.6%	8.1%
Future salary increases	3.5%	3.5%
Expected CPI increase	2.5%	2.5%

The expected rate of return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the financial obligation.

(ix) Historical information:	2010 \$000	2009 \$000	2008 \$000	2007 \$000	2006 \$000
Present value of the defined benefit obligations	13,476	12,321	10,577	10,478	9,890
Fair value of plan assets	9,369	8,527	9,388	10,306	8,849
Deficit in the plans	(4,107)	(3,794)	(1,189)	(172)	(1,041)
Experience adjustments arising on plan liabilities	660	1,250	(191)	(37)	(3,960)
Experience adjustments arising on plan assets	(235)	1,506	1,415	(704)	1,638

WSN expects \$302 thousand in contributions to be paid to the plans for the year ended 30 June 2010 (2009: \$272 thousand).

17. PROVISIONS

(i)	Rehabilitation and future maintenance of landfill sites \$000	Restoration of land \$000	Dividend to State Government \$000	Total \$000
Current				
Balance at 1 July 2009	10,741	–	3,809	14,550
Provisions made during the year	1,166	–	–	1,166
Provisions used during the year	(6,299)	–	–	(6,299)
Unwind of discount	2,295	–	–	2,295
Balance at 30 June 2010	7,903	–	3,809	11,712
Non-current				
Balance at 1 July 2009	27,467	–	–	27,467
Provisions made during the year	–	4,300	–	4,300
Provisions used during the year	(257)	–	(257)	–
Balance at 30 June 2010	27,210	4,300	–	31,510

(ii) The provision for rehabilitation relates to both WSN's open and closed landfill sites and is based on estimates made from historical cost data projected over the period of time when the landfill poses a risk to the environment. Rehabilitation is expected to occur progressively over the next 40 years. Because of the long-term nature of the liability, the biggest uncertainties in estimating the provision are the costs that will be incurred and any changes to work required arising from changes in law. In particular, WSN has assumed that sites will be restored using technology and materials that are available currently. The provision has been calculated using a discount rate of 6.00%. The rehabilitation program and provision was reviewed as at 30 June 2010, by GHD Pty Ltd.

(iii) The provision for restoration of land relates to the stockpile of glass fines at the Chullora site and the future cost of processing and removing it over the next five years.

(iv) As a consequence of the loss before tax incurred for the year ended 30 June 2010, WSN has declared no dividend. The dividend for the year ended 30 June 2009 was paid in August 2010.

18. BORROWINGS

(i)	2010 \$000	2009 \$000
Current		
Unsecured loan (TCorp)	8,000	8,000
	8,000	8,000
Non-current		
Unsecured loan (TCorp)	81,267	54,105
	81,267	54,105

WSN's exposure to interest rate and liquidity risks is disclosed in note 19.

(ii) The terms and conditions of outstanding loans were as follows:

	Nominal interest rate	Maturity	30 June 2010		30 June 2009	
			Face value \$000	Carrying amount \$000	Face value \$000	Carrying amount \$000
Unsecured loan (TCorp)	3.26%	2009	–	–	8,000	8,000
Unsecured loan (TCorp)	4.18%	2010	8,000	8,000	–	–
Unsecured loan (TCorp)	5.50%	2014	57,596	54,698	57,596	54,105
Unsecured loan (TCorp)	5.00%	2016	5,369	4,997	–	–
Unsecured loan (TCorp)	6.00%	2019	22,238	21,572	–	–
			93,203	89,267	65,596	62,105

19. FINANCIAL INSTRUMENTS

(i) Credit risk

The carrying amount of WSN's financial assets represents the maximum credit exposure, which at the reporting date was:

	2010 \$000	2009 \$000
Loans and receivables	34,278	29,830
Cash and cash equivalents	5,905	4,809
	40,183	34,639

The ageing of loans and receivables at the reporting date was:

	2010		2009	
	Gross \$000	Impairment \$000	Gross \$000	Impairment \$000
Not past due	25,812	–	20,849	11
Past due 0–30 days	7,438	5	6,938	98
Past due 30–120 days	1,108	349	1,014	180
Past due 120 days to one year	505	231	2,229	911
	34,863	585	31,030	1,200

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

19. FINANCIAL INSTRUMENTS CONTINUED

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	2010 \$000	2009 \$000
Balance at 1 July	1,200	594
Amounts written off as uncollectible	(1,025)	(27)
Impairment loss recognised	410	633
Balance at 30 June	585	1,200

The allowance account in respect of loans and receivables is used to record impairment losses unless WSN is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities:

	Carrying amount \$000	Contractual cash flows \$000	1 year or less \$000	1–5 years \$000	More than 5 years \$000
30 June 2010					
Non-derivative financial liabilities					
Unsecured borrowings (TCorp)	89,267	(121,412)	(13,105)	(75,094)	(33,213)
Trade and other payables	37,036	(34,443)	(34,443)	–	–
Derivative financial liabilities					
Unrealised loss on forward foreign exchange contract	1	–	–	–	–
	126,304	(155,855)	(47,548)	(75,094)	(33,213)
30 June 2009					
Non-derivative financial liabilities					
Unsecured borrowings (TCorp)	62,105	(83,083)	(11,232)	(12,671)	(59,180)
Trade and other payables	43,354	(41,664)	(41,664)	–	–
	105,459	(124,747)	(52,896)	(12,671)	(59,180)

At 30 June 2010 WSN had utilised \$8.5 million of its \$10 million bank guarantee facility (2009: \$7.8 million of \$10 million).

(iii) Currency risk

WSN has entered into contracts to purchase raw materials from overseas suppliers, and has entered into forward foreign exchange contracts to hedge the exchange rate risk arising from these anticipated future transactions which are designated as cash flow hedges.

The difference between the fair value and the contract value of these hedges has been recognised in the hedging reserve.

WSN's exposure to foreign currency risk at the reporting date was as follows, based on notional amounts:

	AUD \$000	2010 EUR \$000	USD \$000	AUD \$000	2009 EUR \$000	USD \$000
Foreign currency denominated cash	–	–	–	2,121	–	1,708
Forward exchange contracts	(207)	(143)	–	–	–	–
	(207)	(143)	–	2,121	–	1,708

19. FINANCIAL INSTRUMENTS CONTINUED

The following significant exchange rates applied during the year:

	Average rate AUD		Spot rate AUD at 30 June	
	2010	2009	2010	2009
USD 1	0.89	0.74	–	0.80
EUR 1	–	–	0.69	–

Sensitivity analysis

A 10 per cent movement of the Australian dollar against the US dollar (2009) and Euro (2010) at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	Equity	Profit or loss
30 June 2010		
Strengthening against the EUR	18	–
Weakening against the EUR	(24)	–
30 June 2009		
Strengthening against the USD	–	(164)
Weakening against the USD	–	265

(iv) Interest rate risk

At the reporting date the interest rate profile of WSN's interest-bearing financial instruments was:

	2010 \$000	2009 \$000
Fixed rate instruments		
Financial liabilities	(89,267)	(62,105)
Variable rate instruments		
Financial assets	5,905	4,809

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased (decreased) WSN's profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	2010		2009	
	100bp increase \$000	100bp decrease \$000	100bp increase \$000	100bp decrease \$000
Cash flow sensitivity	58	(58)	71	(71)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

19. FINANCIAL INSTRUMENTS CONTINUED

(v) Fair value

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2010		2009	
	Carrying amount \$000	Fair value \$000	Carrying amount \$000	Fair value \$000
Assets carried at amortised cost				
Loans and receivables	34,278	34,278	29,830	29,830
Cash and cash equivalents	5,905	5,905	4,809	4,809
	40,183	40,183	34,639	34,639
Liabilities carried at fair value				
Unrealised loss on forward exchange contract	1	1	-	-
	1	1	-	-
Liabilities carried at amortised cost				
Unsecured borrowings (TCorp)	89,267	96,232	62,105	65,985
Trade and other payables	37,036	37,036	43,354	43,354
	126,303	133,268	105,459	109,339

Fair value hierarchy

Financial liabilities carried at fair value are determined directly by reference to published price quotations in an active market for an identical liability.

20. OPERATING LEASES

(i) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2010 \$000	2009 \$000
Less than one year	13,721	12,809
Between one and five years	38,051	37,760
More than five years	27,023	32,594
	78,796	83,163

WSN enter into operating leases for certain items of plant and equipment. The leases typically run for a period concurrent with the associated revenue contract. During the year ended 30 June 2010 \$8.813 million was recognised as an expense in the income statement in respect of operating leases (2009: \$10.009 million).

Included in the lease rentals above is GST recoverable of \$7.163 million (2009: \$7.560 million).

(ii) Leases as lessor

WSN enters into agreements to lease out small sections of owned buildings surplus to operational requirements.

The future minimum lease payments under non-cancellable leases are as follows:

	2010 \$000	2009 \$000
Less than one year	1,917	2,014
Between one and five years	2,395	4,249
More than five years	521	579
	4,833	6,842

During the year ended 30 June 2010 \$2.082 million was recognised as rental income in the income statement (2009: \$2.054 million).

21. EXPENDITURE COMMITMENTS

	2010 \$000	2009 \$000
Contractual commitments		
Contracted but not provided for and payable:		
Less than one year	51,590	50,620
Between one and five years	95,835	113,339
More than five years	326,687	272,518
	474,112	436,477

Included in the commitments above is GST recoverable of \$43.101 million (2009: \$39.680 million).

Capital commitments

Contracted but not provided for and payable:		
Less than one year	1,646	4,784
	1,646	4,784

Included in the commitments above is GST recoverable of \$150 thousand (2009: \$435 thousand).

22. CONTINGENCIES

At 30 June 2010 WSN had certain contractual disputes. The resulting possible liabilities will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of WSN. Disclosure of the information required could seriously prejudice WSN's position in regard to these events and has therefore not been given. It is not practicable to estimate their financial effect.

23. RELATED PARTIES

Key management personnel compensation

Compensation to key management personnel (being members of the Board and WSN's General Managers) included in personnel expenses (refer note 6) is as follows:

	2010 \$000	2009 \$000
Short-term employee benefits	2,421	2,084
Other long term benefits	174	144
	2,595	2,228

24. AUDITORS' REMUNERATION

	2010 \$000	2009 \$000
Audit services		
Auditors of the Corporation (Audit Office of NSW):		
Audit and review of financial reports	225	155
Other auditors:		
Internal audit	159	255
	384	410

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

25. CONSULTANTS

	2010 \$000	2009 \$000
Expenditure charged against income	2,481	1,653
	2,481	1,653

26. PROPOSED CHANGE OF OWNERSHIP

In March 2010 the Waste Processing and Recycling Corporation (Authorised Transaction) Act 2010 was enacted in preparation for the sale of WSN. Work on the sale is ongoing.

27. CORRECTION OF ERRORS AND CHANGE IN ACCOUNTING POLICY

(i) During the year ended 30 June 2008 WSN undertook a valuation of landfill land. All valuation movements were recorded correctly except as follows:

- two parcels of land, whose book values were \$nil and \$3,920,000 and whose fair values were assessed as \$350,000 and \$nil respectively, were not adjusted;
- downward revaluations of \$2,272,372 were incorrectly taken to the revaluation reserve instead of profit and loss.

(ii) During the year ended 30 June 2008 WSN incorrectly included a value for airspace at owned landfills of \$9,730,000. This value has been written off as a prior period error.

As these errors were made in a reporting period prior to the comparative period, the balance sheet as at 30 June 2008 has been restated as follows:

	Increase/ (decrease) \$
Property, plant and equipment	
Landfill land – Revaluation	(13,300,000)
Accumulated funds	
Land written off	(6,192,372)
Tax thereon @ 30%	1,857,712
	(4,334,660)
Revaluation reserve	
Transfer of write-off to profit or loss	2,272,372
Revaluation of land	(9,380,000)
	(7,107,628)
Tax thereon @ 30%	2,132,288
	(4,975,340)
Current tax liability	
Tax on land written off	(1,857,712)
Deferred tax liability	
Tax on revaluation reserve movement	(2,132,288)

(iii) In the Statement of Cashflow for the year ended 30 June 2009 the discount unwinding of \$2.254 million was incorrectly excluded as a non-cash movement from “Cash paid to suppliers and employees” instead of being excluded from “Interest paid”. In addition, \$254 thousand of “Proceeds from borrowings” was incorrectly included in “Cash paid to suppliers and employees”. These errors have been corrected in the comparative Statement of Cashflow.

27. CORRECTION OF ERRORS AND CHANGE IN ACCOUNTING POLICY CONTINUED

(iv) The following disclosures detail each line item of the comparative period of the financial statements affected by the corrections noted above.

30 June 2009

	Actual 2009 \$000	Correction of error \$000	Restated actual 2009 \$000
Balance sheet (extracts)			
Non-current assets			
Property, plant and equipment	333,166	(13,300)	319,866
Total non-current assets	353,427	(13,300)	340,127
Total assets	397,376	(13,300)	384,076
Current liabilities			
Current tax payable	5,458	(1,858)	3,600
Total current liabilities	79,331	(1,858)	77,473
Non-current liabilities			
Deferred tax liabilities	31,392	(2,132)	29,260
Total non-current liabilities	113,437	(2,132)	111,305
Total liabilities	192,768	(3,990)	188,778
Net assets	204,608	(9,310)	195,298
Equity			
Reserves	62,097	(4,975)	57,122
Retained earnings	142,511	(4,335)	138,176
Total equity	204,608	(9,310)	195,298
Statement of cashflow (extracts)			
Cashflows from operating activities			
Cash paid to suppliers and employees	(256,443)	(2,254)	(258,697)
Interest paid	(5,040)	2,000	(3,040)
Net cash from operating activities	20,546	(254)	20,292
Cashflows from financing activities			
Proceeds from borrowings	26,939	254	27,193
Net cash from financing activities	20,098	254	20,352

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

27. CORRECTION OF ERRORS AND CHANGE IN ACCOUNTING POLICY CONTINUED

30 June 2008 Comparative year opening balances

	Actual 2008 \$000	Correction of error \$000	Restated actual 2008 \$000
Balance sheet (extracts)			
Non-current assets			
Property, plant and equipment	310,773	(13,300)	297,473
Total non-current assets	330,749	(13,300)	317,449
Total assets	382,266	(13,300)	368,966
Current liabilities			
Current tax payable	2,804	(1,858)	946
Total current liabilities	77,182	(1,858)	75,324
Non-current liabilities			
Deferred tax liabilities	35,418	(2,132)	33,286
Total non-current liabilities	102,567	(2,132)	100,435
Total liabilities	179,749	(3,990)	175,759
Net assets	202,517	(9,310)	193,207
Equity			
Reserves	61,980	(4,975)	57,005
Retained earnings	140,537	(4,335)	136,202
Total equity	202,517	(9,310)	193,207

END OF AUDITED FINANCIAL STATEMENTS

DIRECTORS' DECLARATION

For the year ended 30 June 2010

STATEMENT BY MEMBERS OF WASTE RECYCLING AND PROCESSING CORPORATION

In accordance with Section 41C of the Public Finance and Audit Act 1983, we certify that the financial statements have been prepared in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements, the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010, the Waste Recycling and Processing Corporation Act 2001 and the State Owned Corporations Act 1989.

In our opinion the financial statements exhibit a true and fair view of the financial position of Waste Recycling and Processing Corporation at 30 June 2010 and its financial performance for the 12 months ended on that date. We are not aware of any circumstances at the date of this statement that would render any particulars included in the financial report to be misleading or inaccurate.

At the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts when they become due and payable.



Chris Berkefeld

Chairman



Ken Kanofski

Chief Executive Officer

29 November 2010

CORPORATION'S PERFORMANCE

STATEMENT BY MEMBERS OF WASTE RECYCLING AND PROCESSING CORPORATION ON THE ASSESSMENT OF THE CORPORATION'S PERFORMANCE

Part 2 Section 5 (4) of the Waste Recycling and Processing Corporation Act 2001 requires as follows:

"The Annual Report of the Corporation under the State Owned Corporations Act 1989 must include an assessment by the Auditor-General of the Corporation's performance in achieving the objective referred to in subsection (1) (a) (i)."

Subsection (1) (a) (i) states as follows:

(a) "to be a successful business and, to this end:

(i) to operate at least as efficiently as any comparable businesses, and".

Waste Recycling and Processing Corporation (trading as WSN Environmental Solutions) commenced business on 1 September 2001. This Annual Report as at 30 June 2010 is for the year ended 30 June 2010.

While recognising the intention of the legislation, WSN Environmental Solutions has not found another government business in Australia having the same objectives and expected outcomes as WSN Environmental Solutions. In addition, there is no comparable private sector entity. All private sector comparable entities are private companies or divisions of corporations that are consolidated as part of the parent company.



Chris Berkefeld

Chairman



Ken Kanofski

Chief Executive Officer

29 November 2010

INDEPENDENT AUDIT REPORT LETTER TO PARLIAMENT



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Waste Recycling and Processing Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Waste Recycling and Processing Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Corporation as at 30 June 2010, and its financial performance for the year then ended in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the *Public Finance and Audit Regulation 2010*

My opinion should be read in conjunction with the rest of this report.

Significant Uncertainty Regarding Estimates and Judgements

Without qualification to the opinion expressed above, I draw attention to Note 2(d)(ii) and Note 2(d)(iii) to the financial statements.

- The Corporation has determined that no provision should be recognised for any net costs association with one of its contracts. As stated in the note, management's judgements, assumptions, and estimates indicate a wide range of possible cash flows associated with this contract. Because of this, there is significant uncertainty as to whether a provision for net costs associated with the contract is necessary. My opinion for the year ended 30 June 2009 emphasised a similar significant uncertainty.
- The Corporation has determined that the carrying amount of a cash generating unit exceeded its recoverable amount by \$14.6 million. As stated in the note, management's judgements, assumptions and estimates indicate a wide range of possible cash flows associated with the assessment of impairment. Because of this, there is significant uncertainty as to whether the extent of impairment is appropriate.

The Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the PF&A Act and the State Owned Corporations Act 1989. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

INDEPENDENT AUDIT REPORT LETTER TO PARLIAMENT

Continued

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 controls relevant to the Corporation'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 Corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Corporation
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat
Auditor-General

3 December 2010
SYDNEY

INDEPENDENT AUDIT REPORT LETTER TO PARLIAMENT



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Efficiency of Waste Recycling and Processing Corporation

To Members of the New South Wales Parliament

Under the *Waste Recycling and Processing Corporation Act 2001* (the Act), the objectives of the Corporation include operating as efficiently as any comparable businesses. The Act requires that the Corporation's Annual Report include an assessment by the Auditor-General of the Corporation's performance in achieving this objective.

Disclaimer of Auditor's Opinion

In my opinion, because of the existence of the limitation on the scope of my work as described in the Basis for Disclaimer paragraph, I am unable to and do not express an opinion on whether the Corporation is operating as efficiently as any comparable businesses for the year ended 30 June 2010.

My opinion should be read in conjunction with the rest of this report.

Basis for Disclaimer of Auditor's Opinion

The Corporation has not developed financial and non-financial comparators with other government or private sector businesses with the same objectives and expected outcomes as the Corporation. I could not obtain sufficient appropriate audit evidence to enable me to form an opinion on whether the Corporation operated as efficiently as any comparable businesses for the year ended 30 June 2010.

My opinion for the year ended 30 June 2009 contained a similar disclaimer.

The Directors' Responsibility

The Directors are responsible for achieving the objectives of the Corporation, including operating at least as efficiently as any comparable businesses. The Directors are responsible for the development of proper records and systems to enable an assessment of the Corporation's performance and for the preparation of the financial comparisons.

Auditor's Responsibility


My responsibility is to express an opinion as to whether the Corporation is operating as efficiently as any comparable businesses. Because of the matter discussed in the Basis for Disclaimer of Auditor's Opinion I was not able to complete an audit in accordance with Australian Auditing Standards.

INDEPENDENT AUDIT REPORT LETTER TO PARLIAMENT

Continued

Independence

In conducting my audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other ethical requirements.



Peter Achterstraat
Auditor-General

3 December 2010
SYDNEY

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