SOUTHERN **METROPOLITAN REGIONAL** COUNCIL

ANNUAL REPORT **2011**

SOUTHERN METROPOLITAN REGIONAL COUNCIL

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Annual Report
For the Year ended
30 June 2011

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01 / THE SMRC AT A GLANCE

The Southern Metropolitan Regional Council (SMRC) is a community enterprise representing six local councils south of Perth, Western Australia, including, Cockburn, East Fremantle, Fremantle, Kwinana, Melville and Rockingham, and their local communities.

A statutory Western Australian local government authority in its own right, the SMRC is responsible for planning, developing, coordinating and implementing sustainable waste management solutions. In 1998, the SMRC adopted a regional waste management strategy that led to the creation of a waste collection system. The Regional Resource Recovery Centre (RRRC), designed to recover 85% of household waste, was built and became operational in 2005. The multi-million dollar facility is the largest in Australia and designed to recover resources from the region's domestic waste stream in the most effective manner possible.

THE SMRC'S MEMBER COUNCILS:

- City of Cockburn
- Town of East Fremantle
- City of Fremantle
- Town of Kwinana
- City of Melville
- City of Rockingham

Land area: 590 km
Households: 123,000
Population: 297,000

ENABLING LEGISLATION

The SMRC became a regional local government on October 30, 1991, pursuant to the Local Government Act 1960. By virtue of the transitional provisions of the Local Government Act 1995, it is constituted as a regional local government under that Act. On April 22, 1998, the constitution was replaced by an establishment agreement made between the participants and approved by the Minister for Local Government. A regional local government has the same general function of a local government, including its legislative and executive functions, except as stated in section 3.66 of the Local Government Act 1995.

THE SOUTHERN METROPOLITAN REGIONAL COUNCIL (SMRC) IS A COMMUNITY ENTERPRISE REPRESENTING SIX LOCAL COUNCILS SOUTH OF PERTH, WESTERN AUSTRALIA.

LEADERS IN SUSTAINABLE RECYCLING AND CLIMATE CHANGE SOLUTIONS

02 / CHAIRMAN'S REPORT

Over the past year the Regional Council has continued its focus on stakeholder engagement and our core business of providing sustainable alternative waste treatment services to our member councils and the community.

Over the past 12 months, the Deputy Chairman, Chief Executive Officer and I have met and briefed our stakeholders including the member councils, and State and Federal parliamentarians from the south metropolitan region.

I would like to take this time to thank all our stakeholders for their support over the year. Waste management is an essential service, with many challenges. I am grateful for the support we receive from the Councils of Cockburn, East Fremantle, Fremantle, Kwinana, Melville and Rockingham. Having the confidence of our key stakeholders is vital to the ongoing success of the SMRC.

The RRRC was created to divert household waste from landfill on behalf of the project participants: Cockburn, East Fremantle, Fremantle and Melville Councils. The facility continues to divert waste from landfill and reduce greenhouse gases at a rate far above the average for Western Australia.

The State Government's goal is zero waste 2020; we simply cannot reach this goal without alternative waste treatment facilities such as the RRRC.

In April 2011, Rockingham Council informed the SMRC the City wishes to withdraw from the SMRC as part of the adoption of a new waste strategy focusing on Rockingham's landfill.

The SMRC will conduct a full analysis of the implications of Rockingham's decision, however given the City is not a partner in the RRRC project the impact on the Regional Council is expected to be minimal in 2011/12.

Between 2002 and 2011 the SMRC's Member Councils participated in ClimateWise® as part of their commitment to the Cities for Climate Protection Programme. The programme focused on working with local residents to become more energy and resource efficient in working towards building sustainable communities.

ClimateWise® was a ground breaking project, responsible for popular and successful programmes such as Living Smart®, Climate Actions and Green Houses. When the programme began few local governments had in-house expertise in this area. It is a measure of the programme's success that now many of the SMRC's member councils have in-house teams devoted to addressing the effects of climate change.

The SMRC has also been proud to support the transition of the award winning Living Smart® programme in becoming an independent and self-supporting association. This was because its programme reach had extended far beyond the boundaries of the SMRC into interstate and international communities and required a different governance structure and business model to continue growing.

Due to these changes the Regional Council made the difficult decision to wind up the ClimateWise® project in 2010/11. The SMRC still, however, maintain a focus mitigating greenhouse gases by diverting waste from landfill thereby avoiding approximately 80,000 tonnes of carbon dioxide equivalents from entering the atmosphere each year.

The Regional Councillors and I thank all the members, both past and present, of the ClimateWise® team for the dedication and trailblazing work in this important field.

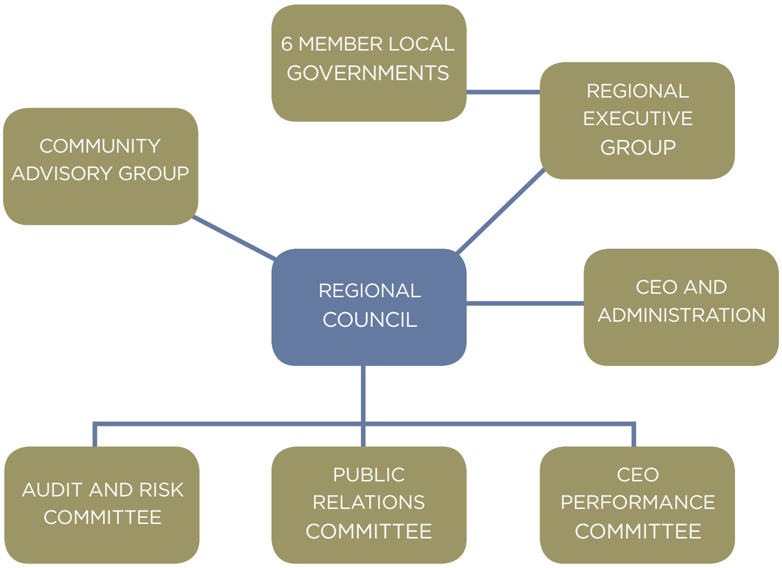
I am proud of the work of the Regional Council over the past year. My fellow Councillors and I will continue to work towards the State goal of zero waste 2020, a vision we all share.

Tony Romano, Chairman SMRC

03 / CORPORATE GOVERNANCE

The SMRC comprises one elected councillor from each of the member councils. It holds ordinary meetings throughout the year, with special meetings called from time to time.

A Chairperson is elected by members for a term of two years. Each councillor has equal voting rights, except the Chairperson who may exercise a second vote in the event of a tie.



04 / REGIONAL COUNCILLORS

Chair Cr Tony Romano, City of Cockburn

Cr Romano has been a Cockburn City Councillor for over four years. Cr Romano brings with him many years of commercial experience, having worked in and held a number of senior positions in the financial services industry over the past 30 years.

He continues to serve on a number of committees and boards both in the commercial and not-for-profit sectors. Cr Romano's business knowledge and experience are an extra value he brings to the Regional Council.

Cr Sandra Lee, Town of Kwinana

Cr Lee has served the Town of Kwinana since 2005 and became an SMRC member in 2007. She has a strong interest and commitment to public health, particularly in the areas of waste management, environmental health and community education. With landfill facilities reaching full capacity, she believes waste generated by society should be processed and recycled to produce sustainable outcomes to help reduce the impact on the earth's natural resources. Cr Lee recognises the important role the SMRC plays.

Cr Clive Robartson, AM, City of Melville

Cr. Robartson is a former Chairman and Deputy Chairman of the SMRC. He has served on the City of Melville Council for over 20 years. A former President of the Western Australian Local Government Association (WALGA) and Chairman of the Municipal Waste Advisory Council (MWAC), he has represented Local Government on many State and Federal committees that include the WA Waste Advisory Board, and the Australian Local Government Association.

Deputy Chair Cr Richard Smith, City of Rockingham

A past Mayor of the City of Rockingham, Cr Richard Smith has a growing interest in the issue of waste management, recycling, climate change and the need to strive for zero waste in the future, prompting him to commit dedicated time to the SMRC. He believes regional cooperation, supporting the SMRC is the only option for sustainable waste management within our growing communities.

Cr Richard Olson, Town of East Fremantle

Cr Olson joined the Regional Council in 2009 as the representative of the Town of East Fremantle. Cr Olson serves the community in many areas including professionally as a staff member with the Town of Mosman Park. Cr Olson is currently serving as President of the Cottesloe Surf Life Saving Club.

Cr Olson believes through regional partnerships, such as the SMRC, local government can make great progress towards a more sustainable community, especially in the area of alternative waste treatment and diverting waste from landfill.

Cr Doug Thompson, City of Fremantle

Cr Thompson is a former Chairman and Deputy Chairman of the Regional Council and has served on Fremantle City Council for 20 years, representing Fremantle on the SMRC since 1994. He was instrumental in testing options for best practice waste minimisation at the City of Fremantle and believes that working towards environmental waste solutions is the most important issue for local government today. Throughout his time on the Council, he has made a significant contribution in facilitating cooperation between councils to achieve this end.

Committees established and appointed by the council are:

Audit and Risk Committee

The Audit and Risk Committee meets quarterly and is made up of Regional Councillors and members of the public. Its purpose is to review the audit function and performance and risk management processes.

Membership of Committee

Chair: Cr Tony Romano
Members: Cr Richard Olson, Cr Doug Thompson, Cr Sandra Lee
External Member of Public: Mr Phillip Draber

Mr Draber was re-appointed to the committee for his third 2-year term. Mr Draber is Director, Risk Management and Audit Assurance with Edith Cowan University and brings to the committee a vast knowledge, skill and experience in audit and risk management.

Public Relations Committee

The Public Relations Committee was created to review, consider and discuss the SMRC's communication strategy. It is made up of Regional Councillors and holds regular scheduled meetings throughout the year, calling additional meetings as needed.

Membership of Committee

Chair: Cr Tony Romano
Members: Cr Clive Robartson, Cr Richard Smith
External Member of Public: Mr Norman Holtzman

CEO Performance Committee

The CEO Performance Committee reviews the performance of the Chief Executive Officer. This committee is made up of all Councillors and meets as needed during the year.

The SMRC has a number of community and officer advisory groups, including:

Regional Executive Group

Consists of two senior officers (one is a deputy) from each of the member local governments. The Regional Council appoints members to the group from recommendations from each member local government. Its purpose is to engage in a consultative and communication network between the Regional Council and its member local governments.

Membership

Members: Michael Littleton, Director Technical Services City of Cockburn; Stuart Wearne, CEO Town of East Fremantle; Glen Dougall, Director Corporate Services City of Fremantle; Peter McKenzie, Manager Health Services Town of Kwinana; John Christie, Director Technical Services City of Melville; Graham Rose, Waste Manager City of Rockingham

Deputy Members: Stuart Downing, Director Finance City of Cockburn; John Roberts Exec Manager Admin and Finance Town of East Fremantle; Peter Pikor, City Engineer City of Fremantle; Maurice Ferialdi,Town of Kwinana; Marten Tieleman Director Corporate Services City of Melville; Chris Thompson, Director Technical Services City of Rockingham

SMRC Community Advisory Group

The SMRC Community Advisory Group (CAG) is made up of interested community members from the region. The CAG has an independent Chairman, and Deputy Chair. No Regional Council elected members or staff are members of the CAG. The CAG's role is to be a "trusted advisor" to the SMRC, advising the Regional Council on community concerns and feedback concerning the activities of the SMRC, the RRRC and ClimateWise® projects.
Anyone interested in contacting the CAG or wishing to join the group is welcome to contact the CAG on smrccag.gmail.com, or the CAG can be found on Facebook.

Operational Waste Managers Group

Consisting of operational waste managers, this group meets regularly to facilitate resources and information sharing, and to undertake joint inter-council projects such as waste audits and the Regional Landfill Airspace Study.

ClimateWise Officers' Group

Comprising officers from each of the SMRC's member councils, this group is responsible for implementing the ClimateWise® program within each of the local councils. The group initiated the Regional Community Greenhouse Strategic Plan and Regional Greenhouse Gases Project - both tasked with the crucial goal of reducing greenhouse gas.

Finance Managers' Group

The Finance Managers' Group comprises executive officers from each of the SMRC's member councils' corporate and financial divisions. The group meets to review the SMRC's financial affairs, budget and strategic direction.

The SMRC is represented on a number of external committees and industry associations including:

Municipal Waste Advisory Council
Forum of Regional Councils
Waste Management Association of Australia.

05 / SMRC SENIOR STAFF

70% OF EMPLOYEES ARE SATISFIED OVERALL IN WORKING FOR THE SMRC
STAFF SURVEY 2010 RESULTS

Mr Stuart McAll
Chief Executive Officer

Mr Chris Wiggins
Director Corporate Services

Mr Brendan Doherty
Director Assets and Operations

Mr Tim Youé
Director Business Development

Mr Chuck Ellis
Executive Manager Communications

06 / CHIEF EXECUTIVE OFFICER'S REPORT

Over the past year the SMRC, through the RRRC programme, has continued to divert the community's waste from landfill and reduce greenhouse gas emissions from landfill, at a rate twice the state average.

In 2010/11, the SMRC continued the challenging process of recovering from the loss of the materials recovery facility (MRF) at the RRRC. Many planning and financial milestones were met in 2010/11. Council awarded the tender for $18 million for the construction of the new MRF which will include improvements to reduce the risk of fire in the future, as well as state of the art recycling equipment. The rebuilding of the MRF is expected to begin on-site at the RRRC in October 2011.

The SMRC's program of upgrades to the RRRC's waste composting facility's odour management systems continue to show marked improvement in performance. New variable speed drives on the biofilter fans have been installed allowing for increased control of the odour management systems.

During the upgrades a new design for even air distribution was trialled on one biofilter. This showed both a reduction in odours and the power needed for the odour management system. The improved design, an SMRC innovation, has now been applied to all four of the facility's biofilters.

As a result there has been a dramatic reduction in the number of complaints regarding odour from the community. All SMRC staff understand odour management is vital, and we remain vigilant both in the difficult spring and summer months, and cooler fall and winter months.

In August 2010, RRRC environmental management system met the stringent requirements of the International Organization for Standardization's ISO 14001:2004 Standard, confirming the RRRC is operating to the best international standards.

Recently SAI Global conducted an audit of the RRRC and found our environmental management system to be well implemented in accordance with international standards.

When the RRRC was first built, the SMRC made a number of commitments, as part of the facility's Ministerial approval, to care for the land, air and water on site. The RRRC's environmental management system provides the procedures for carrying out these commitments.

This is a significant achievement for the SMRC, however our work does not stop here. We will continue to improve operations at the Regional Resource Recovery Centre ensuring the community's waste is diverted from landfill responsibly and sustainably.

Mr Stuart McAll,
Chief Executive Officer

07 / THE SMRC'S STRATEGIC PLAN REVIEW

The Southern Metropolitan Regional Council Strategic Plan 2010 – 2015 was reviewed during 2010 and adopted in December 2010 following an extensive period of consultation with the Chief Executive Officers from the SMRC Member Councils, members of the Regional Executive Group (REG), the SMRC Community Advisory Group (CAG) and senior management team. This inclusive process identified a number of critical issues facing the SMRC, including building and maintaining relationships with the Regional Council's key stakeholders the Member Councils of Cockburn, East Fremantle, Fremantle, Kwinana, Melville and Rockingham. Key priorities for the SMRC were identified, including the rebuilding of the materials recovery facility (MRF) and the monitoring and continuing improvement of the odour management systems at the Regional Resource Recovery Centre (RRRC), in Canning Vale.

The Key Focus Areas or Goals for the next 5 years are:

1. Resource Recovery
Ensure maximum resource recovery from waste generated from our municipality and domestic community.

2. Climate Change
Provide leadership, by assisting and facilitating in the reduction of greenhouse gases and adapting to emerging environmental issues.

3. Business Sustainability
Ensure the short and longer term sustainability of the Southern Metropolitan Regional Council.

4.Stakeholder Engagement
Build sustainability through strengthened and expanded partnerships, alliances and relationships.

5. Research and Innovation
Be an innovative provider of resource recovery and greenhouse gas abatement solutions.

OUR PURPOSE
Leading in sustainable recycling and climate change solutions.

OUR PRICIPLES
We will conduct our business guided by these Principles:

Employee Value

Sustainability

Innovative Solutions

Integrity and Transparency

Community Driven Outcomes

Adaptiveness

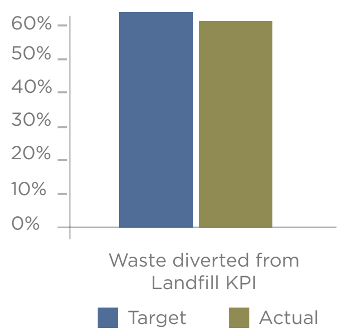
Forward Thinking

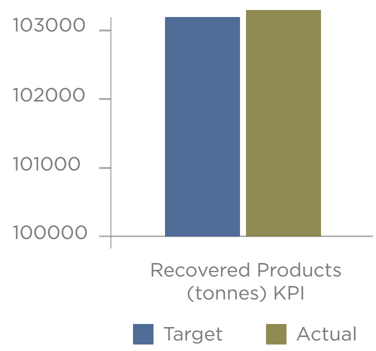
Responsiveness

A Safe Work Environment


pump

08 / KEY PERFORMANCE INDICATORS





The Key Performance Indicators (KPIs) and targets for 2010/11 were adopted by Council in December 2010. The KPIs were developed by the Regional Council, in consultation with key stakeholders, in conjunction with the SMRC Strategic Plan 2010-2015.

The KPI's are the key measures that will enable the SMRC to determine whether it is fulfilling its purpose and accomplishing its goals. The KPI measures represent all of the Regional Council's key focus areas, or goals.

It is proposed for 2011/12 to delete the 2 KPI measures relating to ClimateWise® under Climate Change due to the winding up of ClimateWise®.

Key Focus Area 1 – Resource Recovery

Ensure maximum resource recovery from waste generated from our municipality and domestic community.

1. Waste Diverted from Landfill (received by RRRC)

Result

62% of waste was diverted from landfill during the year. This fell short by 1% from achieving the annual target. In 2011/12 and beyond, the rebuilt materials recovery facility will assist in achieving higher diversion rates.

Measure

%diversion = [1 – (Total residual waste sent to landfill/Total waste processed)]

Goal

To maximise the diversion of waste from landfill ultimate goal is 95% diversion from landfill.

Importance

It shows that the RRRC is meeting its primary function of reduced reliance on landfill, which was the key reason for establishing the SMRC.

The Regional Resource Recovery Centre (RRRC) in Canning Vale continued to divert the community's waste from landfill by using the following methods;

Households green bins are delivered to the RRRC and processed through an anaerobic digester which turns organic waste into compost.

By diverting waste from landfill this process avoids approx 80,000 tonnes of carbon dioxide equivalents (tCo2-e) from entering the atmosphere each year.

The remaining non-organic material which cannot be recycled is sent to landfill. This material does not cause harmful greenhouse gas emissions as most of the organic material is removed.

Green Waste such as trees, vegetation, etc is all processed at the RRRC and turned into mulch or recycled timber. No waste from this source is sent to landfill.

2. Recovered Products (in tonnes)

Results

103,000 tonnes of products such as Compost, Mulch and Carbon Abatement Credits were recovered during the year achieving the target.

Measure

Weight of recovered products for all 3 facilities including Carbon Credits at the RRRC.

Goal

To maximise the quantity of products produced at the RRRC. This shall include Mulch, Compost, Recycalates and Carbon credits

Importance

Shows that the RRRC is producing products and services in accordance with its purpose and shows pathway to financial sustainability.

Product and Market Development

The Waste Composting Facility at the RRRC is an anaerobic process for turning municipal solid waste(MSW) into compost. Municipal solid waste is processed and screened to produce a number of grades of pasteurized, mature compost and residual wastes.

The SMRC adheres to the Australian Standard AS 4454 for Compost, soil conditioners and mulches coupled with the Western Australaian Biosolids Guidelines.

The SMRC have long considered that an outcomes based approach to product quality is consistent with the need to ensure the safety of human health and the environment at the same time as enhancing market confidence.

SMRC compost is further processed and value added by our market partners for use in a variety of agricultural and public amenity applications. Application of compost returns valuable nutrients and organic matter to the impoverished soils of Western Australia reducing the need for synthetic fertilisers, herbicides and pesticides whilst improving the drought tolerance and nutrient holding capacity of the soil.

The SMRC have long considered that an outcomes based approach to product quality is consistent with the need to ensure the safety of human health and the environment at the same time as enhancing market confidence.

Key Focus Area 2 – Climate Change

1. CORPORATE GREENHOUSE GAS EMISSIONS FOOTPRINT

Result

SMRC's Corporate Footprint has been reduced by 2.1% during the year which fell short of the target by 0.9%.

Improved power efficiencies on plant systems will assist in reducing our greenhouse gas emissions in 2011/12.

Measure

Number of tonnes of C02e

Goal

Reduce RRRC carbon emissions by 15% over 5 year period.

Importance

Shows that the SMRC is reducing its carbon footprint to meet its 5 year target of 15% below FY 2009/10

Achievements

Odour management control and reduction in energy use – Installation of variable speed drives (VSD)

A variable speed drive (VSD) is an electrical control device which regulates the speed and power consumption of an electric motor. The VSD on each of the ten fans allows the volume of air being extracted from the buildings to be regulated to best match variations in ambient weather conditions and operational activities.

This also achieves a 5% reduction in power consumption which equates to approximately $90,000 per annum of savings on electricity consumption.

Key Focus Area 3 – Business Sustainability

Ensure the short and longer term sustainability of the Southern Metropolitan Regional Council

Financial Results (for the year ended 30 June 2011)

Net Assets of $62.1 million ($55.6 million FY10) which includes working capital surplus of $22.2 million ($15.7 million relates to an insurance claim).

Current Ratio of 2:1 (Current Assets over Liabilities) Purpose: To assess adequacy of working capital and the ability to satisfy short-term obligations.

(Nb: due to the Loss of the MRF asset, the SMRC has written down the depreciated asset value and increased receivables for future proceeds from insurance. Refer note 27 in the financial statements.)

Operating revenue of $22.1 million resulting in a net operating surplus of $3.6 million before depreciation and reserve transfers. An amount of $2 million was transferred to reserves.

The actual results exceeded the annual budget estimates.

The Plant Reserve and Contingency and Development Reserve increased during the year by $1.9 million, resulting in a balance of $3.9 million.

No new loans were raised during the year and an amount of $3.4 million was repaid during the year. The outstanding loan balance for the RRRC project (not including City of Canning's liability) was $34.5 million and the Office Accommodation Project was $1.8 million.

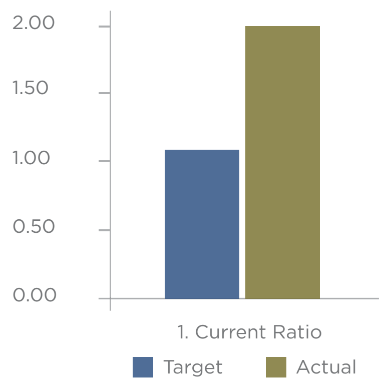
The Auditor's Report includes two statutory non-compliance matters. It was noted that the Annual Budget was not submitted to the Department of Local Government within the 30 day period after it was adopted. The budget was, however, sent 42 days after it was adopted, being 12 days late. It was also noted that a copy of last year's financial report was not forwarded to the Department within 30 days of receipt of the auditor's report. Due to an oversight, the report was forwarded to the Department 52 days late.

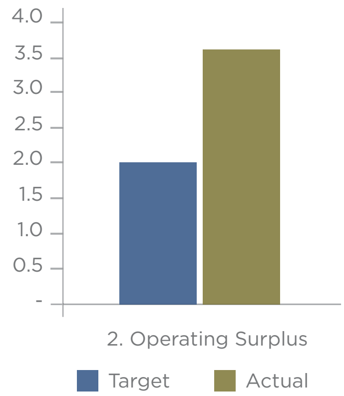
Internal Audit Program

Independent internal audits were carried out during the year as part of the SMRC audit and risk program, initiated through the Audit and Risk Committee.

Of the five audits, four were rated "A" meaning the control framework is effectively managing risks.

ITEM	AUDIT AREA	JUSTIFICATION	KEY AUDIT OBJECTIVES
1	Disaster Recovery Plan/ Business Continuity Plan for IT systems	Risk Register CG03 Risk Level 9	- Assess the currency, awareness and testing of DRP/ BCP policies, encompassing business processes and information technology. - Determine the adequacy of controls over safeguarding information and ensuring that operations can continue in adverse circumstance
2	Contract Management	Risk Register ES01. Good Governance	Assess the level of compliance with the Council's policies and practices in relation to contract management.
3	Occupational Health and Safety	Risk Register OSH01, OSH02 Risk level 12	Assess the adequacy of controls which ensure compliance with relevant laws and management of safety and health risks.
4	Risk Management	Good Governance	- Monitor review and updating of Risk Register. - Assess ongoing awareness of risk management principles. - To review the adequacy of existing procedures and practices which ensure all relevant risks are promptly identified, assessed and appropriately treated.
5	Record Management	Good Governance	- Assess the level of compliance with the Council's policies and practices in relation to Record Management. - Assess the adequacy of controls which ensure compliance with relevant State Records Act legislation.





1. CURRENT RATIO

Results 2:1 (being 2 x assets to every 1 liability)

Benchmark is 1:1

The results include the expected revenue from the insurance proceeds for the MRF.

Measure

Current Assets (less Reserves + Restricted). Current Liabilities

Goal

To assess adequacy of working capital and the ability to satisfy short-term obligations

Importance

To assess adequacy of working capital and the ability to satisfy short-term obligations, and shows the financial health of the organisation.

Definitions

Current Assets: A balance sheet term including the following class of assets; Cash, investments, accounts receivable, debtors, inventory that can be converted to cash in less than one year.

Current Liabilities

A balance sheet term including the following class of liabilities; accounts payable, creditors, leases, short-term loans that are due and payable within one year.

Working Capital

Positive working capital is required to ensure that an organisation is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. Current assets must equal or be greater than current liabilities.

Working Capital =
Current Assets -
Current Liabilities

2. OPERATING SURPLUS

Result

$3.6 million (before depreciation) Achieving budget target of $2 million.

Measure

Operating Revenue minus Operating Expenditure (before depreciation) as reported in the Statement of Comprehensive Income

Goal

To indicate the adequacy of achieving budget targets and to fund budgeted reserve transfers, debt (MRF loans) and capital expenditure obligations.

Importance

It shows the annual financial health of the organisation.

Definitions

Operating Surplus: Is the excess of operating revenue over operating expenditure. It excludes expenditure on the acquisition of capital assets and depreciation.

3. RRRC PROJECT LOAN LEVEL

Result

Outstanding loans total $27.4 million (not including MRF, Admin Loan and City of Canning's liability) Achieved target.

Measure

Annual Capital Loan Repayments for the RRRC Project minus any self supported loans funded by business operations, MRF loans and the City of Canning's liability.

Goal

To ensure the RRRC Project debt is reduced by 2023.

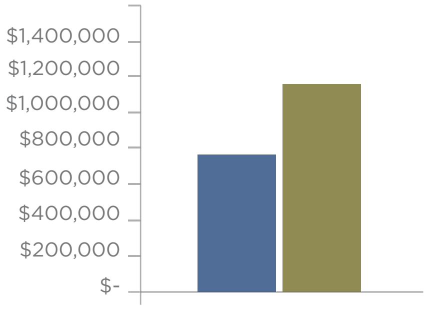
Importance

Shows the annual reduction in debt to resulting in zero by the life of the project 2023.

4. STABLE INCOME BASE PROFIT (NON MEMBERS)

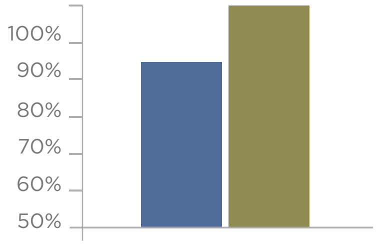
Result

A profit of $1.2 million was achieved during the year through commercial customers, exceeding the budget target of $0.8 million.



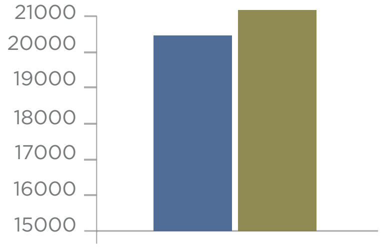
All commercial customer
net profit KPI

Target Actual



RRRC Plant Availability to
Member Councils KPI

Target Actual



Commercial customers
growth (tonnes) KPI

Target Actual

Measure

Profit = RRRC Gate Fee income less variable costs from commercial customers.

Goal

To ensure any spare capacity is used to generate income for the RRRC Project and keep members fees down.

Importance

Shows the net profit achieved from commercial customers in maintaining a level of financial sustainability

5. RRRC PLANT AVAILABILITY TO MEMBERS

Result

100% availability, resulting in no significant breakdowns and exceeding the desired annual target of 95% allowing for breakdown time.

Measure

Percentage of budgeted tonnes available to members Vs actual tonnage received.

Goal

To meet service delivery commitments to its RRRC Project members.

Importance

Shows the level of service delivery to its RRRC Project Participants.

6. RRRC CUSTOMER BASE GROWTH

Result

Over 21,000 tonnes of waste was received from commercial customers up 190% from last year, exceeding the budget target.

Measure

Profit = RRRC Gate Fee income less variable costs from commercial customers.

Goal

To build RRRC Project customer base in accordance with customer growth.

Importance

Measures customer growth utilizing spare capacity for the RRRC Project.

The SMRC's Marketing Plan focuses on building customer relationships and promoting the RRRC as an alternative and environmental solution to disposing waste other than landfill.

Corporations wishing to improve its triple bottom line reporting and corporate environmental responsibility are key customer segments.

7. EMPLOYEE SATISFACTION

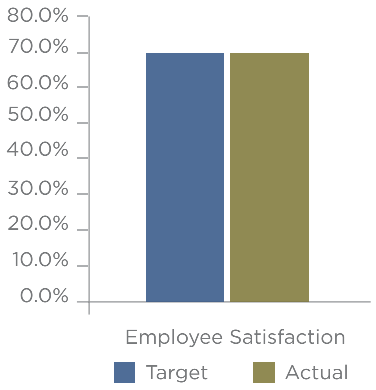
Results

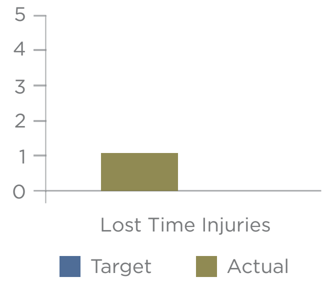
Survey results achieved the target of 70%.

Measure

% of employees who express satisfaction at the 75% percentile or above in the annual employee engagement survey.

SALARY RANGE	2010/11	2009/10
200,000 – 209,999	1	-
190,000 - 199,999	-	1
140,000 - 149,999	1	1
130,000 - 139,999	1	-
120,000 - 129,999	-	1
110,000 - 119,999	2	1
100,000 - 109,999	1	2
TOTAL	6	6
The No. of full-time and part time employees as at the balance date	56	65





Goal

To achieve high satisfaction from employees as an employer of choice.

Importance

Reports the satisfaction level of the SMRC's employees.

Employees

The SMRC has approx. 65 positions. As at 30 June 2011, 9 positions were vacant or have been reduced since the previous year.

Employees' Remuneration

The number of employees, in bands of $10,000 that received an annual cash salary of $100,000 or more:

8. LOST TIME INJURIES

Result

One lost time injury was recorded for the year, thereby exceeding the target set at zero.

Measure:

Number of lost time injuries per year.

Goal

To ensure a healthy and safe workplace.

Occupational Health and Safety

SMRC's lost time injury frequency rate (LTIFR) was 9 compared with 24 the previous year. This rate is calculated on number of employees / 1 million working hours.

The actual number of injuries causing lost time is 1 compared with 3 the previous year.

The following outcomes are attributed to the achievement in lost time injuries.

- Following a review and update of training registers posted on the staff intranet, employees attended internal and external training.

- Regular site safety inspections by OHS Manager and Operational Staff.

- Regular OHS Committee and toolbox meetings identifying hazards and improvements.

Key Focus Area 4 – Stakeholder Engagement

Build sustainability through strengthened and expanded partnerships, alliances and relationships.

Goal

To build sustainability through strengthened and expanded partnerships, alliances and relationships

Importance

Shows the level to which we are meeting the needs of our three key stakeholders and identifies areas for improvement.

Result

A baseline has now been set from our three survey results. The baseline is 56%.

Measure

Brand equity is the combination of the perceptions of our key stakeholders (member councils), customers, and the community of the SMRC, as determined by a weighted average of annual survey results.

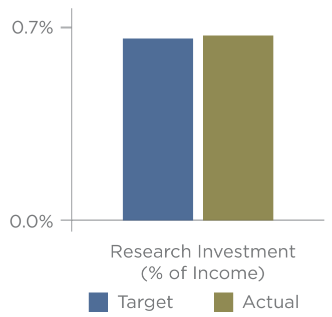
The following actions were carried out during the year under the strategy: Facilitate and participate in community, member councils, government and industry groups.

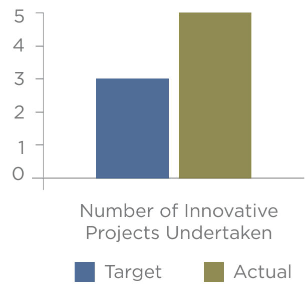
Communications

- SMRC eNews stories are emailed to approx. 1700 stakeholders and are available on the SMRC's website.
- A series of key stakeholder reports are provided as updates on the SMRC's activities
- Regional Resource Recovery Calendar

Community Participation

- Community Advisory Group
- SMRC Odour Hotline
- RRRC Site Tours





Government Relationships

- Regular meetings with Regulatory bodies
- Meetings with Ministers, local members of Parliament
- Stakeholder and Customer receptions and functions

Industry Groups

Western Australian Local Government Association (WALGA)
Municipal Waste Advisory Council (MWAC)
Forum of Regional Councils meetings

Notice by a Participant of an intention to withdraw from the SMRC.

Pursuant to a resolution of the City of Rockingham on 27 April 2011, the City Rockingham, as a Participant under the Establishment Agreement and Office Accommodation Project Agreement, gave notice of its intention to withdraw from the SMRC effective from 30 June 2012.

Key Focus Area 5 – Research and Innovation

Be an innovative provider of resource recovery and greenhouse gas abatement solutions.

1. RESEARCH INVESTMENT Goal

To conduct fundamental research to increase understanding of fundamental principles that will lead to pathways to innovation, and to conduct applied research to develop and prove commercial and practical implementation of new and innovative approaches

Importance

Reports on the level of investment dedicated to fundamental and applied research

Result

Expenditure for R and D has been limited and within the budget target of $126K.

Measure

Percentage of total turnover/ operating expenses dedicated to research investment

Definitions

Fundamental research: is to increase understanding of fundamental principles, mainly carried out by universities.

Applied research: can be carried out by universities, other research based organisations/groups, consultants or in-house by,

2. INNOVATIVE PROJECTS UNDERTAKEN GOAL

To be an innovative provider of business, resource recovery and greenhouse gas abatement solutions

Importance

Demonstrates the level of innovative projects undertaken

Result

5 projects were undertaken during the year, exceeding the target.

1 .Variable Speed Drives

2. Biofilter Design Upgrade - Improvement for Odour management control

3. Biofilter Media Research for Odour management control

4. Residual Waste For Beneficial Re-use of Compost Screenings - Improvement for Resource Recovery

5. Electronic Agenda for iPads

Measure

The number of innovative projects undertaken as signed off by the Audit and Risk Committee.


SMRC

09 / SUMMARY OF INNOVATIVE PROJECTS

Summary of the Innovative Projects undertaken in 2010/11:

1. Odour management control and reduction in energy use – Installation of variable speed drives (VSD)

A variable speed drive (VSD) is an electrical control device regulates the speed and power consumption of an electric motor.

The VSD on each of the ten fans allows the volume of air being extracted from the buildings to be regulated to best match variations in ambient weather conditions and operational activities.

2.Biofilter Design Upgrade - Improvement for Odour management control

The intended purpose of upgrading the Bio-filter Air Supply Ducting is to install a new centralised air distribution cone and plenum and associated new air supply duct work.

From trial works carried out the centralised cone and plenum area achieved a more even air flow through the entire bio-filter fan area, which will ensure better odour treatment.

This will also involve the replacement of the current bio-filter supply duct which is starting to show signs of corrosion. The new design upgrade will also reduce the flow resistance and pressure loss within the duct work and plenum with the potential to reduce power costs.

3. Biofilter Media Improvement for Odour management control

SMRC is an industry partner in the following project being undertaken by the Environmental Biotechnology Cooperative Research Centre (ebcrc) "Immobilized biocatalysts on selected filter media to control odour emissions from wastewater treatment and composting facilities"

This project seeks to develop and prove advanced biofilter media that will improve media life and the removal efficiency of odours and reduce the operating and maintenance costs of maintaining biofilter media.

4. Beneficial Reuse of Compost Screening

Improvements in waste diversion targets have been achieved by awarding a tender for the further processing of compost screenings to extract maximum organic content for beneficial re-use.

5. Electronic Council Agenda

All meeting papers are available to Councillors via Boardpad application for iPad. Unlike an email, Boardpad software offers greater security and functionality.

10 / COMPLIANCE

Plan for the Future

The plan was postponed due to a number of factors effecting the strategic directions of the SMRC. The SMRC reviewed its Strategic Plan during 2010 and adopted the plan in Dec 2010. A series of plans will be available for public comment in 2011/12.

National Competition Policy

Clause 7 of the Competition Principles Agreement sets out Local Government's responsibilities under the National Competition Policy. The clause deals with competitive neutrality, structural reform of public monopolies and regulation review.

Application of Competitive Neutrality Principles for significant business activities (business activities where annual income exceeds $200,000) Local Government is required to undertake a cost-benefit analysis to evaluate whether or not competitive neutrality principles should apply.

The analysis must take into account all the quantitative and qualitative costs and benefits, which may include economic, social and environmental criteria. Where it is judged that the benefits of implementing competitive neutrality outweigh the costs, then the Local Government must impose costs that the private sector would be required to pay (i.e. payroll tax, Commonwealth and State taxes, debt guarantee fees and other regulatory requirements imposed on private but not government bodies).

The Regional Council has one significant business activity – Regional Resource Recovery Centre (RRRC). The centre meets the "public benefit test" in respect to "user pay charges" and the provision of services is beneficial to the regional community.

Regulatory Review

Under clause 7 of the Competition Principles Agreement Local Governments are required to review their Local Laws. The intention of this clause is to ensure existing Local Laws set by Local Governments do not restrict competition unless there are benefits to the community as a whole.

The Southern Metropolitan Regional Council adopted its Standing Orders Local Law on 27 November 2008 and meets the principles of Clause 7.

Record-Keeping Plans

Principle 6 of the State Records Commission of WA Standard 1/2001 (Record Keeping Plans) refers to compliance requirements by the Regional Council.

- A Record Keeping Plan for the SMRC was approved by the State Records Commission (19/11/2010).
- Staff training programmes for new and existing staff are regularly undertaken to ensure staff comply with the Record Keeping Policy and Procedures.
- An Independent internal audit for record keeping was conducted in October 2010 and achieved an "A" rating (control framework effectively managing risks). The audit scope included:
- Assessing the level of compliance with the Council's policies and practices in relation to Record Management.
- Assessing the adequacy of controls which ensure compliance with relevant State Records Act legislation.

Disability Access and Inclusion Plan

Regional Local Governments are not required to prepare a plan in accordance with S29 of the Disability Services Act 1993.

11 / STATEMENT BY CHIEF EXECUTIVE OFFICER

Local Government Act 1995
Local Government (Financial Management) Regulations 1996

The attached financial report of the Southern Metropolitan Regional Council being the annual financial report and supporting notes and other information for the financial year ended 30 June 2011 are in my opinion properly drawn up to present fairly the financial position of the Southern Metropolitan Regional Council at 30 June 2011 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and Regulations under that Act.

Signed on the 3 October 2011

Stuart McAll
Chief Executive Officer

12 / FINANCIAL REPORT

STATEMENT OF COMPREHENSIVE INCOME BY NATURE OR TYPE FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011	2011 BUDGET	2010
		$	$	$
REVENUE				
Operating Grants, Subsidies and Contributions	22	6,871,678	6,398,000	5,295,091
Fees and Charges	23	14,850,851	14,597,000	15,212,537
Interest Earnings	2(a)	265,978	82,000	120,792
Other Revenues		97,909	645,000	75,349
		22,086,416	21,722,000	20,703,769
EXPENSES				
Employee Costs		(4,569,378)	(5,065,000)	(4,557,315)
Materials and Contracts		(8,294,287)	(8,710,910)	(9,310,614)
Utility Charges		(1,738,982)	(1,952,000)	(1,882,310)
Depreciation on Non-current Assets	2(a)	(4,016,604)	(4,119,000)	(3,802,684)
Interest Expenses	31	(3,236,534)	(3,400,000)	(3,256,797)
Insurance Expenses		(683,787)	(670,000)	(582,276)
		(22,539,572)	(23,916,910)	(23,391,996)
		(453,156)	**(2,194,910)**	**(2,688,227)**
Non Operating Grants, Subsidies and Contributions	22	6,451,283	-	-
Fair value adjustment to financial assets at fair value through profit and loss	4	(25,000)	-	-
Realised gain on Investments	4	75,000	-	-
Profit on Asset Disposals	25	32,076	-	65,000
Loss on Asset Disposals	25	-	-	(1,174,443)
NET RESULT		**6,080,203**	**(2,194,910)**	**(3,797,670)**
Other Comprehensive Income		-	-	-
Total Other Comprehensive Income		-	-	-
TOTAL COMPREHENSIVE INCOME		**6,080,203**	**(2,194,910)**	**(3,797,670)**

This statement is to be read in conjunction with the accompanying notes.

12 / FINANCIAL REPORT (CONT.)

STATEMENT OF COMPREHENSIVE INCOME BY PROGRAM FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011	2011 BUDGET	2010
REVENUE	2(a)			
Governance		412,768	324,567	451,945
Community Amenities		28,232,007	21,397,433	20,316,824
		28,644,775	21,722,000	20,768,769
EXPENSES EXCLUDING FINANCE COSTS	2(a)			
Governance		(282,934)	(317,567)	(499,223)
Community Amenities		(19,045,104)	(20,199,343)	(20,810,419)
		(19,328,038)	(20,516,910)	(21,309,642)
FINANCE COSTS	31			
Governance		(110,033)	(116,820)	(116,820)
Community Amenities		(3,126,501)	(3,283,180)	(3,139,977)
		(3,236,534)	(3,400,000)	(3,256,797)
NET RESULT		**6,080,203**	**(2,194,910)**	**(3,797,670)**
Other Comprehensive Income		-	-	-
Total Other Comprehensive Income		-	-	-
TOTAL COMPREHENSIVE INCOME		**6,080,203**	**(2,194,910)**	**(3,797,670)**

This statement is to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	NOTE	2011	2010
		$	$
CURRENT ASSETS			
Cash and Cash Equivalents	3	7,968,573	4,889,237
Investments	4	-	450,000
Trade and Other Receivables	5	30,788,226	28,185,716
Inventories	6	249,743	240,931
TOTAL CURRENT ASSETS		39,006,542	33,765,884
NON-CURRENT ASSETS			
Other Receivables	5	36,155,165	40,329,342
Property, Plant and Equipment	7	39,994,991	40,981,712
TOTAL NON-CURRENT ASSETS		76,150,156	81,311,054
TOTAL ASSETS		**115,156,698**	**115,076,938**
CURRENT LIABILITIES			
Trade and Other Payables	8	2,831,072	4,883,029
Current portion of Long-term Borrowings	9	13,582,317	12,800,287
Provisions	10	371,466	352,331
TOTAL CURRENT LIABILITIES		16,784,855	18,035,647
NON-CURRENT LIABILITIES			
Long-term Borrowings	9	36,155,165	40,329,342
Provisions	10	151,273	102,213
TOTAL NON-CURRENT LIABILITIES		36,306,438	40,431,555
TOTAL LIABILITIES		**53,091,293**	**58,467,202**
NET ASSETS		**62,065,405**	**56,609,736**
EQUITY			
Retained Surplus/(Deficit)		49,952,635	46,370,227
Reserves- Cash / Investment backed	11	3,856,178	1,982,917
Reserves -Asset Revaluation	12	8,256,592	8,256,592
TOTAL EQUITY		**62,065,405**	**56,609,736**

This statement is to be read in conjunction with the accompanying notes.

12 / FINANCIAL REPORT (CONT.)

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2011

	NOTE	RETAINED SURPLUS	RESERVES CASH/ INVESTMENT BACKED	ASSEST REVALUATION RESERVE	TOTAL EQUITY
		$	$	$	$
BALANCE AS AT 1 JULY 2009		**44,526,643**	**2,806,857**	**8,256,592**	**55,590,092**
Net Result		(3,797,670)	-	-	(3,797,670)
Total Other Comprehensive Income		-	-	-	-
Participants Contributions for the year (New Loans)	1 (u)	5,700,000	-	-	5,700,000
Loans repaid from Equity	1 (u)	(882,686)	-	-	(882,686)
Transfer from / (to) Reserves	11	823,940	(823,940)	-	-
BALANCE AS AT 30 JUNE 2010		**46,370,227**	**1,982,917**	**8,256,592**	**56,609,736**
Net Result		6,080,203	-	-	6,080,203
Total Other Comprehensive Income		-	-	-	-
Participants Contributions for the year (New Loans)	1 (u)	-	-	-	-
Loans repaid from Equity	1 (u)	(624,534)	-	-	(624,534)
Transfer from / (to) Reserves	11	(1,873,261)	1,873,261	-	-
BALANCE AS AT 30 JUNE 2011		**49,952,635**	**3,856,178**	**8,256,592**	**62,065,405**

This statement is to be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011	2011 BUDGET	2010
CASH FLOWS FROM OPERATING ACTIVITIES		$	$	$
RECEIPTS				
Operating Grants, Subsidies and Contributions		11,428,353	6,696,502	4,656,883
Fees and Charges		14,993,613	14,475,569	16,164,204
Interest Earnings		259,372	82,000	107,712
Goods and Services Tax		2,080,343	2,192,755	2,173,877
Other Revenues		97,909	108,000	75,349
		28,859,590	23,554,826	23,178,025
PAYMENTS				
Employee Costs		(4,508,749)	(5,146,951)	(4,537,210)
Materials and Contracts		(11,041,345)	(7,984,172)	(9,602,906)
Utility Charges		(1,738,982)	(1,952,000)	(1,882,310)
Interest Expenses		(3,237,436)	(3,399,095)	(3,260,132)
Insurance Expenses		(683,787)	(670,000)	(582,276)
Goods and Services Tax		(1,447,614)	(2,192,755)	(1,628,986)
		(22,657,913)	**(21,344,973)**	**(21,493,820)**
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	13(b)	**6,201,677**	**2,209,853**	**1,684,205**
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for Purchase of;				
Information Technology Equipment	7	(5,387)	(7,000)	(38,505)
Furniture and Fittings	7	(6,621)	-	-
Plant and Equipment	7	(2,087,409)	(3,652,592)	(3,814,204)
Payments for Construction of RRRC Leasehold Improvements	7	(233,807)	(641,923)	(21,437)
Payments towards Capital Work-progress	7	(710,765)	(16,226,801)	(822,150)
Grants and Contributions for the Development of Assets		-	12,800,000	-
Proceeds from Sale of Plant and Equipment	25	46,182	-	104,999
Sale proceeds of investments	4	500,000	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(2,497,807)**	**(7,728,316)**	**(4,591,297)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Loans	31	(3,392,147)	(3,548,881)	(3,140,442)
Contributions from Project Participants for loan repayments		2,767,613	2,536,791	2,257,756
Proceeds from New Loans	31	-	3,300,000	5,700,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(624,534)**	**2,287,910**	**4,817,314**
NET INCREASE (DECREASE) IN CASH HELD		**3,079,336**	**(3,230,553)**	**1,910,222**
Cash and Cash Equivalents at Beginning of year	13(a)	4,889,237	4,889,237	2,979,015
CASH AND CASH EQUIVALENTS AT END OF YEAR	13(a)	**7,968,573**	**1,658,684**	**4,889,237**

This statement is to be read in conjunction with the accompanying notes.

12 / FINANCIAL REPORT (CONT.)

The significant accounting policies which have been adopted in the preparation of this financial report are:

a. Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations.

The report has also been prepared on the accrual basis under the convention of historical cost accounting modified, where applicable, by measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

b. The Local Government Reporting Entity

All Funds through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 18 to this financial report.

c. Goods and Services Tax

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the Statement of Financial Position are stated inclusive of applicable GST.

d. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Bank overdrafts are shown as short term borrowings in current liabilities on the statement of financial position.

e. Trade and Other Receivables

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

f. Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

g. Fixed Assets

Each class of fixed assets is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed includes the cost of all materials used in construction, direct labour on the project and an appropriate portion of variable and fixed overheads.

Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits of the asset.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases in the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ materially from that determined using fair value at reporting date.

h. Depreciation of Non-Current Assets

All non-current assets having a limited useful life where the cost / fair value exceeds $2,000 for furniture, computer and electronic equipment, $5,000 for vehicles, mobile plant and equipment, and $10,000 for fixed plant and equipment, buildings and infrastructure assets are systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

Depreciation is recognised on a straight line basis, using rates which are reviewed each reporting period. The fair value of leasehold improvements is capitalised and the fair value is amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Major depreciation periods are:

Computer Equipment - 3 to 5 years
Furniture and Equipment - 5 to 10 years
Plant and Equipment - 4 to 15 years
Leasehold Improvements - 10 to 50 years
Freehold Buildings - 40 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

i. Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or at cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

12 / FINANCIAL REPORT (CONT.)

Amortised cost is calculated as:

- the amount in which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method; and
- less any reduction for impairment.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period (classified as non-current assets).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets). If the Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets, are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets).

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

j. Estimation of Fair Value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

k. Impairment

In accordance with Australian Accounting Standards, the Council's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 'Impairment of Assets' and appropriate adjustments made.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in the Statement of Comprehensive Income.

l. Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid and arise when the Council becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

m. Employee Benefits

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)

The provision for employees' benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the Council has a present obligation to pay resulting from employees services provided to reporting date.

The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

Long Service Leave (Long-term Benefits)

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

n. Borrowing Costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

o. Provisions

Provisions are recognised when;

- The Council has a present legal or constructive obligation as a result of past events,
- for which it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Provisions are not recognised for future operating losses.

p. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Council, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with thelessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

12 / FINANCIAL REPORT (CONT.)

q. Grants, Donations and other contributions

Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

r. Superannuation

The Council contributes to a number of Superannuation Funds on behalf of employees. All the funds are defined contribution schemes.

s. Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

t. Rates

The Council does not levy rates. Accordingly the rating statement and information as required by the Local Government Act (Financial Management Regulations) has not been presented in these financial reports.

u. Participants Contribution

The Participants contributions towards the Regional Resource Recovery Centre (RRRC) is treated as an equity contribution. The Participants Equity is also credited when loans are taken which are guaranteed by SMRC/ RRRC participants. The corresponding liability of participants is shown as a receivable.

However, when loans are repaid by the Council without seeking funds from the project participants, the receivables and equity are reduced by the amount of loans repaid.

v. Rounding of amounts

All figures shown in this financial report are rounded to the nearest dollar.

w. Comparative Figures

Where required, comparative figures have been adjusted to conform to the changes in presentation of the current financial year.

x. Budget Comparative Figures

Unless otherwise stated, the budget comparative figures shown in the financial report relate to the approved revised budget estimate for the relevant item of disclosure.

y. New Accounting Standards and Interpretations for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2011. Council's assessment of these new standards and interpretations is set out below:

	TITLE AND TOPIC	ISSUED	APPLICABLE*	IMPACT
(i)	AASB 9 Financial Instruments	December 2009	1 January 2013	Nil - The objective of this standard is to improve and simplify the appraoch for classification and meausurement of financial assests compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not aticipated the standard will have any material effect.
(ii)	AASB 124 - Related Party Disclosures	December 2009	1 January 2011	It is not anticipated that this standard will have any material effect on the Financial Reports of the Council.
(iii)	AASB 1053 - Appication of Tiers of Australian Accounting Standards	June 2010	1 July 2013	Nil - Due to its nature and statutory requirements the Council will be deemed a Tier 1 entity and will continue to prepare general purpose financial statements.
(iv)	AASB 2009 - 12 Amendments to Australian Accounting Standards (AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023, AND 1031, and Interoretations 2, 4 16, 1039 and 1052)	December 2009	1 January 2011	Nil - The revisions embodied in this standard relate to standards which do not apply to local government (i.e. AASB8) or are largely editorial in nature and will have minimal effect (if any) on the accounting practices of the Council.
(v)	AASB 2009 - 11 Amendements to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12)	December 2009	1 January 2013	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer 1. above)
(vi)	AASB 2010 - 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, and 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 and 1052)	June 2010	1 July 2013	Nil - None of these amendments will have any effect on the financial report as the standard does not apply in the case of general purpose financial staements.

* Applicable to reporting periods commencing on or after the given date.

12 / FINANCIAL REPORT (CONT.)

y. New Accounting Standards and Interpretations for Application in Future Periods (Cont.)

	TITLE AND TOPIC	ISSUED	APPLICABLE*	IMPACT
(vii)	AASB 2010 - 4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134, and Interpretation 13]	June 2010	1 January 2011	Nil - The revisions are part of the AASB's annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFRSs. It is not anticipated these will have any effect on the Council.
(viii)	AASB 2010 - 5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 and 1042]	October 2010	1 January 2011	Nil - The revisions embodied in this standard are largely editorial in nature or relate to standards not applicable to the Council and will have minimal effect (if any) on the accounting practices of the Council.
(ix)	AASB 2010 - 6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 and 7]	November 2010	1 July 2011	Nil - The revisions embodied in this standard amend disclosures required on transfers of financial assets. The Council is not expected to have any qualifying transfers.
(x)	AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	December 2010	1 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(xi)	AASB 2010 - 8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]	December 2010	1 January 2012	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
	AASB 2010 - 9 Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	December 2010	1 July 2011	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
	AASB 2009 – 14 Amendments to Australian Interpretations – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	December 2009	1 January 2011	
	AASB 2010 - 10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopter [AASB 2009 - 11 & 2010 - 7]	December 2010	1 January 2013	

* Applicable to reporting periods commencing on or after the given date.

z. Adoption of New and Revised Accounting Standards

The principal standards and interpretations that have been adopted for the first time in these financial statements are:

AASB 2009 - 5

AASB 2009 - 8

AASB 2009 - 10

AASB 2009 - 13

AASB 2010 - 1

AASB 2010 - 3

Interpretation 19

The standards adopted had a minimal effect on the accounting and reporting practices of the Council as they were either largely editorial in nature, or revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

12 / FINANCIAL REPORT (CONT.)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

2 REVENUE AND EXPENSES	2011	2010
	$	$
(a) Result from Ordinary Activities		
The Result from Ordinary Activities includes:		
(i) Charging as Expenses:		
Auditors Remuneration		
- Audit	13,000	18,550
- Accounting Advice	3,000	-
- Other Services	1,765	-
	17,765	18,550
Amortisation		
Leasehold Improvements	1,276,918	1,268,649
	1,276,918	1,268,649
Depreciation		
Computer Equipment	50,915	46,665
Furniture and Equipment	17,797	20,433
Plant and Equipment	2,638,039	2,434,002
Freehold Buildings	32,935	32,935
	2,739,686	2,534,035
TOTAL AMORTISATION AND DEPRECIATION	4,016,604	3,802,684
RENTAL CHARGES - OPERATING LEASES	828,726	805,482

(ii) Crediting as Revenues:	2011	2011	2010
Interest Earnings	$	BUDGET $	$
- Reserve Funds	154,736	72,000	106,093
- Reserve Funds	111,242	10,000	14,699
- Other Funds	265,978	82,000	120,792

(b) Statement of Objective

The regional purposes for which the Regional Local Government is established are:

(a) to plan, coordinate and implement the removal, processing, treatment and disposal of waste for the benefit of the communities of the participants;

(b) to influence local, state and federal governments in the development of regional waste management policies and legislation.

The objectives of the Regional Local Government shall be:

(a) without loss being incurred by the Regional Local Government, to carry out the regional purposes so that services and facilities are provided to the consumer at a reasonable cost and with due regard for community needs;

(b) to reduce the quantity of waste disposed at landfill sites in accordance with targets set by the Regional Local Government.

The Council operations as disclosed in this report encompass the following service orientated programs:

GOVERNANCE

Administration and operation facilities and services to Members of Council, other costs that relate to tasks of assisting the member councils and the public on matters which do not concern specific council services. In accordance with legislative changes effective 1 July 1997, the General Administration costs have been allocated to the various programs of the Council to reflect the true cost of the services provided. Directly attributable administration costs have been recorded in the relevant program while indirect costs have been allocated on the basis of Administration staff timesheets.

COMMUNITY AMENITIES

To provide environmentally friendly waste management facilities to consumers at a competitive cost, mindful of community requirements, whilst aiming to greatly reduce the quantity of waste disposed at landfill sites. This includes the Regional Resource Recovery Centre at Canning Vale which is a Major Commercial Business Undertaking.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

2 REVENUE AND EXPENSES (CONT.)	2011 $	2010 $
(c) Conditions Over Grants / Contributions		
Grants which were recognised as revenues in the previous reporting period, which were not expended at the close of the previous reporting period:		
Glass Contamination Reduction Programme	10,000	10,000
Zero Waste Plan	76,462	76,462
Residential Target Action Programme	4,145	4,145
Climate Actions	-	-
Local Adaptations Pathways Programme	-	9,326
	90,607	99,933
Add: New Grants which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.		
Glass Contamination Reduction Programme	-	-
Zero Waste Plan	-	-
Residential Target Action Programme	-	-
Climate Actions	-	-
Local Adaptations Pathways Programme	-	-
Less: Grants which were recognised as revenues in the previous reporting period and which were expended in the current reporting period in the manner specified by the contributor.		
Glass Contamination Reduction Programme	-	-
Zero Waste Plan	-	-
Residential Target Action Programme	-	-
Climate Actions	-	-
Local Adaptations Pathways Programme	-	9,326
Closing Balance of Unspent Grants	90,607	90,607
Comprises:		
Glass Contamination Reduction Programme	10,000	10,000
Zero Waste Plan	76,462	76,462
Residential Target Action Programme	4,145	4,145
Climate Actions	-	-
Local Adaptations Pathways Programme	-	-
	90,607	90,607
3. CASH AND CASH EQUIVALENTS		
Cash on Hand	750	750
Cash at Bank	1,325,484	646,054
Call Deposits	2,114,852	2,242,433
Short Term Deposits	4,527,487	2,000,000
	7,968,573	4,889,237
Unrestricted	2,876,061	723,167
Restricted	5,092,512	4,166,070
	7,968,573	4,889,237

12 / FINANCIAL REPORT (CONT.)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011		
3. CASH AND CASH EQUIVALENTS (CONT.)	**2011**	**2010**
	$	**$**
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Unspent Grants	90,607	90,607
Unspent Loans	1,026,000	2,452,559
Retention and Bonds	119,727	89,987
Reserve Fund - RRRC Plant	2,606,577	1,463,316
Reserve Fund - RRRC Infrastructure	1,199,601	39,601
Reserve Fund - Conference Reserve	50,000	30,000
	5,092,512	4,166,070
4. INVESTMENTS		
Financial assets at fair value through profit or loss	-	450,000
Financial assets at fair value through profit or loss		
Balance as at beginning of the year	450,000	450,000
Additions during the year	-	-
Revaluations to Income Statement	(25,000)	-
Realised Income to Income Statement	75,000	-
Disposals during the year	(500,000)	-
Balance as at end of the year	-	450,000
Held for Trading		
FRNs	-	425,000
CDOs	-	25,000
Total	-	450,000
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Reserve Fund - RRRC Plant	-	450,000
Unspent Loans	-	-
Retention and Bonds	-	-
Total	-	450,000
5. TRADE AND OTHER RECEIVABLES		
Current		
Sundry Debtors	1,335,807	1,478,569
Accrued Income (refer note 27)	15,796,074	13,894,860
Prepaid expenses	74,028	12,000
Loan Debtors - Project Participants	13,582,317	12,800,287
	30,788,226	28,185,716
Non-Current		
Loan Debtors - Project Participants	36,155,165	40,329,342
	36,155,165	40,329,342
6. INVENTORIES		
Stock on Hand - Fuel	15,499	6,079
Stock on Hand - RRRC Critical Spares	234,244	234,852
	249,743	240,931

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

7. PROPERTY, PLANT AND EQUIPMENT

	2011 $	2010 $
RRRC Leasehold Improvements -at Fair Value	22,959,135	22,959,135
RRRC Leasehold Improvements -at Cost (In 2008 to 2011)	1,115,502	330,088
Less Accumulated Amortisation	(5,030,685)	(3,753,767)
At Fair Value & Cost less Accumulated Amortisation	19,043,952	19,535,456
Freehold Land and Buildings -at Fair Value	2,170,000	2,170,000
Freehold Land and Buildings -at Cost (In 2008 and 2009)	7,409	7,409
Less Accumulated Depreciation	(133,760)	(100,825)
At Fair Value & Cost less Accumulated Amortisation	2,043,649	2,076,584
Information Technology Equipment - at cost	474,203	468,816
Less Accumulated Depreciation	(428,412)	(377,497)
	45,791	91,319
Furniture and Equipment - at cost	298,329	291,708
Less Accumulated Depreciation	(241,309)	(223,512)
	57,020	68,196
Plant and Equipment - at cost	32,514,115	30,472,248
Less Accumulated Depreciation	(14,462,699)	(12,084,241)
	18,051,416	18,388,007
Capital Work-in-progress - at cost	753,163	822,150
Total Property, Plant and Equipment	39,994,991	40,981,712

MOVEMENTS IN CARRYING AMOUNTS

Movements in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	LEASEHOLD IMPORVEMENTS	FREEHOLD LAND & BUILDINGS	INFORMATION TECHNOLOGY EQUIPMENT	FURNITURE & EQUIPMENT	PLANT & EQUIPMENT	CAPITAL WORK-IN-PROGRESS	TOTAL PROPERTY PLANT AND EQUIPMENT
Balance at the beginning of the year	19,535,456	2,076,584	91,319	68,196	18,388,007	822,150	40,981,712
Additions	233,807	-	5,387	6,621	2,087,409	710,765	3,043,989
Disposals (note 25)	-	-	-	-	(14,106)	-	(14,106)
Reclassification	551,607	-	-	-	228,145	(779,752)	-
Depreciation/Amortisation expense	(1,276,918)	(32,935)	(50,915)	(17,797)	(2,638,039)	-	(4,016,604)
Increase due to Revaluation at fair values	-	-	-	-	-	-	-
Carrying amount at the end of year	19,043,952	2,043,649	45,791	57,020	18,051,416	753,163	39,994,991

Freehold Land and Buildings and Leasehold improvements Valuation

Freehold Land and Buildings and Leasehold improvements were revalued at fair values as on 30 June 2007 by AVP Valuers, an independent valuer. The Revaluation Surplus was credited to Asset Revaluation Reserve.

The assets involved in revaluation were valued at the amount for which the asset could be exchanged between knowledgeable and willing parties in an arm's length transaction. The valuation is on a presumption that the entity is a going concern without any intention or need to liquidate its operation or undertakes the sale of assets on adverse terms. The fair vale is measured havingregard to the highest and best use of the asset for which market participants would be prepared to pay.

The assets involved in revaluation were valued at the amount for which the asset could be exchanged between knowledgeable and willing parties in an arm's length transaction. The valuation is on a presumption that the entity is a going concern without any intention or need to liquidate its operation or undertakes the sale of assets on adverse terms. The fair vale is measured having regard to the highest and best use of the asset for which market participants would be prepared to pay.

8. TRADE AND OTHER PAYABLES

Current	2011 $	2010 $
Sundry Creditors	1,979,459	4,099,457
Accrued Expenses	468,993	504,843
GST Payable	127,525	44,906
Accrued Salaries and Wages	127,175	134,741
Accrued Loan Interest	8,193	9,095
Retention and Bonds	119,727	89,987
	2,831,072	4,883,029

12 / FINANCIAL REPORT (CONT.)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

9. LONG TERM BORROWINGS	2011	2010
	$	$
Current		
Debentures	13,582,317	12,800,287
	13,582,317	12,800,287
Non Current		
Debentures	36,155,165	40,329,342
	36,155,165	40,329,342

Additional detail on Debentures is provided in Note 31

The Council has two lending facilities for the following projects:

(a). The Regional Resource Recovery Centre Loan Limit $ 55 M

The RRRC Project Participants has guaranteed by way of security, to the Western Australian Treasury Corporation, a charge over its general funds for the share of any outstanding debenture borrowings provided for the RRRC Project.Former / Present Participants limit of its share of the loan liability is as follows;

	2011	2010		
City of Canning (Withdrawn from 30 June 2010)	27.98%	27.98%	13,411,530	14,360,556
City of Cockburn	26.95%	26.95%	12,920,211	13,834,470
Town of East Fremantle	2.42%	2.42%	1,161,679	1,243,882
City of Fremantle	8.99%	8.99%	4,308,935	4,613,843
City of Melville	33.66%	33.66%	16,135,127	17,276,878
			47,937,482	51,329,629

(b). Administration Building (9 Aldous Place, Booragoon) Loan Limit $2M.

The SMRC Participants has guaranteed by way of security, to the Western Australian Treasury Corporation, a charge over its general funds for the share of any outstanding debenture borrowings provided for the SMRC Administration building at 9 Aldous Place, Booragoon. WA 6154. Former / Present Participants limit of its share of the loan liability is as follows;

	2011	2010		
City of Canning (Withdrawn from 30 June 2010)	-	20.14%	-	362,520
City of Cockburn	24.30%	19.40%	437,400	349,200
Town of East Fremantle	2.18%	1.74%	39,240	31,320
City of Fremantle	8.10%	6.47%	145,800	116,460
Town of Kwinana	7.57%	6.04%	136,260	108,720
City of Melville	30.34%	24.23%	546,120	436,140
City of Rockingham	27.51%	21.98%	495,180	395,640
			1,800,000	1,800,000

10. PROVISIONS		
Current		
Provision for Annual Leave	256,058	254,677
Provision for Long Service Leave	115,408	97,654
	371,466	352,331
Non Current		
Provision for Long Service Leave	151,273	102,213
	151,273	102,213

The charge (credit) to the operating result for the movement in the provision for employee entitlements during the year was $68,195 (2010, Credit $5,352)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

	2011	2011 BUDGET	2010
	$	$	$

11. RESERVES- CASH BACKED

In accordance with the Council resolutions in relation to each reserve account, the purpose for which the funds are set aside are as follows:

RRRC Plant Reserve - to be used to fund the purchase of plant and equipment for the Canning Vale RRRC Project as per the adopted budget- Ongoing

RRRC Contingency & Development Reserve - to be used to fund the capital expenditure requirements and/or loan borrowings for the Canning Vale RRRC Project and to be utilised as per the adopted budget- Ongoing

RRRC Travel and Conference Reserve - to be used to fund the requirements for staff and Councillors' travel and conference attendance - Ongoing

	2011 $	2011 BUDGET $	2010 $
(a) RRRC Plant Reserve			
Balance as at 1 July	1,913,316	1,913,316	2,737,256
Transfers to Reserve	820,000	1,018,000	1,176,060
Transfers from Reserve	(126,739)	(1,040,000)	(2,000,000)
Balance as at 30 June	2,606,577	1,891,316	1,913,316
(b) RRRC Contingency & Development Reserve			
Balance as at 1 July	39,601	39,601	39,601
Transfers to Reserve	1,160,000	-	-
Transfers from Reserve	-	-	-
Balance as at 30 June	1,199,601	39,601	39,601
(c) Travel and Conference Reserve			
Balance as at 1 July	30,000	30,000	30,000
Transfers to Reserve	20,000	-	-
Transfers from Reserve	-	-	-
Balance as at 30 June	50,000	30,000	30,000
Total Reserves- Cash backed	3,856,178	1,960,917	1,982,917

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

	2011 $	2011 BUDGET $	2010 $
SUMMARY OF RESERVE TRANSFERS			
Transfers To Reserves- Cash Backed			
RRRC Plant Reserve	820,000	1,018,000	1,176,060
RRRC Contingency & Development Reserve	1,160,000	-	-
Travel and Conference Reserve	20,000	-	-
	2,000,000	1,018,000	1,176,060
SUMMARY OF RESERVE TRANSFERS			
Transfers from Reserves- Cash Backed			
RRRC Plant Reserve	(126,739)	(1,040,000)	(2,000,000)
RRRC Contingency & Development Reserve	-	-	-
Travel and Conference Reserve	-	-	-
	(126,739)	(1,040,000)	(2,000,000)
Net Reserve Movement (Cash Backed)	1,873,261	(22,000)	(823,940)

12 / FINANCIAL REPORT (CONT.)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

	2011	2011 BUDGET	2010
	$	$	$
12. ASSET REVALUATION RESERVE			
In accordance with the Council resolution, this non-cash backed reserve cannot be used except for adjustment to fixed assets on their revaluation, disposal or write-off.			
(a) Freehold Land and Building			
Balance as at 1 July	425,712	425,712	425,712
Increments / (Decrements)	-	-	-
Balance as at 30 June	425,712	425,712	425,712
(b) Leasehold Improvements			
Balance as at 1 July	7,830,880	7,830,880	7,830,880
Transfer to Retained Surplus on disposal	-	-	-
Balance as at 30 June	7,830,880	7,830,880	7,830,880
Total Asset Revaluation Reserve	8,256,592	8,256,592	8,256,592
13. NOTES TO THE CASH FLOW STATEMENT			
(a) Reconciliation of Cash			
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks andinvestments, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:			
Cash on Hand	750	750	750
Cash at Bank	1,325,484	257,934	646,054
Call Deposits	2,114,852	1,400,000	2,242,433
Short Term Deposits	4,527,487	-	2,000,000
	7,968,573	1,658,684	4,889,237
(b) Reconciliation of Net Cash Provided By Operating Activities to Change in Net Assets Resulting from Operation			
Change in Net Assets Resulting from Operations	6,080,203	(2,194,910)	(3,797,670)
Add / (Less):			
Depreciation	4,016,604	4,119,000	3,802,684
(Profit)/Loss on Investments	(75,000)	-	-
(Profit)/Loss on Sale / Disposal of Asset	(32,076)	-	1,109,443
(Increase)/Decrease in Receivables	(1,758,452)	(359,929)	300,379
(Increase)/Decrease in Prepaid Expenses	(62,028)	-	71,198
(Increase)/Decrease in Inventories	(8,812)	931	308,977
Increase/(Decrease) in Creditors and Accruals	(2,051,957)	631,971	(105,454)
Increase/(Decrease) in Employee Provisions	68,195	12,790	(5,352)
Revaluations of Investments valued at fair value through profit or loss	25,000	-	-
Net Cash from Operating Activities	6,201,677	2,209,853	1,684,205

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

	2011	2010
	$	$
13.NOTES TO THE CASH FLOW STATEMENT (CONT.)		
(c) Credit Standby Arrangements		
Credit Card limit	44,000	52,000
Credit Card balance at reporting date	(1,960)	(14,607)
Total Amount of Credit Unused	42,040	37,393
(d) Loan Facilities		
Loan Facilities - Current	13,582,317	3,457,296
Loan Facilities - Non-Current	36,155,165	49,672,333
Total Facilities in Use at reporting date	49,737,482	53,129,629
Unused Loan Facilities at reporting date	-	-
14. CAPITAL AND LEASING COMMITMENTS		
(a) Capital Expenditure Commitments		
Capital expenditure commitments contracted for as at the reporting date and which have not been recognised as liabilities in the Statement of Financial Position as follows:		
Regional Resource Recovery Centre Contracts	34,740	1,090,381
Payable:		
- not later than one year	34,740	1,090,381
	34,740	1,090,381
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	766,544	1,010,856
- later than one year but not later than two years	725,973	974,603
- later than two years but not later than five years	1,964,819	2,737,621
- later than five years	14,000,000	13,500,000
	17,457,336	18,223,080

15.CONTINGENT LIABILITIES

There were no claims or pending claims or any other contingent liabilities as at the reporting date. (2010- Nil)

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY		
Community Amenities	115,156,698	115,076,938
	115,156,698	115,076,938

12 / FINANCIAL REPORT (CONT.)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

	2011	2011 BUDGET	2010
	$	$	$
17. COUNCILLORS' REMUNERATION			
The following fees, expenses and allowances were paid to the Council members, the Chairman and Deputy Chairman.			
Meeting Fees	49,000	50,000	56,000
Chairman & Deputy Chairman Allowances	12,500	12,500	12,500
Other Allowances	6,000	7,000	7,000
Other reimbursements	-	500	800
	67,500	70,000	76,300

18.TRUST FUNDS

The Council does not have any trust funds
on hand as at 30 June 2011. (As on 30 June 2010- Nil)

19. BUDGET COMPARISON		2011	2011 BUDGET
		$	$
(a) Operating Income and Expenditure			
Recycling Facility Surplus / (Deficit)		1,309,832	1,310,180
Waste Composting Facility Surplus / (Deficit)	1	1,604,481	620,000
Green Waste Facility Surplus / (Deficit)		4,959	-
Depreciation on non-current assets		(4,016,604)	(4,119,000)
Fair value adjustment to financial assets at fair value		(25,000)	
Profit / (Loss) of disposal of Plant & Equipment		32,076	-
Profit / (Loss) of disposal of Investments		75,000	-
MRF Insurance Reimbursements	2	6,451,283	
Others	3	644,176	(6,090)
		6,080,203	(2,194,910)

Comments - Reasons for variations from budgeted amounts:

1.Operational efficiencies and savings in costs.

2.MRF Fire claim of June 2009 finalised. (Refer Note 27)

3.Higher Interest income and savings in cost

(b) Non Operating Income and Expenditure

The following is a comparison of non-operating income and expenditure not included in the operating statement:

Non Operating Income			
Proceeds on sale of assets		46,182	60,000
Loans raised	1	-	3,300,000
Loan Principal Contributions		2,767,613	2,536,791

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

19. BUDGET COMPARISON (CONT.)		2011	2011 BUDGET
		$	$
Principal repayment of loans		3,392,147	3,548,881
Construction/purchase of assets:			
Land and Buildings		-	-
Furniture and Equipment		6,621	-
Computers and Equipment		5,387	7,000
Plant and Equipment	2	2,087,409	3,652,592
Leasehold Improvements	2	233,807	641,923
Capital Work-in-progress	1	710,765	16,226,801

Comments - Reasons for variations from budgeted amounts:

1.MRF rebuild expenditure could not be incurred due to delay in finalisation of MRF Insurance Claim.

2.These projects will be completed in 2010-11. Incomplete jobs are shown under the head Capital Work-in-progress.

20. MAJOR TRADING UNDERTAKING

REGIONAL RESOURCE RECOVERY CENTRE (RRRC), CANNING VALE

This project is undertaken on behalf of the SMRC's five participating councils. The $55 m project funded by borrowings and payable over 10-20 years by the five participants, involves the construction of an administration and visitors centre, weighbridge, greenwaste processing and waste composting and recycling facility. Operating revenues is received from gate fees from participants / the private sector and sale of materials. Accounting for this undertaking is in accordance with the Local Government (Financial Management) Amendment Regulations 9 & 45.

INCOME STATEMENT	2011	2011 BUDGET
	$	$
Revenues from Ordinary Activities		
Education & Marketing	217,864	434,324
RRRC Admin & Weighbridge	81,995	307
Recycling	2,980,797	1,439,197
Greenwaste	1,184,414	1,381,656
Waste Compost	13,669,127	13,816,276
Business Development	8,100	-
Waste Audit Service	-	5,069
Contributions for interest on loans	2,784,653	2,593,319
Profit on sale of Assets	28,000	65,000
MRF Insurance Reimbursements	6,451,283	
	27,406,233	19,735,148
Less Expenses from Ordinary Activities		
Education & Marketing	147,983	465,362
RRRC Admin & Weighbridge	(335,678)	(214,398)
Recycling	1,387,556	1,136,737
Greenwaste	1,317,591	1,309,153
Waste Compost	15,660,614	16,145,228
Business Development	271,640	259,744
Waste Audit Service	115,758	120,656
Loss on sale of Assets	-	1,174,443
	18,565,464	20,396,925
Less Borrowing Cost Expense		
RRRC Property	3,126,501	3,139,978
Net Profit or (Loss)	5,714,268	(3,801,755)

12 / FINANCIAL REPORT (CONT.)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

20. MAJOR TRADING UNDERTAKING (CONT.)	2011	2010
	$	$
BALANCE SHEET		
Current Assets		
Cash and Cash Equivalents	6,953,703	4,567,273
Investments	-	-
Trade and Other Receivables	30,649,163	18,717,993
Inventories	249,743	240,931
Total Current Assets	37,852,609	23,526,197
Non-Current Assets		
Trade and Other Receivables	34,355,165	47,872,333
Property, Plant and Equipment	18,855,522	19,286,458
Leasehold Improvements	19,043,952	19,535,456
Total Non-Current Assets	72,254,639	86,694,247
Total Assets	110,107,248	110,220,444
Current Liabilities		
Trade and Other Payables	2,633,866	4,462,177
Borrowings - current portion	13,582,317	3,457,296
Provisions	144,064	158,313
Total Current Liabilities	16,360,247	8,077,786
Non-Current Liabilities		
Borrowings - non-current portion	34,355,165	47,872,333
Provisions	97,444	65,667
Total Non-Current Liabilities	34,452,609	47,938,000
Total Liabilities	50,812,856	56,015,786
Net Assets	59,294,392	54,204,658
Equity		
Opening Balance	54,204,658	53,189,099
RRRC Participants Contribution towards Equity	-	5,700,000
Retained Surplus/(Deficit) for year	5,714,268	(3,801,755)
Less: Loans repaid from Equity	(624,534)	(882,686)
Total Equity	59,294,392	54,204,658

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

	2011	2010
	$	$
21. ECONOMIC DEPENDENCY		
A significant portion of revenue is received from the members as contributions as disclosed in note 22 and also in form of RRRC Gate fees as indicated in the note 23.		
22. GRANTS, SUBSIDES AND CONTRIBUTIONS		
Grants, Subsidies and Contributions are included as in the Statement of Comprehensive Income		
By Programme:		
Governance		
Annual Member's Contributions	304,567	451,945
Reimbursements	29,125	-
Community Amenities		
Annual Member's Contributions	675,988	637,525
Member's Contributions towards interest	2,784,653	2,593,319
Grants	8,100	107,725
Insurance and Other Reimbursements	9,520,528	1,504,577
	13,322,961	5,295,091
By Nature or Type:		
Operating Grants, Subsidies and Contributions	6,871,678	5,295,091
Non-operating Grants, Subsidies and Contributions	6,451,283	-
	13,322,961	5,295,091
23. FEES AND CHARGES		
Community Amenities		
RRRC Gate Fees	14,685,040	14,794,996
Sale of Products	165,811	378,148
Others	-	39,393
	14,850,851	15,212,537

12 / FINANCIAL REPORT (CONT.)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

	2011	2010	2009
24. FINANCIAL RATIOS			
Current Ratio	2.035	1.624	2.001
Debt Ratio	0.461	0.508	0.502
Debt Service Ratio	0.266	0.278	0.226
Gross Debt to Revenue Ratio	1.993	2.307	1.876
Untied Cash to Trade Creditors Ratio	1.453	0.176	0.005
Gross Debt to Economically Realisable Assets Ratio	0.432	0.462	0.453

The Regional Council does not levy rates and the Rate Coverage Ratio and Outstanding Rates Ratio are not applicable. The above rates are calculated as follows:

Current Ratio:

Purpose: To assess adequacy of working capital and the ability to satisfy short-term obligations.

$$\frac{\text{Current assets minus restricted current assets}}{\text{Current liabilities minus liabilities associated}}$$

Debt Ratio:

Purpose: To identify exposure to debts by measuring the proportion of assets funded by creditors.

$$\frac{\text{Total liabilities}}{\text{Total assets}}$$

Debt Service Ratio:

Purpose: To assess the ability to service debt (principal and interest) out of available operating revenue.

$$\frac{\text{Debt Service Cost(Principal \& Interest}}{\text{Available operating revenue}}$$

Gross Debt to Revenue Ratio:

Purpose: To assess the ability to service debt in any given year out of total revenue.

$$\frac{\text{Gross Debt}}{\text{Total revenue}}$$

Untied Cash to Trade Creditors Ratio:

Purpose: To assess the capacity to pay trade creditors with normal trading terms and conditions.

$$\frac{\text{Untied Cash}}{\text{Unpaid Trade Creditors}}$$

Gross Debt to Economically Realisable Assets Ratio:

Purpose: To assess whether there are sufficient realisable assets to cover the total debts.

$$\frac{\text{Gross Debt}}{\text{Economically realisable assets}}$$

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

	NET BOOK VALUE		SALE PRICE		PROFIT (LOSS)	
	Actual	Budget	Actual	Budget	Actual	Budget
25. DISPOSAL OF ASSETS - 2010/11 FINANCIAL YEAR						
ASSETS DISPOSED						
Office Vehicles	14,106	-	18,182	-	4,076	-
RRRC Mobile Plant	-	60,000	28,000	60,000	28,000	-
Total	14,106	60,000	46,182	60,000	32,076	-
BY PROGRAM						
Governance	14,106	-	18,182	-	4,076	-
Community Amenities	-	60,000	28,000	60,000	28,000	-
Total	14,106	60,000	46,182	60,000	32,076	-
BY CLASS						
Plant and Equipment	14,106	60,000	46,182	60,000	32,076	-
Total	14,106	60,000	46,182	60,000	32,076	-
SUMMARY						
Profit					32,076	-
Loss					-	-
					32,076	**-**

26. RATING INFORMATION

Being a Regional Council, no rates were raised during the year ended 30 June 2011 and in the year ended 30 June 2010.

27. MRF FIRE INSURANCE CLAIMS

The Accrued Income (Refer Note 5) includes MRF fire damage claims of $15,674,110 (2010: $13,765,044).
These claims are for fire accident(s) that took place in the financial year 2008-9.

28. CITY OF CANNING'S WITHDRAWAL FROM THE SMRC

(a)Pursuant to a resolution of the City of Canning on 19 February 2009, the City of Canning, as a Participant under the Establishment Agreement and Project Agreements, gave notice of its intention to withdraw from the SMRC effective from 30 June 2010. In line with the Agreements the City of Canning withdrew from SMRC with effect from that date.

(b)In accordance with the agreements, the City of Canning, as a Former Project Participant, shall continue to pay the borrowings until the borrowings have been repaid or satisfied. Accordingly the City of Canning will continue to pay their proportional loan liability of the RRRC Project as at 30 June 2011 at Note 9(a) amounting to $13,411,530 (2010: $14,360,556)

(c) RRRC Project Agreement states that the assets acquired from borrowings are to be valued only when the borrowings are fully repaid. The appropriate share of City of Canning in these assets is valued at current book values. The share of City of Canning in these assets is still shown as a part of Equity as the City of Canning is not currently entitled for the amount as per the RRRC Project Agreement

29. WINDING UP OF REGIONAL COMMUNITY GREENHOUSE GASES PROJECT OF SMRC

On 23 June 2011, the Council passed a resolution that the Regional Community Greenhouse Gases Project be wound up on 30 June 2011. While the winding up will be carried in line with the Establishment Agreement and relevant Project Agreement, it is not expected to have any significant impact on the operations or on the financial position of the SMRC.

30. NOTICE BY A PARTICIPANT OF AN INTENTION TO WITHDRAW FROM THE SMRC

Pursuant to a resolution of the City of Rockingham on 27 April 2011, the City of Rockingham, as a Participant under the Establishment Agreement and Office Accommodation Project Agreement, give a notice of its intention to withdraw from the SMRC effective from 30 June 2012. In line with the Office Accommodation Project, SMRC will prepare an amended Business Plan for the project having regard to the effect of the withdrawal of the City of Rockingham and will also arrive at amount payable or receivable from the City of Rockingham. This withdrawal is not expected to have any significant impact on the operations or on the financial position of the SMRC.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

31. INFORMATION ON BORROWINGS

(a) Loan Repayments

PARTICULARS	PRINCIPAL 1 JULY 2010	NEW/ REFINANCED LOANS	INTEREST REPAYMENTS BUDGET	INTEREST REPAYMENTS ACTUAL	PRINCIPAL REPAYMENTS BUDGET	PRINCIPAL REPAYMENTS ACTUAL	PRINCIPAL 30 JUNE 11
Community Amenities							
RRRC							
LOAN NO 1-23	1,443,724	-	89,896	89,896	93,752	93,751	1,349,973
LOAN NO 1-27	719,366	-	22,301	22,301	719,366	719,366	-
LOAN NO 1-28	720,343	-	40,317	40,317	48,457	48,457	671,886
LOAN NO 1-29	718,463	-	39,506	39,506	48,597	48,596	669,867
LOAN NO 1-30	724,754	-	40,065	40,065	48,942	48,941	675,813
LOAN NO 1-31	1,476,613	-	82,935	82,935	99,223	99,224	1,377,389
LOAN NO 1-32	1,397,115	-	84,793	84,793	1,397,115	1,397,115	-
LOAN NO 1-33	1,401,588	-	78,567	78,567	94,699	94,698	1,306,890
LOAN NO 1-34	1,553,792	-	94,809	94,809	102,247	102,248	1,451,544
LOAN NO 1-35	1,150,277	-	65,647	65,647	77,379	77,379	1,072,898
LOAN NO 1-37	2,174,327	-	120,162	120,162	169,038	169,039	2,005,288
LOAN NO 1-40	770,374	-	42,808	42,808	52,222	52,223	718,151
LOAN NO 1-41	787,445	-	45,974	45,974	52,566	52,565	734,880
LOAN NO 1-42	780,531	-	44,649	44,649	52,449	52,448	728,083
LOAN NO 1-43	1,386,745	-	79,351	79,351	95,617	95,617	1,291,128
LOAN NO 1-49	1,453,229	-	91,364	91,364	74,714	74,715	1,378,514
LOAN NO 1-50	860,083	-	52,889	52,889	44,639	44,639	815,444
LOAN NO 1-51	854,832	-	26,496	26,496	854,832	854,832	-
LOAN NO 1-52	5,705,365	-	337,715	337,715	674,516	674,516	5,030,849
LOAN NO 1-53	1,437,402	-	90,409	90,409	74,024	74,024	1,363,378
LOAN NO 1-55	2,303,471	-	79,781	79,781	2,303,470	2,303,471	-
LOAN NO 1-56	742,583	-	50,491	50,491	36,853	36,854	705,729
LOAN NO 1-57	741,236	-	50,399	50,399	36,787	36,784	704,452
LOAN NO 1-58	2,846,797	-	196,390	196,390	2,846,797	2,846,797	-
LOAN NO 1-59	644,736	-	47,389	47,389	30,814	30,813	613,923
LOAN NO 1-60	1,396,210	-	97,144	97,144	87,493	87,496	1,308,714
LOAN NO 1-61	2,221,334	-	160,735	160,735	106,971	106,971	2,114,363
LOAN NO 1-62	1,818,286	-	94,817	94,817	100,495	100,495	1,717,791
LOAN NO 1-63	1,824,980	-	112,195	112,195	94,653	94,654	1,730,326
LOAN NO 1-64	832,673	-	50,224	50,224	43,538	43,537	789,136
LOAN NO 1-65	1,935,592	-	118,999	118,999	100,390	100,390	1,835,202
LOAN NO 1-66	3,633,857	-	226,323	226,323	187,329	187,330	3,446,527
LOAN NO 1-67	1,453,602	-	96,000	86,297	88,000	76,414	1,377,188
LOAN NO 1-68	1,417,904	-	86,098	86,098	73,888	73,888	1,344,016
LOAN NO 1-69	-	1,529,132	48,000	41,069	44,000	1,529,132	-
LOAN NO 1-70	-	2,173,026	114,447	58,362	80,000	2,173,026	-
LOAN NO 1-71	-	5,497,321	83,095	-	127,130	-	5,497,321
LOAN NO 1-72	-	2,110,819	-	-	-	-	2,110,819
Office Accom.							
LOAN NO 2-3	1,800,000	-	58,410	-	1,800,000	1,800,000	-
LOAN NO 2-4	-	1,800,000	58,410	110,070	-	-	1,800,000
	53,129,629	13,110,298	3,400,000	3,237,436	13,063,002	16,502,445	49,737,482
Add: Accrued Interest			-	(902)			
Net Interest			3,400,000	3,236,534			
Less:Loans refinanced		13,110,298			9,514,121	13,110,298	
Net Borrowings/ Repayments					3,548,881	3,392,147	

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

31. INFORMATION ON BORROWINGS (CONT.)

(b) New / Refinanced Borrowings

PARTICULARS/ PURPOSE	AMOUNT BORROWED		INSTITUTION	LOAN TYPE	TERM (YRS)	TOTAL INTEREST & CHARGES	INTEREST RATE	AMOUNT USED		BALANCE UNSPENT
	BUDGET $	ACTUAL $						BUDGET $	ACTUAL $	$
Community Amenities										
RRRC Project										
LOAN NO 1-69 (Refinanced)	1,529,132	1,529,132	WATC	Debenture	0.50	41,069	5.31%	1,529,132	1,529,132	-
LOAN NO 1-70 (Refinanced)	2,173,026	2,173,026	WATC	Debenture	0.50	58,362	5.31%	2,173,026	2,173,026	-
LOAN NO 1-71 (Refinanced)	5,497,321	5,497,321	WATC	Debenture	0.50	144,850	5.21%	5,497,321	4,471,321	1,026,000
LOAN NO 1-72 (Refinanced)	2,110,819	2,110,819	WATC	Debenture	0.50	55,618	5.21%	2,110,819	2,110,819	-
Office Accom.										
LOAN NO 2-4 (Refinanced)	1,800,000	1,800,000	WATC	Debenture	2.00	206,640	5.64%	1,800,000	1,800,000	-
	13,110,298	13,110,298				506,539		13,110,298	12,084,298	1,026,000

(c) Unspent Loans

An amount of $ 1,026,000 (2010 $ 343,819) remained unspent out of the amount borrowed on the reporting date and is shown as a part of restricted cash.

(d) Overdraft

Council does not have an overdraft facility with its bankers.

(e) Reclassification of Current & Non-current borrowings / loan receivables of previous year.

As on 30 June 2010, the loans due for repayment within one year amounted to $12,800,287. This includes loans due for refinance amounting to $9,342,991. This amount was classified as non-current borrowings and receivables but should have been classified as current borrowings and receivables.

12 / FINANCIAL REPORT (CONT.)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

32. FINANCIAL RISK MANAGEMENT

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council. Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk. Financial risk management is carried out by the finance area under policies approved by the Council.

The Council held the following financial instruments at balance date:

	CARRYING VALUE		FAIR VALUE	
	2011 $	2010 $	2011 $	2010 $
Financial Assets				
Cash and cash equivalents	7,968,573	4,889,237	7,968,573	4,889,237
Receivables	66,943,391	68,515,058	63,722,371	64,912,473
Financial assets at fair value through profit or loss	-	450,000	-	450,000
	74,911,964	73,854,295	71,690,944	70,251,710
Financial Liabilities				
Payables	2,831,072	4,883,029	2,831,072	4,883,029
Borrowings	49,737,482	53,129,629	46,516,462	49,527,044
	52,568,554	58,012,658	49,347,534	54,410,073

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial Assets at Fair Value through profit and loss – based on quoted market prices at the reporting date or independent valuation.

(a)Cash and Cash Equivalents. Financial assets at fair value through profit or loss

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with investments is price risk – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

Cash and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns. Another risk associated with cash and investments is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Cash and Cash Equivalents (continued)
Financial assets at fair value through profit or loss (continued)

	2011 $	2010 $
Impact of a 10% (*) movement in price of investments:		
- Equity	-	45,000
- Income Statement	- (+)	45,000 (+)
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	49,285	25,483
- Income Statement	49,285	25,483

Notes:

(*) Sensitivity percentages based on management's expectation of future possible market movements. Recent market volatility has seen large market movements for certain types of investments.

(+) Maximum impact.

(b) Receivables

Council's major receivables comprise gate fees, sale of materials and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Council manages this risk by monitoring outstanding debt and employing debt recovery policies.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The Council has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the financial loss from defaults.

The Council makes suitable provision for doubtful receivables as required. There are no material receivables that have been subject to a re-negotiation of repayment terms. The profile of the Council's credit risk at balance date was:

	2011	2010
Percentage of Receivables		
-Current	99.50%	98.96%
-Overdue	0.50%	1.04%

(c) Payables and Borrowings

	DUE WITHIN 1 YEAR $	DUE BETWEEN 1 & 5 YEARS $	DUE AFTER 5 YEARS $	TOTAL CONTRACTUAL CASH FLOWS $	CARRYING VALUES $
2011		-	-		
Payables	2,831,072	-	-	2,831,072	2,831,072
Borrowings	16,281,432	34,622,783	7,699,800	58,604,015	49,737,482
	19,112,504	34,622,783	7,699,800	61,435,087	52,568,554
2010					
Payables	4,883,029	-	-	4,883,029	4,883,029
Borrowings	15,886,631	34,092,207	14,748,219	64,727,057	53,129,629
	20,769,660	34,092,207	14,748,219	69,610,086	58,012,658

12 / FINANCIAL REPORT (CONT.)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2011

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Payables and Borrowings (continued)

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	‹1 YEAR $	›1‹2 YEARS $	›2‹3 YEARS $	›3‹4 YEARS $	›4‹5 YEARS $	›5 YEARS $	TOTAL $	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %
2011								
Borrowings								
Fixed Rate								
Debentures	10,746,505	6,463,975	4,940,704	6,613,058	6,418,495	14,554,745	49,737,482	5.98%
Weighted Average								
Effective Interest Rate	5.53%	6.06%	6.58%	6.02%	5.99%	6.04%		
2010								
Borrowings								
Fixed Rate								
Debentures	9,921,580	3,348,806	5,014,259	5,226,713	7,002,162	22,616,109	53,129,629	6.21%
Weighted Average								
Effective Interest Rate	6.58%	6.24%	6.18%	6.57%	6.02%	6.01%		

13 / INDEPENDENT AUDIT REPORT

UHY Haines Norton
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SOUTHERN METROPOLITAN REGIONAL COUNCIL

Report on the Financial Report

We have audited the accompanying financial report of the Southern Metropolitan Regional Council, which comprises the statement of financial position as at 30 June 2011, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

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

Auditor's Opinion

In our opinion, the financial report of the Southern Metropolitan Regional Council is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including:

a giving a true and fair view of the Council's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

b. complying with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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UHY Haines Norton
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SOUTHERN METROPOLITAN REGIONAL COUNCIL
(Continued)

Statutory Compliance

During the course of our audit we became aware of the following instances where the Council did not comply with the Local Government (Financial Management) Regulations 1996 (as amended).

Annual Budget
The annual budget for the year ended 30 June 2011 was not submitted to the Executive Director of the Department of Local Government within 30 days of adoption as required by Financial Management Regulation 33.

Annual Financial Report
A copy of the annual financial report for the year ended 30 June 2010 was not submitted to the Director General of the Department of Local Government within 30 days of receipt of the auditor's report as required by Financial Management Regulation 51 (2).

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Council.

b) Except as detailed above, no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.

c) All necessary information and explanations were obtained by us.

d) All audit procedures were satisfactorily completed in conducting our audit.

UHY Haines Norton

UHY HAINES NORTON
CHARTERED ACCOUNTANTS

DAVID TOMASI
PARTNER

Date: 3 October 2011
Perth, WA

SOUTHERN **METROPOLITAN REGIONAL** COUNCIL