

ANNUAL REPORT

2004 - 2005



***SOUTHERN METROPOLITAN
REGIONAL COUNCIL***

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Aerial view of the Regional Resource Recovery Centre (RRRC)
Canning Vale, Western Australia

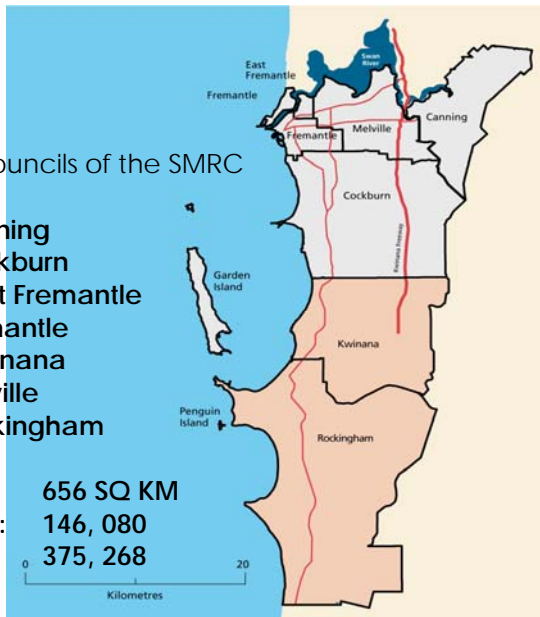
THE SOUTHERN METROPOLITAN REGIONAL COUNCIL

THE SMRC AT A GLANCE

Member Councils of the SMRC are the:

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

Land Area: 656 SQ KM
Households: 146, 080
Population: 375, 268



The Southern Metropolitan Regional Council (SMRC) is a statutory Western Australian Local Government Authority established to plan, develop, coordinate and implement sustainable waste management solutions and greenhouse gas abatement programs with, and for, its 7 member councils and their communities in the Perth Metropolitan Area.

Enabling Legislation

The Southern Metropolitan Regional Council is a regional local government. It was established pursuant to the Local Government Act 1960 on the 30 October 1991. By virtue of transitional provisions of the Local Government Act 1995, it is constituted as a regional local government under that Act.

On the 22 April 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 the Local Government Act 1995.

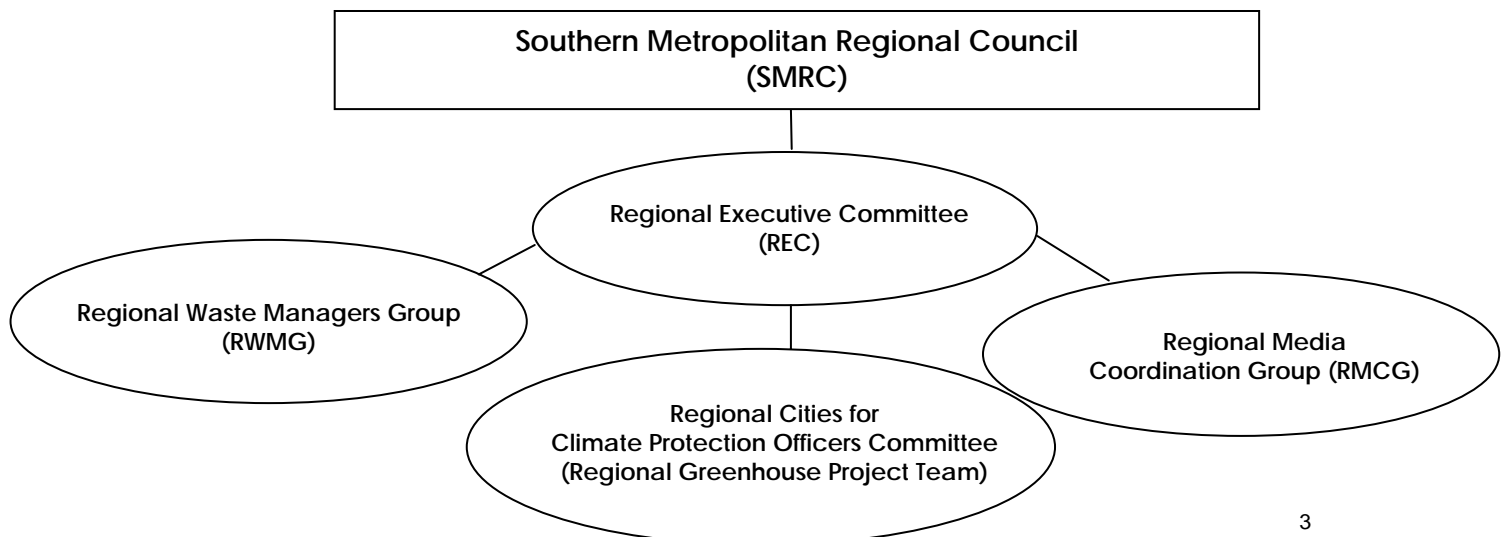
Structure

The Southern Metropolitan Regional Council comprises of one delegate from each member local government with equal voting rights, except the Chairman who may exercise a second vote where the vote is a tie.

The Council elects the Chairman every two years.

The Regional Council meets monthly, on the fourth Thursday of the month commencing at 5pm. Special Meetings may be held from time to time.

The Council has appointed an Executive Committee comprising of the Regional Council CEO and one senior officer with responsibility for waste management services from each Member Council's Senior Management Group.



CHAIRMAN'S REPORT



It has been a significant and challenging year for the Southern Metropolitan Regional Council. The processing of the region's recycling was a significant challenge for the SMRC, however, there have also been a number of achievements for the regional council in 2004/2005.

In August 2004, the Living Smart course, developed in partnership between the Meeting Place Community Centre, the City of Fremantle, Murdoch University and the SMRC, was awarded the Allen Strom Eureka Prize for Sustainability

Education. This highly successful course was recognised for its innovative approach to science communication. By using a holistic approach, participants are encouraged to understand sustainability issues and to set lifestyle goals for everything from home energy use to personal health and recreation. It is very pleasing to report that after winning this award SMRC staff have presented the course in each of the member councils areas.

In September 2004, six of the SMRC member councils renewed their regional greenhouse agreement. This year, for the first time, they were joined by the City of South Perth. The regional plan identifies a number of priority areas including reduced emissions from homes and businesses, greater community education and investigating alternative energy sources for transport and street lighting. By working together, the Regional Council and its member councils can make a significant difference to the health of our community today and in the future.

Beginning in January 2005, the SMRC faced perhaps its most difficult challenge, when the contractor responsible for processing the region's recycling went into voluntary administration and closed its material recovery facility in Canning Vale. Amid increasingly negative media coverage, my fellow regional councillors and SMRC staff conducted negotiations with the administrators while putting in place a contingency plan to continue recycling. I am proud to report the Regional Council continued to process, with the aid of the recycling industry and local government, the majority, approximately 70%, of the region's recycling during this time, despite a significant reduction in the processing capacity of the recycling industry in Perth.

In April 2005, it was my pleasure to present the inaugural SMRC Environmental Science Scholarship to Murdoch University environmental science undergraduate student Ms Kate Gibb. A stipulation of the scholarship is that the winner be from the SMRC area, Ms Gibb comes from Bitcon. With this three year scholarship, the Regional Council hopes to encourage more expertise in the fields of greenhouse gas abatement and waste management.

In May 2005, we reached a settlement with the administrators, and by June 2005 the SMRC was processing recycling at the Regional Resource Recovery Centre in Canning Vale. This was a difficult challenge for the Regional

Council, however I believe we have learned much and our services to the community and member councils will be the better for this experience.

Also in May 2005, the SMRC member councils all approved the SMRC's business plan for owning and operating its own materials recovery facility. I believe this will minimise the risk to the Regional Council, and prevent a repeat of the events of January – May 2005.

In June 2005, my fellow Regional Councillors elected me as Chairman of the SMRC. I would like to publicly acknowledge the leadership skills of my predecessor Cr Clive Robartson. The seven member councils in the SMRC have made significant progress under Cr Robartson's chairmanship. Cr Robartson has been instrumental in enabling the Regional Council to meet significant challenges and achieve important environmental outcomes for the community.

I would also like to recognise the dedication and commitment of two Regional Councillors, Cr Don Hogg from East Fremantle, and Cr Alan Hill from Rockingham, both of whom retired from the SMRC in 2005, after many years of dedicated service to the Regional Council. Their skills, advice and friendship will be sorely missed. I look forward to working with their successors, Cr Anne Prince from Rockingham, and Cr Peter Le May from East Fremantle, in 2005/2006.

The SMRC has faced challenges over the past year. Through the hard work and commitment of the SMRC staff and Regional Councillors these challenges have been met and overcome. I firmly believe the SMRC will continue to be recognised as a leader in resource recovery, waste management, and greenhouse gas abatement.

Cr Doug Thompson
CHAIRMAN

REGIONAL COUNCILLORS

Chairman, Cr Doug Thompson, City of Fremantle

Chairman of the Regional Council, Cr Thompson, has been a Fremantle City Councillor for over 15 years and has represented Fremantle on the Regional Council since 1994. He has been very involved in waste minimisation issues and was instrumental in testing out options for waste minimisation at Fremantle City Council in order to determine best practices.

Cr Thompson believes that cooperative work towards environmental solutions to waste problems is the most important issue facing local government. As such, he is actively committed to making a significant contribution to facilitating and ensuring cooperation between Councils for achievement of important environmental goals.



Deputy Chairman, Cr Clive Robartson OAM, City of Melville

Cr Robartson is a member of the State Waste Management Board and was past chairman of the Municipal Waste Advisory Committee (MWAC) and remains an active member. He is a member of the Australian Landcare Council, Gene Technology Community Consultative Committee and Local Government observer on the Australian and New Zealand Ministerial Food Council. He is the technologist in charge of the Animal Health Laboratories at the Department of Agriculture, South Perth. Councillor Robartson recognised many years ago that domestic waste could be a valuable resource if collected, separated and marketed appropriately. He has been a strong advocate of the SMRC's regional waste management strategy.



Mayor Dr Michael Lekias, City of Canning

The Mayor of the City of Canning, Dr Mick Lekias, has served on the Regional Council for over seven years. He has actively supported the development of the Regional Resource Recovery Centre in Canning Vale and is keen to see the minimisation of waste to landfill for the benefit of future generations.



Mayor Stephen Lee, City of Cockburn

Mayor Lee has been involved with local government for over 12 years with a strong interest in building social capital and beautifying and maintaining parklands and streetscapes. He was very interested in recycling and waste minimisation prior to becoming Mayor of a City that has one of the few remaining landfill sites in the metropolitan area and realises the extreme importance of managing this asset responsibly. Stephen is also a strong supporter and advocate of the Regional Council's approach to waste management



REGIONAL COUNCILLORS (continues)

Cr Barry Porter, Town of Kwinana

Cr Porter was appointed to the Regional Council in 2000. His portfolio with the Town of Kwinana initiated the contract for recycled crushed concrete aggregate for the building industry from Kwinana's class 1 landfill. Cr Porter supports technology that can transform waste, particularly material from the heavy industrial sector, back into resources for re-use.



Cr Ann Prince, City of Rockingham

Cr Prince is a ten year veteran of the Rockingham City Council and was re-elected unopposed in May 2005 for another four year term. Over the last decade she has been a member of the South Metropolitan Zone and chair and deputy chair on the South West Development and Employment Foundation. She feels the region is growing rapidly and the needs are greater every year, but to be involved with meeting these challenges is exciting. Cr Prince's main interests are jobs for future generations and the protection of our environment.

Cr Don Hogg, Town of East Fremantle

Cr Hogg has served as a member of the Town of East Fremantle for eleven years and the Regional Council since 1997. Cr Hogg actively supports regional solutions for waste minimisation, planning and management where long term benefits and sustainability provide for our future.



SMRC SENIOR STAFF



Mr Stuart McAll
Chief Executive Officer



Mr Brendan Doherty
Manager
Engineering Services



Mr Chris Wiggins
Manager Administration
& Finance



Mr Tim Youé
Manager Business
Development



Mr Chuck Ellis
Manager
Communications

REGIONAL EXECUTIVE COMMITTEE (REC)

This group comprises one representative from each participant Council's senior management staff responsible for waste management. The 2004-2005 REC members are:

Mr Stephen Cain, Chief Executive Officer, City of Cockburn

Mr Richard Eden, Town of Kwinana

Mr Ian Goodbody, Manager, City Works, City of Fremantle

Mr Grayson Hindmarsh, A/ Principal EHO, Town of East Fremantle

Mr Stewart Marshall, Director, Engineering and Parks, City of Rockingham

Mr Stuart McAll Chief Executive Officer, SMRC REC Chairman

Mr Silvio Trinca, Executive, Engineering Technical Services, City of Canning

Mr Robert Willis, Director Technical Services, City of Melville

CHIEF EXECUTIVE OFFICER'S REPORT



The past 12 months have seen some challenging times facing the Southern Metropolitan Regional Council, yet as the financial year comes to a close the Regional Council's operations are poised to grow and continue to provide the quality service our member councils and the community expect from us.

In January 2005, the contractor responsible for processing recycling from the Regional Council went into voluntary administration and subsequently ceased operations at its Canning Vale materials recovery facility. While this put an enormous strain on the SMRC's staff and resources, the Regional Council was able to put in place a contingency plan, which saw approximately 70% of the region's recycling processed. A remarkable result considering 1/3 to almost 1/2 of the processing capacity in Perth's recycling industry was lost at this time.

In May 2005, a settlement was reached with the contractor's administrators and major creditor. The settlement enabled the SMRC to refurbish and improved the materials recovery facility in Canning Vale and began processing the region's recycling in June 2005.

In May, the SMRC adopted a business plan for the development of a new materials recovery facility in the Regional Resource Recovery Centre in Canning Vale. The plan was endorsed by the five participating councils in the RRRRC, namely Canning, Cockburn, East Fremantle, Fremantle and Melville. The new facility will have the capacity to meet the recycling needs of the region both now and in the future, and produce the quality products needed to supply the recycling industry.

Throughout this time the green waste and waste composting operations at the RRRRC continued. In 2004/05 the RRRRC processed a total of 96,872 tonnes of household waste, recycling, and green waste.

During the last year the City of South Perth signed an initial three year contract to process household waste at the RRRRC. Under this agreement, South Perth will pay the SMRC to process 15,000 tonnes of waste collected annually from more than 18,000 homes in its district. Winning a contract such as this is evidence that the SMRC is seen as offering a competitive and sustainable waste processing service when compared to the private sector.

When you consider recycling, waste processing and green waste together, our research shows the RRRRC project is providing service for 22% less than industry best practice.

In June, the SMRC secured the sales of recyclables for the next two years. A total of eight organisations submitted tenders for the purchase of our recyclables, further indication of the quality and professionalism with which the SMRC is regarded in the industry. The Regional Council chose the best price and greatest diversity option, which has 77% of the income at fixed

prices for two years and spreads the sale among five companies. This will protect the SMRC from variations in the international recycling commodity market and from the risks of dealing with only one buyer. Approximately 44% of the recycled material will be used in Australia creating new products without using virgin materials.

The SMRC compost development program continues to supply compost made from the region's municipal household waste (MSW) to 50 demonstration farms within a 100 to 150 km radius of Perth. The range of crops where compost has been applied in the last year includes broad-acre crops of wheat, barley, oats, canola and lupins, and pasture. SMRC compost has also been applied to horticultural crops such as olives, pumpkin, grapes, and turf. Project results indicate improvement in soil and crop performance.

The Regional Greenhouse Abatement program continues to see SMRC staff providing programs to reduce greenhouse gas emissions at the household level to the community. In the last year, both the award winning Living Smart and GreenHouses programs progressed beyond their initial pilot programs. GreenHouses and Living Smart have now been delivered in each of member council's area at least once, and in the City of South Perth as well. Again, it's another sign of the SMRC's skills and professionalism that these programs, developed in partnership by the SMRC, are growing beyond the southern metropolitan region.

The Regional Council's operational budget has increased from \$10.7M to \$15M for the financial year and the organisation's total number of full time employees and agency hire staff grew from 28 to 79.

A committee was formed for the purpose of relocation of the SMRC's administration and headquarters. The committee approved a business plan for this purpose. It is expected the SMRC will move to a dedicated administration building in 2005/2006.

I would personally like to thank our Chairmen over the last year, the Regional Councillors, and the SMRC's member councils. Their contribution and decision-making skills have seen the Regional Council overcome the challenges put before it in the last year, and made it ready for the future.

I would also like to thank the members of the Regional Executive Committee, and many other staff from our member councils who participate in various working groups offering their input and support to our staff.

Most importantly, I especially wish to thank the dedication of the SMRC staff that went far beyond the call of duty during the shut down of the MRF between January and May 2005. The hard work, tireless efforts and professionalism of the staff during this time ensured recycling continued in the region. The staff is a credit to the SMRC.

Mr Stuart McAll
Chief Executive Officer

2004-2005 STRATEGIC GOALS, HIGHLIGHTS AND ACHIEVEMENTS

The last 12 months have seen some significant highlights and achievements in terms of the SMRC's strategic goals and strategies (as shown on page 16).

Goal 1: Waste Management

To ensure maximum resource recovery from residential waste generated in the region

Achievements

The Regional Resource Recovery Centre (RRRC) in Canning Vale continues to be the main focus of the SMRC.

After releasing the contractor originally responsible for construction of the waste composting facility (WCF) at the RRRC, regional council staff undertook the alignment of the digesters at the WCF in 2004-2005. This marks an important step not only in the production of compost at the WCF, but also showed the increasing expertise of the Regional Council staff.



One of four digesters at the RRRC

In January 2005, the contractor responsible for processing recyclables at the Canning Vale MRF, went into voluntary administration and closed the facility's doors. The SMRC resolved to both find a solution to stop recyclables going to landfill and develop a permanent solution for the future recycling needs of the SMRC.

An immediate response was to find temporary storage areas to keep the material for later processing. Amcor, Cities of Cockburn and Rockingham were approached and supplied capacity for interim storage of the recyclables and approximately 4000 tonnes of material ended up being stored at these facilities.



SMRC staff at the temporary Maddington mini-MRF

SMRC staff, with the assistance of the real-estate community south of the Swan River, searched the region for suitable storage and processing facilities. On finding a location the expeditious work of the City of Gosnells processed the development application in two days to provide the necessary approval.

Concurrently SMRC staff did a nationwide inventory to find a processing line, which could be utilised to put the recycling

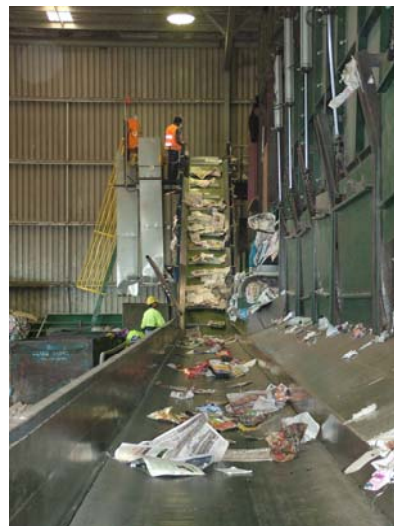
sorting back into operation. One was finally located in Brisbane, dismantled on site, transported, reassembled and installed at Maddington some 4 weeks after the closure of the Canning Vale MRF. Amcor provided further assistance by supplying a paper compactor.

The SMRC staffed the facility, running 2 shifts with 10 people each working from 6.00am to 10.00 pm six days a week to enable processing of 300 tonnes a week.

In May 2005, the SMRC settled with the contractor and took possession of the Canning Vale MRF. The SMRC affected some \$250,000 worth of repairs to upgrade the plant and equipment to get the facility in a position to receive and process its first load of co-mingled recyclables on 6 June 2005.

The Canning Vale MRF had been closed for some 19 weeks and during that period the SMRC processed 15,440 tonnes of co-mingled recyclables. This was both a remarkable achievement given the combination of circumstances and a demonstration of the determination and dedication of the regional councillors and staff to fulfil the SMRC's primary objective of maximising the recovery of resource from the waste stream.

The SMRC developed a business plan for the building of a new MRF at the RRRC, which will have the efficiency and capacity needed to meet the recycling needs of the region both now and in the future.



The refurbished MRF at the RRRC

The SMRC continues to be involved and represented in a number of industry organisations, such as the Municipal Waste Advisory Council and the WA Waste Board.

Network groups with member council staff, such as the Regional Waste Managers Group continue to ensure effective communication between the SMRC and member council's waste management sections.

Goal 2: Increasing Community Awareness

To maximise our resource recovery through a satisfied and aware community

Achievements

The SMRC employed a new communications manager to oversee the ongoing regional education and communication strategy.

The SMRC's communication section continues to work with member councils' public relations and media departments, ensuring a consistent message is delivered to the community. This strategy was an important part of media management during the shut down at the materials recovery facility, January – May 2005.

The SMRC continues to build partnerships and dialogue with other organizations involved in the resource recovery industry, including State government and the private sector.

The RRRC group tours provide a communication and education role for community groups, such as schools, in understanding not only the benefits of recycling, but reinforcing how to best use the two bin collection system at home.

Goal 3: Diversifying Services and Markets

To capitalise on our expertise by actively seeking opportunities to diversify services and markets

Achievements

The SMRC tendered for the sale and removal of recovered recyclables, and elected to go with the best price and greatest diversity option. The sale of recyclables will be divided among 5 companies, with 77% of income at a fixed price for two years. This option will minimize the risk to the SMRC. Approximately 44% of the recyclables will remain in Australia.

The SMRC's compost marketing trial expanded to 50 farms within a 100 to 150 km radius of Perth. The range of crops where SMRC compost has been applied include broad-acre crops of wheat, barley, oats, canola and lupins. The compost is also being applied to horticultural crops, including olives, pumpkin, grapes, and turf. Results indicated improvement in soil and crop performance resulting from the application of SMRC compost.



SMRC staff inspecting compost at the WCF

The SMRC began to take bio-solid waste from commercial sources. Bio-solid waste is being used in the processing of municipal household waste and the production of compost.

Goal 4: Greenhouse Gas Abatement

To assist and facilitate in the reduction of greenhouse gases within the region

Achievements

The Regional Greenhouse Strategic Plan focuses on community greenhouse actions in the residential, commercial, and industrial and transport sectors.

In August, the Living Smart program won the prestigious Allen Strom Eureka Prize for Sustainability Education. Living Smart was developed in partnership between the Meeting Place Community Centre, the City of Fremantle, Murdoch University and the SMRC. During the last 12 months it has been offered throughout the region.



GreenHouses being presented in Rockingham

In September, six of the SMRC member councils renewed their regional greenhouse agreement. This year, for the first time, they were joined by the City of South Perth. The regional plan identifies a number of priority areas including reduced emissions from homes and businesses, greater community education and investigating alternative energy sources for transport and street lighting. By working together, the Regional Council and its member councils can make a significant difference to the health of our community today and in the future.

In November, the GreenHouses community education program won the SGIO WA Environment Award for Energy Efficiency. GreenHouses seeks to reduce greenhouse gas emissions with three areas of focus: reducing energy and water usage, and waste reduction.

The Greenhouse in Business Program completed its investigation stage with an onsite survey of selected businesses in food processing and local neighbourhood shopping centres, testing interest in environmental performance, energy efficiency opportunities and the viability of two project models: community based social marketing; and enterprise facilitator models.

An investigation continues into alternative fuel opportunities for Council fleets. The investigation identified bio-diesel, LNG, CNG and LPG as fuels worthy of further study.

Network and consultation continued throughout the year with the Regional Cities for Climate Protection Officers Committee and the Regional Alternative Fuels Committee.

Goal 5: Business Sustainability

To establish and maintain a sustainable, viable and diverse financial base for the SMRC

Achievements

The SMRC employed a Business Development Officer to develop and maintain markets for all its products, including compost, carbon credits, and recycled products.

The compost market trial continues to pursue the goal of attracting local farming markets for compost derived from household waste.

Goal 6: Operational Effectiveness and Excellence

To develop and maintain an organisational culture of continuous improvements and excellence

Achievements

SMRC resources are kept to a minimum with additional resources brought in as required. The research and development experiences at the waste composting facility have developed considerable intellectual property within the Regional Council.

The Regional Council's operating budget during the period under review grew from an operating budget of \$10.7M to \$17.2M.

Regional co-operation continues to be developed through member council Chief Executive Officers and senior officers as members of the Regional Executive Committee. The REC is critical to the continued success of the SMRC.



Compost manufacture at the RRRC

The SMRC has also developed effective management and consultation systems in dealing with project issues, such as the waste composting facility commissioning, or media management. The SMRC seeks to continually improve communication with its member councils and the community.

The SMRC continues to maintain local, interstate, and international networking with staff from similar operations.

Goal 7: Environmental Compliance

To exceed and set trends/benchmarks for best practice in environmental compliance

Achievements

Risk management by way of monitoring and control of environmental impacts at the Regional Resource Recovery Centre was successfully undertaken using the Environmental Management System for the site in Canning Vale. Odour concerns raised by nearby residents and businesses were dealt with through modification to procedures at the facility and direct communication with the community members involved.





SOUTHERN METROPOLITAN REGIONAL COUNCIL STRATEGIC PLAN

OUR VISION: Leading the Community in Sustainable Environment Management

OUR PURPOSE: To provide sustainable solutions to Resource Recovery and Greenhouse Gas Abatement for the Regional Community

PRINCIPLES: We will conduct our business guided by these Principles:
Partnerships
Innovative Solutions
Community Driven Outcomes
Best Value
Integrity and Transparency

KEY FOCUS AREAS

<u>Resource Recovery</u>	<u>Greenhouse Gas Abatement</u>	<u>Community</u>	<u>Organizational Excellence</u>
<u>Goal:</u> To ensure maximum resource recovery to achieve 95% reduction in waste.	<u>Goal:</u> To provide leadership to assist and facilitate in the reduction of greenhouse gases within the region.	<u>Goal:</u> To influence regional community environmental practices for healthy communities.	<u>Goal:</u> To ensure Southern Metropolitan Regional Council is efficient and effective.
<u>Outcomes</u>	<u>Outcomes</u>	<u>Outcomes</u>	<u>Outcomes</u>
Efficient and integrated collection systems.	Reduction of greenhouse emissions in our regional communities.	Community knowledge and ownership.	Improved organizational management system.
Leadership through Best Practice Resource Recovery to minimize waste emissions and reduce waste to landfill.	Informed Councils engaged in Best Practice.	Community leadership, support and awareness.	Enhanced SMRC profile and influence.
Resources have a positive value.	Influence on State and Federal legislation and policy.		Organizational sustainability.
			Best practice governance model.

PRINCIPAL ACTIVITIES RESULTS

The Principal Activities Plan provides an overview of significant programs proposed by the SMRC over the next four years and is updated annually. The plan focuses on our strategic goals and includes the following waste management and environmental activities that the Regional Council plans to undertake in conjunction with its member councils on a regional basis over the next four years.

The plan is reviewed annually and is available for public comment prior to its adoption by the Regional Council.

Principal Activity	Progress during 2004/05	Results 2004/05	Results 2003/04
1. Governance & Administration	Refer to CEO Report and Strategic Goal 6 Operational Effectiveness and Excellence. Evidence of full compliance with regulatory requirements <ol style="list-style-type: none"> Local Govt Statutory Compliance Return Auditors Report 	97% 2 non compliance issues	100% Full compliance
2. Research Projects	Refer to CEO Report and Strategic Goals 1 & 2 <ol style="list-style-type: none"> Completion of research projects within defined parameters <ul style="list-style-type: none"> Projects Undertaken 100% Completed Behavioural surveys that indicate trends in the volume and the nature of waste diverted from disposal sites 	2 0 Community survey to be undertaken in 2005/06	2 0 Refer to Community Survey Report
3. Regional Greenhouse Gases	Refer to Chairman & CEO reports and Strategic Goal 4 <ol style="list-style-type: none"> No of projects implemented 	6	5
4. Regional Bulk Green Waste Collections	Refer to CEO report and Strategic Goal 1 <ol style="list-style-type: none"> Material collected (tonnes) Collection Costs per residential service No of complaints from Participant Councils No of complaints from residents about the service % of Completion on time in accordance with contractors schedule 	12,702 \$3.00 2 4 100%	9,609 \$2.86 Nil 20 100%
5. Regional Household Recycling Collections	This project did not proceed at the decision of member councils		

Principal Activity	Progress during 2004/05	Results 2004/05	Results 2003/04
6. Regional Household MSW Waste Collections	This project is planned for 2005/06		
7. Green Technology Park	This project is planned for 2006/07		
8. Regional Resource Recovery Centre - Operational	Refer to CEO report and Strategic Goal 1 Waste Management 1. Actual Tonnes Received - Green Waste - Recycling - MSW 2. Cost per household per year 3. % of waste stream recovered (not going to landfill) 4. Customer Satisfaction 5. - Tour Groups surveyed 6. Regional Performance Indicator (in tonnes) Before & after comparisons - Collected - Recovered 7. % of waste stream recovered (not going to landfill)	 26,815 40,327 37,352 \$89 67% 99% satisfied 191,536 89,646 46.8%	 25,760 38,052 13,944 \$61 80% 98% satisfied 182,950 56,451 30%
9. Major Land Transaction - RRRC	Refer to CEO report and Strategic Goal 1 Waste Management 1. Land area is adequate for operations. 2. No of complaints from adjoining dwelling relating to RRRC operations (Complaints refer to the odour concerns)	 Yes 25	 Yes 46
10. Major Land Transaction – SMRC Office Accommodation	Preparation of Business Plan		Business Plan prepared
11. Regional Resource Recovery Centre - Capital	Refer to CEO report and Strategic Goal 1 Waste Management 1. Planning Schedule Reports 2. % of completion	 Yes 99% complete	 Yes 99% complete
12. Assets New & Replacement Program	1. % of assets replaced 2. Improving IT	 N/A N/A	
13. Regional Waste Processing Facility No 2	This project is planned for 2005/06		

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 & 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 project meets the “public benefit test” in respect to “user pay charges” and the provision of services is beneficial to the regional community.

Regulatory Review

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 has not adopted any Local Laws.

RECORD KEEPING PLAN

Principal 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 submitted (2/3/2004) and approved by the State Records Commission (7/10/2004).

A key component of the SMRC's record keeping plan is to demonstrate accountability through efficient and effective record keeping and ensure that all staff and elected members are aware of their responsibilities. Training is provided to ensure all staff understand their responsibilities in creating and retaining corporate information and official records.

The record keeping system is being upgraded further to assist staff in the management of SMRC's records. Record keeping audits and performance indicators are being developed to monitor compliance with requirements of the State Records Act.

SOUTHERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2005

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SOUTHERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2005


LOCAL GOVERNMENT ACT 1995

LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Southern Metropolitan Regional Council being the annual financial report, supporting notes and other information for the financial year ended 30th June 2005 are in my opinion properly drawn up to present fairly the financial position of the Southern Metropolitan Regional Council at 30th June 2005 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, as amended and Regulations under that Act.

Signed on the 17 May 2006



Stuart McAll
Chief Executive Officer

SOUTHERN METROPOLITAN REGIONAL COUNCIL

OPERATING STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2005

	NOTE	2005 \$	2005 Budget \$	2004 \$
REVENUES FROM ORDINARY ACTIVITIES				
Governance		216,938	216,500	200,000
Community Amenities		8,009,772	1	11,581,939
Other Property and Service		150,070	156,835	139,379
TOTAL OPERATING REVENUE	2b	8,376,780	11,955,274	10,751,334
EXPENSES FROM ORDINARY ACTIVITIES EXCLUDING BORROWING COSTS EXPENSE				
Governance		279,170	238,500	150,295
Community Amenities		12,355,866	2	10,826,461
Other Property and Service		150,070	156,835	139,379
TOTAL OPERATING EXPENSE	2b	12,785,106	11,221,796	7,582,463
BORROWING COSTS EXPENSE				
Community Amenities		2,197,743	2,270,000	2,217,466
TOTAL BORROWING COSTS	2c	2,197,743	2,270,000	2,217,466
NET PROFIT OR (LOSS)		(6,606,069)	3 (1,536,522)	951,405

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

Notes on variations from Budget

1. revenue from WCF operations was not received due to plant commissioning
2. expenses increased due to change in depreciation charge Bgt \$2,440,823 Actual \$4,378,989 (refer Note 2A)
3. Net Loss refers to additional depreciation charge and reduction of revenue as noted above

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005**

	NOTE	2005 \$	2004 \$
CURRENT ASSETS			
Cash Assets	3	347,524	3,976,903
Receivables	4	9,400,917	7,386,540
Other	5	17,346	20,115
TOTAL CURRENT ASSETS		<u>9,765,787</u>	<u>11,383,558</u>
NON-CURRENT ASSETS			
Receivables	4	30,987,424	28,939,180
Property, Plant and Equipment	6	39,045,771	36,368,821
TOTAL NON-CURRENT ASSETS		<u>70,033,195</u>	<u>65,308,001</u>
TOTAL ASSETS		<u>79,798,982</u>	<u>76,691,559</u>
CURRENT LIABILITIES			
Payables	7	2,795,462	1,878,170
Interest-bearing Liabilities	8	7,714,682	6,002,918
Provisions	9	88,784	76,731
TOTAL CURRENT LIABILITIES		<u>10,598,928</u>	<u>7,957,819</u>
NON-CURRENT LIABILITIES			
Interest-bearing Liabilities	8	30,987,424	28,939,180
Provisions	9	91,998	67,859
TOTAL NON-CURRENT LIABILITIES		<u>31,079,422</u>	<u>29,007,039</u>
TOTAL LIABILITIES		<u>41,678,350</u>	<u>36,964,858</u>
NET ASSETS		<u>38,120,632</u>	<u>39,726,701</u>
EQUITY			
Retained Surplus		(4,882,520)	1,926,305
Participants Equity		42,377,503	37,377,503
Reserves		625,649	422,893
TOTAL EQUITY		<u>38,120,632</u>	<u>39,726,701</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2005**

	NOTE	2005 \$	2004 \$
RETAINED SURPLUS			
Balance as at 1 July		1,926,305	1,394,834
Net Profit or (Loss) from Ordinary Activities	2	(6,606,069)	951,405
Transfer from/(to) Reserves	10	(202,756)	(419,934)
Balance as at 30 June		<u>(4,882,520)</u>	<u>1,926,305</u>
PARTICIPANTS EQUITY			
Balance as at 1 July		37,377,503	37,238,214
Participants Contribution for the year		5,000,000	139,289
Balance as at 30 June		<u>42,377,503</u>	<u>37,377,503</u>
RESERVES			
Balance as at 1 July		422,893	2,959
Transfer from/(to) Accumulated Surplus	10	202,756	419,934
Balance as at 30 June		<u>625,649</u>	<u>422,893</u>
TOTAL EQUITY		<u>38,120,632</u>	<u>39,726,701</u>

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE 2005

	NOTE	2005 \$	2005 Budget \$	2004 \$
Cash Flows From Operating Activities				
Receipts				
Grants and Subsidies - operating		242,268	731,000	62,934
Contributions, Reimbursements & Donations		4,455,166	4,390,916	9,279,582
Fees and Charges		4,578,186	7,206,558	3,076,733
Interest Earnings		108,161	11,000	214,255
Goods & Services Tax		525,267	1,194,900	333,540
		<u>9,909,048</u>	<u>13,534,374</u>	<u>12,967,044</u>
Payments				
Employee Costs		(2,800,778)	(2,609,937)	(1,463,099)
Materials and Contracts		(4,034,278)	(5,435,902)	(2,653,701)
Utilities (gas, electricity, water, etc)		(966,297)	(991,725)	(619,175)
Insurance		(147,307)	(144,466)	(96,513)
Interest		(2,189,847)	(2,217,849)	(2,165,286)
Goods & Services Tax		(668,838)	(713,271)	(405,262)
Other		(35,597)	(29,000)	(26,951)
		<u>(10,842,942)</u>	<u>(12,142,149)</u>	<u>(7,429,987)</u>
Net Cash Provided By (Used In) Operating Activities	11(b)	<u>(933,894)</u>	<u>1,392,225</u>	<u>5,537,057</u>
Cash Flows from Investing Activities				
Payments for Purchase of				
Land and Buildings	6		(130,000)	
Information Technology Equipment	6	(15,960)	(45,000)	(26,230)
Furniture & Fittings	6	(6,138)	(56,000)	(12,091)
Vehicles & Plant		(6,043,523)	(80,000)	(34,915)
Other			-	
Payments for Construction of RRRC Leasehold Improvements	6	(610,414)	(3,629,167)	(1,713,958)
Grants and Contributions for the Development of Assets		73,949		-
Proceeds from Sale of Plant & Equipment	25	146,593	72,000	33,273
Net Cash Provided By (Used In) Investing Activities		<u>(6,455,493)</u>	<u>(3,868,167)</u>	<u>(1,753,921)</u>
Cash Flows from Financing Activities				
Repayment of Loans	27	(5,969,410)	(1,273,500)	(4,825,940)
Proceeds from New Loans	27	9,729,418	500,000	3,842,069
Net Cash Provided By (Used In) Financing Activities		<u>3,760,008</u>	<u>(773,500)</u>	<u>(983,871)</u>
Net Increase (Decrease) in Cash Held		<u>(3,629,379)</u>	<u>(3,249,442)</u>	<u>2,799,265</u>
Cash at Beginning of year		3,976,903	4,249,442	1,177,638
Cash at End of Year	11(a)	<u><u>347,524</u></u>	<u><u>1,000,000</u></u>	<u><u>3,976,903</u></u>

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2005

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Accounting

The financial report is a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards and the Local Government Act 1995 (as amended) and accompanying regulations. The report has also been prepared on the accrual basis under the convention of historical cost accounting.

(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 17 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) Fixed Assets

Property, plant and equipment and infrastructure assets are brought to account at cost where applicable, any accumulated depreciation or amortisation.

The value of all infrastructure assets (other than bridges and land under roads) has been recorded in the Statement of Financial Position. Bridges and land under roads is excluded from infrastructure in accordance with legislative requirements.

(e) Depreciation of Non-Current Assets

All non-current assets having a limited useful life where the cost exceeds \$500 for furniture, computer and electronic equipment and \$1,000 for vehicles, 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.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. The cost of improvements to or on leasehold land is capitalised, disclosed as leasehold improvements, and 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

(f) Employee Entitlements

Employee entitlements are accrued on a pro-rata basis in accordance with Contractual Agreements, Awards and relevant Acts in relation to Annual and Long Service Leave in respect of services provided by employees up to the reporting date.

(i) Annual Leave Provision

The provision has been calculated at nominal amounts based on expected wage and salary rates on settlement and represents the amount the Council expects to pay when the liabilities are paid resulting from employee's services provided at balance date.

(ii) Long Service Leave Provision

The provision represents the present value of the estimated future cash outflows to be made by the council resulting from employee's services to balance date.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2005

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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(e). 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.

(h) Investments

All investments are valued at cost and interest on those investments is recognised when accrued.

(i) Superannuation

The Southern Metropolitan Regional Council contributes to the Local Government Superannuation Scheme and the Occupational Superannuation Fund. Both funds are defined contribution schemes.

(j) 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 company, are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(k) Participants Contribution Equity

The Participants contributions towards the Regional Resource Recovery Centre (RRRC) is treated as an equity contribution.

(l) Interest Rate Risk

The Council's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. Information on interest rate risk refer Note 28.

(m) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Council. 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 risk of financial loss from defaults. The Council measures credit risk on a fair value basis.

(n) Net Fair Values

The net fair value of assets and liabilities approximate their carrying values. No financial assets and financial liabilities are readily traded on organised markets in standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down as the Council intends to hold these assets to maturity.

The aggregate net fair value and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial report.

(o) Rounding Off Figures

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

(p) Comparative Figures

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2005

2. OPERATING REVENUES AND EXPENSES	2005	2004
	\$	\$
(a) Result from Ordinary Activities		
The Result from Ordinary Activities includes:		
(i) Charging as Expenses:		
Auditors Remuneration		
- Audit	2,800	3,300
	<u>2,800</u>	<u>3,300</u>
Bad and Doubtful Debts		
- Sundry Debtors	221,127	155
	<u>221,127</u>	<u>155</u>
Amortisation		
- Leasehold Improvements	1,075,583	1,241,124
	<u>1,075,583</u>	<u>1,241,124</u>
Depreciation		
Computer Equipment	52,302	40,742
Furniture and Equipment	38,799	30,325
Plant and Equipment	3,208,983	1,125,310
Other	3,322	3,322
	<u>3,303,406</u>	<u>1,199,699</u>
Total Amortisation & Depreciation	<u>4,378,989</u>	<u>2,440,823</u>
Rental Charges		
- Operating Leases	<u>363,856</u>	<u>257,691</u>
(ii) Crediting as Revenues:		
	2005	2005
	Budget	\$
	\$	\$
Interest Earnings		
Investments		
- General Fund Towards Operating	11,000	34,212
- General Fund Towards Capital		73,949
	<u>11,000</u>	<u>108,161</u>
		<u>214,255</u>
(b) Revenues and Expenses from Ordinary Activities	2005	2004
Classified According to Nature and Type	\$	\$
Revenues from Ordinary Activities		
Grants and Subsidies - operating (refer note 21)	391,609	278,934
Grants and Subsidies - non-operating (refer note 21)	-	-
Contributions Reimbursements and Donations (refer note 22)	3,258,825	7,563,026
Fees and Charges (refer note 23)	4,618,185	2,693,689
Interest Earnings (refer note 2a)	108,161	214,255
Profit on Sale of Assets (refer note 25)	-	1,430
	<u>8,376,780</u>	<u>10,751,334</u>
Expenses from Ordinary Activities		
Employee Costs	2,990,882	1,541,055
Materials and Contracts	4,144,447	2,857,086
Utilities (gas, electricity, water, etc)	966,297	619,175
Depreciation on Non-current Assets (refer note 2a)	4,378,990	2,440,823
Loss on Asset Disposals (refer note 25)	121,586	789
Insurance	147,307	96,513
Other	35,597	27,022
	<u>12,785,106</u>	<u>7,582,463</u>
(c) Borrowing Costs Expense		
Borrowing Costs Expense comprises:		
Debentures (refer note 2a)	2,197,743	2,217,466
	<u>2,197,743</u>	<u>2,217,466</u>
Profit or (Loss) from Ordinary Activities	<u>(6,606,069)</u>	<u>951,405</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2005

2. OPERATING REVENUES AND EXPENSES (Continued)

(d) 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 quality of waste disposed of a landfill sites in accordance with targets set by the Regional Local Government.

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

GOVERNANCE

Administration and operation facilities and services to members of council, other costs that relate to tasks of assisting member councils and the public on matters which do not concern specific council services. In accordance with legislative changes effective 1 July 1997 General Administration costs have been allocated to the various programs of 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.

OTHER PROPERTY AND SERVICES

The Regional Council provides administrative services and maintains contractual agreements on behalf of the South West Group (SWG). The Group reimburses all expenses incurred.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2005

	2005 \$	2004 \$
2. (e) Conditions Over Contributions		
Grants which were recognised as revenues during the reporting period and which had not yet been expended in the manner specified by the contributor. (Shown as unspent grants in Note 3)		
- Nil	-	-
	<u>-</u>	<u>-</u>
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.		
- Recycling Levy - Composting Markets Project	-	43,355
	<u>-</u>	<u>43,355</u>
3. CASH ASSETS		
Cash on Hand	1,050	1,050
Cash at Bank	326,474	45,853
Term Deposits	20,000	3,930,000
	<u>347,524</u>	<u>3,976,903</u>
Unrestricted	(351,184)	3,523,964
Restricted	698,708	452,939
	<u>347,524</u>	<u>3,976,903</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Retention & Bonds	63,013	20,000
Regional Collection Contributions	10,046	10,046
Reserve Fund - RRRC Plant	480,000	350,000
Reserve Fund - RRRC Infrastructure	145,649	72,893
	<u>698,708</u>	<u>452,939</u>
4. RECEIVABLES		
Current		
Sundry Debtors	1,222,946	1,111,869
Less Doubtful Debts	(155)	(155)
Accrued Income	364,949	170,608
GST Receivable	98,495	101,300
Loan Debtors - Project Participants	7,714,682	6,002,918
	<u>9,400,917</u>	<u>7,386,540</u>
Non-Current		
Loan Debtors - Project Participants	30,987,424	28,939,180
	<u>30,987,424</u>	<u>28,939,180</u>
5. OTHER		
Prepaid Expenses	13,235	15,932
Stock on Hand - Fuel	4,111	4,183
	<u>17,346</u>	<u>20,115</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2005

	2005 \$	2004 \$
6. PROPERTY, PLANT AND EQUIPMENT		
Leasehold Improvements		
RRRC Preliminary Costs - at cost	1,729,871	1,974,501
RRRC Buildings - at cost	16,618,577	15,396,105
RRRC Infrastructure - at cost	2,410,810	4,522,521
Less Accumulated Amortisation	<u>(3,552,414)</u>	<u>(2,473,509)</u>
	17,206,844	19,419,618
Information Technology Equipment - at cost	247,944	191,242
Less Accumulated Depreciation	<u>(154,958)</u>	<u>(119,121)</u>
	92,986	72,121
Furniture and Equipment - at cost	262,584	191,331
Less Accumulated Depreciation	<u>(119,081)</u>	<u>(80,282)</u>
	143,503	111,049
Plant and Equipment - at cost	25,796,726	17,991,286
Less Accumulated Depreciation	<u>(4,194,288)</u>	<u>(1,225,253)</u>
	21,602,438	16,766,033
	<u>39,045,771</u>	<u>36,368,821</u>

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 Improvements	Information Tech Equip	Furniture & Equipment	Plant & Equipment	Total
Balance at the beginning of the year	19,419,618	72,121	111,049	16,766,033	36,368,821
Additions	610,414	15,960	6,138	6,691,605	7,324,117
Disposals (note 25)		-		(268,178)	(268,178)
Reclassification increments/(decrements)	(1,744,283)	57,207	65,115	1,621,961	-
Depreciation/Amortisation Expense	<u>(1,078,905)</u>	<u>(52,302)</u>	<u>(38,799)</u>	<u>(3,208,983)</u>	<u>(4,378,989)</u>
Carrying amount at the end of year	17,206,844	92,986	143,503	21,602,438	39,045,771

Buildings Valuation

In accordance with the requirements of AAS 36 "Statement of Financial Position" the current valuation of buildings disclosed above and measured on the cost basis is as follows: Current Valuation: \$21,160,000

The above valuation is a management valuation as at 30 June 2004 and not an independent valuation.

7. PAYABLES

Current		
Sundry Creditors	2,664,424	1,776,476
Accrued Expenses	36,561	71,002
GST Payable	-	-
Accrued Salaries and Wages	17,550	4,774
Accrued Loan Interest	13,814	5,918
Income in Advance	-	-
Retention & Bonds	63,113	20,000
	<u>2,795,462</u>	<u>1,878,170</u>

8. INTEREST-BEARING LIABILITIES

Secured by Floating Charge		
Current		
Debentures	7,714,682	6,002,918
Non Current		
Debentures	30,987,424	28,939,180
	<u>38,702,106</u>	<u>34,942,098</u>

Additional detail on borrowings is provided in Note 27

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2005

8. INTEREST-BEARING LIABILITIES (Cont)	2005	2004
	\$	\$
<p>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. Participants limit of its share of the loan liability is as follows</p>		
City of Canning	28.02% 10,844,330	9,767,542
City of Cockburn	25.24% 9,768,412	8,190,570
Town of East Fremantle	2.43% 940,461	892,127
City of Fremantle	9.58% 3,707,662	3,343,798
City of Melville	34.73% 13,441,241	12,748,061
	<u>38,702,106</u>	<u>34,942,098</u>

9. PROVISIONS

Current

Provision for Annual Leave	72,444	64,165
Provision for Long Service Leave	16,340	12,566
	<u>88,784</u>	<u>76,731</u>

Non Current

Provision for Annual Leave	46,199	35,817
Provision for Long Service Leave	45,799	32,042
	<u>91,998</u>	<u>67,859</u>

The charge to the operating result for the movement in the provision for employee entitlements during the year was (\$36,192) (2004, \$42,062)

10. RESERVES

In accordance with 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.
- to be utilised as per the adopted budget

RRRC Infrastructure 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.

	2005	2005	2004
	\$	Budget	\$
(a) RRRC Plant Reserve		\$	
Opening Balance	350,000	350,000	-
Transfers to Reserve	130,000	360,000	350,000
Transfers from Reserve	-	-	-
	<u>480,000</u>	<u>710,000</u>	<u>350,000</u>
(b) RRRC Infrastructure Reserve			
Opening Balance	72,893	72,893	2,959
Transfers to Reserve	72,756	30,000	69,934
Transfers from Reserve	-	-	-
	<u>145,649</u>	<u>102,893</u>	<u>72,893</u>
TOTAL RESERVES	<u>625,649</u>	<u>812,893</u>	<u>422,893</u>

The above reserve accounts are not cash backed at balance date. The reason for this is due to a cashflow shortfall in June 2005 to meet the council's financial obligations prior to obtaining borrowings. The Reserves will be fully cash backed in 2005/06 year.

SUMMARY OF RESERVE TRANSFERS

Transfers To Reserves

RRRC Plant Reserve	130,000	360,000	350,000
RRRC Infrastructure Reserve	72,756	30,000	69,934
	<u>202,756</u>	<u>390,000</u>	<u>419,934</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2005

11. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments, 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:

	2005 \$	2005 Budget \$	2004 \$
Cash on Hand	1,050	1,050	1,050
Cash at Bank	326,474	156,011	45,853
Term Deposits	20,000	842,939	3,930,000
	<u>347,524</u>	<u>1,000,000</u>	<u>3,976,903</u>

(b) Reconciliation of Net Cash Provided By Operating Activities to Change in Net Assets Resulting from Operations

Change in Net Assets Resulting from Operations	(6,606,069)	(1,536,522)	951,405
Depreciation	4,378,990	1,487,702	2,440,823
(Profit)/Loss on Sale of Asset	121,586	-	(641)
Non-Cash Contributions	5,000,000	-	139,289
(Increase)/Decrease in Receivables	(4,062,621)	380,544	1,678,683
(Increase)/Decrease in Prepaid Expenses	2,697	-	3,293
(Increase)/Decrease in Inventories	72	-	(4,183)
Increase/(Decrease) in Creditors & Accruals	269,208	1,042,299	286,326
Increase/(Decrease) in Employee Provisions	36,192	18,202	42,062
Government Grants - non operating	(73,949)	-	-
Net Cash from Operating Activities	<u>(933,894)</u>	<u>1,392,225</u>	<u>5,537,057</u>

	2005 \$	2004 \$
(c) Credit Standby Arrangements		
Credit Card limit	20,000	20,000
Credit Card balance at Balance Date	-	-
Total Amount of Credit Unused	<u>20,000</u>	<u>20,000</u>
(d) Loan Facilities		
Loan Facilities - Current	7,714,682	6,002,918
Loan Facilities - Non-Current	30,987,424	28,939,180
Total Facilities in Use at Balance Date	<u>38,702,106</u>	<u>34,942,098</u>
Unused Loan Facilities at Balance Date	<u>-</u>	<u>-</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2005

	2005 \$	2004 \$
12. 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 are as follows:		
Regional Resource Recovery Centre Contracts	<u>-</u>	<u>-</u>
Payable:		
- not later than one year	<u>-</u>	<u>-</u>
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	256,916	259,040
- later than one year but not later than two years	265,971	248,050
- later than two years but not later than five years	205,000	205,000
- later than five years	4,715,000	4,920,000
	<u>5,442,887</u>	<u>5,632,090</u>
13. CONTINGENT LIABILITIES		
There were no claims or pending claims arising from damage by Council to other parties at the reporting period.		
14. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY		
Governance	-	-
Community Amenities	79,798,982	76,691,559
	<u>79,798,982</u>	<u>76,691,559</u>
15. EMPLOYEE'S REMUNERATION		
The number of employees of the Council, in bands of \$10,000, entitled to an annual salary of \$100,000 or more		
Salary Range \$		
100,000 - 109,999	-	-
110,000 - 119,999	-	1
120,000 - 129,999	1	-
130,000 - 139,999	-	-
NUMBER OF EMPLOYEES		
The number of full-time and part-time employees as at the reporting date	<u>38</u>	<u>28</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2005

	2005 \$	2005 Budget \$	2004 \$
16. COUNCILLORS' REMUNERATION			
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	14,640	8,000	7,380
	<u>14,640</u>	<u>8,000</u>	<u>7,380</u>

17. TRUST FUNDS

The Council does not have any funds on hand as at 30 June 2005.

		2005 \$	2005 Budget \$
18. BUDGET COMPARISON			
(a) 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	1	146,593	72,000
Loans raised	2	5,000,000	500,000
Reimbursement of Loan Repayments		1,239,992	1,273,500
Non Operating Expenditure			
Principal repayment of loans		5,969,410	6,002,918
Construction/purchase of assets			
Furniture and Equipment		6,138	55,000
Computers and Equipment		15,960	46,000
Plant and Equipment	3	6,691,605	3,709,167
Leasehold Improvements	4	610,414	130,000

Comments - Reasons for variations from budgeted amounts

1. Proceeds of sale of assets includes the unexpected replacement of a major plant item.
2. Council authorised additional loan requirements for the purchase of the MRF and WCF capital purchases
3. Council authorised additional capital Plant & equipment expenditure for the MRF and WCF
4. Leasehold improvements includes the MRF building acquisition.

(b) **Current Position at 1st July 2004**

The net current assets carried forward from the previous financial year for the purpose of the 2004/2005 budget was \$3,460,911

The actual net current assets in the audited financial report as at 30th June 2004 was \$2,972,801

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2005

19. MAJOR TRADING UNDERTAKING

CANNING VALE REGIONAL RESOURCE RECOVERY CENTRE (RRRC)

This project is undertaken on behalf of the SMRC's five participating councils. The \$40m project funded by borrowings and payable over 20 years by the five participants, involves the construction of a admin/visitors centre, weighbridge, greenwaste processing and household waste composting facility. Operating revenues is received from gate fees from participants and the private sector. Accounting for this undertaking is in accordance with the Local Government (Financial Management) Amendment Regulations 9 & 45.

OPERATING STATEMENT	2005	2004
	\$	\$
Revenues from Ordinary Activities		
Education & Marketing	422,496	368,016
RRRC Admin & Weighbridge	20,834	19,725
Recycling	836,365	604,393
Greenwaste	1,025,742	956,138
Waste Compost	2,133,583	553,264
Waste Audit Service	9,900	-
Contributions	2,263,797	6,733,302
	<u>6,712,717</u>	<u>9,234,838</u>
Less Expenses from Ordinary Activities		
Education & Marketing	235,895	293,275
RRRC Admin & Weighbridge	263,329	212,061
Recycling	1,933,611	493,417
Greenwaste	913,350	815,059
Waste Compost	7,576,242	4,333,224
Waste Audit Service	80,285	1,397
	<u>11,002,712</u>	<u>6,148,433</u>
Less Borrowing Cost Expense		
RRRC Property	2,197,743	2,217,466
Net Profit or (Loss)	<u>(6,487,738)</u>	<u>868,939</u>
STATEMENT OF FINANCIAL POSITION		
Current Assets		
Cash Assets	851,314	3,395,710
Receivables	10,027,652	5,017,907
Inventories	4,111	4,184
Total Current Assets	<u>10,883,077</u>	<u>8,417,801</u>
Non-Current Assets		
Receivables	30,987,424	31,207,317
Property, Plant and Equipment	21,782,425	966,487
Leasehold Improvements	17,206,844	35,331,869
Total Non-Current Assets	<u>69,976,693</u>	<u>67,505,673</u>
Total Assets	<u>80,859,770</u>	<u>75,923,474</u>
Current Liabilities		
Payables	4,335,259	1,681,910
Interest-bearing Liabilities	7,714,682	3,734,780
Provisions	43,016	39,868
Total Current Liabilities	<u>12,092,957</u>	<u>5,456,558</u>
Non-Current Liabilities		
Interest-bearing Liabilities	30,987,424	31,207,317
Provisions	16,028	8,500
Total Non-Current Liabilities	<u>31,003,452</u>	<u>31,215,817</u>
Total Liabilities	<u>43,096,409</u>	<u>36,672,375</u>
Net Assets	<u>37,763,361</u>	<u>39,251,099</u>
Equity		
Opening Balance	39,251,099	38,242,871
RRRC Participants Contribution towards Equity	5,000,000	139,289
Retained Profits/(loss) for year	(6,487,738)	868,939
Total Equity	<u>37,763,361</u>	<u>39,251,099</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2005

20. ECONOMIC DEPENDENCY

A significant portion of revenue is received by way of members contributions as disclosed in note 22 and revenue from State Government grants as disclosed in note 21.

21. GRANTS AND SUBSIDIES

	2005	2004
Operating	-	-
Community Amenities - Federal Gov Grant	10,000	-
Community Amenities - State Gov Grant	381,609	278,934
	<u>391,609</u>	<u>278,934</u>
Non-operating	-	-
Community Amenities -	-	-
	<u>-</u>	<u>-</u>

22. CONTRIBUTIONS, REIMBURSEMENTS

Operating		
Members Contributions towards operating	706,500	702,700
Contributions from other organisations	29,000	-
Contributions towards loans	2,189,848	2,217,640
Contributions towards Capital	-	4,334,540
Reimbursements	198,963	299,533
Other	134,514	8,613
	<u>3,258,825</u>	<u>7,563,026</u>

23. FEES & CHARGES

Governance	-	-
Consultancies	35,155	35,643
RRRC Gate Fees	3,243,172	1,703,776
Service Provision Fees	1,043,515	913,281
Sale of Materials	263,428	-
Other	32,915	40,989
	<u>4,618,185</u>	<u>2,693,689</u>

24. FINANCIAL RATIOS

	2005	2004	2003
Current Ratio	0.86	1.37	1.33
Debt Ratio	52.23%	48.20%	49.06%
Debt Service Ratio	41.04%	52.06%	48.10%

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 equals	$\frac{\text{Current assets minus restricted current assets}}{\text{Current liabilities minus liabilities associated with restricted assets}}$
Debt Ratio equals	$\frac{\text{Total liabilities}}{\text{Total assets}}$
Debt Service Ratio equals	$\frac{\text{Debt Service Cost (Principal & Interest)}}{\text{Available operating revenue}}$

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2005

25. DISPOSALS OF ASSETS - 2004/2005 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Community Amenities	-	72,000	-	72,000	-	-
Governance	268,178	-	146,593	-	(121,585)	-
Community Amenities						
	268,178	72,000	146,593	72,000	(121,585)	-

By Class	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Computer Equipment	-	-	-	-	-	-
Furniture Equipment	-	-	-	-	-	-
Plant & Equipment	268,178	72,000	146,593	72,000	(121,585)	-
	268,178	72,000	146,593	72,000	(121,585)	-

Summary

Profit

Loss

(121,585)

(121,585)

**26. MEMBER COUNCILS EQUITY IN THE SOUTHERN METROPOLITAN REGIONAL COUNCIL
AS AT 30 JUNE 2005**

	S.M.R.C.	R.R.R.C.	Other	TOTAL EQUITY	R.R.R.C. Loan Liability	TOTAL EQUITY Less Loan
City of Canning	71,815	10,581,528		10,653,343	(10,844,330)	(190,987)
City of Cockburn	64,694	9,537,472		9,602,166	(9,768,412)	(166,246)
Town of East Fremantle	6,217	917,247	2,116	925,580	(940,461)	(14,881)
City of Fremantle	24,545	3,617,764	8,657	3,650,966	(3,707,662)	(56,696)
Town of Kwinana	20,272			20,272	-	20,272
City of Melville	89,015	13,109,350	728	13,199,093	(13,441,241)	(242,148)
City of Rockingham	68,483		728	69,211	-	69,211
	345,041	37,763,361	12,229	38,120,631	(38,702,106)	(581,475)
Equity (2004)	446,413	39,251,099	29,190	39,726,702	(34,942,098)	4,784,604

Reasons for Equity variation

1. SMRC equity decrease mainly due to asset depreciation \$118,333
2. Operating Deficit for RRRC Project to be funded from loan \$1,487,738
3. RRRC Project Loan Liability increase \$3,760,008

27. INFORMATION ON BORROWINGS

Particulars/Purpose	Principal 1-Jul-04	New Loans	Interest Repayments		Principal Repayments		Principal 30-Jun-05
			Budget	Actual	Budget	Actual	
Community Amenities							
RRRC Project							
LOAN NO 1-3 Dec2000	1,830,425		109,675	109,675	63,686	63,686	1,766,739
LOAN NO 1-4 Apr2001	1,830,773		110,060	110,060	63,580	63,580	1,767,193
LOAN NO 1-7 Nov2001	1,853,960		110,164	110,164	64,805	64,804	1,789,156
LOAN NO 1-8 Oct2001	1,841,908		109,815	109,814	64,265	64,264	1,777,644
LOAN NO 1-9 Dec2001	1,857,199		114,420	114,420	63,604	63,604	1,793,595
LOAN NO 1-13 Mar2002	2,993,747		187,718	187,718	2,993,747	2,993,747	0
LOAN NO 1-14 Apr2002	1,868,840		57,505	57,504	1,868,840	1,868,840	0
LOAN NO 1-15 Apr2002	1,406,823		93,254	93,254	46,106	46,106	1,360,717
LOAN NO 1-16 May2002	2,829,316		183,322	183,321	94,042	94,042	2,735,274
LOAN NO 1-17 Jun2002	2,359,212		155,210	155,210	77,684	77,684	2,281,528
LOAN NO 1-18 Jul2002	941,815		58,962	58,961	31,955	31,955	909,860
LOAN NO 1-19 Aug2002	950,424		61,221	61,221	30,953	30,953	919,471
LOAN NO 1-20 Jul2002	941,162		57,891	57,890	32,263	32,262	908,900
LOAN NO 1-21 Aug2002	948,495		59,663	59,663	32,091	32,092	916,403
LOAN NO 1-22 Oct2002	948,808		60,249	60,249	31,923	31,923	916,885
LOAN NO 1-23 Aug2002	1,897,096		119,521	119,521	64,128	64,128	1,832,968
LOAN NO 1-27 Oct2002	947,867		58,491	58,491	32,432	32,432	915,435
LOAN NO 1-28 Feb2003	959,640		54,351	54,351	34,423	34,423	925,217
LOAN NO 1-29 Mar2003	959,239		53,375	53,375	34,727	34,727	924,512
LOAN NO 1-30 Jun2003	967,000		54,095	54,095	34,912	34,912	932,088
LOAN NO 1-31 Dec2003	1,966,280		111,756	111,755	70,403	70,403	1,895,877
LOAN NO 1-32 Jun2004	1,842,069		113,122	113,121	63,203	63,204	1,778,865
LOAN NO 1-33 (14) Dec2004		1,837,152	57,600	52,057	31,600	34,271	1,802,881
LOAN NO 1-34 Apr2005		2,000,000	118,560	30,465	77,547	18,799	1,981,201
LOAN NO 1-35 May2005		1,500,000	-	12,868	-	22,572	1,477,428
LOAN NO 1-36 May2005		1,500,000	-	-	-	-	1,500,000
LOAN NO 1-37 (13) Jun2005		2,892,266	-	-	-	-	2,892,266
							-
	34,942,098	9,729,418	2,270,000	2,189,225	6,002,919	5,969,410	38,702,106

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**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2005**

(b) New Borrowings

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate	Balance Unspent	
	Actual	Budget						Budget	Actual
Community Amenities RRRC Project									
LOAN NO 1-33 (14) Dec2004	1,837,152	1,837,152	WATC	Debenture	14.0	987,027	5.76	0	0
LOAN NO 1-34 Apr2005	2,000,000	500,000	WATC	Debenture	6.3	728,165	6.24	0	0
LOAN NO 1-35 May2005	1,500,000	3,780,000	WATC	Debenture	7.0	527,922	5.84	0	0
LOAN NO 1-36 May2005	1,500,000		WATC	Debenture	1.0	94,820	5.83	0	0
LOAN NO 1-37 (13) Jun2005	2,892,266	2,892,266	WATC	Debenture	8.0	1,059,100	5.68	0	0
	9,729,418	9,009,418				3,397,034		0	0

(i) All loans are Self-Supporting Loan financed by payments from Participating Councils

Note: of the \$9,729,418 New Borrowings, \$4,729,418 was used to re-finance existing loans.

Council resolved in May 2005 to borrow an additional amount totalling \$3,780,000 which was publically advertised in May 2005

27. INFORMATION ON BORROWINGS Continued

(c) Unspent Debentures

There were no unspent debentures as at 30 June 2005.

(d) Overdraft

Council does not have an overdraft facility with its bankers.

28. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

Council's exposure to interest rate risk is as follows:

	Average Interest Rate %	Variable Interest Rate \$	Fixed Interest Rate within 1 year \$	1 - 5 years \$	Maturity over 5 years \$	Non interest Bearing \$	Total \$
2005 Financial Assets							
Cash Assets	4.60%	20,000					20,000
Trade Receivables						1,222,791	1,222,791
Other Receivables - Loan						38,702,106	38,702,106
Other						463,344	463,344
		20,000	0	0	0	40,388,241	40,408,241
2005 Financial Liabilities							
Trade Payables						2,732,349	2,732,349
Bonds & Deposits	4.60%	20,000				43,113	63,113
Loans	6.18%		5,066,800	16,276,566	17,358,741		38,702,106
		20,000	5,066,800	16,276,566	17,358,741	2,775,462	41,497,568
2004 Financial Assets							
Cash Assets	5.30%	3,930,000				46,903	3,976,903
Trade Receivables						1,383,623	1,383,623
Other Receivables - Loan						34,942,098	34,942,098
Prepaid Expenses						20,115	20,115
		3,930,000	0	0	0	36,392,739	40,322,739
2004 Financial Liabilities							
Trade Payables						1,858,170	1,858,170
Bonds & Deposits	5.00%	20,000					20,000
Loans	6.22%		4,862,586	20,540,320	9,539,192		34,942,098
		20,000	4,862,586	20,540,320	9,539,192	1,858,170	36,820,268

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2005

29 . IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRSs)

The Southern Metropolitan Regional Council will report in compliance with AIFRSs in the annual financial report for the year ended 30 June 2006, that is the financial year commencing on 1 July 2005. The annual financial report for the year ended 30 June 2005 has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP).

It is not anticipated that the difference between GAAP and the AIFRSs identified to date, will result in any major changes in the accounting policies or treatments of Councils.

The transition to AIFRS has been managed via a process of education, which includes technical training and liaison with Council's auditors and industry groups. This will include a review of AIFRSs to determine the effects on the Council's existing accounting policies and treatments. The majority of the AIFRSs transitional adjustments will be made retrospectively against opening retained earnings on 1 July 2004. Transitional adjustments relating to those standards for which comparatives are not required will only be made with effect from 1 July 2005.

The following areas have been identified as requiring assessment for impact from AIFRSs on the Council's current accounting policies and treatments. They should not be taken as an exhaustive list.

Property, Plant and Equipment, Infrastructure Assets

Each class of property, plant and equipment and infrastructure assets can be valued at either cost or fair value. the Council expects to adopt the existing policy and therefore it is not anticipated any adjustments will be necessary.

Employee Benefits

The treatment for long service leave under the AIFRSs remains unchanged for the measurement of long service leave entitlements under current Australian GAAP. AIFRSs required non-current annual leave entitlements to be measured at present value. Under Australian GAAP non-current annual leave entitlements are currently measured at the amount the Council expects to pay.

It is not anticipated any such adjustment will be significant.

Impairment of Assets

Assets are tested for impairment where an impairment trigger (per AIFRSs) has occurred. To the extent any impairment is determined, this will be recognised immediately in the operating statement.

Based on the assessment performed to date, it is not anticipated any such adjustments will be significant.

Assets may be considered impaired in one reporting period and not in subsequent periods. Therefore, it is not practicable to determine the impact of the change in accounting policy for future financial reports as any impairment or reversal thereof will be affected by future conditions.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2005

29 . IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRSs) Continues

Financial Assets and Financial Liabilities

Under current Australian GAAP, financial assets and financial liabilities are recognised at cost, at fair value, or at net market value.

On adopting of AIFRSs, the Council will be required to classify these financial instruments in to various specified categories this being loans and receivables, held to maturity investments, trading assets or available for sale financial assets. It is anticipated, based on definitions contained within AIFRSs, most Councils financial assets and liabilities will fall into loans and receivables category and will be measured at their final recognition amount.

Based on reviews performed to date, it is not anticipated any such adjustments will be significant.

Such financial assets will be subject to annual testing and to the extent any impairment testing is determined, it will be recognised immediately in the operation statement.

Investment Property

Investment property are value at either cost or fair value on adoption of AIFRSs. Investment property on cost basis should be adjusted for any impairment balances. Investment property at fair value should reflect market conditions at each reporting date.

It is not anticipated any adjustments will result from the above approach. If they do, they will be recognised against opening retained earnings or past revaluation in the balance sheet.

Cash Flow Statement

There are no material differences between the cash flow statement presented under AIFRSs and the cash flow statement presented under current Australian GAAP.



BARRETT & PARTNERS — DFK

Certified Practising Accountants

PARTNERS

Ronald E Barrett FCA

Anthony D Macri FCPA

Domenic A Macri CPA

INDEPENDENT AUDIT REPORT

TO: MEMBERS OF SOUTHERN METROPOLITAN REGIONAL COUNCIL

Scope

We have audited the financial report of the Southern Metropolitan Regional Council, comprising the Operating Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the notes to and forming part of the financial statements for the year ended 30 June 2005. The Council is responsible for the preparation and presentation of the financial report and the information contained therein. We have conducted an independent audit of the financial report in order to express an opinion on it to the Members of Southern Metropolitan Regional Council.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report are presented fairly in accordance with the requirements of the Local Government Act 1995(as amended) and Regulations under that Act, Australian Accounting Standards and other mandatory professional reporting requirements so as to present a view of the Southern Metropolitan Regional Council which is consistent with our understanding of its financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of the Southern Metropolitan Regional Council:

- (a) present fairly the financial position of the Southern Metropolitan Regional Council as at 30 June 2005 and the results of its operations for the year then ended in accordance with applicable Accounting Standards; and
- (b) are prepared in accordance with the requirements of the Local Government Act 1995(as amended) and Regulations under that Act and other mandatory professional reporting requirements.



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