

ANNUAL REPORT

2005 - 2006



***SOUTHERN METROPOLITAN REGIONAL
COUNCIL***

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

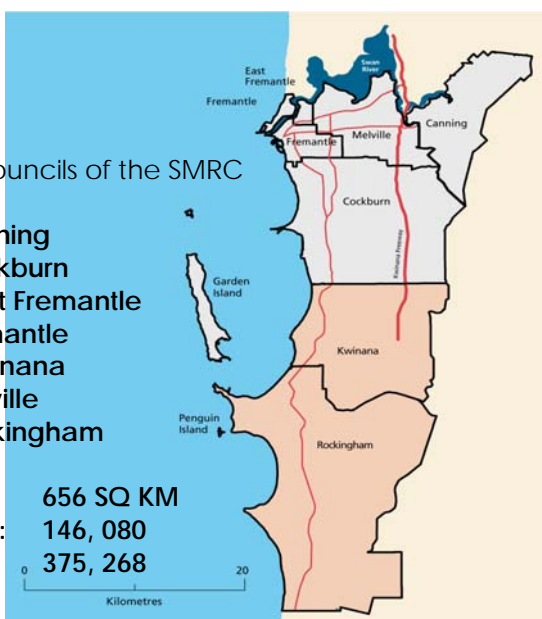
THE SOUTHERN METROPOLITAN REGIONAL COUNCIL

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.

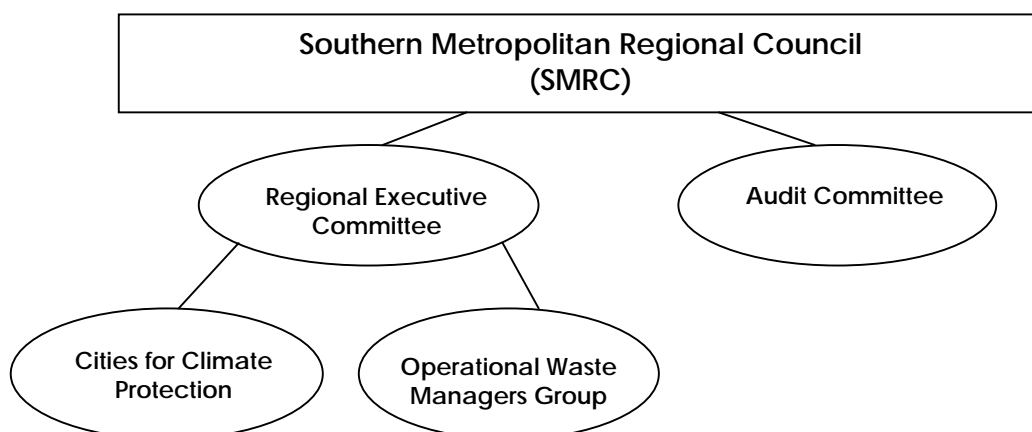
Structure

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 Regional 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 Regional Council has appointed an Audit Committee comprising of three Regional Councillors and a Regional 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



Cr Doug Thompson
Chairman

As Chairman of the SMRC, I want to thank the residents of Canning, Cockburn, East Fremantle, Fremantle, Kwinana, Melville and Rockingham. Thanks to the regional community, the SMRC processed 153,290 tonnes of household waste and diverted 97,010 tonnes from landfill in 2005/06.

During 2005/06 the SMRC shipped out the equivalent of 85 sea containers of recycled products every week, made from household waste and recycling!

In April, May and June, 71% household waste was recovered at the Regional Resource Recovery Centre (RRRC). The monthly average for the last 12 months was 63% of household waste recovered and turned into valuable recycled products

29,823 tonnes of recyclables were produced last year; this included three different grades of paper, steel cans, aluminium, cardboard and three different types of plastics. All products are produced to quality standards and sent to industry to be remanufactured into new products. **14,746 tonnes of compost** was produced to meet the Australian Compost Standards, all of which was used by the farming community, and **27,581 tonnes of mulch** was produced for remanufacture into compost and soil amendment products.

The SMRC by reprocessing waste that would normally have gone to landfill in the 2005/06 year it reduced the amount of carbon dioxide (CO₂) that would have gone to atmosphere by 153,000 tonnes. This is the equivalent the exhaust emissions that 70,000 cars would produce in a year.

In December 2005 the SMRC gained accreditation from the Australian Green House Office as a carbon credit abatement provider for its composting facility. This was an Australian first for a municipal solid waste composting facility, and the SMRC became one of seven organisations in Australia eligible to sell carbon credits. The Waste Composting Facility produces **76,000 tonnes of carbon credits each year**.

The Regional Councillors attended the Coffs Harbour 06 National Waste conference, which provided great insight into the state of waste management in Australia and reaffirmed the SMRC status as a leading waste management authority in Australia.

In addition to our work in waste management, the SMRC Living Smart and GREENHOUSES, which promote sustainability and greenhouse gas reduction in homes and businesses, were presented to over 1000 homes and business during the 2005/06 year.

I am proud to serve as Chairman of the Southern Metropolitan Regional Council, and thank my fellow Regional Councillors for their outstanding service on behalf of the community in 2005/06.

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.



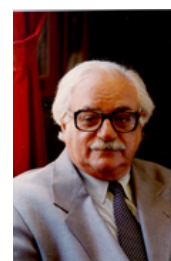
Deputy Chairman, Cr Clive Robartson OAM, City of Melville

Cr Robartson is a past chairman of the Municipal Waste Advisory Council and continuing member. He served as a member of the Waste Management Board and its predecessor the Advisory Council on Waste Management for many years. He is the immediate Past President of the Western Australian Local Government Association and a past Director of the Australian Local Government Association. Clive is currently a member of the Swan Catchment Council with positions on the Integrated Water Management Group and the Local Government Reference Group that he chairs. Now retired from his role as Manager of the Dept. of Agriculture Animal Health Laboratories he contributes his spare time as Hon. Secretary of the Order of Australia Association, WA Branch and Chairs the City of Melville Citizens Relief Fund (Inc.).



Mayor Dr Michael Lekias, City of Canning AM MBBS JP

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 Peter Le May, Town of East Fremantle

Cr Le May has a commitment to regional issues, a strong interest in environmental matters including efficient waste management, and a particular interest in community education and efficient waste management at the householder level. He is also keen to see the most viable product streams established from optimal waste management and consequent stable channels of distribution. Peter Le May first became an East Fremantle Councillor in the early 90s, but had to retire from the town council upon moving to Canberra. He returned to East Fremantle, and was re-elected to the council in 2002. Cr Le May has extensive private and public sector experience at senior levels.



SMRC SENIOR STAFF



Mr Stuart McAll
Chief Executive Officer



Mr Brendan Doherty
Manager
Engineering Services



Mr Chris Wiggins
Manager
Administration & Finance



Mr Tim Youe
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 2005-2006 REC members are:

Mr Stuart McAll Chief Executive Officer, SMRC REC Chairman

Mr Stephen Cain, Chief Executive Officer, City of Cockburn

Mr Jim Coten, Director, Technical & Operational Services, Town of Kwinana

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

Mr Tony Brown, Deputy Chief Executive Officer, Town of East Fremantle

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

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

Mr Robert Willis, Director, Technical Services, City of Melville

CHIEF EXECUTIVE OFFICER'S REPORT



Mr Stuart McAll
Chief Executive Officer

The past 12 months have seen some exciting developments for the Southern Metropolitan Regional Council. As the financial year comes to a close the Regional Council's operations continue to provide the quality service our member councils and the community expect from us.

During 2005/06 the SMRC undertook important work to position the organisation as a leading Australian waste management authority and at the forefront of efforts to combat climate change, and promote the important link between recycling, waste management, and global warming.

The 2005/06 year was operationally a significant milestone for the SMRC, with the RRRC Waste Composting Facility becoming fully operational and the SMRC taking over the operations of the Materials Recovery Facility. This presented many difficult technical problems to overcome (many of which were industry firsts). The results of these efforts were rewarded by achieving a 71% diversion of waste from landfill (in the last 3 months of operation) and reducing carbon emissions by 153,000 tonnes.

In a first for local government in Australia, the Southern Metropolitan Regional Council's Waste Composting Facility, a part of the Regional Resource Recovery Centre (RRRC) in Canning Vale, has been approved as a Greenhouse Friendly abatement project by the Federal Department of Environment and Heritage.

The Regional Council approved a \$10,000,000 business plan to replace the existing Materials Recovery Facility (40,000 tonne per year) with a new state of the art Materials Recovery Facility with a processing capacity of 90,000 tonne per year. This facility will be completed by June 2007.

The SMRC compost market development project came to a conclusion in 2005/06. This important trial supplied compost made from the region's municipal household waste (MSW) to 46 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 substantial improvement in soil and crop performance. A full report on the trial is expected in September 2006. This trial has provided the SMRC with valuable information for the sale of SMRC compost in 2006/07.

In December 2005 the Waste Composting Facility odour management system failed creating considerable concern in the community adjacent to the facility. The SMRC undertook a major review of the odour management system, which resulted in a substantial, redesigned of the bio-filters, ventilation and humidification systems. These works will be completed in January 2007 at a cost of \$2.4 million.

The SMRC constructed a purpose built Audit Facility at the RRRC to evaluate and get better insight into the composition of the waste streams received at

the RRRC for processing and evaluation of the reduced waste streams leaving the RRRC. The Audit Facility is an invaluable tool in the SMRC's goal to find and implement ways to reduce waste to landfill by 95%.

As a result of work undertaken at the Audit Facility, the SMRC was able to determine that 38% of all recyclables produced in the household were still being placed in the green waste bin that is sent to the Waste Composting Facility, further investigation showed that over 60% of the domestic households were filling their recycling bin in the first week and appeared to be placing the remaining recyclables in the compost waste bin. With this information the SMRC successfully sort funding from the National Packaging Council to run a 5-month trial of weekly collection of recyclables, this trial will be completed by June 2007.

The Regional Greenhouse Abatement program continues to see SMRC staff providing programs to reduce greenhouse gas emissions at the household and small business level to the community. Again, it's another sign of the SMRC's growing efforts to combat climate change that these pioneering programs, developed in partnership by the SMRC, continue to grow and be popular with the community.

The development of alternative fuels use for the RRRC is well on the way, this will result in changing from using 100% diesel in its operation to 100% bio diesel, this change is expected to be complete in early 2007.

The SMRC purchased its own administration building in March 2006, 9 Aldous Place Booragoon, to house 15 Administration and senior management staff. The building was refitted and staff moved in at the end of June.

During this year the SMRC total staff grew from 79 to 98 full time employees, the majority of the staff increase was due to the Waste Composting Facility becoming fully operational and the SMRC operating the Materials Recovery Facility. The SMRC's operational budget grew from \$15 million in 2004/05 to \$17.8 million.

This has been a demanding year for both councillors and staff with many achievements and difficulties overcome. I would personally like to thank our Chairman 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. Their hard work, tireless efforts and professionalism throughout the year is a credit to the SMRC.

Mr Stuart McAll
Chief Executive Officer

OUR VISION, PURPOSE AND PRINCIPLES

In 2004/05, the Southern Metropolitan Regional Council adopted a strategic plan including: a vision, purpose, and principles, which lead to the development of a set of 4 key focus areas. This strategic plan will be reviewed in 2006/07.

Our **vision** is for the SMRC to be leading the community in sustainable environment management.

Our **purpose** is to provide sustainable solutions to resource recovery and greenhouse gas abatement for the regional community.

We will conduct our business guided by these **principles**:

- Partnerships
- Innovative solutions
- Community driven outcomes
- Best value
- Integrity and transparency

From this the Regional Council has adopted 4 key focus areas:

- Resource Recovery
- Greenhouse Gas Abatement
- Community
- Organizational Excellence

The key focus areas encompass the triple bottom line of environmental (Resource Recovery and Greenhouse Gas Abatement), social (Community), and economic (Organizational Excellence). Environmental, social and economic factors and outcomes guide the Regional Council throughout its decision-making, ensuring the best outcomes are achieved for each area.



STRATEGIC GOALS AND KEEP PERFORMANCE INDICATORS

For each key focus area the SMRC has set a strategic goal, which is measured by a series of key performance indicators.

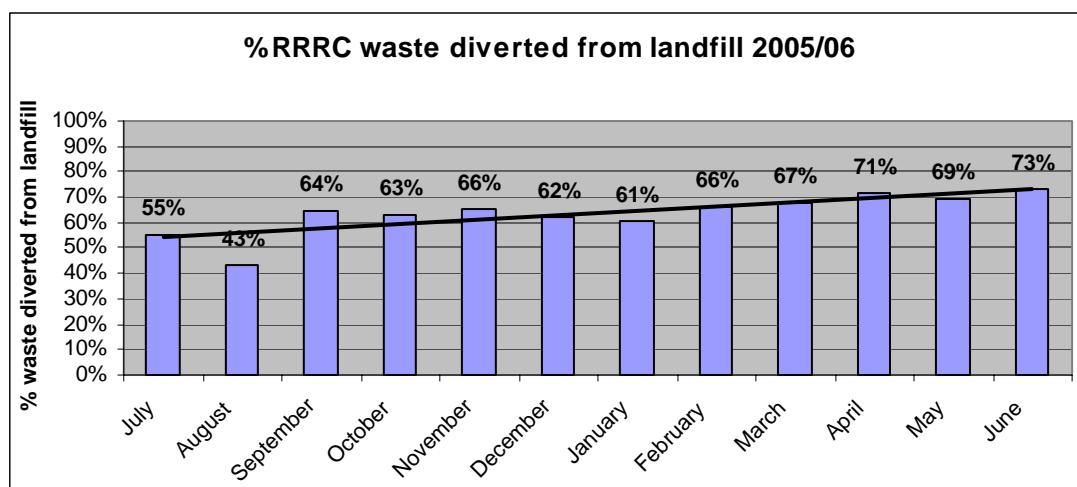
Goal 1: Resource Recovery (environmental)

- To ensure maximum resource recovery to achieve 95% reduction in waste

The following key performance indicators were adopted in 2005/06 to measure the SMRC's success in achieving this goal.

Key Performance Indicator	2005 - 2006 Annual Target	2005 - 2006 Actual
Resource Recovery		
RRRC service provision		
MSW	81,900	81,093
Bio-solids	6,000	1,530
Recyclables	41,000	43,086
Green waste	26,000	27,581
Total waste diverted from Landfill	65%	63%
% Utilisation of RRRC	83%	85%
Availability of RRRC to receive waste Days / year		
Waste Composting Facility	195	192
Materials Recovery Facility	302	302
Green Waste Processing Facility	363	363
Quality assurance product		
Recyclables	98%	97%
Mulch	100%	100%

The Regional Resource Recovery Centre (RRRC) in Canning Vale continues to be the main focus of the SMRC. In 2005/06, the RRRC diverted 97,010 tonnes of waste from landfill. With an average diversion rate of 63% per month, rising to 71% in the last quarter of 2005/06, this is a remarkable achievement in terms of diversion of domestic waste from landfill in comparison with any other facility in Australia. The chart below shows the percentage of the waste stream diverted from landfill by the RRRC for each month of 2005/06.



The average landfill diversion rate was brought down earlier in 2005/06 as a result of mechanical operational reliability issues in the first half of the financial year.

In November 2005 the SMRC engaged a Senior Mechanical Engineer to establish a mechanical maintenance department to improve the reliability of the RRRC's plant and equipment. This has resulted in a substantial improvement in operational reliability.

The Green Waste Processing Facility (GWPF) is achieving 100% diversion and this has been achieved by having strong commercial contracts in place with three compost manufacturers that use the SMRC's mulch as feedstock for their own compost manufacturing.



The refurbished MRF at the RRRC

The Materials Recovery Facility (MRF) averaged annually a 69% diversion of waste from landfill. From July to November 2005 there was a steady improvement in the recovery rate from 60% to 74% and this is due to the SMRC having acquired the facility in June 2005 and then developing the operational expertise to operate the facility. Then from December to March 2006 the diversion rate dropped to 66%, this is primarily due to the quantity of recyclables received during these months, which exceeded the design capacity of the plant. As the quantities dropped in winter the plant's recovery rate improved up to 76%.

The Regional Council recognized the need for a new larger facility to be constructed in 2006/07. During 2005/06 a business plan for the development and operation of a new MRF was developed and adopted by the Regional Council.

The Waste Composting Facility (WCF) achieved its operational target of processing 75% of design capacity (actual figure 74.3%), which is a significant achievement for its first year of operations. The diversion rate from landfill started the year poorly when the facility experienced failures in the primary trommels and digester alignment issues with August achieving a diversion from landfill of 20% followed by unseasonably wet weather. As time progressed the operations of the facility were modified to accommodate the extra wet MSW and the digester alignment issues were rectified and as a consequence diversion rates improved. Plant reliability became an issue in November through to March with significant failures in the final screening equipment and compost turning machine, these issues have improved considerably with planned preventative maintenance programs now in place. The trend for the facility is positive with June recording a 64% landfill diversion rate. The annual average rate was 47.8%. This will improve further in the next financial year as the facility is fine-tuned and preventative maintenance programs continue to be improved.

In 2005/06, the RRRC received 153,290 tonnes of waste. This equates to approximately 11,000 cubic metres per week of waste material that is

processed at the RRRC. The table below shows the total waste received by the RRRC, and products produced by the RRRC in 2005/06.

Total Waste Processed at RRRC 2005-2006			Total Products produced at RRRC 2005-2006		
MSW	81,093	Tonnes	Compost	14,746	Tonnes
Bio-solids	1,530	Tonnes	Mulch	27,581	Tonnes
Recyclables	43,086	Tonnes	Recyclables	29,823	Tonnes
Green waste	27,581	Tonnes	Carbon Credits	76,000	Tonnes CO ₂ e
Total	153,290	Tonnes	Total	148,150	Tonnes
Total Waste Diverted from Landfill					
97,010 Tonnes					

During the last 12 months the RRRC shipped out approximately 1,400 tonnes of compost, mulch, and recycled products each week, the equivalent of 17 large sea containers per day.

The outstanding diversion rates achieved at the RRRC demonstrate the SMRC's ability to operate in a commercial and manufacturing environment with the successful sale and manufacture of 148,000 tonnes of products.

Each of the recycled products manufactured at the RRRC meets high quality assurance standards, developed by the SMRC working with the market.



Compost manufacture at the RRRC

The recyclables had one non-compliance during the year and the mulch always met the required standard.

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 2: Greenhouse Gas Abatement (environmental)

- To provide leadership to assist and facilitate in the reduction of greenhouse gases within the region

The following Key Performance Indicators were adopted in 2005/06 to measure the SMRC's success in achieving this goal.

Key Performance Indicator	2005 - 2006 Annual Target	2005 - 2006 Actual
Green House Gas abatement		
Greenhouse & Living Smart program attendance	600	1060
%Satisfaction of resident attending programmes	85%	91%
Net Carbon Credits achieved Tonnes/yr	49330	76,000

In 2005/06, carbon credits achieved was 76,000 tonnes CO₂e against a target of 49,330 tonnes CO₂e. Upon verification of the SMRC's submission to the Australian Greenhouse Office, carbon credits, or abatement, will be available to sale to other organisations wishing to offset their own emissions in 2006/07.

In 2005/06 the Regional Community Greenhouse Gas Abatement Project addressed emissions in the residential and transport sectors and for the first time, the small-to-medium business sector. An estimated 600 tonnes of greenhouse emissions were abated.

Through the Alternative Fuels Program a fuel options report was submitted to Council and preparations have begun for a biodiesel trial given the emergence of local manufacturers and its greenhouse abatement potential.

Success in a \$25,000 Federal Department of Environment and Heritage Grant enabled the 7-month pilot project to go ahead with 36 small-to-medium businesses in local neighbourhood centres in Cities of Canning, Cockburn and Rockingham.

In addition, SMRC Greenhouse Team undertook two small projects via service agreements with Town of Victoria Park and City of Nedlands and Town of Cambridge.

The implementation of the GreenHouses and Living Smart programmes has been very successful with the attendance of 1,060 people who recorded a 91% satisfaction rating.

Ongoing residential programs ran across the region with over 750 households participating in the GreenHouses and over 100 residents attending in the 7-week Living Smart course. A new residential program was developed and piloted called the Targeted Action Campaign. It is designed to reach the wider community with a few specific and significant home energy actions. The pilot project engaged over 200 East Fremantle households and was funded by an Australian Greenhouse Office Grant to the Town.



GreenHouses being presented in Rockingham

In 2005/06 six member councils participated in the Regional Community Greenhouse Gas Abatement Project. The Regional CCP Officers Committee met bi-monthly supporting the project's delivery and direction and sharing on internal CCP measures. The SMRC Greenhouse Team in 2005/06 included the Regional Greenhouse Coordinator, Green Enterprise Facilitator and the Greenhouse Education Officer.

Goal 3: Community (social)

- To influence regional community environmental practices for health communities

The following Key Performance Indicators were adopted in 2005/06 to measure the SMRC's success in achieving this goal.

Key Performance Indicator	2005 - 2006 Annual Target	2005 - 2006 Actual
Community		
Member Councils Councillors % satisfied or greater	70%	76%
State and Federal Members	15 meetings	16
Presentations to Member Councils	7 meetings	12
Effectiveness of Community education		
% Habitual & Passionate Recyclers	44.00%	24.80%
Community awareness of the SMRC	20%	56.20%
Number of Annual visitors to RRRC	4000	4614
RRRC visitor survey % Satisfied or very satisfied	85%	97%

In the last year, a significant drop in the percentage of the community who are habitual and passionate recyclers has occurred, down from 44% (2003/04) to 24.8%. The 2005 community survey shows that recycling is still a high priority; however there has been a shift in the community's degree of certainty in the process.

Tours of the RRRC and degree of satisfaction with tours have exceeded the targets set by the Regional Council. The number of people visiting the facility has increased from 2819 in 2004/05 to 4614 in 2005/06. This is an average of 89 people per week, of which 97% (by survey) have indicated they are satisfied or very satisfied with the tour.



One of four digesters at the RRRC

A survey of Member Council Councillors showed a positive response with 76% being satisfied or better with the SMRC. This was the first survey of its kind and now forms our baseline for future measurement.

The provision of presentations to State and Federal politicians, and member councils has met and exceeded the target for the SMRC and as a result positioned the SMRC to provide valuable input into State and Federal future waste management directions.

Community awareness of the SMRC has grown dramatically in the 2005/06 financial year with surveys showing that 56% of the community is aware of the existence of the SMRC.

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.

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

Goal 4: Organizational Excellence (economic)

- To ensure Southern Metropolitan Regional Council is efficient and effective

The following Key Performance Indicators were adopted in 2005/06 to measure the SMRC's success in achieving this goal.

Key Performance Indicator	2005 - 2006 Annual Target	2005 - 2006 Actual
Organisational Excellence		
Statutory Compliance		
External audit non-compliances	0	2
Total operating income	\$15,198,706	\$15,423,509
Total Operating expenditure	\$16,782,456	\$17,844,534
Capital expenditure program		
%Capital expenditure	100%	56%
Capital exp program	\$8,658,800	\$3,406,829
RRRC Commercial Income	\$5,192,800	\$6,113,534
Best Practise benchmark RRRC cost/hh/yr	\$ 83.00	\$ 102.67
Safety lost time injuries incidents	0	9
Environmental compliance Incidents	0	1
Staff Satisfaction survey % satisfied or greater	70%	65.65%

The best practise benchmark RRRC cost/hh/yr KPI was set at \$83.00 per household per year. Based on the SMRC experience of Eastern States costs (conference trip to Coffs Harbour), the benchmark has been re-calculated to \$130.66 /hh/year as follows.

Best practise Benchmark			
Waste generated per household per year		Cost/ tonne	Cost/year
Green Waste	0.15 t/yr	\$ 38.00	\$ 5.70
Recyclables	0.286 t/yr	\$ 46.00	\$ 13.16
MSW	0.86 t/yr	\$ 130.00	\$ 111.80
Total waste/year	1.296 t/yr	Total cost/hh	\$ 130.66

The cost per household to the project participants for the 2005/07 year was \$102.67.

The RRRC has had one significant environment compliance issue this financial year being the fugitive odour emissions from the Waste Composting Facility. The emissions commenced in December 2005 and the SMRC received some 385 complaints from December to June 2006. The problem has been investigated using specialist odour management consultants, The Odour Unit and the extent of works required to rectify the problem has been identified. The SMRC has in its 2006/07 budget allocated \$2.4 million to under take the necessary works, which are anticipated to be complete in January 2007.

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.

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.

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.



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 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

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 PLANS

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).
- The Plan identified the need for a review of its record keeping system and staff training programme which was undertaken in 2005/06.

SOUTHERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 20061

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SOUTHERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2006

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 2006 are in my opinion properly drawn up to present fairly the financial position of the Southern Metropolitan Regional Council at 30th June 2006 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 8 November 2006



Stuart McAll
Chief Executive Officer

SOUTHERN METROPOLITAN REGIONAL COUNCIL

INCOME STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2006

	NOTE	2006 \$	2006 Budget \$	2005 \$
REVENUES FROM ORDINARY ACTIVITIES				
Governance		290,000	294,500	216,938
Community Amenities		15,211,742	14,738,244	8,009,772
Other Property and Service		71,457	165,962	150,070
TOTAL OPERATING REVENUE	2b	<u>15,573,199</u>	<u>15,198,706</u>	<u>8,376,780</u>
EXPENSES FROM ORDINARY ACTIVITIES EXCLUDING BORROWING COSTS EXPENSE				
Governance		310,967	288,250	279,170
Community Amenities		18,185,851	15,596,205	12,355,866
Other Property and Service		71,457	165,962	150,070
TOTAL OPERATING EXPENSE	2b	<u>18,568,275</u>	<u>16,050,417</u>	<u>12,785,106</u>
BORROWING COSTS EXPENSE				
Community Amenities		2,577,342	2,759,779	2,197,743
	2c	<u>2,577,342</u>	<u>2,759,779</u>	<u>2,197,743</u>
OPERATING SURPLUS/(DEFICIT)		<u><u>(5,572,418)</u></u>	<u><u>(3,611,490)</u></u>	<u><u>(6,606,069)</u></u>

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

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
BALANCE SHEET
AS AT 30 JUNE 2006**

	NOTE	2006 \$	2005 \$
CURRENT ASSETS			
Cash & Cash Equivalents	3	526,261	347,524
Trade & Other Receivables	4	8,885,361	9,400,917
Inventories	5	353,589	4,111
Other	6	-	13,235
TOTAL CURRENT ASSETS		<u>9,765,211</u>	<u>9,765,787</u>
NON-CURRENT ASSETS			
Trade & Other Receivables	4	38,809,006	30,987,424
Property, Plant and Equipment	7	39,552,549	39,045,771
TOTAL NON-CURRENT ASSETS		<u>78,361,555</u>	<u>70,033,195</u>
TOTAL ASSETS		<u>88,126,766</u>	<u>79,798,982</u>
CURRENT LIABILITIES			
Trade & Other Payables	8	1,633,436	2,795,462
Borrowings - current portion	9	6,641,382	7,714,682
Provisions	10	134,329	88,784
TOTAL CURRENT LIABILITIES		<u>8,409,147</u>	<u>10,598,928</u>
NON-CURRENT LIABILITIES			
Borrowings - non-current portion	9	38,809,007	30,987,424
Provisions	10	126,270	91,996
TOTAL NON-CURRENT LIABILITIES		<u>38,935,277</u>	<u>31,079,422</u>
TOTAL LIABILITIES		<u>47,344,424</u>	<u>41,678,350</u>
NET ASSETS		<u>40,782,342</u>	<u>38,120,632</u>
EQUITY			
Retained Surplus/(Deficit)		(9,963,890)	(4,882,520)
Participants Equity		50,611,631	42,377,503
Reserves		134,601	625,649
TOTAL EQUITY		<u>40,782,342</u>	<u>38,120,632</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2006**

	NOTE	2006 \$	2005 \$
RETAINED SURPLUS (DEFICIT)			
Balance as at 1 July		(4,882,520)	1,926,305
Operating Surplus/(Deficit)	2	(5,572,418)	(6,606,069)
Transfer from/(to) Reserves	11	491,048	(202,756)
Balance as at 30 June		<u>(9,963,890)</u>	<u>(4,882,520)</u>
PARTICIPANTS EQUITY			
Balance as at 1 July		42,377,503	37,377,503
Participants Contribution for the year		8,234,128	5,000,000
Balance as at 30 June		<u>50,611,631</u>	<u>42,377,503</u>
RESERVES			
Balance as at 1 July		625,649	422,893
Transfer from/(to) Accumulated Surplus	11	(491,048)	202,756
Balance as at 30 June		<u>134,601</u>	<u>625,649</u>
TOTAL EQUITY		<u>40,782,342</u>	<u>38,120,632</u>

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2006

	NOTE	2006 \$	2006 Budget \$	2005 \$
Cash Flows From Operating Activities				
Receipts				
Grants and Subsidies - operating		386,891	777,415	242,268
Contributions, Reimbursements & Donations		5,378,637	1,452,532	4,455,166
Fees and Charges		10,869,785	4,043,365	4,578,186
Interest Earnings		30,917	13,000	108,161
Goods & Services Tax		1,571,099	1,130,000	525,267
		<u>18,237,329</u>	<u>7,416,312</u>	<u>9,909,048</u>
Payments				
Employee Costs		(5,680,309)	(5,252,108)	(2,800,778)
Materials and Contracts		(9,987,497)	(2,095,052)	(4,034,278)
Utilities (gas, electricity, water, etc)		(1,244,095)	(1,028,467)	(966,297)
Insurance		(196,308)	(287,688)	(147,307)
Interest		(2,582,546)	(3,212,879)	(2,189,847)
Goods & Services Tax		(1,693,538)	(1,350,000)	(668,838)
Other		(34,236)	(40,000)	(35,597)
		<u>(21,418,529)</u>	<u>(13,266,194)</u>	<u>(10,842,942)</u>
Net Cash Provided By (Used In)				
Operating Activities	12(b)	<u>(3,181,200)</u>	<u>(5,849,882)</u>	<u>(933,894)</u>
Cash Flows from Investing Activities				
Payments for Purchase of				
Land and Buildings	7	(1,492,627)	(2,000,000)	-
Information Technology Equipment	7	(91,339)	(108,000)	(15,960)
Furniture & Fittings	7	(5,072)	(18,250)	(6,138)
Vehicles & Plant		(1,458,772)	(5,293,550)	(6,043,523)
Other		(12,450)	-	-
Payments for Construction of				
RRRC Leasehold Improvements	7	(352,586)	(1,239,000)	(610,414)
Grants and Contributions for				
the Development of Assets			-	73,949
Proceeds from Sale of				
Plant & Equipment	26	<u>24,500</u>	<u>25,000</u>	<u>146,593</u>
Net Cash Provided By (Used In)				
Investing Activities		<u>(3,388,346)</u>	<u>(8,633,800)</u>	<u>(6,455,493)</u>
Cash Flows from Financing Activities				
Repayment of Loans	28	(9,306,399)	(1,750,000)	(5,969,410)
Proceeds from New Loans	28	<u>16,054,682</u>	<u>16,433,682</u>	<u>9,729,418</u>
Net Cash Provided By (Used In)				
Financing Activities		<u>6,748,283</u>	<u>14,683,682</u>	<u>3,760,008</u>
Net Increase (Decrease) in Cash Held		<u>178,737</u>	<u>200,000</u>	<u>(3,629,379)</u>
Cash at Beginning of year		<u>347,524</u>	<u>500,000</u>	<u>3,976,903</u>
Cash at End of Year	12(a)	<u><u>526,261</u></u>	<u><u>700,000</u></u>	<u><u>347,524</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 2006

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 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 Balance Sheet are stated inclusive of applicable GST.

(d) Fixed Assets

Property & plant and equipment assets are brought to account at cost or fair value.

(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.

The provisions for employee benefits to annual leave and long service leave expected to be settled within 12 months represents the amount that the Southern Metropolitan Regional Council has a present obligation to pay resulting from employees services provided to balance date. The provisions have been calculated based on remuneration rates the council expects to pay and includes related on-costs.

The provision for employee benefits to annual leave and long service leave expected to be settled in more than 12 months represents the present value of the estimated future outflows to be made by the employer resulting from the employees service to balance date.

(g) Impairment of Assets

Assets, other than inventories, 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 income statement.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2006

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Assets and Financial Liabilities

Council's financial assets and liabilities that fall into loans and receivables categories and is measured at their recognition amount.

(i) 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.

(j) Investments

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

(k) Superannuation

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

(l) 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.

(m) Participants Contribution Equity

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

(n) 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.

(o) 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.

(p) 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 balance sheet and in the notes to and forming part of the financial report.

(q) Rounding Off Figures

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

(r) 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 2006

2. OPERATING REVENUES AND EXPENSES	2006	2005
	\$	\$
(a) Result from Ordinary Activities		
The Result from Ordinary Activities includes:		
(i) Charging as Expenses:		
Auditors Remuneration		
- Audit	5,200	2,800
	<u>5,200</u>	<u>2,800</u>
Bad and Doubtful Debts		
- Sundry Debtors	155	221,127
	<u>155</u>	<u>221,127</u>
Amortisation		
- Leasehold Improvements	1,033,425	1,075,583
	<u>1,033,425</u>	<u>1,075,583</u>
Depreciation		
Computer Equipment	43,424	52,302
Furniture and Equipment	22,117	38,799
Plant and Equipment	1,790,152	3,208,983
Buildings	3,067	3,322
	<u>1,858,760</u>	<u>3,303,406</u>
Total Amortisation & Depreciation	<u>2,892,185</u>	<u>4,378,989</u>
Rental Charges		
- Operating Leases	306,045	363,856
	<u>306,045</u>	<u>363,856</u>
(ii) Crediting as Revenues:		
Interest Earnings	2006	2006
	Budget	\$
	\$	\$
Investments		
- General Fund Towards Operating	13,000	30,917
- General Fund Towards Capital	-	73,949
	<u>13,000</u>	<u>108,161</u>
(b) Revenues and Expenses from Ordinary Activities	2006	2005
Classified According to Nature and Type	\$	\$
Revenues from Ordinary Activities		
Grants and Subsidies - operating (refer note 22)	716,928	391,609
Grants and Subsidies - non-operating (refer note 22)	-	-
Contributions Reimbursements and Donations (refer note 23)	3,259,350	3,258,825
Fees and Charges (refer note 24)	11,566,004	4,618,185
Interest Earnings (refer note 2a)	30,917	108,161
Profit on Sale of Assets (refer note 26)	-	-
	<u>15,573,199</u>	<u>8,376,780</u>
Expenses from Ordinary Activities		
Employee Costs	5,925,576	2,990,882
Materials and Contracts	8,275,355	4,144,447
Utilities (gas, electricity, water, etc)	1,244,095	966,297
Depreciation on Non-current Assets (refer note 2a)	2,892,185	4,378,990
Loss on Asset Disposals (refer note 26)	-	121,586
Insurance	196,308	147,307
Other	34,756	35,597
	<u>18,568,275</u>	<u>12,785,106</u>
(c) Borrowing Costs Expense		
Borrowing Costs Expense comprises:		
Debentures (refer note 28a)	2,577,342	2,197,743
	<u>2,577,342</u>	<u>2,197,743</u>
Operating Surplus/(Deficit)	(5,572,418)	(6,606,069)

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2006

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 2006

	2006 \$	2005 \$
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.		
- Nil	-	-
	<u>-</u>	<u>-</u>
3. CASH		
Cash on Hand	1,150	1,050
Cash at Bank	370,510	326,474
Term Deposits	154,601	20,000
	<u>526,261</u>	<u>347,524</u>
Unrestricted	336,524	(351,184)
Restricted	189,737	698,708
	<u>526,261</u>	<u>347,524</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Retention & Bonds	45,090	63,013
Regional Collection Contributions	10,046	10,046
Reserve Fund - RRRC Plant	95,000	480,000
Reserve Fund - RRRC Infrastructure	39,601	145,649
	<u>189,737</u>	<u>698,708</u>
4. TRADE & OTHER RECEIVABLES		
Current		
Sundry Debtors	1,445,931	1,222,946
Less Doubtful Debts	(155)	(155)
Accrued Income	798,203	364,949
GST Receivable	-	98,495
Loan Debtors - Project Participants	6,641,382	7,714,682
	<u>8,885,361</u>	<u>9,400,917</u>
Non-Current		
Loan Debtors - Project Participants	38,809,006	30,987,424
	<u>38,809,006</u>	<u>30,987,424</u>
5. INVENTORIES		
Stock on Hand - Fuel	4,218	4,111
Stock on Hand - RRRC Critical Spares	349,371	-
	<u>353,589</u>	<u>4,111</u>
6. OTHER		
Prepaid Expenses	-	13,235
	<u>-</u>	<u>13,235</u>

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2006**

	2006 \$	2005 \$
7. PROPERTY, PLANT AND EQUIPMENT		
Leasehold Improvements		
RRRC Preliminary Costs - at cost	1,966,349	1,729,871
RRRC Buildings - at cost	16,731,685	16,618,577
RRRC Infrastructure - at cost	2,413,810	2,410,810
Less Accumulated Amortisation	<u>(4,585,839)</u>	<u>(3,552,414)</u>
	16,526,005	17,206,844
 Freehold Buildings	 1,492,627	 -
Less Accumulated Depreciation	<u>(3,067)</u>	<u>-</u>
	1,489,560	-
 Information Technology Equipment - at cost	 339,283	 247,944
Less Accumulated Depreciation	<u>(198,382)</u>	<u>(154,958)</u>
	140,901	92,986
 Furniture and Equipment - at cost	 267,656	 262,584
Less Accumulated Depreciation	<u>(141,198)</u>	<u>(119,081)</u>
	126,458	143,503
 Plant and Equipment - at cost	 27,243,653	 25,796,726
Less Accumulated Depreciation	<u>(5,974,028)</u>	<u>(4,194,288)</u>
	21,269,625	21,602,438
	<u>39,552,549</u>	<u>39,045,771</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	Freehold Buildings	Information Tech Equip	Furniture & Equipment	Plant & Equipment	Total
Balance at the beginning of the year	17,206,844	-	92,986	143,503	21,602,438	39,045,771
Additions	352,586	1,492,627	91,339	5,072	1,481,842	3,423,466
Disposals (note 25)		-	-		(24,500)	(24,500)
Reclassification increments/(decrements)						-
Depreciation/Amortisation Expense	(1,033,425)	(3,067)	(43,424)	(22,117)	(1,790,155)	(2,892,188)
Carrying amount at the end of year	16,526,005	1,489,560	140,901	126,458	21,269,625	39,552,549

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: \$22,660,000

The above valuation is a management valuation as at 30 June 2006 and not an independent valuation.

8. TRADE & OTHER PAYABLES

Current

Sundry Creditors	1,317,165	2,664,424
Accrued Expenses	158,412	36,561
GST Payable	42,489	-
Accrued Salaries and Wages	61,150	17,550
Accrued Loan Interest	9,130	13,814
Income in Advance	-	-
Retention & Bonds	45,090	63,113
	<u>1,633,436</u>	<u>2,795,462</u>

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

FOR THE YEAR ENDED 30TH JUNE 2006

9. BORROWINGS	2006	2005
	\$	\$
Current		
Debentures	6,641,382	7,714,682
Non Current		
Debentures	38,809,007	30,987,424
	<u>45,450,389</u>	<u>38,702,106</u>

Additional detail on borrowings is provided in Note 28

The Southern Metropolitan Regional Council has two lending facilities for the following projects:

1. The Regional Resource Recovery Centre Loan Limit \$47.5M

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

City of Canning	28.02%	12,314,900	10,844,330
City of Cockburn	25.24%	11,093,078	9,768,412
Town of East Fremantle	2.43%	1,067,994	940,461
City of Fremantle	9.58%	4,210,447	3,707,662
City of Melville	34.73%	15,263,970	13,441,241
		<u>43,950,389</u>	<u>38,702,106</u>

2. Administration Building (9 Aldous Pl 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. \$1,500,000

Participants limit of its share of the loan liability is as follows

City of Canning	20.81%	312,150	-
City of Cockburn	18.75%	281,250	-
Town of East Fremantle	1.80%	27,000	-
City of Fremantle	7.11%	106,650	-
Town of Kwinana	5.88%	88,200	-
City of Melville	25.80%	387,000	-
City of Rockingham	19.85%	297,750	-
		<u>1,500,000</u>	<u>-</u>

Total Borrowings	<u>45,450,389</u>	<u>38,702,106</u>
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10. PROVISIONS

Current		
Provision for Annual Leave	114,462	72,444
Provision for Long Service Leave	19,867	16,340
	<u>134,329</u>	<u>88,784</u>
Non Current		
Provision for Annual Leave	60,820	46,199
Provision for Long Service Leave	65,450	45,799
	<u>126,270</u>	<u>91,998</u>

The charge to the operating result for the movement in the provision for employee entitlements during the year was (\$79,817) (2005, \$36,192)

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2006

11. 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.

	2006 \$	2006 Budget \$	2005 \$
(a) RRRC Plant Reserve			
Opening Balance	480,000	480,000	350,000
Transfers to Reserve	95,000	95,000	130,000
Transfers from Reserve	- 480,000	- 480,000	-
	<u>95,000</u>	<u>95,000</u>	<u>480,000</u>
(b) RRRC Infrastructure Reserve			
Opening Balance	145,649	145,649	72,893
Transfers to Reserve	13,952	35,000	72,756
Transfers from Reserve	- 120,000	- 120,000	-
	<u>39,601</u>	<u>60,649</u>	<u>145,649</u>
(c) Travel & Conference Reserve			
Opening Balance	-	7,000	-
Transfers to Reserve	-	-	-
Transfers from Reserve	-	-	-
	<u>-</u>	<u>7,000</u>	<u>-</u>
TOTAL RESERVES	<u>134,601</u>	<u>162,649</u>	<u>625,649</u>

The above reserve accounts are cash backed at balance date.

SUMMARY OF RESERVE TRANSFERS

Transfers To Reserves

RRRC Plant Reserve	95,000	95,000	130,000
RRRC Infrastructure Reserve	13,952	35,000	72,756
	<u>108,952</u>	<u>130,000</u>	<u>202,756</u>

SUMMARY OF RESERVE TRANSFERS

Transfers From Reserves

RRRC Plant Reserve	- 480,000	- 480,000	-
RRRC Infrastructure Reserve	- 120,000	- 120,000	-
	<u>- 600,000</u>	<u>- 600,000</u>	<u>-</u>
NET RESERVES MOVEMENTS	<u>- 491,048</u>	<u>- 470,000</u>	<u>202,756</u>

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

FOR THE YEAR ENDED 30TH JUNE 2006

12. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

For the purposes of the cash flow statement, 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 Balance Sheet as follows:

	2006 \$	2006 Budget \$	2005 \$
Cash on Hand	1,150	1,050	1,050
Cash at Bank	370,510	378,950	326,474
Term Deposits	154,601	320,000	20,000
	<u>526,261</u>	<u>700,000</u>	<u>347,524</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	(5,572,418)	(3,611,490)	(6,606,069)
Depreciation	2,892,185	2,027,740	4,378,990
(Profit)/Loss on Sale of Asset	-	-	121,586
(Increase)/Decrease in Receivables	928,104	(8,102,767)	937,379
(Increase)/Decrease in Prepaid Expenses	13,235	320,373	2,697
(Increase)/Decrease in Inventories	(349,478)	-	72
Increase/(Decrease) in Creditors & Accruals	(1,172,645)	3,486,262	269,208
Increase/(Decrease) in Employee Provisions	79,817	30,000	36,192
Government Grants - non operating	-	-	(73,949)
Net Cash from Operating Activities	<u>(3,181,200)</u>	<u>(5,849,882)</u>	<u>(933,894)</u>

	2006 \$	2005 \$
(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	6,641,382	7,714,682
Loan Facilities - Non-Current	38,809,007	30,987,424
Total Facilities in Use at Balance Date	<u>45,450,389</u>	<u>38,702,106</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 2006

	2006 \$	2005 \$
13. 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	219,196	256,916
- later than one year but not later than two years	205,000	265,971
- later than two years but not later than five years	337,514	205,000
- later than five years	4,510,000	4,715,000
	<u>5,271,710</u>	<u>5,442,887</u>
14. CONTINGENT LIABILITIES		
There were no claims or pending claims arising from damage by Council to other parties at the reporting period.		
15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY		
Governance	-	-
Community Amenities	88,126,766	79,798,982
	<u>88,126,766</u>	<u>79,798,982</u>
16. EMPLOYEE'S REMUNERATION		
The number of employees of the Council, in bands of \$10,000, entitled to an annual cash salary of \$100,000 or more		
Salary Range \$		
130,000 - 139,999	1	1
NUMBER OF EMPLOYEES		
The number of full-time and part-time employees as at the reporting date	<u>66</u>	<u>38</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2006

	2006 \$	2006 Budget \$	2005 \$
17. COUNCILLORS' REMUNERATION			
The following fees, expenses and allowances were paid to council members and the chairman.			
Meeting Fees	13,500	17,850	13,890
Chairman & Deputy Chairman Allowances	900	750	750
Other reimbursements	312	-	-
	<u>14,712</u>	<u>18,600</u>	<u>14,640</u>

18. TRUST FUNDS

The Council does not have any funds on hand as at 30 June 2006.

19. BUDGET COMPARISON

	2006 \$	2006 \$ Budget
(a) Operating Income and Expenditure		
(Note: all variations to the budget have been reviewed by the regional council and amendments adopted during the year)		
1. actual revenue increase from MRF operations was received on 12 mths not estimated 7 mths		
2. actual expenses increased due to additional unplanned breakdown and operational expenses for the Waste Composting Facility		
3. Net Loss refers to additional RRRC operational deficit		
Recycling Facility Deficit	\$ (512,236)	\$ (1,000,000)
Waste Composting Facility Deficit	\$ (2,304,000)	\$ (800,000)
Depreciation on non-current assets	\$ (2,892,185)	\$ (2,027,740)
Others	\$ 136,003	\$ 16,250
	<u>\$ (5,572,418)</u>	<u>\$ (3,611,490)</u>

(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	24,500	25,000
Loans raised	8,295,000	10,469,000
Loan Principal Contributions	1,485,844	1,750,000
Non Operating Expenditure		
Principal repayment of loans	1,546,717	1,750,000
Construction/purchase of assets		
Land & Buildings	1,492,627	2,000,000
Furniture and Equipment	5,072	18,250
Computers and Equipment	91,339	108,000
Plant and Equipment	1 1,481,842	5,293,550
Leasehold Improvements	2 352,586	1,239,000

Comments - Reasons for variations from budgeted amounts

1. MRF plant not acquired during period.
2. MRF building extensions not completed during period.

(c) Current Position at 1st July 2005

The net current assets carried forward from the previous financial year for the purpose of the 2005/2006 budget was \$265,000

The actual net current assets (liabilities) in the audited financial report as at 30th June 2005 was (\$833,141) add back reserves of \$625,649 = (\$1,458,790)

A 2005/06 budget amended was approved in February 2006, following the completion of the 2005 accounts. The carried forward budget deficit as 1 July 05 was amended to (\$1.3m) to be funded from loan borrowings as an overdraft account.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2006**

20. MAJOR TRADING UNDERTAKING

CANNING VALE REGIONAL RESOURCE RECOVERY CENTRE (RRRC)

This project is undertaken on behalf of the SMRC's five participating councils. The \$47.5m 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.

INCOME STATEMENT	2006	2005
	\$	\$
Revenues from Ordinary Activities		
Education & Marketing	397,793	422,496
RRRC Admin & Weighbridge	35,795	20,834
Recycling	4,480,289	836,365
Greenwaste	1,065,308	1,025,742
Waste Compost	5,507,866	2,133,583
Waste Audit Service	5,120	9,900
Contributions	2,296,212	2,263,797
	<u>13,788,383</u>	<u>6,712,717</u>
Less Expenses from Ordinary Activities		
Education & Marketing	300,533	235,895
RRRC Admin & Weighbridge	252,682	263,329
Recycling	4,967,264	1,933,611
Greenwaste	1,126,683	913,350
Waste Compost	10,139,969	7,576,242
Waste Audit Service	93,374	80,285
	<u>16,880,505</u>	<u>11,002,712</u>
Less Borrowing Cost Expense		
RRRC Property	2,553,727	2,197,743
Net Profit or (Loss)	<u>(5,645,849)</u>	<u>(6,487,738)</u>
 BALANCE SHEET		
Current Assets		
Cash & Cash Equivalents	(299,314)	851,314
Trade & Other Receivables	7,379,655	10,027,652
Inventories	353,589	4,111
Total Current Assets	<u>7,433,930</u>	<u>10,883,077</u>
Non-Current Assets		
Trade & Other Receivables	38,809,007	30,987,424
Property, Plant and Equipment	21,440,612	21,782,425
Leasehold Improvements	16,526,006	17,206,844
Total Non-Current Assets	<u>76,775,625</u>	<u>69,976,693</u>
Total Assets	<u>84,209,555</u>	<u>80,859,770</u>
Current Liabilities		
Trade & Other Payables	1,246,967	4,335,259
Borrowings - current portion	5,141,382	7,714,682
Provisions	72,102	43,016
Total Current Liabilities	<u>6,460,451</u>	<u>12,092,957</u>
Non-Current Liabilities		
Borrowings - non-current portion	38,809,007	30,987,424
Provisions	27,585	16,028
Total Non-Current Liabilities	<u>38,836,592</u>	<u>31,003,452</u>
Total Liabilities	<u>45,297,043</u>	<u>43,096,409</u>
Net Assets	<u>38,912,512</u>	<u>37,763,361</u>
Equity		
Opening Balance	37,763,361	39,251,099
RRRC Participants Contribution towards Equity	6,795,000	5,000,000
Retained Surplus/(Deficit) for year	(5,645,849)	(6,487,738)
Total Equity	<u>38,912,512</u>	<u>37,763,361</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2006

21. 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.

22. GRANTS AND SUBSIDIES

	2006	2005
Operating		
Community Amenities - Federal Gov Grant	26,000	10,000
Community Amenities - State Gov Grant	687,928	381,609
Community Amenities - Other	3,000	
	<u>716,928</u>	<u>391,609</u>
Non-operating		
Community Amenities -	-	-
	<u>-</u>	<u>-</u>

23. CONTRIBUTIONS, REIMBURSEMENTS

Operating		
Members Contributions towards operating	806,141	706,500
Contributions from other organisations	19,602	29,000
Contributions towards loans	2,296,212	2,189,848
Contributions towards Capital	-	-
Reimbursements	137,395	198,963
Other	-	134,514
	<u>3,250,350</u>	<u>3,258,825</u>

24. FEES & CHARGES

Governance	-	-
Consultancies	31,120	35,155
RRRC Gate Fees	6,480,903	3,243,172
Service Provision Fees	1,156,313	1,043,515
Sale of Products	3,897,668	263,428
Other	-	32,915
	<u>11,566,004</u>	<u>4,618,185</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30TH JUNE 2006

25. FINANCIAL RATIOS	2006	2005	2004
Current Ratio	1.14:1	0.86:1	1.37:1
Debt Ratio	53.72%	52.23%	48.20%
Debt Service Ratio	26.48%	41.04%	52.06%
Gross Debt to Revenue Ratio	2.99%	4.79%	3.31%
Untied Cash to Trade Creditors Ratio	0.26:1	-0.13:1	1.98:1
Gross Debt to Economically Realisable Assets Ratio	0.52%	0.49%	0.46%

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

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

Debt Ratio equals
$$\frac{\text{Total liabilities}}{\text{Total assets}}$$

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

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

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

Gross Debt to Revenue Ratio equals
$$\frac{\text{Gross Debt}}{\text{Total revenue}}$$

Purpose: To assess gross debt as percentage of total revenue excluding specific purpose grants

Untied Cash to Trade Creditors Ratio equals
$$\frac{\text{Untied Cash}}{\text{Unpaid Trade Creditors}}$$

Purpose: To assess untied cash available to meet trade creditors

Gross Debt to Economically Realisable Assets Ratio
$$\frac{\text{Gross Debt}}{\text{Economically realisable assets}}$$

Purpose: To assess gross debt as percentage of total assets excluding infrastructure assets

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2006

26. DISPOSALS OF ASSETS - 2005/2006 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	24,500	25,000	24,500	25,000	-	-
Governance	-	-	-	-	-	-
Community Amenities	-	-	-	-	-	-
	24,500	25,000	24,500	25,000	-	-

By Class	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Computer Equipment	-	-	-	-	-	-
Furniture Equipment	-	-	-	-	-	-
Plant & Equipment	24,500	25,000	24,500	25,000	-	-
	24,500	25,000	24,500	25,000	-	-

Summary
Profit
Loss

-
-

27. MEMBER COUNCILS EQUITY IN THE SOUTHERN METROPOLITAN REGIONAL COUNCIL
AS AT 30 JUNE 2006

	S.M.R.C.	R.R.R.C.	Other	TOTAL EQUITY	R.R.R.C. Loan Liability	TOTAL EQUITY Less Loan
City of Canning	59,531	10,907,571		10,967,102	(12,314,900)	(1,347,798)
City of Cockburn	53,629	9,654,346		9,707,975	(11,093,078)	(1,385,103)
Town of East Fremantle	5,154	958,431	2,116	965,701	(1,067,994)	(102,293)
City of Fremantle	20,347	3,730,666	14,799	3,765,813	(4,210,447)	(444,634)
Town of Kwinana	16,805		1,358	18,163		18,163
City of Melville	73,790	13,701,529	14,506	13,789,825	(15,263,970)	(1,474,145)
City of Rockingham	56,769		10,995	67,764		67,764
	286,026	38,952,543	43,774	39,282,342	(43,950,389)	(4,668,047)
Equity (2005)	345,041	37,763,361	12,229	38,120,631	(38,702,106)	(581,475)
	1				2	

Reasons for Equity variation

1. SMRC equity decrease of \$59,000 is mainly due to asset depreciation and decrease in accumulated surpluses

2. RRRC Project Loan Liability increase \$5,248,283 due to funding of accum operating deficits of \$3.2M and capital works of \$2m

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2006**

28. INFORMATION ON BORROWINGS

(a) Loan Repayments

Particulars	Principal 1-Jul-05	New Loans	Interest Repayments		Principal Repayments		Principal 30 Jun 06
			Budget	Actual	Budget	Actual	
Community Amenities							
RRRC							
LOAN NO 1-3	1,766,739		105,720	105,710	67,640	67,640	1,699,099
LOAN NO 1-4	1,767,193		106,099	106,088	67,541	67,541	1,699,652
LOAN NO 1-7* (1-43)	1,789,155		53,601	53,313	1,789,156	1,789,156	- 0
LOAN NO 1-8* (1-49)	1,777,644		105,843	105,557	1,777,644	1,777,644	- 0
LOAN NO 1-9	1,793,595		110,357	110,346	67,667	67,667	1,725,928
LOAN NO 1-15	1,360,717		90,081	90,072	49,279	49,279	1,311,438
LOAN NO 1-16	2,735,275		176,999	176,981	100,364	100,364	2,634,910
LOAN NO 1-17	2,281,528		149,906	149,891	82,988	82,988	2,198,540
LOAN NO 1-18	909,860		56,887	56,881	34,030	34,030	875,830
LOAN NO 1-19	919,471		59,153	59,147	33,021	33,021	886,451
LOAN NO 1-20	908,899		55,833	55,827	34,320	34,320	874,580
LOAN NO 1-21	916,404		57,569	57,563	34,186	34,186	882,218
LOAN NO 1-22	916,885		67,146	58,140	34,026	34,026	882,859
LOAN NO 1-23	1,832,968		115,330	115,319	68,318	68,318	1,764,650
LOAN NO 1-27	915,435		56,416	56,411	34,507	34,507	880,928
LOAN NO 1-28	925,217		52,332	52,327	36,442	36,442	888,775
LOAN NO 1-29	924,512		51,375	51,369	36,728	36,728	887,784
LOAN NO 1-30	932,088		52,073	52,068	36,934	36,934	895,155
LOAN NO 1-31	1,895,877		107,612	107,600	74,546	74,546	1,821,331
LOAN NO 1-32	1,778,866		109,098	109,086	67,227	67,227	1,711,638
LOAN NO 1-33	1,802,882		101,767	101,756	71,499	71,499	1,731,382
LOAN NO 1-34	1,981,201		121,662	121,650	75,394	75,394	1,905,807
LOAN NO 1-35	1,477,428		83,567	84,825	58,192	58,192	1,419,236
LOAN NO 1-36* (1-47)	1,500,000		93,192	87,347	1,500,000	1,500,000	-
LOAN NO 1-37	2,892,266		158,738	161,050	128,130	128,131	2,764,135
LOAN NO 1-38* (1-48)		1,000,000	54,851	55,730	755,000	1,000,000	-
LOAN NO 1-39		295,000	15,572	15,847	295,000	295,000	-
LOAN NO 1-40		1,000,000	32,000	47,676	152,000	47,499	952,501
LOAN NO 1-41		1,000,000	55,000	43,605	35,000	30,455	969,545
LOAN NO 1-42		1,000,000	24,000	35,723	-	37,252	962,748
LOAN NO 1-43 (old 1-7)		1,755,272	96,000	51,339	54,904	36,415	1,718,857
LOAN NO 1-44* (1-48)		500,000	96,000	7,322	29,000	500,000	-
LOAN NO 1-45* (1-48)		1,000,000	32,000	7,471	12,000	1,000,000	-
LOAN NO 1-46		1,000,000	56,000	1,668	22,000	-	1,000,000
LOAN NO 1-47 (old1-36)		1,795,517		305		-	1,795,517
LOAN NO 1-48 (old1-38,44,45)		2,499,483		425		-	2,499,483
LOAN NO 1-49 (old1-8)		1,709,410		293		-	1,709,410
Office Accommodation							
LOAN NO 2		1,500,000	60,000	23,615	-	-	1,500,000
	38,702,106	16,054,682	2,819,779	2,577,341	7,714,682	9,306,399	45,450,389

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2006**

28. INFORMATION ON BORROWINGS Con't

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate	Balance Unspent	
	Budget	Actual						Budget	Actual
New Borrowings									
Community Amenities									
RRRC Project									
Loan No 1-38	1,000,000	1,000,000	WATC	Debenture	1	55,820	5.77	\$ -	\$ -
Loan No 1-39	295,000	295,000	WATC	Debenture	1	15,847	5.78	\$ -	\$ -
Loan No 1-40	500,000	1,000,000	WATC	Debenture	10	441,457	5.70	\$ -	\$ -
Loan No 1-41	1,000,000	1,000,000	WATC	Debenture	8	402,173	5.98	\$ -	\$ -
Loan No 1-42	500,000	1,000,000	WATC	Debenture	8	384,115	5.86	\$ -	\$ -
Loan No 1-43	2,000,000	1,755,272	WATC	Debenture	9	729,285	5.87	\$ -	\$ -
Loan No 1-44	2,174,000	500,000	WATC	Debenture	0.3	7,322	5.81	\$ -	\$ -
Loan No 1-45	1,000,000	1,000,000	WATC	Debenture	0.1	7,472	6.06	\$ -	\$ -
Loan No 1-46	1,755,272	1,000,000	WATC	Debenture	0.3	17,637	6.19	\$ -	\$ -
Loan No 1-47	1,709,410	1,795,517	WATC	Debenture	1	114,195	6.36	\$ -	\$ -
Loan No 1-48	1,500,000	2,499,483	WATC	Debenture	1	156,956	6.36	\$ -	\$ -
Loan No 1-49	1,000,000	1,709,410	WATC	Debenture	9	813,455	6.41	\$ -	\$ -
Office Accommodation									
Loan No 2	2,000,000	1,500,000	WATC	Debenture	5	450,000	6.00	\$ -	\$ -
	16,433,682	16,054,682				3,595,732		\$ -	\$ -

(c) Unspent Loans

Nil

(d) Overdraft

Council does not have an overdraft facility with its bankers.

29. 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 \$
2006 Financial Assets							
Cash & Cash Equivalents	3.99%	525,111				1,150	526,261
Trade & Other Receivables						1,445,776	1,445,776
Other Receivables - Loan						7,439,585	7,439,585
Other Assets						353,589	353,589
		525,111	0	0	0	9,240,100	9,765,211
2006 Financial Liabilities							
Trade & Other Payables						1,633,436	1,633,436
Bonds & Deposits	5.00%	20,000				25,090	45,090
Borrowings	6.09%		10,244,508	13,102,925	22,102,956		45,450,389
		20,000	10,244,508	13,102,925	22,102,956	1,658,526	47,128,915
2005 Financial Assets							
Cash & Cash Equivalents	4.60%	20,000					20,000
Trade & Other Receivables						1,222,791	1,222,791
Other Receivables - Loan						38,702,106	38,702,106
Prepaid Expenses						463,344	463,344
		20,000	0	0	0	40,388,241	40,408,241
2005 Financial Liabilities							
Trade & Other Payables						2,732,349	2,732,349
Bonds & Deposits	4.60%	20,000				43,113	63,113
Borrowings	6.18%		5,066,800	16,276,566	17,358,741		38,702,107
		20,000	5,066,800	16,276,566	17,358,741	2,775,462	41,497,569

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2006

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

The adoption of AIFRSs has not resulted in any material adjustments of prior balance.

1. Reconciliation of Equity at 1 July 2004

There are no material differences between Equity in the opening Australian equivalents to IFRSs Balance Sheet and the equity presented in the 1 July 2004 Statement of Financial Position under previous GAAP.

2. Reconciliation of Equity at 1 July 2005

There are no material differences between Equity in the opening Australian equivalents to IFRSs Balance Sheet and the equity presented in the 1 July 2005 Statement of Financial Position under previous GAAP.

3. Reconciliation of Net Result for the year ended 30 June 2005

There are no material differences between the operating surplus/(deficit) for the year ended 30 June 2005 presented under Australian equivalents to IFRSs and the operating surplus/(deficit) for the year ended 30 June 2005 presented under the previous GAAP.

4. Explanation of Material Adjustments to the Cash Flow Statement

There are no material differences between the Cash Flow Statement presented under Australian equivalents to IFRSs and the Cash Flow Statement presented under previous GAAP.

BARRETT & PARTNERS — DFK

Certified Practising Accountants

INDEPENDENT AUDIT REPORT

PARTNERS

Anthony D Macri FCPA

Domenic A Macri CPA

Connie C Macri CA

TO: MEMBERS OF SOUTHERN METROPOLITAN REGIONAL COUNCIL

Scope

We have audited the financial report of the Southern Metropolitan Regional Council, comprising the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the notes to and forming part of the financial report for the year ended 30 June 2006. 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.

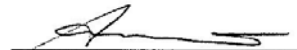
Audit Opinion

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 2006 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.

We did not during the course of our audit become aware of any instances where the Council did not comply with the requirements of the Local Government Act and Regulations under that Act.


BARRETT & PARTNERS — DFK
CERTIFIED PRACTISING ACCOUNTANTS
28 THOROGOOD STREET
BURSWOOD WA 6100


A MACRI
PARTNER

PERTH
DATED THIS 16TH DAY OF NOVEMBER 2006.

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