

2006-2007 ANNUAL REPORT

SOUTHERN METROPOLITAN REGIONAL COUNCIL



CONTENTS

THE SMRC AT A GLANCE	3
CHAIRMAN'S REPORT	4
REGIONAL COUNCILLORS	6
SMRC SENIOR STAFF	8
REGIONAL EXECUTIVE COMMITTEE (REC)	8
CHIEF EXECUTIVE OFFICER'S REPORT	9
OUR VISION, PURPOSE and PRINCIPLES	11
STRATEGIC GOALS and KEY PERFORMANCE INDICATORS	12
• Goal 1: Resource Recovery (environmental)	12
• Goal 2: Greenhouse Gas Abatement (environmental)	15
• Goal 3: Community (social)	17
• Goal 4: Organizational Excellence (economic)	19
NATIONAL COMPETITION POLICY	21
RECORD KEEPING PLANS	21
INDEPENDENT AUDIT REPORT and FINANCIAL REPORTS	22



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

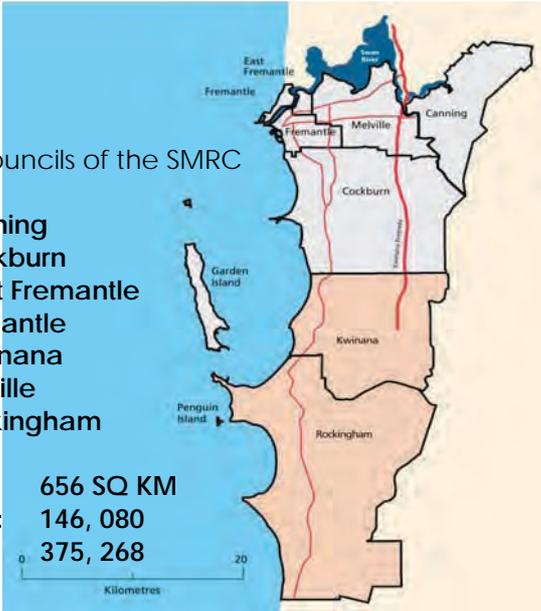
THE SOUTHERN METROPOLITAN REGIONAL COUNCIL

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.

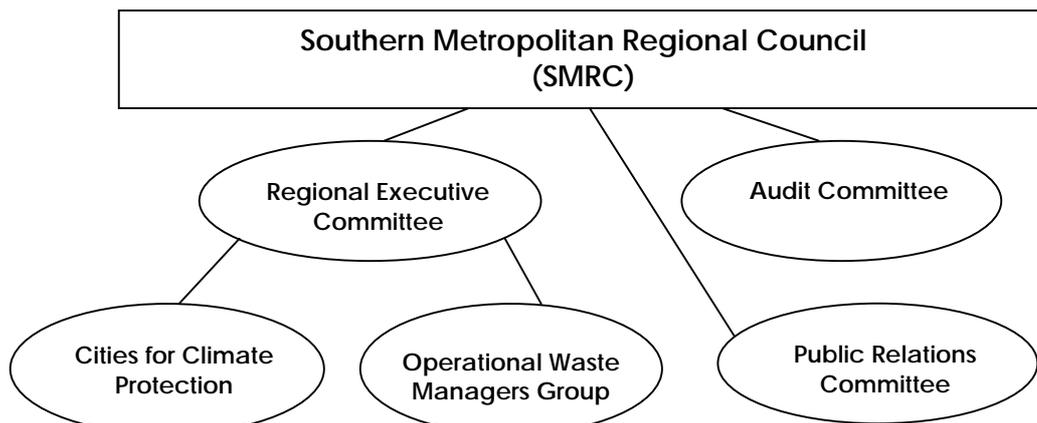
Structure

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, a Public Relations Committee comprising 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

On behalf of the SMRC, I extend my thanks to the residents of Canning, Cockburn, East Fremantle, Fremantle, Kwinana, Melville and Rockingham. Through your efforts in 2006/07 the SMRC has processed 150,274 tonnes of household waste of which 99,593 tonnes has been saved from going to landfill. Despite some difficulties early in the year in 2006/07 the SMRC has recovered and marketed 66% of residents waste as compost, mulch, and recyclables! This is up 3% from 2005/06 and demonstrates our continual efforts to reach our goal of 95% recovery of materials from

the waste stream.

Last year the SMRC produced 32,527 tonnes of recyclables; this included three different grades of paper, steel cans, aluminium, and three different types of plastics. All these products are recovered to quality standards and sent to industry to be remanufactured into new products. **20,046 tonnes of compost** was produced to meet the needs of our customers, and **29,021 tonnes of mulch** was produced for remanufacture into compost and soil amendment products.

By reprocessing your waste that would otherwise have gone to landfill, the SMRC is contributing to local government efforts to combat the effects of climate change. In 2006/07 the Australian Greenhouse Office confirmed the SMRC as the largest supplier of verified carbon abatement credits in Western Australia. Currently we are the only local government in Australia to achieve verified carbon credits. This year the SMRC, sold **110,000 tonnes CO₂e abatement credits into the market thus positioning ourselves** to take a major role for local government in the developing carbon economy.

The SMRC continues to be an innovator in recycling and in our efforts to implement technology and programs that will be climate change friendly. 2006/07 saw the completion of the SMRC's new \$6.5 million materials recovery facility (MRF), which sorts your recyclables and is now considered to be best practice in Australia. This new facility increases the recovery rate of recyclables from 70% to 85% and reduces our operational costs by 35%.

In 2006/07, the SMRC conducted a trial of 300 households where we picked up the recycling bin on a weekly rather than a fortnightly basis. This trial, funded by the National Packaging Council has shown exceptional results indicating a 40% increase in recyclables may be achieved by a weekly collection system.

The SMRC has been represented at conferences both interstate and overseas which has provide insights into the rapidly developing technologies in the Waste Management Industry and has reaffirmed the SMRC status as a leading waste management authority in Australia.

In addition to our work in waste management, the SMRC's Regional Community Greenhouse Gas Abatement Project continues to promote sustainability and greenhouse gas reduction in homes and local businesses

with a suite of innovative and award winning programs. In 2006/07 the SMRC greenhouse team presented programs to over 650 homes and business. This year the SMRC and 6 of our Member Councils established a five year \$1.3 million climate action project, considered to be the largest climate action program undertaken by Local Government in Australia.

In an effort to better communicate with the communities we serve the SMRC has formed a Public Relations Committee. The committee is providing valuable insights for better listening to and speaking with the community.

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 2006/07.

A handwritten signature in black ink that reads "Doug Thompson". The signature is written in a cursive, flowing style.

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 a former 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 eight 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 13 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.



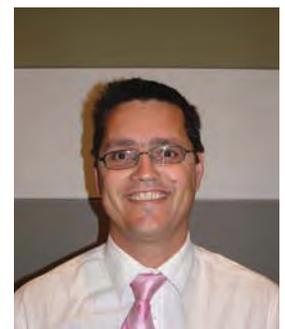
Cr Richard Smith, City of Rockingham

Cr Smith is currently Deputy Mayor of the City of Rockingham and has previously served as the first Mayor of the City. A keen and growing interest in the issues of waste management, recycling, climate change, and the need to strive for a zero waste future, prompts Cr Smith to commit time and dedicated interest to the Regional Council. He believes regional cooperation supporting the SMRC is the only option for the growing community it serves.

Cr Alan Ferris, Town of East Fremantle

Cr Alan Ferris has been a Councillor with the Town of East Fremantle for two years and has represented the Town on the Regional Council since December 2006.

Cr Ferris is a qualified Accountant, with a strong governance background, who has significant experience as a senior executive in State Government. Cr Ferris supports the cooperative approach taken by the member Councils in providing sustainable and effective waste management strategies for the region. Working together is the best way to achieve the growing expectations of the community in the important area of sustainable waste management.



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 2006-2007 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 and challenging 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 2006/07 the SMRC continued to work to position the organisation as a leading Australian waste management authority and at the forefront of efforts to combat the effects of climate change, and promote the important link between recycling, waste management, and global warming.

In 2006/07 the SMRC made many significant achievements:

95% completion of the new \$6.5 million Materials Recovery Facility (MRF), which is now considered to be best practice in Australia increasing the materials recovery rate from 70% to 85% and reducing operational costs by 35%, and completion of a due diligence report by RSM Bird Cameron for the SMRC's New Material Recovery Facility (MRF) business plan; which demonstrated from a business and strategic point of view, that the new facility would enhance the SMRC's strategic position. Practical completion of the new MRF is expected to be in 2007/08.

The SMRC relocated the old MRF to Bibra Lake to operate during the construction of the new Materials Recovery Facility. This was achieved in a record time of 3.5 weeks and ensured that very little recyclables were lost to landfill.

In 2006/07 the SMRC completed a strategic review of its loan borrowing strategy. The SMRC increased its Western Australian Treasury Corporation Loan Facility to \$55M (to fund with the New MRF and Capital works for the upgrade of the odour management system at the Waste Composting Facility).

RSM Bird Cameron and Quadro Australia Pty Ltd completed an independent review of the SMRC's financial and operational performance. The results of this review clearly show the SMRC is soundly managed by the Regional Council. To deal with the rapid expansion of SMRC operations, we have successfully implemented a \$50,000 financial software operating system. A community member has been appointed to the SMRC's Audit committee, providing additional expertise to review internal and external financial procedures and practices.

Completion of a \$2.4 million capital upgrade to the Waste Composting Facility's (WCF) odour management system, this was completed despite the closure of the Waste Composting Facility by the Department of Environment and Conservation, for 5 weeks between December and January. The WCF is now considered to be the best operating alternative waste treatment facility in Australia.

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.

SMRC Councillors and staff are now sought out to deliver papers and presentations at conferences both in Australia and overseas. The SMRC is widely recognised for its expertise in alternative waste treatments, odour management, climate change, carbon trading, and many other topics.

The SMRC's operational budget grew from \$17.8 million in 2005/06 to \$20.2 million in 2006/07

This has been a demanding year for both councillors and staff with many achievements made and difficulties overcome. I would personally like to thank our Chairman, 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.

A handwritten signature in black ink, appearing to read 'Stuart McAll', written in a cursive style.

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 2007/08.

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 2006/07 to measure the SMRC's success in achieving this goal.

Key Performance Indicator	2006 - 2007 Annual Target	2006 - 2007 Actual
Resource Recovery		
RRRC service provision		
MSW	87,500	74,244
Bio-solids	1,500	874
Recyclables	44,000	47,008
Green waste	28,000	29,021
Total waste diverted from Landfill	68%	66%
% Utilisation of RRRC	85%	84%

The Regional Resource Recovery Centre (RRRC) in Canning Vale continues to be the main focus of the SMRC. Overall the RRRC project has generally met the SMRC's set KPI's (see table 1). Table 2 summarises the impact of the RRRC facility from an operational point of view. This is an excellent achievement considering that the WCF was closed for a 5 week period of the second half of this financial year. The forecast target for MSW processing was 87,500 tonnes, the facility received 70,427 tonnes of input waste plus processed an additional 3,797 tonnes that was in the process at the beginning of the financial year, bringing the total waste processed to 74,244 tonnes some 13,256 tonnes short of the target (15%).



Testing to maintain the high quality of compost manufactured at the RRRC

Table 2

Total Waste Processed at RRRC 2006-2007			Total Products produced at RRRC 2006-2007	
MSW	74244	Tonnes	Compost	20,046 tonnes
Recyclables	47,008	Tonnes	Mulch	29,021 tonnes
Green waste	29,021	Tonnes	Recyclables	32,527 tonnes
Total	150274	Tonnes	Carbon Credits	62,673 tonnes CO ₂ e
			Total	144,267 Tonnes
Total Waste Diverted from Landfill				
99,593 tonnes				

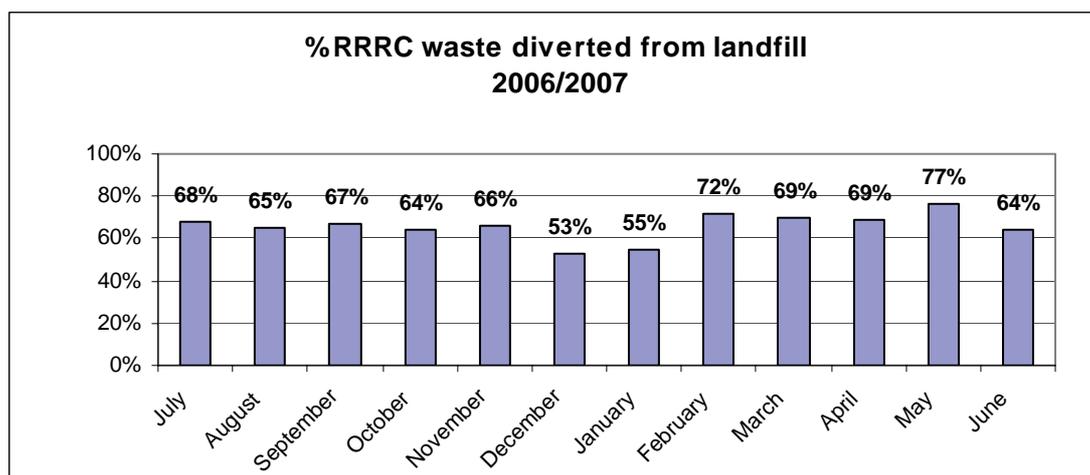
The total waste processed at the RRRC was 150,274 tonnes, this is 3,000 tonnes less than the previous years performance (153,290 tonnes), however the RRRC diversion rate from landfill increased from 63% to 66% accounting for a greater diversion from landfill than the previous year.

Operationally the SMRC produced 81,594 tonnes of products this year, which is 9,444 tonnes more than the previous year. This higher production rate is due to a higher recovery rate for compost, which is up from 180 kg/tonne to 270 kg/tonne of MSW (a result of improved process control), and processing of more recyclables (extra 3,922 tonnes) and more green waste (extra 1,440 tonnes).

The RRRC ships out approximately 1,570 tonnes of product every week of the year, (the equivalent of 20 large sea containers per day). Each of the products are manufactured to quality assurance standards, which the SMRC has developed in the past financial year, very successfully.

The following chart 1 shows the variation in the % of waste diverted from land for each month which generally reflects the closure of the Waste Composting Facility in December/January and the relocation of the Materials Recovery Facility, in January 2007.

Chart 1



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 Materials Recovery Facility (MRF) averaged annually a 69% diversion of waste from landfill. This diversion rate is exceptional as it was anticipated that this would be substantially lower, because the relocated plant was not anticipated to process at this efficiency rate (estimated at 60%). Note the average industry efficiency rate is 70%. It is anticipated that the new MRF will in the 2007/2008 year, achieve a recovery rate in excess of 85%.

The landfill diversion rate for the Waste Composting Facility was 51% up from 47.8% in the previous financial year. Whilst this is an improvement, it was anticipated that the diversion rate would be in the order of 58%. However with the closure of the plant and a lower than industry average pay rates the WCF experienced a high turn over of staff due to Western Australia's booming economic climate.

The % utilisation of the Green Waste Processing Facility was 96% and the MRF achieved an annual average of 114%. The WCF achieved an annual average of 68% due to plant closures.



Co-mingled recyclables in the new MRF at the RRRC

Quality assurance of RRRC products - The recyclables had one non-compliance during the year and the mulch always met the required standard. With the compost the operations have been changed to provide an off specification product which meets the market expectations.

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 2006/07 to measure the SMRC's success in achieving this goal.

Key Performance Indicator	2006 - 2007 Annual Target	2006 - 2007 Actual
Green House Gas abatement		
Greenhouse & Living Smart program attendance	700	650
%Satisfaction of resident attending programmes	85%	89%
Net Carbon Credits achieved Tonnes/yr	35,000	62,673

In 2006/07, carbon credits achieved was 62,673 tonnes CO₂e against a target of 35,000 tonnes CO₂e. The Australian Greenhouse Office (AGO) also gave retroactive verification for 47,327 credits not claimed in previous years. Upon verification of the SMRC's submission to the Australian Greenhouse Office, carbon credits, or abatement, the Regional Council became the largest supplier of carbon credits in Western Australia, with 110,000 tonnes CO₂E sold in 2006/07.

The following programmes are a summary of the works undertaken by the SMRC's Greenhouse Gas Abatement department.

Living Smart

Living Smart is a community environmental education course that empowers participants with the knowledge and skills to take action to improve the sustainability of their homes and their community. Each course is delivered over six weeks, one lecture per week. In 2006-07, courses were delivered in Canning, Cockburn and Rockingham, and the participants were 24, 12 and 34 respectively. The overall satisfaction rates in these courses are:



Local business and SMRC staff working together to reduce greenhouse gas emissions

	Very satisfied (%)	Satisfied (%)	Dissatisfied (%)
Overall satisfaction of the course	85	10	5
Course lecture contents	90	5	5
In-class activities	55	45	0
Excursion	75	25	0

**The GHG reduction from LS courses in 2006-07 is 81 tCO₂e.
Total cost of the program*: ~ \$ 3,000**

ClimateActions

ClimateActions program is based on the Enterprise Facilitation Model developed by Ernesto Sirolli, where small businesses are supported with free and confidential services to reduce their energy consumption and increase

waste recycling. The first part of the ClimateActions program was delivered in Town of Victoria Park¹ with the earlier title 'Local Centres'. It engaged 14 businesses. With the AGO grant (\$99,347), the ClimateActions began in March 2007 and up to June 2007, the number of businesses engaged is 56, giving total of 70 for this year. The estimate of energy reduction from 14 businesses of Victoria Park is 19,085 kWh/year equals to GHG reduction of 17.86 tCO₂e per year. The energy and emission reduction from latter 56 businesses are yet to be assessed, however, using the same estimate this would be 71.44 tCO₂e per year, giving total of 89.3 tCO₂e per year.

Total estimate for GHG reduction = 89.3 tCO₂e per year
Total cost of the program: \$27,746 (5,216 for Vic Park+22,530 for AGO)

EnergyActions

EnergyActions was funded by SEDO and was delivered to 200 residents in two suburbs of City of Canning and Town of Victoria Park. It used the Travelsmart approach for home energy behaviour change and consisted of mail outs, phone calls, and home visits.

Total GHG reduction: The emission reduction is to be assessed at the end of August upon receipt of energy consumption data from Synergy. Based on the actions taken by 63 participants who sent back feedback forms, and extrapolating those to 200 residents, total emission reduction would be 188 tCO₂e per year.
Total cost of the program: \$ 34,279

Targeted Actions Campaign

Under this program, the residents are informed via mail outs and newsletters. The survey done in November 06 shows that the community's perception on Global Warming has increased by about 15% in 2006 compared to 2005. The resident engagement is currently on going and therefore, the evaluation is not yet available. However, according to Synergy data, the impact of the first newspaper advertisement that went to Fremantle in January shows that there has been an increase of 35% sign ups for Natural Power (in the Fremantle area).

Total estimate for GHG reduction = not yet assessed
Total cost of the program: \$30,000 (ongoing)

Alternative Fuel

The main activity is to identify the opportunities for alternative fuels used in member council fleets in the medium term compared to conventional fuels. So far, the program has encouraged trialling of 3,900 litres of Bio Diesel in the RRRC loader. In addition, the City of Cockburn has started using bio-diesel across their fleet since October 2006. The exact amount of fuel use in Cockburn is not available however, from their fuel use data, it is estimated that up to June 2006, Cockburn has used about 36 kL of bio-diesel as B20, amounting altogether to 22 tCO₂e reduction.

Total estimate for GHG reduction = 22 tCO₂e
Total cost of the program: 0 (involved RGC time only)

¹ Vic Park participated in this program through a service agreement of \$5,216

Goal 3: Community (social)

- To influence regional community environmental practices for health communities

The following Key Performance Indicators were adopted in 2006/07 to measure the SMRC's success in achieving this goal.

Key Performance Indicator	2006 - 2007 Annual Target	2006 - 2007 Actual
Community		
Member Councils Councillors % satisfied or greater	70%	N/A
Meetings with State and Federal Members	15	11
Presentations to Member Councils	14s	10
Meetings with Member Council CFOs	9	9
Effectiveness of Community Education		
% Habitual & Passionate Recyclers	30%	28%
Community awareness of the SMRC	30%	30%
Contaminates in Recycling bin	6%	8%
Community awareness of the SMRC	50%	51%
Number of Annual visitors to RRRRC	5,000	2,812
RRRC visitor survey % Satisfied or very satisfied	85%	90%

The Member Council Councillors survey was not completed in June as anticipated this will be undertaken in July / August and reported in the 1st quarter results for the 2007/2008 KPI report.

The provision of presentations to State, Federal 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.

The % of habitual & passionate recyclers is up from 24.8% last year to 28.40% this year. The completed community survey shows that while recycling is still a high priority among residents.

Tours of the RRRRC and degree of satisfaction with tours have exceeded the targets set by the Regional Council with 90% (by survey) indicating they are satisfied or very satisfied with the tour. The number of people visiting the facility has decreased from 4,614 in 2005/06 to 2,812 in 2006/07. The reduction in tour numbers is attributed to the closure of the WCF and the rebuilding of the Materials Recovery Facility this year.



One of four digesters at the RRRRC

Community awareness of the SMRC has remained constant; 51.4% of the community is aware of the existence of the SMRC. In the 2005/06 financial year the surveys showed that the level of community awareness was 56%.

Audits of the MSW (green) bin showed that the average quantity of recyclables lost in the MSW bin was 30% and recycling (yellow) bin audits showed that the average level of contaminates was 8% of which green waste was the major contributor. This will be addressed in future education programmes.

Goal 4: Organizational Excellence (economic)

- To ensure Southern Metropolitan Regional Council is efficient and effective

The following Key Performance Indicators were adopted in 2006/07 to measure the SMRC's success in achieving this goal.

Key Performance Indicator	2006 - 2007 Annual Target	2006 - 2007 Actual
Organisational Excellence		
Statutory Compliance		
External audit non-compliances	0	0
Internal audit non-compliances	0	4
Total operating income	\$18,181,112	\$20,446,084
Total Operating expenditure	\$17,831,008	\$20,285,400
Capital expenditure program		
%Capital expenditure	1	87%
Capital exp program	\$11,667,237	\$10,155,197
RRRC Commercial Income	\$12,942,063	\$15,404,430
RRRC net/cost/tonne	\$ 105.31	\$ 104.70
Safety lost time injuries incidents	0	3
Environmental compliance Incidents	0	1
Staff Satisfaction survey % satisfied or greater	70%	N/A%

The SMRC incurred 4 minor Internal audit non-compliance as reported to the Council at the March 2007 ordinary meeting.

The total operating income of the SMRC exceeded the annual budget by \$2.26 million and operating expenditure exceeded the annual budget by \$2.5 million, this reflects the change in the SMRC's operating structure. The SMRC with the closure of the Waste Composting Facility commenced charging project participants for total Municipal solid Waste (MSW) generated within their municipality and in doing so became responsible for all landfill disposal costs for the project participants MSW.

The final operational position of the SMRC has resulted in a \$160,684 operational surplus for the 2006-2007 financial year.

The Capital Expenditure is at 87% of budget; this is primarily due to the contractor not completing the building the new Materials Recovery Facility and the installation of the WCF tipping building ventilation system by the end of the financial year.

The net cost per tonne of domestic waste managed by the RRRC project for the project participants was \$104.70 per tonne – This cost includes a \$957,400 transfer to reserves and all operational and capital costs associated with the RRRC project. This compares favourably with the annual target of \$105.31 per tonne.

ENVIRONMENTAL COMPLIANCE AND SAFETY KPI'S

The RRRC has had one significant environment compliance issue this financial year being the fugitive odour emissions from the Waste Composting Facility. The problem has been investigated using specialist odour management consultants The Odour Unit (TOU) and the extent of works required to rectify the problem has been completed.

Safety – 3 lost time incidents have occurred, in the 2006/07 financial year. The SMRC has engaged a full time occupational health and safety officer to improve these results.

Staff Satisfaction survey – Was not completed in June as anticipated this will be undertaken in July / August and reported in the 1st quarter results for the 2007/2008 KPI report.



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 2007

TABLE OF CONTENTS

Statement by Chief Executive Officer	23
Income Statement	24
Balance Sheet	25
Statement of Changes in Equity	25
Cash Flow Statement	26
Notes to and Forming Part of the Financial Report	27 to 44
Independent Audit Report	45 to 46

SOUTHERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2007

**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 2007 are in my opinion properly drawn up to present fairly the financial position of the Southern Metropolitan Regional Council at 30th June 2007 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 9 November 2007



Stuart McAll
Chief Executive Officer

SOUTHERN METROPOLITAN REGIONAL COUNCIL

INCOME STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2007

	NOTE	2007 \$	2007 Budget \$	2006 \$
REVENUES FROM ORDINARY ACTIVITIES				
Governance		380,714	368,657	290,000
Community Amenities		19,678,729	17,812,456	15,211,742
Other Property and Service		-	-	71,457
TOTAL OPERATING REVENUE	2b	20,059,443	18,181,113	15,573,199
EXPENSES FROM ORDINARY ACTIVITIES EXCLUDING BORROWING COSTS EXPENSE				
Governance		353,806	271,259	310,967
Community Amenities		19,411,759	18,614,951	18,185,851
Other Property and Service		-	-	71,457
TOTAL OPERATING EXPENSE	2b	19,765,565	18,886,210	18,568,275
BORROWING COSTS EXPENSE				
Governance		110,180	113,398	-
Community Amenities		3,005,836	2,772,000	2,577,342
TOTAL BORROWING COSTS EXPENSE	2c	3,116,016	2,885,398	2,577,342
OPERATING SURPLUS/(DEFICIT)		(2,822,138)	(3,590,495)	(5,572,418)

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

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
BALANCE SHEET
AS AT 30 JUNE 2007**

	NOTE	2007 \$	2006 \$
CURRENT ASSETS			
Cash & Cash Equivalents	3	2,563,528	526,261
Trade & Other Receivables	4	5,124,871	8,885,361
Inventories	5	214,737	353,589
TOTAL CURRENT ASSETS		<u>7,903,136</u>	<u>9,765,211</u>
NON-CURRENT ASSETS			
Trade & Other Receivables	4	50,756,271	38,809,006
Property, Plant and Equipment	6	58,574,402	39,552,549
TOTAL NON-CURRENT ASSETS		<u>109,330,673</u>	<u>78,361,555</u>
TOTAL ASSETS		<u>117,233,809</u>	<u>88,126,766</u>
CURRENT LIABILITIES			
Trade & Other Payables	7	3,274,736	1,633,436
Borrowings - current portion	8	3,218,968	6,641,382
Provisions	9	182,480	134,329
TOTAL CURRENT LIABILITIES		<u>6,676,184</u>	<u>8,409,147</u>
NON-CURRENT LIABILITIES			
Borrowings - non-current portion	8	50,756,271	38,809,007
Provisions	9	167,788	126,270
TOTAL NON-CURRENT LIABILITIES		<u>50,924,059</u>	<u>38,935,277</u>
TOTAL LIABILITIES		<u>57,600,243</u>	<u>47,344,424</u>
NET ASSETS		<u>59,633,566</u>	<u>40,782,342</u>
EQUITY			
Retained Surplus/(Deficit)		(13,427,074)	(9,963,890)
Participants Equity		60,396,014	50,611,631
Reserves- Cash backed	10	775,647	134,601
Asset Revaluation Reserve	11	11,888,979	-
TOTAL EQUITY		<u>59,633,566</u>	<u>40,782,342</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2007**

	NOTE	2007 \$	2006 \$
RETAINED SURPLUS (DEFICIT)			
Balance as at 1 July		(9,963,890)	(4,882,520)
Operating Surplus/(Deficit)	2	(2,822,138)	(5,572,418)
Transfer from/(to) Reserves	10	(641,046)	491,048
Balance as at 30 June		<u>(13,427,074)</u>	<u>(9,963,890)</u>
PARTICIPANTS EQUITY			
Balance as at 1 July		50,611,631	42,377,503
Participants Contribution for the year		9,784,383	8,234,128
Balance as at 30 June		<u>60,396,014</u>	<u>50,611,631</u>
RESERVES - CASH BACKED			
Balance as at 1 July		134,601	625,649
Transfer from/(to) Retained Surplus	10	641,046	(491,048)
Balance as at 30 June		<u>775,647</u>	<u>134,601</u>
ASSET REVALUATION RESERVE			
Balance as at 1 July		-	-
Increments / (Decrements)	11	11,888,979	-
Balance as at 30 June		<u>11,888,979</u>	<u>-</u>
TOTAL EQUITY		<u>59,633,566</u>	<u>40,782,342</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 2007

	NOTE	2007 \$	2007 Budget \$	2006 \$
Cash Flows From Operating Activities				
Receipts				
Grants and Subsidies - operating		172,081	205,945	386,891
Contributions, Reimbursements & Donations		3,461,597	8,145,436	5,378,637
Fees and Charges		16,062,410	11,998,967	10,869,785
Interest Earnings		222,325	6,000	30,917
Goods & Services Tax		2,187,485	600,000	1,571,099
		<u>22,105,898</u>	<u>20,956,348</u>	<u>18,237,329</u>
Payments				
Employee Costs		(4,814,873)	(5,070,220)	(5,680,309)
Materials and Contracts		(7,985,234)	(8,053,146)	(9,987,497)
Utilities (gas, electricity, water, etc)		(1,703,188)	(1,307,005)	(1,244,095)
Insurance		(271,729)	(221,603)	(196,308)
Interest		(3,125,146)	(2,903,498)	(2,582,546)
Goods & Services Tax		(2,170,643)	(600,000)	(1,693,538)
Other		-	(48,250)	(34,236)
		<u>(20,070,813)</u>	<u>(18,203,722)</u>	<u>(21,418,529)</u>
Net Cash Provided By (Used In) Operating Activities	12(b)	<u>2,035,085</u>	<u>2,752,626</u>	<u>(3,181,200)</u>
Cash Flows from Investing Activities				
Payments for Purchase of				
Land and Buildings	6	(292,044)	(329,000)	(1,492,627)
Information Technology Equipment	6	(50,645)	(60,000)	(91,339)
Furniture & Fittings	6	(12,040)	(6,000)	(5,072)
Vehicles & Plant	6	(8,784,093)	(10,472,237)	(1,458,772)
Other		-	-	(12,450)
Payments for Construction of RRRC Leasehold Improvements	6	(1,122,484)	(800,000)	(352,586)
Grants and Contributions for the Development of Assets		1,738,637	-	-
Proceeds from Sale of Plant & Equipment	26	<u>-</u>	<u>300,000</u>	<u>24,500</u>
Net Cash Provided By (Used In) Investing Activities		<u>(8,522,669)</u>	<u>(11,367,237)</u>	<u>(3,388,346)</u>
Cash Flows from Financing Activities				
Repayment of Loans	29	(1,738,637)	(1,800,000)	(9,306,399)
Proceeds from New Loans	29	<u>9,784,383</u>	<u>10,813,383</u>	<u>16,054,682</u>
Net Cash Provided By (Used In) Financing Activities		<u>8,045,746</u>	<u>9,013,383</u>	<u>6,748,283</u>
Net Increase (Decrease) in Cash Held		1,558,162	398,772	178,737
Cash at Beginning of year		526,261	601,228	347,524
Cash at End of Year	12(a)	<u><u>2,084,423</u></u>	<u><u>1,000,000</u></u>	<u><u>526,261</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 2007

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.

Compliance with IFRSs

International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB, being AIFRSs. The financial report of the Regional Council complies with IFRSs and interpretations adopted by the International Accounting Standards Board except as follows:

- AIFRSs include specific provisions relating to not-for-profit entities. These are not included in IFRSs.
- Australian Accounting Standard AAS27 'Financial Reporting by Local Governments' also applies and there is no equivalent standard in IFRSs.

The principal areas of non-compliance with IFRSs include:

- the recognition of non-reciprocal revenues,
- the definition of value in use for the purposes of estimating the recoverable amount of impaired assets and
- the offsetting of asset revaluation increments and decrements on a class of asset basis rather than on individual asset basis.

Australian Accounting Standards and interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 07.

The Council is of the view the new standards or amendments will have no direct impact on the amounts included in the financial report although the changes may impact upon the way in which some financial information is disclosed.

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

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

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

(c) Goods and Services Tax

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

(d) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values.

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as borrowings in current liabilities on the Balance Sheet.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2007

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets

Freehold Land & Buildings and Leasehold improvements are measured at fair value, while other items of Property, plant and equipment assets are brought to account at cost. (Refer note 6)

(f) Depreciation of Non-Current Assets

All non-current assets having a limited useful life where the cost / fair value 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 fair value of leasehold improvements is capitalised and the fair value is amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Major depreciation periods are:

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

(g) 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.

(h) 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.

(i) Financial Assets and Financial Liabilities

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

(j) Grants, Donations and Other Contributions

Grants, donations and other contributions are recognised as revenues when the Council 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 Council's operation for the current reporting period.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2007

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Rates

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

(l) Investments

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

(m) Superannuation

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

(n) Leases

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

(o) Participants Contribution Equity

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

(p) 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. For information on interest rate risk refer note 30.

(q) 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.

(r) 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.

(s) Rounding Off Figures

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

(t) 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 2007

2. OPERATING REVENUES AND EXPENSES	2007 \$	2006 \$	
(a) Result from Ordinary Activities			
The Result from Ordinary Activities includes:			
(i) Charging as Expenses:			
Auditors Remuneration			
- Audit	7,500	5,200	
- Other Services	500		
	8,000	5,200	
Bad and Doubtful Debts			
- Sundry Debtors	-	155	
	-	155	
Amortisation			
- Leasehold Improvements	1,057,756	1,033,425	
	1,057,756	1,033,425	
Depreciation			
Computer Equipment	51,538	43,424	
Furniture and Equipment	21,682	22,117	
Plant and Equipment	1,960,140	1,790,152	
Freehold Buildings	37,316	3,067	
	2,070,676	1,858,760	
Total Amortisation & Depreciation	3,128,432	2,892,185	
Rental Charges			
- Operating Leases	783,798	306,045	
(ii) Crediting as Revenues:			
	2007 Budget \$	2007 \$	2006 \$
Interest Earnings			
- Reserve Funds	-	8,840	4,069
- Other Funds	6,000	213,486	26,848
	6,000	222,326	30,917
(b) Revenues and Expenses from Ordinary Activities Classified According to Nature and Type			
		2007 \$	2006 \$
Revenues from Ordinary Activities			
Grants and Subsidies - operating (refer note 22)		172,081	716,928
Grants and Subsidies - non-operating (refer note 22)		-	-
Contributions, Reimbursements and Donations (refer note 23)		3,602,626	3,259,350
Fees and Charges (refer note 24)		16,062,410	11,566,004
Interest Earnings (refer note 2a)		222,326	30,917
Profit on Sale of Assets (refer note 26)		-	-
		20,059,443	15,573,199
Expenses from Ordinary Activities			
Employee Costs		4,910,556	5,925,576
Materials and Contracts		9,751,660	8,275,355
Utilities (gas, electricity, water, etc)		1,703,188	1,244,095
Depreciation on Non-current Assets (refer note 2a)		3,128,432	2,892,185
Loss on Asset Disposals (refer note 26)		-	-
Insurance		271,729	196,308
Other		-	34,756
		19,765,565	18,568,275
(c) Borrowing Costs Expense			
Borrowing Costs Expense comprises:			
Debentures		3,116,016	2,577,342
		3,116,016	2,577,342
		-	-
Operating Surplus/(Deficit)		(2,822,138)	(5,572,418)

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2007

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 quantity of waste disposed at landfill sites in accordance with targets set by the Regional Local Government.

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

GOVERNANCE

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

COMMUNITY AMENITIES

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

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 2007

	2007 \$	2006 \$
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.		
- 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 EQUIVALENTS		
Cash on Hand	1,150	1,150
Cash at Bank	-	370,510
Investments at call & Term Deposits	2,562,378	154,601
	<u>2,563,528</u>	<u>526,261</u>
Unrestricted	1,081,126	336,524
Restricted	1,482,402	189,737
	<u>2,563,528</u>	<u>526,261</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Retention & Bonds	706,755	45,090
Regional Collection Contributions	-	10,046
Reserve Fund - RRRC Plant	713,546	95,000
Reserve Fund - RRRC Infrastructure	39,601	39,601
Reserve Fund - Conference Reserve	22,500	-
	<u>1,482,402</u>	<u>189,737</u>
4. TRADE & OTHER RECEIVABLES		
Current		
Sundry Debtors	2,052,334	1,445,931
Less Doubtful Debts	(155)	(155)
Accrued Income	332,829	798,203
GST Receivable	-	-
Loan Debtors - Project Participants	2,739,863	6,641,382
	<u>5,124,871</u>	<u>8,885,361</u>
Non-Current		
Loan Debtors - Project Participants	50,756,271	38,809,006
	<u>50,756,271</u>	<u>38,809,006</u>
5. INVENTORIES		
Stock on Hand - Fuel	-	4,218
Stock on Hand - RRRC Critical Spares	214,737	349,371
	<u>214,737</u>	<u>353,589</u>

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2007**

	2007 \$	2006 \$
6. PROPERTY, PLANT AND EQUIPMENT		
RRRC Leasehold Improvements		
RRRC Preliminary Costs - at cost		1,966,349
RRRC Buildings - at cost		16,731,685
RRRC Infrastructure - at cost		2,413,810
Less Accumulated Amortisation		<u>(4,585,839)</u>
At Cost less Accumulated Amortisation		16,526,005
At Fair Value	28,054,000	
Freehold Land & Buildings		1,492,627
Less Accumulated Depreciation		<u>(3,067)</u>
At Cost less Accumulated Amortisation		1,489,560
At Fair Value	2,170,000	
Information Technology Equipment - at cost	389,928	339,283
Less Accumulated Depreciation	<u>(249,920)</u>	<u>(198,382)</u>
	140,008	140,901
Furniture and Equipment - at cost	279,696	267,656
Less Accumulated Depreciation	<u>(162,880)</u>	<u>(141,198)</u>
	116,816	126,458
Plant and Equipment - at cost	36,027,746	27,243,653
Less Accumulated Depreciation	<u>(7,934,168)</u>	<u>(5,974,028)</u>
	28,093,578	21,269,625
Total Property, Plant and Equipment	<u><u>58,574,402</u></u>	<u><u>39,552,549</u></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 Land & Buildings	Information Technology Equipment	Furniture & Equipment	Plant & Equipment	Total Property, Plant and Equipment
Balance at the beginning of the year	16,526,005	1,489,560	140,901	126,458	21,269,625	39,552,549
Additions	1,122,484	292,044	50,645	12,040	8,784,093	10,261,306
Disposals (note 25)	-	-	-	-	-	-
Reclassification increments/(decrements)	-	-	-	-	-	-
Depreciation/Amortisation expense	(1,057,756)	(37,316)	(51,538)	(21,682)	(1,960,140)	(3,128,432)
Increase due to Revaluation at fair values	11,463,267	425,712	-	-	-	11,888,979
Carrying amount at the end of year	<u><u>28,054,000</u></u>	<u><u>2,170,000</u></u>	<u><u>140,008</u></u>	<u><u>116,816</u></u>	<u><u>28,093,578</u></u>	<u><u>58,574,402</u></u>

Freehold Land & Buildings and Leasehold improvements Valuation

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

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

7. TRADE & OTHER PAYABLES

Current

Sundry Creditors	1,628,180	1,317,165
Accrued Expenses	863,505	158,412
GST Payable	9,132	42,489
Accrued Salaries and Wages	67,164	61,150
Accrued Loan Interest	-	9,130
Retention & Bonds	706,755	45,090
	<u><u>3,274,736</u></u>	<u><u>1,633,436</u></u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2007

8. BORROWINGS	2007	2006
	\$	\$
Current		
Bank Overdraft	479,105	-
Debentures	2,739,863	6,641,382
	3,218,968	6,641,382
Non Current		
Debentures	50,756,271	38,809,007
	50,756,271	38,809,007

Additional detail on Debentures is provided in note 29.

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

1. The Regional Resource Recovery Centre Loan Limit \$ 55 M

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

City of Canning	28.02%	14,485,257	12,314,900
City of Cockburn	25.24%	13,048,104	11,093,078
Town of East Fremantle	2.43%	1,256,216	1,067,994
City of Fremantle	9.58%	4,952,490	4,210,447
City of Melville	34.73%	17,954,067	15,263,970
		51,696,134	43,950,389

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. WA 6154. \$1,800,000
Participants limit of its share of the loan liability is as follows

City of Canning	20.81%	374,580	312,150
City of Cockburn	18.75%	337,500	281,250
Town of East Fremantle	1.80%	32,400	27,000
City of Fremantle	7.11%	127,980	106,650
Town of Kwinana	5.88%	105,840	88,200
City of Melville	25.80%	464,400	387,000
City of Rockingham	19.85%	357,300	297,750
		1,800,000	1,500,000

9. PROVISIONS

Current

Provision for Annual Leave	149,023	114,462
Provision for Long Service Leave	33,457	19,867
	182,480	134,329

Non Current

Provision for Annual Leave	70,739	60,820
Provision for Long Service Leave	97,049	65,450
	167,788	126,270

The charge to the operating result for the movement in the provision for employee entitlements during the year was \$89,669 (2006, \$79,817)

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2007

10. RESERVES- CASH BACKED

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

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

RRRC 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- Ongoing

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

	2007 \$	2007 Budget \$	2006 \$
(a) RRRC Plant Reserve			
Balance as at 1 July	95,000	95,000	480,000
Transfers to Reserve	934,900	934,900	95,000
Transfers from Reserve	(316,354)	(316,354)	(480,000)
Balance as at 30 June	<u>713,546</u>	<u>713,546</u>	<u>95,000</u>
(b) RRRC Infrastructure Reserve			
Balance as at 1 July	39,601	60,649	145,649
Transfers to Reserve	-	-	13,952
Transfers from Reserve	-	-	(120,000)
Balance as at 30 June	<u>39,601</u>	<u>60,649</u>	<u>39,601</u>
(c) Travel & Conference Reserve			
Balance as at 1 July	-	-	-
Transfers to Reserve	22,500	-	-
Transfers from Reserve	-	-	-
Balance as at 30 June	<u>22,500</u>	<u>-</u>	<u>-</u>
Total Reserves- Cash backed	<u>775,647</u>	<u>774,195</u>	<u>134,601</u>

SUMMARY OF RESERVE TRANSFERS

Transfers To Reserves- Cash Backed

RRRC Plant Reserve	934,900	934,900	95,000
RRRC Infrastructure Reserve	-	-	13,952
Travel & Conference Reserve	22,500	-	-
	<u>957,400</u>	<u>934,900</u>	<u>108,952</u>

SUMMARY OF RESERVE TRANSFERS

Transfers From Reserves- Cash Backed

RRRC Plant Reserve	(316,354)	(316,354)	(480,000)
RRRC Infrastructure Reserve	-	-	(120,000)
	<u>(316,354)</u>	<u>(316,354)</u>	<u>(600,000)</u>
Net Reserve Movement (Cash Backed)	<u>641,046</u>	<u>618,546</u>	<u>(491,048)</u>

11. ASSET REVALUATION RESERVE

In accordance with the Council resolution, this non-cash backed reserve cannot be used except for adjustment to fixed assets on their revaluation, disposal or write-off.

(a) Freehold Land & Building

Balance as at 1 July	-	-	-
Increments / (Decrements)	425,712	-	-
Balance as at 30 June	<u>425,712</u>	<u>-</u>	<u>-</u>

(b) Leasehold Improvements

Balance as at 1 July	-	-	-
Increments / (Decrements)	11,463,267	-	-
Balance as at 30 June	<u>11,463,267</u>	<u>-</u>	<u>-</u>

Total Asset Revaluation Reserve

	<u>11,888,979</u>	<u>-</u>	<u>-</u>
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SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2007

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:

	2007 \$	2007 Budget \$	2006 \$
Cash on Hand	1,150	1,150	1,150
Cash at Bank / (Overdraft)	(479,105)	398,850	370,510
Investments at call & Term Deposits	2,562,378	600,000	154,601
	2,084,423	1,000,000	526,261

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

Change in Net Assets Resulting from Operations	(2,822,138)	(3,590,495)	(5,572,418)
Depreciation	3,128,432	4,875,500	2,892,185
(Profit)/Loss on Sale of Asset	-	-	-
(Increase)/Decrease in Receivables	(141,029)	2,175,235	928,104
(Increase)/Decrease in Prepaid Expenses	-	18,448	13,235
(Increase)/Decrease in Inventories	138,852	(40,346)	(349,478)
Increase/(Decrease) in Creditors & Accruals	1,641,300	(805,268)	(1,172,645)
Increase/(Decrease) in Employee Provisions	89,669	119,552	79,817
Government Grants - Non operating	-	-	-
Net Cash from Operating Activities	2,035,086	2,752,626	(3,181,200)

	2007 \$		2006 \$
(c) Credit Standby Arrangements			
Credit Card limit	20,000		20,000
Credit Card balance at Balance Date	-		-
Total Amount of Credit Unused	20,000		20,000
(d) Loan Facilities			
Loan Facilities - Current	2,739,863		6,641,382
Loan Facilities - Non-Current	50,756,271		38,809,007
Total Facilities in Use at Balance Date	53,496,134		45,450,389
Unused Loan Facilities at Balance Date	-		-

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2007

	2007 \$	2006 \$
13. CAPITAL AND LEASING COMMITMENTS		
(a) Capital Expenditure Commitments		
Capital expenditure commitments contracted for as at the balance date and which have not been recognised as liabilities in the Balance Sheet are as follows:		
Regional Resource Recovery Centre Contracts	<u>1,480,133</u>	<u>-</u>
Payable:		
- not later than one year	<u>1,480,133</u>	<u>-</u>
	<u>1,480,133</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	502,116	219,196
- later than one year but not later than two years	487,726	205,000
- later than two years but not later than five years	1,296,264	337,514
- later than five years	<u>8,400,000</u>	<u>4,510,000</u>
	<u>10,686,106</u>	<u>5,271,710</u>
14. CONTINGENT LIABILITIES		
There were no claims or pending claims or any other contingent liabilities as at the balance date.		
15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY		
Governance	-	-
Community Amenities	<u>117,233,809</u>	<u>88,126,766</u>
	<u>117,233,809</u>	<u>88,126,766</u>
16. EMPLOYEES' 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
120,000 - 129,999	-	-
110,000 - 119,999	1	-
100,000 - 109,999	<u>1</u>	<u>-</u>
Total	<u>3</u>	<u>1</u>
NUMBER OF EMPLOYEES		
The number of full-time and part-time employees as at the balance date.	<u>54</u>	<u>66</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2007

	2007 \$	2007 Budget \$	2006 \$
17. COUNCILLORS' REMUNERATION			
The following fees, expenses and allowances were paid to the Council members, the Chairman and Deputy Chairman.			
Meeting Fees	24,000	24,000	13,500
Chairman & Deputy Chairman Allowances	1,150	1,150	900
Other reimbursements	-	-	312
	25,150	25,150	14,712

18. TRUST FUNDS

The Council does not have any trust funds on hand as at 30 June 2007. (As on 30 June 2006- Nil)

19. BUDGET COMPARISON

	2007 \$	2007 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 expenses increased due to additional unplanned breakdown and operational expenses for the Waste Composting Facility. Also there was no accrual for Greenhouse Gas Abatement Units during the year.		
2. Higher Operational and maintenance cost resulted in lower surplus of Green Waste Facility.		
3. The provision of the arrears of lease rent payable for RRRC land on finalisation of the same.		
Recycling Facility Surplus / (Deficit)	\$ (56,027)	\$ (43,250)
Waste Composting Facility Surplus / (Deficit)	1 \$ 497,877	\$ 1,183,800
Green Waste Facility Surplus / (Deficit)	2 \$ 31,053	\$ 95,000
Depreciation on non-current assets	\$ (3,128,432)	\$ (4,875,500)
Others	3 \$ (166,609)	\$ 49,455
	\$ (2,822,138)	\$ (3,590,495)
(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	-	300,000
Loans raised	9,784,383	10,813,383
Loan Principal Contributions	1,738,637	1,800,000

Non Operating Expenditure

Principal repayment of loans	1,738,637	1,800,000
Construction/purchase of assets		
Land & Buildings	292,044	329,000
Furniture and Equipment	12,040	6,000
Computers and Equipment	50,645	60,000
Plant and Equipment	1 8,784,093	10,472,237
Leasehold Improvements	1,122,484	800,000

Comments - Reasons for variations from budgeted amounts:

1. MRF/ WCF Capital Works programme funds will be carried forward to 2007-08.

(c) Current Position at 1st July 2006

The net current assets carried forward from the previous financial year for the purpose of the 2006-07 budget was \$938,011

The actual net current assets (liabilities) in the audited financial report as at 30th June 2006 was \$1,356,064 less reserves of \$134,601 = \$1,221,463

A 2006/07 budget amendment was approved , following the completion of the 2006 accounts. The opening funds as on 1 July 06 was amended from \$ 938,011 to \$ 1,221,463 with consequential changes to the estimated closing funds as on 30 June 07.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2007**

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	2007	2006
Revenues from Ordinary Activities	\$	\$
Education & Marketing	376,726	397,793
RRRC Admin & Weighbridge	20,793	35,795
Recycling	3,918,569	4,480,289
Greenwaste	1,204,638	1,065,308
Waste Compost	9,776,433	5,507,866
Waste Audit Service	13,800	5,120
Contributions	2,605,486	2,296,212
	<u>17,916,445</u>	<u>13,788,383</u>
Less Expenses from Ordinary Activities		
Education & Marketing	339,235	300,533
RRRC Admin & Weighbridge	413,020	252,682
Recycling	4,252,235	4,967,264
Greenwaste	1,293,510	1,126,683
Waste Compost	11,761,421	10,139,969
Waste Audit Service	62,234	93,374
	<u>18,121,655</u>	<u>16,880,505</u>
Less Borrowing Cost Expense		
RRRC Property	2,596,612	2,553,727
Net Profit or (Loss)	<u>(2,801,822)</u>	<u>(5,645,849)</u>
 BALANCE SHEET		
Current Assets		
Cash & Cash Equivalents	1,446,747	(299,314)
Trade & Other Receivables	5,086,251	7,379,655
Inventories	214,737	353,589
Total Current Assets	<u>6,747,735</u>	<u>7,433,930</u>
Non-Current Assets		
Trade & Other Receivables	48,956,271	38,809,007
Property, Plant and Equipment	28,212,590	21,440,612
Leasehold Improvements	28,054,000	16,526,006
Total Non-Current Assets	<u>105,222,861</u>	<u>76,775,625</u>
Total Assets	<u>111,970,596</u>	<u>84,209,555</u>
Current Liabilities		
Trade & Other Payables	3,112,644	1,246,967
Borrowings - current portion	2,739,863	5,141,382
Provisions	72,960	72,102
Total Current Liabilities	<u>5,925,467</u>	<u>6,460,451</u>
Non-Current Liabilities		
Borrowings - non-current portion	48,956,271	38,809,007
Provisions	30,518	27,585
Total Non-Current Liabilities	<u>48,986,789</u>	<u>38,836,592</u>
Total Liabilities	<u>54,912,256</u>	<u>45,297,043</u>
Net Assets	<u>57,058,340</u>	<u>38,912,512</u>
Equity		
Opening Balance	38,912,512	37,763,361
RRRC Participants Contribution towards Equity	9,484,383	6,795,000
Retained Surplus/(Deficit) for year	(2,801,822)	(5,645,849)
Asset Revaluation Reserve	11,463,267	-
Total Equity	<u>57,058,340</u>	<u>38,912,512</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2007

21. ECONOMIC DEPENDENCY

A significant portion of revenue is received from the members as contributions as disclosed in note 23 and also in form of RRRC Gate fees as indicated in the note 24.

22. GRANTS AND SUBSIDIES

	2007	2006
Operating		
Community Amenities - Federal Gov Grant	57,100	26,000
Community Amenities - State Gov Grant	114,981	687,928
Community Amenities - Other	<u>3,000</u>	<u>3,000</u>
	<u>172,081</u>	<u>716,928</u>
Non-operating		
Community Amenities -	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

23. CONTRIBUTIONS, REIMBURSEMENTS

Members Contributions towards operating	886,957	806,141
Contributions from other organisations	15,753	19,602
Members Contributions towards interest on loans	2,605,486	2,296,212
Reimbursements	<u>94,430</u>	<u>137,395</u>
	<u>3,602,626</u>	<u>3,259,350</u>

24. FEES & CHARGES

Governance	-	-
Consultancies	40,840	31,120
RRRC Gate Fees	12,159,039	6,480,903
Service Provision Fees- Regional Greenwaste Collection	1,283,991	1,156,313
Sale of Products	2,578,540	3,897,668
Other	<u>-</u>	<u>-</u>
	<u>16,062,410</u>	<u>11,566,004</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2007

25. FINANCIAL RATIOS	2007	2006	2005
Current Ratio	1.08	1.14	0.86
Debt Ratio	49%	54%	52%
Debt Service Ratio	53%	26%	41%
Gross Debt to Revenue Ratio	267%	299%	479%
Untied Cash to Trade Creditors Ratio	0.66	0.26	-0.13
Gross Debt to Economically Realisable Assets Ratio	46%	52%	49%

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

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

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

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

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

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

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2007

26. DISPOSALS OF ASSETS - 2006-07 FINANCIAL YEAR

There were no disposal of assets during the year. (2005-6 - Nil)

**27. MEMBER COUNCILS' EQUITY IN THE SOUTHERN METROPOLITAN REGIONAL COUNCIL
AS AT 30 JUNE 2007**

	SMRC	RRRC	Other	TOTAL EQUITY	Loan Liability	TOTAL EQUITY Less Loan
City of Canning	535,991	15,988,462		16,524,453	14,859,837	1,664,616
City of Cockburn	482,848	14,403,213		14,886,061	13,385,604	1,500,457
Town of East Fremantle	46,404	1,384,220		1,430,624	1,288,616	142,008
City of Fremantle	183,195	5,464,664		5,647,859	5,080,470	567,389
Town of Kwinana	151,302			151,302	105,840	45,462
City of Melville	664,364	19,817,782		20,482,146	18,418,467	2,063,679
City of Rockingham	511,121			511,121	357,300	153,821
	2,575,225	57,058,341	-	59,633,566	53,496,134	6,137,432
Equity (2006)	1,786,025	38,952,543	43,774	40,782,342	(45,450,389)	(4,668,047)
	1	2	3		2	-

Reasons for Equity variation

1. SMRC equity increase is due to revaluation of freehold land & buildings and increase in fixed assets and investments.
2. RRRC equity has gone up due to revaluation of lease hold improvement and increase in fixed assets financed by new loans.
3. The decrease in Others category is due to discontinuation and consequent refund of funds relating to Regional Collection Project.

28. Rating Information

Being a Regional Council, no rates were raised during the year ended 30 June 2007 and in the year ended 30 June 2006.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2007

29. INFORMATION ON BORROWINGS

(a) Loan Repayments

Particulars	Principal 1-Jul-06	New Loans	Interest Repayments		Principal Repayments		Principal 30 Jun 07
			Budget	Actual	Budget	Actual	
Community Amenities							
RRRC							
LOAN NO 1-3	1,699,099	-	51,301	51,301	1,699,099	1,699,099	0
LOAN NO 1-4	1,699,652	-	101,891	101,891	71,749	71,749	1,627,903
LOAN NO 1-9	1,725,928	-	106,035	106,035	71,989	71,989	1,653,939
LOAN NO 1-15	1,311,438	-	86,691	86,691	52,669	52,669	1,258,769
LOAN NO 1-16	2,634,910	-	170,251	170,251	107,112	107,112	2,527,798
LOAN NO 1-17	2,198,540	-	144,239	144,239	88,655	88,655	2,109,885
LOAN NO 1-18	875,830	-	54,677	54,677	875,830	875,830	0
LOAN NO 1-19	886,451	-	56,947	56,947	35,227	35,227	851,224
LOAN NO 1-20	874,580	-	53,644	53,644	874,579	874,579	0
LOAN NO 1-21	882,218	-	55,339	55,339	36,416	36,416	845,802
LOAN NO 1-22	882,859	-	55,905	55,905	36,267	36,267	846,593
LOAN NO 1-23	1,764,650	-	110,866	110,866	72,782	72,782	1,691,868
LOAN NO 1-27	880,928	-	54,209	54,209	36,714	36,714	844,214
LOAN NO 1-28 (old1-24&25)	888,775	-	50,195	50,195	38,579	38,579	850,195
LOAN NO 1-29	887,784	-	49,259	49,259	38,843	38,843	848,941
LOAN NO 1-30	895,155	-	49,934	49,934	39,073	39,073	856,082
LOAN NO 1-31 (old1-5)	1,821,331	-	103,223	103,224	78,934	78,934	1,742,398
LOAN NO 1-32 (old 1-6)	1,711,638	-	104,817	104,817	71,508	71,508	1,640,131
LOAN NO 1-33 (old1-14)	1,731,382	-	97,634	97,634	75,633	75,633	1,655,749
LOAN NO 1-34	1,905,807	-	116,925	116,925	80,131	80,131	1,825,676
LOAN NO 1-35	1,419,236	-	81,421	81,421	61,605	61,605	1,357,631
LOAN NO 1-37 (old1-13)	2,764,136	-	154,768	153,768	135,431	135,431	2,628,705
LOAN NO 1-40	952,501	-	53,223	53,223	41,807	41,807	910,694
LOAN NO 1-41	969,545	-	56,920	56,920	41,620	41,620	927,925
LOAN NO 1-42	962,748	-	55,376	55,374	41,724	41,724	921,024
LOAN NO 1-43 (old1-7)	1,718,857	-	98,933	98,933	76,035	76,035	1,642,822
LOAN NO 1-46	1,000,000	-	77,637	17,637	30,000	1,000,000	-
LOAN NO 1-47 (old1-36)	1,795,517	-	114,195	114,195	20,865	-	1,795,517
LOAN NO 1-48 (old38,39,44,45)	2,499,483	-	156,956	156,956	63,581	63,581	2,435,902
LOAN NO 1-49 (old1-8)	1,709,410	-	84,260	107,915	58,162	58,162	1,651,248
LOAN NO 1-50	-	1,000,000	132,000	51,858	60,000	21,287	978,713
LOAN NO 1-51 (old 1-46)	-	1,000,000	51,000	45,748	13,628	26,853	973,147
LOAN NO 1-52	-	7,500,000	60,000	272,858	36,000	-	7,500,000
LOAN NO 1-53 (old 1-3)	-	1,663,720	246,000	52,092	-	-	1,633,595
LOAN NO 1-54	-	984,383	-	21,827	-	-	984,383
LOAN NO 1-56* (1-18)	-	839,592	-	-	-	-	839,592
LOAN NO 1-57* (1-20)	-	838,071	-	-	-	-	838,071
Office Accommodation							
LOAN NO 2-2	1,500,000	-	26,998	53,004	1,500,000	1,500,000	-
LOAN NO 2-3	-	1,800,000	86,400	57,431	-	-	1,800,000
	45,450,389	15,625,766	3,210,071	3,125,145	6,662,248	7,580,020	53,496,134
Less: Loans refinanced							
		5,841,383					5,841,383
Net Borrowings / Repayments		9,784,383				1,738,637	

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2007

29. INFORMATION ON BORROWINGS (Continued)

(b) New Borrowings

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate	Balance Unspent	
	Budget	Actual						Budget	Actual
Community Amenities									
RRRC Project									
LOAN NO 1-50	1,000,000	1,000,000	WATC	Debenture	8.33	55,820	6.27%	\$ -	\$ -
LOAN NO 1-51 (old 1-46)	1,000,000	1,000,000	WATC	Debenture	4.33	15,847	6.23%	\$ -	\$ -
LOAN NO 1-52	7,704,483	7,500,000	WATC	Debenture	11.00	441,457	6.21%	\$ -	\$ -
LOAN NO 1-53 (old 1-3)	1,663,720	1,663,720	WATC	Debenture	7.00	402,173	6.41%	\$ -	\$ -
LOAN NO 1-54	779,900	984,383	WATC	Debenture	0.33	384,115	6.58%	\$ -	\$ -
LOAN NO 1-56* (1-18)	839,591	839,592	WATC	Debenture	8.00	729,285	6.93%	\$ -	\$ -
LOAN NO 1-57* (1-20)	838,071	838,071	WATC	Debenture	8.00	7,322	6.93%	\$ -	\$ -
Office Accommodation									
LOAN NO 2-3	1,829,000	1,800,000	WATC	Debenture	1.00	17,637	6.39%	\$ -	\$ -
	15,654,765	15,625,766				2,053,654		\$ -	\$ -

(c) Unspent Loans

Nil

(d) Overdraft

Council does not have an overdraft facility with its bankers.

30. 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 Maturity			Non interest Bearing	Total
		Interest Rate \$	Interest Rate %	within 1 year \$	1 - 5 years \$	over 5 years \$		
2007 Financial Assets								
Cash & Cash Equivalents	6.25%	2,562,378					1,150	2,563,528
Trade & Other Receivables							2,385,008	2,385,008
Other Receivables - Loan							2,739,863	2,739,863
Other Assets							214,737	214,737
		2,562,378					5,340,758	7,903,136
2007 Financial Liabilities								
Trade & Other Payables							2,567,981	2,567,981
Bonds & Deposits	6.25%	21,229					685,526	706,755
Borrowings	6.21%	479,105		11,853,405	15,266,904	26,375,825	53,975,239	53,975,239
		500,334		11,853,405	15,266,904	26,375,825	3,253,507	57,249,975
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
Prepaid Expenses							353,589	353,589
		525,111					9,240,100	9,765,211
2006 Financial Liabilities								
Trade & Other Payables							1,588,346	1,588,346
Bonds & Deposits	5.00%	20,000		10,244,508	13,102,925	22,102,956	25,090	45,090
Borrowings	6.09%	20,000		10,244,508	13,102,925	22,102,956	1,613,436	45,450,389
		20,000		10,244,508	13,102,925	22,102,956	1,613,436	47,083,825

INDEPENDENT AUDIT REPORT

TO: MEMBERS OF SOUTHERN METROPOLITAN REGIONAL COUNCIL

SCOPE

The financial report and Council's responsibility

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 2007.

The Council is responsible for the preparation and presentation of the financial report and the information contained therein. This includes responsibility for the establishment and maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. In Note 1, the Council also states that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the 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. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

Our audit involves performing procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995 (as amended), including compliance with Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Council's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

AUDIT OPINION

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

- (i) presents fairly the financial position of the Southern Metropolitan Regional Council as at 30 June 2007 and the results of its operations and its cash flows for the year then ended in accordance with applicable Accounting Standards; and
- (ii) are prepared in accordance with the requirements of the Local Government Act 1995 (as amended) and Regulations under that Act, and the Australian Accounting Standards (including the Australian Accounting Interpretations).

STATUTORY COMPLIANCE

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.



MACRI PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS
28 THOROGOOD STREET
BURSWOOD WA 6100



A MACRI
PARTNER

PERTH
DATED THIS 9TH DAY OF NOVEMBER 2007.





SOUTHERN **METROPOLITAN REGIONAL COUNCIL**

9 Ardous Place, Booragoon WA 6154

PO Box 1501, Booragoon WA 6954

Perth, Western Australia.

Telephone 08 9329 2700

Facsimile 08 9330 6788

Email smrc@smrc.com.au

www.smrc.com.au