



Annual Report

2010-2011

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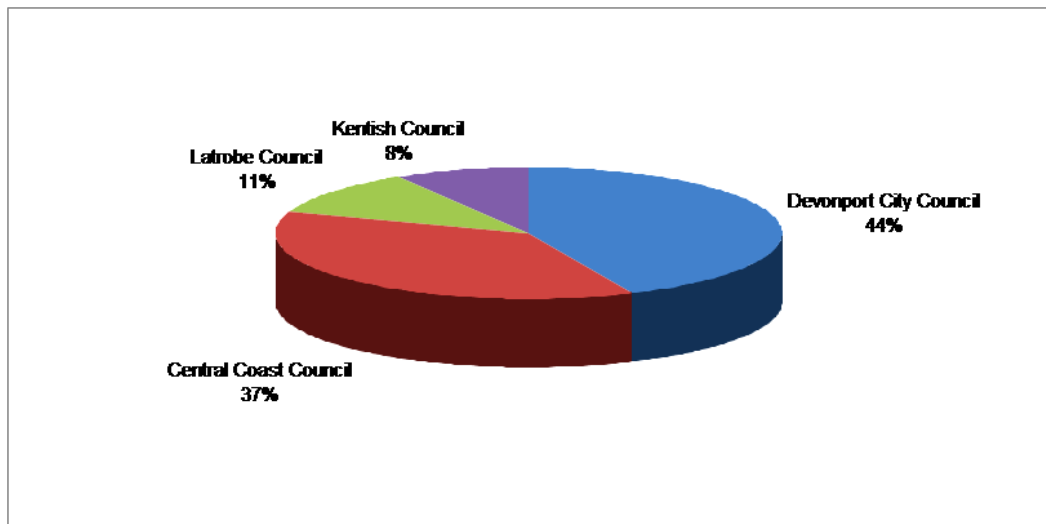
1. Introduction

1.1. Who We Are

Dulverton Waste Management (DWM) is owned by the Councils of Central Coast, Devonport City, Kentish and Latrobe (see Chart 1). DWM exists to provide environmentally effective waste management services for its owners, the community and industry.

Waste services consist of the operation of a modern environmentally sustainable landfill and organics recycling facility located off Dawson's Siding Road, Railton. These facilities are run on a commercial basis and have an expected life exceeding 60 years.

Chart 1 - Participating Council Equity Share



1.2. Reporting Period

This Annual Report of DWM predominantly relates to the 2010/2011 financial year. However, where there have been major developments following this period, it is considered appropriate to provide some additional commentary.

1.3. Core Activities

Core activities of the business are:

- Acceptance and safe management of waste from within the Participating Councils' regions;
- Acceptance of organic waste from industry and the broader Cradle Coast region for processing at the Dulverton Organics Recycling Facility (DORF);

- Provision of waste related advisory services to councils;
- Contract administration of the Cradle Coast Regional Recycling Contract;
- Provide representation on the Cradle Coast Waste Management Group (CCWMG) and the Northern Tasmania Waste Management Group (NTWMG) and facilitate project delivery for the Groups (while continuing to communicate, co-operate and combine resources with the NTWMG, the commercial arrangement will discontinue in 2011/2012); and
- Develop and implement strategies to manage within a carbon constrained environment.

1.4. Management Philosophy

1.4.1. Values

The values of DWM's Board and Management are:

- Our role as a community owned service provider;
- The opportunity to provide leadership in environmentally sustainable waste management;
- Leadership that provides safe fulfilling employment in a challenging, ethical and participative work environment; and
- Commercial principles and governance that support sustainable cost competitive business activity.

1.4.2. Vision and Mission

Given DWM's philosophy our vision and mission are:

Vision - *"An innovative organisation recognised as leaders in holistic waste management in Tasmania."*

Mission - *"Dulverton Waste Management meets the Community's current and future needs by providing safe and environmentally sustainable waste minimisation, recycling and management services."*

1.5. Organisational Structure & Function

DWM operates as a Joint Authority of the Central Coast, Devonport City, Kentish and Latrobe Councils under sections 30-39 of the *Local Government Act 1993* and is governed by the *Rules* adopted on 15th August 2005. These can be found at our website www.dulverton.com.au.

The membership of the Authority consists of two Representatives from each Participating Council to act on their behalf. The Representatives' powers and duties are to appoint the Chairman and Board, approve corporate plans, periodically review the performance of the Board and individual Directors, and set terms of office and remuneration.

2. REPORTS

2.1. Chief Representative

It has been a challenging year for Dulverton Waste Management. The completion of the leachate pipeline is very welcome for operational requirements, although the cost over-run was frustrating and has adversely affected profit.

The review of the Board of Directors has been successfully completed and has proved a useful exercise. My thanks to Representatives Michael Stretton and Councillor Cheryl Fuller for their sterling work on this matter. Our new site contractor, MDG Contracting, is proving a success and has been carrying out considerable corrective work. The issues with our previous contractor can only be viewed as a lesson in the need for close and continuous oversight.

The review of Dulverton's *Rules* has been completed and accepted and my thanks to all involved in the process.

It is pleasing to note that Burnie City Council has agreed to become a significant client of Dulverton Waste Management with this reflecting the ability and professionalism of our organisation.

I extend my thanks to our former Chief Executive Officer, Shane Eberhardt, for his contribution to Dulverton Waste Management, which has been invaluable. I welcome his replacement, Matthew Greskie, who is already proving his worth.

The coming year will also have challenges but I am happy our organisation is equal to the task

Councillor Mike McLaren

Chief Representative

2.2. Chairman

Financial year 2011 has proved difficult operationally and financially. Although revenue exceeded last year by \$1.02 million, operating costs were greater due to delays in completing the leachate pipeline and in our view, a performance shortfall by the site contractor. A wet winter meant continued leachate removal by truck. In all, site problems which involved the pipeline delay, environmental non compliance and poor waste placement, cost Dulverton \$599,000 including \$260,000 for extra rehabilitation provisions from lost airspace. As a result, after tax operating profit was half that in 2009/10 and profit from continuing operations recorded a loss.

The Board has recommended that no dividend be paid for 2010/11 however the owner councils have received tax equivalents of \$210,000 compared to \$279,000 for the combined dividends and tax equivalents in 2009/10. Owners' equity increased 2% to \$4.73 million.

Understanding the magnitude of the operating difficulties and actions to rectify them were compounded by CEO Shane Eberhardt's decision in April to leave the organisation to take up a senior position with Launceston City Council. Before departing he put in place the processes necessary to appoint a new site contractor.

The Board is pleased to have secured the services of Matthew Greskie as the new CEO. Matthew has extensive Local Government experience and had responsibility for the Port Latta landfill.

Although a new contractor has been selected and has rectified many of the site management issues, the cost penalty has carried through into 2011/12. The new CEO expects these to be brought under control within the 2011/12 financial year.

DWM exists to provide cost effective and environmentally sustainable waste management and composting services for its owner councils and, where this can benefit both parties, for other councils in the NW region. It is pleasing to report that Dulverton will receive waste from Burnie City Council beginning mid 2012.

The Internal Audit and Risk Committee of the Board is chaired by Grant Atkins. The Committee oversees the annual audit and audit strategy conducted by the Tasmanian Audit Office; the internal audit and audit strategy conducted by Deloitte, monitors the environmental audit by SAI Global; and ensures adequate insurance cover and legal compliance. The Tasmanian Audit Office released its report with no qualifications.

A sub-committee of the Representatives undertook a review of the Board which included assessment by all Representatives and Board members. The outcome of this review is covered in the Chief Representative's Report.

Dulverton Waste Management is a small business and has a small dedicated management team. Notwithstanding operational difficulties over the last nine months, the Board is conscious of and thanks Shane Eberhardt for the contribution he has made to development of the business in his five years as CEO. During this period the business was transformed operationally and financially and won two environmental awards; the composting business was launched; and support given to the regional Cradle Coast and Northern Waste Management groups.

The success of the business is due to our management team. The Board acknowledges and thanks them for their efforts throughout the year.

Antony MacCormick
Chairman

2.3. Chief Executive Officer

Total waste received at DWM's facilities for 2010/11 grew by 20%, which is consistent with the annual growth experienced over the past few years. At the same time waste revenue increased by 13%. As a result of a range of marketing initiatives being undertaken, income from Dulverton Organics compost sales increased by more than 500% to \$110,000.

Profit was down on previous years due to delays in the construction of the leachate pipeline requiring continued substantial expenditure on leachate management, compost facility improvements and some site contractual disruptions.

The seven kilometre leachate pipeline discharging to Latrobe sewerage system became operational late in the financial year. This pipeline will move around 5 ML per annum of leachate off site making the facility sustainable in to the future. The value of the pipeline is estimated at \$1.03 million with a significant proportion of this being expended in the 2010/11 financial year.

Following a tender process, MDG Contracting has been awarded the contract to operate DWM's facilities for the next five years. MDG undertook an extensive caretaker role while contract documents were being finalised, and have been proven to be a capable and competent firm.

Preliminary planning and design works have begun for construction of the next waste cell, to be ready for use in 2012. DWM continues to provision for future rehabilitation and aftercare liabilities; currently the provision is \$906,225. The next major rehabilitation works are scheduled for 2012/13, following closure of the current waste cell.

In July 2008, DWM's Environmental Management System (EMS) was certified under AS/NZS ISO 14001:2004 through SAI Global. This process has enabled DWM to minimise the potential impacts the facility may have on the environment, along with maintaining a continual improvement monitoring system.

It was pleasing for DWM to be re-certified in April 2011 for a further 3 years, demonstrating DWM's long term commitment to best practice environmental performance.

Peracto was engaged to conduct field trials using Dulverton Compost on two sites in the North West region. The first was for the evaluation of compost on the growth, yield and quality of beans and the second was to evaluate the growth of pyrethrum.

The bean trial results showed that Dulverton compost increased growth and yield by between 90% and 140% of the untreated control harvest. The pyrethrum trial results indicated that plant biomass of tops and roots increased in weights by between 5% and 30% with increasing compost application.

In all trials there was also a trend for increased soil organic matter, total carbon and available nitrogen with increasing compost application rates. Further field trials are taking place on pasture, orchards (apple and cherry), viticulture, and various vegetable crops throughout Tasmania, and the results will be monitored with great interest.

With a host of new legislation regarding carbon tax being developed and legislated during the year, DWM will be monitoring the potential impacts on our business and taking action to minimise the effects.

No doubt there will be many exciting developments and challenges in the year ahead, and I am confident that the Owner Representatives, Board and staff will continue to work together to meet them.

Mat Greskie

Chief Executive Officer

3. PERFORMANCE FOR THE YEAR

3.1. Operational

The total quantity of materials managed by Dulverton Waste Management has increased by 20.3% this year to 70,002 tonnes. The increase is due to a 10.5% increase in waste going to landfill (total of 45,919 tonnes) and a 44.6% increase in organic materials being processed at the DORF (total of 24,080 tonnes).

Although waste to landfill has increased, an excellent result of nearly 34% of materials being accepted to the facility is being diverted for recycling at the DORF. This is equivalent taking 35,000 vehicles off the road.

Table 1 – Waste Quantities for 2010/2011

Waste Type	Contribution to Total (%)	Quantity received in 2010/11 (tonnes)
Municipal Solid	39	23,839
Commercial & Industrial	29	19,222
Commercial Organic	28	24,080
Controlled & Other	4	2,861
Total	100	70,002

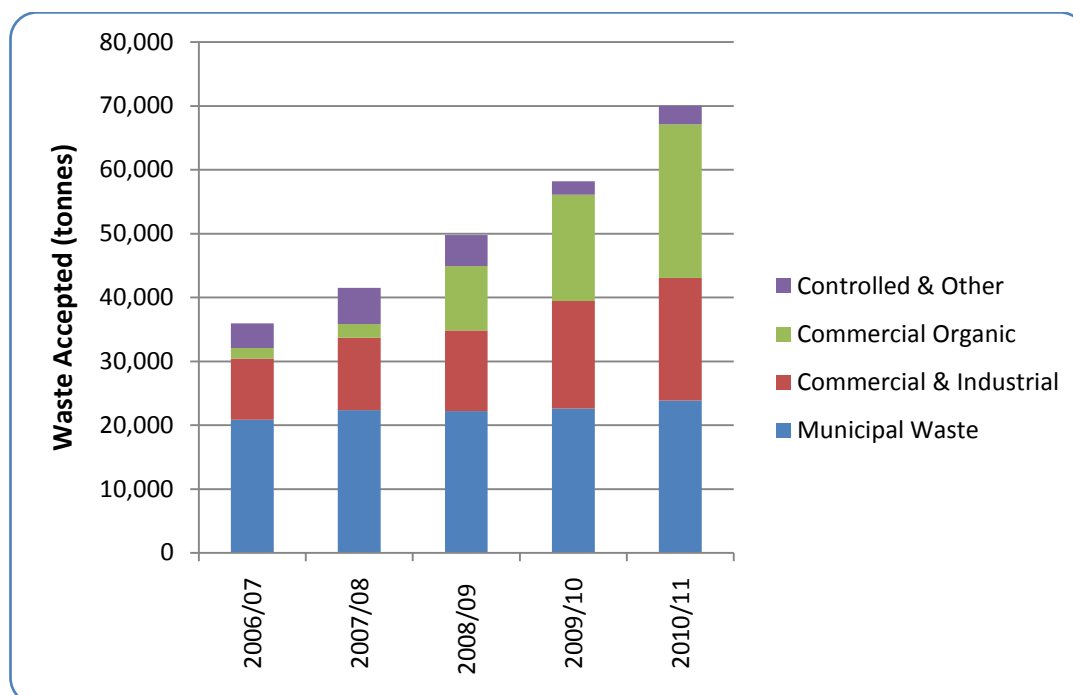
Table 2 - Landfill Quantities for 2010/2011

Waste Type	Contribution to Total (%)	Total Contribution (tonnes)
Commercial & Industrial	32	14,741
Construction & Demolition	< 1	97
Controlled	6	2,861
Other	< 1	47
Municipal Solid Waste	52	23,839
Clean / Inert Fill	9	4,334
Total	100	45,919

Table 3 - DORF Quantities for 2010/2011

Waste Type	Contribution to Total (%)	Total Contribution (tonnes)
Sawdust	< 1	30
Green Waste (Mulch)	55	13,249
Macerated Fish Waste	8	1,872
Animal Waste	10	2,290
Biosolids	16	3,890
Whey Waste (Compost Liquid)	< 1	174
Other Organic Wastes (eg Grease Trap)	10	2,575
Total	100	24,080

Chart 2 – Waste Quantities



3.2. Financial

Operating revenue (excluding re-assessment of the aftercare provision) again grew for the 2010/11 year to \$5.7million, a 21% increase from the previous year. The increase in revenue is due to a greater tonnage of organic waste being accepted and an excellent rate of compost sales, increased disposals of controlled waste from a number of demolition works involving asbestos and other controlled wastes and management of the green waste mulching contract for Participating Councils.

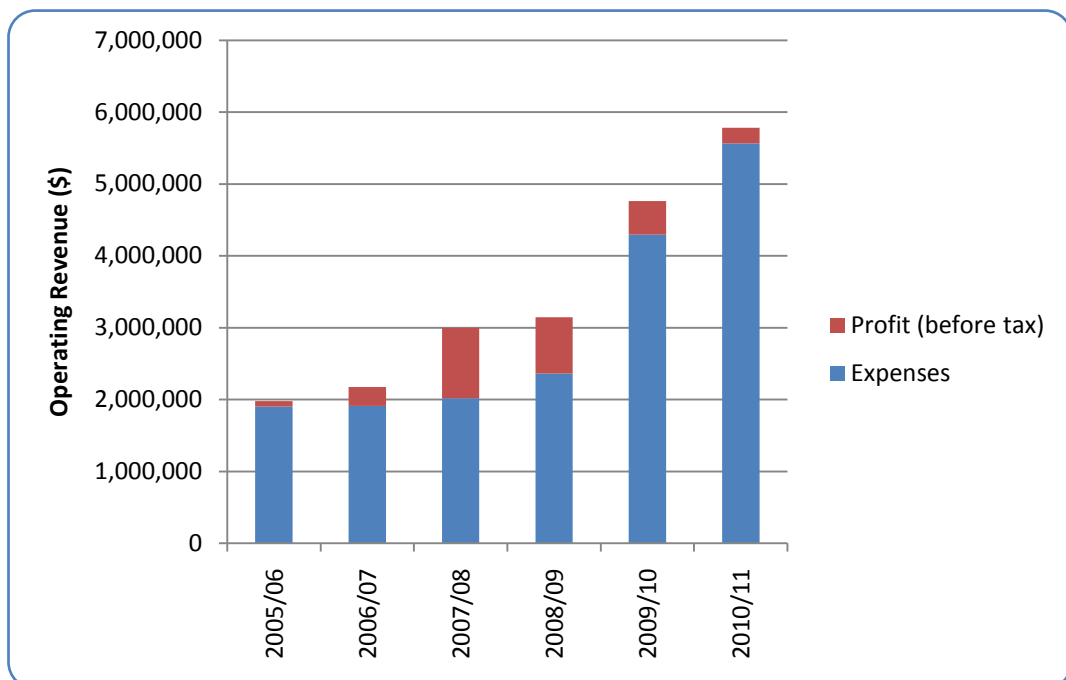
Operating expenditure increased by 40% from 2009/10 largely due to significant expenditure on leachate management prior to commissioning of the leachate pipeline, the requirement to maintain good site access during an exceedingly wet spring and summer period and increased site activity (including general improvements across the landfill and composting facility) in the last half of the year.

After reassessment of rehabilitation and aftercare provisions, total comprehensive income was \$103,340.

It should be noted that the significant increase in expenditure in the 2009/10 year from the previous year is attributable to DWM managing the regional recycling contract. This expenditure is offset by an identical income, and has little effect on overall profitability.

These movements can be seen in Chart 3.

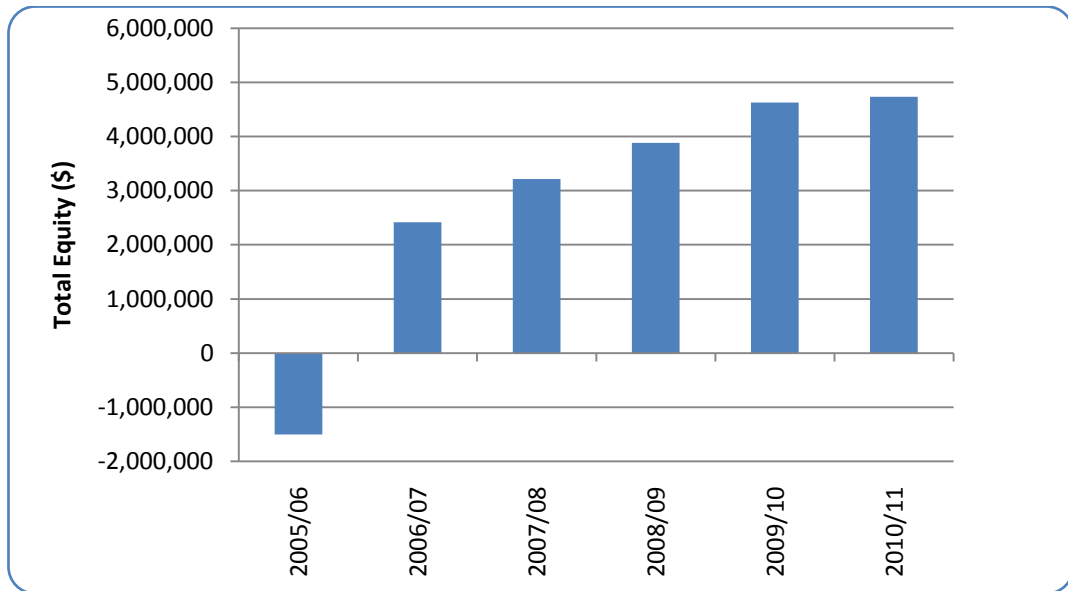
Chart 3 – Operating Income and Expenses



Full financial statements are provided in Section 6.

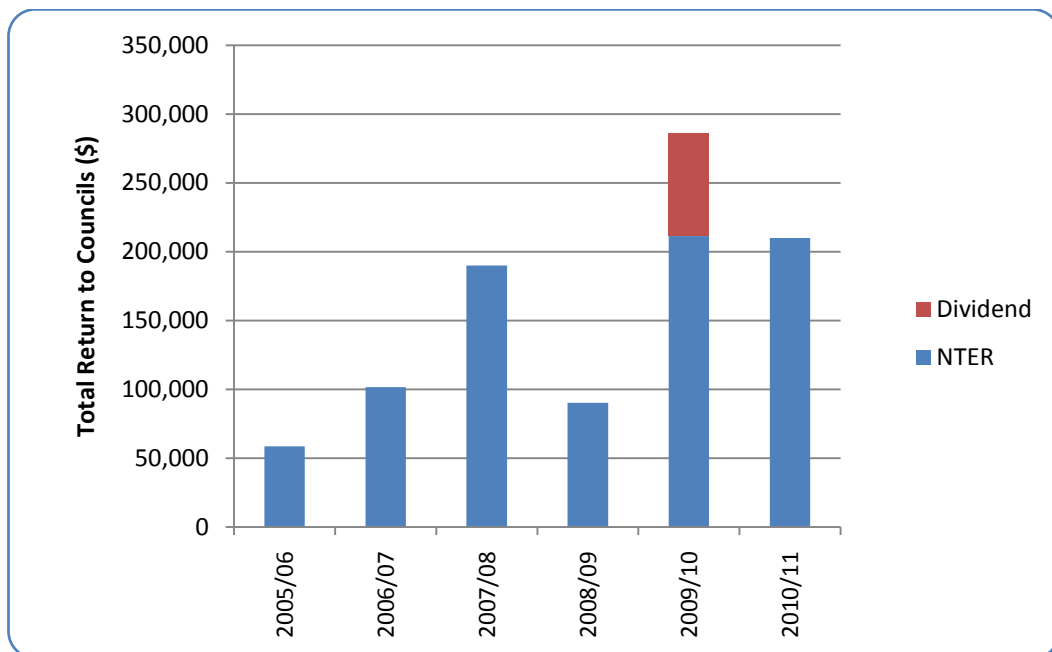
There has been a continued growth in financial sustainability with Councils' equity in DWM growing by 2% from \$4.6million in 2009/10 to \$4.7million in 2010/11 (Chart 4).

Chart 4 – Owners' Equity



Income tax equivalent returns to Participating Councils for 2010/11 totalled \$209,911; a marginal increase from the \$204,737 returned to Councils in the 2009/10 financial year, reflecting the continued favourable performance of DWM. A dividend was not declared for the 2010/11 financial year.

Chart 5 – Returns to Council



3.3. Achievements Against Strategic Plan

In 2009 a new five year Strategic Plan was developed in consultation with Council Representatives. The activities undertaken in 2010/11 are reported below against the 2009 Strategic Plan's eight Strategies.

Strategy 1

Remain focussed on the core purpose of DWM's existence, namely to provide a long term, cost effective and environmentally sustainable capability to handle the solid waste management needs of our owners.

► Leachate Management

Leachate management at the landfill was reviewed following the very wet winter of 2009. The review found that the historical management of leachate by irrigation on the landfill was not sustainable. Construction of a pipeline to discharge excess leachate to Latrobe's sewerage system was considered the best long-term option. The contract to construct the pipeline was awarded to Treloar Transport. The pipeline commenced operation in May, 2011.

► Internal Financial Audit

Deloitte were commissioned to develop a three year internal audit program and deliver the first year of the program. The audit scope for 2010/2011 included analysis of core financial and administration controls. The 2011 Internal Audit Report was presented to the Board in January, 2011, with an excellent outcome being achieved.

Strategy 2

Seek to divert material from landfill in order to extend the landfill life and to reduce the future implications of greenhouse gas emissions.

► Research and Development

With the pending carbon tax legislation affecting the waste management industry, DWM has researched the cost implications for the landfill operation. Draft legislation does not include legacy emissions, only waste that is deposited into the landfill from 1st July, 2012.

Current calculations has DWM exceeding 10kt CO₂-e in FY 2012/13 and 25kt CO₂-e in FY 2015/16 (these calculations have used the additional tonnes of waste from Burnie City Council, expected to begin in FY 2012/13).

The continued diversion of organic waste to the Dulverton Organics Recycling Facility significantly reduces the future emissions liability; with estimates that one tonne of green waste landfilled equals three tonnes of CO₂-e emissions.

- ▶ **Organics Kerbside Collection Trial**

On behalf of the Cradle Coast Waste Management Group and Northern Tasmanian Waste Management Group, DWM has facilitated a seven month trial commencing June 2011. This trial is occurring in the areas of Shearwater, Gravelly Beach and Blackstone Heights.

- ▶ **Peracto Compost Field Trial**

Peracto was engaged to conduct field trials using Dulverton Compost on two sites in the North West regions. The trials have been conducted on bean and pyrethrum crops. In both trials there was a trend towards increased soil organic matter, total carbon and available nitrogen with increasing compost application rates. Further field trials are taking place on pasture, orchards (apple and cherry), viticulture, and various vegetable crops throughout Tasmania.

Strategy 3

Develop DWM to become the Region's waste disposal service provider of choice for our core activities.

- ▶ **Advisory Projects**

DWM has undertaken a number of waste advisory projects during the year with the most notable project being assisting Launceston City Council with the management of the Launceston Waste Centre.

Strategy 4

Adopt proactive approaches to help solve industry and State disposal and resource recovery needs.

- ▶ **Regional Waste Group Involvement**

DWM is an active member of the Cradle Coast Waste Management Group and provides technical support to both the CCWGMG and the NTWGMG.

Strategy 5

Work within the waste industry and at State and local level to encourage policy, regulation and enforcement consistent with best practice with particular emphasis on rehabilitation, aftercare and avoidance of unfunded legacy problems for future generations.

▶ Financial Assurance and *Rules* Review

Aftercare liabilities (the costs associated with managing the landfill after closure) are being managed by provisioning for the liability and maintaining reserves of the same value. A *Rules* review commenced in early 2010 to include a requirement for DWM to provision for aftercare liabilities and establish a reserve. The *Rules* were adopted by Participating Councils in June 2011.

▶ Industry Participation

DWM and the CEO held a number of memberships in 2010/11 with different local, national and international bodies, including: -

- Waste Management Association of Australia (WMAA);
- Cradle Coast Waste Management Group; and
- Working Group for review of the *Biosolids Reuse Guidelines*.

DWM has also been working with local and national government bodies relating to the waste industry.

Strategy 6

Work with the community to take ownership of waste avoidance and re-use.

▶ Site Tours

A number of site tours have been undertaken by community groups and education institutions.

Strategy 7

Promote DWM to establish an image for the organisation as an innovator and forward thinker within a Tasmanian context.

▶ Agfest 2011

Dulverton Organics had a site at Agfest in 2011 to raise awareness of our activities, particularly with respect to compost.

Strategy 8

Develop a culture and practice of personal development, innovation and team working that challenges standard practice, develops sustainable solutions, and achieves personal satisfaction in the process.

- ▶ Improvements in Safety

DWM are in the process to integrating the Environmental Management System with our Safety Management System.

4. GOVERNANCE

DWM finished the year with a four member Board of Directors comprising of business and waste industry skills appointed by the Representatives of the Participating Councils.

The Board is responsible for DWM's strategic direction, financial management and other duties as outlined in DWM's *Rules*.

The Chairman of the Board of Directors was Mr Antony MacCormick with the Chairman of the Audit and Risk Committee being Mr Grant Atkins. Profiles of Directors can be found at www.dulverton.com.au.

Risk and fraud management were a particular focus of the Tasmanian Audit Office during this year's audit. Given the size of DWM, separation of financial duties is difficult and as such our fraud management practices included internal financial audits throughout the year.

Attendance of Directors at Board Meetings is summarised below.

Director	Expiration of Term	Meetings Held	Meetings Attended
Mr Antony MacCormick	30/11/2012	12	11
Mr Grant Atkins	30/11/2014	12	12
Mr Jeff McNamara	30/11/2014	12	10
Mr Phil Baker	30/11/2012	12	12

Representatives of Participating Councils attendance is summarised below.

Representative	Council Representing	Meetings Held	Meetings Attended
Clr Mike McLaren (Chief)	Latrobe Council	4	3
Mr Michael Stretton (Deputy)	Central Coast Council	4	3
Clr Cheryl Fuller	Central Coast Council	4	3
Clr John Deverell	Kentish Council	4	2
Mayor Don Thwaites	Kentish Council	4	4
Mr Ian McCallum	Devonport City Council	4	2
Ald Peter Hollister	Devonport City Council	4	3
Mr Gerald Monson	Latrobe Council	4	4
Greg Osbourne	Central Coast Council	1	1
Sandra Ayton	Central Coast Council	1	1

5. KEY 2011/12 DRIVERS

5.1. Odour

DWM will continue to monitor odour complaints and investigate all reasonable measures to address the issue. DWM are serious about reducing the potential to generate odours from the site.

5.2. Cell Development

Design of the new waste cell is complete with final approval from the EPA anticipated in November 2011. Construction will take place over the dryer months, with the cell likely to be required sometime in the middle of 2012.

5.3. Receipt of Burnie City Council Waste

DWM is working with Burnie City Council to finalise arrangements for receiving BCC waste at the landfill. The agreement is likely to take effect around July 2012. Accepting the BCC waste gives greater scales of economies to the landfill, making it overall more sustainable.

6. FINANCIAL REPORT



INDEPENDENT AUDITOR'S REPORT

To the Members of Dulverton Regional Waste Management Authority

Financial Report for the Year Ended 30 June 2011

I have audited the accompanying financial report of Dulverton Regional Waste Management Authority (the Authority), which comprises the statement of financial position as at 30 June 2011 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Director's statement.

Auditor's Opinion

In my opinion the Authority's financial report:

- (a) presents fairly, in all material respects, its financial position as at 30 June 2011 and financial performance, cash flows and changes in equity for the year then ended; and
- (b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards.

The Responsibility of the Chief Executive Officer for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Section 84 of the *Local Government Act 1993*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

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

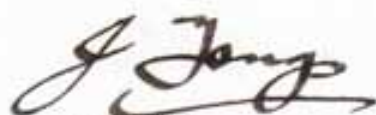
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

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

TASMANIAN AUDIT OFFICE



JJ Tongs

TECHNICAL AND QUALITY DIRECTOR
Delegate of the Auditor-General

HOBART
30 September 2011

Dulverton Regional Waste Management Authority

Financial Statements

For the Year Ended 30 June 2011

DULVERTON REGIONAL WASTE MANAGEMENT AUTHORITY
RESPONSIBILITY STATEMENT BY
MEMBERS AND MANAGEMENT

The General Purpose Financial Reports for the year ended 30th June, 2011 have been prepared on a contract basis by WHK and we acknowledge responsibility for the content and presentation and certify that they are in agreement with the Authority's accounting records.

These General Purpose Financial Reports are drawn up in accordance with applicable Australian Accounting Standards and Australian Accounting Interpretations and in accordance with the law relating to Local Government Authorities Tasmania.

We are not aware of any circumstances since 30th June, 2011 which would render any particulars included in these financial statements misleading or inaccurate.

In our opinion:

- (i) All the requirements for establishing and keeping accounting records have been complied with in all material respects, and
- (ii) The statements present fairly
 - (a) The Authority's operations and cashflows for the period, and
 - (b) The Authority's financial position at the 30th June, 2011.



Mr Antony MacCormick
BOARD CHAIRMAN

Dated this 16th day of August, 2011

**Dulverton Regional Waste Management Authority
Financial Report**

For the Year Ended 30 June 2011

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Statement of Comprehensive Income

For the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
INCOME			
Sales Goods and Services	2	5,683,832	4,660,918
Other Income	2	97,838	102,051
Total Income		5,781,670	4,762,969
EXPENSES			
Administration Expenses	3	765,389	715,492
Finance Costs	3	101,518	84,061
Operating Expenses	3	4,394,936	3,132,152
Depreciation	3	303,821	301,274
Loss on sale of non-current assets	3	0	64,519
Total Expenses		5,565,664	4,297,498
Profit from continuing operations		216,006	465,471
Income tax expense	4	65,954	140,760
Profit for the year after tax from operations before income tax		150,052	324,711
Reassessment of provision			
Reassessment of rehabilitation and aftercare provision	2	(260,585)	87,158
Deferred tax Liability on reassessment of provision	4	78,175	(26,147)
		(182,410)	61,011
Profit from continuing operations after tax		(32,358)	385,722
Other comprehensive income			
Revaluation increment/(decrement)		193,854	618,091
Deferred tax liability arising on revaluation		(58,156)	(185,427)
Other comprehensive income for the year, net of tax		135,698	432,664
Total comprehensive income for the year		103,340	818,386
Total comprehensive income attributable to members of the entity		103,340	818,386

Dulverton Regional Waste Management Authority

Statement of Financial Position

As At 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and Cash Equivalents	5	843,967	800,034
Trade and Other Receivables	6	885,081	744,959
Current Tax Assets	4(c)	151,826	33,877
Prepayments		75,408	82,755
Total current assets		1,956,282	1,661,625
Non-current assets			
Property, Plant and Equipment	7	7,141,707	6,096,028
Deferred Tax Assets	4(d)	279,411	200,780
Total non-current assets		7,421,118	6,296,808
TOTAL ASSETS		9,377,400	7,958,433
Current liabilities			
Trade and Other Payables	8	682,863	599,874
Borrowings	9	335,127	242,130
Provision for Employee Entitlements	10	23,444	20,041
Total current liabilities		1,041,434	862,045
Non-current liabilities			
Borrowings	9	1,705,411	859,881
Deferred Tax Liabilities	4(d)	991,085	958,481
Provision for Employee Entitlements	10	519	3,000
Provision for Rehabilitation and Aftercare	11	906,225	645,640
Total non-current liabilities		3,603,240	2,467,002
TOTAL LIABILITIES		4,644,674	3,329,047
NET ASSETS		4,732,726	4,629,386
EQUITY			
Contributed Capital	14	1,746,922	1,746,922
Asset Revaluation Reserve	15	2,609,141	2,473,443
Retained Earnings		376,663	409,021
TOTAL EQUITY		4,732,726	4,629,386

The accompanying notes form part of the financial statements

Dulverton Regional Waste Management Authority

Statement of Changes in Equity

For the Year Ended 30 June 2011

	Contributed Equity	Asset Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$	\$
Balance as at 1 July 2009	1,746,922	2,040,779	97,687	3,885,388
Profit for the year	0	0	385,722	385,722
Total Other Comprehensive Income for the Period	0	432,664	0	432,664
Dividend Paid	0	0	(74,388)	(74,388)
Balance at 30 June 2010	1,746,922	2,473,443	409,021	4,629,386
Profit for the year	0	0	(32,358)	(32,358)
Total Other Comprehensive Income for the period	0	135,698	0	135,698
Dividend Paid	0	0	0	0
Balance at 30 June 2011	1,746,922	2,609,141	376,663	4,732,726

The accompanying notes form part of the financial statements

Dulverton Regional Waste Management Authority

Statement of Cash Flows

For the Year Ended 30 June 2011

	2011	2010
Note	\$	\$
Cash flows from operating activities:		
Receipts from customers	6,133,438	4,920,958
Payments to suppliers and employees	(5,692,255)	(4,073,230)
Interest and other income received	97,838	100,379
Interest paid	(78,219)	(71,268)
GST paid	10,160	(66,190)
Income taxes paid	(209,911)	(204,737)
	<u> </u>	<u> </u>
Net cash provided by (used in) operating activities	12 <u> 261,051 </u>	<u> 605,912 </u>
Cash flows from investing activities:		
Proceeds from disposal of assets	0	162,000
Acquisition of property, plant and equipment	(1,155,646)	(782,752)
	<u> </u>	<u> </u>
Net cash provided by (used in) investing activities	<u> (1,155,646) </u>	<u> (620,752) </u>
Cash flows from financing activities:		
Dividends Paid	0	(74,388)
Proceeds from borrowings	1,197,879	455,000
Payments of borrowings	(259,351)	(188,487)
	<u> </u>	<u> </u>
Net cash provided by (used in) financing activities	<u> 938,528 </u>	<u> 192,125 </u>
Net increase/(decrease) in cash held	<u> 43,933 </u>	<u> 177,285 </u>
Cash at beginning of financial year	800,034	622,749
	<u> </u>	<u> </u>
Cash at end of financial year	5 <u> 843,967 </u>	<u> 800,034 </u>

The accompanying notes form part of the financial statements

Notes to the Financial Statements

30 June 2011

1 Statement of Significant Accounting Policies

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations and the Tasmanian Laws applicable to Joint Authorities established by Local Government Authorities.

Dulverton Regional Waste Management Authority (the Authority) is a Joint Authority established under Section 38 of the *Local Government Act 1993* with the participating councils being Devonport City Council, Central Coast Council, Kentish Council and Latrobe Council.

The financial report of the Authority complies with all International Financial Reporting Standards and Interpretations adopted by the International Accounting Standards Board.

In the current year, the Authority has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

These include:

Standard	Title	Operative Date*	Impact
AASB 2009-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	January 2010	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments relate to terminology and editorial changes are expected to have no or minimal effect on accounting requirements. The Standard will not have a material financial impact on the Authority's financial statements.
AASB 2009-12	Amendments to Australian Accounting Standards	January 2010	The amendments make various editorial changes to a number of Standards to reflect changes made by the IASB. They also amend AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard will not have a material financial impact on the Authority's financial statements.
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	January 2010	The amendments clarify the measurement and recognition requirements of AASB 3 Business Combinations. The Standard will not have a material financial impact on the Authority's financial statements.

Notes to the Financial Statements

30 June 2011

The following standards and amendments were available for early adoption but have not been applied by the Authority in the financial report:

Standard	Title	Operative date *	Impact
AASB 124	Related Party Disclosures	January 2011	This Standard introduces a number of changes to the accounting treatment of related parties. It simplifies the definition of "related party" and provides a partial exemption from disclosure requirements for government-related entities. Detail of impact is still being assessed.
AASB 1053	Application of Tiers of Australian Accounting Standards	July 2013	This Standard establishes a differential reporting framework, consisting of two tiers of reporting requirements. Expected to have no significant impact.
AASB 9	Financial Instruments	January 2013	This Standard simplifies requirements for the classification and measurement of financial assets. Detail of the impact upon the Authority is still being assessed.
AASB 2010-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	January 2011	The amendments to some Standards implement numerous non-urgent but necessary changes arising from the annual improvement projects. Expected to have no significant impact.
AASB 2010-5	Amendments to Australian Accounting Standards	January 2011	This makes amendments to a range of Standards which principally arise from editorial corrections. These amendments have no major impact on the Authority's financial statements.
AASB 2010-6	Disclosures on Transfers of Financial Assets	January 2011	This Standard amends and adds to the disclosure requirements applicable to transfers of financial assets, including disclosures in respect of the nature of financial assets involved and the risks associated with them. The Standard will not have a material impact on the Authority's financial statements.
AASB 2010-8	Deferred Tax: recovery of Underlying Assets	January 2012	This Standard amends the principle for deferred taxes contained in AASB 112 and introduces a rebuttable presumption that the carrying amount for revalued investment property will be recovered through a future sale. Detail of the impact upon the Authority is still being assessed.

* Annual reporting periods beginning on or after

Notes to the Financial Statements

30 June 2011

The following is a summary of the material accounting policies adopted by the Authority in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) Property, Plant and Equipment

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidentals attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

Where assets are constructed by the Authority, cost includes all materials used in construction, direct labour, and an appropriate share of directly attributable variable and fixed overheads.

Revaluation

Subsequent to initial recognition the Authority has adopted the following valuation bases for its non-current assets:

Buildings and Improvements	Fair value
Plant and Equipment	Fair value

At balance date, the Authority reviewed the carrying values of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued by application of an applicable index.

In addition, the Authority undertakes a formal revaluation of assets measured on the fair value basis every three years. Buildings and Improvements was last revalued on the 31st March 2010 by C.J. Ham & Murray Pty Ltd Registered Valuers.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior year increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

The Authority maintains an Asset Revaluation Reserve for the sole purpose of ensuring that Property, Plant and Equipment is recorded in the Balance Sheet at its fair value.

Notes to the Financial Statements

30 June 2011

Depreciation

The depreciable amount of all fixed assets including buildings, is depreciated on a diminishing value basis over their useful lives commencing from the time the asset is held ready for use. The estimated useful lives used for each class of depreciable assets are:

Buildings & Improvements	6 - 60 years
Plant and Equipment	3 - 45 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, on the statement of financial position at each reporting period.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(c) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

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

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

Financial assets

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

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

All impairment losses are recognised in the Statement of Comprehensive Income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Notes to the Financial Statements

30 June 2011

Non-financial assets

All non-financial assets are assessed to determine whether any impairment exists. Impairment exists when the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

All impairment losses are recognised in Statement of Comprehensive Income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

(d) Employee Benefits

Provision is made for the Authority's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs and shown as a current liability. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

(e) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are expensed to the statement of comprehensive income.

(f) Income Tax

The *Local Government (Dulverton Regional Waste Management Authority) Order 1998* which took effect on 2nd October 1998, states that the Dulverton Regional Waste Management Authority is an Authority to which Part 3A of the *Local Government Act 1993* applies. Part 3A relates to payments by single and joint Authorities.

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the date of the statement of financial position.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the income statement except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Notes to the Financial Statements

30 June 2011

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(g) Income and Expenses

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All other revenue is recognised at the time of providing the service or otherwise to the customer.

Expenses are recognised in the statement of comprehensive income at the time goods or services are received from the supplier, and the amount owing for the supply can be measured reliably.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the Authority.

Key Estimates

(i) Impairment

The Authority assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The Authority has applied the movement in the annual Council Cost Index as published by the Local Government Association of Tasmania of 3.18% in its valuation model for Property, Plant & Equipment. In reviewing the valuation model, management of the Authority has considered whether any of the plant & equipment is at risk of being worth less than the carrying amount as shown in the Authority's Balance Sheet. It has been determined that no impairment is required.

Notes to the Financial Statements

30 June 2011

Key Judgments

(i) *Provision for rehabilitation and aftercare*

The Authority operates a refuse disposal area which imposes obligation for rehabilitation in the future. Provision is made for rehabilitation and aftercare costs to be incurred in future years by estimating the future costs based on current legislative requirements.

Rehabilitation – The Authority undertakes a consultants review each year to determine the amount of provisioning required to ensure the capping works at the landfill is fully funded at the end of the current landfill cell life. The calculations are based on total capping area, current capping costs per square metre and the current volume of the landfill site. The Authority is intending to undertake completion of a new cell in late 2011/early 2012 and cap existing cells at the same time. The actual costs incurred in capping these cells will be the basis for future provisioning amounts.

Aftercare – The Authority commissions a detailed report on a regular basis to determine the likely aftercare and decommissioning costs at the end of the useful life of the landfill site. These costs have been stated at their net present value in the year 2070 (being the end of the life of the landfill site). The Authority has used calculations based on CPI and the RBA cash rate to determine the provisioning amount required to ensure sufficient funds will be available to meet the cash requirements of aftercare for a period of 30 years after closure. An explanation of the basis for the provisioning calculations is shown in note 11.

(j) **Trade and Other Receivables**

Debtors are reviewed on an ongoing basis and a provision for impairment of receivables is raised where significant doubt as to the collection of the debt exists. Debts which are known to be uncollectable are written off after all reasonable steps for collection have been taken.

(l) **Interest-bearing borrowings**

Interest-bearing borrowings are recognised at fair value. Interest-bearing borrowings are classified as current liabilities unless the Authority has an unconditional right to defer the settlement of the liability for at least twelve months from the statement of financial position date.

(m) **Trade and Other Payables**

Payables, including goods received and services incurred, are recognised at amortised cost, which due to the short settlement period, equates to face value, when the Authority becomes obliged to make future payments as a result of a purchase of assets or goods and services.

(n) **Comparatives**

Comparative figures have been adjusted to reflect any changes in accounting policy or the adoption of new standards

(o) **Rounding**

All amounts in the financial statements have been rounded to the nearest dollar unless otherwise stated.

Notes to the Financial Statements

30 June 2011

(p) Carbon Emissions

The directors of the Authority have made no provision in the financial statements for the impact on the Authority as a result of recent carbon tax legislation. The board has decided to initiate a consultants report into the effects the carbon tax legislation will have on the Authority especially upon the provision for rehabilitation and aftercare and account for any negative or positive effects in the 2011/2012 financial statements.

(q) Dividends Paid

The directors of the Authority did not declare or pay a dividend during the year. Future dividends are paid to each council based on their respective equity in the Authority. Details of payments are as follows:

	2011	2010
Central Coast Council	0	27,390
Devonport City Council	0	32,321
Kentish Council	0	6,308
Latrobe Council	0	8,369
	<hr/>	<hr/>
	0	74,388

Notes to the Financial Statements

30 June 2011

2 Income	2011	2010
Sales		
Sales of goods and services	5,683,832	4,660,918
	<u>5,683,832</u>	<u>4,660,918</u>
Other Income		
Interest received	34,164	19,712
Equipment lease	38,327	57,145
Land lease	18,000	19,500
Miscellaneous	7,347	5,694
	<u>97,838</u>	<u>102,051</u>
Total Income	<u>5,781,670</u>	<u>4,762,969</u>
Reassessment of provision		
Provision for rehabilitation and aftercare	(260,585)	87,158
Total reassessment of provision	<u>(260,585)</u>	<u>87,158</u>
3 Expenses		
Administration expenses		
Employment expenses	517,705	495,292
Insurance	64,128	58,215
Occupancy	48,096	56,218
Auditors remuneration	9,390	8,600
Other	126,070	97,167
	<u>765,389</u>	<u>715,492</u>
Finance costs		
Interest expense	100,763	83,436
Other finance expenses	755	625
	<u>101,518</u>	<u>84,061</u>
Operating expenses		
Consultancy	146,877	125,758
Composting costs	492,394	308,246
Leachate system costs	181,537	249,984
Regional contracts	1,916,971	1,442,762
General waste placement	816,881	398,879
Other	840,276	606,523
	<u>4,394,936</u>	<u>3,132,152</u>
Depreciation		
Depreciation expense	303,821	301,274
Loss on sale non-current assets	0	64,519
	<u>303,821</u>	<u>365,793</u>
Total Expenses	<u>5,565,664</u>	<u>4,297,498</u>

Notes to the Financial Statements

30 June 2011

4 Income Tax Expense

(a) Income tax expense reconciliation	2011	2010
Tax on continuing operations		
Profit before income tax	216,006	465,471
Tax effect of:		
Prima facie income tax at 30%	64,801	139,641
- Other reconciliation items	1,153	1,119
	<hr/>	<hr/>
Income tax expense/(benefit)	65,954	140,760
Tax on rehabilitation and aftercare provision		
Reassessment of provision	<hr/> (260,585)	<hr/> 87,158
Tax effect at 30%	<hr/> (78,175)	<hr/> 26,147
(b) The Components of Tax Expense comprise:		
Current year tax expense/(income)	91,961	211,463
Origination and reversal of temporary differences	<hr/> (104,182)	<hr/> (44,556)
	<hr/> (12,221)	<hr/> 166,907
(c) Current tax Assets/Liabilities		
Current Tax Assets		
Income tax payable	(91,961)	(211,463)
Tax equivalents paid in advance	243,787	245,340
Total	<hr/> 151,826	<hr/> 33,877
(d) Deferred Tax balances		
Deferred Tax Assets		
Provisions	279,411	200,780
	<hr/> 279,411	<hr/> 200,780
Deferred Tax Liability		
Property, plant and equipment	991,085	958,481
	<hr/> 991,085	<hr/> 958,481

Notes to the Financial Statements

30 June 2011

5 Cash and Cash Equivalents	2011	2010
Cash at bank	337,087	428,155
Aftercare and Rehabilitation account	106,880	269,550
Short term deposit (Aftercare and Rehabilitation)	400,000	102,329
	<u>843,967</u>	<u>800,034</u>

The effective interest rate on short-term bank deposits was 5.90% (2010: 4.5%); these deposits have an average maturity of 90 days.

The amount of undrawn borrowing facilities that are available for future operating activities and to settle capital commitments are as follows:

Bank Overdraft	25,000	25,000
Credit Card Facility	20,000	20,000

At the 30th June 2011 there was no restrictions on the use of the overdraft or credit card facilities.

6 Trade and Other Receivables		
Trade and other receivables	885,678	744,959
Less: Provision for impairment of receivables	(597)	0
	<u>885,081</u>	<u>744,959</u>

(a) Provision for Impairment of Receivables

At beginning of period	0	0
Movement in provision for the year	(597)	0
At end of period	<u>(597)</u>	<u>0</u>

7 Property Plant and Equipment		
LAND AND BUILDINGS		
Land, Improvements and buildings at fair value	6,631,040	5,543,418
Less: accumulated depreciation	(292,760)	(54,130)
Total Land and Buildings at Fair Value	<u>6,338,280</u>	<u>5,489,288</u>
PLANT AND EQUIPMENT		
Plant and equipment at fair value	960,399	698,520
Less: accumulated depreciation	(156,972)	(91,780)
Total Plant and Equipment at Fair Value	<u>803,427</u>	<u>606,740</u>
Total Property, Plant and Equipment	<u>7,141,707</u>	<u>6,096,028</u>

Notes to the Financial Statements

30 June 2011

(a) **Movements in Carrying Amounts**

	Land, Building & Improvements	Plant & Equipment	Total
	\$	\$	\$
Balance at 1 July 2010	5,489,288	606,740	6,096,028
Additions	913,061	242,585	1,155,646
Net revaluation increments/(decrements)	174,560	19,294	193,854
Asset Disposals			
Depreciation	(238,629)	(65,192)	(303,821)
Balance at 30 June 2011	<u>6,338,280</u>	<u>803,427</u>	<u>7,141,707</u>

	Land, Building & Improvements	Plant & Equipment	Total
	\$	\$	\$
Balance at 1 July 2009	4,954,975	268,002	5,222,977
Additions	172,216	608,537	780,753
Net revaluation increments/(decrements)	614,923	3,168	618,091
Asset Disposal		(224,519)	(224,519)
Depreciation expenses	(252,826)	(48,448)	(301,274)
Balance at 30 June 2010	<u>5,489,288</u>	<u>606,740</u>	<u>6,096,028</u>

i. An independent valuation was provided by independent valuers C.J. Ham & Murray Pty Ltd for the freehold land including the landfill and composting facility at 31 March 2010 on a market value basis. The next formal valuation is due on the 31st March 2013.

ii. All assets were revalued using the movement in the annual Council Cost Index as published by the Local Government Association of Tasmania in March 2011. The rate used for the year ended 30th June 2011 is 3.18%.

8 Trade and Other Payables

	2011	2010
Accrued expenses	47,208	28,666
Trade creditors	613,714	547,995
Superannuation payable	0	1,656
Superannuation payable	2,908	2,941
Waste levy tax payable	19,033	18,616
	<u>682,863</u>	<u>599,874</u>

Notes to the Financial Statements

30 June 2011

9 Borrowings

CURRENT

Secured liabilities	43,081	40,623
Unsecured liabilities	292,046	201,507
	<u>335,127</u>	<u>242,130</u>

NON-CURRENT

Secured liabilities	145,795	188,877
Unsecured liabilities	1,559,616	671,004
	<u>1,705,411</u>	<u>859,881</u>

10 Provision for Employee Entitlements

2011 **2010**

CURRENT

Annual leave	23,444	20,041
Total	<u>23,444</u>	<u>20,041</u>

NON-CURRENT

Long service leave	519	3,000
Total	<u>519</u>	<u>3,000</u>

11 Provision for Rehabilitation and Aftercare

(b) Non-Current Provisions

NON-CURRENT

Provision for aftercare	239,568	202,920
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Reconciliation of Movements

At beginning or period	202,920	171,052
Reassessment of Provision	36,648	31,868
At end of period	<u>239,568</u>	<u>202,920</u>

Provision for rehabilitation	666,657	442,720
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Reconciliation of Movements

At beginning of period	442,720	561,746
Reassessment of provision	223,937	(119,026)

At end of period	<u>666,657</u>	<u>442,720</u>
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Total rehabilitation and aftercare provision	<u>906,225</u>	<u>645,640</u>
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Notes to the Financial Statements

30 June 2011

Provision calculations at 30 June 2011 were prepared based on the following assumptions:

- Landfill life of 60 years (2010:60 years);
- An aftercare period of 30 years;
- Cost for rehabilitation includes management and cap construction costs. The cap construction cost is estimated based on the *Landfill Sustainability Guide*;
- 45,919 t/pa being the actual waste accepted to landfill in the 2010/11 year. (2010:41,544 t/pa)
- All works are compliant with the *Landfill Sustainability Guide* (DPIWE, 2004);
- Use of on-site clay for construction of landfill cap; and
- Aftercare includes monitoring, management, financing of contingent liabilities and maintenance, totaling approximately \$144,075/yr over the 30 years. (2010:\$144,075 over 30 years)
- The provision has been brought to Net Present Value at 30 June 2011.

Calculations were provided by GHD Pty Ltd.

The provision only includes costs associated with the rehabilitation and decommissioning of the currently utilised portion of the landfill which will be progressively rehabilitated as cells are completed. The environmental protection notice requires rehabilitation on a two yearly basis. Future provision will be made on this basis and continue to include the aftercare costs for the site and rehabilitation costs associated with open cells.

In determining the provision for aftercare the yearly expenditure requirements as determined by GHD Pty Ltd have been stated at their net present value in the year 2070 (being the estimated date of closure) using a rate equal to the 5 year rolling average of CPI as published by the ABS at the 30th June of each year. This value has been used to calculate the required funds, as at the date of closure, to provide for such yearly expenditure for a period of 30 years at a rate equal to the 5 year rolling average of the RBA Cash Rate as at the 30th June each year.

Notes to the Financial Statements

30 June 2011

12 Cash Flow Information	2011	2010
Operating Cash Flows Reconciliation		
Profit for the year	(32,358)	385,722
Non-cash flows in profit		
Depreciation expense	303,821	301,274
Loss on sale of non-current assets	0	64,519
Changes in operating assets and liabilities		
Receivables	(140,122)	(327,841)
Tax liabilities	(222,133)	(37,830)
Prepayments	7,347	12,641
Payables	82,989	288,227
Provisions	922	6,358
Provision for rehabilitation and aftercare	260,585	(87,158)
	<u>261,051</u>	<u>605,912</u>

13 Financial instruments

(a) Risk Management Objectives and Policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board on its activities.

Risk management policies are established to identify and analyse the risks faced by the Authority, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Authority's activities. The Authority through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Authority's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Authority.

Dulverton Regional Waste Management Authority does not have any derivative financial instruments at year end.

Notes to the Financial Statements

30 June 2011

(b) Capital Management

The Board's policy is to maintain a strong capital base so as to ensure that the Authority continues as a going concern and to sustain future development of the business, while maximising the returns to stakeholders. The Board monitors the return on capital, which is defined as net operating income divided by total shareholders' equity. The Board also monitors the level of dividends to ordinary shareholders. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Management monitor capital through the Authority's gearing ratio. The gearing ratio at the end of the financial year was:

	2011	2010
	\$	\$
Total liabilities	4,645,911	3,329,047
Cash and short term deposits	(843,967)	(800,034)
Net debt	3,801,944	2,529,013
Total equity	4,732,726	4,629,386
Total capital employed	<u>8,534,670</u>	<u>7,158,399</u>
Gearing ratio	44%	35%

The Authority is not subject to any externally imposed capital requirements. Operating cash flows are used to maintain and expand the Authority's operating assets, as well as to meet routine outflows of tax, dividends and repayments of maturing debt.

(c) Net Fair Values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date:

Fair Values	30 th June 2011		30 th June 2010	
	Carrying amount	Fair Value	Carrying Amount	Fair Value
<i>Financial Assets</i>				
Cash and Cash equivalents	843,967	843,967	800,034	800,034
Receivables	885,081	885,081	744,959	744,959
Total Financial Assets	1,729,048	1,729,048	1,544,993	1,544,993
<i>Financial Liabilities</i>				
Payables	682,863	682,863	599,874	599,874
Borrowings	2,040,538	2,040,538	1,102,011	1,102,011
Total Financial Liabilities	2,723,401	2,723,401	1,701,885	1,701,885
Net Financial Assets	(994,353)	(994,353)	(156,892)	(156,892)

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date do not differ materially from their net fair value.

Notes to the Financial Statements

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(d) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Authority is primarily exposed to interest rate risk arising from changes in market interest rate on its variable rate investments and borrowings. Financial instruments held by the Authority do not give rise to any material direct exposures to currency or equity price risk.

The Authority's policy is to manage its finance costs using fixed rate debt. Management periodically reviews its interest rate exposure and consideration is given to potential renewals of existing positions, alternative financing and the fixed interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the statement of financial position date:

Interest Rate Risk Sensitivity Analysis

The following shows the effect on profit and equity as at the 30th June 2011 as a result of changes in the interest rate. The changes in equity are shown net of the tax effect, and all other variables have been deemed to remain constant:

	2011	2010
	\$	\$
Change in profit		
- Increase in [interest rate] by 2%	(23,951)	(6,040)
- Decrease in [interest rate] by 2%	23,951	6,040
Change in equity		
- Increase in [interest rate] by 2%	(16,752)	(4,228)
- Decrease in [interest rate] by 2%	16,752	4,228

(e) Liquidity Risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

Typically the Authority ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Authority has access to a line of credit with its banker to enable it to meet unexpected payments.

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(e) Liquidity Risk (cont)

The following table details the Authority's remaining contractual maturity for its non derivative financial instruments. Contractual cash flows are based on the undiscounted principal payment, excluding interest, on the earliest possible date on which the Authority may be required to pay.

Maturity Analysis

	2011	2010
	\$	\$
Less than 6 months	847,666	718,904
6 months to 1 year	170,323	123,099
1 to 5 years	936,450	859,882
Over 5 years	768,962	0
	<u>2,723,401</u>	<u>1,701,885</u>

(f) Credit Risk

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

Management does not have an established credit policy under which each new customer is analysed individually for creditworthiness before the Authority's standard payment and delivery terms and conditions are offered. Instead management understands the ability to dispose of waste is a critical element in each customer's respective business. If an account exposure remains unsatisfied then access to the site is immediately denied.

The Authority does not require collateral in respect of trade and other receivables. The major customers of the Authority are also its major shareholders.

The Authority limits its exposure to credit risk from investments by only investing in liquid securities and only with recognised Australian financial institutions with a satisfactory industry credit rating. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Concentration of Risk

The Authority's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Authority's customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk. The Authority does not have any significant exposure to any particular geographical or industry sectors or other groupings of clients.

Notes to the Financial Statements

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(f) Credit Risk (cont)

The following table provides an ageing of the Authority's trade and other receivables at the reporting date that are past due but not impaired:

	2011	2010
	\$	\$
0 to 30 days	803,970	626,033
31 to 60 days	50,620	6,769
61 to 90 days	28,292	22,465
Greater than 90 days	2,199	89,692
Balance as at 30 June	<u>885,081</u>	<u>744,959</u>

(g) Categories of Financial Assets and Liabilities

	2011	2010
	\$	\$
Cash and cash equivalents	843,967	800,034
Loans and receivables	885,081	744,959
Financial liabilities measured at amortised cost	(2,723,401)	(1,701,885)
Net financial assets/(liabilities)	<u>(994,353)</u>	<u>(156,892)</u>

14 Contributed Capital

	2011	2010
	\$	\$
Contributed capital by participating Councils	1,746,922	1,746,922
	<u>1,746,922</u>	<u>1,746,922</u>

15 Asset Revaluation Reserve

	2011	2010
	\$	\$
Balance at beginning of year	2,473,443	2,040,779
Revaluation increments/(decrements)	193,854	618,091
Deferred tax liability arising on revaluation	(58,156)	(185,427)
Balance at end of financial year	<u>2,609,141</u>	<u>2,473,443</u>

Notes to the Financial Statements

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16 Key Management Personnel

(a) Responsible Persons

Names of persons holding positions of responsibility at any time during the year are:

Directors: Anthony MacCormick (Chairperson)	1/12/2008 – 30/11/2012
Grant Atkins	1/12/2008 – 30/11/2014
Jeffrey McNamara	1/12/2008 – 30/11/2014
Phillip Baker	1/12/2008 – 30/11/2012

Chief Executive officer: Shane Eberhardt 1/7/2006 – current

Mr Shane Eberhardt ceased his position with the Authority in July 2011. A new CEO has been appointed and will commence in early September 2011.

(a) Compensation

	2011	2010
	\$	\$
Directors	74,124	72,432
Chief Executive Officer	130,000 – 150,000	115,000 – 135,000

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17 Related Party Transactions

The Authority had transactions during the year that would be considered related party transaction in that the four member councils being Central Coast Council, Devonport City Council, Kentish Council and Latrobe Council. The related party transaction were as both a customer and a supplier. All transactions with the member councils have been conducted on normal trading terms and no council has been provided a financial advantage in relation to those transactions.

Profit for the year includes the following items of revenue and expense that resulted from transactions, other than compensation, loans or equity holdings, with participating councils:

Revenue includes the following amounts arising from transactions with participating councils:	2011	2010
	\$	\$
Waste disposal income charged:	2,938,499	2,836,685
Outstanding balance of receivables at balance date:	368,010	461,788
Profit includes the following expenses arising from transactions with participating councils:		
Goods and services purchased:	276,644	329,686
Outstanding balance of payables at balance date:	123,488	43,593

18 Subsequent Events

No matters have arisen since the end of the financial year which require disclosure in the financial report.

19 Commitments

The Authority has entered into an agreement to pay its insurance premiums in twelve monthly instalments. At 30 June 2011, the Authority has an outstanding commitment relating to insurance payments totalling \$19,591 (2010, \$17,083).

20 Superannuation

The Authority makes superannuation contributions for its employees to an Accumulation Scheme operated by various superannuation funds. The Authority contributes 9% of employees' gross income to the Scheme.

During the year, the Authority made the required superannuation contributions for all eligible employees to an appropriate complying superannuation fund as required by the *Superannuation Guarantee (Administration) Act 1992*. During the reporting period the amount of contributions paid were:

	2011	2010
	\$	\$
Accumulation scheme	26,814	23,442