» 2017/18 End of Year Financial Analysis

October 2018

ballina shire council

ballina
shire council

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Foreword

This report provides additional information to assist in evaluating the annual financial reports.

The comments and break down of information will help the reader gain a more comprehensive understanding of how Council performed financially in 2017/18 and the financial position as at 30 June 2018.

Income Statement

This section provides an overview of the financial results and includes commentary on key elements of the financial statements.

Consolidated Results

Consolidated Operating Result	2017/18 ($'000)	2016/17 ($'000)
Income from continuing operations (excluding capital income and gain from disposal of assets)	85,668	87,879
Gain/(loss) from disposal of assets	1,897	(4,712)
Expenses from continuing operations (excluding depreciation and loss from disposal of assets)	(62,381)	(61,378)
Depreciation expense	(19,415)	(18,956)
Operating Result from Continuing Operations	**5,769**	**2,833**
Capital grants and contributions	41,714	27,029
Consolidated Surplus	**47,483**	**29,862**

The Operating Result before capital grants and contributions is a surplus, and a significant improvement from 2016/17, although it is impacted by several items.

For the 2016/17 year, a $2.1m advance payment of the 2017/18 Financial Assistance Grant was made by the State Government in June 2017. Due to accounting requirements, this advance payment was recognised as income in the year of receipt, even though the payment was for the 2017/18 year. This meant that 2016/17 had approximately 1.5 years of Financial Assistant Grant funding recognised.

In 2017/18, the State Government again made an advance payment of approximately half of the 2018/19 Financial Assistance Grant. This means that there is approximately one year's worth of Financial Assistance Grant funding recognised in 2017/18.

This means that the difference in Financial Assistance Grant funding recognised for the two years is approximately $2.1m, as 2016/17 had a total equivalent to 1.5 times by the normal grant, whereas 2017/18 had an amount equivalent to one year. The Financial Assistant Grant allocation for Ballina Shire Council for 2017/18 was $4,284,543.

A second item that inflated the 2016/17 operating income was an operating grant of $1.634m received from the RMS for the handover of the Tintenbar to Newrybar section of the former Pacific Highway. This was a one-off grant to fund 10 years of maintenance on the road asset transferred to Council.

These two items had the impact of, somewhat misleadingly, inflating the 2016/17 operating income.

A large impact on the Operating Result from Continuing Operations for 2017/18 is income of $1.139m from the initial recognition of share of interests in joint ventures and associates. Of this, $1.159m is Council's share in the net assets of the Richmond Tweed Regional Library, offset by $20k de-recognition of NEWLOG.

This is discussed in more detail later in this report as part of the Major Revenue and Expense Movements commentary.

Another large impact on the Operating Result from Continuing Operations for 2017/18 was a gain on disposal of assets of $1.897m compared to a loss on disposal of assets of $4.712m in 2016/17, a variation of approximately $6.5m.

It is usual to have a net loss on the disposal of assets as infrastructure assets when renewed, typically have a written down value in Council's financial records. The loss on disposal represents the write off of that value as the asset is renewed.

The 2017/18 disposal of assets result is also impacted significantly by gains from land sales which totalled approximately $2.373m.

Expenses from continuing operations (excluding depreciation and loss from disposal of assets) were $62.381m, which represents a 1.63% ($1.003m) increase from 2016/17 to 2017/18. This is a reasonable containment of operating expenses.

The depreciation expense increased by 2.4% to $459,000, which is also reasonable, however with Council receiving or creating a significant amount of new assets in recent years, this figure will rapidly increase in future years.

Council's consolidated surplus from all activities for 2018 was $47.483m. This compares to a surplus in 2017 of $29.862m.

The consolidated surplus is significantly impacted by capital grants and contributions received in any one year.

In the 2016/17 year, the level of capital grants and contributions totalled $27.029m, which was impacted by the RMS handover of a section of the old Pacific Highway, resulting in the recognition of a non-cash contribution of $17.353m in that year.

In the 2017/18 year, the level of capital grants and contributions totals $41.714m.

This is largely due to developer section 7.11 contributions (previously known as s94 contributions) and developer dedications for the year, which reached a historical high for this Council of approximately $35m.

Results by Fund

Operating Result by Fund (as per Financial Statements)	General		Water		Wastewater	
	2017/18 ($'000)	2016/17 ($'000)	2017/18 ($'000)	2016/17 ($'000)	2017/18 ($'000)	2016/17 ($'000)
Income from continuing operations (excluding capital income and gain from disposal of assets)	54,892	57,630	12,405	12,375	18,371	17,874
Gain/(loss) from disposal of assets	1,891	(4,302)	6	(8)	0	(402)
Expenses from continuing operations (excluding depreciation and loss from disposal of assets)	(39,171)	(37,585)	(9,595)	(9,689)	(13,615)	(14,104)
Depreciation expense	(14,259)	(13,765)	(1,482)	(1,460)	(3,674)	(3,731)
Operating Result from Continuing Operations	**3,353**	**1,978**	**1,334**	**1,218**	**1,082**	**(363)**
Capital grants and contributions	30,331	25,796	3,118	469	8,265	764
Surplus	**33,684**	**27,774**	**4,452**	**1,687**	**9,347**	**401**

For 2017/18, the operating result from continuing operations is in surplus for all three funds, which is an excellent result. The General Fund has an operating surplus of $3.353m although this is somewhat distorted due to the impact that the gain on disposal of assets and the income from the recognition of interests in associates has on the result, as mentioned earlier. Excluding the gain on disposal and the share of interests in associates would bring the General Fund result close to breakeven. Also, if the disposal on asset figure was the more normal loss, the General Fund result would have been a deficit.

The Water Fund operating result after depreciation and before capital revenue is again in surplus and has improved slightly on the prior year. Capital contributions were higher in the 2017/18 year resulting in an improvement in the net surplus.

For the Wastewater Fund, there has been an improvement in the operating result, and the Fund has now achieved a surplus. The Wastewater Fund has a significant loan debt however this is decreasing, resulting in a steady decline in interest repayments, which helps to improve the bottom line. Capital contributions were higher in the 2017/18 year resulting in a marked improvement in the surplus.

Major Revenue and Expense Movements

Revenue / Expense	Increase/ (Decrease) on Prior Year	Comment
Revenue		
Rates and annual charges	985	Total rates and annual charges of $47.243m in the 2017/18 year include ordinary rates of $20.897m (increased by 4.9% special rate variation); wastewater annual charges of $15.828m (3% price increase); water annual charges of $3.489m (2% price increase); domestic waste management charges of $6.128m (2% price increase); and waste management charges, which have decreased by $1.170m due to the removal of the residential annual waste charge.
User charges and fees	(82)	Total user charges and fees of $21.537m in the 2017/18 year include water and wastewater usage charges, airport, planning and building regulation income, ferry tolls, cemeteries, swimming pools and other smaller income streams. The larger variations were: • increase in airport income of $995k, due to continuing growth in passenger numbers and the renegotiation of airline agreements. • decrease in swimming pool income of $435k, as the swimming pools did not open in 2017/18 due to their redevelopment • decrease in planning and building income of $265k, which represents a 10.9% decrease. The 2016/17 year was particularly favourable with strong building activity. • decrease in private works income of $56k. This income stream is variable year on year. • decrease in water user charges of $84k, representing a 1.1% change • a decrease in other smaller income streams of $171k
Other revenues	1,139	Other revenues in 2017/18 includes an amount of $1,084k for the initial recognition/de-recognition of share in joint ventures and associates. During 2017/18, a new agreement was entered into between the constituent councils (Lismore City Council, Byron Shire Council, Tweed Shire Council and Ballina Shire Council) for the Richmond Tweed Regional Library. The new agreement stipulates that, upon termination of the agreement, the proceeds of the net assets of the Richmond Tweed Regional Library are to be distributed to the member councils. In accordance with Accounting Standards, the Richmond Tweed Regional Library now meets the definition of an associate and is now equity accounted into the financial statements for all constituent councils. Previously the Richmond Tweed Regional Library was consolidated into the financial statements of Lismore City Council, who act as the Executive Council. The recognition of Richmond Tweed Regional Library as an associate

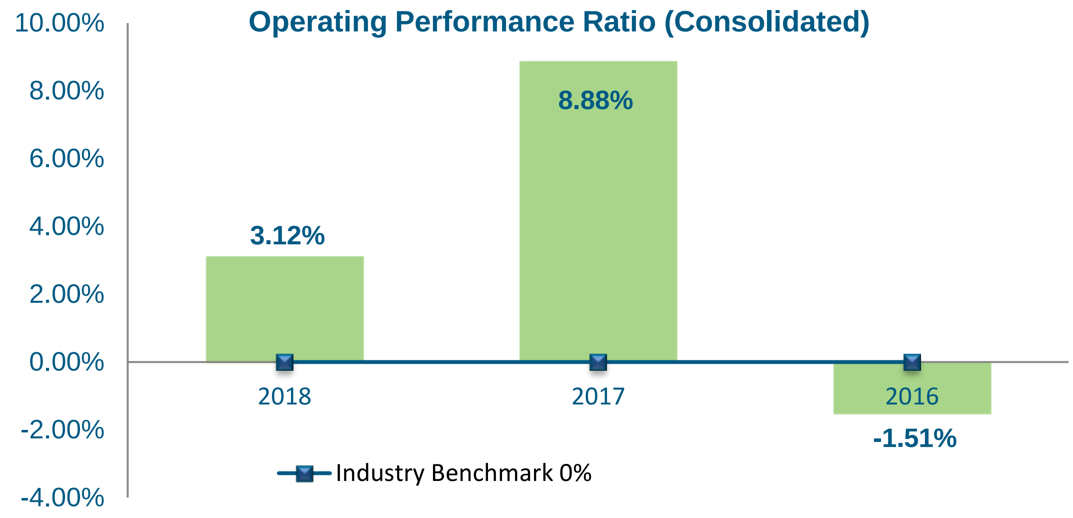
		resulted in the recognition of income and net assets of $1.159m, of which $1.104m represents Ballina Shire Council's interest in the associate as at 1 July 2017 and $55k represents the Ballina Shire Council's share of the operating results of the associate for the 2017/18 year. The above amounts were offset slightly by a $20k loss from the de-recognition of NEWLOG.
Operating grants and contributions	(4,435)	Total operating grants and contributions of $9.173m were received in 2017/18, compared to $13.608m in 2016/17. Amounts received in 2016/17 were inflated due to: • advance payment of the Financial Assistance Grant of $2.108m in 2016/17, which meant the recognition of six quarters in that year. • cash contribution of $1.634m received from the RMS, associated with the handover of a section of the old Pacific Highway. • large natural disaster funding amounts of $470k received in 2016/17, compared to $104k in 2017/18.
Capital grants and contributions	14,685	In 2016/17, an RMS handover of a section of the old Pacific Highway resulted in the recognition of a non-cash contribution of $17.353m, being the fair value of the road asset, recognised as an asset addition in accordance with Accounting Standards. In 2017/18, developer contributions and developer dedications were well in excess of previous years, with total cash developer contributions of $7.788m and total non-cash contributions/dedications of $27.826m. A break-down of these non-cash contributions has been provided later in this report.
Gains from disposal of assets	1,897	Gains/losses on disposal include the accounting write-off of infrastructure, property and real estate assets. In 2016/17 there was a net loss on disposal of assets of $4.712m. In 2017/18 there was a net gain on disposal of assets of $1.897m. This represents a turn-around of $6.609m on the bottom line. In 2016/17, the larger items within the total loss of disposal figure of $4.712m related to the accounting write-off of $2.46m roads (those road assets renewed during the year) and $1.546m for the old swimming pools (demolished for the construction of the new pools in 2017/18). The net gain from real estate assets was $634k. In the 2017/18 year, the accounting write-off of infrastructure assets was much lower, being $635k in total. The net gain from real estate assets was $2.373m. This resulted in the overall positive result for disposal of assets.
Expense		
Employee benefits and on costs	711	The overall increase in employee costs represents an increase of 3.2%, attributable to the local government state award increase and an increase in full time equivalent employees.
Depreciation	459	This increase is quite negligible, with overall depreciation expense as a % of total infrastructure, property, plant and equipment moving from 1.7% to 1.6%. A comparison by asset class is shown later in this report.
Loss on assets	4,712	As per the comments made for gains from disposal of assets above.

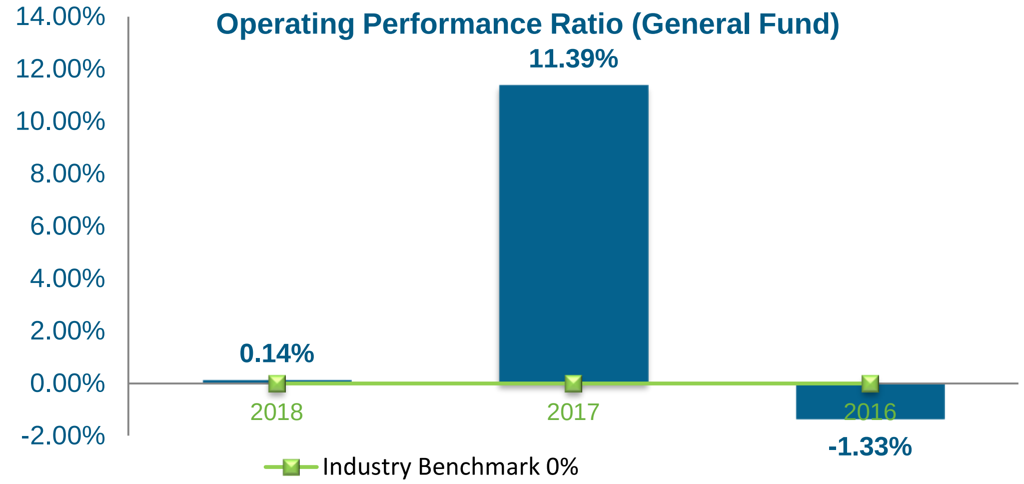
Income Statement Ratios

Operating Performance Ratio

This ratio measures how Council is containing operating expenditure within operating revenue (achieving a surplus after depreciation but before capital items). The benchmark is greater than 0%.

This ratio is focusing on operating performance and hence capital grants and contributions and fair value adjustments are excluded.



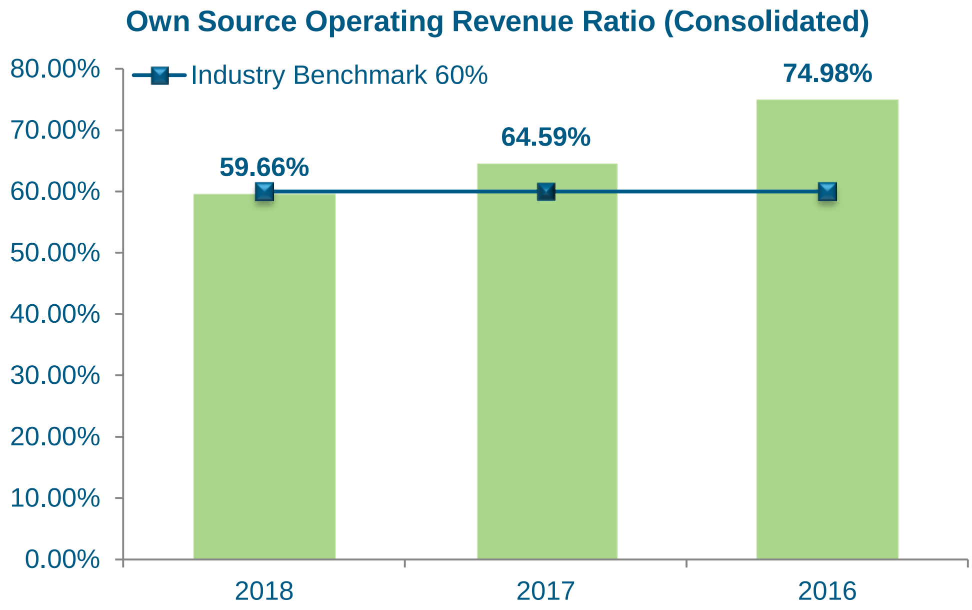


Council's General Fund Operating Performance was marginally positive in 2017/18 which continues a long term trend of steady improvement from traditional negative results. The 2016/17 significant was distorted due to the large one-off RMS operating grant for on-going maintenance of the old Pacific Highway.

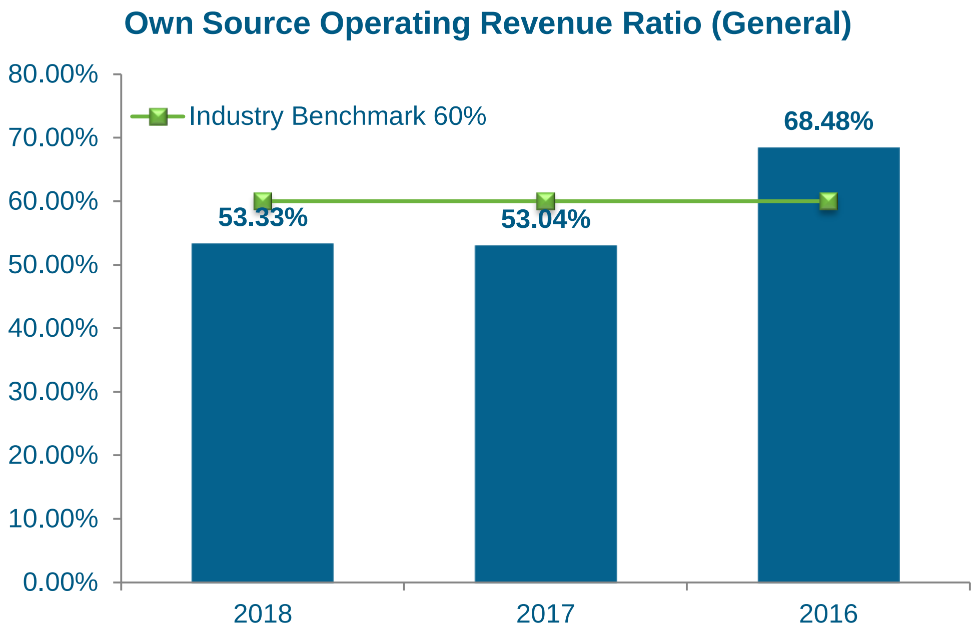
The challenge for the General Fund is to achieve a positive operating performance ratio on an ongoing basis, and this is a fundamental benchmark requirement in order to meet the "Fit for the Future" requirements.

Own Source Operating Revenue Ratio

This ratio analyses the ability of Council to generate its own revenue sources rather than having an over-reliance on grants and contributions (capital and operating).



Council, as a consolidated entity, sourced 59.66% of its consolidated revenue from rates, annual charges, user charges, interest etc. comparable with an industry benchmark of 60%. The denominator used for the calculation of this ratio includes capital grants and contributions, which as noted previously in this report, have been very high in recent years due to large non-cash contributions.



For General Fund, the 2017/18 and 2016/17 results did not meet the 60% benchmark, again due to the very high levels of capital grants and contributions in recent years.

Capital Grants and Contributions

Total capital grants received during the year amounted to $1,649,000 and included $449,000 received for the Airport Terminal Expansion, $290,000 received for the Coastal Shared Path East, $229,000 for the Keith Hall Boat Ramp and $182,000 for works undertaken as part of the Shaws Bay Coastal Management Plan.

Capital contributions received during 2017/18 totalled $40.065m and increased by $14.349m on 2016/17. The next table summarises the contributions by type.

Capital Contribution Type	2017/18 ($'000)	2016/17 ($'000)
Section 7.11 - Contributions towards amenities/services	4,680	2,420
Section 64 - Water supply contributions	1,031	469
Section 64 - Wastewater service contributions	2,077	737
Total Developer Contributions (Cash)	**7,788**	**3,626**
Non-cash RMS dedications	0	17,353
Non-cash developer dedications	27,826	1,443
Other contributions	4,451	3,294
Total	**40,065**	**25,716**

Developer contributions can vary significantly and are significantly higher in 2017/18 compared to 2016/17 due to the level of land development currently taking place in the Shire. The use of the cash developer contributions is restricted and they are not available for Council's general operations.

The non-cash RMS dedications of $17.4m received in 2016/17 relate to the handover of a section of the old Pacific Highway. Non-cash developer dedications (i.e. dedications received on finalisation of a development) can also vary significantly and a dissection by subdivision is shown in the following table.

Non-cash Developer Dedications	2017/18 ($'000)
EPIQ, Lennox Head	15,330
Ferngrove, Ballina	3,893
Ballina Heights, Cumbalum	2,795
Avalon, Wollongbar	1,537
Elevations, Lennox Head	1,529
Plateau Drive, Wollongbar	1,241
Wavehill Estate, Lennox Head	1,024
Other	477
Total	**27,826**

Statement of Financial Position

The consolidated statement of financial position for 2017/18 and 2016/17 is as follows.

Item	2017/18 ($'000)	2016/17 ($'000)
Current assets	79,166	84,356
Non-current assets	1,252,790	1,172,785
Total Assets	**1,331,956**	**1,257,141**
Current liabilities	22,843	23,859
Non-current liabilities	81,403	80,397
Total Liabilities	**104,246**	**104,256**
Equity	**1,227,710**	**1,152,885**

Commentary on some of the major assets and liabilities appearing on Council's statement of financial position, as at 30 June 2018, together with related Office of Local Government benchmark data is as follows.

Unrestricted Net Current Assets

Item	2017/18 ($'000)	2016/17 ($'000)
Current Assets	**79,166**	**84,356**
Externally restricted cash and investments	(28,996)	(31,275)
Externally restricted receivables	(3,800)	(3,727)
Current Assets less all External Restrictions	**46,370**	**49,354**
Current Liabilities	**22,843**	**23,859**
Externally restricted liabilities	(7,353)	(6,918)
Current Liabilities less Specific Purpose Liabilities	**15,490**	**16,941**
Unrestricted Current Net Assets before Internal Reserves	**30,880**	**32,413**

Council's unrestricted current asset position provides a measure of Council's capacity / liquidity to meet its commitments from current assets net of externally restricted cash, investments and receivables.

At 30 June 2018 Council held $30.88m in unrestricted current net assets. This is a financially sound result and trends in the General Fund's unrestricted current ratio are shown later in this report.

Cash and Investments

The next table illustrates that the majority of the cash and investments is restricted in its use.

Cash and Investments	2017/18 ($'000)	2016/17 ($'000)
Externally Restricted *Monies can only be spent in accordance with legislation, grant agreements or developer contribution plan specifications*	41,660	39,297
Internally Restricted *Money set aside for special projects by Council resolution*	34,592	34,639
Unrestricted *Funds forming part of working capital used for day-to-day Council operations*	4,544	5,971
Total Cash and Investments	**80,796**	**79,907**

A breakdown of the internally restricted reserves is shown in the following table.

Internally Restricted Cash	2017/18 ($'000)	2016/17 ($'000)
Plant and Vehicle Replacement	1,155	879
Employees Leave Entitlements	3,013	3,013
Works Carried Forward	2,794	2,870
Highway Bypass Maintenance	3,747	3,962
Cemeteries	266	331
Crown Land	172	135
Financial Assistance Grant	2,221	2,108
Property Development	3,521	2,688
Landfill and Resource Management	1,712	3,000
Coastal Management Plans	854	664
Quarries	833	1,038
Rental Properties Refurbishment	996	1,686
Road and Bridges	5,521	2,607
Ballina Indoor Sports centre	2,963	1,332
Strategic Planning Studies	558	459
Swimming Pools	119	5,170
Skennars Head Sports Fields	1,250	-
Other	2,897	2,697
Total Internal Restrictions	**34,592**	**34,639**

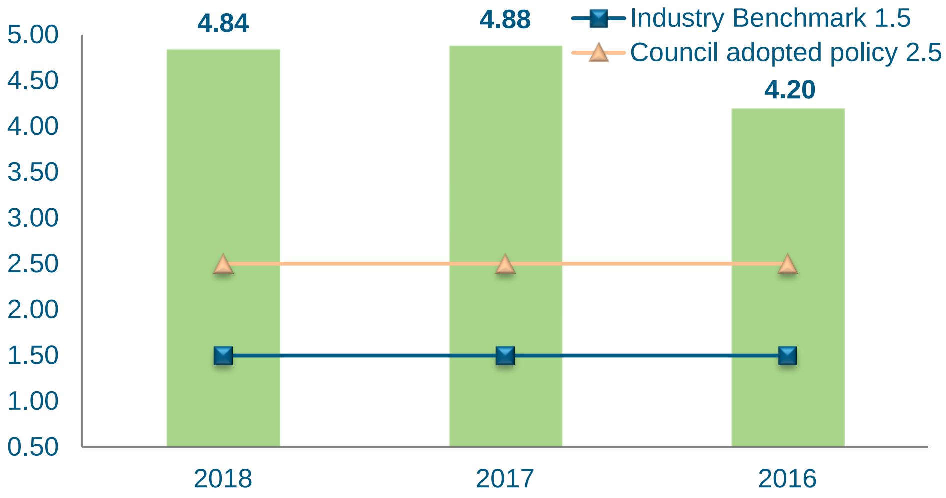
Statement of Financial Position Ratios

Unrestricted Current Ratio

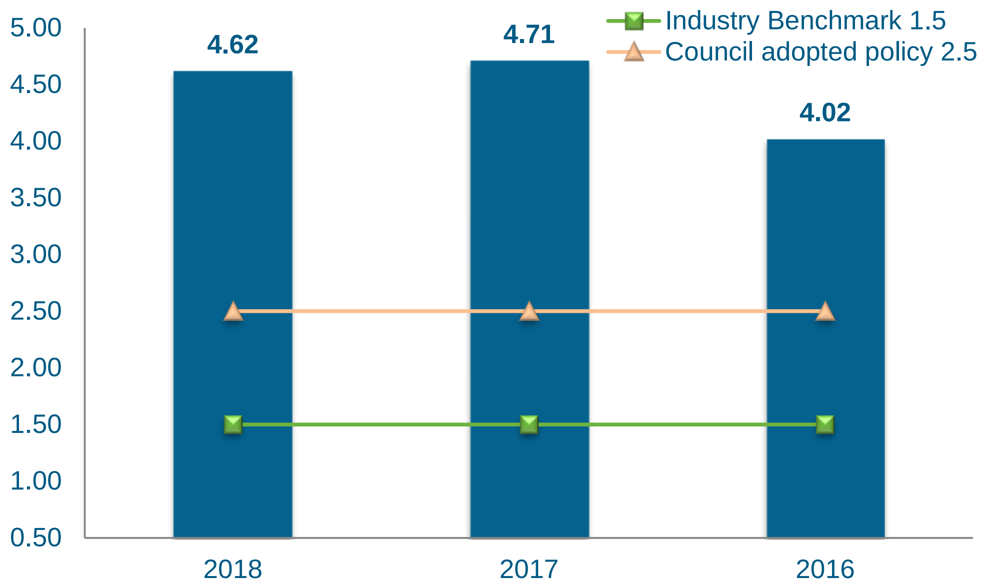
The unrestricted current ratio provides a measure of Council's capacity / liquidity to meet its commitments from current assets net of externally restricted assets.

The Office of Local Government and NSW Treasury consider that this ratio should be at least 1.5.

Consolidated Unrestricted Current Ratio



General Fund Unrestricted Current Ratio

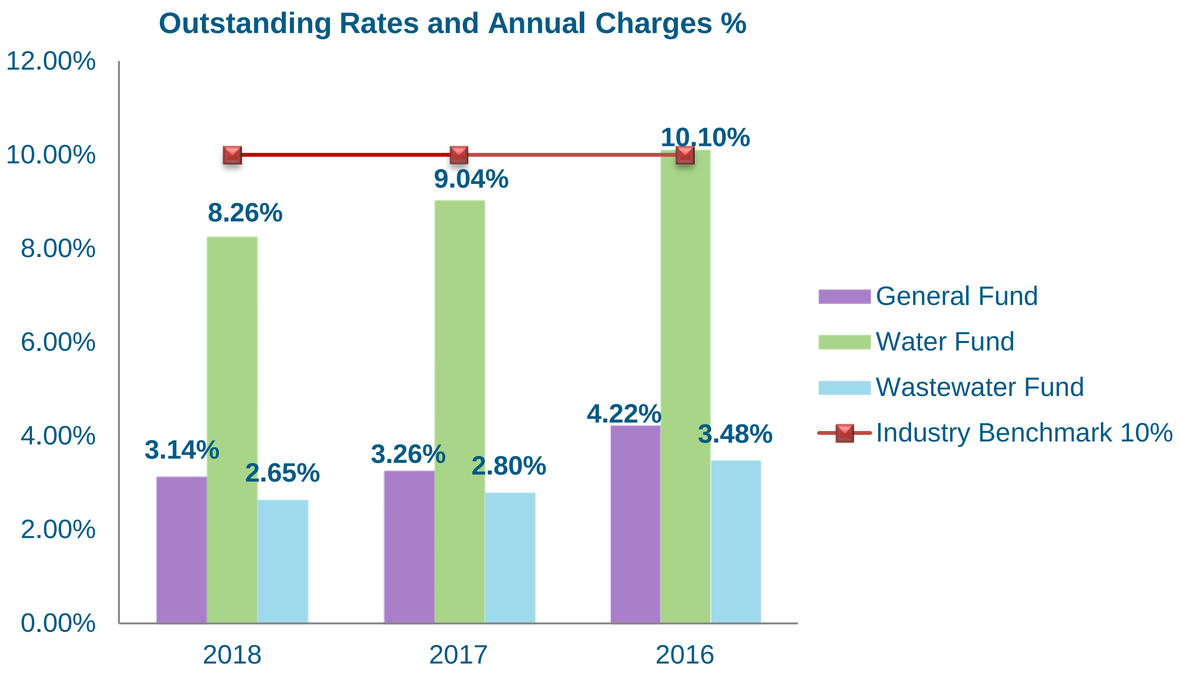


At 30 June 2018 Council's General Fund has $4.62 in liquid current assets for every $1 of current liabilities.

This is a sound financial result.

Rates and Charges Outstanding Ratio

This is a financial performance indicator that assesses the effectiveness of Council's revenue collection processes, with a low ratio being favourable.



Council's General Fund and Wastewater Fund rates and annual charges outstanding ratios are consistent with the previous year and satisfy the industry benchmark.

The ratio for Water Fund, whilst still satisfying the benchmark for 2018, is high as a result of Council levying annual charges for non-residential fixed charges in arrears.

The NSW Office of Local Government benchmark is less than 10%.

Infrastructure, Property, Plant and Equipment

Council Constructed / Purchased Additions

Property, Plant and Equipment capitalised over the past two years is as follows.

Asset Type	2017/18 ($'000)	2016/17 ($'000)
Infrastructure under construction – Work in Progress	36,377	15,835
Plant and equipment	1,221	1,973
Land, buildings and other structures	1,916	3,367
Roads and drainage network	19,706	23,158
Water supply network	1,407	460
Wastewater network	5,534	719
Other assets	65	191
Total Additions	**66,226**	**45,703**
Assets - Renewals	**24,379**	**13,761**
Assets - New	**41,847**	**31,942**

Total asset additions of $66.2m in 2018 are significantly higher than the prior year.

A large contributor to this was the non-cash developer dedications, which totalled $27.8m in 2017/18.

The 2016/17 additions were also high due to the non-cash RMS dedications of $17.4m received in 2016/17 related to the handover of a section of the old Pacific Highway.

Large capital projects still in progress as at 30 June 2018 included:

- Ballina and Alstonville Swimming Pools
- Byron Street, Lennox Head Pumping Station
- Ross Lane Roundabout

Depreciation

Note 10 to the general purpose financial statements outlines Council's infrastructure, property, plant and equipment (IPP&E). This note highlights that Council is responsible for maintaining assets with a written down value of approximately $1.2 billion as per the next table.

The table also highlight that Council needs to generate approximately $19m in surplus funds to finance the rate at which IPP&E is being consumed (i.e. the depreciation expense).

Asset Class	2017/18			2016/17	
	WDV $'000	Depreciation Expense $'000		WDV $'000	Depreciation Expense $'000
Plant and equipment	7,164	1,815		7,797	1,711
Operational land	41,702	0		41,600	0
Community land	110,326	0		110,326	0
Land under roads	16,692	0		15,302	0
Land improvements	12,178	357		9,517	771
Buildings	65,807	2,943		63,918	2,775
Other structures	12,223	624		11,636	614
Roads, bridges & footpaths	401,058	6,959		506,715	6,509
Bulk earthworks	137,975	132		4,113	-
Stormwater drainage	81,568	1,532		73,296	1,458
Water supply infrastructure	73,277	1,413		71,650	1,399
Wastewater supply infrastructure	206,747	3,495		199,938	3,574
Swimming pools	0	0		0	17
Other assets	359	145		439	128
Work in progress	47,084	-		24,483	0
	1,214,170	**19,415**		**1,140,730**	**18,956**

By far the largest asset or liability appearing on Council's statement of financial position is IPP&E.

Asset Revaluations

In accordance with the requirement to maintain assets at fair value, infrastructure assets are comprehensively revalued on a five year rotational basis in line with the Office of Local Government stipulation, and are assessed for fair value (and indexed) on the years between full revaluations.

No class of assets was due for a comprehensive revaluation in 2017/18.

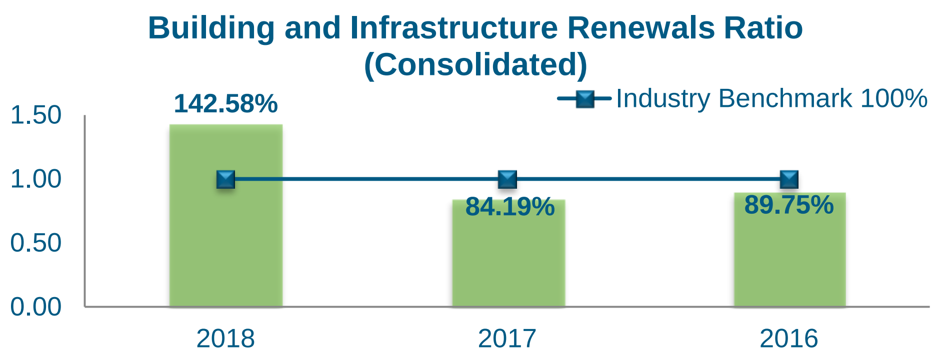
Indexation of infrastructure asset classes (buildings, other structures, roads and related assets, water and sewerage networks) has increased their value by $27.342m.

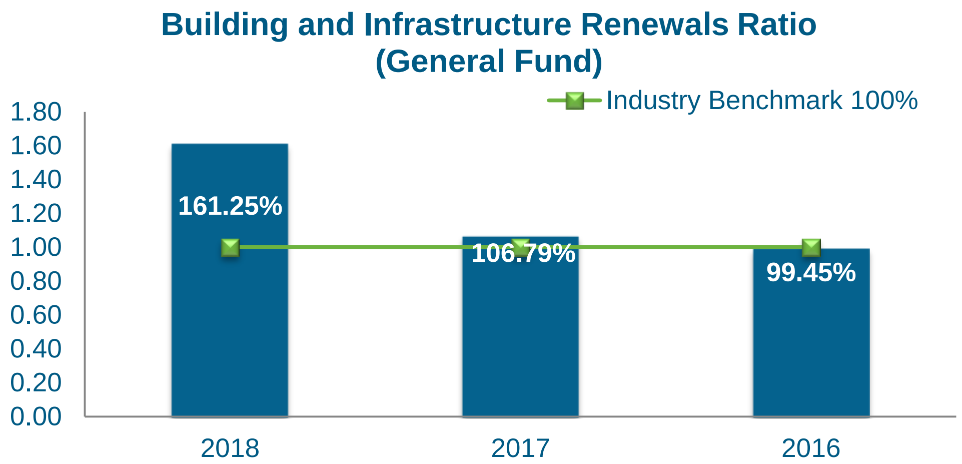
Infrastructure Ratios

Infrastructure Renewals Ratio

This ratio assesses the rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating.

The building and infrastructure renewals ratio is calculated based on replacement of existing assets with assets of equivalent capacity or performance as opposed to the acquisition of new assets. Expenditure incurred to add capacity to existing assets is excluded from this ratio. Industry benchmarking recommends that asset renewals equate to 100% of the related depreciation expense.

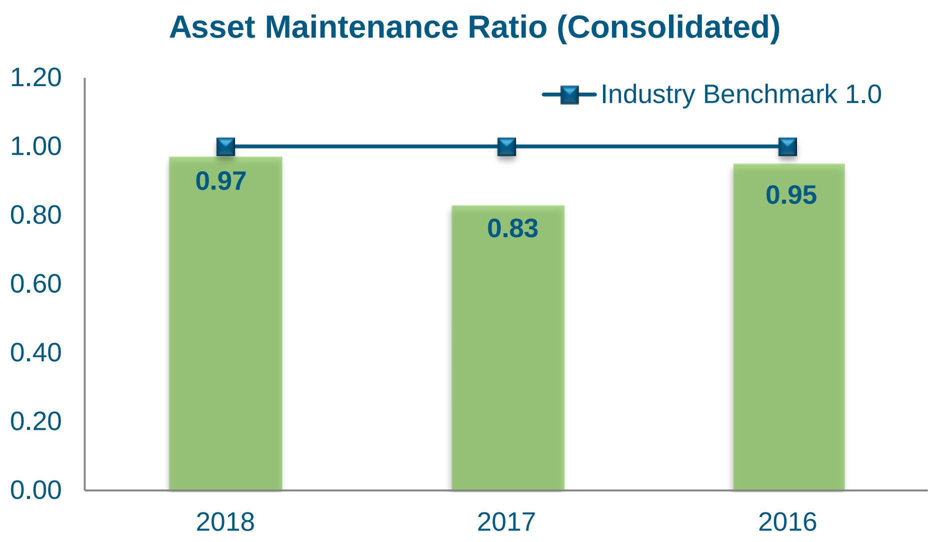


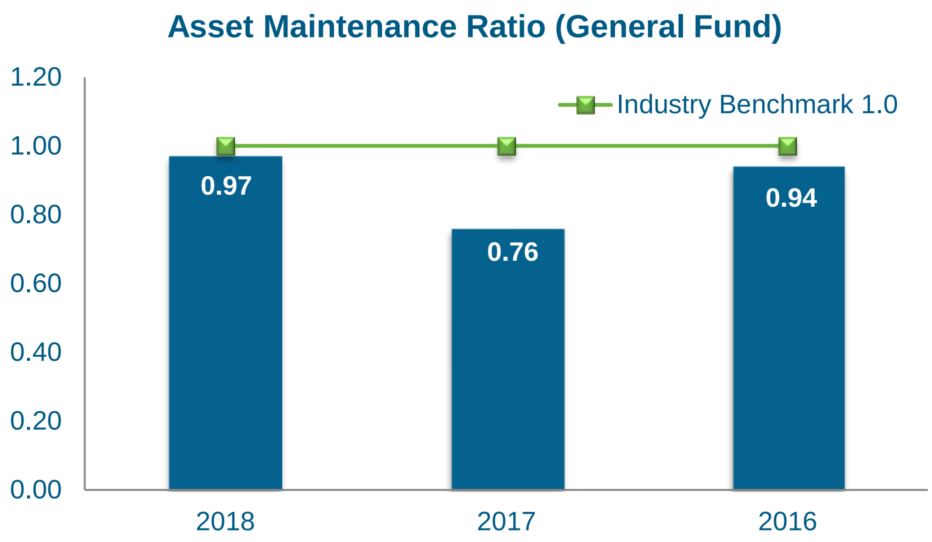


The 2018 result is very favourable due primarily due to the swimming pool renewal works. The challenge facing all local government authorities is to maintain this ratio and consistently satisfy this industry benchmark, particularly for the General Fund.

Asset Maintenance Ratio

This ratio compares actual versus required (as estimated by Council staff) annual asset maintenance. A ratio of above 1.0 indicates that the Council is investing enough funds within the year to stop the Infrastructure Backlog from growing. This ratio is highly dependent on accurate and consistent required maintenance data and quantified infrastructure backlog calculations. The benchmark for this ratio is greater than 1.0.





It is important that Council spend sufficient funds on asset maintenance to ensure their condition does not deteriorate below a satisfactory standard.

Debt Levels

Loan Liability

Item	2017/18 ($'000)	2016/17 ($'000)
Current Loan Liability	6,624	6,219
Non-current Loan Liability	76,870	76,078
Total Loan Liability	**83,494**	**82,297**
By Fund		
General Fund (including Domestic Waste)	27,222	23,122
Water Fund	0	0
Wastewater Fund	56,272	59,175
Total	**83,494**	**82,297**

The movement in the General Fund borrowings is impacted by new loans of $7,247,800 for the swimming pools taken out during 2017/18 to bring total loan borrowings for the swimming pools to $13,959,500.

The General Fund waste loans were fully repaid during 2017/18.

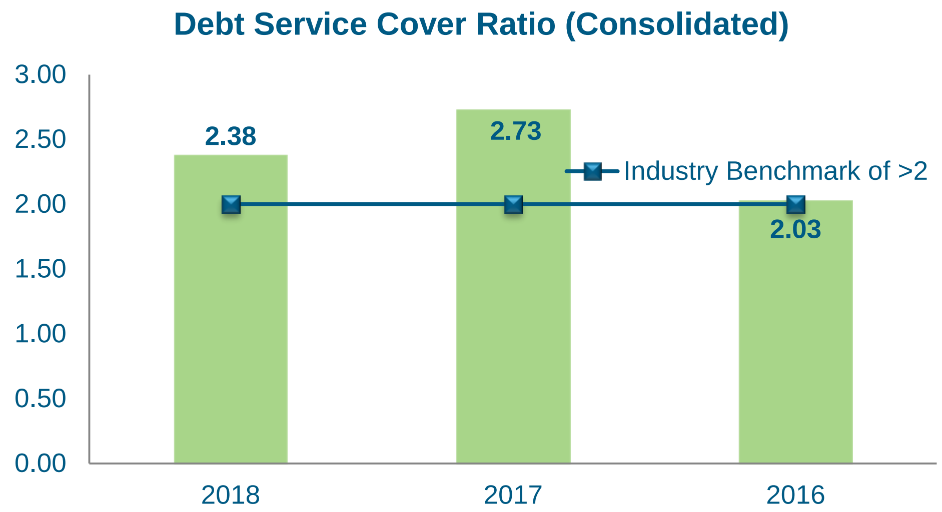
The Wastewater Fund's debt levels continue to fall as a result of the repayment of debt in accordance with the loan repayment programs.

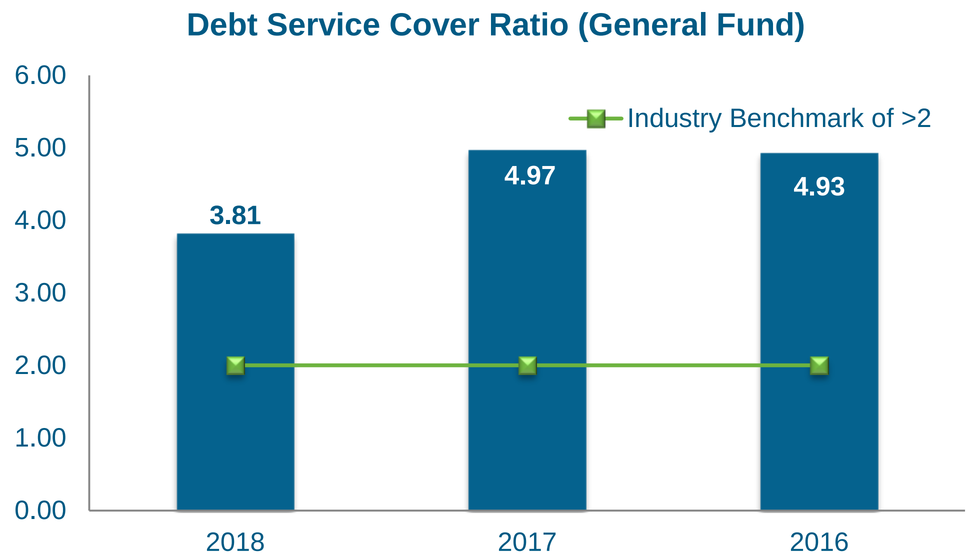
One of the Wastewater Fund loans was refinanced during the year to take advantage of more favourable interest rates.

Debt Ratios

Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark for the ratio is greater than 2.





Council is satisfying the industry benchmark.

This means that Council is generating sufficient cash to satisfy its debt repayment obligations.

Special Purpose Financial Statements

Under the Federal Government's National Competition Policy (NCP), councils are required to declare business activities, and prepare special purpose financial statements, for individual reporting/business units that meet certain criteria.

The principle of competitive neutrality is that government businesses should operate without net competitive advantages over other businesses as a result of their public ownership.

Ballina Shire Council has the following declared business activities:

- Water Supplies
- Wastewater Service
- Landfill and Resource Recovery
- Airport
- Land Development
- Quarries
- Wigmore Arcade
- Private Works

The water and wastewater business units have already been considered earlier in this report, as they are also separated out within the general purpose financial statements.

The only point of difference being that the special purpose financial statements include a calculated tax equivalent, debt guarantee fee and a corporate tax (30% of surplus).

Special purpose financial statements also show dividends paid to or received from the general fund.

In the case of water and wastewater, there were nil dividends.

This section provides a brief overview of the financial results and key elements of the financial statements for the additional business units.

Landfill and Resource Recovery

Operating Result	2017/18 ($'000)	2016/17 ($'000)
Income from continuing operations (excluding capital income)	5,436	6,681
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(4,791)	(5,690)
Calculated tax equivalent and debt guarantee fee	(29)	(44)
Operating Result from Continuing Operations	**616**	**947**
Corporate tax equivalent (30%)	(185)	(284)
Surplus after tax	**431**	**663**
Dividend paid to General Fund	**(2,082)**	**(1,404)**

The Operating Result from Continuing Operations is impacted by a decrease in revenue of $1.245m resulting from the removal of the residential annual waste charge.

The decrease in expenses is largely due to a decrease in the depreciation expense of $478k compared to the previous year, and asbestos removal cost of approx. $122k incurred in the prior year.

For the 2017/18 year, the dividend of $2,082k paid to General Fund includes contributions of $2.0m for the Ballina Indoor Sports Centre and $78.8k for Duck Creek Mountain driveway.

For the 2016/17 year, the dividend of $1.404m paid to General Fund included contributions of $1.0m for the Ballina Indoor Sports Centre and $400k contribution to the Administration Centre roofing and air conditioning works.

Statement of Financial Position	2017/18 ($'000)	2016/17 ($'000)
Current Assets (cash, cash equivalents and other)	2,595	3,980
Non-current assets (infrastructure, property, plant and equipment)	7,148	7,197
Current Liabilities (borrowings)	0	(182)
Non-current liabilities (provisions for tip remediation)	(2,714)	(2,646)
Net Equity	**7,029**	**8,349**

The movement in non-current assets represents capital expenditure of $253k, indexation of assets of $117k and depreciation expense of $419k.

The remaining loan for waste was repaid during 2017/18.

Airport

Operating Result	2017/18 ($'000)	2016/17 ($'000)
Income from continuing operations (excluding capital income)	6,750	5,781
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(4,909)	(4,965)
Calculated tax equivalent and debt guarantee fee	(156)	(180)
Operating Result from Continuing Operations	**1,685**	**636**
Capital grants and contributions	449	0
Corporate tax equivalent (30%)	(506)	(191)
Surplus after tax	**1,629**	**445**
Dividend paid to General Fund	**0**	**0**

The Operating Result from Continuing Operations is impacted by an increase in income of $969,000, resulting from an increase in passenger numbers and renegotiation of airline agreements.

Statement of Financial Position	2017/18 ($'000)	2016/17 ($'000)
Current Assets (cash, cash equivalents)	1,150	0
Non-current assets (infrastructure, property, plant and equipment)	40,707	40,052
Current liabilities (provisions)	(116)	(178)
Current liabilities (borrowings)	(1,189)	(1,542)
Non-current liabilities (borrowings)	(5,181)	(6,455)
Net Equity	**35,371**	**31,877**

Borrowings have reduced by $1.130m for external loans and an internal loan of $497k has been extinguished.

The movement in non-current assets represents capital expenditure of $338k, indexation of assets of $1,180k and depreciation expense of $864k.

Land Development

Operating Result	2017/18 ($'000)	2016/17 ($'000)
Income from continuing operations (excluding capital income)	5,415	1,636
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(3,920)	(1,502)
Calculated tax equivalent and debt guarantee fee	(145)	(159)
Operating Result from Continuing Operations	**1,350**	**(25)**
Corporate tax equivalent (30%)	(405)	0
Surplus after tax	**945**	**(25)**
Dividend paid to General Fund	**(3,096)**	**(648)**

A breakdown of 2017/18 income and expense is shown below:

Income breakdown	2017/18 ($'000)
Wollongbar residential land sales	3,634
Russellton industrial land sale (Alstonville Tennis Courts)	1,437
Land development rental property income (ARC)	278
Interest income	66
Total income	**5,415**

Expense breakdown	2017/18 ($'000)
Wollongbar land cost of sales	3,469
Compensation to landowner re noise attenuation and sewer connection (Russellton Industrial Estate)	305
Southern Cross Masterplan	110
Alstonville Tennis Courts sale costs	10
Other	26
Total expenses	**3,920**

The dividend of $3.096m paid to the General Fund for 2017/18 included contributions for:

- Ballina Surf Club $100,000
- Airport Boulevard Road $100,000
- General Fund Operations $416,300
- Skennars Head Sports Fields $66,000
- 9 Byron Bay Road – Property Acquisition $2,410,000

For 2016/17, the dividend of $648k paid to General Fund included contributions for

- General Fund Operations $234,500
- Wigmore Arcade $370,500

Statement of Financial Position	**2017/18 ($'000)**	**2016/17 ($'000)**
Current Assets (cash, cash equivalents)	1,911	2,983
Non-current assets (land inventory)	4,112	4,641
Non-current assets (investment properties)	6,080	6,080
Net Equity	**12,103**	**13,704**

Quarries

Operating Result	**2017/18 ($'000)**	**2016/17 ($'000)**
Income from continuing operations (excluding capital income)	89	103
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(101)	(132)
Calculated tax equivalent and debt guarantee fee	(23)	(24)
Operating Result from Continuing Operations	**(35)**	**(53)**
Corporate tax equivalent (30%)	0	0
Surplus after tax	**(35)**	**(53)**
Dividend paid to General Fund	**(238)**	**(321)**

The larger items impacting on the Operating Result from Continuing Operations were a fall in interest revenue of $9k and a fall in overhead expenses of approx. $30k.

For the 2017/18 year, the dividend of $238k paid to General Fund includes contributions for North Creek Dredging plan $109,000 and Shaws Bay Coastal Management Plan $104,000.

For the 2016/17 year, the dividend of $321k paid to General Fund includes contributions for General Fund operations $200,000 and Shaws Bay Coastal Management Plan $77,000.

Statement of Financial Position	2017/18 ($'000)	2016/17 ($'000)
Current Assets (cash, cash equivalents and other)	1,018	1,186
Non-current assets (infrastructure, property, plant and equipment)	1,421	1,425
Non-current liabilities (provisions for quarry remediation)	(1,436)	(1,360)
Net Equity	**1,003**	**1,251**

Wigmore Arcade

Operating Result	2017/18 ($'000)	2016/17 ($'000)
Income from continuing operations (excluding capital income)	608	747
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(255)	(259)
Calculated tax equivalent and debt guarantee fee	(109)	(124)
Operating Result from Continuing Operations	**244**	**364**
Capital grants and contributions	0	378
Corporate tax equivalent (30%)	(73)	(109)
Surplus after tax	**171**	**633**
Dividend paid to General Fund	**(303)**	**(273)**

The Operating Result from Continuing Operations for 2016/17 includes $167k for a revaluation increment.

The dividend paid to the General Fund in both years represents the cash surplus less $50k, which was transferred into the Wigmore reserve.

Statement of Financial Position	2017/18 ($'000)	2016/17 ($'000)
Current Assets (cash, cash equivalents)	226	176
Non-current assets (infrastructure, property, plant & equipment)	6,740	6,740
Net Equity	**6,966**	**6,916**

Private Works

Operating Result	2017/18 ($'000)	2016/17 ($'000)
Income from continuing operations (excluding capital income)	182	238
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(162)	(244)
Calculated tax equivalent and debt guarantee fee	0	0
Operating Result from Continuing Operations	**20**	**(6)**
Capital grants and contributions	0	0
Corporate tax equivalent (30%)	(6)	0
Surplus after tax	**14**	**(6)**
Dividend paid (to)/from General Fund	**(20)**	**6**

The net Operating Result from Continuing Operation is paid to/from the General Fund in full each year.

Income from private works, and associated expenditure, is variable year on year.

The majority of private works undertaken provide a profit margin of 15%.

The Private Works business activity does not hold any assets or liabilities.