



» 2020/21 - Year End Financial Analysis

October 2021

ballina
shire council



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Foreword

This report provides an overview of how Council performed financially and the financial position as at 30 June 2021 based on the 2020/21 Annual Financial Reports.

Income Statement

This section provides an overview of the Income Statement including commentary on key elements of the financial results.

Consolidated Results

Consolidated Operating Result	2020/21 (\$'000)	2019/20 (\$'000)
Income from continuing operations (excluding capital income and fair value increment)	101,245	94,779
Fair value increment on investment properties	2,085	550
Expenses from continuing operations (excluding depreciation and loss from disposal of assets)	(71,247)	(69,088)
Depreciation expense	(24,574)	(22,426)
Net loss from disposal of assets	(6,073)	(4,511)
Operating Result from Continuing Operations	1,436	(696)
Capital grants and contributions	41,226	26,000
Consolidated Surplus	42,662	25,304

The Operating Result before capital grants and contributions is a surplus, compared to a deficit in 2019/20. Further detail on the differences between the years is outlined later in this report as part of the Major Revenue and Expense Movements commentary.

Income from continuing operations was higher due to increased rates, annual charges and user charges offset in part by a decrease in interest income and operating grant income.

Expenses from continuing operations in 2020/21 (excluding depreciation and loss from disposal of assets) were \$71.247m, which represents a 3.1% (\$2.159m) increase from 2019/20.

The depreciation expense increased by \$2.148m (almost 10%).

Council's consolidated surplus from all activities for 2020/21 was \$42.662m. In 2019/20 the consolidated surplus was \$25.304m.

The consolidated surplus is significantly impacted by variations in capital grants and contributions recognised. The amounts recognised in 2020/21 are significant, and \$15.226m higher than 2019/20. This is mainly due to the significant non-cash dedications in 2020/21 including infrastructure assets received on finalisation of developments and transfer of assets from the State Government. This is outlined in more detail later in this report.

Fund Results

Operating Result by Fund (as per Financial Statements)	General		Water		Wastewater	
	2020/21 (\$'000)	2019/20 (\$'000)	2020/21 (\$'000)	2019/20 (\$'000)	2020/21 (\$'000)	2019/20 (\$'000)
Income from continuing operations (excl capital income and fair value increment)	65,013	60,986	12,940	13,384	23,292	20,411
Net loss from disposal of assets	(4,310)	(3,699)	(944)	0	(819)	(812)
Fair value increment	2,085	550	0	0	0	0
Expenses from continuing operations (excl depreciation and loss from disposal of assets)	(46,195)	(44,124)	(11,233)	(10,724)	(13,819)	(13,902)
Depreciation expense	(18,662)	(16,909)	(1,679)	(1,607)	(4,233)	(3,910)
Operating result from Continuing Operations	(2,069)	(3,536)	(916)	1,053	4,421	1,787
Capital grants and contributions	31,769	21,742	2,060	1,363	7,397	2,895
Surplus	29,700	18,206	1,144	2,416	11,818	4,682

The General Fund had an operating deficit of \$2.069m. This is a key indicator in assessing whether Council is “fit for the future” and it is imperative that the General Fund move towards a surplus to ensure Council is financially sustainable. Council’s current long term financial plan does not show the General Fund moving into a sustainable surplus position until 2029/30.

The Water Fund had an operating deficit of \$916k. The Water Fund absorbed a large increase in the cost of water in the 2020/21 year. Council’s long term financial plan shows the Water Fund in a sustainable surplus position for 2021/22 and future years.

The Wastewater Fund again provided an operating surplus, \$4.421m for 2020/21, and is expected to continue with a comfortable surplus in future years.

Major Revenue and Expense Movements

Revenue / Expense	Increase/ (Decrease) on Prior Year	Comment
Revenue		
Rates and annual charges	2,470	Total rates and annual charges of \$56.190 include ordinary rates of \$25.197m (increased by 2.6% representing the rate peg increase); wastewater annual charges of \$18.541m (2.6% price increase); water annual charges of \$4.28m (2.6% price increase); domestic waste management charges of \$7.54m (3.5% price increase); and waste management charges of \$606k (2.5% price increase).
User charges and fees	4,184	Total user charges and fees of \$27.219m include water and wastewater usage charges, planning and building regulation income, airport, swimming pools, ferry tolls, waste disposal tipping fees and other smaller income streams. The larger variations were: <ul style="list-style-type: none"> • Increase in airport income of \$2.293m, representing an increase of 40.9% compared to 2019/20 which had experienced a significant impact in that year due to the COVID-19 pandemic. Total aerodrome income of \$7.904m in 2020/21 compares favourably against \$5.611m for 2019/20 and \$6.727m for 2018/19. • Increase of \$1.176m in waste disposal landfill fees, with a significant increase in volumes. • Increase of \$535k in planning and building regulation income, with continued growth in development. • Decrease in water usage charges of \$236k (3%) based on actual consumption levels.
Other revenue	1,435	The large items impacting on the movement in Other Revenues are: <ul style="list-style-type: none"> • 2020/21 includes \$2.495m for Legal Fees Recovery. This amount relates to the settlement of one protracted matter. • 2019/20 included \$610k income for the accounting impact of a reassessment of the remediation provisions for landfills and quarries. A reduction in the (discount rate) interest rates was the main contributor to a decrease in the remediation provisions as at 30 June 2020. The decrease to the provision relating to interest rates is accounted for in the Income Statement. <p>In 2020/21, a review of future remediation costs of the Ballina waste site has resulted in an increase to the provision as at 30 June 2021. The remediation provision now includes the estimated costs of post closure activities for thirty years post closure of the site.</p> <p>The increase in the provision resulting from the increase in remediation costs is accounted for as an increase to the remediation asset, rather than through the Income Statement and represents a non-cash accounting transaction.</p> <ul style="list-style-type: none"> • A decrease of \$356k in insurance claims recoveries. The 2019/20 year included two significant property claims arising from fires at the Fripp Oval and Kingsford Smith amenity buildings.

2020/21 - Year End Financial Analysis

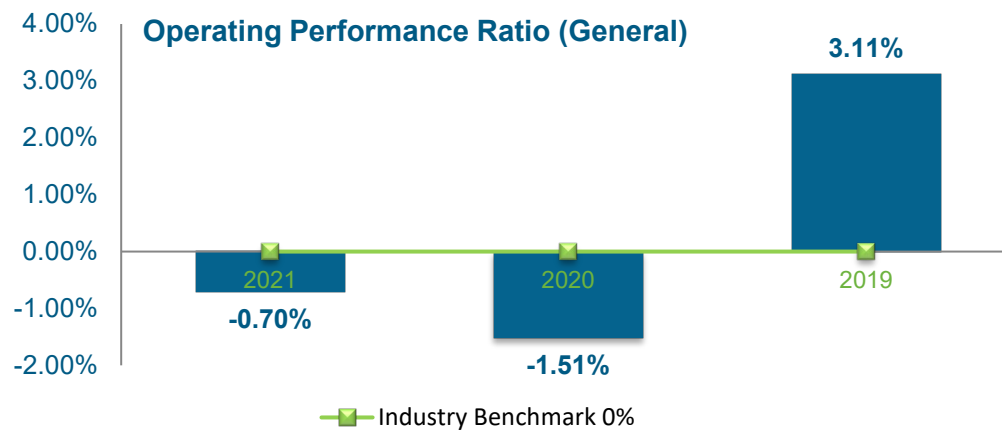
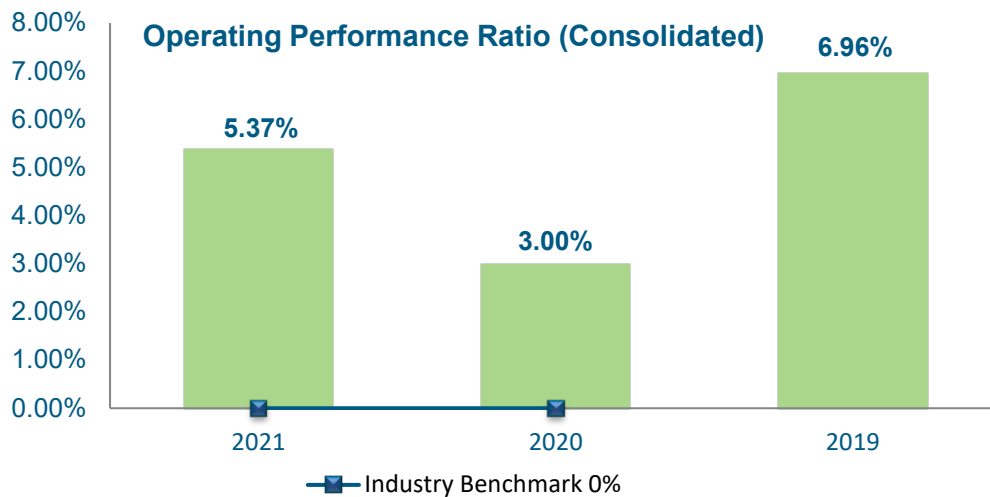
Operating grants and contributions	(785)	<p>Total operating grants and contributions of \$9.932m were received in 2020/21, compared to \$10.717m in 2019/20. A large contributor to this variance was the receipt of significant grants for Bushfire Resilience and Recovery in the 2019/20 year, of \$1.325m, compared to \$116k in the 2020/21 year.</p> <p>Operating grants recognised in 2020/21 includes funding for environmental programs of \$1.2m, compared to \$746k in 2019/20.</p>
Capital grants and contributions	15,226	<p>Total capital grants and contributions of \$41.226m were received in 2020/21, compared to \$26.0m in 2019/20. Capital grants of \$8.608m were recognised in 2020/21, compared to \$4.497m recognised in 2019/20.</p> <p>Cash developer contributions of \$7.659m were \$558k more than that receipted in 2019/20. Non-cash contributions of \$24.959m were recognised in 2020/21, compared to \$14.402m in 2019/20. A break-down of the non-cash contributions is provided later in this report.</p>
Interest and investment revenue	(1,027)	<p>Total interest revenue is \$1,027k lower than the previous year. This largely corresponds to lower interest rates available on cash and investments throughout the 2020/21 year, with interest earned on cash and investments \$983k lower than the previous year.</p> <p>No interest was charged on overdue rates and annual charges for 2020/21. Interest charges, totalling \$44k, were charged for part of the year for 2019/20.</p>
Other income	1,724	<p>Other income includes fair value increments for investment properties and rental income earned on investment properties. 2020/21 includes \$2,085k fair value increment on investment properties, compared to an increment of \$550k recognised in 2019/20. Rental income earned was comparable to that earned for 2019/20.</p>
Expense		
Employee benefits and on costs	1,059	<p>Contributors to the overall increase in employee costs were the increase of 1.5% attributable to the local government state award increase and an increase in full time equivalent employees.</p>
Depreciation	2,148	<p>Depreciation expense as a percentage of total infrastructure, property, plant and equipment moved from 1.7% to 1.8%. A comparison by asset class is shown later in this report. The largest increase was for buildings.</p>
Net Loss from disposal of assets	1,562	<p>There was a net loss on disposal of assets of \$6.073m in 2020/21 compared to a net loss of \$4.511m in 2019/20, a variation of \$1.562m.</p> <p>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 records. The loss on disposal represents the write-off of that value as the asset is renewed.</p> <p>In the 2020/21 year, a large portion of the assets written off related to the renewal of roads and a large disposal within buildings related to the capitalisation of the Lennox Head Cultural Centre upgrade from Works in Progress.</p>

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, which means capital grants and contributions and fair value adjustments are excluded.

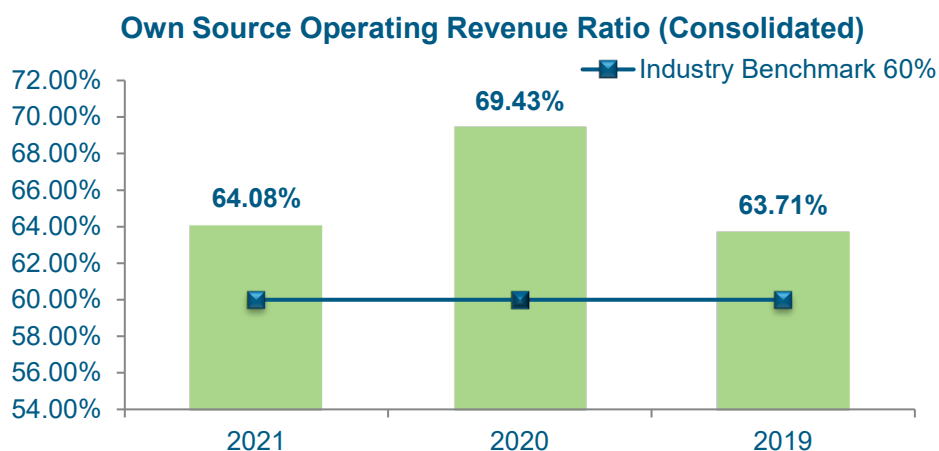


Council’s General Fund Operating Performance was negative in both 2020/21 and 2019/20, recognising that the COVID-19 pandemic has had a negative financial impact.

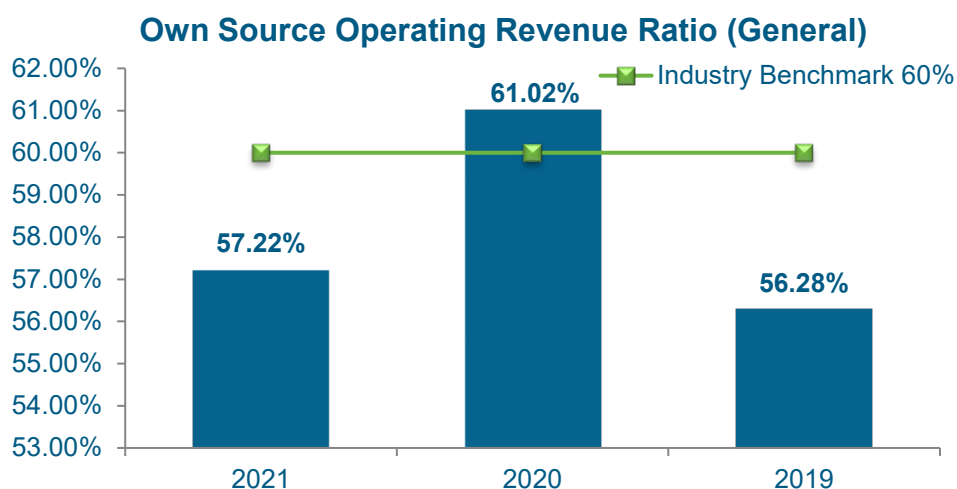
The challenge for the General Fund is to achieve a positive operating performance ratio on an ongoing basis, and this is a fundamental benchmark requirement in order to meet the “Fit for the Future” requirements.

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 64.08% of its consolidated revenue from rates, annual charges, user charges, interest etc. comparable with an industry benchmark of 60%.



The General Fund did not meet the 60% benchmark in 2020/21.

The denominator used for the calculation of this ratio includes capital grants and contributions, so is quite variable year on year.

The very high level of capital grants and contributions recognised for 2020/21 has impacted on this ratio.

Capital Grants and Contributions

Total capital grants and non-developer contributions recognised during the year amounted to \$8,608,000 and included \$2,838,000 for roads and bridges, \$1,978,000 for Transport NSW contributions and \$1,092,000 for Local Roads and Community Infrastructure funding.

Other capital contributions received during 2020/21 totalled \$32,618,000 compared to \$21,503,000 in 2019/20. The next table summarises the contributions by type.

Capital Contribution Type	2020/21 (\$'000)	2019/20 (\$'000)
Section 7.11 - Contributions towards amenities / services	5,151	4,644
Section 64 - Water supply contributions	780	763
Section 64 - Wastewater service contributions	1,728	1,694
Total Developer Contributions (Cash)	7,659	7,101
Non-cash dedications from developer subdivisions	21,229	7,468
Non-cash dedications other sources	3,730	6,934
Total Non-Cash Contributions	24,959	14,402
Total of Developer Contributions and Non-Cash Contributions	32,618	21,503

Developer contributions (Section 7.11 and Section 64) can vary significantly each year. The amounts for 2020/21 were 7.9% higher than contributions received in 2019/20. The use of the cash developer contributions is restricted and they are not available for Council's general operations.

Non-cash dedications (for example, infrastructure assets received on finalisation of a development or transfers of assets from Federal or State Governments) can also vary significantly and a dissection by type is shown in the following table.

Non-cash Dedications	2020/21 (\$'000)	2019/20 (\$'000)
Aureus, Skennars Head	9,883	-
EPIQ, Lennox Head	4,949	1,362
Banyan Hill, Cumbalum	2,829	-
Ballina Heights, Cumbalum	2,345	1,517
River Oaks, Ballina	-	1,312
Other	1,223	3,277
Non-cash dedications from developers	21,229	7,468
Ballina to Woolgoolga Bypass Handover	2,759	5,801
Rural Fire Service Plant and Equipment	354	207
Crown Land - Ballina Seagulls Clubhouse	-	881
Other	617	45
Non-cash dedications other sources	3,730	6,934

Statement of Financial Position

The consolidated statement of financial position for 2020/21 and 2019/20 is as follows.

Item	2020/21 (\$'000)	2019/20 (\$'000)
Current assets	108,456	86,834
Non-current assets	1,383,639	1,355,208
Total Assets	1,492,095	1,442,042
Current liabilities	32,041	28,019
Non-current liabilities	81,033	79,786
Total Liabilities	113,074	107,805
Equity	1,379,021	1,334,237

Commentary on some of the major assets and liabilities appearing in Council's statement of financial position, as at 30 June 2021, together with related Office of Local Government benchmark data is as follows.

Unrestricted Net Current Assets

Item	2020/21 (\$'000)	2019/20 (\$'000)
Current Assets	108,456	86,834
Externally restricted cash and investments	(46,951)	(36,398)
Externally restricted receivables and other assets	(4,388)	(4,460)
Current Assets less all External Restrictions	57,117	45,976
Current Liabilities	32,041	28,019
Externally restricted liabilities	(4,230)	(3,861)
Current Liabilities less Specific Purpose Liabilities	27,811	24,158
Unrestricted Current Net Assets before Internal Reserves	29,306	21,818

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 2021 Council held \$29.306m 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	2020/21 (\$'000)	2019/20 (\$'000)
Externally Restricted <i>Monies can only be spent in accordance with legislation, grant agreements or developer contribution plan specifications</i>	60,951	53,298
Internally Restricted <i>Money set aside for special projects by Council resolution</i>	38,604	32,872
Unrestricted <i>Funds forming part of working capital used for day-to-day Council operations</i>	6,199	7,402
Total Cash and Investments	105,754	93,572

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

Internally Restricted Cash	2020/21 (\$'000)	2019/20 (\$'000)
Plant and Vehicle Replacement	1,391	552
Employees Leave Entitlements	2,994	2,994
Works Carried Forward	3,336	2,741
Highway Bypasses	3,602	4,053
Financial Assistance Grant	2,418	2,418
Property Development and Community Infrastructure	5,357	3,996
Airport	2,929	2,337
Landfill and Resource Management	2,207	926
Management Plans and Studies	1,898	1,769
Quarries	773	871
Facilities Management	989	798
Commercial Properties	852	679
Road Works	3,543	3,709
Community Facilities	854	674
Strategic Planning	1,062	985
Wollongbar District and Skate Park	957	1,413
Open Spaces and Reserves	1,774	1,005
Other	1,668	952
Total Internal Restrictions	38,604	32,872

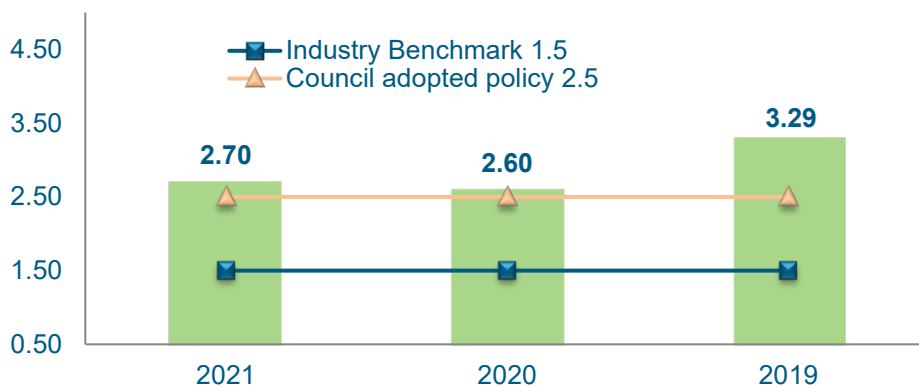
Statement of Financial Position Ratios

Unrestricted Current Ratio

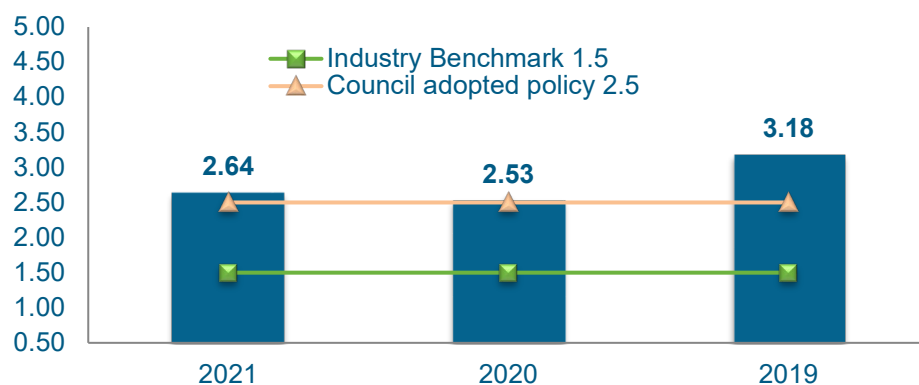
The unrestricted current ratio provides a measure of Council's capacity / liquidity to meet its commitments from current assets net of externally restricted assets.

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



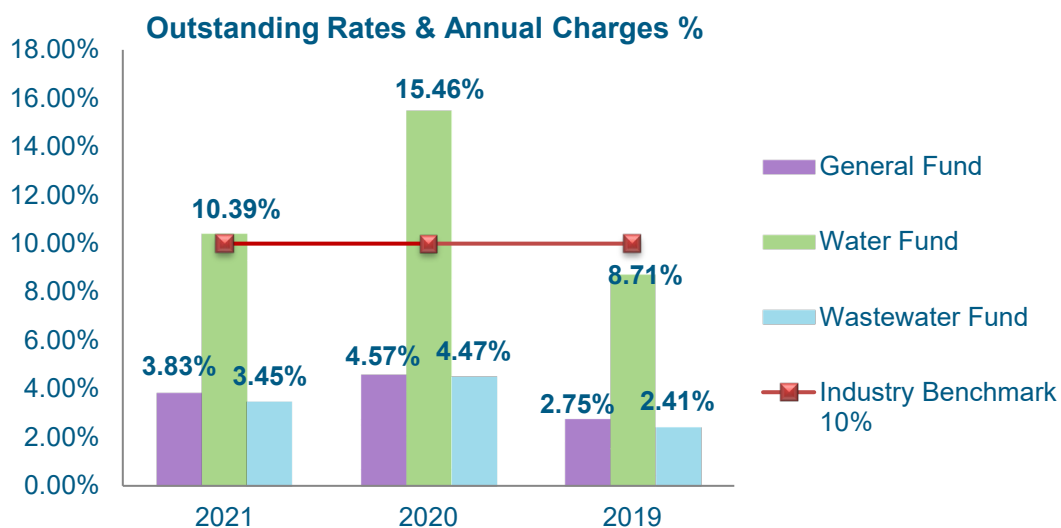
At 30 June 2021 Council's General Fund has \$2.64 in liquid current assets for every \$1 of current liabilities.

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.

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



Council's General Fund historically meets this benchmark.

There was a deterioration as at 30 June 2020 due to the impacts of COVID-19 and the financial support measures provided to ratepayers including the nil interest rate and suspended formal debt recovery activities, resulting in a higher level of debt outstanding as at the end of 30 June 2020.

The ratio at 30 June 2021 shows improvement, although not back to the low levels of 30 June 2019.

The small improvement in the Wastewater Fund rates and annual charges outstanding ratio is reasonably consistent with the General Fund and again satisfies the industry benchmark.

The ratio for Water Fund, whilst improved also, is high year on year as a result of Council levying annual charges for non-residential fixed charges in arrears.

Infrastructure, Property, Plant and Equipment

Note C1-7 to the general purpose financial statements outlines Council's infrastructure, property, plant and equipment (IPP&E).

Council Constructed / Purchased Additions

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

Asset Type	2020/21 (\$'000)	2019/20 (\$'000)
Infrastructure under construction – Work in progress	34,039	31,652
Plant and equipment	2,389	5,374
Land, buildings and other structures	1,519	3,137
Roads and drainage network	11,994	9,462
Water supply network	1,520	394
Wastewater network	3,237	1,704
Landfill and Quarry Rehabilitation Assets	4,471	0
Total Additions	59,169	51,723
Assets – Renewals	15,191	17,909
Assets – New	43,978	33,814

There were total asset additions of \$59.169 in 2020/21.

Asset additions include the non-cash developer dedications and other dedications, which totalled \$24.959m in 2020/21 compared to \$14.402m in 2019/20.

These additions also include \$4.471k additions to the tip and quarry rehabilitation assets, an accounting adjustment resulting from a reassessment of the provision for remediation.

Some of the larger capital expenditure items for 2020/21 were:

- Airport Boulevard, expenditure of \$3.8m in 2020/21 (now \$7.7m total works in progress)
- Coastal Walk Section 2, expenditure of \$1.0m in 2020/21 (now \$1.6m total works in progress)
- River Street Lane Duplication, expenditure of \$1.7m in 2020/21 (now \$1.9m total works in progress)
- Airport total capital expenditure of \$1.0m in 2020/21

Depreciation

Note C1-7 highlights that Council is responsible for maintaining assets with a written down value of approximately \$1.3 billion as per the next table.

The table also highlights that Council needs to generate approximately \$24m in surplus funds to finance the rate at which IPP&E is being consumed (i.e. the depreciation expense).

Asset Class	2020/21		2019/20	
	WDV \$'000	Depreciation Expense \$'000	WDV \$'000	Depreciation Expense \$'000
Plant and equipment	11,962	2,087	11,866	1,750
Operational land	68,789	0	66,915	0
Community & Crown land	79,543	0	79,543	0
Land under roads	3,106	0	2,078	0
Land improvements	20,373	112	18,862	95
Buildings	109,635	4,372	111,498	2,592
Other structures	32,950	1,096	32,647	1,525
Roads, bridges & footpaths	425,975	9,553	418,159	9,128
Bulk earthworks	153,084	156	151,359	151
Stormwater drainage	76,517	1,498	71,187	1,429
Water supply infrastructure	79,165	1,535	75,270	1,487
Wastewater supply infrastructure	221,850	3,610	218,582	3,700
Tip and Quarry Rehabilitation Assets	4,600	73	202	73
Work in progress	47,444	0	46,073	0
	1,334,993	24,092	1,304,241	21,930

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 asset classes were subject to a full revaluation in 2020/21.

Indexation of water and sewerage networks has increased their value by \$2.649m. During 2021/22, water and sewerage network assets will undergo a full revaluation.

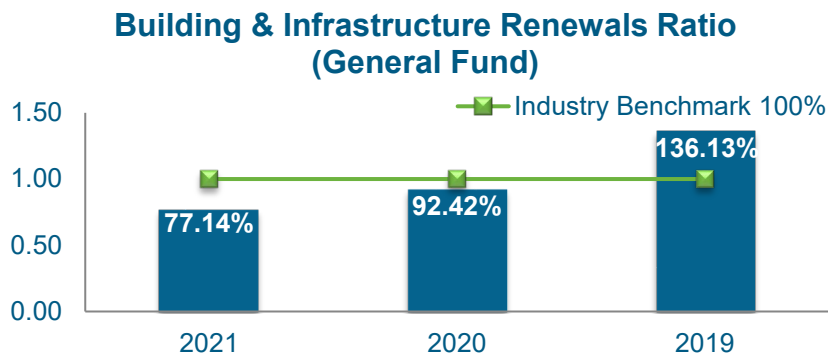
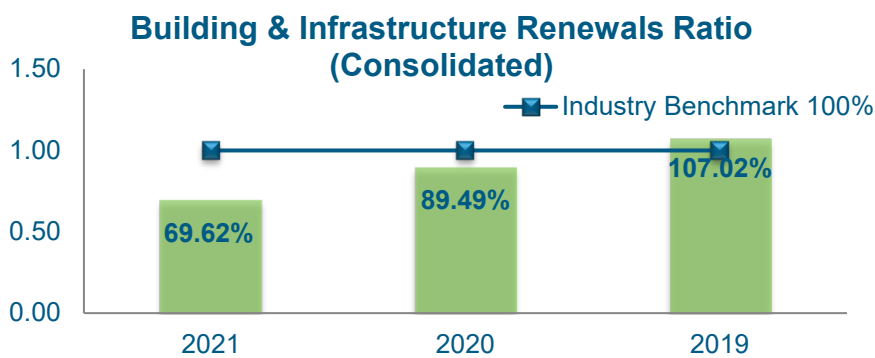
Infrastructure Ratios

Infrastructure Renewals Ratio

This ratio assesses the rate at which buildings and infrastructure assets are 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 challenge facing all local government authorities is to maintain this ratio and consistently satisfy this industry benchmark, particularly for the General Fund.

Both the Consolidated entity and the General Fund did not meet this benchmark in the 2020/21 year.

In 2020/21, the \$ value of renewals is lower than the previous year and the \$ value of depreciation is higher.

Both of these factors have resulted in a deterioration of the ratio.

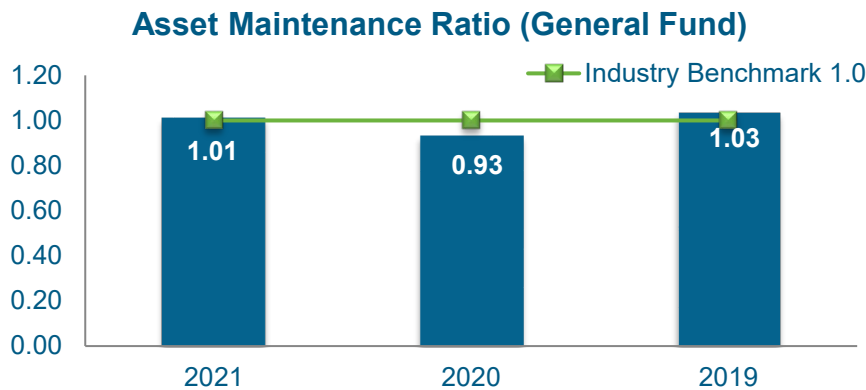
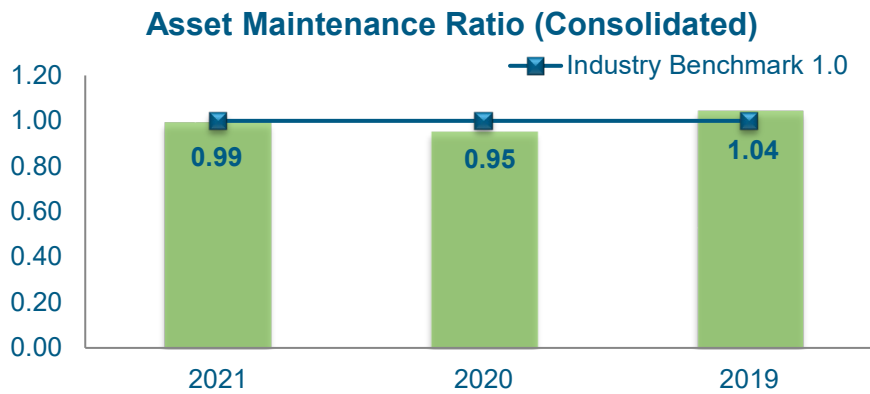
Asset Maintenance Ratio

This ratio compares actual versus required annual asset maintenance (as estimated by Council staff).

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 conditions do not deteriorate below a satisfactory standard.

The General Fund met this benchmark for 2020/21 and the Consolidated entity was only marginally under benchmark.

Debt Levels

Loan Liability

Item	2020/21 (\$'000)	2019/20 (\$'000)
Current Loan Liability	6,281	5,930
Non-current Loan Liability	70,762	73,542
Total Loan Liability	77,043	79,472
By Fund		
General Fund (including Domestic Waste)	30,207	29,920
Water Fund	0	0
Wastewater Fund	46,836	49,552
Total	77,043	79,472

New borrowings of \$3,500,000 were drawn during 2020/21 for the General Fund.

These comprised:

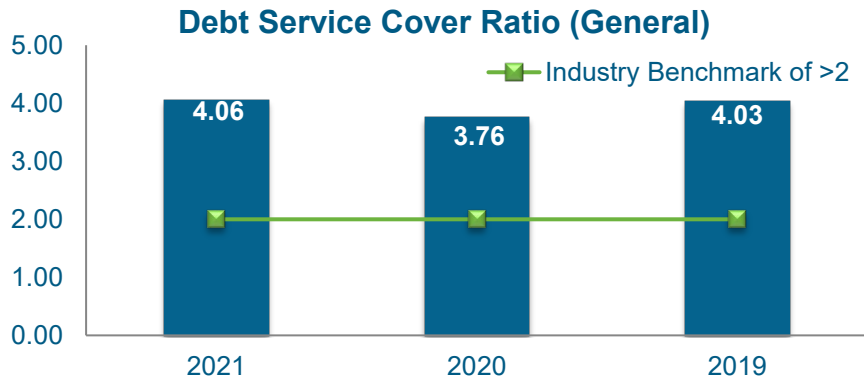
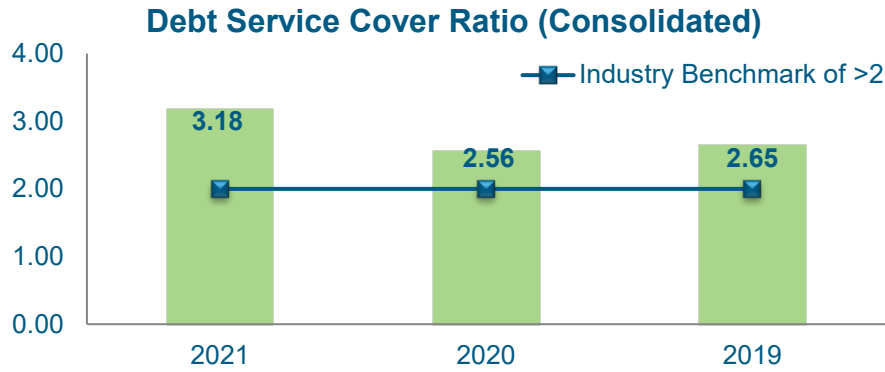
- Wollongbar Urban Expansion – Residential Land Development - \$2,000,000
- Airport Boulevard – Road Construction - \$1,500,000

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

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.

Council has the following declared business activities:

- Water Supplies
- Wastewater Service
- Landfill and Resource Recovery
- Airport
- Land Development

The water and wastewater business units have already been considered earlier in this report, as they are 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 (2021: 26% of surplus; 2020: 27.5% 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	2020/21 (\$'000)	2019/20 (\$'000)
Income from continuing operations (excluding capital income)	8,773	6,263
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(7,761)	(6,111)
Calculated tax equivalent and debt guarantee fee	(5)	(12)
Operating Result from Continuing Operations	1,007	140
Corporate tax equivalent	(262)	(39)
Surplus after tax	745	101
Dividend (paid) to General Fund	0	0

The Operating Result from Continuing Operations is impacted by a number of factors including operational factors and provision adjustments.

This business, as can be seen in the Statement of Financial Position below, carries a provision for remediation of Council's tip site. Each year, a review of the provision is completed including an assessment of the assumptions including the estimated costs of remediation and time period, and interest rate applied in the net present value calculation.

The Operating Result for 2019/20 included an accounting gain of \$174k as a result of the remediation provision decreasing. This resulted from a decrease in the (discount rate) interest rate.

In 2020/21 the majority of the movement in the provision relates to a reassessment of the remediation costs, and they are accounted for within the Statement of Financial Position rather than in the Income Statement.

Excluding the impact of the remediation adjustment, income increased by \$2.685m, being an increase in user charges of \$2.649m (45%), an increase in other income of \$25k and an increase in interest income of \$11k.

The increase in user charges is due to the significant increase in the volume of waste received at Council's waste centre in 2020/21 (23,049 tonnes, in comparison to 16,160 tonnes in 2019/20, a 43% increase in tonnes).

Expenses were \$1.650m higher in 2020/21 than 2019/20.

The increase in expenses is predominantly due to an increase in materials and services of \$1.474m.

There were no dividends paid to General Fund for the 2019/20 or 2020/21 years.

Statement of Financial Position	2020/21 (\$'000)	2019/20 (\$'000)
Current Assets (cash and cash equivalents)	2,228	926
Non-current assets (infrastructure, property, plant and equipment and remediation assets)	15,686	11,795
Current Liabilities	0	0
Non-current liabilities (provisions for tip remediation)	(6,343)	(2,162)
Net Equity	11,571	10,559

During 2020/21, a review of the costs of remediation was undertaken. The calculation of the provision for remediation now also includes an estimate of costs for post closure activities, ie, costs incurred to rehabilitate, monitor and maintain the landfill caps at the site for thirty years post remediation. It is estimated that the site will be closed and remediated commenced in 2026.

The offset to increases to the provisions relating to increases in future remediation costs are accounted for as an increase to the remediation assets, rather than through the Income Statement and represent a non-cash accounting transaction.

The movement in non-current assets represents a revaluation increment for remediation assets of \$4,156k, capital expenditure of \$78k, disposals of \$25k and depreciation expense of \$318k.

Airport

Operating Result	2020/21 (\$'000)	2019/20 (\$'000)
Income from continuing operations (excluding capital income)	8,040	5,753
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(6,320)	(7,879)
Calculated tax equivalent and debt guarantee fee	(67)	(60)
Operating Result from Continuing Operations	1,653	(2,186)
Capital grants and contributions	405	742
Corporate tax equivalent	(430)	0
(Deficit) / Surplus after tax	1,628	(1,444)
Dividend (paid) / Subsidy received to General Fund	0	(30)

The Operating Result from Continuing Operations in 2020/21 was impacted significantly by a turnaround in income and a decrease in expenses.

Operating Income for 2019/20 had been significantly impacted by the COVID-19 pandemic, decreased \$1.174m from 2018/19 total operating income of \$6.927m. Despite a continuation of the pandemic, income levels for 2020/21 have surpassed the pre-pandemic levels due to the expansion of regional routes and additional flights between capital cities.

Expenses for 2019/20 included a loss of disposal of assets of \$2.342m and an impairment expense of \$216k. Excluding the impact of the 2019/20 loss of disposal of assets and the impairment expense, expenses increased by \$999k, consistent with activity levels.

Statement of Financial Position	2020/21 (\$'000)	2019/20 (\$'000)
Current Assets (cash, cash equivalents)	2,862	2,337
Non-current assets (infrastructure, property, plant and equipment)	36,347	36,192
Current liabilities (provisions)	(110)	(147)
Current liabilities (borrowings)	(521)	(561)
Non-current liabilities (borrowings)	(4,357)	(5,725)
Net Equity	34,221	32,096

The movement in non-current assets represents a capital expenditure of \$1.2m and depreciation of \$1.0m. No new borrowings were drawn in 2020/21. Principal repayments totalling \$1.4m were made during the year.

Land Development

Operating Result	2020/21 (\$'000)	2019/20 (\$'000)
Income from continuing operations (excluding capital income)	1,396	3,677
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(449)	(2,127)
Calculated tax equivalent and debt guarantee fee	(213)	(148)
Operating Result from Continuing Operations	734	1,402
Corporate tax equivalent	(191)	(386)
Surplus after tax	543	1,016
Dividend paid to/(received from) General Fund	22	(3,547)

Income for 2021 includes:

- Sale of land 54 North Creek Rd \$314k
- Rental income of \$382k from the Southern Cross Norfolk Homes and ARC buildings
- Increase in value of investment properties \$690k

Income for 2020 included:

- Sale of land 54 North Creek Rd \$2.521m
- Sale of land Russellton estate \$327k
- Rental income of \$380k from the Southern Cross Norfolk Homes and ARC buildings
- Increase in value of investment properties \$440k

Expenses for 2020/21 consist primarily of cost of sales for the land sales made in the year (\$249k), costs incurred for the Southern Cross Masterplan (\$73k) and loan interest expense \$95k).

For 2020/21, a dividend of \$22k was paid from the General Fund to Property reserves.

For 2019/20, the dividend of \$3.547m paid by Property reserves to the General Fund consisted of:

- Contribution to fund the construction of Airport Boulevard \$3.5m
- Contribution to fund Shelly Beach Café site improvements \$46.7k

Statement of Financial Position	2020/21 (\$'000)	2019/20 (\$'000)
Current Assets (cash, cash equivalents)	815	(598)
Non-current assets (land inventory)	8,294	7,567
Non-current assets (investment properties)	6,960	6,270
Current liabilities (borrowings)	(141)	(138)
Non-current liabilities (borrowings)	(5,320)	(3,462)
Net Equity	10,608	9,639

Land inventory at 30 June 2021 consists of Southern Cross / Boeing Ave, Wollongbar Urban Expansion Stage 3 and the Russellton Estate. Land inventory increased from 30 June 2020 due to development costs during the year on Wollongbar Urban Expansion Stage 3.

Investment properties (the ARC Building and the Norfolk home site) were independently revalued as at 30 June 2021. This follows a revaluation that had been completed as at 30 June 2020. Historically these properties have been revalued every three years. However the economic impact of the COVID-19 pandemic has continued to cause uncertainty in the fair value of investment properties necessitating the revaluation.

This resulted in a net increase to the valuation of \$690,000 (following on from an increase to the valuation of \$440,000 in 2019/20).

The increase of \$690,000 consisted of an increase of \$480,000 in the value of the ARC Building and an increase of \$210,000 in the value of the Norfolk home site.