# Tasmania Development and Resources

## Annual Report 2014-15

Tasmanian Government

Department of State Growth

# Contents





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# Submission to Minister

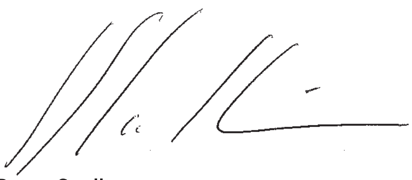
**Matthew Groom**

Minister for State Growth

Dear Minister

In accordance with the requirements of Section 29E of the *Tasmanian Development Act 1983*, I submit to you, for presentation to Parliament, this report on the affairs and activities of Tasmania Development and Resources for the financial year ended 30 June 2015.

Yours sincerely



**Brian Scullin**

Chairman
Tasmanian Development Board
October 2015

# About this publication

Tasmania Development and Resources (TDR) is required under Section 29E of the *Tasmanian Development Act 1983* to produce an annual report for each financial year.

Further information is provided in the Industry and Business Development portfolio within the Department of State Growth Annual Report 2014-15.

# Chairman's foreword

The Tasmanian Development Board plays an important role in growing the state's economy. Supporting the Government's agenda for driving state growth and employment through increased business investment and activity is a key focus area for the Board.

This year has seen the Board's focus areas include;

» driving state economic and jobs growth through increased business investment and activity

» supporting the government's economic development policies, objectives and priorities, including consideration of a new farm development loan program as part of the government's AgriVision 2050 Strategy

» working closely with the Coordinator-General to support his role in attracting new investment and development to Tasmania.

A financial assistance package of up to $1.7 million was provided to establish and relocate the UXC Enterprise Development Centre from Sydney to Tasmania securing the creation and retention of 62 FTE positions for Tasmania. This will see Australia's largest locally-owned ICT company expand its operations in the state providing a boost to our growing ICT sector.

The Board provided advice and a recommendation that the Tasmanian Government support the expansion plans of Nystar smelter in Hobart. The agreement which was finalised in July 2015 will see $52 million invested in four transformational projects that will increase the site's capacity and create new jobs.

As well as the creation of new investment and associated employment it is important that the Board provides support for existing businesses to grow. The Red Velvet Lounge café in Cygnet received a $75 000 commercial loan assistance package to support its reestablishment following a fire. This support allowed the café to reopen creating up to a dozen direct jobs as well as providing an outlet for local producers.

With primary industries as one of Tasmania's great competitive strengths, the Board also administers the Australian Government's Farm Finance Concessional Loan Scheme, which provides access to loans up to $650 000 and 2014 / 2015 saw the approval of 13 loans totalling $5 628 348. The scheme is targeted at eligible farm businesses experiencing debt-servicing difficulties, but which are considered potentially viable in the longer term.

The Board also provided support to the development of and will manage the $10 million Tasmanian Government AgriGrowth Loan Scheme that will commence in 2015. The Scheme will provide low interest loans to Tasmanian farm businesses and agri-food businesses to drive an increase in the value of the agriculture and agri-food sectors in the state. This loan scheme will assist in unlocking a wealth of potential in farming and supports Governments vision for agriculture and growth in the Tasmanian economy.

In my first period as Chair I would like to thank the Minister for State Growth, Matthew Groom MP and my fellow Board Directors for their tireless work and dedication to supporting the economic growth and development of Tasmania. I would also like to thank the Chief Executive, Kim Evans and the Department of State Growth staff for their commitment in delivering results and for their quality advice and support to the Board.

I want to particularly acknowledge the outgoing Chairman of the Board, Lyn Cox, who left the role in August 2014. Lyn had served the board as Chairman for two years and three as a member and made a significant contribution to growing Tasmania's economy.

**Chairman**

Tasmanian Development and Resources Board
1 July 2015

# Chief Executive's message

The 2014 year saw the establishment of the Department of State Growth to drive economic growth and create jobs and opportunities for Tasmanians.

State Growth's first year has seen a new organisational structure put in place that reflects the strategic direction and priorities to move Tasmania forward. The department will focus on delivering outcomes for our Ministers and the Tasmanian community, in particular delivering commitments identified through Tasmanian budgets and in the government's *Our Plan for the Next 365 Days*.

Significant work has been done in the areas of industry support, job creation, growing the visitor economy, building Tasmania's brand and culture, and managing our infrastructure and transport systems

The Tasmanian Development and Resources Board has supported these aims and has worked closely with the new department over the past 12 months.

The Board provides advice on the department's industry-related activities, with a focus on the creation of investment and associated employment, by implementing the Tasmanian Government's economic and social strategies. The Board's specific areas of responsibility are established by the *Tasmanian Development Act 1983* and include governing the legal entity, Tasmania Development and Resources.

In this my second Annual Report as Chief Executive of the Tasmanian Development and Resources Board, I particularly want to acknowledge the support of the Minister for State Growth, the Chair and Directors of the Board and the staff that support us for their individual and collective contributions during the year.

In closing I would also like to thank Brian Scullin for his leadership during his first year as Chairman of the Tasmanian Development and Resources Board and look forward with optimism to our achievements in the coming year.

**Kim Evans**

Chief Executive
Tasmania Development and Resources Board

# Tasmanian Development Board


1. Brian Scullin
2. Professor Janelle Allison
3. James Walch
4. Brett Torossi
5. Darren Alexander
6. Narelle Hooper
7. Mark Ryan
8. Kim Evans

## Brian Scullin (Chairman)

Brian's early career was in the Australian Federal Government.

His executive career in superannuation and financial services between 1987 and 2002 saw him appointed inaugural Executive Director of the Association of Superannuation Funds of Australia.

In September 1993 Brian was appointed Vice President, Business Strategy, Bankers Trust Australia Limited and subsequently Executive Vice President, Funds Management. This role involved responsibility for all non-investment functions including legal, compliance, operations, technology, marketing and HR.

From November 1997 Brian was promoted to President, Japan Bankers Trust Company Limited and following a takeover by Deutsche Bank. In 1999 Brian was made Regional Head of Asia/Pacific, Deutsche Asset Management.

Brian retired from full-time employment in 2002 and since then has held a number of non-executive and industry positions including Chair of Spark Infrastructure, President of the RBF in Tasmania.

He is a Director of Possability (previously Optia Inc), a not-for-profit provider of services in the disability sector and Chair of Life Education Tasmania, a not-for-profit provider of health education services to primary schools.

## Professor Janelle Allison (Director)

Professor Janelle Allison is Pro Vice-Chancellor Community, Partnerships and Regional Development at the University of Tasmania. Prior to taking up this position, she was Director of the Cradle Coast Campus and Institute for Regional Development at the University of Tasmania.

Before coming to the University of Tasmania, Professor Allison was the Director of the Centre for Rural and Regional Innovation – Queensland (CRRI-Q) at the University of Queensland's Gatton Campus.

Professor Allison has a particular interest in the areas of participation and regional economic development. Her strategic and creative thinking has established new ways to approach lifelong learning.

As PVC Community, Partnerships and Regional Development, she provides strategic leadership and developing strategic initiatives in collaboration with Faculties and community and business/industry stakeholders.

Professor Allison also sits on the Joint Commonwealth Tasmania Economic Council, chaired by the Prime Minister, the Hon Tony Abbott MP, and the Caterpillar Transition Taskforce.

## James Walch (Director)

James Walch was appointed to the Tasmanian Development and Resources Board in August 2012. James has an active interest in the agriculture sector.

James is a farmer from Epping Forest and manages the property of Stewarton. Stewarton is a mixed farming operation, with enterprises including stock trading, potatoes, poppies, and irrigated lucerne.

James is a keen advocate of sustainable farming systems and sees the agricultural sector as a driver of the Tasmanian economy. James has been Tasmanian Farmers and Graziers Association (TFGA) President, Wool Council Chairman and is currently a member of the Environmental Policy Forum.

James recently sat on the Tasmanian Climate Action Council and the Australian Landcare Council. James is currently chair of the NRM North management committee.

## Brett Torossi (Director)

Brett Torossi was appointed to the Tasmanian Development and Resources Board in 2006 and is founder, owner and managing director of New Ground Network.

As a well-respected property developer and businesswoman, she focuses on creating and developing places that are innovative, sustainable and commercially successful. Her developments in Tasmania are in the tourism, residential and commercial sectors.

Brett has created a dynamic, jewel-box like modular Omnipod that cantilevers off a Hobart office tower. Omnipod is an invention that provides flexible, re-locatable, beautiful spaces to inhabit.

Brett's accommodation experience, Avalon Retreats, is a collection of boutique tourism developments in Hobart and on Tasmania's east coast.

Brett's other current projects include long-term, major development project, 'The Green' in Launceston. The Green is an innovative and sustainable development that will be home to around 500 families. It has been planned to create a cohesive, safe, vibrant and inclusive community.

Brett's other appointments include; Chair, Tasmanian Heritage Council; Director, Wallis Watson Capital Ltd, Director, Tourism Tasmanian; Chair, Tourism Tasmania Finance Audit and Risk Committee; Non singing Director, Festival of Voices; Trustee, Tasmanian Museum and Art Gallery, Chair TMAG Audit Committee; Chair, Tasmanian Cultural Policy Steering Group and Director, National Board of Creative Partnerships Australia.

## Darren Alexander (Director)

Darren Alexander was appointed to the Tasmanian Development and Resources Board in August 2012. Darren has been involved in the Tasmanian ICT industry for the past 17 years, regularly travelling the world to promote Autech and Tasmanian ICT.

Darren's passion is Tasmanian small business, ICT and in particular, the National Broadband Network. Darren is committed to growing the Tasmanian ICT sector and a strong advocate for the ongoing development and success of Tasmanian small business and Tasmanian ICT companies.

Darren represents the ICT and small business industries on a number of boards including as a past President of TAS ICT, Tasmania's peak industry body, and past Chairman of the TCCI Small Business committee.

Darren has been involved in the growth and benefits of the Brand Tasmania as he has been on the Brand Tasmanian Council for the past five years.

Most recently Darren was appointed as an Alderman for the Launceston City Council, where Darren's role as Chairman of the Economic Development Committee and Chair of the Launceston City Heart Reference Group as well as on the UTAS/LCC reference group.

Darren is the CEO of Autech, one of the most awarded ICT companies in Tasmania, winning more than 24 state, national and international awards. Autech was named "Australia's most innovative company" at the Inaugural G'Day USA innovation shoot-out in New York. Chosen by a panel of prestigious judges including the Wall Street Journal, Autech is the only Tasmanian Company to win this award.

## Narelle Hooper (Director)

A corporate adviser and company director, Narelle Hooper joined the Tasmanian Development and Resources Board in 2014. She is also a director of the Documentary Australia Foundation and the St James Ethics Centre. Her professional focus is on how organisations can make practical changes to innovate and grow their organisations in the New Economy.

Narelle was founding co-chair of Fairfax Media's annual Australian Financial Review -Westpac Women of Influence Awards.

Among her roles, Narelle has advised the Business Council of Australia on aspects of its long term Economic Action Plan, co-chaired the 2015 Future of Work Forum for the Vivid Festival of Ideas and chaired the CEO Institute Summit 2015.

Narelle grew up in central western NSW where her family ran a dairy farm and the local pub. She studied journalism at Canberra University and has a Masters of Management (Financial Management) from MGSM.

She worked as political correspondent for BRW, with ABC's national current affairs programs AM and PM and Radio National and SBS Television and was editor of the AFR's award winning BOSS Magazine.

Narelle is a Sydney Advisory Council member of the Centre for Social Impact and a member of the Australian Institute of Company Directors.

## Mark Ryan (Director)

Mark Ryan is the Managing Director and Chief Executive Officer of Tassal Group Limited.

Mark holds a Bachelor of Commerce from the University of Tasmania, is a Chartered Accountant, a fellow of Australia Institute of Management and a Member of Australian Institute of Company Directors.

Mark holds Board positions with the Tasmanian Development and Resources Board, Salmon Enterprises of Tasmania Pty Ltd (Industry hatchery), Chairman of Juicy Isle Pty Limited and Chairman of the Macquarie Point Development Corporation. Mark also provides strategic advice to the AFL with respect to football in Tasmania.

Mark has extensive experience in the finance and turnaround management sector, with experience gained through Cox Miller & Robinson (Hobart), Price Waterhouse (Hobart, Melbourne & Toronto Canada) PriceWaterhouseCoopers (Toronto Canada & Melbourne), Arthur Andersen (Melbourne) and KordaMentha (Melbourne). Mark was previously a partner with KordaMentha.

## Kim Evans (Chief Executive)

Kim Evans was appointed Secretary of the Department of State Growth in September 2014. Since April of that year, Kim had responsibility for establishing the new Department, which includes the functions of the former Departments of Infrastructure, Energy and Resources and Economic Development, Tourism and the Arts, together with Skills Tasmania.

Kim has been a Head of Agency in Tasmania for nearly twenty years, and until his current role, held the position of Secretary of the Tasmanian Department of Primary Industries, Parks, Water and Environment.

He has over twenty years experience in the management of Tasmania's primary industries and natural resources.

Kim has previously, and currently represents the Tasmanian Government on a number of state and national boards and committees including the Tasmanian Institute of Agriculture and the Institute of Marine and Antarctic Studies.

He is also the Tasmanian Government's representative on the Board of SALTAS, a company established to assist the development of the Tasmanian salmon and trout industry.

Kim is a graduate of the University of Tasmania where he completed his degree and Honours majoring in Science. He is also a member of the Australian Institute of Company Directors.

## Tasmanian Development and Resources Board meeting attendance

| Member | Number of meetings attended |
|---|---|
| Chairman, Lyn Cox[1] | 1 |
| Chairman, Brian Scullin[2] | 5 |
| Professor Janelle Allison | 9 |
| James Walch | 13 |
| Brett Torossi[3] | 11 |
| Darren Alexander | 12 |
| Narelle Hooper | 13 |
| Mark Ryan | 11 |
| Kim Evans | 12 |
| Keryn Nylander[4] | 8 |

1 Term expired July 2014
2 Appointed Chairman 1 December 2014
3 Presiding Chair for five meetings
4 Term expired December 2014

Absent, Professor Janelle Allison

# Policy objectives

The *Tasmanian Development Act 1983* outlines the policy objectives of Tasmania Development and Resources, namely:

» the stability of business undertakings in Tasmania

» the maintenance of maximum employment in Tasmania, and

» the prosperity and welfare of the people of Tasmania.

These objectives reflect the goals and strategies for the economic development activities of the Department of State Growth.

Prior to March 15, 2014, the following statement of policy objectives was in place.

» To support and grow businesses in Tasmania.

» To maximise Tasmania's economic potential in key sectors.

» To improve the social and environmental sustainability of the economy.

» To support and grow communities within regions.

The Board will be reviewing and updating its Statement of Corporate Intent in the 2015-16 year.

This information is provided in accordance with Section 29 E of the *Tasmanian Development Act 1983.*

# Grants and loans approval for 2014-15

The following summary is provided in accordance with Section 29E of the *Tasmanian Development Act 1983*.

| Loan/grant category | Number of loan/grant approvals | Total loan/grant approval amounts |
|---|---|---|
| Other | 20 | $30.318 million |
| **Total** | **20** | **$30.318 million** |

# Outstanding loan balances as at 30 June 2015

The following summary is provided in accordance with Section 29E of the *Tasmanian Development Act 1983*.

| Loan category | Number of loans | Total loan balances |
|---|---|---|
| Other | 49 | $38.399 million |
| **Total** | **49** | **$38.399 million** |

# Financial Statements

# Certification of Financial Statements

The accompanying Financial Statements of TDR have been prepared under Section 29B of the *Tasmanian Development Act 1983* and are in agreement with the relevant accounts and records. The Financial Statements have been prepared in compliance with the Treasurer's Instructions issued under the provision of the *Financial Management Audit Act 1990* to present fairly the financial transactions for the year ended 30 June 2015 and the financial position as at the of the year.

At the date of signing we are not aware of any circumstances which would render the particulars included in the Financial Statements misleading or inaccurate.

**Brian Scullin**
Chair of the Board

13 August 2015

**Kim Evans**
Chief Executive Officer

13 August 2015

# Tasmania Development and Resources

## Statement of Comprehensive Income for the year ended 30 June 2015

| | Notes | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|---|
| *Continuing operations* | | | |
| **Revenue and other income from transactions** | | | |
| Attributed revenue from Government | | | |
| Appropriation revenue – recurrent | 1.6(a), 4.1 | 21,223 | 32,108 |
| Appropriation revenue – section 8A of the *Public Account Act 1986* | 1.6(a), 4.1 | 1,800 | 3,230 |
| Grants | 1.6(b), 4.2 | 1,305 | 1,722 |
| Interest | 1.6(c), 4.3 | 1,955 | 1,754 |
| Other revenue | 1.6(d), 4.4 | 2,257 | 2,207 |
| **Total revenue and other income from transactions** | | **28,540** | **41,021** |
| | | | |
| **Expenses from transactions** | | | |
| Attributed employee benefits | 1.7(a), 5.1 | 9,130 | 14,340 |
| Depreciation and amortisation | 1.7(b), 5.2 | 329 | 482 |
| Supplies and consumables | 1.7(c), 5.3 | 5,850 | 9,176 |
| Grants and subsidies | 1.7(d), 5.4 | 10,216 | 11,711 |
| Finance costs | 1.7(e), 5.5 | 1,108 | 1,138 |
| Other expenses | 1.7(f), 5.6 | 285 | 420 |
| **Total expenses from transactions** | | **26,918** | **37,267** |
| | | | |
| **Net result from transactions (net operating balance)** | | **1,622** | **3,754** |
| | | | |
| **Other economic flows included in net result** | | | |
| Net gain/(loss) on non-financial assets | 1.8(a)(c), 6.1 | ... | (8) |
| Net gain/(loss) on financial instruments and statutory receivables/payables | 1.8(b), 5.2 | (448) | (218) |
| **Total other economic flows included in net result** | | **(448)** | **(226)** |
| ***Net result from continuing operations*** | | ***1,174*** | ***3,528*** |
| | | | |
| **Net result** | | **1,174** | **3,528** |
| | | | |
| **Other comprehensive income**<br>*Items that will not be reclassified subsequently to profit or loss* | | | |
| Changes in property asset revaluation reserve | 10.1 | ... | 2,632 |
| **Total other comprehensive income** | | ... | **2,632** |
| | | | |
| **Comprehensive result** | | **1,174** | **6,160** |

This Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Tasmania Development and Resources

## Statement of Financial Position as at 30 June 2015

| | Notes | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Assets** | | | |
| *Financial assets* | | | |
| Cash and deposits | 1.9(a), 11.1 | 26,782 | 27,279 |
| Receivables | 1.9(b), 7.1 | 388 | 539 |
| Loan advances | 1.9(c), 7.2 | 37,712 | 32,214 |
| Equity investments | 1.9(d), 7.3 | ... | 20 |
| *Non-financial assets* | | | |
| Property, plant and equipment and artwork | 1.9(e), 7.4 | 15,426 | 16,106 |
| Intangibles | 1.9(f), 7.5 | ... | ... |
| Other assets | 1.9(g), 7.6 | 55 | 731 |
| **Total assets** | | **80,363** | **76,889** |
| | | | |
| **Liabilities** | | | |
| Payables | 1.10(a), 8.1 | 475 | 447 |
| Interest bearing liabilities | 1.10(b), 8.2 | 40,513 | 36,110 |
| Provisions | 1.10(c), 8.3 | 442 | 815 |
| Attributed employee benefits | 1.10(d), 8.4 | 2,536 | 2,850 |
| Other liabilities | 1.10(f), 8.5 | 1,597 | 3,041 |
| **Total liabilities** | | **45,563** | **43,263** |
| | | | |
| **Net assets** | | **34,800** | **33,626** |
| | | | |
| **Equity** | | | |
| Reserves | 10.1 | 2,633 | 2,633 |
| Accumulated funds | | 32,167 | 30,993 |
| **Total equity** | | **34,800** | **33,626** |

This Statement of Financial Position should be read in conjunction with the accompanying notes.

# Tasmania Development and Resources

## Statement of Cash Flows for the year ended 30 June 2015

| | Notes | 2015 | 2014 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Cash flows from operating activities** | | Inflows (Outflows) | Inflows (Outflows) |
| **Cash inflows** | | | |
| Attributed Appropriation receipts - recurrent | | 22,807 | 35,132 |
| Grants | | 1,305 | 1,722 |
| Net GST | | 157 | 1,876 |
| Interest received | | 1,643 | 1,806 |
| Other cash receipts | | 2,292 | 2,548 |
| **Total cash inflows** | | **28,204** | **43,084** |
| **Cash outflows** | | | |
| Attributed employee benefits | | (9,462) | (16,011) |
| Grants and subsidies | | (10,855) | (12,545) |
| Interest payments | | (1,077) | (1,631) |
| Supplies and consumables | | (6,081) | (10,634) |
| Other cash payments | | (278) | (477) |
| **Total cash outflows** | | **(27,753)** | **(41,298)** |
| **Net cash from (used by) operating activities** | 11.2 | **451** | **1,786** |
| | | | |
| **Cash flows from investing activities** | | | |
| **Cash inflows** | | | |
| Proceeds from the disposal of non-financial assets | | 351 | 250 |
| Repayment of loans by other entities | | 9,831 | 7,603 |
| Receipts from investments | | ... | 20 |
| **Total cash inflows** | | **10,182** | **7,873** |
| **Cash outflows** | | | |
| Loans made to other entities | | (15,532) | (7,750) |
| Payments for acquisition of non-financial assets | | ... | (64) |
| Other cash payments | | ... | (782) |
| **Total cash outflows** | | **(15,532)** | **(8,596)** |
| **Net cash from (used by) investing activities** | | **(5,350)** | **(723)** |
| | | | |
| **Cash flows from financing activities** | | | |
| **Cash inflows** | | | |
| Proceeds from borrowings | | 15,000 | 15,000 |
| **Total cash inflows** | | **15,000** | **15,000** |
| **Cash outflows** | | | |
| Repayment of borrowings | | (10,598) | (3,970) |
| **Total cash outflows** | | **(10,598)** | **(3,970)** |
| **Net cash from (used by) financing activities** | | **4,402** | **11,030** |
| | | | |
| **Net increase (decrease) in cash held and cash equivalents** | | **(497)** | **12,093** |
| **Cash and deposits at the beginning of the reporting period** | | **27,279** | **15,186** |
| **Cash and deposits at the end of the reporting period** | 11.1 | **26,782** | **27,279** |

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Tasmania Development and Resources

## Statement of Changes in Equity for the year ended 30 June 2015

| | Notes | Reserves<br><br>$'000 | Accumulated funds<br>$'000 | Total equity<br>$'000 |
|---|---|---|---|---|
| **Balance as at 1 July 2014** | | **2,633** | **30,993** | **33,626** |
| Total comprehensive result | | ... | 1,174 | 1,174 |
| **Balance as at 30 June 2015** | | **2,633** | **32,167** | **34,800** |

| | Notes | Reserves<br><br>$'000 | Accumulated funds<br>$'000 | Total equity<br>$'000 |
|---|---|---|---|---|
| **Balance as at 1 July 2013** | | **1** | **27,465** | **27,466** |
| Adjustment due to re-classification | 1.5(c) | 2,623 | (440) | 2,183 |
| **Restated balance as at 1 July 2013** | | **2,624** | **27,025** | **29,649** |
| Total comprehensive result | | 9 | 3,968 | 3,977 |
| **Balance as at 30 June 2014** | | **2,633** | **30,993** | **33,626** |

This Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Notes to and forming part of the Financial Statements for the year ended 30 June 2015

# Note 1: Significant Accounting Policies

## 1.1 Objectives and Funding

The Tasmanian Development Authority (TDA) was established under the *Tasmanian Development Act 1983 (TD Act)*. Under Section 4(1) of the TD Act, the body corporate TDA operates under the corporate name Tasmania Development and Resources (TDR).

TDR has the mission to encourage and promote the balanced economic development of Tasmania by sustaining an effective partnership between business and government which fully utilises the strategic advantages and human resources of the State that will best contribute to:

- The stability of business undertakings in Tasmania
- The maintenance of maximum employment in Tasmania and
- The prosperity and welfare of the people of Tasmania.

TDR is committed to enhancing the capability of Tasmanian businesses and improving local, national and international opportunities for business in Tasmania.

TDR forms part of the Department of State Growth (the Department). The activities of TDR are predominantly funded through Parliamentary appropriations.

The Financial Statements encompass all funds through which TDR controls resources to carry on its functions. TDR activities are classified as controlled. Controlled activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by TDR in its own right.

The financial management and reporting obligations of TDR are governed by the TD Act and the *Financial Management and Audit Act 1990* (FMAA).

## 1.2 Basis of Accounting

The Financial Statements are general purpose Financial Statements and have been prepared in accordance with:

- *The Tasmanian Development Act 1983*
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board; and
- The Treasurer's Instructions issued under the provisions of the *Financial Management and Audit Act 1990*.

The Financial Statements were signed by the Chair of the Board and the Chief Executive Officer on 13 August 2015.

Compliance with the Australian Accounting Standards (AAS) may not result in compliance with International Financial Reporting Standards (IFRS), as the AAS include requirements and options available to not-for-profit organisations that are inconsistent with IFRS. TDR is considered to be not-for-profit and has adopted some accounting policies under the AAS that do not comply with IFRS.

The Financial Statements have been prepared on an accrual basis and, except where stated, are in accordance with the historical cost convention. The accounting policies are generally consistent with the previous year except for those changes outlined in Note 1.5.

The Financial Statements have been prepared as a going concern. The continued existence of TDR in its present form, undertaking its current activities, is dependent on government policy and on continuing appropriations by parliament for TDR's administration and activities. Attributed revenue and expenses are allocated on a basis determined by the Department of State Growth.

## 1.3 Reporting Entity

The Financial Statements include all the controlled activities of TDR and consolidate material transactions and balances of TDR.

## 1.4 Functional and Presentation Currency

These Financial Statements are presented in Australian dollars, which is TDR's functional currency.

## 1.5 Changes in Accounting Policies

### (a) Impact of new and revised Accounting Standards

In the current year, TDR 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:

- 2013 9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015]* - The objective of this Standard is to make amendments to the Standards and Interpretations listed in the Appendix:

  (a) as a consequence of the issue of Accounting Framework AASB CF 2013 1 *Amendments to the Australian Conceptual Framework*, and editorial corrections, as set out in Part A of this Standard;

  (b) to delete references to AASB 1031 *Materiality* in other Australian Accounting Standards, and to make editorial corrections, as set out in Part B of this Standard; and

  (c) as a consequence of the issuance of IFRS 9 *Financial Instruments – Hedge Accounting* and amendments to IFRS 9, IFRS 7 and IAS 39 by the IASB in November 2013, as set out in Part C of this Standard.

  There is no financial impact.

## (b) Impact of new and revised Accounting Standards yet to be applied

The following applicable Standards have been issued by the AASB and are yet to be applied:

» AASB 15 *Revenue from Contracts with Customers* – The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, an uncertainty of *revenue* and cash flows arising from a *contract* with a *customer*. This Standard applies to annul reporting periods beginning on or after 1 January 2017. Where an entity applies the Standard to an earlier annual reporting period, it shall disclose that fact. TDR has not yet determined the potential effect of the revised Standard, however it is anticipated that there will not be any material effect.

» 2010-7, 2014-7 and 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9* – The objective of these Standards is to make amendments to various standards as a consequence of the issuance of AASB 9 *Financial Instruments* in December 2010. TDR has determined that the potential impact of implementation will be nil.

» 2014 4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]* – The objective of this Standard is to make amendments to:

(a) AASB 116 *Property, Plant and Equipment*; and

(b) AASB 138 *Intangible Assets*;

as a consequence of the issuance of International Financial Reporting Standard *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16 and IAS 38) by the International Accounting Standards Board in May 2014. It is anticipated that there will not be any financial impact.

» 2014 8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]* – The objective of this Standard The objective of this Standard is to make amendments to:

(a) AASB 9 *Financial Instruments* (December 2009); and

(b) AASB 9 *Financial Instruments* (December 2010);

as a consequence of the issuance of AASB 9 *Financial Instruments* in December 2014. It is anticipated that there will not be any financial impact.

» 2015 2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]* – The objective of this Standard is to make amendments to various standards (as noted) as a consequence of the issuance of International Financial Reporting Standard Disclosure Initiative (Amendments to IAS 1) by the International Accounting Standards Board in December 2014, and to make an editorial correction. It is anticipated that there will not be any financial impact.

» 2015 3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* - The objective of this Standard is to effect the withdrawal of AASB 1031 *Materiality* and to delete references to AASB 1031 in the Australian Accounting Standards, as set out in paragraph 13 of this Standard. TDR has determined that the potential impact is nil.

» 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* - The objective of this Standard is to extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit public sector entities. There will be no material financial impact however there is likely to be more disclosures.

## (c) Impact of re-classification of Investment Property

During 2014-15 the Board re-classified Investment Property as Land and Buildings. The re-classification has been made recognising the social service objectives of TDR and the primary purpose for the acquisition of the asset which is to provide a service to the business sector with the objective of fostering and driving innovation and business growth. AASB 140 paragraph 9.1 provides an exemption from the definition of investment property for property held to meet service delivery objectives by not-for-profit entities. As result of this re-classification opening balances and 2013-14 comparative amounts were adjusted as per AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraph 22. Refer to Note 7.4.

| | 2014 $'000 |
|---|---|
| **Statement of Comprehensive Income** | |
| Opening balance | 3,790 |
| Adjustment to Net result | (440) |
| Adjustment to Asset revaluation reserve | 2,623 |
| Closing balance | **5,973** |
| | |
| **Statement of Financial Position** | |
| Net assets | 31,256 |
| Adjustment to assets – Investment property | (9,510) |
| Adjustment to assets – Provision for impairment - Investment property | 146 |
| Adjustment to assets - Provision for impairment - Receivables | (146) |
| Adjustment to assets – Land and buildings | 11,693 |
| Net assets including expected impact | **33,439** |

## 1.6 Income from Transactions

Income is recognised in the Statement of Comprehensive Income when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably.

### (a) Attributed revenue from Government

Attributed Appropriations, whether recurrent or capital, are recognised as revenues in the period in which TDR gains control of the appropriated funds as allocated by the Department. Except for any amounts identified as carried forward in Notes 4.1, control arises in the period of appropriation.

### (b) Grants

Grants payable by the Australian Government are recognised as revenue when TDR gains control of the underlying assets. Where grants are reciprocal, revenue is recognised as performance occurs under the grant.

Non-reciprocal grants are recognised as revenue when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

### (c) Interest

Interest on funds invested is recognised as it accrues using the effective interest rate method. Interest revenue includes interest received by TDR on some Loan Advances.

### (d) Other revenue

Other revenue includes sundry fee revenues and rent and other income received relating to *War Service Land Settlement Act 1950*, rural properties and properties and are recognised as revenue in the period in which TDR gains control of the funds.

## 1.7 Expenses from Transactions

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

### (a) Attributed employee benefits

TDR does not employ staff in its own right; activities of TDR are delivered by staff employed by the Department. That share of the employee benefits incurred by the Department that relate to TDR activities are included in the Statement of Comprehensive Income as Attributed Employee Benefits and include where applicable, entitlements to wages and salaries, annual leave, sick leave, long service leave, superannuation and any other post-employment benefits.

### (b) Depreciation and amortisation

All applicable Non-financial assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Land, being an asset with an unlimited useful life, is not depreciated. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements, once the asset is held ready for use.

Artwork assets are not depreciated.

Depreciation is provided for on a straight-line basis using rates which are reviewed annually. The major depreciation periods are:

| | |
|---|---|
| Plant and equipment | 3-25 years |
| Buildings | 20-80 years |
| Leasehold improvements | 5-12 years |

All intangible assets having a limited useful life are systematically amortised over their useful lives reflecting the pattern in which the asset's future economic benefits are expected to be consumed by TDR. Major amortisation period is:

| | |
|---|---|
| Software | 1-5 years |

### (c) Supplies and consumables

Supplies and consumables, including audit fees, advertising and promotion, communications, consultants and contracted services, information technology, operating lease costs, property expenses, purchase of goods and services, travel and transport, and legal expenses, are recognised when it is probable that the consumption or loss of future economic benefits resulting in a reduction in assets and/or an increase in liabilities has occurred and the consumption or loss of future economic benefits can be measured reliably.

### (d) Grants and subsidies

Grant and subsidies expenditure is recognised to the extent that:

» the services required to be performed by the grantee have been performed; or

» the grant eligibility criteria have been satisfied.

A liability is recorded when TDR has a binding agreement to make the grants but services have not been performed or criteria satisfied. Where grant monies are paid in advance of performance or eligibility, a prepayment is recognised.

The program / project commitments show amounts approved to clients payable over one year or greater than one year on which the actual amount payable is dependent upon expenditure being incurred and certain conditions being met by these clients and a claim submitted and approved for payment. The estimated commitment as at 30 June has been included in these cases.

### (e) Finance costs

All finance costs are expensed as incurred using the effective interest method.

Finance costs include:

» interest on bank overdrafts and short term and long term borrowings;

» unwinding of discounting of provisions;

» amortisation of discounts or premiums related to borrowings; and

» amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

### (f) Other expenses

Other expenses are recognised when it is probable that the consumption or loss of future economic benefits resulting in a reduction in assets and/or an increase in liabilities has occurred and the consumption or loss of future economic benefits can be measured reliably.

## 1.8 Other economic Flows included in Net Result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

### (a) Gain/(loss) on sale of non-financial assets

Gains or losses from the sale of Non-financial assets are recognised when control of the assets has passed to the buyer.

### (b) 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 effect 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, the reversal is recognised in profit or loss.

### (c) Impairment – 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. TDR's assets are not used for the purpose of generating cash flows; therefore value in use is based on depreciated replacement cost where the asset would be replaced if deprived of it.

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

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

### (d) Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows includes gains or losses from reclassifications of amounts from reserves and/or accumulated surplus to net result, and from the revaluation of the present values of the long service leave liability due to changes in the bond interest rate.

## 1.9 Assets

Assets are recognised in the Statement of Financial Position when it is probable that future economic benefits will flow to TDR and the asset has a cost or value that can be measured reliably.

### (a) Cash and deposits

Cash means notes, coins, any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund. Deposits are recognised at amortised cost, being their face value.

### (b) Receivables

Receivables are recognised at amortised cost, less any impairment losses, however, due to the short settlement period, receivables are not discounted back to their present value.

### (c) Loan advances

Loan advances are held to maturity and are measured at amortised cost subsequent to initial recognition. Impairment of loan advances are reviewed on an ongoing basis. Impairment losses are recognised when there is an indication that there is a measurable decrease in the collectability of loan advances. Loan advances that are known to be uncollectable are written off. Loan advances include financial assistance provided by TDR to the private sector in the form of loans.

### (d) Equity investments

Equity investments are initially recorded at cost and at net recoverable value subsequent to initial recognition determined as follows:

» Listed companies - the share's current market value for listed public companies; and

» Unlisted companies – based on estimated recoverable amount.

Changes in the value of equity investments are accounted for as net increases or reversals of impairment losses.

The equity method of accounting has not been used to bring to account the financial operations of equity investments within the Financial Statements. TDR's investment in these equity investments was made for the purpose of achieving industry development outcomes consistent with the goals and objectives of TDR, not for the purpose of achieving a commercial investment return or other standard commercial objectives.

As such, TDR considers that it would be inappropriate to apply the equity method of accounting. Incorporation into TDR's Financial Statements of financial information relating to these equity investments could provide users of the TDR's Financial Statements with a misleading indication of its financial performance.

### (e) Property, plant and equipment and artwork

*(i) Valuation basis*

Rural properties are recorded at fair value. Fair value of these properties equates to the option prices deemed on the individual properties. These option prices are the amounts receivable should the tenants exercise the option to purchase the freehold title.

Artwork assets are recorded at fair value.

All other Non-current physical assets are recorded at historic cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

*(ii) Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to TDR and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

*(iii) Asset recognition threshold*

The asset capitalisation threshold adopted by TDR is $10,000 for all assets. Assets valued at less than $10,000 are charged to the Statement of Comprehensive Income in the year of purchase (other than where they form part of a group of similar items which are material in total).

*(iv) Revaluations*

TDR has adopted a revaluation threshold of $50,000. Non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset does not differ materially from fair value at reporting date.

Assets are grouped on the basis of having a similar nature or function in the operations of TDR.

### (f) Intangibles

An intangible asset is recognised where:

» it is probable that an expected future benefit attributable to the asset will flow to TDR; and

» the cost of the asset can be reliably measured.

Intangible assets held by TDR are valued at fair value less any subsequent accumulated amortisation and any subsequent accumulated impairment losses where an active market exists. Where no active market exists, intangibles are valued at cost less any accumulated amortisation and any accumulated impairment losses.

### (g) Other assets

Other assets are recognised in the Statement of Financial Position when it is probable that the future economic benefits will flow to TDR and the asset has a cost or value that can be measured reliably.

## 1.10 Liabilities

Liabilities are recognised in the Statement of Financial Position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

### (a) Payables

Payables, including goods received and services incurred but not yet invoiced, are recognised at amortised cost, which due to the short settlement period, equates to face value, when TDR becomes obliged to make future payments as a result of a purchase of assets or services.

### (b) Interest bearing liabilities

Bank loans and other loans are initially measured at fair value, net of transaction costs. Bank loans and other loans are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

### (c) Provisions

A provision arises if, as a result of a past event, TDR has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Any right to reimbursement relating to some or all of the provision is recognised as an asset when it is virtually certain that the reimbursement will be received.

### (d) Attributed employee benefits

Liabilities for wages and salaries and annual leave are recognised when an employee becomes entitled to receive a benefit. Those liabilities expected to be realised within 12 months are measured as the amount expected to be paid. Other employee entitlements are measured as the present value of the benefit at 30 June, where the impact of discounting is material, and at the amount expected to be paid if discounting is not material.

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

### (e) Superannuation

*(i) Defined contribution plans*

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense when they fall due.

*(ii) Defined benefit plans*

A defined benefit plan is a post employment benefit plan other than a defined contribution plan.

TDR does not recognise a liability for the accruing superannuation benefits for employees delivering TDR activities. This liability is held centrally and is recognised within the Finance-General Division of the Department of Treasury and Finance.

### (f) Other liabilities

Other liabilities are recognised in the Statement of Financial Position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

## 1.11 Leases

TDR has entered into a number of operating lease agreements for property, plant and equipment, where the lessors effectively retain all the risks and benefits incidental to ownership of the items leased. Equal instalments of lease payments are charged to the Statement of Comprehensive Income over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

TDR is prohibited by Treasurer's Instruction 502 *Leases* from holding finance leases.

## 1.12 Judgements and Assumptions

In the application of Australian Accounting Standards, TDR is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Details of significant accounting judgements are included at Note 3.

## 1.13 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated gains and losses are not material.

## 1.14 Comparative Figures

Comparative figures have been adjusted to reflect any changes in accounting policy or the adoption of new standards. Details of the impact of any changes in accounting policy on comparative figures are at Note 1.5.

Where amounts have been reclassified within the Financial Statements, the comparative statements have been restated.

## 1.15 Rounding

All amounts in the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise stated. As a consequence, rounded figures may not add to totals. Amounts less than $500 are rounded to zero and are indicated by the symbol "...".

## 1.16 Taxation

TDR is exempt from all forms of taxation except Fringe Benefits Tax and the Goods and Services Tax (GST).

## 1.17 Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax, except where the GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of GST. The net amount recoverable, or payable, to the ATO is recognised as an asset or liability within the Statement of Financial Position.

In the Statement of Cash Flows, the GST component of cash flows arising from operating, investing or financing activities which is recoverable from, or payable to, the Australian Taxation Office is, in accordance with the Australian Accounting Standards, classified as operating cash flows.

# Note 2: Events Occurring After Balance Date

There have been no events subsequent to balance date which would have a material effect on TDR's Financial Statements as at 30 June 2015 with the exception of the following:

The government has approved a guarantee of $29 million to support the redevelopment of the Nyrstar Risdon smelter. It is expected the guarantee will be formalised in the latter half of 2015.

# Note 3: Significant Accounting Judgements

Judgements made by TDR that have significant effects on the Financial Statements are disclosed in the following Notes:

» Note 6.2, 1.8 - Net gain/(loss) on financial instruments and statutory receivables/payables;

» Note 7.2, 1.9(c) - Loan advances;

» Note 7.3, 1.9(d) - Equity investments;

» Note 7.4, 1.9(e) - Property, plant and equipment and artwork;

» Note 8.4, 1.10(d) - Attributed employee benefits.

TDR has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

# Note 4: Income from Transactions

## 4.1 Attributed revenue from Government

Attributed revenue from government includes revenue from appropriations and appropriations carried forward under section 8A(2) of the *Public Account Act 1986*.

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| *Continuing operations* | | |
| Attributed appropriation revenue – recurrent | | |
| Current year | 21,223 | 32,108 |
| **Total** | **21,223** | **32,108** |
| | | |
| Revenue from Government – other | | |
| Attributed appropriation carried forward under section 8A(2) of the *Public Account Act 1986* taken up as revenue in the current year. | 1,800 | 3,230 |
| **Total** | **1,800** | **3,230** |
| | | |
| **Total attributed revenue from Government** | **23,023** | **35,338** |

Section 8A(2) of the *Public Account Act 1986* allows for an unexpended balance of an appropriation to be transferred to an Account in the Special Deposits and Trust Fund for such purposes and conditions as approved by the Treasurer. In the initial year, the carry forward is recognised as a liability, Revenue Received in Advance. The carry forward from the initial year is recognised as revenue in the reporting year, assuming that the conditions of the carry forward are met and the funds are expended.

## 4.2 Grants

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| **Grants from the Australian Government** | | |
| Farm Finance Administration | 1,000 | 1,500 |
| Industry Capability Network – National Broadband Network | ... | 161 |
| General grants | 305 | 61 |
| **Total** | **1,305** | **1,722** |

## 4.3 Interest

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Interest | 1,955 | 1,754 |
| **Total** | **1,955** | **1,754** |

## 4.4 Other revenue

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Property rental | 1,125 | 767 |
| Property other revenue | 441 | 419 |
| Other | 691 | 1,021 |
| **Total** | **2,257** | **2,207** |

# Note 5: Expenses from Transactions

## 5.1 Attributed employee benefits

**(a) Attributed Employee expenses**

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Wages and salaries | 5,485 | 11,246 |
| Annual leave | 390 | 620 |
| Long service leave | (192) | (780) |
| Sick leave | 280 | 393 |
| Superannuation – defined benefit scheme | 121 | 189 |
| Superannuation – contribution schemes | 846 | 1,318 |
| Other post-employment benefits | 1,968 | 897 |
| Other employee expenses | 232 | 457 |
| **Total** | **9,130** | **14,340** |

Superannuation expenses relating to defined benefits schemes relate to payments into the Consolidated Fund. The amount of the payment is based on an employer contribution rate determined by the Treasurer, on the advice of the State Actuary. The current employer contribution is 12.75 per cent (2013-14 12.5 per cent) of salary.

Superannuation expenses relating to defined contribution schemes are paid directly to superannuation funds at a rate of 9.5 per cent (2013-14 9.25 per cent) of salary. In addition, TDR is also required to pay into the Consolidated Fund a "gap" payment equivalent to 3.25 per cent (2013-14 3.5 per cent) of salary in respect of employees who are members of contribution schemes.

### (b) Remuneration of Key management personnel

| 2015 | Short-term benefits Salary $'000 | Other Benefits $'000 | Long-term benefits Superannuation $'000 | Post-Employment Benefits $'000 | Termination Benefits $'000 | Other Benefits & Long-Service Leave $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Board Members** | | | | | | | |
| Brian Scullin, Chairman (from 1/12/2014) | 27 | … | 3 | … | … | … | 30 |
| Mark Ryan, Director | 28 | … | 3 | … | … | … | 31 |
| Keryn Nylander, Director (to 13/12/2014) | 14 | … | 1 | … | … | … | 15 |
| James Walch, Director | 28 | … | 3 | … | … | … | 31 |
| Brett Torossi, Director | 29 | … | 3 | … | … | … | 32 |
| Janelle Allison, Director | 28 | … | … | … | … | … | 28 |
| Darren Alexander, Director | 28 | … | 3 | … | … | … | 31 |
| Narelle Hooper, Director | 28 | … | 3 | … | … | … | 31 |
| **Total** | **210** | **…** | **19** | **…** | **…** | **…** | **229** |

TDR Director Janelle Allison declined to receive remuneration in lieu of a direct payment to the University of Tasmania.

TDR Chief Executive Kim Evans receives no remuneration for this role. Kim Evans' remuneration is for his role as Secretary of the Department of State Growth and is disclosed in the Department of State Growth's financial statements.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of TDR, directly or indirectly.

Remuneration during 2014-15 for key personnel is set by the *Tasmanian Development Act 1983*. Remuneration and other terms of employment are specified in employment contracts. Fringe benefits have been reported at the grossed up reportable fringe benefits amount. The Fringe Benefits Tax (FBT) year runs from 1 April to 31 March each year, any FBT attributable to key management personnel is reported on that basis. Long term employee expenses include superannuation obligations and termination payments.

## 5.2 Depreciation and amortisation

### (a) Depreciation

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Plant and equipment | 46 | 65 |
| Buildings | 110 | … |
| **Total** | **156** | **65** |

### (b) Amortisation

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Intangibles | … | 239 |
| Leasehold improvements | 173 | 178 |
| **Total** | **173** | **417** |
| **Total depreciation and amortisation** | **329** | **482** |

## 5.3 Supplies and consumables

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| Audit fees – financial audit | 30 | 64 |
| Audit fees – internal audit | 12 | 26 |
| Operating lease costs | 570 | 1,484 |
| Consultants and contracted services | 2,582 | 2,647 |
| Property services | 723 | 964 |
| Maintenance | 237 | 236 |
| Communications | 137 | 276 |
| Information technology | 107 | 1,227 |
| Travel and transport | 381 | 819 |
| Advertising and promotion | 761 | 821 |
| Other supplies and consumables | 310 | 612 |
| **Total** | **5,850** | **9,176** |

## 5.4 Grants and subsidies

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| Grants | 10,183 | 11,598 |
| Sponsorship | 33 | 113 |
| **Total** | **10,216** | **11,711** |

TDR provides grants to assist Tasmanian enterprises with industry development and employment assistance. These include assistance in the areas of exporting, innovation, contact centres and skill development. TDR also disburses designated specific purpose grants allocated from the government's Special Capital Investment Funds.

## 5.5 Finance costs

| | Notes | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|---|
| **Interest expense** | | | |
| Interest loans | | 1,074 | 1,106 |
| **Total** | | **1,074** | **1,106** |
| | | | |
| **Other finance costs** | | | |
| Unwinding of discounting of provisions | 8.3(b) | 34 | 27 |
| Other finance costs | | ... | 5 |
| **Total** | | **34** | **32** |
| | | | |
| **Total finance costs** | | **1,108** | **1,138** |

## 5.6 Other expenses

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| Salary on-costs | (3) | 80 |
| Seminars and conferences | 144 | 104 |
| Expenses associated with investment property | 2 | 2 |
| Other | 142 | 234 |
| **Total** | **285** | **420** |

# Note 6: Other Economic Flows included in Net Result

## 6.1 Net gain/(loss) on non-financial assets

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Net gain/(loss) on disposal of non-financial assets | ... | (8) |
| **Total net gain/(loss) on non-financial assets** | **...** | **(8)** |

## 6.2 Net gain/(loss) on financial instruments and statutory receivables/payables

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Impairment reversals/(losses) for: | | |
| Loans advances | (428) | 1,488 |
| Equity investments | (20) | (8) |
| Statutory receivables | ... | (146) |
| Loan advances written off during the year | ... | (1,552) |
| **Total net gain/(loss) on financial instruments** | **(448)** | **(218)** |

Equity investments impairment transaction during 2014-15 relate to First Tasmania Investment Ltd. Refer to Note 7.3.

Loan advances written-off in 2013-14 for Section 35 Loans Administered by TDR related to Tas-Air Pty Ltd ($1.5 million).

# Note 7: Assets

## 7.1 Receivables

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Receivables | 298 | 292 |
| Less: Provision for impairment | (146) | (146) |
| **Total** | **152** | **146** |
| | | |
| Tax assets | 236 | 393 |
| **Total** | **236** | **393** |
| | | |
| **Total** | **388** | **539** |
| | | |
| Settled within 12 months | 388 | 539 |
| Settled in more than 12 months | ... | ... |
| **Total** | **388** | **539** |

## 7.2 Loan advances

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Section 35 Loans Administered by TDR | 22,220 | 23,286 |
| Bushfire Loan Recovery Program | 1,114 | 1,365 |
| *Tasmanian Development Act 1983* | 5,590 | 4,834 |
| *Fire Damage Relief Act 1967* | 23 | 23 |
| *Farm Water Development Act 1985* | ... | 721 |
| Farm Finance Loan Scheme | 7,490 | ... |
| Renewable Energy Loan Scheme | 2,222 | 2,503 |
| Less: Provision for impairment | (947) | (518) |
| **Total** | **37,712** | **32,214** |
| | | |
| Settled within 12 months | 16,658 | 12,656 |
| Settled in more than 12 months | 21,054 | 19,558 |
| **Total** | **37,712** | **32,214** |

Loan advances include financial assistance provided by TDR to the private sector in the form of loans.

Under the provisions of the *Tasmanian Development Act 1983*, TDR has the power to provide loans to clients that assist in the development and expansion of the Tasmanian economy. Generally, these loans are provided on the basis of commercial terms, conditions, interest rates and security.

| Reconciliation of movement in provision for impairment of other financial assets | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Carrying amount at 1 July** | **518** | **2,006** |
| Increase/(decrease) in provision recognised in net result | 429 | (1,488) |
| **Carrying amount at 30 June** | **947** | **518** |

*Tasmanian Development Act 1983* loan advance impaired in previous years relate to J & A Gretschmann ($300,000).

Section 35 Loans Administered by TDR impaired in previous years relate to Training Opportunities and Options for Learning Inc ($70,000) and Blockmack Pty Ltd ($160,000). New loans impaired in 2014-15 by the TDR Board relate to Ratho Developments Pty Ltd ($350,000) and Vision 35 Pty Ltd ($67,420).

## 7.3 Equity investments

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Listed shares – at cost | 2,412 | 2,412 |
| Listed shares – converted | 944 | 944 |
| Unlisted equity instruments | 4,362 | 4,362 |
| Less: Provision for impairment | (7,718) | (7,698) |
| **Total** | **...** | **20** |
| | | |
| Settled within 12 months | ... | ... |
| Settled in more than 12 months | ... | 20 |
| **Total** | **...** | **20** |

| Reconciliation of movement in provision for impairment of equity investments | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Carrying amount at 1 July** | **7,698** | **7,690** |
| Increase/(decrease) in provision recognised in net result | 20 | 8 |
| **Carrying amount at 30 June** | **7,718** | **7,698** |

## 7.4 Property, plant and equipment and artwork

### (a) Carrying amount

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Land** | | |
| Properties - at fair value (30 June 2015) | 4,393 | 4,393 |
| Rural properties - at fair value (30 June 2015) | 2,815 | 3,166 |
| **Total** | **7,208** | **7,559** |
| **Buildings** | | |
| At fair value (30 June 2015) | 7,300 | 7,300 |
| Less: Accumulated depreciation | (110) | ... |
| **Total** | **7,190** | **7,300** |
| **Leasehold improvements** | | |
| At cost | 2,018 | 2,018 |
| Less: Accumulated amortisation | (1,186) | (1,013) |
| **Total** | **832** | **1,005** |
| **Plant and equipment** | | |
| At cost | 1,038 | 1,038 |
| Less: Accumulated depreciation | (964) | (918) |
| **Total** | **74** | **120** |
| **Artwork** | | |
| At fair value (30 June 2015) | 122 | 122 |
| **Total** | **122** | **122** |
| **Total property, plant and equipment and artwork** | **15,426** | **16,106** |

**Rural properties**

Rural properties are valued as at 30 June 2015 to fair value. Fair value of these properties equates to the option prices deemed on the individual properties. These option prices are the amounts receivable should the tenants exercise the option to purchase the freehold title.

**Land and buildings**

Land and buildings revaluations were based on the most recent valuations undertaken by the Valuer-General as publicly available on the Land Information System Tasmania's (LIST) website. The valuations for the different properties were conducted by the Valuer-General as at 1 July 2010. Valuations have been prepared in accordance with the International Valuation Standards (IVS) 2011 which are endorsed by the Australian Property Institute and in accordance with the International Financial Reporting Standards (IFRS) 13 *Fair Value Measurement*. Land and the buildings have been classified as non-specialised assets and accordingly valued on the basis of market value with reference to observable prices in an active market, using traditional valuation methods including sales comparison.

**Artwork**

Artwork assets were independently valued with an effective date of 30 June 2014 by Bett Gallery Valuers. The valuation of these assets was on a fair value basis in accordance with relevant accounting standards.

The valuation was undertaken by a specialist valuer who has expertise with the objects in question. For the majority of these assets the valuers use the market value basis, however for a small number of items with no current commercial activity, the valuers used the cost of these items at the time of commissioning with consideration for damage, wear and tear.

### (b) Reconciliation of movements

Reconciliations of the carrying amounts of each class of Property, plant and equipment and artwork at the beginning and end of the current and previous financial year are set out below. Carrying value means the net amount after deducting accumulated depreciation and accumulated impairment losses.

| 2015 | Land Level 2 (land and vacant land in active markets) $'000 | Buildings Level 2 (general office buildings) $'000 | Leasehold improvements $'000 | Plant and equipment $'000 | Artwork Level 2 $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Carrying value at 1 July** | **7,559** | **7,300** | **1,005** | **120** | **122** | **16,106** |
| Disposals | (351) | ... | ... | ... | ... | (351) |
| Depreciation and amortisation | ... | (110) | (173) | (46) | ... | (329) |
| **Carrying value at 30 June** | **7,208** | **7,190** | **832** | **74** | **122** | **15,426** |

| 2014 | Land Level 2 (land and vacant land in active markets) $'000 | Buildings Level 2 (general office buildings) $'000 | Leasehold improvements $'000 | Plant equipment and vehicles $'000 | Artwork Level 2 $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Carrying value at 1 July** | **3,417** | **...** | **1,119** | **193** | **113** | **4,842** |
| Additions | ... | ... | 122 | 191 | ... | 313 |
| Disposals | (251) | ... | ... | (8) | ... | (259) |
| Net transfers | ... | ... | (58) | (191) | ... | (249) |
| Adjustment due to re-classification | 4,420 | 4,650 | ... | ... | ... | 9,070 |
| Revaluation increments (decrements) | (27) | 2,650 | ... | ... | 9 | 2,632 |
| Depreciation and amortisation | ... | ... | (178) | (65) | ... | (243) |
| **Carrying value at 30 June** | **7,559** | **7,300** | **1,005** | **120** | **122** | **16,106** |

## 7.5 Intangibles

### (a) Carrying amount

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Intangibles with a finite useful life** | | |
| Software at cost | 372 | 610 |
| Less: Accumulated amortisation | (372) | (610) |
| **Total** | ... | ... |

### (b) Reconciliation of movements

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Carrying amount at 1 July** | ... | **239** |
| Amortisation expense | ... | (239) |
| **Carrying amount at 30 June** | ... | ... |

## 7.6 Other assets

### (a) Carrying amount

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Other assets** | | |
| Prepayments | 45 | 731 |
| Other | 10 | ... |
| **Total** | **55** | **731** |
| | | |
| Utilised within 12 months | 55 | 642 |
| Utilised in more than 12 months | ... | 89 |
| **Total** | **55** | **731** |

### (b) Reconciliation of movements

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Carrying amount at 1 July** | **731** | **926** |
| Additions | 55 | 731 |
| Used-up | (731) | (926) |
| **Carrying amount at 30 June** | **55** | **731** |

# Note 8: Liabilities

## 8.1 Payables

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Creditors | 17 | 20 |
| Accrued expenses | 459 | 428 |
| Paid Parental Leave Scheme liabilities | (1) | ... |
| **Total** | **475** | **448** |
| | | |
| Settled within 12 months | 475 | 448 |
| Settled in more than 12 months | ... | ... |
| **Total** | **475** | **448** |

Settlement is usually made within 30 days.

## 8.2 Interest bearing liabilities

### (a) Carrying amount

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Loans from the State Government | 5,640 | 6,110 |
| Loans from the Australian Government | 19,872 | 15,000 |
| Loans from Tascorp | 15,000 | 15,000 |
| **Total** | **40,512** | **36,110** |

### (b) Maturity schedule

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| One year or less | 470 | 9,948 |
| From one to five years | 40,042 | 26,162 |
| **Total** | **40,512** | **36,110** |

During 2014-15, TDR repaid $10.1 million of the first tranche of $15.0 million borrowing with the Australian Government relating to unused Farm Finance Loan Scheme round one funding. Under the same agreement, TDR received round two funding from the Australian Government in the form of an additional $15.0 million borrowing in 2014-15.

## 8.3 Provisions

### (a) Carrying amount

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Operating lease provisions | ... | 406 |
| Operating lease make-good provisions | 442 | 409 |
| **Total** | **442** | **815** |
| | | |
| Settled within 12 months | 361 | 406 |
| Settled in more than 12 months | 81 | 409 |
| **Total** | **442** | **815** |

The amount of TDR's provisions is the best estimate of the expenditure required to settle the present obligation, as at the end of the reporting period. The best estimate at the end of the reporting period, takes into account increases of costs, using the Consumer Price Index (CPI). The provision is discounted to reflect the present value of such expenditures where the time value of money is material.

### (b) Reconciliation of movements in provisions

| | Operating lease make-good provision | | Operating lease provisions | | Total provisions | |
|---|---|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| **Balance at 1 July** | **409** | **920** | **406** | **807** | **815** | **1,727** |
| Increases | 14 | 27 | ... | ... | 14 | 27 |
| Changes against the provision | ... | (538) | ... | ... | ... | (538) |
| Provision written back / reversals | ... | ... | (406) | (401) | (406) | (401) |
| Changes in discounting | 19 | ... | ... | ... | 19 | ... |
| **Balance at 30 June** | **442** | **409** | **...** | **406** | **442** | **815** |

The movement in the operating lease provisions relates to the balance being reversed as it was unnecessarily raised in prior years resulting in a change in accounting treatment this year.

## 8.4 Attributed employee benefits

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| Accrued salaries | 258 | 297 |
| Annual leave | 623 | 750 |
| Long service leave | 1,412 | 1,760 |
| Provision for Redundancies | 264 | ... |
| State Service Accumulated Leave Scheme provision and PLS provisions | (21) | 43 |
| **Total** | **2,536** | **2,850** |
| | | |
| Settled within 12 months | 1,255 | 1,222 |
| Settled in more than 12 months | 1,281 | 1,628 |
| **Total** | **2,536** | **2,850** |

## 8.5 Other liabilities

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| **Revenue received in advance** | | |
| Appropriation carried forward from current and previous years under section 8A of the *Public Account Act 1986* | 1,584 | 3,024 |
| | | |
| **Other liabilities** | | |
| Employee benefits – on-costs | 15 | 18 |
| Other liabilities | (2) | (1) |
| **Total** | **1,597** | **3,041** |
| | | |
| Settled within 12 months | 1,588 | 3,029 |
| Settled in more than 12 months | 9 | 12 |
| **Total** | **1,597** | **3,041** |

# Note 9: Commitments and Contingencies

## 9.1 Schedule of commitments

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **By type** | | |
| *Lease commitments* | | |
| **Operating leases** | 13,009 | 14,183 |
| *Total lease commitments* | **13,009** | **14,183** |
| | | |
| *Other commitments* | | |
| Loan commitments | 18,081 | 22,991 |
| Program/project commitments | 42,835 | 26,916 |
| *Total other commitments* | **60,916** | **49,907** |
| | | |
| **Total** | **73,925** | **64,090** |
| | | |
| **By maturity** | | |
| *Operating lease commitments* | | |
| **One year or less** | 1,133 | 1,199 |
| **From one to five years** | 5,677 | 5,555 |
| **More than five years** | 6,199 | 7,429 |
| *Total operating lease commitments* | **13,009** | **14,183** |
| | | |
| *Other commitments* | | |
| **One year or less** | 37,762 | 18,120 |
| **From one to five years** | 22,407 | 31,472 |
| **More than five years** | 748 | 315 |
| *Total other commitments* | **60,916** | **49,907** |
| | | |
| **Total** | **73,925** | **64,090** |

Operating leases are associated with rental costs for leased premises occupied by TDR, office equipment and motor vehicles leased through the government's fleet manager. The rentals on leased premises generally contain renewal options that extend the lease to match the current lease periods. These range from 1 to 11 years.

Loan commitments are loans approved but not drawn down by clients as at 30 June.

Program / project commitments show amounts approved to clients payable over one year or greater than one year on which the actual amount payable is dependent upon expenditure being incurred and certain conditions being met by these clients and a claim submitted and approved for payment. The estimated commitment as at 30 June has been included in these cases.

## 9.2 Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Statement of Financial Position due to uncertainty regarding the amount or timing of the underlying claim or obligation.

### (a) Quantifiable contingencies

A quantifiable contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A quantifiable contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| **Quantifiable contingent liabilities** | | |
| *Liability in respect of a guarantee to be given to Export Finance and Insurance Corporation in 2015-2016 for a value of €13 million (EUROS). This is to support further loan funding being provided to Adriatic Fast Ferries Ltd, (an associated entity within the Incat Group of companies), under its existing loan facility agreement. Ultimately, the provision of the guarantee will support the retention of jobs at the Hobart shipyard while further contracts for ferry construction are being negotiated. Conversion factor of 1.42 was used.* | 18,500 | 18,500 |
| **Total quantifiable contingent liabilities** | **18,500** | **18,500** |

### (b) Unquantifiable contingencies

At 30 June 2015, TDR had two outstanding legal claims as detailed below. It is not possible at the reporting date to accurately estimate the amounts of eventual receipts or payments, if any, that may be required in relation to this claim.

1. Jill Mure vs Tasmania Development and Resources and the Recorder of Titles. The landowner is disputing the ownership of a strip of foreshore land at Tinderbox currently valued by TDR at $50,000. The matter has been adjourned to a date to be fixed by the Court.
2. TDR initiated an action to recover rental arrears from Tasmanian Organics Pty Ltd and its director, arising from unpaid commitments pursuant to a lease at the Hobart Technopark.

# Note 10: Reserves

## 10.1 Reserves

| 2015 | Land<br>$'000 | Buildings<br>$'000 | Artwork<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **Asset revaluation reserve** | | | | |
| **Balance at the beginning of financial year** | ... | **2,623** | **10** | **2,633** |
| Revaluation increments/(decrements) | ... | ... | ... | ... |
| **Balance at end of financial year** | ... | **2,623** | **10** | **2,633** |

| 2014 | Land<br>$'000 | Buildings<br>$'000 | Artwork<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **Asset revaluation reserve** | | | | |
| **Balance at the beginning of financial year** | ... | ... | **1** | **1** |
| Adjustment due to re-classification | ... | 440 | ... | 440 |
| Revaluation increments/ (decrements) | ... | 2,183 | 9 | 2,192 |
| **Balance at end of financial year** | ... | **2,623** | **10** | **2,633** |

### (a) Nature and purpose of reserves

Asset Revaluation Reserve

The Asset Revaluation Reserve is used to record increments and decrements on the revaluation of Non-financial assets, as described in Note 1.9(e).

### (b) Asset revaluation reserve by class of assets

The balance within the asset revaluation reserve for the following class of asset is:

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| Land | ... | ... |
| Buildings | 2,623 | 2,623 |
| Artwork | 10 | 10 |
| **Total Asset revaluation reserve** | **2,633** | **2,633** |

# Note 11: Cash Flow Reconciliation

## 11.1 Cash and deposits

Cash and deposits includes the balance of the Special Deposits and Trust Fund Accounts held by TDR, and other cash held, excluding those accounts which are administered or held in a trustee capacity or agency arrangement.

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| **Special Deposits and Trust Fund balance** | | |
| T522 State Growth Operating Account | 26,006 | 26,794 |
| T790 Government Guarantees Reserve Account | 774 | 484 |
| T941 Fire Relief Account | 1 | ... |
| **Total** | **26,781** | **27,278** |
| | | |
| **Other cash held** | | |
| Cash on hand and at bank | 1 | 1 |
| **Total** | **1** | **1** |
| | | |
| **Total cash and deposits** | **26,782** | **27,279** |

## 11.2 Reconciliation of net result to net cash from operating activities

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| **Net result from transactions (net operating balance)** | **1,622** | **3,754** |
| Increase (decrease) S8A(2) carry forwards | (1,440) | (206) |
| Depreciation and amortisation | 329 | 499 |
| Interest | 24 | 53 |
| Decrease (increase) in Receivables | 151 | 662 |
| Decrease (increase) in Other assets | 428 | 195 |
| Increase (decrease) in Attributed employee benefits | (314) | (1,731) |
| Increase (decrease) in Payables | 28 | (508) |
| Increase (decrease) in Provisions | (373) | (912) |
| Increase (decrease) in Other liabilities | (4) | (20) |
| **Net cash from (used by) operating activities** | **451** | **1,786** |

# Note 12: Financial Instruments

## 12.1 Risk exposures

### (a) Risk management policies

TDR has exposure to the following risks from its use of financial instruments:

» credit risk;

» liquidity risk; and

» market risk.

The Board has overall responsibility for the establishment and oversight of the TDR's risk management framework. Risk management policies are established to identify and analyse risks faced by TDR, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

### (b) Credit risk exposures

Credit risk is the risk of financial loss to TDR if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The credit risk on financial assets of TDR which have been recognised in the Statement of Financial Position, other than equity investments, is the carrying amount, net of any provision for impairment.

TDR manages credit risk on loan advances by obtaining security over assets in accordance with the provisions of the TD Act and by including appropriate risk margins in TDR's interest rate pricing, based on an assessment of the inherent risk of individual clients.

TDR is materially exposed to Norske Skog Paper Mills Australia Pty Ltd (24%). Concentration of credit risk by industry on loan advances is: Paper (24%), Rural (19%).

| Financial Instrument | Accounting and strategic policies (including recognition criteria, measurement basis and credit quality of instrument) | Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows) |
|---|---|---|
| **Financial Assets** | | |
| Receivables | Receivables are recognised at amortised cost, less any impairment losses. | The general terms of trade for receivables is 30 days. |
| Other Financial Assets - Loan advances | Loan advances are held to maturity and are measured at amortised cost subsequent to initial recognition. Impairment of loan advances is reviewed on an ongoing basis. | Loan advances include financial assistance provided by TDR to the private sector in the form of loans. |
| Cash and deposits | Deposits are recognised at the nominal amounts. | Cash means notes, coins and any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund. |

The following tables analyse financial assets that are past due but not impaired.

| Analysis of financial assets that are past due at 30 June 2015 but not impaired | Not past due $'000 | Past due >30 days $'000 | Past due >60 days $'000 | Past due >90 days $'000 | Total $'000 |
|---|---|---|---|---|---|
| Receivables | 260 | 1 | 7 | 120 | **389** |
| Other Financial Assets – loan advances | 3 | 3 | 4 | 59 | **69** |

| Analysis of financial assets that are past due at 30 June 2014 but not impaired | Not past due $'000 | Past due >30 days $'000 | Past due >60 days $'000 | Past due >90 days $'000 | Total $'000 |
|---|---|---|---|---|---|
| Receivables | 404 | 57 | 9 | 178 | **648** |
| Other Financial Assets – loan advances | 4 | 4 | 4 | 30 | **42** |

### (c) Liquidity risk

Liquidity risk is the risk that TDR will not be able to meet its financial obligations as they fall due. TDR's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due.

| Financial Instrument | Accounting and strategic policies (including recognition criteria and measurement basis) | Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows) |
|---|---|---|
| **Financial Liabilities** | | |
| Payables | Payables, including goods received and services incurred but not yet invoiced, are recognised at amortised cost, which due to the short settlement period, equates to face value, when TDR becomes obliged to make future payments as a result of a purchase of assets or services. | TDR's terms of trade are 30 days. |
| Interest bearing liabilities | Bank loans and other loans are initially measured at fair value, net of transaction costs. These loans are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. TDR regularly reviews its contractual outflows to ensure that there is sufficient cash available to meet contracted payments. | Contractual payments made on a regular basis. |

The following tables detail the undiscounted cash flows payable by TDR relating to the remaining contractual maturity for its financial liabilities:

| 2015 | Maturity analysis for financial liabilities | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 year | 2 years | 3 years | 4 years | 5 years | More than 5 years | Undiscounted total | Carrying amount |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial liabilities** | | | | | | | | |
| Payables | 475 | … | … | … | … | … | 475 | 475 |
| Interest bearing liabilities | 470 | … | … | … | … | 40,043 | 40,513 | 40,513 |
| **Total** | **945** | **…** | **…** | **…** | **…** | **40,043** | **40,988** | **40,988** |

| 2014 | Maturity analysis for financial liabilities | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 year | 2 years | 3 years | 4 years | 5 years | More than 5 years | Undiscounted total | Carrying amount |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial liabilities** | | | | | | | | |
| Payables | 447 | … | … | … | … | … | 447 | 447 |
| Interest bearing liabilities | 9,948 | … | … | … | … | 26,162 | 36,110 | 36,110 |
| **Total** | **10,395** | **…** | **…** | **…** | **…** | **26,162** | **36,557** | **36,557** |

### (d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The primary market risk that TDR is exposed to is interest rate risk.

TDR seeks to manage exposure to movements in interest rates by matching the repricing profile of financial assets and financial liabilities. TDR enters into interest rate options on floating rate debt to match capped rate loan advances. The costs of such options are recovered in the interest rate applied to loan advances.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as TDR intends to hold fixed rate assets and liabilities to maturity.

At the reporting date, the interest rate profile of the TDR's interest bearing financial instruments was:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | ... | 20 |
| Financial liabilities | (15,475) | (15,447) |
| **Total** | **(15,475)** | **(15,427)** |
| | | |
| **Variable rate instruments** | | |
| Financial assets | 48,322 | 41,536 |
| Financial liabilities | ... | ... |
| **Total** | **48,322** | **41,536** |

Changes in variable rates of 100 basis points at reporting date would have the following effect on TDR's profit or loss and equity:

| Sensitivity analysis of TDR's exposure to possible changes in interest rates | Statement of Comprehensive Income | | Equity | |
|---|---|---|---|---|
| | 100 basis points increase $ | 100 basis points decrease $ | 100 basis points increase $ | 100 basis points decrease $ |
| **30 June 2015** | | | | |
| Cash and deposits | 106,097 | (106,097) | 106,097 | (106,097) |
| Loan advances | 377,122 | (377,122) | 377,122 | (377,122) |
| **Net sensitivity** | **483,219** | **(483,219)** | **483,219** | **(483,219)** |
| | | | | |
| **30 June 2014** | | | | |
| Cash and deposits | 93,223 | (93,223) | 93,223 | (93,223) |
| Loan advances | 322,136 | (322,136) | 322,136 | (322,136) |
| **Net sensitivity** | **415,359** | **(415,359)** | **415,359** | **(415,359)** |

This analysis assumes all other variables remain constant. The analysis was performed on the same basis for 2014.

## 12.2 Categories of financial assets and liabilities

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and deposits | 26,782 | 27,279 |
| Loans and receivables | 37,864 | 32,360 |
| Available-for-sale financial assets | ... | 20 |
| **Total** | **64,646** | **59,659** |
| | | |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | 40,988 | 36,557 |
| **Total** | **40,988** | **36,557** |

## 12.3 Comparison between carrying amount and net fair value of financial assets and liabilities

| | Carrying amount 2015 $'000 | Net fair value 2015 $'000 | Carrying amount 2014 $'000 | Net fair value 2014 $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and deposits | 26,782 | 26,782 | 27,279 | 27,279 |
| Loan advances and receivables | 37,864 | 37,853 | 32,360 | 32,349 |
| Equity investments | ... | ... | 20 | 20 |
| **Total financial assets** | **64,646** | **64,635** | **59,659** | **59,648** |
| | | | | |
| **Financial liabilities** | | | | |
| **(Recognised)** | | | | |
| Payables | 475 | 475 | 447 | 447 |
| Borrowings | 40,513 | 35,219 | 36,110 | 30,349 |
| **Total financial liabilities** | | | | |
| **(Recognised)** | **40,988** | **35,694** | **36,557** | **30,796** |

## 12.4 Net fair values of financial assets and liabilities

| 2015 | Net fair value Level 1 $'000 | Net fair value Level 2 $'000 | Net fair value Level 3 $'000 | Net fair value Total $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and deposits | 26,782 | ... | ... | 26,782 |
| Loan advances and receivables | 37,853 | ... | ... | 37,853 |
| Equity investments | ... | ... | ... | ... |
| **Total financial assets** | **64,635** | **...** | **...** | **64,635** |
| | | | | |
| **Financial liabilities** | | | | |
| Payables | 475 | ... | ... | 475 |
| Borrowings | 35,219 | ... | ... | 35,219 |
| **Total financial liabilities** | **35,694** | **...** | **...** | **35,694** |

| 2014 | Net fair value Level 1 $'000 | Net fair value Level 2 $'000 | Net fair value Level 3 $'000 | Net fair value Total $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and deposits | 27,279 | ... | ... | 27,279 |
| Loan advances and receivables | 32,349 | ... | ... | 32,349 |
| Equity investments | ... | 20 | ... | 20 |
| **Total financial assets** | **59,628** | **20** | **...** | **59,648** |
| | | | | |
| **Financial liabilities** | | | | |
| Payables | 447 | ... | ... | 447 |
| Borrowings | 30,349 | ... | ... | 30,349 |
| **Total financial liabilities** | **30,796** | **...** | **...** | **30,796** |

The recognised fair values of financial assets and financial liabilities are classified according to the fair value hierarchy that reflects the significance of the inputs used in making these measurements. TDR uses various methods in estimating the fair value of a financial instrument. The methods comprise:

» Level 1 – the fair value is calculated using quoted prices in active markets;

» Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

» Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

*Financial Assets*

The net fair value of loan advances is based on the differential between the actual interest rates of loans advanced and the equivalent TDR market interest rates at the time of reporting. Loan advances are held to maturity and are measured at amortised cost subsequent to initial recognition.

Equity investments are revalued from time to time as considered appropriate by the directors and are not stated at values in excess of their recoverable amounts.

All financial assets are not readily traded on organised markets in a standardised form.

*Financial Liabilities*

The net fair values of payables approximate their carrying amounts.

The net fair value of interest bearing liabilities is based on the differential between the actual interest rates of borrowings held and the equivalent market interest rates accessible by TDR at the time of reporting.

**Tasmanian Audit Office**

**Independent Auditor's Report**

**To Members of the Tasmanian Parliament**

**Tasmania Development and Resources**

**Financial Report for the Year Ended 30 June 2015**

**Report on the Financial Statements**

I have audited the accompanying financial statements of Tasmania Development and Resources (TDR), which comprise the statement of financial position as at 30 June 2015 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 certification by the Chair of the Board and the Chief Executive Officer.

**Auditor's Opinion**

In my opinion the Tasmania Development and Resource's financial statements:

(a) present fairly, in all material respects, its financial position as at 30 June 2015 and its financial performance, cash flows and changes in equity for the year then ended

(b) are in accordance with the *Tasmanian Development Act 1983* and Australian Accounting Standards.

*The Responsibility of the Chair of the Board and the Chief Executive Officer for the Financial Statements*

The Chair of the Board and the Chief Executive Officer are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and Section 29 (B) of the *Tasmanian Development Act 1983*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are 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 statements 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 statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on my judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the Chief Executive Officer's preparation and fair presentation of the financial statements 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 TDR'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 statements.

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
- 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**

H M Blake
**Auditor-General**

Hobart
25 September 2015

Tasmanian Government

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