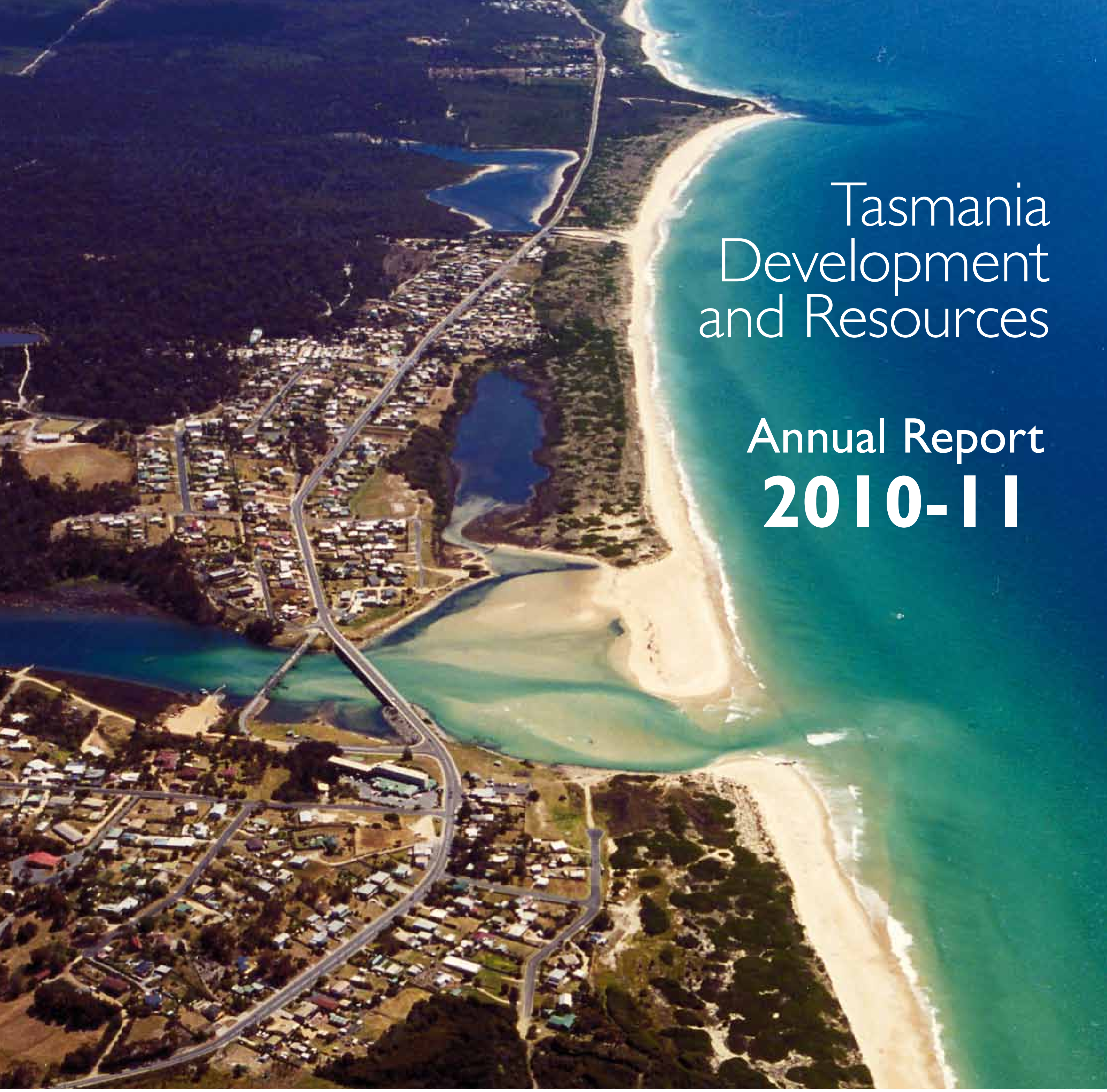

Tasmania Development and Resources

Annual Report 2010-11

Department of Economic Development, Tourism and the Arts

Tasmania
Explore the possibilities

Contents

Tasmania Development and Resources

October 2011

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Submission to Minister

David O'Byrne MP

Minister for Economic Development

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 2011.

Yours sincerely

Denis Rogers AO

Chairman
Tasmanian Development Board
October 2011

About this publication

Tasmania Development and Resources (TDR) – the legal entity responsible for the creation of investment and associated employment through the implementation of the government's economic and social strategies – is required under Section 29E of the *Tasmanian Development Act 1983* to produce an annual report for each financial year.

Previous editions of Tasmanian Development and Resources' annual report have been published under the cover of the annual report of the Department of Economic Development, Tourism and the Arts – the State Government department responsible for the administration of Tasmania Development and Resources.

Detailed information regarding the scope of activities overseen by TDR is detailed in the Economic Development portfolio activities statement within the Annual Report 2010-11 of the Department of Economic Development, Tourism and the Arts.

Chairman's foreword

In the last 12 months changing circumstances on the global stage have meant a dynamic operating environment for the Tasmanian Development Board. Tasmania, like the rest of Australia, is witnessing the ongoing impact of the Global Financial Crisis (GFC).

A weaker investment climate, slowed employment, a downturn in business and consumer confidence along with a high Australian dollar, has placed the economy under pressure. However, while trading conditions remain difficult, it's also encouraging to see local business investment and employment continuing to display resilience with the economic indicators now showing Tasmania is recovering and growing.

At the same time Tasmania is making a concerted effort to restructure its economy and support key industries to diversify and transition to a sustainable future.

This is most evident in the work the board has done to guide completion of the state's Economic Development Plan which charts Tasmania's economic direction for the next 10 years taking a whole of government approach. This is underpinned by strategies for Tasmania's key trade and investment industries which capitalise on our competitive advantages and maximise the opportunities for growth.

Aligned to this new direction, the board supported opportunities for investment attraction and trade promotion in key industries such as agriculture, mining and mineral processing. Other highlights include expansions in the aquaculture and stone-fruit industries; an improved vegetable processing capacity with major energy-efficiency gains and moves into leading-edge waste water treatment plants with a capacity to produce saleable liquid soil conditioner.

Farm Water Development Loans Scheme applications and the expansion of Tasmania's aquaculture industry were the focal areas in the food and agriculture sector.

The manufacturing sector continues to be impacted by the high Australian dollar exchange rates and the need to remain internationally competitive. The board supported those businesses that were of most strategic significance to their region or industry.

This included the establishment of an assistance package for Swift Australia (Southern) Pty Ltd to upgrade its King Island abattoir to prevent closure and the loss of 90 employees and local processing of the island's stock.

Increasing productivity and innovation in our traditional sectors requires a focus on high value-added market segments. This includes specialist manufacturers such as Caterpillar and Incat and the local businesses that supply to them. Consequently the board have set the department some priorities for this sector including investigation of infrastructure needs for marine engineering.

The forest industry is also in transition, shifting from native forest resource to plantation-grown timber. This shift is generating its own challenges including new technologies, harvesting methods and marketing.

During the year the State and Federal Governments embarked on a lengthy period of collaboration and consultation to formalise an agreement which includes $276 million to restructure the forest industry, grow new jobs and protect new areas of high conservation value forests.

The board also favourably considered assistance to Fibre Plus, part of the Aprin business to enable a takeover of the Gunn's Triabunna woodchip mill, but this did not proceed due to the acceptance by Gunns of another buyer's offer.

Tasmania's robust renewable energy sector has many opportunities for growth particularly in wind, solar and geothermal energy. The state is in a strong position to grow this sector as the nation moves to a low-carbon economy.

The board led the creation of the Tasmanian Renewable Energy Industry Development Board as a sub committee. They worked on developing the Renewable Energy Industry Strategy for government and provided advice on the Renewable Energy Loan Scheme.

Planning reform was high on the board's agenda this past year. The board was actively engaged in the reform process to ensure that planning laws best serve the needs of local communities and make Tasmania an attractive place in which to invest.

This year also saw the start of the Antarctic Centennial Year, with a number of internationally significant Antarctic-themed conferences and cultural events being held in Hobart over an 18 month period. The Antarctic sector is a priority area in the Tasmanian Government's Economic Development Plan and these events provide a significant springboard to further promote Hobart as a global headquarters for Antarctic policy and science with unique strategic advantages.

Tasmania has a proud history as an Antarctic gateway and the growth of the Antarctic sector has also contributed to a thriving science and research hub in the state. Science and research is a clear priority sector for the board and integral to attracting highly skilled people to the state and offshore investment.

Under Secretary Mark Kelleher, the department is delivering results and proving to be a catalyst for growing and developing the state's industry base through solid strategy and implementation. I would like to thank the Minister for Economic Development David O'Byrne, Mark and his staff, along with my fellow board directors, for all their hard work and dedication during a difficult year.

Despite the challenges that lie ahead, the recently launched Economic Development Plan will help make the next chapter for the Tasmanian Development Board just as productive and rewarding as this one has been.

Denis Rogers AO

Chairman
Tasmanian Development Board

Chief Executive's message

Over the past year the Department of Economic Development, Tourism and the Arts (department) has worked hard to support the work of the board and foster economic development and prosperity for all Tasmanians.

During this past year global recovery has been slow and Tasmanian firms have continued to face a challenging operating environment. In this context, the department has worked to support the board's focus on building a solid foundation to support the economic recovery and help local business to grow.

Our work has included initiatives to improve government support to business, create new opportunities for firms to take advantage of overseas and interstate markets, rebuild investor confidence, and to work with key sectors to build their resilience, adaptability and innovation so as to ensure a firmer footing for the future.

Much of the work this past year also involved working on the formulation of the Economic Development Plan – a roadmap for the next decade focused on increased economic growth and jobs, underpinned by a more agile agency. The board has provided sound guidance during the development of the Plan, and will now take on the role of overseeing the implementation.

I would like to take the opportunity to thank Chairman Denis Rogers and fellow board members for their dedication, diligence and support during the year.

Mark Kelleher

Chief Executive
Tasmania Development and Resources

Tasmanian Development Board

1 Denis Rogers AO

Denis Rogers has been Chairman of the board since November 1998. Prior to his appointment to the Tasmanian Development Board, he was Regional Director of the Australian Bureau of Statistics in Tasmania and the State Government Statistician for Tasmania. He has extensive experience in financial management, statistics, employee relations, marketing, product development, media and communications and international relations.

He was Chairman of Cricket Australia (Australian Cricket Board) for six years and was Chairman of the Tasmanian Cricket Association – a position he held for 18 years. Denis was appointed Chairman of the TT-Line Company Pty Ltd in March 2005 and also held the position of Chairman of the Tasmanian Institute of Sport for nine years. In recognition of his services to the community, his appointment as an Officer in the Order of Australia was announced in the Australia Day Honours List for 2002.

2 Bob Annells

Bob Annells was appointed to the board in 2008. He has held a number of senior positions in Tasmania including Director General of the Lands Department and Secretary of the Department of Tourism, Sport and Recreation. He has held senior positions in the tourism industry including Chief Executive of Tourism Victoria, Chairman of the Melbourne Convention and Exhibition Trust, Chair of the Northern Territory Tourist Commission, Chairman of the Australian Standing Committee on Tourism (twice) and board member of the former Australian Tourist Commission.

Bob brings to the board marketing, events, public and private sector tourism experience at the highest level, as well as issues and strategic management. He was awarded the Public Service Medal in 2001 and a Centenary of Federation Medal. He was inducted into the National Tourism Hall of Fame in 2004 and awarded the 'Outstanding Contribution by an Individual' award at the 2005 Victorian Tourism Awards. Bob has an extensive business background having been Executive Chairman of Veoilia Transport Australia for six years. He is currently Chairman of Tasmanian Railway Pty Ltd, the owner/operator of Tasmania's freight railway system.

3 Lyn Cox

Lyn Cox was appointed to the Tasmania Development Board in February 2011. He was a partner in professional services firm Deloitte, including over 10 years as managing partner for Tasmania. He has extensive business experience from his 40 years in practice in the areas of change management, assurance, risk management and listing companies on the stock exchange.

Lyn is currently deputy chairman of Tasmanian financial institution B&E Limited and a member of the Sullivans Cove Waterfront Authority. He is immediate past Tasmanian President and a national director of the Australian Institute of Company Directors and continues as a state councillor. He was a national director and national treasurer of National Heart Foundation.

Lyn has a Bachelor of Economics from the University of Tasmania, is a Fellow of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors.

4 Peter Gillooly

Peter Gillooly was appointed to the board in June 2003. Peter has extensive business experience and most recently held the position of Chief General Manager at Tattersall's Holdings Pty Ltd. He has held a number of directorships with companies including Burswood Ltd, Sino Strategic International Ltd, Acrux Ltd, the Landscape Pastoral Company Pty Ltd and the Rural Finance Corporation of Victoria. Peter is a Fellow of the Australian Institute of Company Directors.

5 Michael Grainger

Michael Grainger was appointed to the board in November 2004. He is Managing Director of Liferaft Systems Australia, a manufacturer of marine evacuation systems and large-capacity liferafts for the international ferry and defence market.

Mr Grainger has more than 25 years' experience in the manufacturing industry. He is a founding member of the Tasmania Maritime Network, Chairman of the Brand Tasmania Council, a director of the board of TT-Line Company, a director of the board of the international shipping organisation Interferry and member of the Det Norske Veritas International Ferry Committee.

6 Jennifer Jarvis

Jennifer Jarvis was appointed to the board in June 2004. Jennifer is Specialist Adviser Energy and External Relations with Rio Tinto Alcan. Her career in the corporate, political and media sectors has focused heavily on policy development, strategic planning, corporate relations and issues management. Jennifer has extensive knowledge of the energy sector in Tasmania encompassing commercial, policy and national market aspects. She is a member of the Major Employers Group and has served as Chairman of the Tasmanian State Training Authority, director of Business North and the Tasmanian Minerals Council and was an inaugural member of the Tasmania *Together* Community Leaders Group.

7 Mark Kelleher

Mark Kelleher was appointed to the position of Secretary of the Department of Economic Development, Tourism and the Arts in May 2009. This is a business-focused Tasmanian Government agency, which covers a wide range of functions across export and trade facilitation, investment attraction, industry development, tourism, the arts, and sport and recreation.

As part of the role, Mr Kelleher is the Chief Executive of the Tasmanian Development Board and a member of the Tourism Tasmania Board. He is also a member of the Ten Days on the Island Board, the Tasmanian Renewable Energy Industry Development Board, and the Tasmanian Infrastructure Advisory Council.

Preceding his appointment to the Department of Economic Development, Tourism and the Arts, Mr Kelleher was Managing Director of Roaring 40s, a leading Australian-based renewable energy company developing and operating wind farms in Australia, China and India, from September 2005 until May 2009. During this time he was also a board member of the Australian Clean Energy Council.

Mr Kelleher has a Bachelor of Commerce (University of Tasmania) and is a Fellow of the Institute of Company Directors. He is also a graduate of the senior executive program at London Business School.

8 Keryn Nylander, BA

Keryn Nylander was appointed to the board in March 2000. She was formerly Head of News for WIN Television Tasmania and a senior consultant with public relations consultancy Corporate Communications.

Ms Nylander now runs her own strategic public relations consultancy, Nylander Consulting specialising in media and communications advice to business. She is also a part of the management team and a shareholder in the award-winning specialist contract winemaking business Winemaking Tasmania Pty Ltd.

Ms Nylander is Chairman of Tasmanian financial institution B&E Personal Banking, a director of Tasmania's peak wine body WineTasmania Ltd and a director of Fahan School. She is a former director of Business North and member of the Premier's Physical Activity Council.

9 Brett Torossi

Brett Torossi was appointed to the board in January 2006. She is a property developer with significant experience in urban and residential developments. Ms Torossi's current major project is 'The Green'; an innovative and sustainable development that will be home to around 500 families in the northern suburbs of Launceston. The Green has been planned to create a cohesive, safe, vibrant and inclusive community.

Ms Torossi's passion for urban design excellence provides the components that enable individuals and families to find joy in their lives. Other current projects involve a dynamic commercial development in Hobart and successful, well known tourism developments on Tasmania's east coast. Her results are award winning, community focused, leading edge and ecologically sustainable developments.

Ms Torossi also finds time to contribute to Tasmanian society as a board member on the Tasmanian Early Years Foundation and Tasmania's premier winter event, Festival of Voices. In addition, Ms Torossi was appointed to the board of Tourism Tasmania in 2010; she is passionate about the development opportunities in terms of the authentic Tasmanian experience at this dynamic time for the tourism sector.

She is currently completing her Masters in Ecologically Sustainable Development and is also a Commissioner of the Tasmanian Planning Commission, the body responsible for delivering the planning reform agenda for the state.

10 Robert Wilson

Robert Wilson was appointed to the board in January 2006. Mr Wilson has been involved in the dairy industry all his life and has worked nationally and internationally in the dairy and food industries. He was a founding partner and managing director of Classic Foods at Edith Creek, a company that processes around 40 million litres of milk annually or about eight per cent of the total current Tasmanian production. He was also a board member of the Cradle Coast Authority from 2002 to 2008.

Robert is Chairman of the Tasmanian Institute of Agricultural Research (TIAR) Dairy Centre Advisory Group and director of Tasmanian Pure Foods.

Tasmanian Development Board meeting attendance

Member	Number of meetings attended
Chairman Denis Rogers AO	11
Mark Kelleher	9
Bob Annells	8
Lyn Cox[1]	5
Peter Gillooly	8
Michael Grainger	9
Jennifer Jarvis[2]	6
Keryn Nylander	9
Brett Torossi	10
Robert Wilson	11

1 Term commenced effective 7 February 2011
2 Term expired effective 31 January 2011

Policy objectives

The following statement of policy objectives reflects the goals and strategies for the economic development activities of the Department of Economic Development, Tourism and the Arts. It is provided in accordance with Section 29 E of the *Tasmanian Development Act 1983*.

Goal 1 To support and grow businesses in Tasmania

Goal One focuses on making Tasmania a great place to do business. We need this if we are going to offset the impact of the resources boom and be able to compete for investment. Planning and infrastructure need to support investment. Our businesses need to have access to the skills and information required to take advantage of market opportunities.

Goal 2 To maximise Tasmania's economic potential in key sectors

Goal Two is about making the most of Tasmania's market-driven competitive advantages. We need to understand our strengths and opportunities, and use this knowledge to drive investment attraction and trade promotion. This knowledge is also a critical input into decision-making on issues like infrastructure, skills, land use and regional planning. All need to be aligned so that we are investment ready.

Goal 3 To improve the social and environmental sustainability of the economy

Goal Three centres on social and environmental sustainability. Social sustainability focuses on sharing the benefits of economic development and not leaving some in our community behind. The initial focus for environmental sustainability will be to both promote and capture the business benefits of acting sustainably.

Goal 4 To support and grow communities within regions

Goal Four recognises the importance of place and communities. People do not live in sectors or businesses – we live in our communities. We need to unleash the creativity and passion of people in their local communities for sustainable economic development. This means working across all levels of government – national, state and local – to achieve economic outcomes and find local solutions. It is about translating strategy to reality on the ground. Place and liveability are connected. Through improving our liveability we are better placed to attract people to live, work, visit, invest and trade.

Grants and loans approval for 2010-11

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

Loan category	Number of loan approvals	Total loan amounts
Other	51	$10.025 million
Total	**51**	**$10.025 million**

Outstanding loan balances as at 30 June 2011

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	28	$40.221 million
Total	**28**	**$40.221 million**

Financial Statements

Tasmania Development and Resources

Statement of Comprehensive Income for the year ended 30 June 2011

	Notes	2011 Actual $'000	2010 Actual $'000
Continuing operations			
Revenue and other income from transactions			
Attributed revenue from government			
Appropriation revenue – recurrent	1.6(a), 3.1	45,334	42,832
Appropriation revenue – section 8A of the *Public Account Act 1986*	1.6(a), 3.1	969	140
Revenue from Special Capital Investment Funds	3.2	359	1,014
Grants	1.6(c), 3.3	14	-
Interest	1.6(c), 3.4	2,945	2,941
Other revenue	1.6(d), 3.5	3,332	2,317
Total revenue and other income from transactions		**52,953**	**49,244**
Expenses from transactions			
Attributed employee benefits	1.7(a), 4.1	18,238	17,152
Depreciation and amortisation	1.7(b), 4.2	702	507
Supplies and consumables	1.7(c), 4.3	11,542	12,869
Grants and subsidies	1.7(d), 4.4	17,218	12,952
Borrowing costs	1.7(e), 4.5	2,309	1,838
Other expenses	1.7(f), 4.6	2,002	1,937
Total expenses from transactions		**52,011**	**47,255**
Net result from transactions (net operating balance)		**942**	**1,989**
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	1.8(a)(c), 5.1	(400)	(261)
Net gain/(loss) on financial instruments and statutory receivables/payables	1.8(b), 5.2	(3,855)	(7,528)
Total other economic flows included in net result		**(4,255)**	**(7,789)**
Net result from continuing operations		***(3,313)***	***(5,800)***
Net result		**(3,313)**	**(5,800)**
Comprehensive result		**(3,313)**	**(5,800)**

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 2011

	Notes	2011 Actual $'000	2010 Actual $'000
Assets			
Financial assets			
Cash and deposits	1.9(a), 10.1	15,140	18,280
Receivables	1.9(b), 6.1	1,658	1,505
Loan advances	1.9(c), 6.2	36,211	31,671
Equity investments	1.9(d), 6.3	584	589
Non-financial assets			
Property, plant and equipment	1.9(e), 6.4	5,737	5,784
Investment property	1.9(f), 6.5	10,610	11,310
Intangibles	1.9(g), 6.6	221	272
Other assets	1.9(h), 6.7	903	846
Total assets		**71,064**	**70,257**
Liabilities			
Payables	1.10(a), 7.1	1,258	1,457
Interest bearing liabilities	1.10(b), 7.2	26,621	25,021
Provisions	1.10(c), 7.3	1,746	1,217
Attributed employee benefits	1.10(d), 7.4	4,651	3,876
Other liabilities	1.10(f), 7.5	2,992	1,449
Total liabilities		**37,268**	**33,020**
Net assets		**33,796**	**37,237**
Equity			
Reserves	9.1	1	647
Accumulated funds		33,795	36,590
Total equity		**33,796**	**37,237**

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 2011

	Notes	2011 Actual $'000	2010 Actual $'000
Cash flows from operating activities		Inflows (Outflows)	Inflows (Outflows)
Cash inflows			
Attributed Appropriation receipts – recurrent		47,714	43,801
Receipts from Special Capital Investment Funds		359	1,014
Grants and sponsorship		14	-
GST receipts		2,522	2,121
Interest received		3,054	2,643
Other cash receipts		3,582	2,443
Total cash inflows		**57,245**	**52,022**
Cash outflows			
Attributed employee benefits		(17,408)	(16,867)
Grants and subsidies		(19,216)	(13,975)
Interest payments		(2,214)	(1,561)
Supplies and consumables		(12,111)	(14,120)
Other cash payments		(2,291)	(1,643)
Total cash outflows		**(53,240)**	**(48,166)**
Net cash from (used by) operating activities	**10.2**	**4,005**	**3,856**
Cash flows from investing activities			
Cash inflows			
Proceeds from the disposal of non-financial assets		493	356
Repayment of loans by other entities		4,648	1,396
Receipts from investments		-	39
Total cash inflows		**5,141**	**1,791**
Cash outflows			
Loans made to other entities		(13,451)	(13,631)
Payments for acquisition of non-financial assets		(395)	(300)
Payments for investments		-	(391)
Other cash payments		(198)	(721)
Total cash outflows		**(14,044)**	**(15,043)**
Net cash from (used by) investing activities		**(8,903)**	**(13,252)**
Cash flows from financing activities			
Cash inflows			
Proceeds from borrowings		3,600	18,000
Total cash inflows		**3,600**	**18,000**
Cash outflows			
Repayment of borrowings		(2,000)	(5,000)
Total cash outflows		**(2,000)**	**(5,000)**
Net cash from (used by) financing activities		**1,600**	**13,000**
Net increase (decrease) in cash held and cash equivalents		**(3,298)**	**3,604**
Cash and deposits at the beginning of the reporting period		**18,280**	**14,676**
Cash outflow on administrative arrangements	**9.2**	**158**	**-**
Cash and deposits at the end of the reporting period	**10.1**	**15,140**	**18,280**

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 2011

	Notes	Reserves $'000	Accumulated funds $'000	Total equity $'000
Balance as at 1 July 2010		**647**	**36,590**	**37,237**
Total comprehensive result		-	(3,313)	(3,313)
Transfers to/(from) reserves		(646)	646	-
Transactions as owners in their capacity as owners:				
Output administrative arrangements net assets relinquished	9.2	-	(128)	(128)
Balance as at 30 June 2011		**1**	**33,795**	**33,796**

	Reserves $'000	Accumulated funds $'000	Total equity $'000
Balance as at 1 July 2009	**647**	**42,390**	**43,037**
Total comprehensive result	-	(5,800)	(5,800)
Balance as at 30 June 2010	**647**	**36,590**	**37,237**

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 2011

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 to improve the wealth and quality of life in Tasmania whilst retaining its environmental status.

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

TDR's key corporate objectives are to:

» develop a world-class business environment

» provide ongoing strategic direction and data for industry development within the State

» provide strategic business support services

» identify, prioritise and develop relevant industry programs and products

» assist small businesses to grow

» provide training, skills enhancement and management support to business

» provide export support and culture

» attract new internal and external investment

» provide effective, efficient and quality administration of the government's loan and property portfolios.

TDR forms part of the Department of Economic Development, Tourism and the Arts (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

» The Treasurer's Instructions issued under the provisions of the Financial Management and *Audit Act 1990*.

The Financial Statements were signed by the Chief Executive and Chairman of the Board on 10 August 2011.

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.

1.3 Reporting entity

The Financial Statements include all the controlled activities of TDR. The Financial Statements consolidate material transactions and balances of TDR and entities included in its output groups. Material transactions and balances between TDR and such entities have been eliminated.

As a result of Administrative Arrangements (Assignment of Administration) Order 2010, Screen Tasmania was transferred from TDR's administrative responsibility (Economic Development Output Group 1) to Arts. Consequently Screen Tasmania's transactions and balances are now disclosed as part of Output Group 4 Arts. Comparative figures for the financial year ended 30 June 2010 were not adjusted. Further disclosure is provided at Note 9.2.

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:

» AASB 2008 3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* – this Standard introduces some minor terminology changes. There is no expected financial impact of applying these changes.

» AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* – this Standard introduces small disclosure and classification changes. There is no expected financial impact of applying these changes.

(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 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* – the amendments require modification to the disclosure of categories of financial assets. It is not anticipated that there will be any financial impact.

» AASB 1053 *Application of Tiers of Australian Accounting Standards* – this Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose Financial Statements. The Standard does not have any financial impact on the Department. However, it may affect disclosures if reduced disclosure requirements apply.

» AASB 1054 *Australian Additional Disclosures* – this standard has arisen as a result of the decision, as part of the Trans-Tasman Convergence Project, to move any requirements (for-profits only) which were over and above IFRS requirements to a separate standard. As the inclusions in this standard are simply sections moved from other standards, currently in operation, there will be no material impact when the standard is applied.

» AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* – this Standard makes amendments to introduce reduced disclosure requirements for certain types of entities. There is no expected financial impact of applying these changes, as the Department is likely to be considered a Tier 1 entity.

» AASB 2010-6 *Amendments to Australian Accounting Standards* – Disclosures on Transfers of Financial Assets – this Standard includes additional presentation and disclosure requirements for financial assets. It is not expected to have a financial impact.

» AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* – this Standard makes minor revisions, however it is not expected to have a financial impact.

» AASB 2009-12 *Amendments to Australian Accounting Standards* – this Standard introduces a number of terminology changes. There is no expected financial impact.

» AASB 2010-5 *Amendments to Australian Accounting Standards* – this Standard introduces terminology changes as well as presentation changes, however, there is no financial impact from these revisions.

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. Except for any amounts identified as carried forward in Notes 3.1, control arises in the period of appropriation.

(b) Grants

Grants payable by the Australian Government are recognised as revenue when the Department 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.

(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 investment 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. Properties held for investment purposes are not subject to a depreciation charge. 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

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

Plant and equipment	2 to 25 years
Leasehold improvements	5 to 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	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

» 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.

(e) Borrowing costs

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

Borrowing 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

» 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 and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(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 the government to the private sector in the form of loans.

(d) Equity investments

Equity investments are initially recorded at the net recoverable value determined as follows

» listed companies – the share's current market value for listed public companies

» 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. The incorporation into the 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 performance over the past financial year.

(e) Property, plant and equipment

(i) Valuation basis

Land, buildings and other long-lived assets are recorded at fair value less accumulated depreciation. All other Non-current physical assets, including work in progress, 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. 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. Investment Property is revalued by class of asset annually to ensure they reflect fair value at balance date.

(f) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both.

Investment property is recorded at fair value with any changes in the fair value being recorded as income or expenses in the Statement of Comprehensive Income.

Investment property is not depreciated.

(g) Intangibles

An intangible asset is recognised where:

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

» 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.

(h) 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 2011, 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.

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

Note 5.2

Loan advances impaired in 2010-11 related to a *Tasmanian Development Act 1983* loan to Tascot Templeton Carpets Pty Ltd. The impairment is a result of Tascot Templeton Carpets Pty Ltd going into voluntary administration on 23 September 2010. Also a Section 35 loan Administered by TDR was impaired.

Equity investments impaired during 2010-11 related to First Tasmania Investment Ltd equity investments.

Loan advances written off in 2010-11 related to a Section 35 loan administered by TDR.

Note 6.2
Screen Tasmania Loans

As a result of Administrative Arrangements (Assignment of Administration) Order 2010, Screen Tasmania was transferred from TDR's administrative responsibility (Economic Development Output Group 1) to Arts. Consequently Screen Tasmania's transactions and balances are now disclosed as part of Output Group 4 Arts. Comparative figures for the financial year ended 30 June 2010 were not adjusted.

Loan advances include financial assistance provided by the government 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.

During 2010-11, two loans were assessed as being impaired. The impairments arose as a result of TDR Board approving a specific provision of $3.850 m for impairment in relation to a *Tasmanian Development Act 1983* loan to Tascot Templeton Carpets Pty Ltd. This impairment is the result of Tascot Templeton Carpets Pty Ltd going into voluntary administration on 23 September 2010. Also a Section 35 loan Administered by TDR was impaired, $0.160 m.

Note 6.3
Listed shares
Tassal Ltd
TDR holds 1,583,341 fully paid ordinary shares in Tassal Limited. The value of this investment is $nil.

Unlisted equity instruments
First Tasmania Investments Ltd
TDR holds 2,402,105 ordinary shares in First Tasmania Investments Ltd. The shares are recorded at Directors' Valuation as at 30 June 2011.

North West Bay Ships Pty Ltd
TDR acquired 800,000 preference shares (7 per cent) of $1.00 each in June 2000. The shares are recorded at Directors' Valuation as at 30 June 2011.

SDT Australia Pty Ltd
TDR acquired 200,000 preference shares (9 per cent) of $1.00 each in June 2000. The company has not operated for the last three and a half years due to a lack of capital for further research and development. The shares have been valued at $nil as at 30 June 2011.

Screen Tasmania Investments
As a result of Administrative Arrangements (Assignment of Administration) Order 2010, Screen Tasmania was transferred from TDR's administrative responsibility (Economic Development Output Group 1) to Arts. Consequently Screen Tasmania's transactions and balances are now disclosed as part of Output Group 4 Arts. Comparative figures for the financial year ended 30 June 2010 were not adjusted.

The Provision for Impairment movement relates to the revaluation of First Tasmania Investment Ltd and the outflow of Screen Tasmania equity portfolio as a result of the administrative arrangement.

Note 6.4
Rural properties are valued as at 30 June 2011 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.

Note 6.5
Investment property includes the Tasmanian Technopark which assists the acceleration of growth for start-up and existing businesses. The Technopark offers accommodation options to suit a range of businesses from complete, self-contained buildings to individual tenancies, a business incubator centre and managed office facility.

The latest revaluations as at 30 June 2011 were based on valuations undertaken by independent valuers Brothers and Newton Pty Ltd.

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.

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. Where the result of expressing amounts to the nearest thousand dollars would result in an amount of zero, the financial statement will contain a note expressing the amount to the nearest whole dollar.

1.16 Taxation

TDR is exempt from all forms of taxation except Fringe Benefits Tax, Payroll 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. 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 2011.

Note 3 Income from transactions

3.1 Attributed revenue from government

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

	2011 Actual $'000	2010 Actual $'000
Continuing operations		
Attributed Appropriation revenue – recurrent		
Current year	45,334	42,832
Total	**45,334**	**42,832**
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	969	140
Total	**969**	**140**
Total Attributed revenue from government	**46,303**	**42,972**

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. There were no such items in 2010-11.

3.2 Revenue from Special Capital Investment Funds

Funding for major infrastructure projects is provided through Special Capital Investment Funds. TDR is allocated funding for specific projects from the Special Capital Investment Funds as part of the State Budget process.

	2011 Actual $'000	2010 Actual $'000
Economic and Social Infrastructure Fund	359	1,014
Total	**359**	**1,014**

3.3 Grants

	2011 $'000	2010 $'000
Grants	14	-
Total	**14**	**-**

This grant was received on 30 June 2011 and remained unspent at the end of the year.

3.4 Interest

	2011 $'000	2010 $'000
Interest	2,945	2,941
Total	**2,945**	**2,941**

3.5 Other revenue

	2011 $'000	2010 $'000
Investment property rental	949	1,077
Investment property other revenue	297	300
Other	2,086	940
Total	**3,332**	**2,317**

Note 4 Expenses from transactions

4.1 Employee benefits

	2011 $'000	2010 $'000
Wages and salaries	13,569	12,188
Annual leave	1,210	1,141
Long service leave	529	473
Sick leave	546	506
Superannuation – defined benefit scheme	297	305
Superannuation – contribution schemes	1,558	1,299
Other post-employment benefits	258	1,141
Other employee expenses	271	99
Total	**18,238**	**17,152**

Superannuation expenses relating to defined benefits schemes relate to payments into the Superannuation Provision Account held centrally and recognised within the Finance-General Division of the Department of Treasury and Finance. 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 12.3 per cent of salary.

Superannuation expenses relating to defined contribution schemes are paid directly to superannuation funds at a rate of nine per cent of salary. In addition, departments are also required to pay into the SPA a "gap" payment equivalent to 3.3 per cent of salary in respect of employees who are members of contribution schemes.

4.2 Depreciation and amortisation

(a) Depreciation

	2011 $'000	2010 $'000
Plant and equipment	166	150
Total	**166**	**150**

(b) Amortisation

	2011 $'000	2010 $'000
Intangibles	272	74
Leasehold improvements	264	283
Total	**536**	**357**
Total Depreciation and amortisation	**702**	**507**

4.3 Supplies and consumables

	2011 $'000	2010 $'000
Audit fees – financial audit	59	90
Audit fees – internal audit	47	12
Operating lease costs	2,503	1,538
Consultants and contracted services	4,040	7,075
Property services	814	949
Maintenance	318	139
Communications	416	457
Information technology	925	598
Travel and transport	1,157	1,091
Advertising and promotion	706	538
Other supplies and consumables	557	382
Total	**11,542**	**12,869**

4.4 Grants and subsidies

	2011 $'000	2010 $'000
Grants	17,002	12,932
Subsidies	-	20
Sponsorship	216	-
Total	**17,218**	**12,952**

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.

4.5 Borrowing costs

	2011 $'000	2010 $'000
Interest expense		
Interest on bank overdrafts and loans	2,309	1,806
Total	**2,309**	**1,806**
Other borrowing costs		
Unwinding of discounting of provisions	-	32
Total	**-**	**32**
Total Borrowing costs	**2,309**	**1,838**

4.6 Other expenses

	2011 $'000	2010 $'000
Salary on-costs	1,147	1,382
Seminars and conferences	241	262
Expenses associated with investment property	13	16
Other	601	277
Total	**2,002**	**1,937**

Note 5 Other economic flows included in net result

5.1 Net gain/(loss) on non-financial assets

	2011 $'000	2010 $'000
Revaluation of Investment Properties	(783)	(260)
Net gain/(loss) on sale of non-financial assets	383	(1)
Total net gain/(loss) on non-financial assets	**(400)**	**(261)**

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

	2011 $'000	2010 $'000
Impairment reversals/(losses) for:		
Loans advances	(3,690)	25
Equity investments	(5)	(5,458)
Loan advances written off during the year	(160)	(2,095)
Total net gain/(loss) on financial instruments	**(3,855)**	**(7,528)**

Loan advances impaired in 2010-11 related to a *Tasmanian Development Act 1983* loan to Tascot Templeton Carpets Pty Ltd. The impairment is a result of Tascot Templeton Carpets Pty Ltd going into voluntary administration on 23 September 2010. Also a Section 35 loan Administered by TDR was impaired.

Equity investments impaired during 2010-11 related to First Tasmania Investment Ltd equity investments.

Loan advances written off in 2010-11 related to a Section 35 loan Administered by TDR.

Note 6 Assets

6.1 Receivables

	2011 $'000	2010 $'000
Receivables	236	390
Less: Provision for impairment	-	-
Tax assets	1,422	1,115
Total	**1,658**	**1,505**
Settled within 12 months	1,658	1,505
Settled in more than 12 months	-	-
Total	**1,658**	**1,505**

6.2 Loan advances

	2011 $'000	2010 $'000
Convertible note	200	200
Section 35 Loans Administered by TDR	33,458	25,700
Tasmanian Development Act 1983	5,562	5,477
Fire Damage Relief Act 1967	24	24
Farm Water Development Act 1985	977	261
Screen Tasmania Loans	-	329
Less: Provision for impairment	(4,010)	(320)
Total	**36,211**	**31,671**
Settled within 12 months	11,915	5,971
Settled in more than 12 months	24,296	25,700
Total	**36,211**	**31,671**

Screen Tasmania Loans

As a result of Administrative Arrangements (Assignment of Administration) Order 2010, Screen Tasmania was transferred from TDR's administrative responsibility (Economic Development Output Group 1) to Arts. Consequently Screen Tasmania's transactions and balances are now disclosed as part of Output Group 4 Arts. Comparative figures for the financial year ended 30 June 2010 were not adjusted. Further disclosure is provided at Note 9.2.

Loan advances include financial assistance provided by the government 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.

During 2010-11, two loans were assessed as being impaired. The impairments arose as a result of TDR Board approving a specific provision of $3.850 million for impairment in relation to a *Tasmanian Development Act 1983* loan to Tascot Templeton Carpets Pty Ltd. This impairment is the result of Tascot Templeton Carpets Pty Ltd going into voluntary administration on 23 September 2010. Also a Section 35 loan Administered by TDR was impaired, $160,000.

Reconciliation of movement in provision for impairment of other financial assets	2011 $'000	2010 $'000
Carrying amount at 1 July	**320**	**345**
Increase/(decrease) in provision recognised in profit or loss	3,690	(25)
Carrying amount at 30 June	**4,010**	**320**

6.3 Equity investments

	2011 $'000	2010 $'000
Listed shares – at cost	2,412	2,412
Listed shares – converted	944	944
Unlisted equity instruments	4,933	10,279
Less: Provision for impairment	(7,705)	(13,046)
Total	**584**	**589**
Settled within 12 months	-	-
Settled in more than 12 months	584	589
Total	**584**	**589**

Listed shares

Tassal Ltd

TDR holds 1,583,341 fully paid ordinary shares in Tassal Limited. The value of this investment is $Nil.

Unlisted equity instruments

First Tasmania Investments Ltd

TDR holds 2,402,105 ordinary shares in First Tasmania Investments Ltd. The shares are recorded at Directors' Valuation as at 30 June 2011.

North West Bay Ships Pty Ltd

TDR acquired 800,000 preference shares (7 per cent) of $1.00 each in June 2000. The shares are recorded at Directors' Valuation as at 30 June 2011.

SDT Australia Pty Ltd

TDR acquired 200,000 preference shares (9 per cent) of $1.00 each in June 2000. The company has not operated for the last four and a half years due to a lack of capital for further research and development. The shares have been valued at $Nil as at 30 June 2011.

Screen Tasmania Investments

As a result of Administrative Arrangements (Assignment of Administration) Order 2010, Screen Tasmania was transferred from TDR's administrative responsibility (Economic Development Output Group 1) to Arts. Consequently Screen Tasmania's transactions and balances are now disclosed as part of Output Group 4 Arts. Comparative figures for the financial year ended 30 June 2010 were not adjusted. Further disclosure is provided at Note 9.2.

The Provision for Impairment movement relates to the revaluation of First Tasmania Investment Ltd and the outflow of Screen Tasmania equity portfolio as a result of the administrative arrangement.

Reconciliation of movement in provision for impairment of equity investments	2011 $'000	2010 $'000
Carrying amount at 1 July	**13,046**	**7,588**
Increase/(decrease) in provision recognised in profit or loss	(5,341)	5,458
Carrying amount at 30 June	**7,705**	**13,046**

6.4 Property, plant and equipment

(a) Carrying amount

	2011 $'000	2010 $'000
Land		
Rural properties – at fair value (30 June)	3,953	4,056
Less: Provision for impairment	-	-
Total	**3,953**	**4,056**
Leasehold improvements		
At cost	3,889	4,975
Less: Accumulated amortisation	(2,560)	(3,699)
Less: Provision for impairment	-	-
	1,329	1,276
Work in progress (at cost)	44	-
Total	**1,373**	**1,276**
Plant and equipment		
At cost	1,527	1,431
Less: Accumulated depreciation	(1,116)	(1,028)
Less: Provision for impairment	-	-
	411	403
Work in progress (at cost)	-	49
Total	**411**	**452**
Total property, plant and equipment	**5,737**	**5,784**

Rural properties are valued as at 30 June 2011 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.

(b) Reconciliation of movements

Reconciliations of the carrying amounts of each class of property, plant and equipment 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.

2011	Land $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Carrying value at 1 July	**4,056**	**1,276**	**452**	**5,784**
Additions	-	656	181	837
Disposals	(103)	(339)	(7)	(449)
Work in progress at cost	-	44	(49)	(5)
Depreciation and amortisation	-	(264)	(166)	(430)
Carrying value at 30 June	**3,953**	**1,373**	**411**	**5,737**

2010	Land $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Carrying value at 1 July	**4,416**	**1,558**	**525**	**6,499**
Additions	-	-	178	178
Disposals	(360)	-	(1)	(361)
Work in progress at cost	-	-	(100)	(100)
Depreciation and amortisation	-	(282)	(150)	(432)
Carrying value at 30 June	**4,056**	**1,276**	**452**	**5,784**

6.5 Investment property

(a) Carrying amount

	2011 $'000	2010 $'000
Land at fair value	4,810	5,260
Buildings at fair value	5,800	6,050
Less: Provision for impairment	-	-
	10,610	11,310
Work in progress at cost	-	-
Total	**10,610**	**11,310**

Investment property includes the Tasmanian Technopark which assists the acceleration of growth for start-up and existing businesses. The Technopark offers accommodation options to suit a range of businesses from complete, self-contained buildings to individual tenancies, a business incubator centre and managed office facility.

The latest revaluations as at 30 June 2011 were based on valuations undertaken by independent valuers Brothers and Newton Pty Ltd.

(b) Reconciliation of movements

	2011 $'000	2010 $'000
Carrying amount at 1 July	**11,310**	**11,570**
New purchases	83	-
Net gains/(losses) from fair value adjustments	(783)	(260)
Carrying amount at 30 June	**10,610**	**11,310**

6.6 Intangibles

(a) Carrying amount

	2011 $'000	2010 $'000
Intangibles with a finite useful life		
Software at cost	813	593
Less: Accumulated amortisation	(592)	(321)
Less: Provision for impairment	-	-
Total	**221**	**272**

(b) Reconciliation of movements

	2011 $'000	2010 $'000
Carrying amount at 1 July	**272**	**125**
Work in progress at cost	221	221
Depreciation/ amortisation expense	(272)	(74)
Carrying amount at 30 June	**221**	**272**

6.7 Other assets

(a) Carrying amount

	2011 $'000	2010 $'000
Other assets		
Prepayments	901	844
Other	2	2
Total	**903**	**846**
Settled within 12 months	903	846
Settled in more than 12 months	-	-
Total	**903**	**846**

(b) Reconciliation of movements

	2011 $'000	2010 $'000
Carrying amount at 1 July	**846**	**2,256**
Additions	903	846
Disposals	(846)	(2,256)
Carrying amount at 30 June	**903**	**846**

Note 7 Liabilities

7.1 Payables

	2011 $'000	2010 $'000
Creditors	29	35
Funds held in trust	475	673
Accrued expenses	754	749
Total	**1,258**	**1,457**
Settled within 12 months	1,258	1,457
Settled in more than 12 months	-	-
Total	**1,258**	**1,457**

Settlement is usually made within 30 days.

7.2 Interest bearing liabilities

(a) Carrying amount

	2011 $'000	2010 $'000
Loans from the State Government	21	21
Loans from Tascorp	26,600	25,000
Total	**26,621**	**25,021**

(b) Maturity schedule

One year or less	8,600	7,000
From one to five years	18,021	18,021
Total	**26,621**	**25,021**

The balance of interest bearing liabilities does not include a non-repayable loan of $7.9 million provided by the Department of Treasury and Finance to the Tasmanian Development Authority. Interest expense for the 2011 financial year totalled $380,521 (2010 $290,920).

7.3 Provisions

(a) Carrying amount

	2011 $'000	2010 $'000
Operating lease provisions	1,020	287
Operating lease make-good provisions	726	930
Total	**1,746**	**1,217**
Settled within 12 months	1,020	287
Settled in more than 12 months	726	930
Total	**1,746**	**1,217**

Movements in provisions relate to the renegotiation of tenancy leases held by the Department and the corresponding changes in the base cost of make-good provisions.

(b) Reconciliation of movements in provisions

	Operating lease make-good provision		Operating lease provisions		Total Provisions	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Balance at 1 July	**930**	**898**	**287**	**260**	**1,217**	**1,158**
Increases	3	44	733	27	736	71
Changes against the provision	(204)	-	-	-	(204)	-
Changes in discounting	(3)	(12)	-	-	(3)	(12)
Balance at 30 June	**726**	**930**	**1,020**	**287**	**1,746**	**1,217**

7.4 Attributed employee benefits

	2011 $'000	2010 $'000
Accrued salaries	452	346
Annual leave	1,267	1,111
Long service leave	2,761	2,341
SSALS provision	171	78
Total	**4,651**	**3,876**
Settled within 12 months	2,123	1,793
Settled in more than 12 months	2,528	2,083
Total	**4,651**	**3,876**

7.5 Other liabilities

	2011 $'000	2010 $'000
Revenue received in advance		
Appropriation carried forward from current and previous years under section 8A of the *Public Account Act 1986*	2,380	969
Other liabilities		
Employee benefits – on-costs	289	246
Other liabilities	323	234
Total	**2,992**	**1,449**
Settled within 12 months	2,827	1,313
Settled in more than 12 months	165	136
Total	**2,992**	**1,449**

Note 8 Commitments and Contingencies

8.1 Schedule of commitments

	2011 $'000	2010 $'000
By type		
Capital commitments		
Investment property	-	29
Total capital commitments	**-**	**29**
Lease Commitments		
Operating leases	34,575	4,422
Total lease commitments	**34,575**	**4,422**
Other commitments		
Loan commitments: Loans approved but not drawn down by clients as at 30 June	3,379	14,268
Assistance to Industry commitments	36,857	19,835
Total other commitments	**40,236**	**34,103**
Total	**74,811**	**38,554**
By maturity		
Capital commitments		
One year or less	-	29
From one to five years	-	-
More than five years	-	-
Total capital commitments	**-**	**29**
Operating lease commitments		
One year or less	2,138	2,097
From one to five years	9,721	2,325
More than five years	22,716	-
Total operating lease commitments	**34,575**	**4,422**
Other commitments		
One year or less	17,792	19,598
From one to five years	22,444	14,505
More than five years	-	-
Total other commitments	**40,236**	**34,103**
Total	**74,811**	**38,554**

Capital commitments are associated with maintenance and redevelopment expenditure on TDR's investment properties.

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 2 to 15 years.

The Assistance to Industry commitments show amounts approved to clients payable over a period 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.

8.2 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.

	2011 $'000	2010 $'000
Quantifiable contingent liabilities		
Contingent guarantees		
Liability in respect of guarantees given to Tasmanian Hockey Inc. Support loan to remediate ground No 1 pending outcome of legal dispute with the original turf laying contractor.	1,250	1,250
Total quantifiable contingent liabilities	**1,250**	**1,250**

(b) Unquantifiable contingencies

At 30 June 2011, TDR had outstanding legal claims against it 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 these claims.

(i) 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 $100,000. The matter has been adjourned to a date to be fixed by the Court.

(ii) The State of Tasmania vs Geoffrey Arthur Elwood. Mr Elwood provided a guarantee and indemnity to the Crown in order to secure a loan from the Crown to Etech International Limited. The Crown is seeking repayment of the loan amount of $2,000,000 plus an interest component.

Note 9 Reserves

9.1 Reserves

	2011 $'000	2010 $'000
Physical asset revaluation reserve		
Balance at the beginning of financial year	647	647
Transfers to/(from) reserves	(646)	-
Balance at end of financial year	**1**	**647**

(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).

9.2 Administrative Arrangements (Assignment of Administration) Order 2010

As a result of Administrative Arrangements (Assignment of Administration) Order 2010, Screen Tasmania was transferred from TDR's administrative responsibility (Economic Development Output Group 1) to Arts. Consequently Screen Tasmania's transactions and balances are now disclosed as part of Output Group 4 Arts.

The net assets and liabilities relinquished are as follows:

	2011 $'000	2010 $'000
Net assets relinquished on Administrative Arrangements		
Cash and deposits	(158)	-
Receivables	1	-
Loan Advances	330	-
Other assets	12	-
Total assets relinquished	185	-
Net liabilities relinquished on restructure		
Payables	15	-
Employee benefits	40	-
Other liabilities	2	-
Total liabilities relinquished	57	-
Net assets (liabilities) relinquished on Administrative Arrangements	**128**	**-**

Note 10 Cash Flow Reconciliation

10.1 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.

	2011 $'000	2010 $'000
Special Deposits and Trust Fund balance		
T522 Economic Development Operating Account	14,809	17,968
T790 Government Guarantees Reserve Account	327	309
T941 Fire Relief Account	3	2
Total	**15,139**	**18,279**
Other cash held		
Cash on hand and at bank	1	1
Total	**1**	**1**
Total cash and deposits	**15,140**	**18,280**

10.2 Reconciliation of net result to net cash from operating activities

	2011 $'000	2010 $'000
Net result	**(3,313)**	**(5,800)**
Increase (decrease) S8A(2) carry forwards	1,411	829
Depreciation and amortisation	702	507
Interest	82	(258)
(Gain)/loss on disposal of non-financial assets	(383)	6
(Gain)/loss on fair value revaluations	783	260
Derecognition of provisions	(204)	-
Impairment adjustments	3,855	7,528
Decrease (increase) in Receivables	(153)	(141)
Decrease (increase) in Other assets	(69)	293
Increase (decrease) in Attributed employee benefits	814	285
Increase (decrease) in Payables	(183)	83
Increase (decrease) in Provisions	529	59
Increase (decrease) in Other liabilities	134	205
Net cash from (used by) operating activities	**4,005**	**3,856**

Note 11 Financial instruments

11.1 Risk exposures

(a) Risk management policies

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

- credit risk
- liquidity risk
- market risk.

The Chief Executive 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 JBS Australia Propriety Limited (36 per cent) and Norske Skog Paper Mills Australia Limited (19 per cent). Concentration of credit risk by industry on loan advances is: Food (53 per cent).

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 the government 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.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Financial Statements, net of any allowances for losses, represents the TDR's maximum exposure to credit risk without taking into account any collateral or other security:

	2011 $'000	2010 $'000
Guarantee provided	1,250	1,250
Total	**1,250**	**1,250**

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

Analysis of financial assets that are past due at 30 June 2011 but not impaired

	Past due >30 days $'000	Past due >60 days $'000	Past due >90 days $'000	Total $'000
Receivables	23	6	111	**140**
Other financial assets – loan advances	4	4	26	**34**

Analysis of financial assets that are past due at 30 June 2010 but not impaired

	Past due >30 days $'000	Past due >60 days $'000	Past due >90 days $'000	Total $'000
Receivables	55	38	38	**131**
Other financial assets – loan advances	1	1	97	**99**

(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. It should be noted that as these are undiscounted, totals may not reconcile to the carrying amounts presented in the Statement of Financial Position:

2011

	Maturity analysis for financial liabilities							
	1 Year $'000	2 Years $'000	3 Years $'000	4 Years $'000	5 Years $'000	More than 5 Years $'000	Undiscounted Total $'000	Carrying Amount $'000
Financial liabilities								
Payables	1,258	-	-	-	-	-	1,258	1,258
Interest bearing liabilities	8,600	-	-	-	-	18,021	26,621	26,621
Total	**9,858**	**-**	**-**	**-**	**-**	**18,021**	**27,879**	**27,879**

2010

	Maturity analysis for financial liabilities							
	1 Year $'000	2 Years $'000	3 Years $'000	4 Years $'000	5 Years $'000	More than 5 Years $'000	Undiscounted Total $'000	Carrying Amount $'000
Financial liabilities								
Payables	1,457	-	-	-	-	-	1,457	1,457
Interest bearing liabilities	7,000	-	-	-	-	18,021	25,021	25,021
Total	**8,457**	**-**	**-**	**-**	**-**	**18,021**	**26,478**	**26,478**

(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:

	2011 $'000	2010 $'000
Fixed rate instruments		
Financial assets	2,242	2,094
Financial liabilities	1,258	1,457
Total	**3,500**	**3,551**
Variable rate instruments		
Financial assets	51,351	49,951
Financial liabilities	26,621	25,021
Total	**77,972**	**74,972**

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 2011				
Cash and deposits	103,797	(103,797)	103,797	(103,797)
Loan advances	362,112	(362,112)	362,112	(362,112)
Interest bearing liabilities	(266,214)	266,214	(266,214)	266,214
Net sensitivity	**199,695**	**(199,695)**	**199,695**	**(199,695)**
30 June 2010				
Cash and deposits	150,908	(150,908)	150,908	(150,908)
Loan advances	316,705	(316,705)	316,705	(316,705)
Interest bearing liabilities	(250,000)	250,000	(250,000)	250,000
Net sensitivity	**217,613**	**(217,613)**	**217,613**	**(217,613)**

This analysis assumes all other variables remain constant. The analysis was performed on the same basis for 2010.

11.2 Categories of financial assets and liabilities

	2011 $'000	2010 $'000
Financial assets		
Cash and deposits	15,140	18,280
Loans and receivables	37,867	33,176
Available-for-sale financial assets	584	589
Total	**53,591**	**52,045**
Financial Liabilities		
Financial liabilities measured at amortised cost	27,879	26,478
Total	**27,879**	**26,478**

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

	Carrying Amount 2011 $'000	Net Fair Value 2011 $'000	Carrying Amount 2010 $'000	Net fair Value 2010 $'000
Financial assets				
Other financial assets				
Loan advances	36,211	36,200	31,671	31,660
Equity investments	584	584	589	589
Total financial assets	**36,795**	**36,784**	**32,260**	**32,249**
Financial liabilities				
(Recognised)				
Payables	1,258	1,258	1,457	1,457
Other financial liabilities				
Borrowings	26,621	27,269	25,021	25,589
Total financial liabilities				
(Recognised)	**27,879**	**28,527**	**26,478**	**27,046**

11.4 Net fair values of financial assets and liabilities

2011	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				
Other financial assets				
Loan advances	-	36,200	-	36,200
Equity investments	-	584	-	584
Total financial assets	**-**	**36,784**	**-**	**36,784**
Financial liabilities				
(Recognised)				
Payables	1,258	-	-	1,258
Other financial liabilities				
Borrowings	27,269	-	-	27,269
Total financial liabilities				
(Recognised)	**28,527**	**-**	**-**	**28,527**

2010	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				
Other financial assets				
Loan advances	-	31,660	-	31,660
Equity investments	-	589	-	589
Total financial assets	**-**	**32,249**	**-**	**32,249**
Financial liabilities				
(Recognised)				
Payables	1,457	-	-	1,457
Other financial liabilities				
Borrowings	25,589	-	-	25,589
Total financial liabilities				
(Recognised)	**27,046**	**-**	**-**	**27,046**

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.

Directors' statement

1. The Financial Statements have been prepared under Section 29B of the *Tasmanian Development Act 1983*. In accordance with Ministerial direction under S29B(4), the Financial Statements have been prepared in accordance with Australian Accounting Standards.

2. In complying with Australian Accounting Standards expenditure incurred by the Department is accounted for on an accrual basis and reported with accrued operating revenue and annual cash appropriations from government. Under this reporting format, timing differences will occur between the accrual of expenditure and the receipt of appropriations from government for accrued expenses. As at the date of this statement, there are reasonable grounds to believe that TDR will be able to fulfil its financial obligations as and when they fall due, subject to parliamentary appropriation.

Certification of Financial Statements

The accompanying Financial Statements of TDR have been prepared in compliance with the provision of the *Tasmanian Development Act 1983* and the *Financial Management Audit Act 1990* from proper accounts and records to present fairly the financial transactions for the year ended 30 June 2011 and the financial position as at 30 June 2011.

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.

………………………………..

Denis Rogers AO

Chairman

10 August 2011

………………………………..

Mark Kelleher

Chief Executive

10 August 2011

INDEPENDENT AUDITOR'S REPORT

To Members of the Parliament of Tasmania

TASMANIA DEVELOPMENT AND RESOURCES

Financial Statements for the Year Ended 30 June 2011

I have audited the accompanying financial statements of Tasmania Development and Resources (the Authority), which comprises the statement of financial position as at 30 June 2011, 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 statement by the Directors of the Authority.

Auditor's Opinion

In my opinion the Authority's financial report:

(a) presents fairly, in all material respects, its financial position as at 30 June 2011, and its financial performance, cash flows and changes in equity for the year then ended; and

(b) is in accordance with the *Tasmanian Development Act 1993* and Australian Accounting Standards.

The Responsibility of the Directors for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and Section 29B of the *Tasmanian Development Act 1993*. 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 the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Directors' 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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, 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, and
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

TASMANIAN AUDIT OFFICE

E R De Santi
DEPUTY AUDITOR-GENERAL
Delegate of the Auditor-General

HOBART
23 September 2011

Contact

Tasmania Development and Resources

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