Tasmania Development and Resources

Annual Report 2019–20

Department of State Growth

Tasmanian Government

Contents

Tasmania Development and Resources

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Submission to Minister

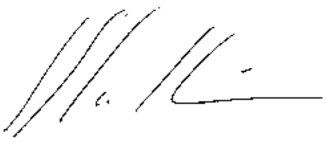
Michael Ferguson

Minister for State Growth

Dear Minister

In accordance with the requirements of Section 29E of the *Tasmanian Development Act 1983*, I submit to you, for presentation to Parliament, this report on the affairs and activities of Tasmania Development and Resources for the financial year ended 30 June 2020.

Yours sincerely



Brian Scullin

Chairman
Tasmanian Development Board
October 2020

About this publication

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

Further information is provided in the Industry and Business Development portfolio within the Department of State Growth Annual Report 2019–20.

Chairman’s foreword

On behalf of the Tasmanian Development Board it is my pleasure to present our 2019-20 Annual Report to the Minister for State Growth.

This year, much like the rest of the state, nation and indeed world, could reasonably be viewed in two parts, pre-COVID and COVID response. This said, while our part in Tasmania’s COVID-19 response to the economic pain being felt did require some agility and refocussing, our underlying and ongoing business continued.

Of particular note is that we have had to, and continue to, adjust our medium- to long-term focus in light of the pandemic and its economic impact.

The Tasmania Development and Resources Corporate Plan 2019-22 was developed at a time of strong economic performance with business confidence and investment in Tasmania high.

The focus of the plan was based around ‘sustainability in growth’ and grounded our work around our three pillars of focus: the stability of business, maintaining employment, and the wellbeing of Tasmanians.

The economic environment around the world has significantly changed due to the pandemic and our state has not been exempt.

In light of the harsh reality of the hit our economy has taken, we are preparing a new plan to direct our efforts and priorities going forward, particularly around the provision of financial assistance. The plan will be submitted to the Minister for consideration during 2020.

This year we approved 395 grants and loans totalling almost $78 million to support local industry in economic and job sustaining activities including three grants totalling $2.2 million, and 392 loans totalling almost $75.7 million. Of these new loans, $42.1 million were COVID-19 related.

At the end of the financial year, there are 518 approved loans under management worth more than $124.5 million.

A loan scheme was introduced this year to support Tasmanian businesses impacted by the coronavirus. By the end of the year 364 loans were approved under the COVID-19 Business Support Loan Scheme totalling almost $35.3 million. The Board also provided additional support to Tasmanian businesses through this period with loans totalling $6.8 million.

Loans of $360 000 and $200 000 respectively were also provided to Tahune Pty Ltd to assist with rebuilding and recovery of the Tahune Airwalk in the Huon Valley after being devastated by the 2019 bushfires, and Turner Pty Ltd to upgrade and expand the Highclere Roadhouse as an important service centre for both locals and visitors to this remote area of the north west.

This financial year, the Tasmanian Government's AgriGrowth Loan Scheme, which includes the Young Farmer Support Package, provided 13 low-interest loans totalling almost $11.6 million, taking total approvals to 54 loans worth almost $34.2 million since 2014.

The Tourism Accommodation Refurbishment Loan Scheme for the upgrading and enhancement of hotels and motels to help boost tourist numbers and expenditure saw three new applications worth $1.5 million approved in 2020-21. This takes the total number of loans granted over the three-year life of the program to 13 with a total value of more than $6.81 million.

This year the work of the Office of the Coordinator-General has continued to be fruitful for the Tasmanian economy with the Board approving $24.9 million in loans focussed on business investment, which has resulted in $41.7 million of total project investment.

The largest loan of the year was $10 million provided to Tasmanian Alkaloids Pty Ltd, a globally recognised market leader in alkaloid raw material manufacturing, based and fully integrated in Tasmania. The loan will support the acceleration of a medicinal cannabis project which will create significant business activity and job opportunities and help countless individuals suffering serious medical conditions or chronic pain.

This year we also saw a period of transition for the board itself with the departure of long-time and valued directors Brett Torossi, Janelle Allison and Mark Ryan. Each has made valuable contributions to the board over their tenure and I thank them for their commitment to making Tasmania a better place to live, work and invest.

New directors commencing in February were Mike Wallas, Kathryn McCann and Vince De Santis who joined Naomi Edwards and Greg McCann who continue in their roles as directors, meaning we have fresh and diverse views represented as we look to foster a stronger economy through what could be a long-term recovery from the economic impacts of COVID-19.

I thank all directors, past and present, for their forthright and considered contribution to decisions of the board that make a real difference to business and jobs growth in Tasmania.

Our thanks again go to Kim Evans, fellow board member and Chief Executive of Tasmania Development and Resources, and Amanda Russell, our Corporate Secretary, and acknowledge the professional and dedicated support of the staff of the Department of State Growth and the Office of the Coordinator-General.

For 2019-20 we especially recognise the tireless efforts of departmental staff in continuing to provide excellent service, support and advice to the board while under significant pressure helping Tasmanian businesses respond to the unfolding pandemic situation.

While COVID-19 has presented us with economic challenges, we started the 2019-20 financial year in a strong economic position as a state overall and believe that we remain well positioned for full economic recovery in due course.

Collectively, the board looks forward to continue serving the Tasmanian community and supporting business growth and emerging investment opportunities.

Brian Scullin

Chairman
Tasmanian Development Board
October 2020

Tasmanian Development Board

1. Brian Scullin (Chairman)
2. Naomi Edwards (Director)
3. Greg McCann (Director)
4. Mike Wallas (Director)
5. Vince De Santis (Director)
6. Kathryn McCann (Director)
7. Kim Evans (Chief Executive)

Brian Scullin (Chairman)

Brian's early career was working for the Australian Government. His executive career in superannuation and financial services between 1987 and 2002 saw him appointed inaugural Executive Director of the Association
of Superannuation Funds of Australia.

In September 1993 Brian was appointed Vice President, Business Strategy, Bankers Trust Australia Limited and subsequently Executive Vice President, Funds Management. Here he was responsible for all non-investment functions including legal, compliance, operations, technology, marketing and human resources.

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

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

Currently he is Chair of OAK Possability, a not-for-profit provider of services in the disability sector, Chair of Propel Funeral Partners and Chair of the Macquarie Point Development Corporation.

Naomi Edwards (Director)

Naomi has had an extensive career in the financial services industry with significant involvement in investment for Australian and global companies, particularly in the renewable energy sector.

She is a former Chair of Australian Ethical Investments, Australia's oldest ethical investment fund and a former board member of Hunter Hall, a listed global funds management company based in Sydney and London.

She sits on the boards of Sydney-based companies Nikko Funds Management and Propel Funeral Partners and the national board of the Australian Institute of Company Directors.

Naomi is a former partner of Deloitte, and in her role as a consulting actuary she has worked with large financial services companies in London, Asia, New Zealand and Australia. She has extensive experience in the valuation of wealth management companies during mergers and acquisitions including advising NAB on its acquisition of MLC.

She is Chair of Tasplan Super, an industry super fund managing over $9 billion of members' retirement savings, including the retirement savings of some 130 000 working Tasmanians.

Naomi is a Fellow of the Institute of Actuaries (United Kingdom and Australia) and a Fellow of the Australian Institute of Company Directors.

Greg McCann (Director)

Greg has a long-term financial management and technology background. After graduating from the University of Tasmania he worked in public practice as an accountant in Launceston for 10 years.

Early in his career he joined Deloitte where he was a partner for 24 years and held a number of senior leadership roles including Managing Partner Papua New Guinea, Managing Partner Queensland, Managing Partner NSW, and Managing Director for Deloitte Consulting/ICS in Australia, among other domestic and international roles.

In 2004 Greg founded the Excentor Group of Companies, a Sydney based independent software and professional services provider that employs some 2000 people. Greg has extensive corporate financial experience, including as Chairman of ASX and NASDAQ listed companies. He sat on the board of an eastern seaboard law firm for ten years and is former chairman of NBN Tasmania Limited.

Greg is a fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors.

Mike Wallas (Director)

Mike started his executive career with Hewlett-Packard in South Africa and quickly progressed to senior executive positions including as Managing Director of the then $400 million technology business.

Moving to Australia in 1998 he established Enterprise Growth Solutions, a boutique consultancy advising medium and large clients on strategy, growth and expansion internationally.

Mike has been a foundation investor in a range of early stage technology and software businesses of which many have grown into strong international businesses.

Mike has served on numerous boards as non-executive director or chair and is currently Chair of HS Fresh Food, formerly Houston's Farm, as well as CareLynx, an aged care clinical management platform business.

Over the last 12 years Mike has become a respected turnaround specialist assisting businesses in industries such as agriculture, mining services and technology.

Mike served for over 10 years as non-executive director at City Fertility Centre, one of the premier IVF providers in Australia and his strength in mergers and acquisitions assisted the group join one of the world's premium health groups in 2017.

Mike is a Graduate of the Australian Institute of Company Directors (AICD) as well as a Fellow of the Australian Institute of Management (FAIM).

Vince De Santis (Director)

Vince is the Non-Executive Chairman of ASX listed industrial engineering company Engenco Limited, having been appointed as a director in 2010 and Chair in 2016, and has been a member of the company's Audit and Risk Committee since 2013.

Vince was Managing Director of the Elphinstone Group which he joined in 2000 as the Group's Legal Counsel and Finance and Investment Manager, before being appointed as Managing Director in 2008.

Vince also served as a director of various subsidiary and joint venture companies.

Vince has been a Senior Associate in the Energy, Resources and Projects team at national law firm Corrs Chambers Westgarth based in Melbourne.

Vince grew up in North-West Tasmania and is a graduate of the University of Tasmania where he completed a combined degree in Commerce and Law graduating with Honours in Law. He is a member of the Australian Institute of Company Directors, the Tasmanian Rhodes Scholarship Selection Committee and Burnie Local Enabling Group Inc.

Kathryn McCann (Director)

Kath has an extensive senior executive career in the public and private sectors encompassing areas such as tourism, aviation, education, hospitality and not-for-profit and entertainment.

Kath has held senior executive roles with a range of prominent Tasmanian organisations including Hobart Airport, Tourism Tasmania, Beacon Foundation and Federal Group with a focus on strategy, marketing, operations, business development, communications and sales.

Kath is currently Chief Operating Officer of the Beacon Foundation, a not-for-profit organisation helping young people to successfully transition from education to meaningful employment.

Kath has held a range of board positions and is currently a Director and Deputy Chair of the Tourism Industry Council Tasmania, a member of the Tasmanian Heritage Council and a Director of disability services provider Oak Possability.

Kath grew up and was educated in Tasmania and is a Graduate of the University of Tasmania where she completed her degree in Arts and Commerce with majors in Psychology and Marketing.

Kim Evans (Chief Executive)

Kim has been a Head of Agency in Tasmania for more than twenty years and is currently Secretary of the Department of State Growth overseeing all operations of the organisation and working closely with the Office of the Coordinator-General in realising investment opportunities.

He has represented the Tasmanian Government on a range of state and national boards and committees including the Tasmanian Institute of Agriculture, the Institute of Marine and Antarctic Studies and Tasmanian Irrigation.

Kim currently sits on the boards of the Macquarie Point Development Corporation, Tasmanian Leaders and the Theatre Royal, and is the Tasmanian Government's representative on the board of SALTAS, a company established to assist the development of the Tasmanian salmon and trout industries.

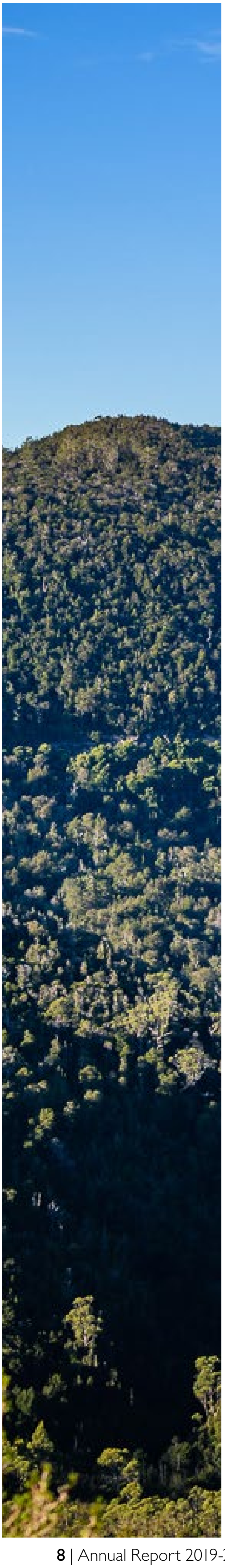
He supports growth in Tasmania's visitor economy as a member of the Premier's Visitor Economy Advisory Council and the T21 Steering committee, and is the state's representative on the national Transport and Infrastructure Council Senior Officials' Committee.

Kim is also a member of the Australian Institute of Company Directors.

Tasmanian Development and Resources Board meeting attendance

Member	Number of meetings attended
Chairman, Brian Scullin	11
Professor Janelle Allison[1]	3
Vince De Santis[3]	5
Naomi Edwards	10
Kim Evans	11
Gregory McCann	11
Kathryn McCann[3]	5
Brett Torossi[2]	7
Mark Ryan[2]	5
Michal Wallas[3]	5

1. Professor Janelle Allison resigned from the Board in December 2019
2. The terms of Brett Torossi and Mark Ryan expired in February 2020
3. Vince De Santis, Kathryn McCann and Michal Wallas were appointed in February 2020



Policy objectives

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

» the stability of business undertakings in Tasmania

» the maintenance of maximum employment in Tasmania

» the prosperity and welfare of the people of Tasmania.

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

The TDR Corporate Plan 2019-2022, endorsed in May 2019, represented the focus of the Board and its activities for the three year period 2019-2022. The Plan specified the strategic direction and focus areas and represents the role of the TDR in achieving the goals outlined in the Tasmania Development Act 1983, recognising the important role the Board has in supporting the prosperity and welfare of the people of Tasmania. In light of the changes in our operating environment due to the coronavirus, work is underway to prepare a new Plan to submit to the Minister for consideration which will articulate the role and priorities of the TDR in this climate going forward, particularly in the area of provision of financial assistance.

The key focus areas for 2019-2022 are:

» Administration of programs and assessment of applications for financial assistance to support strategic focus areas for growth agreed by the Tasmanian Government.

» Industry sectors that have the capacity to accelerate growth in the Tasmanian economy and the capability to both sustain the jobs we have, and create new jobs.

» Supporting the role of the Office of the Coordinator-General to identify opportunities, manage major projects, reduce red tape, attract investment and encourage businesses to establish, relocate, diversify and expand in Tasmania.

» Provision of advice to government on matters relating to the policy objectives of the TDR and the Tasmanian Government.

While noting these priorities are under review, the priorities for 2019-2020 were to:

» Promote and encourage the extension of portfolio loans in preference to grant assistance where the need can be demonstrated against clear criteria

» Consider proposals for grant assistance targeted on accelerated sectors and businesses in the Tasmania economy where growth is less than other high performing areas

» Facilitate assistance to regional economies so that the benefits of improved economic performance are shared through the Tasmanian community

» Encourage businesses to ensure employment, social and environmental outcomes feature in proposals to the Board in addition to financial metrics

» Prioritise requests for assistance that provide increased employment or new jobs for Tasmanians, and

» Promote and emphasise existing schemes for assistance across government such as payroll tax relief where need can be demonstrated rather than seeking financial assistance and support from TDR.

Grants and loans approval for 2019-20

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

Loan/grant category	Number of loan/grant approvals	Total loan/grant approval amounts
Other	395	$77.872 million
Total	**395**	**$77.872 million**

Outstanding loan balances as at 30 June 2020

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	518	$124.530 million
Total	**518**	**$124.530 million**

Certification of Financial Statements

The accompanying Special Purpose Financial Statements of Tasmania Development and Resources (TDR) have been prepared under Section 29B of the *Tasmanian Development Act 1983* and are in agreement with the relevant accounts and records. The Special Purpose Financial Statements have been prepared in compliance with the Treasurer's Instructions to present fairly the financial transactions for the year ended 30 June 2020 and the financial position as at the end of the year.

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

Brian Scullin
Chair
Tasmanian Development Board
8 October 2020

Kim Evans
Chief Executive Officer,
Tasmanian Development Board
7 October 2020

Tasmania Development and Resources

Statement of Comprehensive Income for the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Income from continuing operations			
Revenue from Government			
Appropriation revenue – operating	1.1	5,349	364
Grants	1.2	...	175
Interest		665	790
Other revenue	1.3	1,595	1,577
Total revenue from continuing operations		**7,609**	**2,906**
Net gain/(loss) on non-financial assets	2.1	(23)	...
Net gain/(loss) on financial instruments and statutory receivables/payables	2.2	483	(183)
Total income from continuing operations		**8,069**	**2,723**
Expenses from continuing operations			
Employee benefits	3.1(a)	422	417
Directors fees	3.1(b)	254	283
Depreciation and amortisation	3.2	90	122
Supplies and consumables	3.3	1,549	1,535
Grants and subsidies	3.4	4,605	64
Finance costs	3.5	274	811
Other expenses		15	8
Total expenses from continuing operations		**7,209**	**3,240**
Net result from continuing operations		**860**	**(517)**
Net result		**860**	**(517)**
Comprehensive result		**860**	**(517)**

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 2020

	Notes	2020 $'000	2019 $'000
Assets			
Financial assets			
Cash and cash equivalents	7.1	24,975	7,351
Receivables	4.1	209	126
Loan advances	4.2	124,690	69,692
Non-financial assets			
Property, plant and equipment	4.3	9,764	10,072
Other assets		...	3
Total assets		**159,638**	**87,244**
Liabilities			
Payables		188	40
Borrowings	5.1	127,223	55,832
Employee benefit liabilities		86	74
Other liabilities		136	153
Total liabilities		**127,633**	**56,099**
Net assets (liabilities)		**32,005**	**31,145**
Equity			
Accumulated funds		32,005	31,145
Total equity		**32,005**	**31,145**

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 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities		Inflows (Outflows)	Inflows (Outflows)
Cash inflows			
Appropriation receipts – operating		5,349	364
Grants – continuing operations		...	175
GST receipts		(25)	4
Interest received		812	694
Other cash receipts		1,577	1,693
Total cash inflows		**7,713**	**2,930**
Cash outflows			
Employee benefits		(412)	(402)
Directors fees		(254)	(283)
Grants and subsidies		(4,605)	(64)
Interest payments		(109)	(1,145)
Supplies and consumables		(1,572)	(1,518)
Other cash payments		(15)	(8)
Total cash outflows		**(6,967)**	**(3,420)**
Net cash from (used by) operating activities	7.2	**746**	**(490)**
Cash flows from investing activities			
Cash inflows			
Proceeds from the disposal of non-financial assets		196	203
Repayment of loans by other entities		7,782	9,225
Total cash inflows		**7,978**	**9,428**
Cash outflows			
Loans made to other entities		(62,491)	(26,881)
Payments for acquisition of non-financial assets		...	...
Total cash outflows		**(62,491)**	**(26,881)**
Net cash from (used by) investing activities		**(54,513)**	**(17,453)**
Cash flows from financing activities			
Cash inflows			
Proceeds from borrowings		77,700	9,300
Monies held in trust movement		...	...
Total cash inflows		**77,700**	**9,300**
Cash outflows			
Repayment of borrowings		(6,309)	(20,540)
Total cash outflows		**(6,309)**	**(20,540)**
Net cash from (used by) financing activities		**71,391**	**(11,240)**
Net increase (decrease) in cash and cash equivalents held		**17,624**	**(29,183)**
Cash and deposits at the beginning of the reporting period		**7,351**	**36,534**
Cash and cash equivalents at the end of the reporting period	7.1	**24,975**	**7,351**

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 2020

	Accumulated funds $'000	Total equity $'000
Balance as at 1 July 2019	**31,145**	**31,145**
Total comprehensive result	860	860
Balance as at 30 June 2020	**32,005**	**32,005**

	Accumulated funds $'000	Total equity $'000
Balance as at 1 July 2018	**31,662**	**31,662**
Total comprehensive result	(517)	(517)
Balance as at 30 June 2019	**31,145**	**31,145**

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

Note 1 Revenue

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.

Until 30 June 2019, income is recognised in accordance with AASB 111 *Construction Contracts*, AASB 118 Revenue and AASB 1004 *Contributions*.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income for Not-for-profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15.

1.1 Revenue from Government

Appropriations, whether operating or capital, are recognised as revenues in the period in which Tasmania Development and Resources (TDR) gains control of the appropriated funds as allocated by the Department of State Growth (the Department). Except for any amounts identified as carried forward in Note 1.1, control arises in the period of appropriation.

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

As a result of the commencement of the Financial Management Act, from 2020-21 Revenue from Government will include revenue from appropriations, unexpended appropriations rolled over under section 23 of the *Financial Management Act 2016* and Items Reserved by Law.

Section 8A(2) of the Public Account Act allowed 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 was recognised as a liability, Revenue Received in Advance. The carry forward from the initial year was recognised as revenue in the reporting year, assuming that the conditions of the carry forward were met and the funds were expended.

Section 23 of the Financial Management Act allows for an unexpended appropriation at the end of the financial year, as determined by the Treasurer, to be issued and applied from the Public Account in the following financial year. The amount determined by the Treasurer must not exceed five per cent of an Agency's appropriation for the financial year. Rollover of unexpended appropriations under section 23 will be disclosed under the Financial Management Act for the first time in 2020-21.

	2020 $'000	2019 $'000
Continuing operations		
Appropriation revenue – operating		
Current year	5,349	364
Total attributed revenue from Government	**5,349**	**364**

1.2 Grants

In 2018-19, Grants payable by the Australian Government were recognised as revenue when the TDR gains control of the underlying assets. Where grants are reciprocal, revenue was recognised as performance occurred under the grant. Non-reciprocal grants were recognised as revenue when the grant is received or receivable. Conditional grants were reciprocal or non-reciprocal depending on the terms of the grant.

From 2019-20, Grants revenue, where there is a sufficiently specific performance obligation attached, are recognised when the TDR satisfies the performance obligation and transfers the promised goods or services. The TDR typically satisfies its performance obligations when the associated expenditure is incurred, or in line with the bespoke grant documentation. The TDR recognises revenue associated with performance obligations based on the judgements made when transfer of the asset is assumed.

Grants revenue without a sufficiently specific performance obligation are recognised when the TDR gains control of the asset (typically Cash).

Grants to acquire/construct a recognisable non-financial asset to be controlled by the TDR are recognised when the TDR satisfies its obligations under the transfer. The TDR satisfies its performance obligations over time as the non-financial assets are being constructed using the expenditure incurred to trigger for satisfaction of the performance obligations.

	2020 $'000	2019 $'000
Continuing operations		
Grants from the Australian Government	...	175
Total revenue from grants	**...**	**175**

1.3 Other revenue

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

	2020 $'000	2019 $'000
Property rental	702	1,237
Property other revenue	133	292
Other	760	48
Total	**1,595**	**1,577**

Note 2 Net Gains/(Losses)

2.1 Net gain/(loss) on 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.

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.

All impairment losses are recognised in Statement of Comprehensive Income.

	2020 $'000	2019 $'000
Net loss on disposal of Leasehold Improvements on vacation of Cornwall Square Launceston premises	(23)	...
Total net gain/(loss) on non-financial assets	**(23)**	**...**

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

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.

	2020 $'000	2019 $'000
Impairment reversals/(losses) for:		
Loans advances	483	(183)
Total net gain/(loss) on financial instruments	**483**	**(183)**

Note 3 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.

3.1 Employee benefits

The activities of TDR are delivered by staff employed by the Department. TDR does not employ staff in its own right. However, there are a number of specific departmental employees directly charged to TDR operations, which are included in the Statement of Comprehensive Income as 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.

(a) Employee expenses

	2020 $'000	2019 $'000
Wages and salaries	340	329
Annual leave	25	29
Long service leave	(1)	9
Sick leave	7	5
Superannuation	48	45
Other employer expenses	3	...
Total	**422**	**417**

Superannuation expenses relating to defined benefit schemes relate to payments into the Public Account. The amount of the payment is based on a department contribution rate determined by the Treasurer, on the advice of the State Actuary. The current department contribution is 12.95 per cent (2019: 12.95 per cent) of salary.

Superannuation expenses relating to defined contribution schemes are paid directly to superannuation funds at a rate of 9.5 per cent (2019: 9.5 per cent) of salary. In addition, departments are also required to pay into the Public Account a "gap" payment equivalent to 3.45 per cent (2019: 3.45 per cent) of salary in respect of employees who are members of contribution schemes.

(b) Remuneration of Key management personnel

2020	Short-term benefits		Long-term benefits			
	Salary $'000	Other Benefits $'000	Super-annuation $'000	Other Benefits & Long-Service Leave $'000	Termination benefits $'000	Total $'000
Board Members						
Brian Scullin, Chairman	57	...	5	...	...	62
Mark Ryan, Director (ceased 2/02/20)	26	...	2	...	...	28
Brett Torossi, Director (ceased 22/02/20)	21	...	2	...	...	23
Naomi Edwards, Director	37	...	4	...	...	41
Gregory McCann, Director	39	...	4	...	...	43
Janelle Allison, Director (ceased 31/12/19)	16	...	2	...	...	18
Michal Wallas, Director (appointed 23/02/20)	12	...	1	...	...	13
Kathryn McCann, Director (appointed 23/02/20)	12	...	1	...	...	13
Vincent De Santis, Director (appointed 23/02/20)	12	...	1	...	...	13
Total	**232**	**...**	**22**	**...**	**...**	**254**

2019	Short-term benefits		Long-term benefits			
	Salary $'000	Other Benefits $'000	Super-annuation $'000	Other Benefits & Long-Service Leave $'000	Termination benefits $'000	Total $'000
Board Members						
Brian Scullin, Chairman	58	...	6	...	...	64
Mark Ryan, Director	43	...	4	...	...	47
Brett Torossi, Director	43	...	4	...	...	47
Naomi Edwards, Director	39	...	4	...	...	43
Gregory McCann, Director	43	...	4	...	...	47
Janelle Allison, Director	32	...	3	...	...	35
Total	**258**	**...**	**25**	**...**	**...**	**283**

The Chief Executive of the TDR, Kim Evans, receives no remuneration for this role. Kim Evans' remuneration is for his role as Secretary of the Department and is disclosed in the Department's Financial Statements.

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

Remuneration during 2019-20 for key personnel is set by the *Tasmanian Development Act 1983*. Remuneration and other terms of employment are specified in employment contracts. Short-term benefits include motor vehicle and car parking fringe benefits in addition to annual leave and any other short term benefits. Fringe benefits have been reported at the grossed up reportable fringe benefits amount. The Fringe Benefits Tax (FBT) year runs from 1 April to 31 March each year, any FBT attributable to key management personnel is reported on that basis. Long term employee expenses include long service leave, superannuation obligations and termination payments.

(c) Related party transactions

The Department provides ongoing administrative support to TDR. Kim Evans, in addition to his role as a member of TDR's key management personnel, is the Secretary and the accountable authority of the Department. The Department charges TDR an annual amount to support administrative costs, disclosed in Note 3.3. The employment of TDR staff by the Department is disclosed in Note 3.1 (a).

There are no other material related party transactions requiring disclosure.

3.2 Depreciation and amortisation

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

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

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

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

Software	1-5 years

(a) Depreciation

	2020 $'000	2019 $'000
Plant and equipment	...	25
Buildings	90	90
Total	**90**	**115**

(b) Amortisation

	2020 $'000	2019 $'000
Leasehold improvements	...	7
Total	**...**	**7**
Total depreciation and amortisation	**90**	**122**

3.3 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.

	2020 $'000	2019 $'000
Audit fees – financial audit	31	31
Consultants and contracted services	87	7
Property services	412	516
Maintenance	312	289
Communications	4	3
Information technology	25	9
Travel and transport	12	16
Administrative support charge	594	594
Other supplies and consumables	72	70
Total	**1,549**	**1,535**

3.4 Grants and subsidies

Grant and subsidies expenditure is recognised to the extent that:

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

» the grant eligibility criteria have been satisfied.

Grants and subsidies approved by the TDR Board that are predominantly funded by appropriation are included in the reported balances.

	2020 $'000	2019 $'000
Copper Mines of Tasmania	1,627	...
UXC Enterprise Development Centre	278	264
Norske Skog	1,500	...
Vodafone	...	(200)
Ridley	1,000	...
Forest Industry Bushfire Recovery	200	...
Total	**4,605**	**64**

TDR Grants are generally funded by appropriation from the Public Account, which is reflected in the attributed revenue from government in the Statement of Comprehensive income.

3.5 Finance costs

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

Finance costs include:

- » interest on bank overdrafts and short term and long term borrowings;
- » unwinding of discounting of provisions;
- » amortisation of discounts or premiums related to borrowings; and
- » amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

	2020 $'000	2019 $'000
Interest expense		
Interest on loans	274	811
Total	**274**	**811**

During 2018-19 a $15 million bond loan was repaid that had an interest rate above 7 per cent. From this point there has been a significant decrease in interest rates relating to borrowings and timing of large borrowing by TDR late in the year has resulted in the reduction in interest on loans noted above.

Note 4 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.

4.1 Receivables

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Receivables are held with the objective to collect the contractual cash flows and are subsequently measured at amortised cost using the effective interest method. Any subsequent changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process. An allowance for expected credit losses is recognised for all debt financial assets not held at fair value through profit and loss. The expected credit loss is based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

For trade receivables, a simplified approach in calculating expected credit losses is applied, with a loss allowance based on lifetime expected credit losses recognised at each reporting date. The TDR has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

	2020 $'000	2019 $'000
Receivables	209	126
Less: Provision for impairment	...	...
Less: Expected credit loss	...	...
Total	**209**	**126**
Sales of goods and services (inclusive of GST)	194	124
Tax assets	15	2
Total	**209**	**126**
Settled within 12 months	209	126
Settled in more than 12 months	...	...
Total	**209**	**126**

For ageing analysis of the financial assets, refer to note 8.

4.2 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.

	2020 $'000	2019 $'000
Renewable Energy Loan Scheme	...	26
Section 35 Loans Administered by TDR	6,253	...
Tasmanian Development Act 1983	5,188	2,526
Fire Damage Relief Act 1967	18	18
Farm Finance Loan Scheme	3,659	8,541
Agrigrowth Loan Program	16,255	13,231
Drought Relief Loans	303	304
Pacific Oyster Mortality Syndrome	692	726
Drought Dairy Recovery Concessional Program & Drought Recovery	3,106	3,110
Flood Recovery Rural	1,129	1,351
Flood Relief - Small Business	...	160
Farm Business Concessional Loan Scheme - Dairy Recovery & Drought Assistance	21,059	21,637
Tourism Accommodation Refurbishment Loan Scheme	4,651	2,179
Farm Business Concessional Loan Scheme - Dairy Recovery July 2017 & Drought Assistance July 2017	13,724	10,778
Heritage Renewal Loan Scheme	660	605
Agrigrowth Loan Scheme - Young Farmers	18,369	4,983
Federal Refinance Loans	764	...
COVID-19 Business Support Loan Scheme	28,860	...
Less: Provision for impairment	...	(483)
Total	**124,690**	**69,692**
Settled within 12 months	7,895	7,771
Settled in more than 12 months	116,795	61,921
Total	**124,690**	**69,692**

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

Under the provisions of the *Tasmanian Development Act 1983*, TDR has the power to provide loans to clients that assist in the development and expansion of the Tasmanian economy.

Reconciliation of movement in provision for impairment of other financial assets	2020 $'000	2019 $'000
Carrying amount at 1 July	**483**	**300**
Increase/(decrease) in provision recognised in net result	(483)	183
Carrying amount at 30 June	**...**	**483**

Provisions for impairment only apply to loans under the control of TDR.

Tasmanian Development Act 1983 loan advance impaired in previous years relate to J & A Gretschmann. This loan was repaid in full during the year resulting in the full reversal of previous impairment.

4.3 Property, plant and equipment

(i) Valuation basis

Land is recorded at fair value. Buildings 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. All assets within a class of assets are measured on the same basis.

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.

Fair value is based on the highest and best use of the asset. Unless there is an explicit Government policy to the contrary, the highest and best use of an asset is the current purpose for which the asset is being used or build occupied.

(ii) Subsequent costs

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

(iii) Asset recognition threshold

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

(iv) Revaluations

TDR has adopted a revaluation threshold of $50,000. Land and buildings, other than Rural Properties which are not revalued, measured at fair value are revalued every five years.

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

Carrying amount

	2020 $'000	2019 $'000
Land		
Properties - at fair value (30 June 2016)	3,315	3,315
Rural properties - at fair value	1,024	1,219
Total	**4,339**	**4,534**
Buildings		
At fair value (30 June 2016)	5,778	5,778
Less: Accumulated depreciation	(353)	(263)
Total	**5,425**	**5,155**
Leasehold improvements		
At cost	...	63
Less: Accumulated amortisation	...	(40)
Total	**...**	**23**
Plant and equipment		
At cost	436	436
Less: Accumulated depreciation	(436)	(436)
Total	...	...
Total property, plant and equipment	**9,764**	**10,072**

Land and buildings

Land and buildings revaluations were undertaken by the Valuer-General as at 30 June 2016. Direct comparison and the income approach are the primary valuation methods. Direct comparison is limited due to a lack of directly comparable sales and the uniqueness of the TDR property portfolio in terms of its secondary location and restricted zoning. However a value range has been formed with consideration of recent sales around the valuation range. Fair Value of vacant land has been assessed by direct comparison having regard to comparable vacant land parcels which have sold with appropriate adjustment for the circumstances of sale and characteristics of the land.

Rural properties

Rural properties are valued as at 30 June 2020 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.

(a) 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.

30 June 2020	Land Level 2 (land and vacant land in active markets) $'000	Buildings Level 2 (general office buildings) $'000	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Carrying value at 1 July	**4,534**	**5,515**	**...**	**23**	**10,072**
Additions	...	...	...	...	...
Disposals	(195)	...	...	(23)	(218)
Depreciation and amortisation	...	(90)	...	...	(90)
Carrying value at 30 June	**4,339**	**5,425**	**...**	**...**	**9,764**

30 June 2019	Land Level 2 (land and vacant land in active markets) $'000	Buildings Level 2 (general office buildings) $'000	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Carrying value at 1 July	**4,737**	**5,605**	**25**	**30**	**10,397**
Additions	...	...	...	...	...
Disposals	(203)	...	...	...	(203)
Depreciation and amortisation	...	(90)	(25)	(7)	(122)
Carrying value at 30 June	**4,534**	**5,515**	**...**	**23**	**10,072**

Note 5 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.

5.1 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.

(a) Carrying amount

	2020 $'000	2019 $'000
Loans from the State Government	3,290	3,760
Loans from the Australian Government	43,933	49,772
Loans from Tascorp	80,000	2,300
Total	**127,223**	**55,832**

(b) Maturity schedule

	2020 $'000	2019 $'000
One year or less	38,647	2,770
From one to five years	85,576	53,062
Total	**127,223**	**55,832**

During 2019-20 TDR repaid $5.84 million of the borrowing with the Australian Government; $4.83 million relating to Farm Finance Loan Scheme, $0.13 relating to Drought Dairy Recovery Concessional Loan Scheme, $0.54 Farm Business 2016-17 and $0.34 Farm Business 2017-18.

Between July 2019 and March 2020 TDR borrowed an additional $32.7 million from Tascorp with a further $45 million in May to match loans provided under the Government's Economic Stimulus Packages in response to Covid-19.

Note 6 Commitments and Contingencies

6.1 Schedule of commitments

	2020 $'000	2019 $'000
By type		
Lease Commitments		
Other leases	6	8
Total lease commitments	**6**	**8**
Other commitments		
Loan commitments	68,549	57,805
Grant / Project commitments	21,280	17,461
Total other commitments	**89,829**	**75,266**
Total	**89,835**	**75,274**
By maturity		
Lease commitment		
One year or less	6	4
From one to five years	...	4
More than five years	...	...
Total lease commitments	**6**	**8**
By maturity		
Other commitments		
One year or less	48,124	47,949
From one to five years	41,705	27,317
More than five years	...	...
Total other commitments	**89,829**	**75,266**
Total	**89,835**	**75,274**

Other leases are associated with rental costs for motor vehicles leased through the government's fleet manager which has been deemed by the Department of Treasury and Finance to be excluded from the application of AASB 16.

Loan commitments are loans approved but not drawn down by clients as at 30 June 2020.

Program / project commitments show amounts approved to clients payable over one year or greater than one year on which the actual amount payable is dependent upon expenditure being incurred and certain conditions being met by these clients and a claim submitted and approved for payment. The estimated commitment as at 30 June 2020 has been included in these cases.

6.2 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.

	2020 $'000	2019 $'000
Quantifiable contingent liabilities		
In late 2015 and following a recommendation from the TDR Board, the Minister for State Growth and Treasurer jointly approved the provision of a $25 million financial assistance package to Copper Mines of Tasmania (CMT) to support a possible reopening of the Mt Lyell Copper Mine. The assistance package was approved in the form of a grant to reimburse CMT for payroll tax and mineral royalties paid over a seven-year period, contingent on the mine reopening.	25,000	25,000
Total quantifiable contingent liabilities	**25,000**	**25,000**

Note 7 Cash Flow Reconciliation

Cash means notes, coins, any deposits held at call with a bank or financial institution, as well as funds held in Specific Purpose Accounts, being short term of three months or less and highly liquid. Deposits are recognised at amortised cost, being their face value.

7.1 Cash and deposits

Cash and deposits includes the balance of the Specific Purpose Account held by TDR, and other cash held, excluding those accounts which are administered or held in a trustee capacity or agency arrangement.

	2020 $'000	2019 $'000
Special Deposits and Trust Fund balance		
S524 Department of State Growth Financial Management Account	24,974	7,349
Total	**24,974**	**7,349**
Other cash held		
Petty cash float	1	2
Total	**1**	**2**
Total cash and cash equivalents	**24,975**	**7,351**
Restricted use cash and cash equivalents	2,190	5,713
Unrestricted use cash and cash equivalents	22,785	1,638
Total cash and cash equivalents	**24,975**	**7,351**

Restricted use cash and deposit funds are for specific loan program purposes as designated by the Commonwealth funding bodies.

7.2 Reconciliation of net result to net cash from operating activities

	2020 $'000	2019 $'000
Net result from transactions (net operating balance)	**860**	**(517)**
Depreciation and amortisation	90	122
Movement of Interest accruals within loan portfolio	(92)	23
Fee Calls	120	18
Impairment adjustments	(483)	183
Net (gain)/Loss on disposal of non-financial asset	23	...
Decrease (increase) in Receivables	83	(2)
Decrease (increase) in Other assets	3	(3)
Increase (decrease) in Employee benefits	12	16
Increase (decrease) in Payables	148	(338)
Increase (decrease) in Other liabilities	(18)	8
Net cash from (used by) operating activities	**746**	**(490)**

7.3 Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Statement of Cash Flows as cash flows from financing activities.

2020	Borrowings $'000
Balance as at 1 July 2019	**55,832**
Changes from financing cash flows:	
Cash Received	77,700
Cash Repayments	(6,309)
Balance as at 30 June 2020	**127,223**

2019	Borrowings $'000
Balance as at 1 July 2018	**67,072**
Changes from financing cash flows:	
Cash Received	9,300
Cash Repayments	(20,540)
Balance as at 30 June 2019	**55,832**

Note 8 Financial Instruments

8.1 Risk exposures

(a) Risk management policies

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

» credit risk;

» liquidity risk; and

» market risk.

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

(b) Credit risk exposures

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

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

TDR manages credit risk on loan advances by obtaining security over assets in accordance with the provisions of the *Tasmanian Development Act 1983* (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.

As at 30 June 2020 TDR is not materially exposed to any individual client. Concentration of credit risk by industry on loan advances is: Rural (60%) and the concentration for high risk Covid-19: (26%)

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 (including Tax assets)	Recognised upon the provision of a good or service and the issuance of an invoice or claim ie BAS, measured at face value	Payment terms generally 30 days. Collectability of receivables is reviewed at balance date for expected credit loss as well as a provision for impairment raised when collection of a debt is judged to be doubtful.
Other Financial Assets - Loan advances	Loan advances are held to maturity and are measured at amortised cost subsequent to initial recognition. Impairment of loan advances is reviewed on an ongoing basis.	Loan advances include financial assistance provided by TDR to the private sector in the form of loans.
Cash and deposits	Deposits are recognised at the nominal amounts.	Cash means notes, coins and any deposits held at call with a bank or financial institution, as well as funds held in the Specific Purpose Accounts.

Expected credit loss analysis of receivables

The simplified approach to measuring expected credit losses is applied, which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on historical observed loss rates adjusted for forward looking factors that will have an impact on the ability to settle the receivables. The loss allowance for trade debtors.

Expected credit loss analysis of receivables as at 30 June 2020	Not past due $'000	Past due 1-30 days $'000	Past due 31-60 days $'000	Past due 61-90 days $'000	Past due 91+ days $'000	Total $'000
Expected credit loss rate (A)	0.00%	0.00%	0.01%	0.02%	0.02%	
Total gross carrying amount (B)	18	28	...	31	117	**194**
Expected credit loss (A x B)	...	...	...	...	...	**...**

Expected credit loss analysis of receivables as at 30 June 2019	Not past due $'000	Past due 1-30 days $'000	Past due 31-60 days $'000	Past due 61-90 days $'000	Past due 91+ days $'000	Total $'000
Expected credit loss rate (A)	0.00%	0.17%	0.34%	1.18%	15.11%	
Total gross carrying amount (B)	74	39	...	11	...	**124**
Expected credit loss (A x B)	...	...	...	...	...	**...**

(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		
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.
Payables	Recognised upon the receipt of a good or service that has not been paid for, measured at face value	Settled within 30 days

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

30 June 2020	Maturity analysis for financial liabilitiess							
	1 year	2 years	3 years	4 years	5 years	More than 5 years	Undiscounted total	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities								
Payables	188	...	...	...	...	...	188	188
Interest bearing liabilities	38,647	303	45,000	...	...	43,273	127,223	127,223
Total	**38,835**	**303**	**45,000**	**...**	**...**	**43,273**	**127,411**	**127,411**

30 June 2019	Maturity analysis for financial liabilitiess							
	1 year	2 years	3 years	4 years	5 years	More than 5 years	Undiscounted total	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities								
Payables	40	...	...	...	...	...	40	40
Interest bearing liabilities	470	2,300	53,062	...	...	...	55,832	55,832
Total	**510**	**2,300**	**53,062**	**...**	**...**	**...**	**55,872**	**55,872**

(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. When applicable, TDR can enter 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, when applicable.

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:

	2020	2019
	$'000	$'000
Fixed rate instruments		
Financial liabilities	(80,000)	...
Total	**(80,000)**	**...**
Variable rate instruments		
Financial assets	124,690	69,692
Financial liabilities	...	(2,300)
Total	**124,690**	**67,392**

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 $'000	100 basis points decrease $'000	100 basis points increase $'000	100 basis points decrease $'000
30 June 2020				
Cash and deposits	...	...	...	...
Loan advances	1,247	(1,247)	...	...
Interest bearing facilities	...	...		
Net sensitivity	**1,247**	**(1,247)**	**...**	**...**
30 June 2019				
Cash and deposits	697	(697)	...	...
Loan advances	(23)	23	...	...
Net sensitivity	**674**	**(674)**	**...**	**...**

This analysis assumes all other variables remain constant. The analysis was performed on the same basis as at 30 June 2019.

8.2 Categories of financial assets and liabilities

AASB 9 Carrying amount	2020 $'000	2019 $'000
Financial assets		
Amortised cost	149,874	77,167
Total	**149,874**	**77,167**
Financial liabilities		
Financial liabilities measured at amortised cost	(127,411)	(55,872)
Total	**(127,411)**	**(55,872)**

Note 9 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 2020.

Note 10 Other Significant Accounting Policies and Judgements

10.1 Objectives and Funding

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

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

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

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

The current TDR Corporate Plan for 2019-22 outlines the key focus areas for the Board, which are:

- Administration of Programs and assessment of applications for financial assistance to support strategic focus areas for Growth agreed by the Government.
- Industry sectors that have the capacity to accelerate growth in the Tasmanian economy and the capacity to both sustain the jobs we have and create new jobs.
- Supporting the role of the Office of the Coordinator General (OCG) to identify opportunities, manage major projects, reduce red tape, attract investment and encourage businesses to establish, relocate, diversify and expand in Tasmania.
- Provision of advice and advisory role to the Tasmanian government on matters relating to the policy objectives of the TDR and government.

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

The Special Purpose 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.

10.2 Basis of Accounting

The Financial Statements are prepared as Special Purpose Financial Statements in order to meet the financial reporting obligations of TDR, as there are no users dependent on a General Purpose Financial Statement.

This Specific Purpose Financial Statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the disclosure requirements of AASB 101 *Presentation of Financial Statements,* AASB 107 *Statement of Cash Flow,* AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors,* AASB 1004 *Contributions,* AASB 1048 *Interpretation and Application of Standards,* AASB 1054 *Australian Additional Disclosures,* AASB 7 *Financial Instruments: Disclosures,* AASB 13 *Fair Value Measurement,* AASB 116 *Property Plant and Equipment,* AASB 124 *Related Party Disclosure,* AASB 9 *Financial Instruments,* AASB 15 *Revenue from Contracts with Customers,* AASB 16 *Leases and* AASB 1058 *Income of Not-for-Profit Entities.*

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 Specific Purpose Financial Statements have been prepared on an accrual basis and, except where stated, are in accordance with the historical cost convention.

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

10.3 Reporting Entity

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

10.4 Functional and Presentation Currency

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

10.5 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 15 *Revenue from Contracts with Customers* – This Standard establishes principles that require an entity to apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.
AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.
The Standard requires the TDR to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the Standard requires relevant disclosures.
TDR has adopted AASB 15 retrospectively with the cumulative effect of applying the Standard recognised from 1 July 2019 by adopting the transitional practical expedient permitted by the Standard.
The effect of adopting AASB 15 has had no impact on the financial statements.

» AASB 16 *Leases* –This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities. The standard results in most operating leases being brought onto the Statement of Financial Position and additional note disclosures. The calculation of the lease liability takes into account appropriate discount rates, assumptions about the lease term, and required lease payments. A corresponding right to use asset is recognised, which is amortised over the term of the lease. Operating lease costs are no longer shown. In the Statement of Comprehensive Income, impact of leases is through amortisation and interest charges. In the Statement of Cash Flows, lease payments is shown as cash flows from financing activities instead of operating activities. The TDR has adopted AASB 16 retrospectively with the cumulative effect of applying the standard recognised from 1 July 2019 by adopting the transitional practical expedient permitted by the Standard.
TDR elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at $10 000 or under when new (low value assets).
From 2019-20, leases are recognised as right of use assets and lease liabilities in the Statement of Financial Position, excluding short term leases, major office accommodation and motor vehicle fleet recognised within the Finance-General Balance Sheet and leases for which the underlying asset is of low value which are recognised as an expense in the Statement of Comprehensive Income.
The effect of adopting AASB 16 has not had a significant impact on the financial statements.

» AASB 1058 *Income of Not-for-Profit Entities* – This Standard establishes principles for not-for-profit entities that applies to transactions where the consideration to acquire an asset is significantly less than fair value, principally to enable a not-for-profit entity to further its objectives, and the receipt of volunteer services.
The timing of income recognition under AASB 1058 depends on whether a transaction gives rise to a liability or other performance obligation, or a contribution by owners, related to an asset (such as cash or another asset) received. If the transaction is a transfer of a financial asset to enable the TDR to acquire or construct a recognisable non-financial asset to be controlled by the TDR (i.e. an in-substance acquisition of a non-financial asset), the TDR recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. The TDR will recognise income as it satisfies its obligations under the transfer, similarly to income recognition in relation to performance obligations under AASB 15 as discussed above.
Revenue recognition for the TDR's appropriations, taxes, royalties and most grants and contributions will not change under AASB 1058, as compared to AASB 1004. Revenue will continue to be recognised when the TDR gains control of the asset (e.g. cash or receivable) in most instances.
Under AASB 1058, the TDR will recognise volunteer services only when the services would have been purchased if they had not been donated, and the fair value of the services can be measured reliability.
The effect of adopting AASB 1058 has not had a significant impact on the financial statements.

(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 1059 *Service Concession Arrangements: Grantors* – The objective of this Standard is to prescribe the accounting for a service concession arrangement by a grantor that is a public sector entity. This Standard applies on or after 1 January 2020. The impact of this Standard is enhanced disclosure in relation to service concession arrangements for grantors that are public sector entities. There is no financial impact.

10.6 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.

10.7 Rounding

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

10.8 Taxation

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

10.9 Goods and Services Tax

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

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

Independent Auditor's Report

To Members of Parliament

Tasmania Development and Resources

Report on the Audit of the Special Purpose Financial Report

Opinion

I have audited the accompanying financial report, being a special purpose financial report of the Tasmania Development and Resources (the Authority), which comprises the statement of financial position as at 30 June 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies and other explanatory information and the statement of certification by management.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Authority as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Section 29B of the *Tasmanian Development Act 1983.*

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

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

Emphasis of Matter - Basis of Accounting

I draw attention to Note 10.2 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist the Authority to meet the financial reporting requirements of the *Tasmanian Development Act 1983*. As a result, the financial report may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the *Tasmanian Development Act 1983* and for such internal control as they determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Authority is to be dissolved by an Act of Parliament, or the directors to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Ric De Santi
Deputy Auditor-General
Delegate of the Auditor-General

Tasmanian Audit Office

9 October 2020
Hobart

Tasmanian Government

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