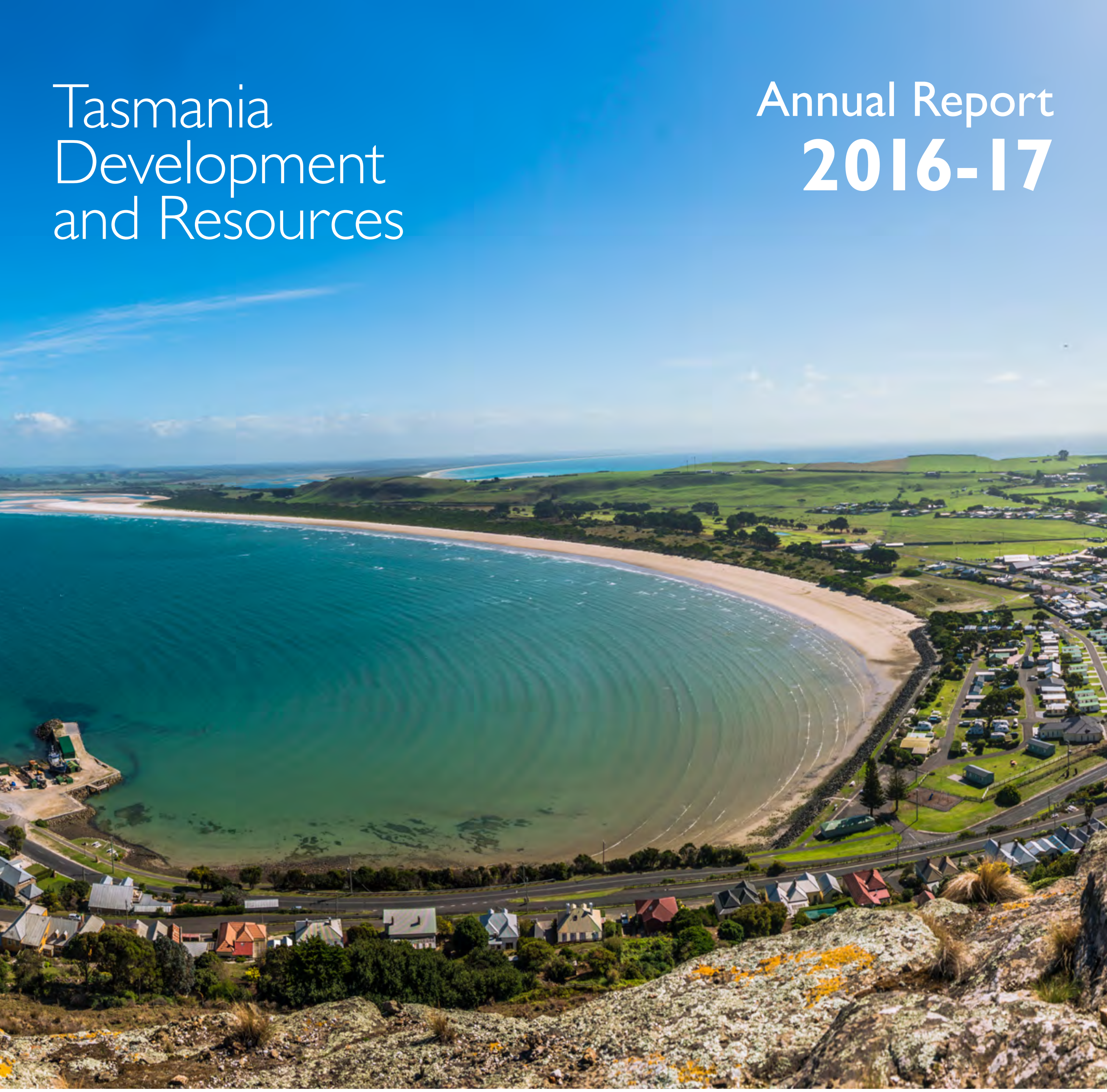
Tasmania Development and Resources

Annual Report 2016-17



Department of State Growth

Tasmanian Government

Contents

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Submission to Minister

Matthew Groom

Minister for State Growth

Dear Minister

In accordance with the requirements of Section 29E of the *Tasmanian Development Act 1983*, I submit to you, for presentation to Parliament, this report on the affairs and activities of Tasmania Development and Resources for the financial year ended 30 June 2017.

Yours sincerely

Brian Scullin

Chairman
Tasmanian Development Board
October 2017

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 2016-17.

Chairman's foreword

On behalf of the Tasmanian Development Board it is my pleasure to present the 2016-17 Annual Report to the Minister for State Growth. The 2016-17 year has seen the Tasmanian Development Board continue to play an important role in growing the state's economy and supporting job creation in Tasmania.

The past year was one of consolidation and integration of the Board's key functions and priorities in 2015-16. This has produced a full and productive agenda across the last financial year with significant determinations, decisions and advice provided to the government to further Tasmania's outlook across business stability, jobs growth and the ongoing welfare of all Tasmanians.

Importantly, the 2016-17 financial year saw the continuation of delivering on the Board's agreed three-year Corporate Plan 2016-18.

The Board's focus this year has included:

» Supporting and delivering industry programs for assistance that both create and sustain jobs. This year those jobs were largely in the agriculture, aquaculture and small business sectors.

» Driving state economic and jobs growth through increased business investment and activity.

» Supporting the government's economic development policies, objectives and priorities, including ongoing consideration of programs as part of the government's overall growth and jobs strategies.

» Providing fair and impartial advice on investment opportunities and facilitating the attraction of new investment and development to Tasmania.

» Advising on challenges and opportunities for growth across regional areas of the state.

Supporting the Tasmanian Government's agenda for driving state growth and employment through increased business investment and activity is a key focus area for the Board.

Of particular note, 2016-17 saw an increased focus on investment and business development in the state as well as overseeing financial support for new or expanding ventures through grants, loans and strategic guarantees.

This year we also directed our efforts towards enhanced collaboration with the Office of the Coordinator-General to ensure investment attraction and growth opportunities were assessed in the best interests of Tasmania and all Tasmanians.

This year the Board approved 44 loans for industry, sector and jobs support, growth or recovery with a combined value of more than $25 million, with the total current draw-down on approved applications to 92 loans worth more than $35 million.

The Board also approved seven grants worth almost $16 million in 2016-17 to support industry or enterprise specific expansion, relocation or advancement projects.

This year has seen important investment proposals with the groundwork already done to expand on this role the next financial year.

This year the Board has enabled the provision of a $1.36 million grant to Hobart-based global information technology company DXC that will allow for their ongoing expansion plans and see their workforce double with 50 new local jobs.

In 2016-17 the Board also supported the government's $9.5 million investment in Copper Mines of Tasmania Pty Ltd to support reopening of the Mt Lyell Copper Mine, which has laid dormant for more than three years, with key project decisions to enable the restart of operation to be brought forward by some six months and fostering 60 full-time jobs.

The Board provided key advisory support to the Tasmanian Government to facilitate a guarantee of up to $10 million with the Commonwealth Bank towards a commercial loan of up $18.5 million for Incat Tasmania Pty Ltd towards the construction of six new ferries for the New South Wales Government which, along with other projects, has seen Incat's workforce climb from 250 to around 550.

In further activity that supports the key advisory role of the Tasmanian Development Board and support to the Office of the Coordinator-General, the Board also undertook a key review of the kunanyi / Mount Wellington Cable Car proposal, in conjunction with the Office of the Coordinator-General, on the project's suitability for project of state significance status as well as a delivering a detailed analysis of the financial viability of the project as well as the financial and technical capacity of the proponent.

In 2016-17 the Board continued to administer a range of programs to support and assist our primary industries and towards recovery from natural disasters. This year our focus extended to both new and existing initiatives including the AgriGrowth Loan Scheme, the Dairy and Drought Farm Recovery Concessional Loans schemes, Primary Producer and Small Business Flood Recovery loans, and the reinstatement of the Pacific Oyster Mortality Syndrome (POMS) Recovery Concessional Loan Scheme.

The Tasmanian Government AgriGrowth Loan Program was expanded during the financial year to $20 million and extended until 30 September 2018 allowing for another nine low interest loans worth more than $4.05 million to be approved to Tasmanian farm and agri-food businesses in 2016-17 to drive an increase in the value of the sector and help realise their future potential.

The Pacific Oyster Mortality Syndrome (POMS) Recovery Concessional Loan Scheme was reopened in April 2017 following the reappearance of the virus which saw another four applications approved in 2016-17 collectively worth $1 million to support oyster growers, nurseries and hatcheries affected by the latest outbreak.

The Drought Recovery and Dairy Recovery Concessional Loan Schemes were also launched in late 2016 under the Australian Government's Farm Business Concessional Loan Scheme which saw 14 applications from eligible farmers approved for more than $12.8 million in loans to go towards up to 50 percent of eligible farm business debt.

The Flood Recovery Loan Scheme was launched in June 2016 to assist primary producers and small businesses impacted by the June 2016 floods across 19 declared local government areas. Nine eligible applications were approved for support to the value of almost $1.4 million for essential working capital, replacement and repair for damage caused to the property, and associated improvements and equipment not covered by insurance before the scheme closed on 31 March 2017.

Alongside these significant achievements I acknowledge outgoing Directors, Greg Woolley and Narelle Hooper, whose terms expired in January and February respectively. Their guidance and expertise has been of significant note across the deliberations of the Board during their tenure.

I again acknowledge the support of the Minister for State Growth and my fellow Board Directors for their ongoing commitment to the Board and passionate commitment to the development of our State, and their candid and wise counsel during the year.

On behalf of the Board I sincerely thank Kim Evans, Chief Executive of Tasmanian Development and Resources, and staff of the Department of State Growth for their professionalism and ongoing support and advice to the Board.

I also acknowledge the important role played by Coordinator-General John Perry and his office for their collaborative approach to delivering positive outcomes for Tasmania and their input and guidance to the Board's deliberations.

As we progress further in delivering on our current three-year Corporate Plan, and adjust our focus to new and emerging challenges, the Tasmanian Development Board remains well placed to advance Tasmania and support the government in delivering its policy objectives to promote local investment, jobs and business and economic growth.

Brian Scullin
Chairman
Tasmanian Development and Resources Board
1 July 2017

Chief Executive's message

The Department of State Growth's focus throughout the 2016-17 financial year has been on attracting and encouraging investment in Tasmania, and supporting local businesses and jobs growth.

Central to this is the role of the Tasmanian Development Board to support the strategic economic development of Tasmania and leveraging Tasmania's competitive advantages in key sectors.

In addition to continuing to position Tasmania as the destination of choice to live, work and invest, a key focus this year has been fostering economic growth in regional communities and the industries that underpin them.

In collaboration with State Growth and the Office of the Coordinator-General, the Board has been central to achieving significant outcomes across the state.

This year the Board has provided independent advice on proposals that create jobs and business investment as well as being active in the administration of government legislation and programs.

It has supported significant levels of financial grants, loans and guarantees for establishing and growing businesses that demonstrate significant outcomes state-wide in addition to supporting existing businesses to expand.

Key investments have crossed over some of our most significant sectors including ICT, resources, advanced manufacturing and agriculture.

Emergency or recovery funds have also been approved and distributed to address flood damage, dairy and drought response, and damage to agricultural and aquaculture production.

The Board has continued to take a leading role in the provision of significant advice and recommendations to State Growth and the government on new or emerging investment attraction opportunities such as the kunanyi / Mount Wellington Cable Car proposal.

I acknowledge the work and commitment of the Chair and Directors throughout the year and I add my thanks to that of the Chair for the contribution of outgoing Directors, Narelle Hooper and Greg Woolley.

I also thank the staff of State Growth and the Office of the Coordinator-General for their ongoing commitment and support during 2016-17.

Kim Evans
Chief Executive
Tasmania Development and Resources Board
1 July 2017

Tasmanian Development Board

1. Brian Scullin (Chairman)
2. Brett Torossi (Director)
3. Greg McCann (Director)
4. Professor Janelle Allison (Director)
5. Naomi Edwards (Director)
6. Mark Ryan (Director)
7. Kim Evans (Chief Executive)
8. Narelle Hooper
9. Greg Woolley

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. This role involved responsibility for all non-investment functions including legal, compliance, operations, technology, marketing and human resources. From November 1997 Brian was promoted to President, Japan Bankers Trust Company Limited and following a takeover by Deutsche Bank in 1999, Brian was made Regional Head of Asia/Pacific, Deutsche Asset Management.

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

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

Brett Torossi (Director)

Brett was appointed to the Tasmanian Development Board in 2006 and is founder, owner and managing director of New Ground Network. As a respected property developer and businesswoman, she focuses on creating and developing places that are innovative, sustainable and commercially successful. Her developments in Tasmania are in the tourism, residential and commercial sectors.

Brett has created a dynamic, jewel-box like modular Omnipod that cantilevers off a Hobart office tower. Omnipod is an invention that provides flexible, relocatable, beautiful spaces to inhabit. Brett's accommodation experience, Avalon Retreats, is a collection of boutique tourism developments in Hobart and on Tasmania's east coast.

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

Brett's other appointments include Chair Tasmanian Heritage Council, Director Wallis Watson Capital Ltd, Director Tourism Tasmania, Chair Tourism Tasmania Finance Audit and Risk Committee, Non-singing Director Festival of Voices, Trustee Tasmanian Museum and Art Gallery, Chair Tasmanian Museum and Art Gallery Audit Committee, Director National Board of Creative Partnerships Australia and board member of the International Women's Forum Australia.

Greg McCann (Director)

Greg was appointed to the Tasmanian Development Board in 2016 and has a long-term financial management and technology background. Greg grew up and was educated in Tasmania and after graduating from the University of Tasmania 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 and several international roles.

In 2004 he founded the Excentor Group of Companies, a Sydney based independent software and professional services provider that employs over 1000 people. Greg has extensive corporate financial experience, including as Chairman of ASX and NASDAQ listed companies. He also sat on the board of an eastern seaboard law firm for ten years and is the 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.

Professor Janelle Allison (Director)

Professor Janelle Allison is the Principal of the newly established University College Division of the University of Tasmania, leading an innovative program to deliver a contemporary new curriculum, producing the workforce for Tasmania's future industries.

Prior to this, Janelle was the Pro Vice-Chancellor Community, Partnerships and Regional Development at the University of Tasmania and the Director of the Cradle Coast Campus and Institute for Regional Development. Before coming to the University of Tasmania, Janelle was the Director of the Centre for Rural and Regional Innovation – Queensland (CRRI-Q) at the University of Queensland's Gatton Campus.

Janelle has a particular interest in the areas of participation in higher education and regional economic development and in her current role advocates for an unwavering focus on producing graduates who are job-ready for industries where there is an employment need. Her strategic and creative thinking has established new ways to approach lifelong learning and, in collaboration with other parts of the University, community and business and industry stakeholders, she has developed a range of new educational initiatives which enable this.

Janelle also sits on the Joint Commonwealth Tasmania Economic Council, chaired by the Prime Minister, the Hon Malcolm Turnbull MP, the Tasmanian Development Board, and was recently a member of the Caterpillar Transition Taskforce.

Naomi Edwards (Director)

Naomi was appointed to the Board in 2016. She is Chairwoman of Tasplan Super as well as a Director of the Australian Institute of Superannuation Trustees. Tasplan Super is an industry super fund managing nearly $8 billion of members' retirement savings, including the retirement savings of some 150 000 working Tasmanians.

Naomi has had an extensive career in the financial services industry. In this capacity, she has been involved in investments in Australian and global companies, particularly companies 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 also sits on the board of Sydney-based company, Propel Funeral Partners.

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 was a specialist in the valuation of wealth management companies during mergers and acquisitions, for example, advising NAB on its acquisition of MLC.

Naomi has a first class Honours degree in mathematics, is a Fellow of the Institute of Actuaries (United Kingdom and Australia) and a member of the Australian Institute of Company Directors.

Mark Ryan (Director)

Mark is the Managing Director and Chief Executive Officer of Tassal Group Limited (including Tassal Operations Pty Limited, De Costi Seafoods Pty Limited and Aquatas Pty Limited), a position that he has held since November 2003. Mark holds a Bachelor of Commerce from the University of Tasmania, is a Chartered Accountant, a fellow of Australia Institute of Management and a Member of Australian Institute of Company Directors.

Mark holds Board positions with the Tasmanian Development & Resources Board, Saltas Proprietary Limited (Industry hatchery), Tasmanian Salmond Growers Association (Industry Association), Millingtons Funeral Services and Cemeteries Pty Limited and Seafood Industry Australia.

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

Kim Evans (Chief Executive)

Kim was appointed Secretary of the Department of State Growth in September 2014. With a broad range of responsibilities, State Growth supports job creation and cultural and economic growth in Tasmania and works closely with the Office of the Coordinator-General and Infrastructure Tasmania.

Kim has been a Head of Agency in Tasmania for nearly twenty years, most recently holding the position of Secretary of the Tasmanian Department of Primary Industries, Parks, Water and Environment.

He has previously represented the Tasmanian Government on a number 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 Tasmanian Leaders Board and the Theatre Royal Management Board, and is the State Government's representative on the Board of SALTAS, a company established to assist the development of the Tasmanian salmon and trout industry.

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

Tasmanian Development and Resources Board meeting attendance

Member	Number of meetings attended
Chairman, Brian Scullin	11
Brett Torossi	10
Professor Janelle Allison	9
Kim Evans	11
Mark Ryan	10
Greg McCann	10
Naomi Edwards	12
Narelle Hooper[1]	7
Greg Woolley[2]	4

1 Term expired 28 February 2017

2 Term expired 31 January 2017

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.

In 2016, the Board and the Minister for State Growth reviewed and agreed the Corporate Plan. The Plan represents the focus of the Board and its activities for the three year period 2016-2018. The Plan specifies 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.

The key focus areas for 2016-18 are:

» 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 Coordinator-General in his role to establish, relocate, diversify and expand business in Tasmania through investment attraction, major projects and red tape reduction

» administration of programs and assessment of applications for financial assistance to support strategic focus areas for growth agreed by the government

» provision of advice and an advisory role to government on matters relating to the policy objectives of the TDR and government.

The TDR is committed to the creation of employment in Tasmania to contribute to the Tasmanian Government's goal of closing the gap between the Tasmanian and national average unemployment rate. The TDR and the Department of State Growth pursue a joint objective of working with Tasmanian businesses and industry to support growth and job creation.

Fast facts

$10 million Guarantee Facility for Incat Tasmania Pty Ltd in support of its contract with the New South Wales Government to build six new commuter ferries for Sydney Harbour.

A grant of up to $9.5 million to Copper Mines of Tasmania Pty Ltd to undertake capital projects to ensure work commences to support reopening of the Mt Lyell copper mine at a future time.

In 2016-17 there were 51 loan / grant approvals totalling $40.971 million:

» nine loans totalling $4.05 million were approved under the Tasmanian Government AgriGrowth Loan Program

» nine loans totalling $1.4 million were approved under the Flood Recovery Loans Scheme for primary producers and small business

» five loans totalling $1.25 million were approved under the Pacific Oyster Mortality Syndrome Recovery Concessional Loan Scheme

» 15 loans totalling $13.16 million were approved under the Australian Government's Farm Business Concessional Loan Scheme for diary and drought recovery.

The Office of the Coordinator-General has been responsible for achieving approval of facilities totalling over $18 million to support growth, business investment and attraction in Tasmania.

Grants and loans approval for 2016-17

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	51	$40.971 million
Total	**51**	**$40.971 million**

Outstanding loan balances as at 30 June 2017

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	92	$35.376 million
Total	**92**	**$35.376 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 issued under the provision of the *Financial Management Audit Act 1990* to present fairly the financial transactions for the year ended 30 June 2017 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
28 September 2017

Kim Evans
Chief Executive Officer,
Tasmanian Development Board
28 September 2017

Tasmania Development and Resources

Statement of Comprehensive Income for the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Continuing operations			
Revenue and other income from transactions			
Attributed revenue from Government			
Appropriation revenue – recurrent	1.1	3,168	4,583
Grants		625	275
Interest		834	1,181
Other revenue	1.2	1,583	1,482
Total revenue and other income from transactions		**6,210**	**7,521**
Expenses from transactions			
Attributed employee benefits	2.1(a)	603	338
Directors fees	2.1(b)	252	229
Depreciation and amortisation	2.2	237	261
Supplies and consumables	2.3	1,617	967
Grants and subsidies	2.4	2,868	4,283
Finance costs	2.5	1,074	1,076
Other expenses		9	82
Total expenses from transactions		**6,660**	**7,236**
Net result from transactions (net operating balance)		**(450)**	**285**
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	3.1	...	(184)
Net gain/(loss) on financial instruments and statutory receivables/payables	3.2	2	560
Total other economic flows included in net result		**2**	**376**
Net result from continuing operations		***(448)***	***661***
Net result		**(448)**	**661**
Other comprehensive income *Items that will not be reclassified subsequently to profit or loss*			
Changes in property asset revaluation reserve	7.1	...	(2,623)
Total other comprehensive income		**...**	**(2,623)**
Comprehensive result		**(448)**	**(1,962)**

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 2017

	Notes	2017 $'000	2016 $'000
Assets			
Financial assets			
Cash and deposits	8.1	47,202	45,053
Receivables		127	105
Loan advances	4.1	35,197	31,010
Non-financial assets			
Property, plant and equipment	4.2	11,240	11,571
Total assets		**93,766**	**87,739**
Liabilities			
Payables		385	462
Interest bearing liabilities	5.1	61,222	54,743
Attributed employee benefits		47	26
Other liabilities		56	4
Total liabilities		**61,710**	**55,235**
Net assets		**32,056**	**32,504**
Equity			
Reserves	7.1	...	...
Accumulated funds		32,056	32,504
Total equity		**32,056**	**32,504**

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 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities		Inflows (Outflows)	Inflows (Outflows)
Cash inflows			
Attributed Appropriation receipts – recurrent		3,168	4,583
Grants		625	275
Net GST		(4)	226
Interest received		745	1,156
Other cash receipts		1,638	1,703
Total cash inflows		**6,172**	**7,943**
Cash outflows			
Attributed employee benefits		(580)	(330)
Directors fees		(252)	(199)
Grants and subsidies		(2,873)	(4,283)
Interest payments		(1,077)	(1,077)
Supplies and consumables		(1,684)	(892)
Other cash payments		(9)	(148)
Total cash outflows		**(6,475)**	**(6,929)**
Net cash from (used by) operating activities	8.2	**(303)**	**1,014**
Cash flows from investing activities			
Cash inflows			
Proceeds from the disposal of non-financial assets		440	596
Repayment of loans by other entities		7,608	12,167
Receipts from investments		...	20
Total cash inflows		**8,048**	**12,783**
Cash outflows			
Loans made to other entities		(11,772)	(5,050)
Payments for acquisition of non-financial assets		(344)	...
Total cash outflows		**(12,116)**	**(5,050)**
Net cash from (used by) investing activities		**(4,068)**	**7,733**
Cash flows from financing activities			
Cash inflows			
Proceeds from borrowings		25,000	20,000
Monies held in trust movement		50	...
Total cash inflows		**25,050**	**20,000**
Cash outflows			
Repayment of borrowings		(18,530)	(5,770)
Total cash outflows		**(18,530)**	**(5,770)**
Net cash from (used by) financing activities		**6,520**	**14,230**
Net increase (decrease) in cash held and cash equivalents		**2,149**	**22,977**
Cash and deposits at the beginning of the reporting period		**45,053**	**22,076**
Cash and deposits at the end of the reporting period	8.1	**47,202**	**45,053**

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 2017

	Reserves $'000	Accumulated funds $'000	Total equity $'000
Balance as at 1 July 2016	...	**32,504**	**32,504**
Total comprehensive result	...	(448)	(448)
Balance as at 30 June 2017	...	**32,056**	**32,056**

	Reserves $'000	Accumulated funds $'000	Total equity $'000
Balance as at 1 July 2015	**2,623**	**31,843**	**34,466**
Total comprehensive result	**(2,623)**	**661**	**(1,962)**
Restated balance as at 30 June 2016	...	**32,504**	**32,504**

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

Note 1 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.

1.1 Attributed revenue from Government

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

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

	2017 $'000	2016 $'000
Continuing operations		
Attributed Appropriation revenue – recurrent		
Current year	3,168	4,094
Appropriation carried forward under section 8A(2) of the *Public Account Act 1986* taken up as revenue in the current year	...	489
Total attributed revenue from Government	**3,168**	**4,583**

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.

1.2 Other revenue

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

	2017 $'000	2016 $'000
Property rental	1,162	1,143
Property other revenue	316	299
Other	105	40
Total	**1,583**	**1,482**

Note 2 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.

2.1 Attributed employee benefits

The activities of TDR are delivered by staff employed by the Department of State Growth. TDR does not employ staff in its own right. 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.

(a) Attributed employee expenses

	2017 $'000	2016 $'000
Wages and salaries	498	257
Annual leave	18	21
Long service leave	13	2
Sick leave	8	5
Superannuation	63	49
Other employee expenses	3	4
Total	**603**	**338**

Superannuation expenses relating to defined benefit schemes relate to payments into the Consolidated Fund. The amount of the payment is based on an agency contribution rate determined by the Treasurer, on the advice of the State Actuary. The current agency contribution is 12.85 per cent (2016: 12.75 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 (2016: 9.5 per cent) of salary. In addition, departments are also required to pay into the Consolidated Fund a "gap" payment equivalent to 3.35 per cent (2016: 3.25 per cent) of salary in respect of employees who are members of contribution schemes.

(b) Remuneration of key management personnel

2017	Short-term benefits		Long-term benefits			
	Salary $'000	Other Benefits $'000	Superannuation $'000	Other Benefits & Long-Service Leave $'000	Termination Benefits $'000	Total $'000
Board Members						
Brian Scullin, Chairman	52	...	5	...	...	57
Mark Ryan, Director	36	...	3	...	...	39
Brett Torossi, Director	29	...	3	...	...	32
Narelle Hooper, Director (to 28/2/2017)	19	...	2	...	...	21
Naomi Edwards, Director	36	...	3	...	...	39
Gregory Woolley, Director (to 31/1/2017)	17	...	2	...	...	19
Gregory McCann, Director	36	...	3	...	...	39
Janelle Allison, Director	27	...	...	...	...	27
Total	**252**	**...**	**21**	**...**	**...**	**273**

2016	Short-term benefits		Long-term benefits			
	Salary $'000	Other Benefits $'000	Superannuation $'000	Other Benefits & Long-Service Leave $'000	Termination Benefits $'000	Total $'000
Board Members						
Brian Scullin, Chairman	52	...	5	...	...	57
Mark Ryan, Director	29	...	3	...	...	32
James Walch, Director (to 20/1/2016)	17	...	2	...	...	19
Brett Torossi, Director	27	...	2	...	...	29
Darren Alexander, Director (to 20/1/2016)	17	...	2	...	...	19
Narelle Hooper, Director	29	...	3	...	...	32
Naomi Edwards (from 23/02/2016)	10	...	1	...	...	11
Gregory Woolley (from 23/02/2016)	10	...	1	...	...	11
Gregory McCann (from 23/02/2016)	10	...	1	...	...	11
Janelle Allison, Director (to 4/2/2016)	28	...	...	...	...	28
Total	**229**	**...**	**20**	**...**	**...**	**249**

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

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 of State Growth 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. Attributed employees do not have key management responsibilities.

Remuneration during 2016-17 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.

Acting Arrangements

When members of key management personnel are unable to fulfil their duties, consideration is given to appointing other members of senior staff to their position during their period of absence. Individuals are considered members of key management personnel when acting arrangements are for more than a period of one month.

(c) Related party transactions

The Department of State Growth 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 Corporate overhead fee, disclosed in Note 2.3. The employment of TDR staff by the Department is disclosed in Note 2.1 (a).

There are no other material related party transactions requiring disclosure.

2.2 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

(d) Depreciation

	2017 $'000	2016 $'000
Plant and equipment	25	8
Buildings	84	111
Total	**109**	**119**

(e) Amortisation

	2017 $'000	2016 $'000
Leasehold improvements	128	142
Total	**128**	**142**
Total depreciation and amortisation	**237**	**261**

2.3 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.

	2017 $'000	2016 $'000
Audit fees – financial audit	25	30
Audit fees – internal audit	10	18
Operating lease costs	...	1
Consultants and contracted services	32	25
Property services	550	497
Maintenance	312	188
Communications	4	7
Information technology	(13)	104
Travel and transport	16	19
Advertising and promotion	1	6
Administrative support charge	594	...
Other supplies and consumables	86	72
Total	**1,617**	**967**

Supplies and consumables are higher in 2017 due to an annual administrative charge levied on TDR by the Department of State Growth.

2.4 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.

	2017 $'000	2016 $'000
Vodafone	360	1,330
Tasmanian Government Innovation and Investment Fund (TGIIF)	...	413
Vineyard and orchard expansion project	69	71
Serco Contact Centre industry support package	222	296
Lion Nathan assistance package	...	1,460
Qantas industry assistance package	747	33
UXC Enterprise Development Centre	470	680
Business & Jobs Attraction and Population Growth Initiative (Ridley)	1,000	...
Total	**2,868**	**4,283**

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

2.5 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.

	2017 $'000	2016 $'000
Interest expense		
Interest on loans	1,074	1,076
Total	**1,074**	**1,076**

Note 3 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.

3.1 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.

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. The Department'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 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.

	2017 $'000	2016 $'000
Revaluation of buildings	…	(184)
Total net gain/(loss) on non-financial assets	**…**	**(184)**

3.2 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.

	2017 $'000	2016 $'000
Impairment reversals/(losses) for:		
Loans advances	160	420
Equity investments	…	20
Statutory receivables	2	120
Loan advances written off during the year	(160)	…
Total net gain/(loss) on financial instruments	**2**	**560**

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 Loan advances

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

	2017 $'000	2016 $'000
Section 35 Loans Administered by TDR	10,567	14,166
Bushfire Recovery Loan Program	204	728
Tasmanian Development Act 1983	2,046	3,434
Fire Damage Relief Act 1967	19	19
Farm Finance Loan Scheme	11,181	11,179
Renewable Energy Loan Scheme	420	676
Agrigrowth Loan Program	5,130	1,032
Drought Relief Loans	304	303
Flood Relief - Small Business	121	...
Pacific Oyster Mortality Syndrome	1,254	...
Flood Recovery Rural	785	...
Dairy Recovery Program	2,997	...
Farm Business Concessional Loans Scheme - Dairy Recovery	536	...
Less: Provision for impairment	(367)	(527)
Total	**35,197**	**31,010**
Settled within 12 months	10,736	11,831
Settled in more than 12 months	24,461	19,179
Total	**35,197**	**31,010**

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

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

Reconciliation of movement in provision for impairment of other financial assets	2017 $'000	2016 $'000
Carrying amount at 1 July	**527**	**947**
Increase/(decrease) in provision recognised in net result	(160)	(420)
Carrying amount at 30 June	**367**	**527**

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 ($300,000). Section 35 Loans Administered by TDR impaired in previous years relate to Vision 35 Pty Ltd ($67,420).

Loan advances written off related to a Section 35 Loans Administered by TDR to Blockmack Pty Ltd ($160,000), this company trading under the new name of East Mountain Pty Ltd wound up in 2016.

4.2 Property, plant and equipment

(i) Valuation basis

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

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

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

(ii) Subsequent costs

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

(iii) Asset recognition threshold

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

(iv) Revaluations

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

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

(a) Carrying amount

	2017 $'000	2016 $'000
Land		
Properties - at fair value (30 June 2016)	3,315	3,315
Rural properties - at fair value (30 June 2017)	1,777	2,216
Total	5,092	5,531
Buildings		
At fair value (30 June 2016)	5,620	5,350
Less: Accumulated depreciation	(84)	...
Total	5,536	5,350
Leasehold improvements		
At cost	2,018	2,018
Less: Accumulated amortisation	(1,456)	(1,328)
Total	562	690
Plant and equipment		
At cost	436	361
Less: Accumulated depreciation	(386)	(361)
Total	50	...
Total property, plant and equipment	**11,240**	**11,571**

Rural properties

Rural properties are valued as at 30 June 2017 to fair value. Fair value of these properties equates to the option prices deemed on the individual properties. These option prices are the amounts receivable should the tenants exercise the option to purchase the freehold title.

Land and buildings

Land and buildings revaluations were 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 this property 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.

(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.

30 June 2017	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	**5,531**	**5,350**	**...**	**690**	**11,571**
Additions	...	270	75	...	345
Disposals	(439)	...	...	...	(439)
Depreciation and amortisation	...	(84)	(25)	(128)	(237)
Carrying value at 30 June	**5,092**	**5,536**	**50**	**562**	**11,240**

30 June 2016	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	**7,208**	**7,190**	**8**	**832**	**15,237**
Disposals	(599)	...	...	...	(599)
Depreciation and amortisation	...	(111)	(8)	(142)	(261)
Gains/losses recognised in operating results					
Revaluations increments (decrements)	...	(184)	...	...	(184)
Gains/losses recognised in other comprehensive income					
Revaluations increments (decrements)	(1,078)	(1,545)	...	...	(2,623)
Carrying value at 30 June	**5,531**	**5,350**	**...**	**690**	**11,571**

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

	2017 $'000	2016 $'000
Loans from the State Government	4,700	5,170
Loans from the Australian Government	41,522	34,573
Loans from Tascorp	15,000	15,000
Total	**61,222**	**54,743**

(b) Maturity schedule

	2017 $'000	2016 $'000
One year or less	470	470
From one to five years	60,752	54,273
Total	**61,222**	**54,743**

During 2016-17 TDR repaid $2.9 million of the borrowing with the Australian Government relating to unused Farm Finance Loan Scheme funds and $15.1 million relating to the Drought Concessional and Drought Dairy Recovery Concessional Loan Scheme.
In addition $25 million was received from the Australian Government relating to the Commonwealth Farm Business Concessional Loan Scheme.

Note 6 Commitments and Contingencies

6.1 Schedule of commitments

	2017 $'000	2016 $'000
By type		
Lease commitments		
Operating leases	8	14
Total lease commitments	**8**	**14**
Other commitments		
Loan commitments	18,017	7,255
Program / project commitments	16,910	5,487
Total other commitments	**34,927**	**12,742**
Total	**34,935**	**12,756**
By maturity		
Operating lease commitments		
One year or less	5	6
From one to five years	3	8
More than five years	...	...
Total operating lease commitments	**8**	**14**
By maturity		
Other commitments		
One year or less	29,682	11,283
From one to five years	5,190	1,431
More than five years	55	28
Total other commitments	**34,927**	**12,742**
Total	**34,935**	**12,756**

Operating leases are associated with rental costs for motor vehicles leased through the government's fleet manager.

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

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

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.

	2017 $'000	2016 $'000
Quantifiable contingent liabilities		
Guarantee in support of the Commonwealth Bank of Australia's Refund Guarantee Facility to Incat Tasmania Pty Ltd associated with the construction of six Sydney Ferries. The contingent liability will fluctuate between 16 February 2017 and the end of August 2017, with maximum exposure of $10.0 million.	10,000	...
Tasmanian Development and Resources (TDR) has committed to a $12.0 million State guarantee for the ANZ Bank funding of the construction of the Silo Hotel in Launceston. Crown Law are currently preparing the guarantee documents and it is expected that the initial drawdown by the client against its loan with ANZ will be in September 2017 at which time the contingent liability will commence.	12,000	...
Total quantifiable contingent liabilities	**22,000**	...

Note 7 Reserves

7.1 Reserves

2017	Land $'000	Buildings $'000	Artwork $'000	Total $'000
Asset revaluation reserve				
Balance at the beginning of financial year	...	...	...	...
Revaluation increments/ (decrements)	...	...	...	...
Balance at end of the period	...	...	...	...

2016	Land $'000	Buildings $'000	Artwork $'000	Total $'000
Asset revaluation reserve				
Balance at the beginning of financial year	**1,078**	**1,545**	**10**	**2,633**
Revaluation increments/ (decrements)	(1,078)	(1,545)	...	(2,623)
Transferred on restructure	...	...	(10)	(10)
Balance at end of the period	...	...	...	...

Note 8 Cash Flow Reconciliation

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, being short term of three months or less and highly liquid. Deposits are recognised at amortised cost, being their face value.

8.1 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.

	2017 $'000	2016 $'000
Special Deposits and Trust Fund balance		
T524 State Growth Operating Account	46,064	44,084
T790 Government Guarantees Reserve Account	1,134	966
T941 Fire Relief Account	2	2
Total	**47,200**	**45,052**
Other cash held		
Petty cash float	2	1
Total	**2**	**1**
Total cash and deposits	**47,202**	**45,053**
Restricted use cash and deposits	28,408	24,758
Unrestricted use cash and deposits	18,794	20,295
Total cash and deposits	**47,202**	**45,053**

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

8.2 Reconciliation of net result to net cash from operating activities

	2017 $'000	2016 $'000
Net result from transactions (net operating balance)	**(450)**	**285**
Adjustment due to restructure	...	(96)
Depreciation and amortisation	237	261
Interest	88	41
(Gain)/loss on fair value revaluations	...	184
Impairment adjustments	(160)	...
Decrease (increase) in Receivables	(22)	283
Decrease (increase) in Other assets	...	53
Increase (decrease) in Attributed employee benefits	(21)	12
Increase (decrease) in Payables	77	(13)
Increase (decrease) in Other liabilities	(52)	4
Net cash from (used by) operating activities	**(303)**	**1,014**

Note 9 Financial Instruments

9.1 Risk exposures

(a) Risk management policies

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

» credit risk;

» liquidity risk; and

» market risk.

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

(b) Credit risk exposures

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

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

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

TDR is materially exposed to Norske Skog Paper Mills Australia Pty Ltd (19%). Concentration of credit risk by industry on loan advances is: Paper (19%), Rural (54%).

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		
Other Financial Assets - Loan advances	Loan advances are held to maturity and are measured at amortised cost subsequent to initial recognition. Impairment of loan advances is reviewed on an ongoing basis.	Loan advances include financial assistance provided by TDR to the private sector in the form of loans.
Cash and deposits	Deposits are recognised at the nominal amounts.	Cash means notes, coins and any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund.

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

Analysis of financial assets that are past due at 30 June 2017 but not impaired	Not past due $'000	Past due >30 days $'000	Past due >60 days $'000	Past due >90 days $'000	Total $'000
Receivables	87	4	4	47	**142**
Loan advances	35,540	5	3	17	**35,564**

Analysis of financial assets that are past due at 30 June 2016 but not impaired	Not past due $'000	Past due >30 days $'000	Past due >60 days $'000	Past due >90 days $'000	Total $'000
Receivables	92	9	4	13	**118**
Loan advances	31,537	...	...	...	**31,537**

(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.

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

30 June 2017	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	385	...	...	...	...	...	385	385
Interest bearing liabilities	470	...	...	...	...	60,752	61,222	61,222
Total	**855**	**...**	**...**	**...**	**...**	**60,752**	**61,607**	**61,607**

30 June 2016	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	462	...	...	...	...	...	462	462
Interest bearing liabilities	470	...	...	...	...	54,273	54,743	54,743
Total	**932**	**...**	**...**	**...**	**...**	**54,273**	**55,205**	**55,205**

(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:

	2017 $'000	2016 $'000
Fixed rate instruments		
Financial assets	…	…
Financial liabilities	(15,000)	(15,000)
Total	**(15,000)**	**(15,000)**
Variable rate instruments		
Financial assets	59,967	51,611
Financial liabilities	…	…
Total	**59,967**	**51,611**

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 2017				
Cash and deposits	247,704	(247,704)	…	…
Loan advances	351,967	(351,967)	…	…
Net sensitivity	**599,671**	**(599,671)**	**…**	**…**
30 June 2016				
Cash and deposits	206,000	(206,000)	…	…
Loan advances	310,107	(310,107)	…	…
Net sensitivity	**516,107**	**(516,107)**	**…**	**…**

This analysis assumes all other variables remain constant. The analysis was performed on the same basis as at 30 June 2016.

9.2 Categories of financial assets and liabilities

	2017 $'000	2016 $'000
Financial assets		
Cash and deposits	47,202	45,053
Loans and receivables	35,316	31,106
Total	**82,518**	**76,159**
Financial liabilities		
Financial liabilities measured at amortised cost	(61,606)	(55,205)
Total	**(61,606)**	**(55,205)**

Note 10 Events Occurring After Balance Date

The Federal Government has committed to provide a further $10 million in the form of additional loan to the State for the second stage of the Farm Business Concessional Loan scheme.

Note 11 Other Significant Accounting Policies and Judgements

11.1 Objectives and Funding

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

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

» The stability of business undertakings in Tasmania

» The maintenance of maximum employment in Tasmania and

» The prosperity and welfare of the people of Tasmania.

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

TDR is reviewing its corporate plan and objectives in the reporting period and will develop key focus areas for the next three year Corporate Plan. The focus will be on the enhancement of job opportunities and growth in the Tasmanian economy, in addition to the provision of advice to Government on matters relating to its mandate under the Act.

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 and the *Financial Management and Audit Act 1990* (FMAA).

11.2 Basis of Accounting

As there are no users dependent on a General Purpose Financial Statement, the Financial Statements are therefore Special Purpose Financial Statements that have been prepared in order to meet the financial reporting obligations of TDR.

This Special 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* and AASB 124 *Related Party Disclosure*.

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

The Special 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.

The Financial Statements were signed by the Chairman of the Board and the Chief Executive Officer on 28 September 2017.

11.3 Reporting Entity

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

11.4 Functional and Presentation Currency

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

11.5 Changes in Accounting Policies

(a) 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 9 *Financial Instruments* and 2014-7 *Amendments to Australian Accounting Standards* arising from AASB 9 (December 2014) – the objective of these Standards is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant information to users of financial statements for their assessment of the amounts, timing, uncertainty of an entity's future cash flows, and to make amendments to various accounting standards as a consequence of the issuance of AASB 9. These standards apply to annual reporting periods beginning on or after 1 January 2018. The potential financial impact of the Standard has not yet been determined.

» AASB 15 *Revenue from Contracts with Customers* – The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, an uncertainty of revenue and cash flows arising from a contract with a customer. In accordance with 2016-7 *Amendments to Australian Accounting Standards - Effective Date of AAS 15*, for not for profit entities this Standard applies to annual reporting periods beginning on or after 1 January 2019. Where an entity applies the Standard to an earlier annual reporting period, it shall disclose that fact. The potential financial impact of the Standard has not yet been determined.

» 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* – The objective of this Standard is to make amendments to Australian Accounting Standards and Interpretations arising from the issuance of AASB 15 *Revenue from Contracts with Customers*. This Standard applies when AASB 15 is applied, except that the amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply to annual reporting periods beginning on or after 1 January 2018. This Standard shall be applied when AASB 15 is applied. TDR has not yet determined the potential effect of the revised Standard on the Financial Statements.

» 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* – The objective of this Standard is to amend AASB 107 *Statement of Cash Flows* to require entities preparing statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This Standard applies to annual periods beginning on or after 1 January 2017. The impact is increased disclosure in relation to cash flows and non-cash changes.

» 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* – The objective of this Standard is to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. This Standard applies to annual periods beginning on or after 1 January 2018. The impact is enhanced disclosure in relation to revenue. The potential financial impact of the Standard has not yet been determined.

» AABS 16 *Leases* – The objective of this Standard is to introduce a single lessee accounting model and require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This Standard applies to annual reporting periods beginning on or after 1 January 2019. The impact is enhanced disclosure in relation to leases. The potential financial impact of the Standard has not yet been determined.

» 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* – The objective of this Standard is to amend AASB 136 *Impairment of Assets* to remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities and to clarify that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*, with the consequence that AASB 136 does not apply to such assets that are regularly revalued to fair value under the revaluation model in AASB 116 and AABS 138, and AASB 136 applies to such assets accounted for under the cost model in AASB 116 and AASB 138. This Standard applies to annual reporting periods beginning on or after 1 January 2017. The impact is enhanced disclosure in relation to non-cash-generating specialised assets of not-for-profit entities. The potential financial impact of the Standard has not yet been determined.

» AASB 1058 *Income of Not-for-Profit Entities* – The objective of this Standard is to establish principles for not-for-profit entities that apply to transactions where the consideration to acquire an asset is significantly less that fair value principally to enable a not-for-profit entity to further its objectives, and the receipt of volunteer services. This Standard applies to annual reporting periods beginning on or after 1 January 2019. The impact is enhanced disclosure in relation to income of not-for-profit entities. The potential financial impact of the Standard has not yet been determined.

11.6 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.

11.7 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 "...".

11.8 Taxation

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

11.9 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 Australian Taxation Office is, in accordance with the Australian Accounting Standards, classified as operating cash flows.

Tasmanian Audit Office

Independent Auditor's Report

To Members of the Parliament

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 Tasmania Development and Resources, which comprises the statement of financial position as at 30 June 2017 and 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 by the Chairman of the Board and the Chief Executive Officer.

In my opinion, the financial report presents fairly, in all material respects, the financial position of Tasmania Development and Resources as at 30 June 2017, and of its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the Section 29 (B) 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 Tasmania Development and Resources in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 11.2 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Tasmania Development and Resources 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 Tasmania Development and Resource'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 entity is to be dissolved by an Act of Parliament, or the directors intend 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 Tasmania Development and Resources'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 Tasmania Development and Resources'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 Tasmania Development and Resources 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.

Rod Whitehead
Auditor-General
Tasmanian Audit Office

28 September 2017
Hobart

Tasmanian Government

Tasmania Development and Resources

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