



29 October 2010

The Hon. Jodi McKay MP

Minister for the Hunter

Parliament House

SYDNEY NSW 2000

Dear Minister

Please find enclosed the annual report of the Hunter Development Corporation for the year ended 30 June 2010. The report details the work, achievements and relevant statutory and financial information of this statutory body. The report is for submission to Parliament under the Annual Reports (Statutory Bodies) Regulation 2010 and the applicable provisions of the Public Finance and Audit Act 1983.

Yours sincerely

Paul Broad Chairman

Hunter Development Corporation

Warwick Watkins AM Chief Executive

Wind With

Land & Property Management Authority

ABOUT THE HUNTER DEVELOPMENT CORPORATION

VISION

To facilitate growth, investment and renewal in the Corporation's Growth Centre. In doing so, the Corporation strives to facilitate private sector investment in projects which contribute to economic growth, employment, residential, commercial and industrial opportunities in the Hunter.

NATURE AND SCOPE **OF ACTIVITIES**

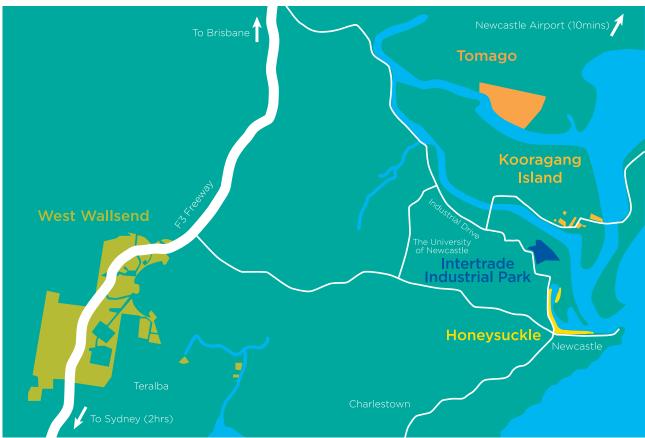
As a State Government agency charged with control of key strategic state owned lands, the Hunter Development Corporation is well placed to facilitate private sector investment on lands that would otherwise remain under-utilised or closed to the public. The Corporation can add value to the process of development by removing or ameliorating constraints that prevent development or redevelopment of important landholdings. By creating new opportunities for private sector investment, it creates growth in employment, residential, industrial and commercial development. This includes the former BHP landholdings at Mayfield and West Wallsend, industrial and employment landholdings at Tomago and Kooragang Island and the Honeysuckle urban renewal project.Investigations are also underway into potential projects at Glendale, Kurri Kurri, Morisset and Muswellbrook.

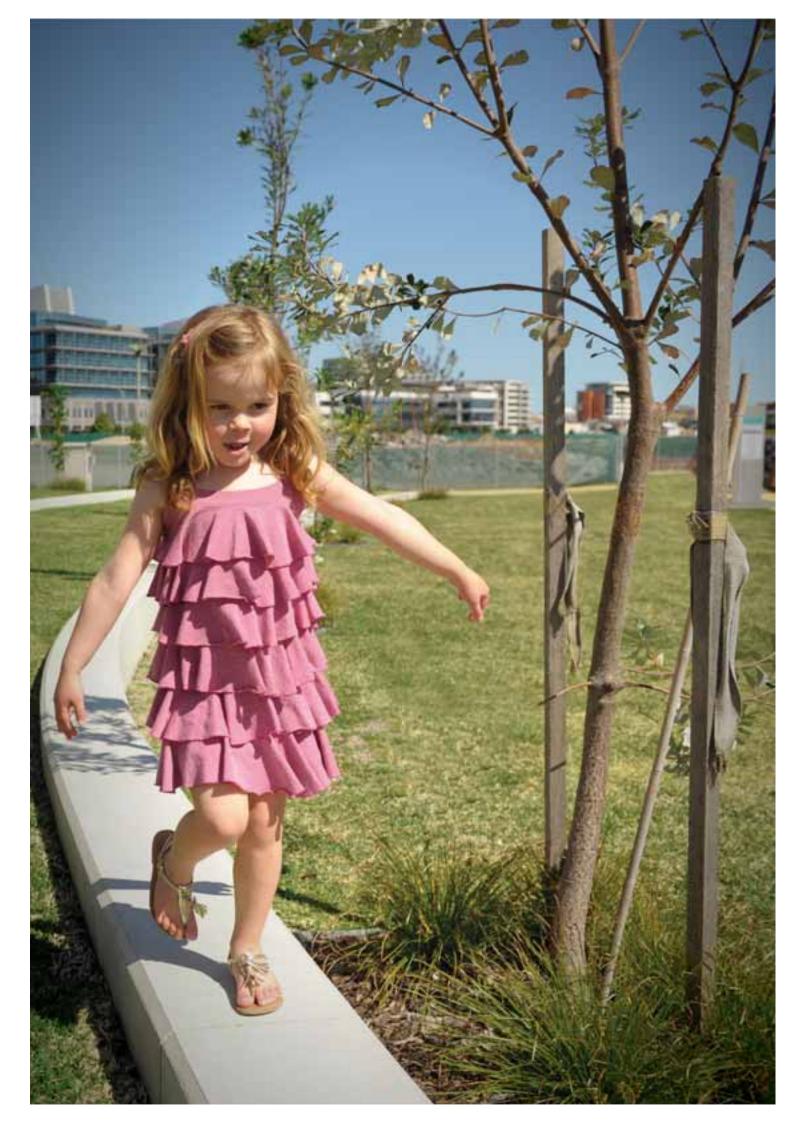
Along with its charter to drive renewal of key strategic sites in the Hunter, the Corporation aims to facilitate development and revitalisation of regional centres and renewal corridors identified in the Lower Hunter Regional Strategy. An important way the Corporation can contribute to these goals is by undertaking investigations into, and masterplanning of, potential new renewal sites. This includes Western Lake Macquarie, the Newcastle Sports and Entertainment Precinct and the renewal of the Newcastle City Centre. The Corporation's Growth Centre encompasses the local government areas of Cessnock, Dungog, Gloucester, Great Lakes, Lake Macquarie, Maitland, Muswellbrook, Newcastle, Port Stephens, Singleton and Upper Hunter. This means the Corporation has a regionwide focus and will investigate opportunities for renewal projects of significance for local communities from Lake Macquarie in the south to Upper Hunter in the north.

The Corporation also undertakes asset and property management of key public domain lands and employment lands under its control. This includes overseeing significant remediation and environmental programs on industrial lands at Mayfield and Kooragang Island.

The Corporation strives to ensure that development projects on lands under its control achieve the best possible outcomes for the community. This means ensuring good urban design, sound social, environmental and sustainability outcomes and excellent public domain and recreation spaces and facilities for wider public benefit.

OVERVIEW OF HDC SITES





CHAIRMAN'S REPORT

While there has been an understandable focus on the Hunter Development Corporation's activities in the Newcastle City Centre it must be remembered that the Corporation has a much broader focus and role in the Hunter region. This includes facilitation of industrial projects and the development of employment lands. A good example of this during the year was the Corporation's sale of a 240-hectare parcel of industrial land to WEPL Investments Pty Ltd at Tomago. WEPL Investments has commenced developing the adjacent 93-hectare site as a \$120-million WesTrac headquarters and training facility. The WEPL acquisition enables an integrated approach to the planning and development of both sites and the creation of a landmark industrial estate which will generate employment opportunities on a large scale over time.

At the same time the Corporation's negotiations with a private sector proponent for the redevelopment of the 62 hectares of the site known as Intertrade Industrial Park came to a successful conclusion with the signing of an agreement for a \$120-million redevelopment over the next 10–15 years as a general industrial subdivision. The agreement paves the way for new industrial activity on this iconic site which has been largely disused since steelmaking ceased in 1999. The redevelopment will include the provision of roads,

drainage, water, sewerage and electricity infrastructure and remediation works which will complement those being undertaken by the Corporation on the remainder of the 150-hectare site. During the year the Corporation also commenced consultation with councils in the wider region to help identify potential opportunities for future projects that address the community's needs.

The Corporation also has a longer term focus on key regional centres and potential renewal corridors identified in the Lower Hunter Regional Strategy. Accordingly, the Corporation is investigating opportunities on sites where it could facilitate employment and residential development projects to assist urban renewal and the supply of ongoing employment opportunities in the region. A focus for the Corporation over the coming years will be in the Western Lake Macquarie area and potential synergies that may be available in proximity to the Corporation's landholding at West Wallsend.

While it is regrettable that the General Property Trust announced it would not proceed with its Newcastle Mall redevelopment, the city now has a fresh opportunity to consider how best to preserve the rich heritage of the eastern part of the city while exploring new opportunities for residential, boutique retail and tourism related development.



There has been a great deal of progress made towards many of the catalyst projects identified in the Newcastle City
Centre Renewal Report and several others as well. The report put forward recommendations to Government on projects that would have long term economic and social benefit for the city and the region it serves. The Newcastle City Centre Renewal Steering Committee, chaired by the Chief Executive of the Land and Property Management Authority Warwick Watkins, has been meeting regularly to guide and progress the renewal projects.

Chief among these was the State Government's commitment of a \$4-million parcel of land at Honeysuckle near the Civic Precinct as the site for the first stage of the University of Newcastle's new city campus. This commitment made possible the University's call for Expressions of Interest from the private sector to partner with the University and government to bring the project to life. When complete the project will bring staff and students into the city centre and generate welcome economic and social activity. In time this will be remembered as a truly transformative project that will inject life and vitality into the city centre. Similarly, the commitment to build a new \$94-million Justice Precinct on the Burwood Street site at Civic will have an enormously positive influence on the economic and social fortunes of

the city centre for many years to come, while providing much improved regional court facilities for the public and legal practitioners alike.

During the year we welcomed two new faces to the Hunter Development Corporation Board of Directors. It has been a pleasure to welcome the Hon. Patricia Forsythe and Karen Howard to the Board as their skills and talents will be of great benefit when the Board considers matters of great importance to the future of the Hunter. Karen Howard is well known to the region's business community, particularly from her former role as President of the Hunter Business Chamber. Patricia Forsythe is the Executive Director of the Sydney Chamber of Commerce and a graduate of the University of Newcastle. I would like to thank outgoing HDC Board Directors Neil Bird, John Tate, Megan Maybury and Suzanne Ryan who between them have given outstanding service over a number of years. They leave the Corporation on sound footings as we look to the future of the city and the region. I thank the Board, the Executive team and staff of the Corporation for their commitment during the year.

Paul Broad Chairman



GENERAL MANAGER'S OVERVIEW



The financial year 2009/10 saw the Hunter Development Corporation move in an administrative sense from the Department of Planning to the Land and Property Management Authority. Accordingly, portfolio responsibility for the Corporation moved from the Minister for Planning to the Minister for the

Hunter. The transition recognises the synergies between the LPMA and the Corporation as land management agencies and the region-specific nature of the Hunter Development Corporation's activities.

It was a year of progress on some important projects on the Corporation's books. Prominent among these was the work done on the remediation and redevelopment projects for the former BHP Steelworks at Mayfield. Having completed Stage One of the \$110 million remediation project in 2008 the Corporation has been carefully monitoring the efficacy of these works to help ensure the best possible design for the second and final stage of the remediation program. Testing has confirmed their efficacy and allowed the Corporation to get on with the design and scoping of the second stage and the letting of tenders for the works. A project coordinator has been appointed and design work

completed for the construction of a new freight rail line and sewerage infrastructure to service the site.

Meanwhile two recently completed developments in the Honeysuckle project area were recognised for design excellence at the Lower Hunter Urban Design Awards.

The Lee Wharf Stage Three residential development, which consists of 70 two and three bedroom apartments, 12 commercial suites and 11 retail units, won the "multidwelling residential" category, and the 1,000m² Glasshouse commercial office building on the Wickham waterfront won the "small-scale commercial" development category.

It was very pleasing to see the commencement of construction and fit-out works for the adaptive re-use of three of the historic railway workshop buildings in Honeysuckle which will soon constitute a new regional museum. These buildings were initially restored by the Corporation in the 1990s for just such a use. We were joined by the then Parliamentary Secretary for Infrastructure, Transport, Regional Development and Local Government, the Hon. Maxine McKew, who officially marked the start of construction on this \$23.5 million project that breathes new life into these important structures that are an unforgettable part of Newcastle harbour's history. The corporation handed ownership of the railway workshop buildings to Newcastle City Council in 2007 to enable its plans for a new regional museum to be progressed. The new facility is expected to be operational in 2011.



During the year work was completed on the fit out of another historic building also carefully restored under the Honeysuckle urban renewal project, the Lee Wharf C cargo shed. It was fitted out for use as a boutique hotel and restaurant. It provides another attraction along the harbour, with its expansive timber deck over the water providing another opportunity for Novocastrians and visitors to connect with Newcastle's picturesque working harbour.

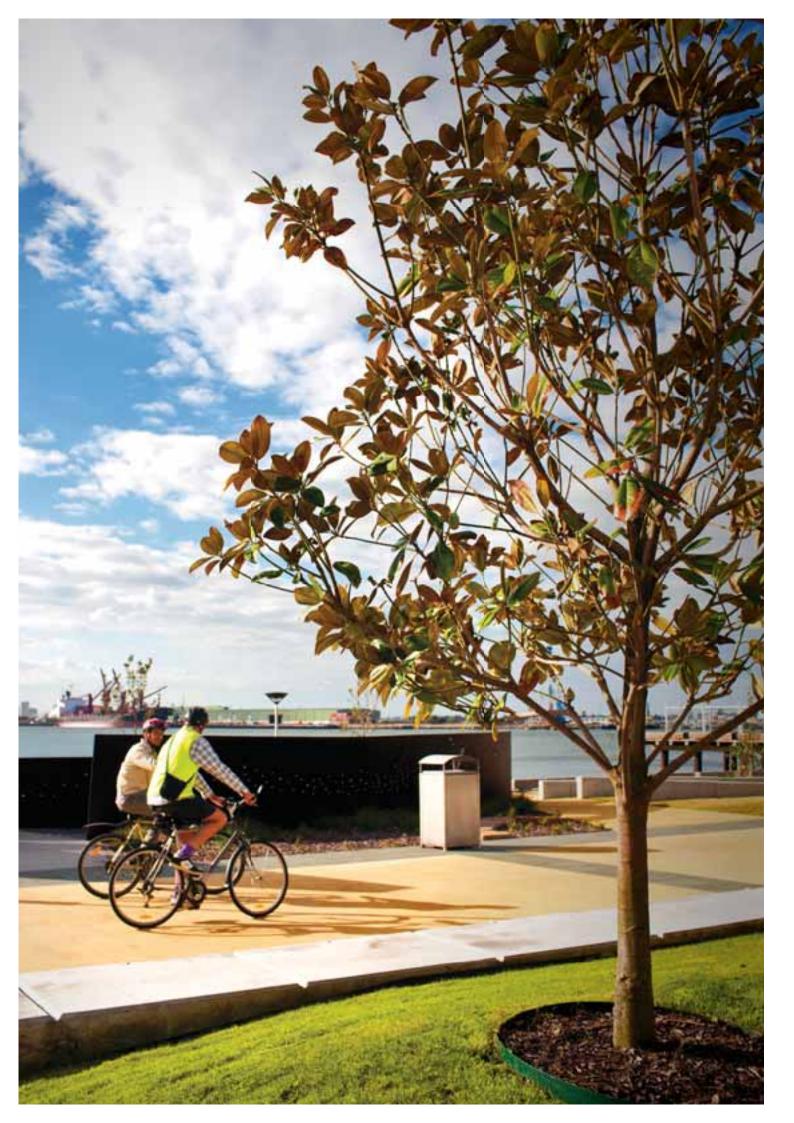
In the Honeysuckle urban renewal project the Corporation's focus now turns to the remaining lots in the Cottage Creek Precinct, in particular an area of around 4.5 hectares at Wickham and Throsby, which will be the next major release of land in the Honeysuckle project area. It will be important to be mindful of the city's future when releasing these lands to the market for development, so as to ensure their eventual uses are consistent with the overarching vision for the city. The Newcastle City Centre Local Environment Plan recognises the Throsby site as a potential tourism related gateway site, and there is a great opportunity for an iconic public building or five star hotel surrounded by extensive public open space adjacent to the harbour. The Corporation intends to conduct a thorough community consultation process involving face to face surveys, online surveys and public workshops regarding the 8 hectares of remaining undeveloped Honeysuckle lands in the latter months of 2010 and into 2011. Most of this land is key harbourside land and the

community is being invited to have its say on how it should be used and what it should look like in the future.

A nearby site south of Honeysuckle Drive next to the Hunter Water building, known as Lot 22, was released to the market with an Expression of Interest campaign on 1 July 2010. This 3,728m² site is zoned mixed-use and can accommodate retail, residential or commercial, or a combination thereof. The site will play an important role in the next phase of the development of a commercial hub in the city's West End. As part of the process potential proponents were asked to submit plans for the creation of a new landscaped public domain area in between Lot 22 and Cottage Creek.

I would like to thank the Board of Directors for their guidance during the year and the hard work of the staff of the Hunter Development Corporation. I look forward to another exciting year of progress for Newcastle and the region.

Julie Rich A/General Manager



Hunter Development Corporation is committed to maintaining the highest standards of corporate governance.

As a NSW Government organisation, corporate governance is the responsibility of a board of directors which reports to the Minister for the Hunter. The chief executive of the Land and Property Management Authority is the Managing Director of the Corporation.

The Board sets and oversees the direction of the Corporation by actively participating in strategic planning. It also provides guidance and oversees the performance of the Corporation's policies, management and operation.

The Board constantly reviews its corporate governance policies and procedures and is committed to ensuring that the organisation's actions conform to legal and other requirements with the goal of ensuring that finances and other resources are controlled effectively.

The Board comprises the Chairman and six members. Two new directors, the Hon. Patricia Forsythe and Ms Karen Howard were appointed to the Board in November 2009 while four directors, Neil Bird, Megan Maybury, Suzanne Ryan and John Tate, attended their last meeting in October 2009. Board meetings are held monthly (excluding January).

To ensure that adequate control systems and processes are in place to safeguard the assets, reputation and sustainability of the Corporation, the Board has established an Audit Committee.

The Corporation's three-year internal audit plan is reviewed annually and has an emphasis on both financial and operational matters. The Corporation's internal and external auditors also attend each Audit and Risk Committee meeting. All recommendations from the internal audit reports have been implemented.

Hunter Development Corporation held 13 Board meetings, two Audit and Risk Committee meetings and two workshops in the year ended 30 June 2010.

SIGNIFICANT COMMITTEES

Audit and Risk Committee

The Corporation's General Manager and Business Manager as well as the internal and external auditors attend regular Audit and Risk Committee meetings.

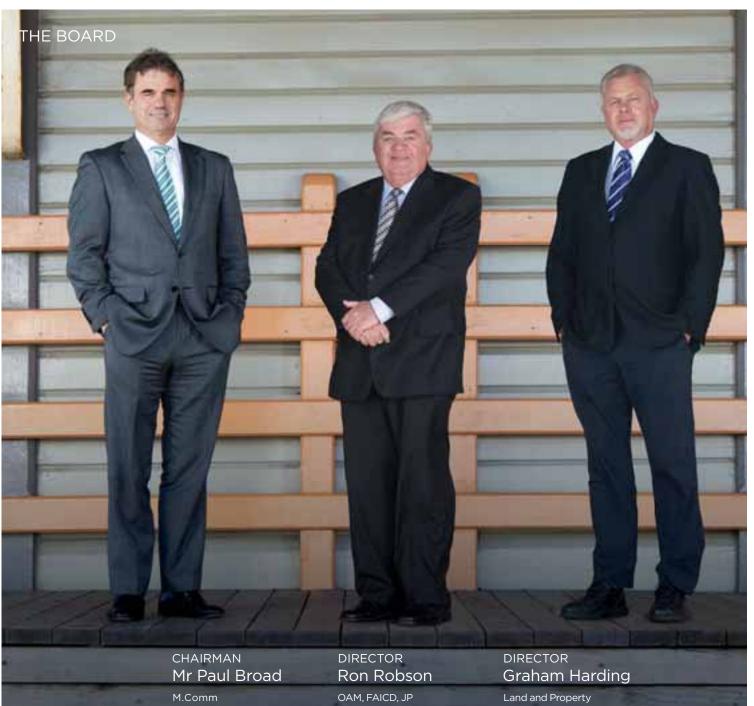
Between July 2009 and October 2009 Committee members were:

- Megan Maybury, Audit and Risk Committee Chair
- David Evans, Director
- Ron Robson, Director

Between November 2009 and June 2010 Committee members were:

- Rob Robson, Audit and Risk Committee Chair
- David Evans, Director
- Karen Howard, Director

Hunter Development Corporation's Australian Business Number is 94 688 782 063.



Mr Broad is the CEO of AAPT. Mr Broad was Managing Director of Energy Australia from 1997 to 2004 and was a non-executive director of PowerTel from August 1998 until May 2004. Before this he was Managing Director of Sydney Water from 1993 to 1997 and was also the Managing Director of the Hunter Water Corporation. Mr Broad is currently a Non-**Executive Director of KUTh** Energy and iiNet Limited and a Director of Community Telco Australia.

MEETING ATTENDANCE:

Board: 11 of 13 Workshops: 2 of 2 Mr Robson is Chairman of the Hunter Water Corporation, Hunter Water Australia Pty Ltd, and was Chairman of the former Regional Land Management Corporation. He is a Director of Robson Health Care Pty Ltd, Chairman of Banlaw Pty Ltd, Chairman of Cromford Pty Ltd, Chairman of Australian Film and Pipe Pty Ltd and Patron of Newcastle/Hunter Valley Rugby Union.

MEETING ATTENDANCE:

Board: 12 of 13

Audit and Risk Committee: 2 of 2

Workshops: 2 of 2

Land and Property

Management Authority

Mr Harding was appointed General Manager Crown Lands Division in 2004. With extensive experience in public land management, Mr Harding has been driving the most significant reform program for Crown land management in recent history. He chairs the Interstate Committee for the Tweed River Estuary Sand By-Pass and is the Joint Project Director Gosford Challenge, and the Chief Executive's representative on the Central Coast Regional Development Corporation Board.

MEETING ATTENDANCE:

Board: 9 of 10 Workshops: 0 of 2



DIRECTOR Gary Kennedy

Mr Kennedy is the Secretary of the Newcastle Trades
Hall Council. He is President of Newcastle Panthers and Cardiff Panthers and a Director of Panthers
Entertainment Group.
Mr Kennedy is also a Director of Regional Development
Australia, Hunter Water
Corporation and Industry
Development Centre and is
Treasurer of Disability
Advocacy NSW Inc.

MEETING ATTENDANCE:

Board: 9 of 13

Workshops: 1 of 2

DIRECTOR The Hon Patricia Forsythe

Ms Forsythe is the Executive Director of the Sydney Business Chamber, a member of the Macquarie University Council, a non-executive Director of the Hunter Medical Research Institute, Business Events Sydney, the Greater Sydney Partnership and the Anglican Board of Mission. Ms Forsythe was a Member of the Legislative Council of NSW from 1991 to 2006.

MEETING ATTENDANCE:
Board: 9 of 9
Workshops: 1 of 1

DIRECTOR

David Evans

B.Ec (Hons), FAICD

Mr Evans is a member of Sydney Catchment Authority, a Director of Country Energy and was a Director of the former Regional Land Management Corporation. He is a former Managing Director of Sydney Water Corporation (2004-2006), Managing Director of Hunter Water Corporation (1993-2006) and Chairman of the

MEETING ATTENDANCE:
Board: 11 of 13
Workshops: 2 of 2
Audit and Risk Committee: 2 of 2

Board of the Hunter Area

Health Service (1997-2003).

DIRECTOR Karen Howard

Ms Howard is an Independent Director on the Board of GP Access, a Director of the Westpac Rescue Helicopter Service and Director of the NSW Business Chamber. She was a Director of the Hunter Business Chamber from 2002 and was President of the Chamber in 2009. Ms Howard was a Director of the Nova Credit Union from 2001 to 2004. **MEETING ATTENDANCE:** Board: 9 of 9 Workshops: 1 of 1

FORMER BOARD MEMBERS

The following directors stepped down from their roles on the HDC board in October 2009.



DEPUTY CHAIRMAN Neil Bird

AM A. Arch (Qld), FRAIA, FPIA, FAICD, FAPI

Mr Bird is Deputy Chairman of Landcom Corporation and an active member of a number of industry and professional bodies. He served a term as National President of the Urban Development Institute of Australia and in 2000 was made a member of the Order of Australia for services to the urban development industry.

MEETING ATTENDANCE:

Board: 4 of 4 Workshops: 1 of 1



DIRECTOR Megan Maybury

B.Comm CA

Ms Maybury is a Director of Prosperity Advisers Pty Ltd and is a chartered accountant with over 20 years experience in providing financial services to a wide range of industries.

MEETING ATTENDANCE:

Board: 3 of 4 Workshops: 1 of 1 Audit and Risk Committee: 2 of 2



DIRECTOR Suzanne Ryan

B.Soc.Stud (Syd) MBA (Newcastle) MA (Macquarie) PhD (Syd)

Ms Ryan is an academic within the Newcastle Business School, the University of Newcastle. Prior to joining the University she worked in and with local, state and federal governments in housing policy and social planning. She has been a member of a number of Hunter region organisations.

MEETING ATTENDANCE:
Board: 4 of 4
Workshops: 1 of 1



DIRECTOR Councillor John S Tate

Councillor Tate is the Lord Mayor of the City of Newcastle and has served Newcastle City Council as a Councillor since 1980 and as Lord Mayor since 1999. He is a representative on numerous boards and committees such as Hunter Region Tourism Organisation, was a Director of the former Regional Land Management Corporation and is Deputy Chair of Regional Development Australia. He also has extensive experience is small business operations.

MEETING ATTENDANCE:

Board: 4 of 4 Workshops: 0 of 1

A/General Manager

Julie Rich

B.Ec., Grad.Dip.Bus. (Land Ec.) From 11 October 2010

Craig Norman

B.Ec., M.Acc. Studies, ASCPA Until 8 October 2010

Commercial Manager

Robert Foster B.Bus (Acc), CPA

COMMUNICATIONS

Communications Manager

Luke Mellare

B.A. (Comms) M.A. (Media, Technology, the Law)

FINANCE AND ADMINISTRATION

Senior Accountant

Kim Futcher B.Com CPA

Administration Manager

Coral McDonnell

Admin Support Officer

Karen Cooper

Admin Support Officer

Allissa Arnold

Executive Assistant

Gillian Foulcher

OPERATIONS

Senior Development Manager

Jacob Whiting

B.Sc. Construction Mngmt, M.Bld Construction

Senior Development Manager, Capital Works

Geoff Wade

B.Sc. (Architecture), B.Arch (Hons 1)

Senior Development Manager, Planning

Scott Anson

Senior Development Manager

Paul Bender

Development Manager

Valentina Misevska

LLB, Dip.Legal Practice, B.Com

Development Manager

Garth Greenaway

Environmental Manager

Mike Bardsley

B.Eng (Civil), MIEA

Project Manager

David Antcliff

B.Construction Management (Hons)

Development Officer

David Legg

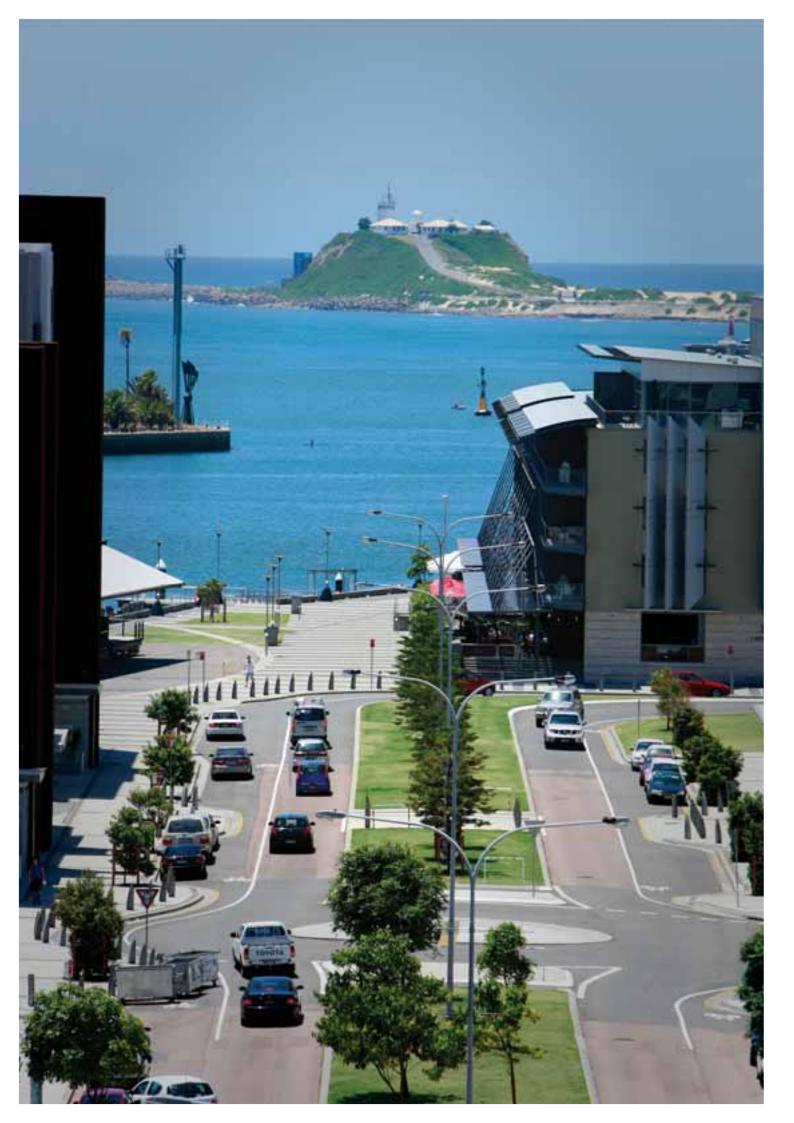
Development Officer

Toni Cappiello

Development Officer

Jeremy Amann

B.Construction Mngt (build), Dip Surveying



- The Minister for the Hunter assumes portfolio responsibility for the Hunter Development Corporation.
- The Minister for the Hunter appointed the Hon. Patricia
 Forsythe and Ms Karen Howard to the Hunter Development
 Corporation Board of Directors.
- The Newcastle City Centre Renewal Steering Committee, chaired by the Chief Executive of the Land and Property Management Authority, Warwick Watkins, is appointed to drive the renewal of the Newcastle city centre
- Crown land worth \$4 million in Honeysuckle near the Civic Precinct is allocated to the University of Newcastle for the first stage of its new City Campus.
- The Minister for the Hunter and the Newcastle University
 Vice Chancellor launch an Expressions of Interest process
 for around 18,000m² of teaching space for around 2,500
 students as part of the first stage of the University of
 Newcastle's city campus.
- The Lee Wharf Stage Three residential development, consisting of 70 two and three bedroom apartments, 12 commercial suites and 11 retail units, wins the Lower Hunter Urban Design Award in the 'multi-dwelling residential' category.

- The Glasshouse commercial office building on the Wickham waterfront wins the Lower Hunter Urban Design Award in the 'small-scale commercial development' category.
- Newcastle's newest residential community, Lee Whar Stage Three, and the adjacent Worth Place Park are officially opened.
- Testing on the former BHP site at Mayfield confirms that Stage One remediation works on the site have been successful.
- Work commences on the second stage of the two-stage remediation of the former BHP steelworks at Mayfield.
- NSW Attorney General announces plans for a \$94 million courthouse development in the Civic Precinct
- One of the last remaining non-waterfront lots, known as Lot 22, is released to the market for a mixed-use development.
- Work commences on the adaptive re-use of the Honeysuckle railway workshop buildings as Newcastle's new regional museum
- The Minister for the Hunter announces that the release to the market of 4.5 hectares of Honesyuckle land will be fast-tracked and a community consultation program commenced in late 2010.

WORTH PLACE PARK OPENING COMMUNITY EVENT



As a State Government agency charged with control of key strategic state owned lands, the Hunter Development Corporation facilitates private sector investment on lands that would otherwise remain under-utilised or closed to the public. A key driver of renewal is the removal or amelioration of constraints that prevent development or redevelopment of strategically important landholdings. The Honeysuckle urban renewal project, which is now more than two-thirds complete, is an important example.

THE HONEYSUCKLE **URBAN RENEWAL PROJECT**

Since 1992 the Hunter Development Corporation, formerly the Honeysuckle Development Corporation, has been working with the people of Newcastle, government organisations, community groups and the private sector to transform a 50 hectare parcel of State-owned industrial land into the dynamic CBD destination it is today.

Great progress has been made on the Honeysuckle Urban Renewal Project notwithstanding the impact of the recent global financial crisis on the property development market. The Honeysuckle project is now more than two-thirds complete with around 38 hectares of the 50 hectare site redeveloped. This includes 12 hectares of quality public open space.

A nearby site south of Honeysuckle Drive next to the Hunter Water building, known as Lot 22, was released to the market with an Expression of Interest campaign on 1 July 2010. This 3,728m² site is zoned mixed-use and can accommodate retail, residential or commercial or a combination thereof. The site will play an important role in the next phase of the development of a commercial hub in the city's West End. As part of the process potential proponents were asked to submit plans for the creation of a new landscaped public domain area in between Lot 22 and Cottage Creek.

Another significant parcel in Honeysuckle, known as Lot 230, was committed by the NSW Government to provide to the University of Newcastle the first stage of its city campus project. The provision of the land, worth some \$4 million, enabled the University to call for Expressions of Interest for Stage One of the project. More than a dozen submissions

from the private sector were received. It is estimated that the University project would bring around 8,000 students and 1,000 staff into the city centre, and result in the creation of an estimated 800 to 1,200 direct jobs and 1,700 to 2,500 indirect jobs during construction. In addition an estimated 1,025 permanent direct and indirect jobs would be generated during operation. Furthermore, the high appeal city centre location could result in an increase in the proportion of international students from 16 per cent to 22 per cent resulting in additional study fee revenue of \$39 million annually for the university. It would also result in increased social activity and improved safety and amenity in the city centre.

Outcomes of the Honeysuckle urban renewal project to date:

- An overall economic impact of over \$1.335 billion
- Generation of over \$600 million in direct private sector investment
- Generation of 5,000 full time jobs
- · Construction of office accommodation for over 2,500 employees
- Construction of homes for 2,000 people
- · Relocation of port activities from Throsby to the Basin contributing to the productivity of the port and enabling the development of a cruise ship industry
- · The relocation and expansion of the fisherman's cooperative
- · Growth in the inner city housing market and surrounding suburbs
- Provision of essential infrastructure such as roads, bridges, water, power, telecommunications and drainage
- · Remediation of contaminated lands and waterways
- Provision of 170 public housing units
- Provision of 12 hectares of quality public open space
- · Restoration of important heritage buildings and their adaptive reuse
- Provision of public waterfront access
- · Investment in public art and place making initiatives such as the L!vesites program of free public events



MINISTER FOR THE HUNTER JODI MCKAY AND UNIVERSITY OF NEWCASTLE VICE CHANCELLOR PROF NICHOLAS SAUNDERS LAUNCH AN EXPRESSION OF INTEREST PROCESS FOR THE UNIVERSITY CITY CAMPUS PROJECT



NEWCASTLE CITY CENTRE RENEWAL

The Hunter Development Corporation has continued to support the ongoing process of revitalisation of the Newcastle city centre. This follows the renewed focus on the subject in 2008 when the Minister for the Hunter established the Newcastle City Centre Taskforce and initiated the extensive community consultation that followed. The resultant Newcastle City Centre Renewal Report and three supporting reports were submitted to the New South Wales Government at the end of March 2009. The Renewal Report set out three distinct precincts or hubs for the city:

- The tourism/residential/retail/heritage precinct in the east end:
- The cultural/civic/university precinct in the 'heart' of the city;
- The new commercial centre to the west around Wickham.

The rationale behind each of these precincts is reinforced by the Newcastle City Centre Local Environment Plan, and the advice provided by urban design experts and economic analysts on how sustainable cities function. During the financi year 2009/10 a good deal of progress has been made under this framework, particularly with the NSW Government's commitment to a new \$94 million Justice facility in Civic, the \$4 million commitment of land in Honeysuckle to the University City Campus and the commencement of the development of the \$23.5 million regional museum in the Honeysuckle workshops. Together these projects will add a critical mass of people to the city's heart

In the eastern part of the city the Government, in conjunction with Newcastle City Council and the private sector, has undertaken a wide range of projects that are consistent with the Renewal Report framework including

- Returning the former Newcastle Post Office to public ownership and beginning the process of restoration;
- Opening up the historic Nobbys Lighthouse for public access and commencing a process to invite private sector investment for its adaptive re-use:
- In conjunction with Newcastle City Council and Hunter Surf Life Saving, releasing a draft Masterplan to guide the rejuvenation of the coastline which has been endorsed by Newcastle City Council;

- Demolishing the Round House (Shortland Clinic to prepare the way for renewal;
- Demolishing the derelict Newcastle Bowling Club to enable construction of a new function and conference centre, restaurant and café, with upgraded public open space;
- Providing funding to Newcastle City Council for a program to increase and retain businesses in Darby Street:
- The proposal to transform the No. 2 Sports ground into a venue that has the capacity to attract medium scale sporting activities and cultural events.

In the western precinct the seeds are being sown for the development of the city's new commercial centre precisely where the Local Environment Plan and the Renewal Report identify the capacity for higher density and commercial uses. Consistent with this approach the Corporation released Lot 22 Honeysuckle Drive to the market as a mixed-used development opportunity. To further assist the transformation in the western end of the city the Corporation is commencing a community consultation program for the undeveloped lands at Honeysuckle in the Cottage Creek precinct in the latter part of 2010 involving face to face surveys, online surveys and public workshops. This program, which will cover around 8 hectares of mostly harbourside land, seeks to develop a clear vision and planning principles that will inform how the land will be used and what it will look like. It has the potential to deliver a five-star hotel, convention centre or other tourism related facilities surrounded by first class public domain.

There are many other projects being pursued that will add to the economic and social vibrancy of Newcastle including the commencement of a process to invite private sector investment to enable public access and re-use of the historic Carrington Pump House and the investment of \$2.5 million for a cruise ship facility at Dyke point while a permanent cruise ship facility is investigated. There are also significant port and industrial projects that the NSW Government is pursuing which will provide for future employment growth close to the city such as the \$120 million private sector investment in the redevelopment of Intertrade Industrial Park on the former BHP steelworks site and the concept plan which outlines opportunities for development of 90 hectares of portside land on the Mayfield site.



BURWOOD STREET JUSTICE PRECINCT SITE (ABOVE); NEWCASTLE RENEWAL INITIATIVES (BELOW)



Towards the end of 2009 Newcastle's newest residential community by the harbour was completed. Known as Lee Wharf Stage Three, it is comprised of two residential buildings with 75 apartments, 12 office suites, retail suites at ground level and a 10,000m² park known as Worth Place Park. Designed by Crone Partners architects, it was subsequently awarded the Lower Hunter Urban Design Award in the multi-dwelling residential category. The award entries were assessed against a comprehensive set of criteria including:

- Urban Design Principles;
- Context and character;
- · Scale, built form, density;
- Resource, energy and water efficiency;
- Landscape and amenity;
- · Safety and security, aesthetics; and
- · Car parking and pedestrian networks.

Nearby the Chifley Serviced Apartments building opened for business and a new road known as Settlement Lane was opened to service it and the surrounding area. Following a review of historical documents the name Settlement Lane was selected as it reflects the heritage of the area which was once the site for around 70 homes known as the 'Bishop's Settlement' in the 1840s.

While the Honeysuckle project is well advanced, the Corporation also undertook important early investigations into potential future renewal sites that may have residential elements to them. This includes renewal corridors identified in the Lower Hunter Regional Strategy and other key sites such as Western Lake Macquarie. Under a partnering agreement with the Corporation, Landcom continued to investigate future opportunities for residential and employment development within the former BHP landholdings at West Wallsend. This would be a long term project taking up to 20 years to realise.

THE LEE WHARF STAGE THREE DEVELOPMENT, HONEYSUCKLE



Work was completed on an exciting new boutique hotel and restaurant on the harbour at Lee Wharf. The \$6.5 million project, by the Caverstock Group, has involved the adaptive reuse of an historic 1910 cargo storage shed as a boutiquestyle pub with a mezzanine restaurant, outdoor deck, and an extended public forecourt. Extensive fit-out works to enable the adaptive re-use while preserving the important heritage aspects of the building are complete, and trading commenced in October 2010.

A range of new tenants joined the Honeysuckle harbourside community during the 2009/10 financial year adding to the growing list of retailers and service businesses setting up in the precinct. In the Lee Wharf area these included Den's Health and Fitness in the Chifley Serviced Apartments building, Forsythes Recruitment, RMS Natural Stone and Ceramics, Honeysuckle Dental and Sprout Dining. A new restaurant, Turtle's Pizza and Pasta Bar, opened at Lee Wharf along with an IGA Express, a new boutique clothing store, Suzy Mah, real estate agent Creer Property and resources sector service provider ResCo Pty Ltd. These businesses joined the established Honeysuckle restaurant strip at

The Boardwalk and other established businesses such as the Hog's Breath Café and Subway. Another new restaurant, Sushi Castle, is expected to open in the coming months. In the Cottage Creek precinct the Juicy Beans Café set up a busy new business in the NIB building as did the childcare centre Little Unicorn on Honeysuckle. Honeysuckle IT and Surdevel Surveyors were welcome additions to the Cottage Creek business community.

The Sydney Seaplanes service between Rose Bay in Sydney and the Lee Wharf Pontoon continued and the Pontoon and Harbour Square Boat Dock were once again the launching points for the Newcastle whale watching season with two operators conducting tours of the harbour in addition to the more regularly scheduled river cruises.

In November 2009 the Glasshouse Commercial office building on the Wickham waterfront was awarded the Lower Hunter Urban Design award in the small scale commercial development category. Designed by EJE Architecture, it was built by the Buildev group and features 1,000 square metres of commercial office space and public domain by the harbour.







KOORAGANG ISLAND (ABOVE) AND THE FORMER BHP STEELWORKS AT MAYFIELD, (BELOW)



Since BHP ceased steelmaking at Mayfield in 1999 and completed demolition of the buildings and structures on site in 2004, the NSW Government has been working hard to get it ready for redevelopment. The Corporation completed Stage One of the \$110 million remediation project in July 2008 including \$27 million of new drains and surfacing 30 hectares of land most affected by steelmaking operations. Following the completion of Stage One the Corporation has been carefully monitoring the effectiveness of these works to help ensure the best possible design for the second and final stage of the remediation program. During the year testing confirmed the effectiveness of the works and allowed the Corporation to get on with the design and scoping of the second stage. In addition the Corporation let tenders for the works and commenced remediation on site for the first 15 hectares of Stage Two. At the same time a project coordinator was appointed and design work completed for the construction of a new freight rail line and a sewerage infrastructure to service the site. The Project Coordinator will oversee the various components of works to be undertaken in Stage Two which include:

- The Early Works remediation package consisting of earthworks and capping to 15 hectares of portside land commencing September 2010;
- The Main Contract remediation package consisting of 38 hectares of portside lands commencing end 2010 or early 2011;
- Construction of a new 1.6km freight rail line including remediation of embankments, commencing last quarter of 2010:
- Construction of a new sewer pump station and rising main to replace the existing facility, commencing in 2011.

In total around 52 hectares of the 150-hectare site will be remediated in this second stage of the project.

The Corporation's negotiations with a private sector proponent for the redevelopment of the 62 hectares of the site known as Intertrade Industrial Park came to a successful conclusion with the signing of an agreement for a \$120 million redevelopment over the next 10-15 years as a general industrial subdivision. The redevelopment will include the provision of roads, drainage, water, sewerage and electricity infrastructure and remediation works which will complement those being undertaken by the Corporation on the remainder of the 150-hectare site.

Nearby BHP Billiton has been working on its river sediment remediation project. This project involved the use of portside lands on the Mayfield site for the stockpiling and treatment of contaminated river sediment prior to movement by truck to Kooragang Island. The remediation of the former BHP steelworks site and the adjacent river sediment will be a substantial environmental improvement for the area. This work and the associated infrastructure projects will generate redevelopment opportunities of regional significance.

In February the Corporation sold a 240-hectare parcel of industrial land at Tomago to WEPL Investments Pty Ltd, which has commenced developing the WesTrac facility at Tomago. The site – lot 1001 Tomago Road – is adjacent to the 93 hectare site on which the \$120 million WesTrac headquarters and training facility is being constructed. As well as a headquarters for 300 workers, the facility will serve as an equipment servicing, training and apprentice centre. This important land at Tomago will play a significant part in contributing to the employment growth required to meet the demand for jobs identified in the Lower Hunter Regional Strategy. The acquisition of the neighbouring lots enables an integrated approach to the planning and development of both sites and the creation of a landmark industrial estate, which will generate employment opportunities on a large scale over time. Any eventual development applications for the site would be assessed by the Department of Planning as it is designated a State Significant Site.

PLACE ACTIVATION

The Corporation continued its support as a major funding partner of the L!vesites program of cultural events along with Newcastle City Council and Arts NSW. Over the year to 30 June 2010 the L!vesites program included 86 days of events and activities attracting attendances of over 59,000. The program employed artists in over 734 days of work and production and technical crew engaged in over 379 days of work with all but one from the Hunter region. The L!vesites program undertook a wide range of events from well-known signature events to newer offerings. Signature events included Winter Heat, Dancing in the Streets, Cinema under the Stars and Rockers and Revheads. Newer offerings included Steel Chef cooking demonstrations, the Smallest 3 Ring Circus, Hollywood by the Harbour, World Cup Soccer screenings and the Waste Knot Want Knot art exhibitions which featured large outdoor sculpture extending from Honeysuckle to Nobbys and viewed by over 5,000 people. At Honeysuckle, events ranging from concerts, outdoor performances, children's holiday workshops and Christmas celebration shows took place at Harbour Square, Honeysuckle promenade, Worth Place Park and Lee Wharf. L!vesites continued to operate from within Newcastle City Council where it has a secure operational base and access to all of the resources and experience of Council's Civic Precinct live performance venues.

During the year the Corporation supported a variety of community events and causes, including the sponsorship of a category of the TAFE Hunter Institute Awards, the Newcastle Rowing Club's Throsby Creek Challenge and the 2010 Lower Hunter Urban Design Awards. The Corporation also sponsored the Property Council of Australia (Hunter Chapter) and the Planning Institute of Australia's NSW 2009 annual conference. As well as continuing to sponsor the Hunter Valley Research Foundation (HVRF), the Corporation continued to engage the HVRF to conduct surveys on

various aspects of the Honeysuckle project. The June 2010 survey found that 40 per cent of Hunter region residents had visited Honeysuckle four or more times in the preceding six months. This survey found that 76.2 per cent of respondents agreed or strongly agreed with the statement that 'Honeysuckle is good for Newcastle'.

COMMUNITY LIAISON

The Hunter Development Corporation Board continued its program of quarterly Open Sessions as a vehicle to enable the community to be better informed, through the media, about the Corporation's developments and initiatives. The Corporation conducted events to mark official milestones such as the opening of Worth Place Park and the Lee Wharf Stage Three residential development. Twelve editions of the monthly electronic newsletter, Harbour Life, were produced to provide timely information distribution and to help promote place activation, local tenant initiatives and activities. It features recipes and matching wine notes from Honeysuckle restaurants as well as news on whale watching and harbour cruises, and specials on accommodation and dining.

The Corporation updated its tourist information maps for distribution to the Newcastle Visitor Information Centre, the city's volunteer tour guides, and to the city's hotels such as the Crowne Plaza, Chifley Serviced Apartments and Ibis Hotel. The Corporation continued to provide presentations and guided tours to schools, community groups and organisations of the Honeysuckle Urban Renewal Project.

The Corporation's two websites continued to be important sources of information for the community, with the Hunter Development Corporation site attracting 8,938 visitors over the year. The Honeysuckle website was refreshed to provide clearer information and photographs showing the transformation of more than two-thirds of the Honeysuckle urban renewal area since the early 1990s. The Honeysuckle website attracted a total of 21,902 visitors over the year,

CHILDREN'S ACTIVITIES AT LEE WHARE, HONEYSUCKLE



with the Dining Out page remaining the most popular page, reflecting the popularity of Honeysuckle's vibrant restaurant, café and bar scene.

The Corporation's Cottage Creek neighbour, Hunter Water, coordinated a large scale event involving the entire Cottage Creek business community in raising funds for the Leukemia Foundation Shave for a Cure. Along with Hunter Water, NIB, GHD, Sparke Helmore and PricewaterhouseCoopers. the Corporation supported the event and encouraged staff participation to make the event a success. It was the second year that the event had attracted involvement from the Cottage Creek business community with many getting involved by having their head shaved or sponsoring their colleagues to get their heads shaved or hair dyed. Former Hunter Development Corporation General Manager Craig Norman joined other prominent business executives in having their heads shaved to raise money for the event. More than \$20,000 was raised for the charity. In a similar fundraising initiative the General Manager participated in the Police & Community Youth Clubs 'Time for Kids' fundraiser. In this event prominent Novocastrians were 'locked' in a makeshift 'police cell' in the Hunter Street Mall and were required to raise 'bail' to secure their release. The event raised funds for youth crime prevention programs and urgently needed club equipment.

PUBLIC DOMAIN & RECREATION

Work commenced on maintenance and repairs to the Lee Three and Lee Four seawalls on the Honeysuckle foreshore which are up to 74 years old. An engineering assessment showed that the seawalls, to the west of the Lee Warf Development, required work to remain fit for purpose well into the future. The work includes the placement of rock to support the existing steel sheet pile seawalls, as well as some preliminary earthworks adjacent to the seawalls to shape the soil to improve drainage and cap the site. The work will help

ensure that the public promenade that runs along the Honeysuckle foreshore can be extended between the Marina and Lee Wharf when work on the remaining Honeysuckle lands is completed. The works will also enable the extension of Worth Place Park along the waterfront to double its current size. The completed park will be 10,000m² in total of high quality open space with a public art playground, promenade and turfed areas for residents, tourists and workers to relax.

The Corporation is working with the Hunter Region Sporting Venues Authority on a consultation process with a view to improving the way the Broadmeadow sporting and entertainment precinct is used by the community. The consultation process is aimed at developing a Plan of Management to enhance pedestrian, cycle and public transport linkages and improve and develop facilities on the Broadmeadow site. The consultation process was launched by the Minister for the Hunter under the banner of Newcastle Sports and Entertainment Precinct (NSEP). The precinct includes iconic regional facilities such as EnergyAustralia Stadium, the Newcastle Entertainment Centre, Newcastle Showground and various sporting and recreational facilities leased to their respective tenants. The first phase of the consultation process involved a briefing with key tenants and user groups. The second phase of the project is expected to commence in early 2011. Former professional ruby league player and consultation specialist Mark Sargent was appointed to the role of NSEP Community Liaison Manager to assist with the consultation process. An important influence on the eventual Plan of Management to be developed for the site is the upcoming announcement regarding New South Wales' bid to host the 2022 FIFA World Cup. Should New South Wales be successful, the facilities at Broadmeadow would play an integral part in hosting matches.

LIVESITES EVENT AT HONEYSUCKLE



ENVIRONMENT & HERITAGE

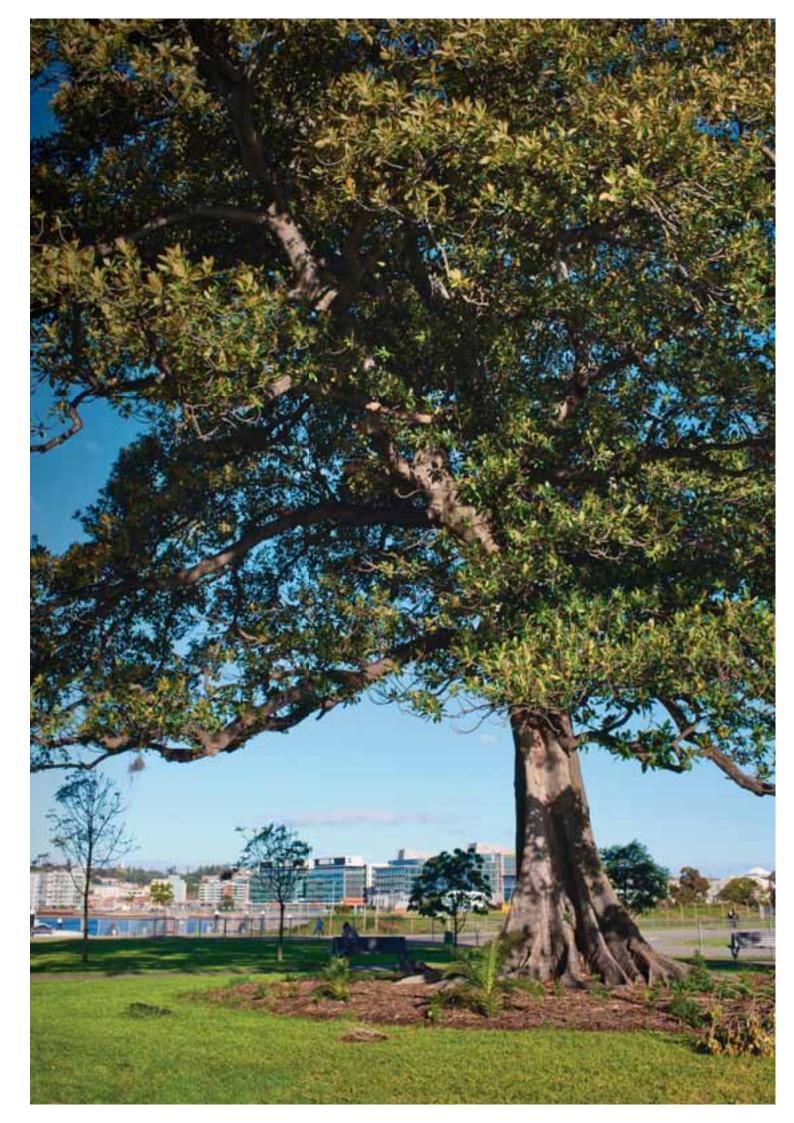
Construction and fit-out works for the adaptive re-use of three of the historic railway workshop buildings in Honeysuckle commenced during the year to house Newcastle's new regional museum.

These buildings were initially restored by the Corporation in the 1990s for just such a use. Listed with the National Trust, the buildings are classic examples of railway architecture. The \$23.5 million project will breathe new life into these important structures that are an indelible part of Newcastle harbour's history. The museum is expected to open in 2011.

During the year the historic Delprat's Cottage on the former BHP steelworks site at Mayfield was handed to the University of Newcastle to enable its preservation. Delprat's Cottage was constructed in around 1913 as accommodation for the General Manager of BHP who was responsible for the construction of the BHP Steelworks, Guillaume Delprat. Delprat was a world renowned metallurgist who was a key figure behind the company's initiative to establish the Newcastle steelworks which went on to become the biggest integrated steelworks in the British Empire. The funding for the initiative came from an amount negotiated by the NSW Government and the University of Newcastle with BHP when it handed control of the Mayfield site to the NSW Government specifically for the preservation of the site's heritage. Delprat's Cottage is the only remaining residential building on the former steelworks site

As part of its responsibilities under environmental legislation the Corporation has undertaken extensive monitoring of air quality as well as ground water and surface water monitoring at the Mayfield site and Kooragang Island. At Mayfield the monitoring has proven the effectiveness of the subterranean barrier wall that was constructed around the most contaminated 30 hectares of the former BHP Steelworks. The testing has shown that the surface capping and barrier wall are effective in preventing the movement of contaminants into the Hunter River.

As part of its management of the Kooragang Island Waste Emplacement Facility on behalf of the state the Corporation has undertaken several initiatives to protect the natural environment. These include the capping of a 10,000sqm waste cell with a 500mm thick impermeable capping. This project ensures the safe containment of a stockpile of contaminants from the former BHP steelworks operations. The ground and surface water monitoring undertaken at the Kooragang Island Waste Emplacement Facility has contributed to a better understanding of the extent and nature of contamination risks arising from the site. This, along with a flora and fauna study undertaken to identify threatened and protected species on the site has informed the development of management and closure strategies for the facility. A strategy for surface capping and drainage improvements required to permanently close the landfill has been finalised with the Department of Environment, Climate Change and Water in accordance with relevant regulations.



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GPO BOX 12 Sydney HSW 2001

INDEPENDENT AUDITOR'S REPORT

Hunter Development Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Hunter Development Corporation (the Corporation), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

in my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Corporation as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 415 of the Public Finance and Audit Act 1983 (the PFBA Act) and the Public Finance and Audit Regulation 2010.

My aginion should be read in conjunction with the rest of this report.

The Board's Responsibility for the Financial Statements

The members of the Board are responsible for the preparation and fair presentation of the financial The members of the source are responsible for the preparation and fair presentation in the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting interpretations) and the PFBA Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit, is conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that i comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the mass of material mistatement of the financial statements, whether due to fraud or error, in making those risk assessments, the auditor considers internal controls relevant to the Corporation's preparation and fair presentation of the financial statements is 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 Corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Board, as well as evaluating the overall presentation of the financial statements.

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

My opinion does not provide assurance:

- about the future viability of the Corporation
- that it has carried out its activities effectively, efficiently and economically about the effectiveness of its internal controls.

In conducting this audit, the Audit Office of New South Wales has complied with the independence purements of the Australian Auditing Standards and other relevant ethical requirements. The PFBA Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Director, Financial Audit Services

Methors

13 September 2010 Sydney.

STATEMENT BY THE BOARD

Statement by the Directors on the Adoption of the Financial Statements for the Year Ended 30 June 2010.

Certificate Under Section 41C of the Public Finance and Audit Act 1983.

Pursuant to Section 41C (1B) and (1C) of the Public Finance and Audit Act 1983 and in our capacity as Chairman and Director of Hunter Development Corporation, we declare that in our opinion:

- 1) The accompanying financial statements exhibit a true and fair view of the financial position of the Hunter Development Corporation as at 30 June 2010 and transactions for the year then ended.
- 2) The statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010 and Treasurer's Directions.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Yours sincerely

Paul Broad

Chairman

Hunter Development Corporation

Ron Robson

11h

Director

Hunter Development Corporation

3 September 2010

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
INCOME			
Sales		11,738	151
Less: Cost of Sales		(13,871)	(150)
GROSS PROFIT (LOSS)	8	(2,133)	1
Grants & Contributions	2(s)	4,365	3,269
Rental Income		2,245	3,145
Interest Income		156	8
Other Income	3	635	1,254
TOTAL INCOME		5,268	7,677
EXPENSES			
Administration	4	1,458	1,783
Property Costs		2,141	2,622
Finance Costs		1,016	861
Community Information / Liaison and Promotion		273	352
Remediation Works	2(s)	682	842
Infrastructure Works		157	-
Community Works	2(h)/5	4,542	1,950
TOTAL EXPENSES		10,269	8,410
LOSS FROM CONTINUING OPERATIONS		(5,001)	(733)
OTHER COMPREHENSIVE INCOME/(LOSS)		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		(5,001)	(733)

The above statement should be read in conjunction with the accompanying Notes.

	Notes	2010 \$'000	2009 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	3,469	126
Trade and Other Receivables	7	1,191	1,818
Inventory	8	-	4,575
Total Current Assets		4,660	6,519
Non Current Assets			
Plant & Equipment	2(e)/10	285	243
Inventory	8	67,471	65,865
Total Non Current Assets		67,756	66,108
TOTAL ASSETS		72,416	72,627
LIABILITIES			
Current Liabilities			
Trade and Other Payables	11	1,630	2,061
Other	13	3,564	1,879
Provisions	2(p)/12	1	1
Borrowings	15(b)	4,248	2,249
Total Current Liabilities		9,443	6,190
Non Current Liabilities			
Trade and Other Payables	11	35	35
Provisions	2(p)/12	38	40
Other	13	1,539	-
Total Non Current Liabilities		1,612	75
TOTAL LIABILITIES		11,055	6,265
NET ASSETS		61,361	66,362
Equity			
Accumulated Funds		(424)	4,577
Contributed Equity	14	61,785	61,785
TOTAL EQUITY		61,361	66,362

The above statement should be read in conjunction with the accompanying Notes.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2010

Notes	2010 \$'000 Inflows (Outflows)	2009 \$'000 Inflows (Outflows)
Cash Flow from Operating Activities		
Receipts		
Receipts from Customers	12,912	166
Rental Receipts	2,471	3,584
Prepaid Income	3,332	80
Interest Received	156	8
Other Income/Receipts	4,653	7,145
Payments		
Suppliers and Personnel Services	(8,093)	(8,708)
Payments for Inventories	(10,901)	(595)
Borrowing Costs	(1,016)	(173)
Grants to Other Organisations	(2,083)	(417)
Net Cash provided from (used in) Operating Activities 15	1,431	1,090
Cash Flow from Financing Activities		
Proceeds from Borrowings	22,602	5,808
Repayment of Borrowings	(20,603)	(6,830)
Net Cash provided from (used in) Financing Activities	1,999	(1,022)
Cash Flow from Investing Activities		
Purchases of Plant and Equipment	(87)	(31)
Net Cash used in Investing Activities	(87)	(31)
Net Increase/(Decrease) in Cash Held	3,343	37
Cash held at start of the Financial Year	126	89
Cash held at end of the Financial Year 6	3,469	126

The above statement should be read in conjunction with the accompanying Notes.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

	Accumulated Funds \$'000	Contributed Equity \$'000	Total Equity \$'000
Balance at 30 June 2008	5,310	7,220	12,530
Total Comprehensive Loss	(733)	-	(733)
Increase in Net Assets from Equity Transfers	-	54,565	54,565
Balance at 30 June 2009	4,577	61,785	66,362
Total Comprehensive Loss	(5,001)	-	(5,001)
Balance at 30 June 2010	(424)	61,785	61,361

for the year ended 30 June 2010

1. Reporting Entity

The Hunter Development Corporation ("the Corporation") is a State Government agency established to help facilitate economic growth and investment in the region consistent with the Lower Hunter Regional Strategy through development by the private sector on key State land holdings under its control.

The Corporation is established under the Growth Centres (Development Corporations) Act 1974, this Act defines the functions and geographic area of the Corporation.

The Corporation is a not-for-profit entity as profit is not its principal objective.

This financial statements for the year ended 30 June 2010 have been authorised for release by the Directors on 3 September 2010.

2. Summary of Significant **Accounting Policies**

These general purpose statements have been prepared in accordance with:

- Australian Accounting Standards and Interpretations
- Growth Centres Development Corporations Act 1974
- Public Finance and Audit Act, 1983 and Regulations 2010.

The following is a summary of the accounting policies adopted by the Corporation in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Inventory and Works in Progress

Land inventory has been reported at the lower of cost and net realisable value. The development costs are added to the inventory where such costs do not exceed the net realisable value. Land inventory acquisitions are recognised on settlement

Land Inventories have been classified as current and non-current assets based on sales forecasts.

(b) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

· Land Sales

Income from land sales is recognised on contract settlement.

· Rental Income

Income is recognised as it accrues in accordance with the terms and conditions of the particular lease or licence.

· Interest and Other Income

Interest revenue is recognised using the effective interest method.

· Section 94 Contributions

Income is recognised as it accrues in accordance with a deed of agreement between the Corporation and Newcastle City Council.

· Grant Income

Grants and Contributions are received from the New South Wales Government in relation to maintenance of the sites formerly managed by the Regional Land Management Corporation ("RLMC"). Grants relating to the operating costs of these sites are recognised as income in the period respective to those costs for which they are intended to compensate.

(c) Administration Expenses

All administration expenses are met by the Corporation and include all employee-related payments of staff that are employed by the Land and Property Management Authority and associated with the Corporation (Refer to Note 4).

(d) Personnel Services Cost

The Corporation's liabilities contain provision for employee benefits arising from services rendered by employees up to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the net present value of estimated future outflows to be made for those benefits.

Sick leave is non-vesting and, it is expected that sick leave taken will be less than sick leave accrued in any future reporting period, therefore no liability is recognised.

The provisions for long service leave and superannuation are not reported in the Corporation's accounts as personnel are employed by the Land and Property Management Authority. The unfunded liability of these entitlements has been transferred to the State in accordance with Treasury Guidelines.

(e) Plant and Equipment

Plant and equipment is recorded at cost on acquisition and reported at fair value. Plant and equipment with a value less than \$5000 are expensed in the year of acquisition.

for the year ended 30 June 2010

(f) Insurance

All properties owned or managed by the Corporation are insured for their replacement value under the Treasury Managed Fund administered by GIO General Ltd.

The Corporation carries a comprehensive range of insurances through the Treasury Managed Fund that covers property, public liability, Directors' liability and other contingencies.

(q) Depreciation

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the cost over the expected useful life to the Corporation.

Depreciation Rates

Information Technology 25% per annum Furniture & Fittings 10% per annum Leasehold Improvements life of the lease Plant & Equipment 14.29% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

(h) Community Works

The Corporation undertakes certain non-commercial works such as roads, open space, housing and other infrastructure works. Costs for works are expensed as incurred. A portion of administration costs is allocated to community works (refer to Notes 4 and 5).

(i) Financial Instruments

Recognition

Financial instruments are initially recognised at fair value, usually based on the transaction cost or face value. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost using the effective interest method.

(j) Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these

circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows

(k) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(I) Trade and Other Receivables

All current trade receivables are recognised as amounts receivable at balance date. Debts are reviewed on an ongoing basis and those which are known to be uncollectible are written off. A provision for doubtful debts is raised when doubt as to collection exists. No interest is earned on trade receivables. The rental agreements and wharf usage invoices are payable in accordance with the underlying lease/licence agreement otherwise seven days from the date of the invoice. All other accounts are on 30-day terms.

(m) Income Tax Equivalent Payments

The Corporation has received for exemption from NSW Treasury from the Income Tax Equivalent Regime.

(n) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(o) Capital Risk Management

The Corporation monitors its borrowings through the use of rolling ten year forecasts so as to ensure that adequate liquidity is maintained and that the approved borrowing limit of \$17.5m is not exceeded.

		2010	2009
	Notes	\$'000	\$'000
Total borrowings	15(b)	4,248	2,249
Less: cash and cash equivalents	6	(3,469)	(126)
Net debt		779	2,123
Total equity		61,361	66,362
Total capital		61,361	66,362
Gearing ratio		1.3%	3.2%

for the year ended 30 June 2010

(p) Provisions

Provisions are recognised when the Corporation has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(q) Comparative Figures

As required by the Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. In the current year no changes to comparative figures have been required.

(r) Rounding of Amounts

Amounts in the financial statements have been rounded off to the nearest thousand dollars or, in certain cases, the nearest dollar.

(s) Former RLMC Income and Expenditure

Following the merger of the Honeysuckle Development Corporation and the Regional Land Management Corporation ("RLMC") in 2008, the Corporation assumed responsibility for the expenditure relating to the maintenance of the sites formerly managed by RLMC. In addition the Corporation has undertaken to act as the agent for the Crown in remediating these sites. Grants and Contributions are received from the New South Wales Government in relation to these expenditures. Grants relating to the operating costs of these sites are recognised as income in the period respective to those costs for which they are intended to compensate.

(t) New Accounting Standards and Interpretations

The Corporation did not early adopt any new accounting standards that are not yet effective.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. The following new Accounting Standards and Interpretations have not yet been adopted and are not vet effective:

- a) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (1 January 2013)
- b) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (1 January 2011)

It is considered that the adoption of these standards and interpretations in future periods will have no material financial impact on the financial statements of the Corporation.

(u) Equity Transfer

The transfer of certain assets between NSW public sector agencies are designated as a contribution by owners and recognised as an adjustment to Contributed Equity. This treatment is in accordance with Treasury Policy and

Guidelines Paper Contributions by Owners Made to Wholly-Owned Public Sector Entities (TPP 09-03). This policy applies AASB 1004 Contributions and Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

3. Other Income

Included in Other Income in 2009 was an amount of \$0.813m which represents reimbursements, through Section 94 contributions received by Newcastle City Council, for community facilities and open space works previously undertaken on the Honevsuckle site. There were no such Section 94 receipts for the financial year ended 30 June 2010. The balance of other income relates to sundry reimbursements and wharf usage fees.

4. Administration

Administration expenses comprise:

	2010 \$'000	2009 \$'000
Salary and Wages (including Recreation leave)	2,409	1,862
Superannuation	173	133
Payroll Tax and Fringe Benefits Tax	198	118
Workers Compensation Insurance	9	-
Directors' Remuneration	106	140
General Administration	811	560
Consultancies	-	208
Depreciation/Amortisation	44	37
Audit Fee - External: for the audit of the financial reports	51	52
Audit Fee - Internal	33	27
Less: Expenses allocated to Community Works (Refer Notes 2(h) & 5)	(2,376)	(1,354)
Total Administration	1,458	1,783

5. Community Works-Public Domain, Other Infrastructure and Grants to Other Organisations

Costs associated with the provision of public domain and similar community contributions are expensed as they are incurred. These costs represent works undertaken at the Corporation's expense that have been, or will be transferred to the community, free of charge, through either Council or other organisations.

for the year ended 30 June 2010

These community works do not add any value to the Corporation's land holdings

	2010 \$'000	2009 \$'000
Public Domain Landscaping and seawall repairs	1,841	356
Other Services / Community groups	53	23
Community Activation	272	217
Administration expenses allocated to Community Works (refer to Notes 2(h) & 4)	2,376	1,354
Total Community Works	4,542	1,950

6. Cash and Cash Equivalents

	2010 \$'000	2009 \$'000
Cash at Bank	125	118
Cash on Hand	1	8
TCorp Short Term Hourglass Facility	3,343	-
Total Cash and Cash Equivalents	3,469	126

The Corporation's exposure to interest rate risk is discussed in note 17.

7. Trade and Other Receivables

	2010	2009
	\$'000	\$'000
Current Trade and Other Receivables		
Trade Receivables	1,152	723
Allowance for impairment of receivables (note(a))	-	-
Prepayments	39	1,095
Total Trade and Other Receivables	1,191	1,818

(a) Past due but not impaired

As of 30 June 2010, trade receivables of \$338,416 (2009 - \$40,337) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010	2009
	\$'000	\$'000
Up to 3 months	307	18
Over 3 months	31	22
Total Trade Receivables (Past Due not impaired)	338	40

As at 30 June 2010 there were no impaired trade receivables (2009 - nil).

(b) Fair value and credit risk

Due to the short-term nature of the trade receivables, their carrying amount is assumed to approximate their fair value. The credit risk is the carrying amount, net of any provision for doubtful debts.

8. Inventory

Current inventory is comprised of sites that have been developed or are still under development and are planned to be sold in the coming year. Property holdings that are being developed in order for sale in years beyond the next financial year are classified as non-current inventory. Valuation is on the basis of the intended use in accordance with the relevant Environmental Planning Instrument. The valuation is undertaken by an independent registered valuer on a yearly basis with valuations at the lower of cost or net realisable value. The valuation process for 2009-10 has resulted in a \$2,202,000 loss in the realisable value of inventory (2009 nil) which has been recognised in cost of sales in the statement of comprehensive income.

	2010	2009
	\$'000	\$'000
Current Inventory		
At Cost	-	4,575
At Valuation	-	-
Total Current Inventory	-	4,575
Non-Current Inventory		
At Cost	42,430	65,666
At Valuation	25,041	199
Total Non-Current Inventory	67,471	65,865
Total Inventory	67,471	70,440

9. Contingent Assets

The Corporation has bank guarantees in its favour for \$0.432m (\$0.970m 2009) covering the defects liability period for civil construction contracts. As well the Corporation has Water Amplification credits with Hunter Water Corporation.

10. Plant and Equipment

	2010 \$'000	2009 \$'000
IT Equipment		
Gross Fair Value	42	42
Accumulated Depreciation	(42)	(42)
Carrying Amount	-	-
Furniture & Fittings		
Gross Fair Value	81	81
Accumulated Depreciation	(48)	(43)
Carrying Amount	33	38
Leasehold Improvements		
Gross Fair Value	280	206
Accumulated Amortisation	(53)	(18)
Carrying Amount	227	188
Plant & Equipment		
Gross Fair Value	36	27
Accumulated Depreciation	(11)	(10)
Carrying Amount	25	17
Total Carrying Amount	285	243

Reconciliation of Plant and Equipment

	2010	2009
	\$'000	\$'000
IT Equipment		
Opening Balance	-	2
Additions	-	3
Depreciation	-	(5)
Closing Balance	-	-
Furniture & Fittings		
Opening Balance	38	42
Additions	-	-
Disposals	-	-
Depreciation	(5)	(4)
Closing Balance	33	38
Leasehold Improvements		
Opening Balance	188	196
Additions	74	17
Disposals	-	-
Depreciation	(35)	(25)
Closing Balance	227	188
Plant & Equipment		
Opening Balance	17	9
Additions	13	11
Disposals	(1)	-
Depreciation	(4)	(3)
Closing Balance	25	17
Total Plant and Equipment	285	243

11. Trade and Other Payables

	2010 \$'000	2009 \$'000
Current Trade and Other Payables		
Trade and Other Payables	1,259	1,788
Security Deposits	1	-
Other Payables - Employee leave and on-costs	370	273
Total Trade and Other Payables	1,630	2,061
Non-Current Trade and Other Payables		
Security Deposits	35	35
Total Non-Current Trade and Other Payables	35	35
Total Trade and Other Payables	1,665	2,096

Liabilities are recognised for amounts to be paid for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in the Treasurer's Directions 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which the invoice or statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. There was no such rate applied during the year.

(a) Amounts not expected to be settled within the next 12 months

Other payables include accruals for recreation leave. The entire obligation was presented as current, since the Corporation does not have an unconditional right to defer settlement. However based on past experience, the Corporation does not expect all employees to take the full amount of accrued leave within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

	2010 \$'000	2009 \$'000
Recreation leave obligation expected to be settled after 12 months	48	31

12. Provisions

The Corporation's provision balances include those future obligations that are prevalent as a result of past commitments or services that can be measured reliably. The provision of employee entitlements had been treated as a current payable in the 2010 financial year (refer note 11).

The following amounts reflect the existing obligations that have been provided for:

	2010	2009
	\$'000	\$'000
Short-Term Provisions		
Lease Incentive	1	1
Total Short-Term Provisions	1	1
Long-Term Provisions		
Leasehold Improvement	31	31
Lease Incentive	7	9
Total Long-Term Provisions	38	40
Total Provisions	39	41

13. Other

	2010 \$'000	2009 \$'000
Current - Prepaid Income	3,564	1,879
Non-Current - Prepaid Income	1,539	-
Total Other Liabilities	5,103	1,879

14. Contributed Equity

During the 2008-09 financial year, land with a value of \$54.565m was transferred to the Corporation. This transfer has been treated as an equity contribution. There were no such transfers during the year ended 30 June 2010.

15. Cash Flow Information

For the purposes of the statement of cash flows cash includes cash on hand, cash at bank and investments readily convertible to cash within 24 hours.

	2010	2009
	\$'000	\$'000
(a) Reconciliation of Net Cash Provided by Operating Activities to Profit/(Loss)		
Loss from Continuing Operations	(5,001)	(733)
Non Cash Items		
Depreciation	44	37
Inventory Write Down	2,202	-
Changes in Assets and Liabilities		
Decrease / (Increase) in Receivables	(429)	2,184
Decrease / (Increase) in Inventories	767	(322)
Decrease / (Increase) in Prepayments & Deposits	1,056	(127)
(Decrease) / Increase in Payables	(530)	(309)
(Decrease) / Increase in Prepaid Revenue	3,224	390
(Decrease) / Increase in Deposits Received	1	-
(Decrease) / Increase in Provision for Future Works	-	(29)
(Decrease) / Increase in Personnel Services Provisions	97	(1)
Net Cash Flow from Operating Activities	1,431	1,090

(b) Financing Facilities

The Corporation has an approved debt facility with NSW Treasury of \$17.5m face value which was drawn down to the value of \$4.248m at 30 June 2010 (30 June 2009 \$2.249m). The Corporation's exposure to interest rate risk is discussed in note 17.

16. Contingent Liabilities

The Corporation has provided Letters of Undertaking and Guarantee to Newcastle City Council (NCC) totalling \$0.163m (\$0.163m 2009) for the potential provision of traffic lights in Merewether Street, Newcastle (\$0.150m); and the potential provision of a bus shelter at Linwood (\$0.013m). No provision has been made for these liabilities due to the uncertainty in determining future demands.

Extensive investigative works have been undertaken on mine subsidence and remediation issues that impact the Corporation's land holdings. Whilst these studies can provide broad order cost estimates there remains the possibility that these estimates may be significantly lower than actual costs and therefore impact future profitability.

There are no other significant claims for any damages being negotiated. This does not include matters covered by insurance. At the date of these accounts the Board Members and Management are not aware of any other event or action that could give rise to a contingent liability.

17. Financial Instruments

• Financial Risk Management

The Corporation is mandated to use TCorp for the provision of financial arrangements and as such utilises TCorp's Hour-Glass investment facilities and Come & Go Facility.

The Corporation holds the following financial instruments:

	2010	2009
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	3,469	126
Trade and other receivables	1,191	1,818
	4,660	1,944
	1,000	1,544
Financial liabilities	.,,,,,	1,344
Financial liabilities Trade and other payables	1,665	2,096
	,	,

The Corporation does not have any derivative instruments at 30 June 2010.

Financial Risks

The main risks the Corporation is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

i. Interest rate risk

Interest rate risk is reviewed by management with the Corporation's interest rate being the rate for the TCorp Come & Go Facility and a Government guarantee fee

for the year ended 30 June 2010

which is levied on the Corporation and is based on its stand alone credit rating. At 30 June 2010 all instruments were on floating interest rates and any fluctuations in rate changes will be minimal.

ii. Liquidity risk

The Corporation manages liquidity risk by monitoring forecast cash flows, including capital commitments noted in 18 (a) below, and ensuring that adequate unutilised borrowing facilities are maintained. Interest on the TCorp Come & Go Facility is capitalised on a monthly basis.

iii. Credit risk

The maximum exposure to credit risk, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Corporation does not have any material credit risk exposure to any single receivable or

group of receivables under financial instruments entered into by the Corporation. The Corporation actively monitors receivables to ensure compliance with payment terms.

iv. Price risk

The Corporation is not exposed to any material commodity price risk.

Net Fair Values

For all assets and liabilities the net fair value approximates their carrying value.

• Sensitivity analysis

The following table summarises the sensitivity of the Corporation's financial assets and liabilities to interest rate risk based upon T-Corp Hourglass investment factors for 2010 and historical volatility information for 2009.

Interest rate risk

	-100 bps Carrying		+100 bps		
30 June 2010	amount \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial Assets					
Cash and cash equivalents	3,469	(37)	(37)	37	37
Financial Liabilities					
Borrowings	4,248	19	19	(19)	(19)
Total increase/(decrease)		(18)	(18)	18	18

Interest rate risk

	-75 bps Carrying		+75 bps		
30 June 2009	amount \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial Assets					
Cash and cash equivalents	126	(2)	(2)	2	2
Financial Liabilities					
Borrowings	2,249	31	31	(31)	(31)
Total increase/(decrease)		29	29	(29)	(29)

Financial Instruments

Interest Rate Risk

Financial Instrument Note		Floa Inte Ra	rest	Non-Ir Bea		То	tal		
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 %	2009 %
Financial Assets									
Cash at bank	6	3,469	118	-	-	3,469	118	4.2	3.0
Cash on hand	6	-	-	1	8	1	8	n/a	n/a
Receivable for goods and services (gross)	7	-	-	1,152	723	1,152	723	n/a	n/a
Total		3,469	118	1,153	731	4,622	849		
Total Assets						72,416	72,627		
Financial Liabilities									
Government loans	16(b)	4,248	2,249	-	-	4,248	2,249	8.2	4.1
Trade Creditors	11	-	-	1,259	1,788	1,259	1,788	n/a	n/a
Security Deposits	11	-	-	36	35	36	35	n/a	n/a
Total		4,248	2,249	1,295	1,823	5,543	4,072		
Total Liabilities						11,055	6,265		

18. Expenditure Commitments

(a) Capital Expenditure Commitments

	2010	2009
	\$'000	\$'000
Estimated capital expenditure, inclusive of GST, contracted as at 30 June but not provided for:		
• within 12 months	312	12,823
• 12 months to 5 years	-	-
• > 5 years	-	-
	312	12,823

These Capital Expenditure Commitments represent Contracts for works to be undertaken on sites for delivery to market and the balance due on settlement for the acquisition of sites. As part of its Capital Program there are also planned future works which as yet, are not contractually committed.

(b) Operating Lease Commitments

	2010 \$'000	2009 \$'000
Commitments in relation to non-cancellable operating leases, inclusive of GST, are payable as follows:		
• within 12 months	163	162
• 12 months to 5 years	643	632
• > 5 years	62	229
	868	1,023

The property lease is a non-cancellable lease with a 10-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by 3.25% per annum. A market review was undertaken in 2010 pursuant to the lease. An option exists to renew the lease at the end of the 10-year term for an additional term of 5 years. The lease allows for subletting of all lease areas.

for the year ended 30 June 2010

19. Related Party Disclosures

Transactions between related parties are on normal commercial conditions at arms length and are no more favourable than those available to other parties unless otherwise stated.

There were no reportable related party transactions during the year according to the application of AASB 124 Related Party Disclosures as the Corporation is a non-forprofit entity.

Directors and Any Director Related Entities

The following persons were directors of the Hunter Development Corporation during the financial year:

- P Broad
- D Evans
- G Kennedy
- R Robson
- The Hon. Patricia Forsythe (appointed 28 October 2009)
- K Howard (appointed 1 November 2009)
- N Bird AM (ceased 28 October 2009)
- M Maybury (ceased 28 October 2009)
- S Ryan (ceased 28 October 2009)
- J Tate (ceased 28 October 2009)
- S Haddad (alternate T Gellibrand) expired
- W Watkins AM (alternate G Harding) commenced

20. Company Details

The principal place of business of the Corporation is:

Suite B Level 5, PricewaterhouseCoopers Centre 26 Honeysuckle Drive

21. Subsequent Events

NEWCASTLE NSW 2300

There were no events after the reporting period that would affect information represented in this compilation of financial statements.

End of audited financial statements.



Legal Changes

During the 2009/10 financial year there were no amendments to the Growth Centres (Development Corporations) Act 1974.

Economic and Other Factors Affecting Achievement of Operational Objectives

Global economic conditions, in particular the ability of the private sector to raise finance for large projects, were such that expected milestones on some sites were delayed somewhat. The Corporation has continually reviewed its strategy for future land releases to suit market conditions.

Management Practices and Policies Strategic Business Plan

The Corporation manages its affairs in accordance with a Strategic Business Plan that is updated annually. The plan is approved by the Board and forms the basis of the Statement of Business Intent that is agreed between the Board, the Minister and Treasury. The Plan balances commercial targets with community obligations and social dividend activities.

Performance Measures and Indicators

The Corporation's Statement of Business Intent contains performance targets that are agreed between the Minister for the Hunter and the Treasurer, and the targets are monitored quarterly.

Internal/External Reviews

Management reviews are conducted as part of the management process, which monitors performance against budget and agreed targets. In line with procedures of the Land and Property Management Authority, staff members are part of an internal control process designed to provide reasonable assurance regarding the achievement of the Corporation's objectives.

Research and Development

The Corporation did not undertake any research and development activity during the year relating to new knowledge, products, services or processes within the established definition

Consumer Response

The intermittent consumer complaints or suggestions received this year were related to public domain areas and general maintenance issues. The Corporation considers all complaints and investigates solutions as required. The Corporation continued to receive queries and suggestions regarding the Newcastle City Centre Renewal Report during the year.

The Hunter Development Corporation welcomes suggestions and feedback from clients for improvements and changes. Complaints are handled quickly in consultation with the client. Contact the General Manager, Hunter Development Corporation

Fraud Control Policy

As a government agency, the Corporation is committed to probity and accountability in all its dealings. The Corporation will, at all times, demonstrate honest, ethical and businesslike provision of its service to its customers and in its dealings with the public. The Corporation's Fraud Policy states that:

- Fraud and corruption are not tolerated by the Corporation;
- · Firm disciplinary action and/or prosecution action will be taken against perpetrators.

Human Resources

The Hunter Development Corporation does not directly employ staff. The Land and Property Management Authority administers the personnel function of the Corporation's affairs on a day-to-day basis on behalf of the Board. Information on the Corporation's compliance with a number of important matters is therefore included in LPMA's annual report. These include the following matters:

- · Code of Conduct
- · Commitment of Service
- · Disability Plan
- · Energy Management
- Equal Employment Opportunity
- Multicultural Policies and Services Program
- Exceptional Wage Movement
- Waste Reduction and Purchasing Policy
- · Privacy Management Plan
- · Human Resources matters which include:
 - Industrial Relations
 - NSW Government Action Plan for Women
 - Occupational Health and Safety

Senior Executive Service

Level	Male	Female	2008/09
1	-	-	-
2	-	-	-
3	-	-	-
4	1	-	1
5	-	-	-
6	-	-	-
7	-	-	-
8	-	-	-
Total	1	-	1

Costs Incurred in the **Engagement of Consultants**

During the year no consultants were engaged by the Corporation.

Land Disposal

During the year there was one key settlement greater than \$5,000,000. The proceeds of this sale amounted to \$9,050,000.

Prior to disposing of sites, approval is sought from the Minister for the Hunter. Proceeds from the sales are utilised in the Corporation's operations as well as delivering community works. The sales occur on commercial terms and, as such, contract documentation is treated as "Commercial in Confidence". Applications for access to documents relating to the disposal can be made under the Freedom of Information Act / Government Information (Public Access) Act.

Payment of Accounts

The information which follows is provided in accordance with the requirements of the Annual Reports (Statutory Bodies) Regulation 2010.

Quarterly Schedule of Accounts Payable - Aged analysis at the end of each quarter

Quarterly Schedule of Accounts Payable - Aged analysis at the end of each quarter

Quarter	Current (ie within due date) \$	Less than 30 days overdue \$	Between 30 and 60 days overdue \$	Between 60 and 90 days overdue \$	More than 90 days overdue \$
September Quarter	81,646	35,969	-	-	-
December Quarter	340,336	-	146	-	-
March Quarter	4,831	-	-	-	-
June Quarter	201,691	3,151	-	-	-

Accounts paid on time within each quarter

Total Accounts Paid on Time			Total Amount Paid	
Quarter	Target %	Actual %	\$	\$
September Quarter	90	94	1,783,778	1,891,204
December Quarter	90	94	1,853,048	1,978,488
March Quarter	90	96	3,018,796	3,153,034
June Quarter	90	96	1,396,589	1,449,283

Notes on above table:

• Percentage of accounts paid on time is based on SAP Payment Analysis Report, which compares vendor masterfile payment terms, invoice document date and payment document date to determine if payment was made on time, and if not, how many days it was late. The dollar value is the actual dollar value of the documents in each column (ie paid on time, not paid on time), so the percentage is based on documents, not dollar value.

Penalty Interest Paid

There was no penalty interest paid during financial year 2009/10.

Risk Management and Insurance

The Corporation's risk management process aims to minimise the consequences of events that could adversely affect the Corporation's ability to achieve its objectives. To achieve this the Corporation has developed a Business Risk Assessment. This assessment process is based upon Australian/New Zealand Risk Management Standard AS 4360 - Risk Management.

HDC is a member of the NSW Treasury Managed Fund, which provides all necessary insurance cover for HDC's risk profile, including workers compensation, public and professional liability, property, motor vehicle and miscellaneous covers.

Internal Audit and **Risk Management Statement**

I, Paul Broad am of the opinion that the Hunter Development Corporation has internal audit and risk management processes in place that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy.

I, Paul Broad am of the opinion that the Audit and Risk Committee for the Hunter Development Corporation is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- R Robson Independent Chair (term of appointment 3 years)
- K Howard Independent Member (term of appointment 3 years)
- D Evans Independent Member (term of appointment 3 years)

These processes provide a level of assurance that enables the senior management of the Hunter Development Corporation to understand, manage and satisfactorily control risk exposures.

Paul Broad Chairman Hunter Development Corporation

3 September 2010

Response to Matters Raised by the **Auditor General in Outgoing Audit Reports**

There were no audit and accounting matters raised by the Auditor General in the Audit Report for the last financial year.

Disclosure of Controlled Entities

The Hunter Development Corporation has no subsidiary entities.

Sponsorships

Organisation	Amount (Net)	Purpose
Property Council of Australia	\$10,091	Hunter Corporate Partner 2009/10
Planning Institute of Australia	\$5,000	NSW Conference 2009
The Royal Australian Institute of Architects	\$2,900	Lower Hunter Urban Design Awards 2009
The Royal Australian Institute of Architects	\$2,990	Lower Hunter Urban Design Awards 2010
Newcastle Rowing Club	\$1,000	Club Regatta
Hunter Valley Research Foundation	\$6,364	Sponsorship 2009/10
Hunter Institute Foundation	\$2,000	Building Awards 2010
UDIA NSW	\$2,500	Christmas Luncheon 2009
	#70.04F	
Total	\$32,845	

Donations

Organisation	Amount (Net)	Purpose
The Leukaemia Foundation of Australia	\$500	World's Greatest Shave 2010
Police & Community Youth Clubs	\$500	Time for Kids Fundraiser
Total	\$1,000	

Overseas Visits

No overseas travel occurred during the last financial year.

Annual Report 2009/2010

The cost of 2009/2010 Annual Report was \$24,130 + GST. The annual report is available at www.hunterdevelopmentcorporation.com.au

Freedom of Information

The Hunter Development Corporation received one application for access to documents under the Freedom of Information Act in 2009/2010. No applications were carried over from the previous financial year.

The Government Information (Public Access) Act 2009 commenced 1 July 2010 to replace the Freedom of Information Act 1989 and provides the main mechanism through which the public can apply to access Government held documents. Applications under the GIPA Act must be in writing and accompanied by an application fee of \$30.00. Enquiries or applications should be directed to the Commercial Manager, Hunter Development Corporation. The office business and service hours are Monday-Friday: 8.30am-5.00pm.

