

2010/2011

Hunter Development Corporation Annual Report



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31 October 2011

The Hon. Bradley Hazzard MP
Minister for Planning and Infrastructure
Minister Assisting the Premier on Infrastructure NSW
Parliament House
SYDNEY NSW 2000

Dear Mr Hazzard

Please find enclosed the annual report of the Hunter Development Corporation for the year ended 30 June 2011. 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) Act 1984* and the applicable provisions of the *Public Finance and Audit Act 1983*.

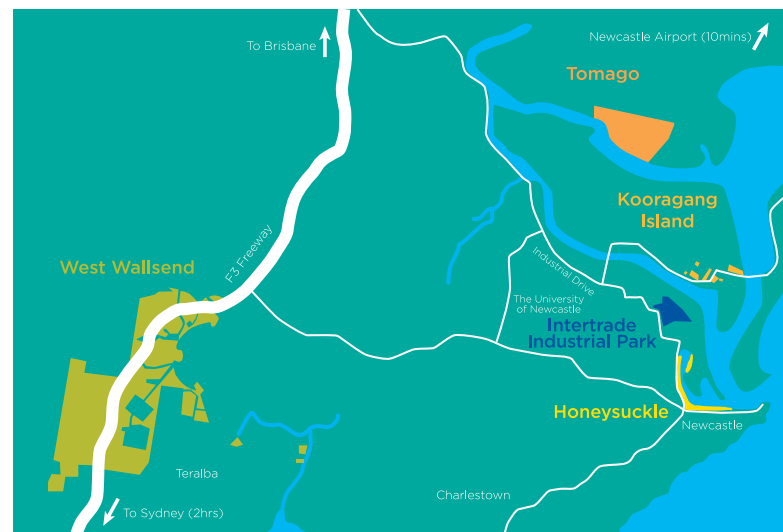
Yours sincerely



Paul Broad
Chairman



Sam Haddad
Director General
Department of Planning & Infrastructure



The Hunter Development Corporation is constituted under the *Growth Centres (Development Corporations) Act 1974* and operates in accordance with its provisions.

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

The Corporation's Growth Centre encompasses the 11 local government areas that constitute the Hunter region, namely, Cessnock, Dungog, Gloucester, Great Lakes, Lake Macquarie, Maitland, Muswellbrook, Newcastle, Port Stephens, Singleton and Upper Hunter.

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 new opportunities for 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.

Along with its charter to drive renewal of key strategic sites in the Hunter, the Corporation aims to facilitate development and renewal 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. 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 environmental and sustainability outcomes, social outcomes and excellent public domain and recreation spaces and facilities for wider public benefit.



The Employment Lands Study will assist the region meet the need identified in the Lower Hunter Regional Strategy for employment lands to cater for 66,000 new jobs by 2031.

Against a backdrop of uncertainty in global financial markets, the ongoing resilience and energy of the Hunter region is clear. With around \$10 billion in the resource-related investment pipeline and enormous investment in transport infrastructure, such as the Hunter Expressway, freight rail, port and airport, the region's commercial and employment generation capacity remains a stand-out. The Corporation is helping to make the most of the opportunities presented to the region across a range of initiatives. The Corporation's recently completed Employment Lands Study, a first for the region, is a good example. The study provides a reliable and detailed picture of employment lands in the region and identifies key drivers and opportunities for future growth. This ongoing research will assist the region in meeting the need identified in the Lower Hunter Regional Strategy for employment lands to contribute 16,500 jobs to a region-wide total of 66,000 new jobs by 2031.

During the year the Corporation achieved a record return on the sale of a parcel of industrial land on Kooragang Island, which is another clear reflection of the ongoing economic strength of the Port of Newcastle and the Hunter's continued role as the engine room of the state economy. The Corporation's involvement in important industrial sites around the port at Mayfield and Kooragang Island contributes to one of the region's key strengths, namely, economic diversity. Significant progress has been made on the Corporation's forward works program on Kooragang Island and Mayfield, which will not only deliver sound environmental outcomes for the community but also lay the foundations for the supply of key employment-generating lands well into the future.

Over the next 12 months the Corporation will focus on bringing the remediation program on the former BHP steelworks at Mayfield to a close both on time and on budget. Much effort will also go to progressing environmental programs on former BHP lands at Kooragang Island. Both of these projects are vast in scale and of regional significance. Without much fanfare, the Corporation has made enormous strides in bringing these projects to fruition with the help of mainly Hunter-based contractors whose expertise is a credit to the region.

The focus will also be on making the most of the opportunity provided by the inclusion of the Newcastle City Centre as one of only three areas identified for an Urban Renewal State Environmental Planning Policy (SEPP). Through this initiative the Corporation is working with the City of Newcastle and the Department of Planning and Infrastructure to put together a sound policy framework for future projects that will affect renewal in the city centre. Regardless of the current uncertainty regarding the Hunter Street Mall redevelopment proposal, there are good reasons to be optimistic about the future of the city centre. An example is the recently opened Marketown development, which is a welcome injection of modern facilities to the city's west. This is the part of the city with the greatest growth potential and it will be at the commercial heart of the Newcastle city centre of the future.

Further examples include the proposed University of Newcastle City Campus and Civic Justice Precinct. In partnership with the City of Newcastle and the University of Newcastle, the Corporation prepared a submission to Infrastructure Australia for funding for the first stage of the University City Campus. The NSW Government has already provided the land component at a cost of \$4 million and pledged a further \$25 million in funding to this project, while the University has earmarked \$40 million as well. Should Commonwealth funding be forthcoming, another major catalyst project will have been secured for the city. The NSW Government's purchase of the Burwood Street site for the Justice Precinct and the letting of tenders for the design of a new building are further signs of progress made on key catalyst projects for the city centre. The University City Campus and nearby Justice Precinct will create a new demand dynamic in the city with a range of economic and social flow-on benefits.

The establishment of Infrastructure NSW and the Hunter Industry and Investment Fund (HIIF) are also significant positives for the city and the region. As CEO of Infrastructure NSW I will be working with the Chair of the HIIF, Cr Peter Blackmore, and other locally appointed HIIF members to map out ways to improve essential infrastructure in the city and region. This fund will assist the region to make a start on key



infrastructure priorities that will help unlock further investment in years to come. The Corporation will provide administrative support to the HIIF.

The Corporation's focus will also be on advancing the redevelopment of several parcels of commercial land in the Honeysuckle project area. This will bring on line much-needed A-grade office space, and support the vision of Newcastle as a true regional city that is attractive to large employers, some of whom may choose to relocate from capital cities because of favourable costs, lifestyle factors, and proximity to a skilled workforce and thriving port.

Looking to the future, there is over 14,000 hectares of land zoned for industrial and related employment uses across the Hunter. Western Lake Macquarie is a good example of locations well-situated to employment lands, and with its high bandwidth and proximity to the F3 Freeway and population centres, could be the focus of new information technology ventures and other industries looking to set up outside of the major cities. The Corporation has undertaken preliminary investigative work on potential projects in both the Upper and Lower Hunter with a view to enhancing the prospects of private sector investment in new commercial development. Over the year ahead the Corporation will work to better quantify where potential constraints to development may exist and how they might be overcome to unlock new employment opportunities.

My thanks go to Ron Robson OAM whose tenure on the HDC Board of Directors ended during the year after many years of dedicated service. Mr Robson's expertise, particularly in large scale capital projects, has been of great assistance to me and the Board. I thank the Hunter Development Corporation team, ably led by General Manager Bob Hawes, for its professionalism and look forward to another exciting year of progress.


Paul Broad Chairman

The community has asked for better connections between Honeysuckle and the city, for a diversity of experiences in land use, design and activity, and for softer landscaping and continued access to the water.

Reflecting and reporting on the activities of the Corporation over the 2010/11 financial year reveals a period of significant achievement and change.

The NSW State election of March 2011 heralded a new government and a realignment of the administrative and governance functions of the Corporation. Our portfolio responsibility now rests with the Minister for Planning and Infrastructure, placing the Corporation's activity in a significantly broader context than was the case under the former Land and Property Management Authority banner. The change brings new opportunities for the Corporation, which adds to the broad range of proprietary and collaborative projects and interests we have been dealing with.

Over the 12 month period some significant milestones were achieved right across the spectrum of Corporation activity. The Chairman's report has highlighted a number of these, many of which warrant particular mention.

Within Honeysuckle, the Corporation entered into an agreement with The Greater Building Society over a lot on Honeysuckle Drive for the construction of a new head office for the Greater. Meanwhile, in the Lee Wharf area, mine subsidence grouting work began on the Honeysuckle Central commercial office development. When complete the project will provide 20,000 square metres of A-grade office space.

The new Newcastle Museum opened its doors to the public in early August 2011 following extensive fit-out works. The \$23.5 million facility provides another tourism drawcard for the city and was only made possible by the Honeysuckle urban renewal project, through which extensive restoration works on the heritage railway workshop buildings were carried out.

The delivery of development on the Mayfield Intertrade and Kooragang Island sites also progressed following significant efforts to further the \$110 million contamination remediation and waste emplacement closure works being coordinated by the Corporation.



The legacy of these projects will be truly significant for the region in the long term. Coupled with the BHP Billiton remediation of the Hunter River, these projects are facilitating the re-use of strategically important sites with capability to augment economic output of the Hunter, which is now the case on the Kooragang Island coal loader projects.

In the Upper Hunter, the Corporation participated in developing the Upper Hunter Diversification Strategy, a project commissioned by the New South Wales Government and the six Councils in the Upper Hunter Region. The Corporation has been working collaboratively with the project partners to examine the emerging industry and employment opportunities over medium and longer term horizons. The Corporation's recent Hunter Region employment lands market research has been a key contribution to the project. The strategy identifies the Corporation as a key agency supporting the implementation and delivery of the strategy. This strategy is a key piece of work to resource the forthcoming Upper Hunter Strategic Regional Land Use Plan announced by the Government in June 2011.

Our activity also shows continued commitment and support to a wide range of cultural, community and business interests in the region. Longstanding support of initiatives such as L!vesites has been supplemented with commitment to Renew Newcastle and the Dungog Film Festival. Our launching of a 'Honeysuckle dining app' is a first for the region, responding to the increasing popularity of Honeysuckle as an entertainment and recreational destination.

The year ahead presents some exciting challenges and opportunities, not only for the Corporation, but also the Region. The incoming State government has set some ambitious yet realistic programs providing the region with a real opportunity to align planning and infrastructure strategies across regional, sub-regional and local realms to ensure the region is best placed to attract funding for vital infrastructure projects. The Corporation will be participating in this important opportunity.

Within this auspice there will be the production and a review of a number of strategic documents including the Upper Hunter Strategic Regional Land Use Plan, the review of the Lower Hunter Regional Strategy and the development of a 20 year regional infrastructure plan in alignment with broader vision and strategy work being done at a State level.

The 20 year infrastructure plan will be a resource for not only regional planning but also the \$350 million Hunter Infrastructure and Investment Fund announced by the Government during the recent election. The Corporation will be providing administrative and operational support to the fund. These responsibilities will broaden the scope of the Corporation and display recognition of our expertise and interest in matters pertaining to the growth and development of the Hunter region.

Having joined the Corporation in February 2011, I must acknowledge the impressive work of Julie Rich who acted as General Manager from October 2010 through to February 2011. Julie represented the Corporation in a busy and demanding period in the months prior to the last New South Wales general election. I also take this opportunity to pay tribute to the years of dedicated service provided by former General Manager Craig Norman who left the Corporation in October 2010. Among many other things, Craig will be remembered for successfully managing the transition from the single-project Honeysuckle Development Corporation to the Hunter Development Corporation, with its expanded portfolio of projects. To the hardworking Board and dedicated staff, I also pledge thanks. Together we are looking forward to the challenges that lie ahead.

Bob Hawes General Manager



Chairman

Mr Paul Broad M Comm

Paul Broad is CEO of Infrastructure NSW, established by the NSW Government in mid-2011 to improve the state's capacity to meet infrastructure needs and drive economic growth and social development. Prior to leading Infrastructure NSW, Mr Broad was CEO of telecommunications company AAPT (May 2007–June 2011). He had been Managing Director of PowerTel since November 2004 before it combined with AAPT. Mr Broad has 15 years' experience leading some of Australia's largest energy and water companies such as EnergyAustralia, Sydney Water and Hunter Water. He is a director of Community Telco Australia and a non-executive director of iiNet Limited and KUTh Energy Limited. He holds a BCom (Hons) and a MCom (Econ) from the University of Newcastle.

Meeting attendance:

Board: 9 of 9

Workshops: 2 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), Hunter Water Corporation and Industry Development Centre, and is Treasurer of Disability Advocacy NSW Inc.

Meeting attendance:

Board: 6 of 9

Workshops: 1 of 2

The Board comprises the Chair and six members. One new director, Sharon Smith, was appointed to the Board in November 2010. Ron Robson OAM attended his last meeting in October 2010. Board meetings are held monthly (excluding January).

The Hunter Development Corporation is committed to maintaining the highest standards of corporate governance. As a NSW Government organisation, corporate governance is the province of a board of directors which reports to the Minister for Planning and Infrastructure. The Director General of the Department of Planning and Infrastructure is the Chief Executive 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 five members, appointed by the Minister for Planning and Infrastructure and an ex-officio member, the Director General of the Department of Planning and Infrastructure or his alternate.

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 and Risk 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.

The Hunter Development Corporation held nine Board meetings, including one Open Board meeting, four Audit and Risk Committee meetings and two workshops in the year ended 30 June 2011.





Director

Karen Howard

Ms Howard is currently an Independent Director and also Chairman of GP Access and a current Director of the NSW Business Chamber. Previous Directorships include Nova Credit Union, the Westpac Rescue Helicopter Service, and the Hunter Business Chamber where Ms Howard is the Immediate Past President.

Meeting attendance:

Board: 8 of 9
Audit and Risk Committee: 4 of 4
Workshops: 2 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 Anglican Board of Mission and Cricket NSW. Ms Forsythe was a Member of the Legislative Council of NSW from 1991 to 2006.

Meeting attendance:

Board: 8 of 9
Workshops: 2 of 2



Director

David Evans BSc (Hons), FAICD

Mr Evans is a member of Sydney Catchment Authority, a former 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 Board of the Hunter Area Health Service (1997–2003).

Meeting attendance:

Board: 5 of 9
Audit and Risk Committee: 3 of 4
Workshops: 1 of 2



Director

Sharon Smith

Ms Smith is the General Manager Business Services, Hunter Water Corporation and previously Company Secretary of Hunter Water, Regional Land Management Corporation, and HWA Pty Ltd and a former Director, State Records Board of NSW.

Meeting attendance:

Board: 3 of 5
Audit and Risk Committee: 3 of 3
Workshops: 2 of 2



Ex-officio member

Sam Haddad

Mr Haddad is the Director General of the Department of Planning and Infrastructure. Mr Haddad has had more than 38 years' professional experience, 20 years at senior executive level. He has worked in the private sector in project management and infrastructure development, and has held several senior positions with the NSW Department of Planning and its predecessors. He has extensive experience in administering and leading the State's planning system. He has led and implemented significant policy, legislative, organisational and operational reforms.

Meeting attendance:

Board: 1 of 2

Former Board Members

Director

Ron Robson OAM, FAICD, JP

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

Ex-officio member

Graham Harding

Land and Property Management Authority (Alternate for Chief Executive of LPMA)

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 Festival Development Corporation Board.

Meeting Attendance:

Board: 7 of 7
Workshops: 1 of 1



General Manager

Bob Hawes
BEc, AAPI

Deputy General Manager
Julie Rich
BEc, Grad Dip Bus (Land Ec)

Commercial Manager

Robert Foster
BBus (Acc), CPA

Communications Manager
Luke Mellare
BA (Comms), MA (Media, Technology, Law)

Finance and Administration

Senior Accountant

Renee Foate
BCom, 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
BSc Construction Mngmt, M Bld Construction

Senior Development Manager, Capital Works
Geoff Wade
BSc (Architecture), BArch (Hons 1)

Senior Development Manager, Planning
Scott Anson
BA, Grad Dip Urb Reg Plan, Grad Dip Urb Des, MPIA, CPP

Development Manager

Valentina Misevska
LLB, Dip Legal Practice, BCom

Development Manager

Garth Greenaway

Environmental Manager

Mike Bardsley
BEng (Civil), MIEA

Project Manager

David Antcliff
B Construction Management (Hons)

Development Officer

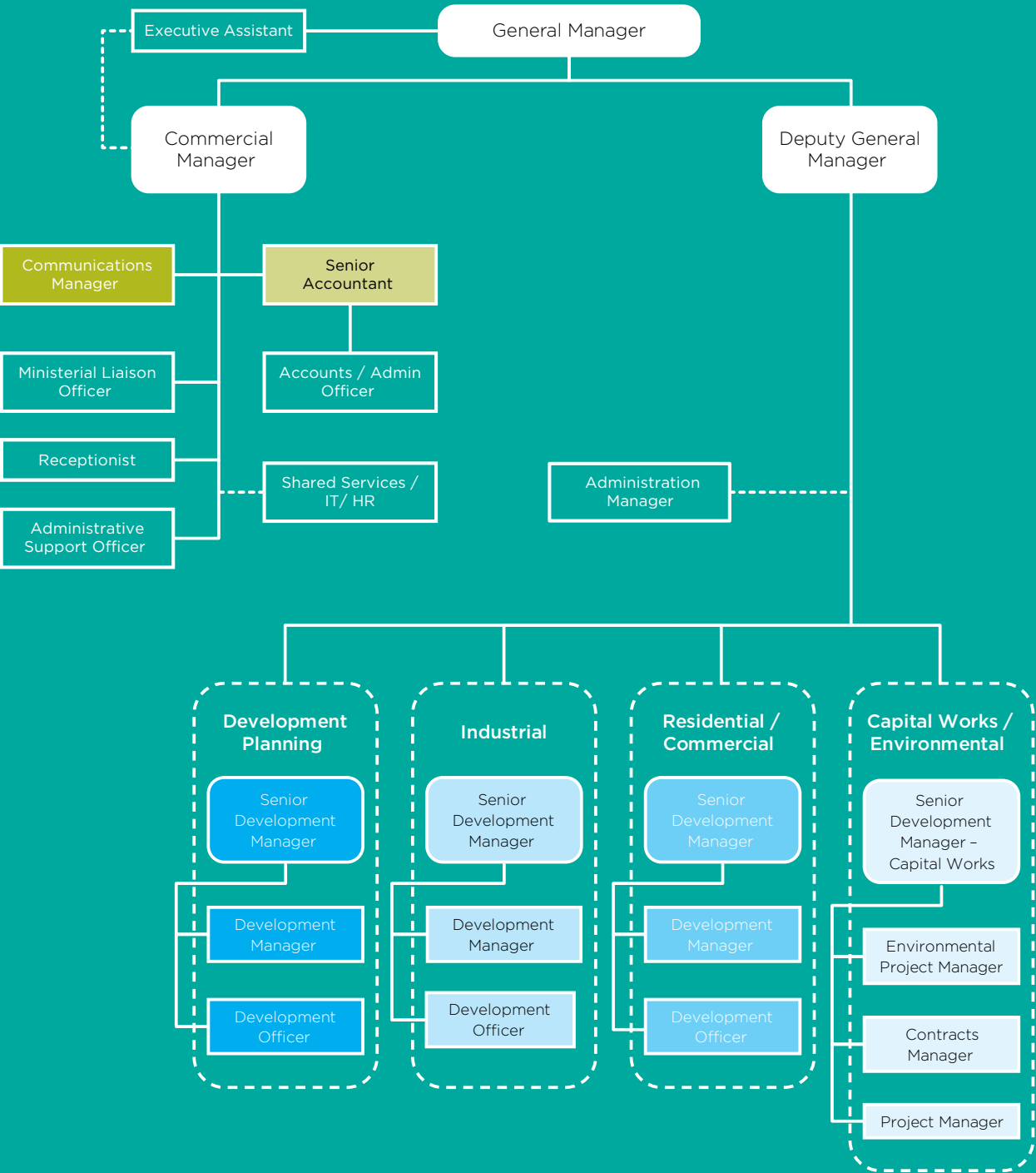
David Legg

Development Officer

Toni Cappiello

Development Officer

Jeremy Amann
B Construction Mngmt (Build), Dip Surveying





demolition of empire hotel



kooragang island industrial land



dungog film festival sponsorship

- Awarded significant contracts for the final stage of the \$110 million remediation program on the former BHP Steelworks site at Mayfield.
- Purchased the dilapidated former Empire Hotel site in Hunter Street west and completed a major demolition project to prepare the way for a new communications centre to be built on the site.
- Released a commercial/mixed-use development site on Honeysuckle Drive to the market attracting the Greater Building Society, which signed an Option Deed over the site with a view to building a new corporate headquarters.



- Conducted a major community consultation project regarding the future of all undeveloped lands at Honeysuckle – eight hectares of mostly harbourside land in the Cottage Creek precinct – to guide future development.

- In conjunction with the University of Newcastle and the City of Newcastle, the Corporation lodged a submission for funding to Infrastructure Australia for stage one of a new University of Newcastle city campus.
- Completed the Hunter Employment Lands Study to assist in the identification of low-constraint employment lands that can be most efficiently developed to support employment growth into the future.
- Provided strong support for community initiatives such as the Livesites program of cultural events and the Dungog Film Festival and commenced a three-year commitment to support the Renew Newcastle initiative.
- Launched a smartphone web-based application to promote the 25 eateries in the Honeysuckle dining precinct. The resource makes choosing a restaurant and making a booking quick and easy.
- Achieved a record sale price for a parcel of industrial land on Kooragang Island, showing the attractiveness and strength of the Port of Newcastle.

“Five new retailers established businesses in the Lee Wharf area, the most recently developed harbourside part of the Honeysuckle urban renewal project.”

Progress was made on several fronts in the Honeysuckle urban renewal project during the year. Of particular significance was the comprehensive community consultation campaign conducted by the Corporation in the latter stages of 2010. The campaign was conducted using a variety of engagement methods including:

- A place audit
- Face-to-face surveys
- Community workshops (two)
- An information booth in the Hunter Street mall
- A site tour, and
- An online survey

This successful engagement with the community captured the feedback of 640 respondents and provided a broad range of ideas for the future use of the land. The Corporation used this feedback as a starting point for engaging planning and urban design professionals to begin the process of drawing up development concepts to guide future development in the precinct. The key objective of this consultation was to establish a clear vision and planning principles that will inform how this land will be used in the future and what it will look like. This land has the potential to deliver a five star hotel, convention centre or other tourism related facilities surrounded by first class public domain.

The NSW Government has also earmarked the Cottage Creek precinct as a possible site to be included in a bid for the 2017 International Games which would influence the way the sites are developed into the future and potentially leave a positive legacy of facilities of long term community benefit.

Five new retailers established businesses in the Lee Wharf area, the most recently developed harbourside part of the Honeysuckle urban renewal project. To support these businesses and the ongoing activation of the precinct, and to meet increasing demand, the Corporation constructed a temporary 257 space car park on vacant land near Lee Wharf, which will also support the new museum at Honeysuckle.





Newcastle was identified as one of three centres in the state to be subjected to intensive review and study pursuant to the Urban Renewal State Environmental Planning Policy (SEPP).

Following on from its landmark report on strategies for urban renewal in the Newcastle city centre in 2009, the Newcastle City Centre Renewal Report, the Corporation has been actively engaged in many subsequent renewal initiatives.

In December 2010 the NSW Government identified Newcastle as one of three centres in the state to be subjected to intensive review and study pursuant to the Urban Renewal State Environmental Planning Policy (SEPP). Since then the Corporation has worked closely with the Department of Planning and Infrastructure and the City of Newcastle to progress research, land use and economic context studies to inform the SEPP. The Corporation will continue to play an important role in the application of the policy locally to ensure the best possible outcomes for the city.

The Corporation also played a key role as part of a NSW Government taskforce to better understand sites in the city centre that are potentially mine-subsidence affected. Along with the Corporation, the Taskforce included the Department of Premier and Cabinet, the Mine Subsidence Board, the Property Council, the City of Newcastle and NSW Planning and Infrastructure. The work helps to better define potential risks and costs for potential investors in development in the city centre, thus helping to encourage urban renewal.

The Corporation played a facilitation role, in conjunction with the City of Newcastle and the University of Newcastle, in the formulation of a submission for funding to Infrastructure Australia for the construction of stage one of a new university city campus. The NSW Government has earmarked

a site on Honeysuckle Drive known as Lot 230 as the location for the city campus Business School. Should the project gain Commonwealth funding, it would provide a significant boost to economic demand and social activity in the city centre on an ongoing basis. Meanwhile another significant urban renewal project, the \$94 million development of a NSW Justice Precinct at Civic, proceeded with the purchase of a site on the corner of Burwood and Hunter Streets and the calling of tenders for the design of the facility.

Following on from its urban renewal work in nearby Hunter Street sites, the Corporation purchased the derelict former Empire Hotel site and proceeded to demolish all structures on the 2,080 square metre site. The project has the potential to support the development of a new communications centre, which will provide an injection of workers into the area on a daily basis and stimulate demand in this part of Hunter Street. It will also complement the renewal of two sites on the opposite side of Hunter Street – a new KFC restaurant which opened in late 2010 and the Community Health Centre completed in 2007 as part of the Honeysuckle project.

Another catalyst for economic activity identified in the Corporation's Newcastle City Centre Renewal Report was a permanent cruise berth facility for Newcastle. During the year the results of a study by a multi-agency taskforce into the best location of a permanent cruise terminal for the city were released. The study found the best and most appropriate location for the terminal was the Channel Berth on Dyke Point, the site of the existing temporary cruise terminal. Sites at Queens Wharf, the former Tug Berths and on Dyke Point were assessed as part of the report.

“The additional restaurants increased the number of restaurants and cafes in the Honeysuckle project area to a total of 25.”

During the year several new businesses joined the Honeysuckle business community, particularly in the Lee Wharf area. The Honeysuckle Hotel, located in a refurbished heritage cargo shed on the harbour, opened in October 2010 and has proven extremely popular. A new sushi, sashimi and Korean barbecue restaurant called Sushi Castle and a seafood restaurant called Lobster House both commenced trading at Lee Wharf. Two new modern Australian restaurants, Sprout Dining and The Wharf, also added to the extensive range of dining options at Lee Wharf. The additional restaurants increased the number of restaurants and cafes in the Honeysuckle project area to a total of 25.

The popularity of the Cottage Creek commercial precinct continued with The Greater Building Society signing an option deed over the 3,700 square metre mixed-use lot known as Lot 22 on Honeysuckle Drive, next to the Hunter Water building. The Hunter-based financial institution is seeking to build a new corporate headquarters for its 350 strong head office staff on the site and is aiming to lodge a development application towards the end of 2011. Public open space adjacent to Cottage Creek will be landscaped as part of the development. Meanwhile the Buildev consortium progressed mine subsidence grouting works on its Honeysuckle Central site at Lee Wharf in preparation for the construction of its 20,000 square metre commercial building development.

The repeal of Part 3A of the *Environmental Planning and Assessment Act 1979* by the New South Wales Government has impacted upon two of the Corporation's active projects that fell under this classification due to their size and scale. This included the Lot 22 development on Honeysuckle Drive and the Intertrade Industrial Park. The proponent for the development of Lot 22, the Greater Building Society, had to grapple with progressing the planning for the project during the transition to the new processes. The transition to a new set of planning guidelines

for large scale projects also had to be managed in relation to the Intertrade Industrial Park project.

The Corporation's sale of an industrial landholding on Kooragang Island achieved a record sale price, displaying the strength of the Kooragang Island industrial area, the Port of Newcastle and the enormous investment that is occurring in the area.

In response to a request for assistance from Muswellbrook Shire Council, the Corporation undertook an independent peer review of the proposed rezoning and concept plan for the redevelopment of the Muswellbrook Showground for a bulky goods retail precinct. The Corporation examined potential land use, development and staging options for this strategic site in the Upper Hunter. The review will enable Council to finalise the rezoning process and will inform the formulation of a development control plan for the site. The Corporation's cooperation and assistance demonstrated its commitment to unlocking economic growth and sustainable development opportunities in the Upper Hunter.





feathers, fur and fins

The latest survey found that 30.2% of Hunter region residents had visited Honeysuckle four or more times in the preceding six months.

The Corporation commenced a new significant sponsorship of the Renew Newcastle initiative during the year to provide capital support for the group's program in the Newcastle city centre. The Corporation's sponsorship is targeted at providing funding for minor capital works – such as electrical, plumbing or carpentry – that are essential before a new tenancy can be taken up in a shopfront or premises participating in the Renew Newcastle program. The sponsorship agreement is worth \$150,000 over three years, thus providing support to maximise the reach and success of the program over a sustained period.

The Corporation continued its support as a major funding partner of the L!vesites program of placemaking and cultural events, along with the City of Newcastle and Arts NSW. In the financial year to 2010/11 L!vesites programmed 208 days of events and activities, attracting attendances of over 128,671. The program created 2,158 paid performance opportunities for artists and 374 days of work for production and technical crew all from the Hunter region. In public spaces within the Honeysuckle redevelopment area and the east and western precincts of the city centre, the L!vesites program presented 109 performance days and attracted an audience of 86,683. L!vesites undertook a wide range of events from well-known signature events to newer offerings. Signature events included Winter Heat,

Image courtesy of L!vesites



classics on a barge

Dancing in the Streets, Cinema under the Stars and Rockers and Revheads. Newer offerings included Classics on the Boardwalk and Classics on a Barge which attracted 1,000 and 5,000 patrons respectively to Honeysuckle. These events were significant business activation projects initiated at the request of businesses, and targeted a sophisticated market sector identified by the businesses on the eastern side of the Maritime Centre. Events such as Feathers, Fur and Fins took place on the western side of the Maritime Centre, serving a family market identified by the businesses there. Other new events included the Newcastle Regatta, Short + Sweet, Shakespeare in the Park with Tantrum Theatre, Mooloobinba and Manguan in partnership with the indigenous community and the opening of Nobbys Headland which attracted over 7,500 people. L!vesites undertook the programming of the Charlestown Square launch, the profits from which were reinvested in the Honeysuckle redevelopment area through events such as Classics on a Barge and the Kite Festival which attracted a further 4,500 people to the precinct. 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 Newcastle Rowing Club's Throsby Creek Challenge,

the Planning Institute of Australia's Hunter Ball and the Urban Development Institute of Australia's Christmas Lunch. The Corporation's Cottage Creek neighbour, Hunter Water, again coordinated a large scale event involving the entire Cottage Creek business community in raising funds for the Leukaemia Foundation's "Shave for a Cure". Along with its corporate neighbours, the Corporation supported the event with a \$1,000 donation.

The Corporation also sponsored the Property Council of Australia (Hunter Chapter) and continued 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 latest survey found that 30.2 per cent of Hunter region residents had visited Honeysuckle four or more times in the preceding six months. This survey found that 80.9 per cent of respondents agreed or strongly agreed with the statement that 'Honeysuckle is good for Newcastle'.

In recognition of its charter to encourage economic development in the broader Hunter region, the Corporation this year sponsored the Dungog Film Festival for the first time. The festival, which is in its fifth year, was again a success attracting more than 11,000 visitors. Forty-one per cent of visitors were from outside the Hunter region and 17 per cent were from interstate, proving that the event attracts large numbers of visitors to the region.

The Honeysuckle mobile site is an up-to-date resource featuring all of the precinct's cafes, bars and restaurants.

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 also funded the provision of an information kiosk to be placed at the Newcastle Cruising Yacht Club in addition to the information kiosk at the Visitor Information Centre at the Maritime Centre in Honeysuckle. The information kiosks are part of a citywide network of sixteen kiosks designed to make visitor information more accessible and promote Newcastle's best places, attractions and things to do.

The Corporation continued to publish its monthly electronic newsletter HarbourLife and increased subscriptions from 674 in June 2010 to 766 in July 2011. One of the popular features of the monthly newsletter has been a feature restaurant and recipe. The Corporation decided to turn this into a mobile resource by developing a smartphone application, or mobile phone optimised website, to make it easier for customers to find information about the 25 Honeysuckle eateries and to make it easier to make a booking. It received 676 visits in the first four weeks after it was launched.

The Corporation's two websites continued to be important sources of information for the community, with the Hunter Development Corporation site attracting 9,416 visitors and 139,000 pageviews 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 33,817 visitors and 350,000 page views over the year.



The opening of the Newcastle Museum in the railway workshop heritage buildings was an extremely good outcome for the preservation of the city's history. These important heritage structures, which are listed with the National Trust, were restored by the Corporation in the 1990s to prepare them for a new, post-industrial lease of life.

Following the purchase of the former Empire Hotel site in Hunter Street west, the Corporation ensured that care was taken to assess and document the archeological heritage of structures on the site prior to their demolition. In particular, details of a cobblestone wall in one of the buildings was recorded while the services of an archeologist will be called upon when any sub-surface works are undertaken on the site in preparation for future development. Following demolition the corporation commissioned fine arts students from TAFE NSW - Hunter Institute to paint a mural on a hoarding around the site.

As part of fulfilling its environmental responsibilities on behalf of the NSW Government concerning Kooragang Island, the Corporation awarded a contract for the design and documentation of closure works for the landfill on the site. This is a long term project of closing the landfill used by BHP during its Newcastle steelworks operation. The project will scope and design the work required to bring around 60 hectares up to an environmental standard set by the Office of Environment and Heritage.



Image courtesy of Newcastle Museum



This project is essential to secure the Mayfield site's future as a regionally significant industrial hub supporting employment growth.

The Corporation also awarded several significant contracts relating to the final stage of the \$110 million Mayfield remediation project and the provision of infrastructure on the site. The initial contract was for an "early works" package of remediation on parts of the site which were not being occupied by contractors working on BHP's Hunter River Remediation Program. The river remediation program involved using a part of the portside lands to process contaminated river sediment prior to transportation to Kooragang Island. Once the river sediment project was complete and decommissioned, the Corporation was able to award a contract covering the remaining portside lands requiring remediation. The contract awarded covered an area of 38 hectares and included earthworks, land forming and grading, demolition of in-ground structures, drainage works, and testing and certification. A critical aspect of the project is the preparation of longer term environmental monitoring and efficacy testing to ensure ongoing environmental safety. When this work is complete it will mean that a total of 90 hectares – equivalent to more than 150 football fields – will have been cleaned up. This project is essential to secure the site's future as a regionally significant industrial hub supporting employment growth. The works also put the Corporation on track to achieve its goal of completing the project on behalf of the State ahead of the target date of the end of 2012.

During the year investigations into the constraints and potential of the Corporation's other major former BHP landholding at West Wallsend progressed. The Lower Hunter Regional Strategy had considered that the site could contribute to the need for employment and residential lands, however, the Corporation's investigations have shown that current constraints, particularly mining leases, make development opportunities unrealisable for the foreseeable future.

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GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT
Hunter Development Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Hunter Development Corporation (the Corporation), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2011, and of its financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion 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 statements in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the members of the Board determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A 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.

A handwritten signature in black ink, reading "James Sugumar".

James Sugumar
Director, Financial Audit Services

7 October 2011
SYDNEY

**Statement of Comprehensive Income
for the year ended 30 June 2011**

| | Notes | 2011 \$'000 | *2010 \$'000 |
|---|---------------|----------------|-----------------|
| INCOME | | | |
| Sales | | - | 11,738 |
| Less: Cost of Sales | | - | (11,669) |
| Gross Surplus (Deficit) | | - | 69 |
| Grants & Contributions | 2(s)/3 | 13,986 | 4,365 |
| Rental Income | | 2,042 | 2,245 |
| Interest Income | | 27 | 156 |
| Other Income | 4 | 1,521 | 635 |
| TOTAL INCOME | | 17,576 | 7,470 |
| EXPENSES | | | |
| Administration | 5 | 1,907 | 1,458 |
| Property Costs | | 1,761 | 2,141 |
| Finance Costs | | 448 | 1,016 |
| Community Information / Liaison and Promotion | | 236 | 273 |
| Remediation Works | 2(s) | 6,714 | 682 |
| Infrastructure Works | | 3,938 | 157 |
| Community Works | 2(h)/6 | 3,997 | 4,542 |
| Inventory Adjustment to Net Realisable Value | 9 | 960 | 367 |
| TOTAL EXPENSES | | 19,961 | 10,636 |
| DEFICIT FROM CONTINUING OPERATIONS | | (2,385) | (3,166) |
| OTHER COMPREHENSIVE INCOME/(DEFICIT) | | - | - |
| TOTAL COMPREHENSIVE INCOME/(DEFICIT) | | (2,385) | (3,166) |

* See note 20 for details regarding prior period error
The above statement should be read in conjunction with the accompanying Notes.

Statement by the Directors on the
Adoption of the Financial Statements
for the Year Ended 30 June 2011

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 2011 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 2011* 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.



Paul Broad
Chairman, Hunter Development Corporation



Sharon Smith
Director, Hunter Development Corporation

2 September 2011

**Statement of Financial Position
as at 30 June 2011**

| | | | Restated | Restated |
|--------------------------------------|----------|----------------|-----------------|-----------------|
| | Notes | 2011 \$'000 | *2010 \$'000 | *2009 \$'000 |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalents | 7 | 83 | 3,469 | 126 |
| Trade and Other Receivables | 8 | 997 | 1,191 | 1,818 |
| Inventory | 9 | 5,448 | - | 4,575 |
| Total Current Assets | | 6,528 | 4,660 | 6,519 |
| Non Current Assets | | | | |
| Plant and Equipment | 2 (e)/11 | 213 | 285 | 243 |
| Inventory | 9 | 53,543 | 56,946 | 53,505 |
| Total Non Current Assets | | 53,756 | 57,231 | 53,748 |
| TOTAL ASSETS | | 60,284 | 61,891 | 60,267 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Trade and Other Payables | 12 | 3,374 | 1,630 | 2,061 |
| Other | 14 | 1,635 | 3,564 | 1,879 |
| Provisions | 2(p)/13 | 1 | 1 | 1 |
| Borrowings | 16(b) | 6,673 | 4,248 | 2,249 |
| Total Current Liabilities | | 11,683 | 9,443 | 6,190 |
| Non Current Liabilities | | | | |
| Trade and Other Payables | 12 | 114 | 35 | 35 |
| Provisions | 2(p)/13 | 36 | 38 | 40 |
| Other | 14 | - | 1,539 | - |
| Total Non Current Liabilities | | 150 | 1,612 | 75 |
| TOTAL LIABILITIES | | 11,833 | 11,055 | 6,265 |
| NET ASSETS | | 48,451 | 50,836 | 54,002 |
| Equity | | | | |
| Accumulated Funds | | (2,044) | 341 | 3,507 |
| Contributed Equity | 15 | 50,495 | 50,495 | 50,495 |
| TOTAL EQUITY | | 48,451 | 50,836 | 54,002 |

* See note 20 for details regarding prior period error

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

**Statement of Cash Flows
for the year ended 30 June 2011**

| | | 2011 \$'000 | 2010 \$'000 |
|--|-----------|-----------------------|-----------------------|
| | Notes | Inflows (Outflows) | Inflows (Outflows) |
| Cash Flow from Operating Activities | | | |
| Receipts | | | |
| Receipts from Customers | | - | 12,912 |
| Grants and Contributions | 3 | 11,186 | 3,966 |
| Rental Receipts | | 2,511 | 2,471 |
| Prepaid Income | | - | 3,332 |
| Interest Received | | 27 | 156 |
| Other Income/Receipts | 4 | 1,672 | 687 |
| Payments | | | |
| Suppliers and Personnel Services | | (14,905) | (8,093) |
| Payments for Inventories | | (3,305) | (10,901) |
| Borrowing Costs | | (696) | (1,016) |
| Grants to Other Organisations | | (2,310) | (2,083) |
| Net Cash provided from (used in) Operating Activities | 16 | (5,820) | 1,431 |
| Cash Flow from Financing Activities | | | |
| Proceeds from Borrowings | | 12,777 | 22,602 |
| Repayment of Borrowings | | (10,352) | (20,603) |
| Net Cash provided from (used in) Financing Activities | | 2,425 | 1,999 |
| Cash Flow from Investing Activities | | | |
| Purchases of Plant and Equipment | | (1) | (87) |
| Proceeds on Disposal of Plant and Equipment | | 10 | - |
| Net Cash used in Investing Activities | | 9 | (87) |
| Net Increase/(Decrease) in Cash Held | | (3,386) | 3,343 |
| Cash held at start of the Financial Year | | 3,469 | 126 |
| Cash held at end of the Financial Year | 7 | 83 | 3,469 |

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

**Statement of Changes in Equity
for the year ended 30 June 2011**

| | Accumulated Funds \$'000 | Contributed Equity \$'000 | Total Equity \$'000 |
|---|---|--|------------------------------------|
| Restated Balance at 30 June 2009 | 3,507 | 50,495 | 54,002 |
| Previous Reported Total Deficit | (5,001) | - | (5,001) |
| Other Comprehensive Income | - | - | - |
| Correction Prior Period Error | 1,835 | - | 1,835 |
| Restated Balance at 30 June 2010 | 341 | 50,495 | 50,836 |
| Current Year Deficit | (2,385) | - | (2,385) |
| Other Comprehensive Income | - | - | - |
| Balance at 30 June 2011 | (2,044) | 50,495 | 48,451 |

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

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.

These financial statements for the year ended 30 June 2011 have been authorised for release by the Directors on 2 September 2011.

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.

Going Concern Basis

The Board has determined that the going concern basis is appropriate. This determination has taken into account the following factors:

- Hunter Development Corporation is NSW Government owned;
- Hunter Development Corporation borrowing is guaranteed by the NSW Government;
- NSW Treasury, on behalf of the NSW Government, has issued a letter of financial support to Hunter Development Corporation to ensure the on-going financial viability of the Corporation.

Accounting Policies

(a) Inventory and Works in Progress

Land inventory has been reported at the lower of cost and net realisable value. Cost includes acquisition, development costs less any decrements. Land inventory acquisitions are recognised on settlement.

Land Inventories have been classified as current and non-current in line with forecast sales

(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

As a result of the *Public Sector Employment and Management (Departments) Order 2011* published on 3 April 2011, all permanent employees were transferred from the former Land and Property Management Authority (LPMA) to Department of Planning and Infrastructure (DPI). From 4 April 2011 personnel services were provided by DPI to the Corporation. All employee related benefits were transferred from LPMA to DPI (Refer to Note 5).

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

(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 Department of Planning and Infrastructure. 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.

(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.

(g) 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 5 and 6).

(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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

(l) 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 an 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.

| Gearing Ratio | Notes | 2011 \$'000 | 2010 \$'000 |
|---------------------------------|-------|----------------|----------------|
| Total borrowings | 16(b) | 6,673 | 4,248 |
| Less: cash and cash equivalents | 7 | (83) | (3,469) |
| Net debt | | 6,590 | 779 |
| Total equity | | 48,451 | 50,836 |
| Total capital | | 48,451 | 50,836 |
| Gearing Ratio | | 13.6% | 1.5% |

(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 on behalf of 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 2011 reporting period. The following new Accounting Standards and Interpretations have not yet been adopted and are not yet effective:

- AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (1 January 2013)
- 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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

(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. Grants and Contributions

| Grants and contributions comprise: | 2011 \$'000 | 2010 \$'000 |
|--|----------------|----------------|
| Remediation grant – State Property Authority | 7,799 | 1,731 |
| Infrastructure grant – former Land and Property Management Authority | 4,187 | 634 |
| Operating grant – former Land and Property Management Authority | 2,000 | 2,000 |
| Total Grants & Contributions | 13,986 | 4,365 |

4. Other Income

Included in Other Income are sundry reimbursements, wharf usage fees and reimbursements, through Section 94 contributions received by Newcastle City Council, for community facilities and open space works previously undertaken on the Honeysuckle site.

5. Administration

| Administration expenses comprise: | 2011 \$'000 | 2010 \$'000 |
|---|----------------|----------------|
| Personnel services expenses – Salary and Wages (including Recreation leave) | 2,408 | 2,409 |
| Personnel services expenses – Superannuation | 195 | 173 |
| Personnel services expenses – Payroll Tax and Fringe Benefits Tax | 93 | 198 |

| | | |
|--|--------------|--------------|
| Personnel services expenses – Workers Compensation Insurance | 9 | 9 |
| Directors' Remuneration | 88 | 106 |
| General Administration | 711 | 811 |
| Consultancies | - | - |
| Depreciation/Amortisation | 67 | 44 |
| Audit Fee – External: for the audit of the financial reports | 50 | 51 |
| Audit Fee – Internal | 24 | 33 |
| Less: Expenses allocated to Community Works (Refer Notes 2(h) & 6) | (1,738) | (2,376) |
| Total Administration | 1,907 | 1,458 |

6. 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.

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

| | 2011 \$'000 | 2010 \$'000 |
|--|----------------|----------------|
| Public Domain Landscaping and seawall repairs | 1,758 | 1,841 |
| Other Services/Community groups | 343 | 53 |
| Community Activation | 158 | 272 |
| Administration expenses allocated to Community Works (refer to notes 2(h) and 5) | 1,738 | 2,376 |
| Total Community Works | 3,997 | 4,542 |

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

7. Cash and Cash Equivalents

| | 2011 \$'000 | 2010 \$'000 |
|--|----------------|----------------|
| Cash at Bank | 82 | 125 |
| Cash on Hand | 1 | 1 |
| TCorp Short Term Hourglass Facility | - | 3,343 |
| Total Cash and Cash Equivalents | 83 | 3,469 |

The Corporation's exposure to interest rate risk is discussed in note 18.

8. Trade and Other Receivables

| | 2011 \$'000 | 2010 \$'000 |
|---|----------------|----------------|
| Current Trade and Other Receivables | | |
| Trade Receivables | 997 | 1,152 |
| Allowance for impairment of receivables (note(a)) | - | - |
| Prepayments | - | 39 |
| Total Trade and Other Receivables | 997 | 1,191 |

(a) Past due but not impaired

As of 30 June 2011, trade receivables of \$18,533 (2010 – \$338,416) 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:

| | 2011 \$'000 | 2010 \$'000 |
|--|----------------|----------------|
| Up to 3 months | 19 | 307 |
| Over 3 months | - | 31 |
| Total Trade Receivables (Past Due not impaired) | 19 | 338 |

As at 30 June 2011 there were no impaired trade receivables (2010 – 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.

9. 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 and net realisable value. The valuation process for 2010–11 has resulted in a \$960,000 loss in the realisable value of inventory (2010 loss \$367,000) which has been recognised in the statement of comprehensive income.

| | 2011 \$'000 | 2010 \$'000 |
|--|----------------|----------------|
| Current Inventory | | |
| At Cost | 5,448 | - |
| At Valuation | - | - |
| Total Current Inventory | 5,448 | - |
| Non-Current Inventory | | |
| At Cost | 34,826 | 49,070 |
| At Valuation | 18,717 | 7,876 |
| Total Non-Current Inventory | 53,543 | 56,946 |
| Total Inventory | 58,991 | 56,946 |
| Details of inventories | | |
| Acquisition Costs | 56,827 | 54,518 |
| Development Costs | 3,493 | 2,797 |
| Accumulated Inventory Adjustment to Net Realisable Value | (1,329) | (369) |
| | 58,991 | 56,946 |

Acquisition costs include acquisitions from 30 June 2004 and carrying values of all land prior to this date.

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

10. Contingent Assets

As at 30 June 2011 the Corporation has bank guarantees in its favour for \$1.395m (\$0.432m 2010) covering the defects liability period for civil construction contracts and lease bonds

11. Plant and Equipment

| | 2011 \$'000 | 2010 \$'000 |
|---------------------------------|----------------|----------------|
| IT Equipment | | |
| Gross Fair Value | 30 | 42 |
| Accumulated Depreciation | (30) | (42) |
| Carrying Amount | - | - |
| Furniture & Fittings | | |
| Gross Fair Value | 71 | 81 |
| Accumulated Depreciation | (42) | (48) |
| Carrying Amount | 29 | 33 |
| Leasehold Improvements | | |
| Gross Fair Value | 281 | 280 |
| Accumulated Amortisation | (111) | (53) |
| Carrying Amount | 170 | 227 |
| Plant & Equipment | | |
| Gross Fair Value | 25 | 36 |
| Accumulated Depreciation | (11) | (11) |
| Carrying Amount | 14 | 25 |
| Total Carrying Amount | 213 | 285 |

| Reconciliation of Plant and Equipment | 2011 \$'000 | 2010 \$'000 |
|---------------------------------------|----------------|----------------|
| IT Equipment | | |
| Opening Balance | - | - |
| Additions | - | - |
| Disposals | - | - |
| Depreciation | - | - |
| Closing Balance | - | - |
| Furniture & Fittings | | |
| Opening Balance | 33 | 38 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation | (4) | (5) |
| Closing Balance | 29 | 33 |
| Leasehold Improvements | | |
| Opening Balance | 227 | 188 |
| Additions | 1 | 74 |
| Disposals | - | - |
| Amortisation | (58) | (35) |
| Closing Balance | 170 | 227 |
| Plant & Equipment | | |
| Opening Balance | 25 | 17 |
| Additions | - | 13 |
| Disposals | (7) | (1) |
| Depreciation | (4) | (4) |
| Closing Balance | 14 | 25 |
| Total Plant and Equipment | 213 | 285 |

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

12. Trade and Other Payables

| | 2011 \$'000 | 2010 \$'000 |
|--|----------------|----------------|
| Current Trade and Other Payables | | |
| Trade and Other Payables | 2,975 | 1,259 |
| Security Deposits | 127 | 1 |
| Other Payables – Employee leave and on-costs | 272 | 370 |
| Total Trade and Other Payables | 3,374 | 1,630 |
| Non-Current Trade and Other Payables | | |
| Security Deposits | 114 | 35 |
| Total Non-Current Trade and Other Payables | 114 | 35 |
| Total Trade and Other Payables | 3,488 | 1,665 |

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:

| | 2011 \$'000 | 2010 \$'000 |
|--|----------------|----------------|
| Recreation leave obligation expected to be settled after 12 months | 51 | 48 |

13. 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 2011 financial year (refer note 12).

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

| | 2011 \$'000 | 2010 \$'000 |
|------------------------------|----------------|----------------|
| Short-Term Provisions | | |
| Lease Incentive | 1 | 1 |
| Total Short-Term Provisions | 1 | 1 |
| Long-Term Provisions | | |
| Leasehold Improvement | 30 | 31 |
| Lease Incentive | 6 | 7 |
| Total Long-Term Provisions | 36 | 38 |
| Total Provisions | 37 | 39 |

14. Other

| | 2011 \$'000 | 2010 \$'000 |
|--------------------------------|----------------|----------------|
| Current – Prepaid Income | 1,635 | 3,564 |
| Non Current – Prepaid Income | - | 1,539 |
| Total Other Liabilities | 1,635 | 5,103 |

15. Contributed Equity

During the 2008–09 financial year, land with a value of \$43.275m 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 2011.

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

16. 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.

| | 2011 \$'000 | 2010 \$'000 |
|---|----------------|----------------|
| (a) Reconciliation of Net Cash Provided by Operating Activities to Surplus/(Deficit) | | |
| Deficit from Continuing Operations | (2,385) | (3,166) |
| Non Cash Items | | |
| Depreciation | 67 | 44 |
| Inventory Write Down | 960 | 367 |
| Loss/(Gain) on Disposal of Assets | (3) | - |
| Changes in Assets and Liabilities | | |
| Decrease/(Increase) in Receivables | 155 | (429) |
| Decrease/(Increase) in Inventories | (3,005) | 767 |
| Decrease/(Increase) in Prepayments and Deposits | 39 | 1,056 |
| (Decrease)/(Increase) in Payables | 1,617 | (530) |
| (Decrease)/(Increase) in Prepaid Revenue | (3,468) | 3,224 |
| (Decrease)/(Increase) in Deposits Received | 205 | 1 |
| (Decrease)/(Increase) in Personnel Services Provisions | (2) | 97 |
| Net Cash Flow from Operating Activities | (5,820) | 1,431 |

(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 \$6.673m at 30 June 2011 (30 June 2010 \$4.248m). The Corporation's exposure to interest rate risk is discussed in note 18.

17. Contingent Liabilities

The Corporation has provided a Letter of Undertaking and Guarantee to The City of Newcastle totalling \$13k (\$163k 2010) for the potential provision of a bus shelter at Linwood, no provision has been made for this liability due to the uncertainty in determining future demand.

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.

18. Financial Instruments

• Financial Risk Management

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

The Corporation holds the following financial instruments:

| | 2011 \$'000 | 2010 \$'000 |
|------------------------------|----------------|----------------|
| Financial assets | | |
| Cash and cash equivalents | 83 | 3,469 |
| Trade and other receivables | 997 | 1,191 |
| | 1,080 | 4,660 |
| Financial liabilities | | |
| Trade and other payables | 3,488 | 1,665 |
| Borrowings | 6,673 | 4,248 |
| | 10,161 | 5,913 |

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

The Corporation does not have any derivative instruments at 30 June 2011.

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 which is levied on the Corporation and is based on its stand alone credit rating. At 30 June 2011 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 2011 and historical volatility information for 2010.

| | Carrying amount \$'000 | Interest rate risk | | | |
|----------------------------------|------------------------------|------------------------------|------------------|------------------------------|------------------|
| | | -100 bps Profit \$'000 | Equity \$'000 | +100 bps Profit \$'000 | Equity \$'000 |
| 30 June 2011 | | | | | |
| Financial Assets | | | | | |
| Cash and cash equivalents | 83 | (7) | (7) | 7 | 7 |
| Financial Liabilities | | | | | |
| Borrowings | 6,673 | 51 | 51 | (51) | (51) |
| Total increase/(decrease) | | 44 | 44 | (44) | (44) |

| | Carrying amount \$'000 | Interest rate risk | | | |
|----------------------------------|------------------------------|------------------------------|------------------|------------------------------|------------------|
| | | -100 bps Profit \$'000 | Equity \$'000 | +100 bps Profit \$'000 | Equity \$'000 |
| 30 June 2010 | | | | | |
| 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 |

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

• Interest Rate Risk

| | | Floating Interest Rate | | Non-Interest Bearing | | Total | | Weighted Average Effective Interest Rate | |
|---|-------|------------------------|----------------|----------------------|----------------|----------------|----------------|--|-----------|
| Financial Instrument | Note | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 | 2011 % | 2010 % |
| Financial Assets | | | | | | | | | |
| Cash at bank | 7 | 82 | 3,468 | - | - | 82 | 3,468 | 3.7 | 4.2 |
| Cash on hand | 7 | - | - | 1 | 1 | 1 | 1 | n/a | n/a |
| Receivable for goods & services (gross) | 8 | - | - | 997 | 1,152 | 997 | 1,152 | n/a | n/a |
| Total | | 82 | 3,469 | 998 | 1,153 | 1,080 | 4,622 | | |
| Total Assets | | | | | | 60,284 | 61,891 | | |
| Financial Liabilities | | | | | | | | | |
| Government loans | 16(b) | 6,673 | 4,248 | - | - | 6,673 | 4,248 | 8.8 | 8.2 |
| Trade Creditors | 12 | - | - | 2,975 | 1,259 | 2,975 | 1,259 | n/a | n/a |
| Security Deposits | 12 | - | - | 241 | 36 | 241 | 36 | n/a | n/a |
| Total | | 6,673 | 4,248 | 3,216 | 1,295 | 9,889 | 5,543 | | |
| Total Liabilities | | | | | | 11,833 | 11,055 | | |

19. Expenditure Commitments

(a) Capital Expenditure Commitments

| | 2011 \$'000 | 2010 \$'000 |
|---|----------------|----------------|
| Estimated capital expenditure, inclusive of GST, contracted as at 30 June but not provided for: | | |
| • within 12 months | 55 | 312 |
| • 12 months to 5 years | - | - |
| • > 5 years | - | - |
| Total | 55 | 312 |

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

| | 2011 \$'000 | 2010 \$'000 |
|--|----------------|----------------|
| Commitments in relation to non-cancellable operating leases, inclusive of GST, are payable as follows: | | |
| • within 12 months | 161 | 163 |
| • 12 months to 5 years | 562 | 643 |
| • > 5 years | - | 62 |
| Total | 723 | 868 |

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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

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.

(c) Remediation Expenditure Commitments

| | 2011 \$'000 | 2010 \$'000 |
|---|----------------|----------------|
| Estimated remediation expenditure, inclusive of GST, contracted as at 30 June but not provided for: | | |
| • Within 12 months | 25,176 | - |
| • 12 months to 5 years | 132 | - |
| • > 5 years | - | - |
| Total | 25,308 | - |

These Remediation Expenditure Commitments represent Contracts for works to be performed on sites where the Corporation has undertaken on behalf of the Crown. Contributions are received from the New South Wales Government in relation to these expenditures.

20. Prior Period Error

As part of an equity transfer during the 2008-09 financial year a parcel of land was valued by an independent valuer and recognised at \$19.0m. The 2011 valuation process identified a development restriction, which existed in 2008, but not reflected in the 2008 valuation. The fair value was therefore overstated by \$11.2 million at 30 June 2009. The Corporation has corrected the error and the necessary corrections have been made as required by AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' as followings:

- The amount of the correction for each financial statement line item affected
- The amount of the correction at the beginning of the earliest prior period presented.

(a) Restatement of Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity for the year ended 30 June 2010 Financial Statement Line Items Impacted by the Prior Period Error

| | 2010 \$'000 Previous Reported | \$'000 Prior Period Error | 2010 \$'000 Restated |
|--|--|------------------------------------|----------------------------|
| Statement of Comprehensive Income | | | |
| Cost of Sales | (13,871) | 1,835 | (12,036) |
| Gross Surplus (Deficit) | (2,133) | 1,835 | (298) |
| Total Income | 5,268 | 1,835 | 7,103 |

| | | | |
|---|----------------|--------------|----------------|
| Total Comprehensive Income (Deficit) | (5,001) | 1,835 | (3,166) |
|---|----------------|--------------|----------------|

| | | | |
|--|---------------|-----------------|---------------|
| Statement of Financial Position | | | |
| Inventory | 67,471 | (10,525) | 56,946 |
| Total Non Current Assets | 67,756 | (10,525) | 57,231 |
| Total Assets | 72,416 | (10,525) | 61,891 |
| Net Assets | 61,361 | (10,525) | 50,836 |
| Accumulated Funds | (424) | 765 | 341 |
| Contributed Equity | 61,785 | (11,290) | 50,495 |
| Total Equity | 61,361 | (10,525) | 50,836 |

| | | | |
|---------------------------------------|---------------|-----------------|---------------|
| Statement of Changes in Equity | | | |
| Total Comprehensive Deficit | (5,001) | 1,835 | (3,166) |
| Accumulated funds balance | (424) | 765 | 341 |
| Contributed Equity | 61,785 | (11,290) | 50,495 |
| Total equity balance | 61,361 | (10,525) | 50,836 |

Notes to and forming part of the Financial Statements for the year ended 30 June 2011

(b) Restatement of Statement of Financial Position and Statement of Changes in Equity as at 1 July 2009 Financial Statement Line Items Impacted by the Prior Period Error

| | 1 July 2009 \$'000 Previous Reported | \$'000 Prior Period Error | 1 July 2009 \$'000 Restated |
|--|--|------------------------------------|--------------------------------------|
| Statement of Financial Position | | | |
| Inventory | 65,865 | (12,360) | 53,505 |
| Total Non Current Assets | 66,108 | (12,360) | 53,748 |
| Total Assets | 72,627 | (12,360) | 60,267 |
| Net Assets | 66,362 | (12,360) | 54,002 |
| Accumulated Funds | 4,577 | (1,070) | 3,507 |
| Contributed Equity | 61,785 | (11,290) | 50,495 |
| Total Equity | 66,362 | (12,360) | 54,002 |
| Statement of Changes in Equity | | | |
| Total Comprehensive Deficit | (733) | (1,070) | (1,803) |
| Accumulated funds balance | 4,577 | (1,070) | 3,507 |
| Contributed Equity | 61,785 | (11,290) | 50,495 |
| Total equity balance | 66,362 | (12,360) | 54,002 |

21. 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-for-profit entity.

Directors and Any Director Related Entities

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

- P Broad
- G Kennedy
- D Evans
- The Hon. P Forsythe
- K Howard
- S Smith (appointed 10 November 2010)
- R Robson (ceased 27 October 2010)
- W Watkins AM (alternate G Harding) expired 3 April 2011
- S Haddad (alternate T Gellibrand) commenced 3 April 2011

22. Company Details

The principal place of business of the Corporation is:

Suite B
Level 5, PricewaterhouseCoopers Centre
26 Honeysuckle Drive
NEWCASTLE NSW 2300

23. Events After Reporting Date

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 2010/11 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 Planning 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 Department of Planning & Infrastructure, staff members have effected and 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 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 business-like 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 Department of Planning & Infrastructure 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 the Department of Planning & Infrastructure's annual report. These include the following matters:

- Code of Conduct
- Commitment of Service
- Disability Plan
- Energy Management
- Equal Employment Opportunity
- 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 | 2010/11 | | 2009/10 | |
|--------------------------------|----------|----------|----------|----------|
| | MALE | FEMALE | MALE | FEMALE |
| 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 were no key settlements.

When a disposal is to occur prior approval is sought from the Minister. 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". Access to documents relating to the disposal can be obtained 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 2005.

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 | 32,029 | 65,528 | 0 | 396 | 0 |
| DECEMBER QUARTER | 715,113 | 2,899,934 | 0 | 0 | 0 |
| MARCH QUARTER | 20,214 | 2,794 | 0 | 0 | 0 |
| JUNE QUARTER | 13,139 | 0 | 1,531 | 0 | 0 |





Accounts paid on time within each quarter

| QUARTER | TOTAL ACCOUNTS PAID ON TIME | | | TOTAL AMOUNT PAID |
|-------------------|-----------------------------|----------|------------|-------------------|
| | TARGET % | ACTUAL % | \$ | \$ |
| | | | | |
| SEPTEMBER QUARTER | 90 | 92 | 5,619,839 | 5,820,326 |
| DECEMBER QUARTER | 90 | 92 | 10,872,933 | 11,077,113 |
| MARCH QUARTER | 90 | 91 | 12,027,496 | 12,139,847 |
| JUNE QUARTER | 90 | 93 | 3,625,580 | 3,722,921 |

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 2010/11.

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/NZS ISO 31000:2009.

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 Policy

I, Paul Broad am of the opinion that 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 Corporation is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08.

These processes provide a level of assurance that enables the senior management of the Corporation to understand, manage and satisfactorily control risk exposures. The Chair and Members of the Audit and Risk Committee are:

- S Smith - 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)

Paul Broad
Chairman, Hunter Development Corporation
2 September 2011

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 | \$10,000 | Hunter Corporate Partner NSW 2010/11 |
| Planning Institute of Australia | \$500 | PIA Ball 2010 |
| Newcastle Rowing Club | \$1,000 | Club Regatta 2010 |
| UDIA NSW | \$3,900 | Sponsorship of Christmas Lunch 2010 |
| Dungog Film Festival Limited | \$10,000 | Film Festival Sponsorship 2011 |
| Green Building Council of Australia | \$10,000 | Sponsor website for Green Star Communities |
| TOTAL | \$ 35,400 | |

Donations

| ORGANISATION | AMOUNT (NET) | PURPOSE |
|---------------------------------------|--------------|-----------------------------|
| The Leukaemia Foundation of Australia | \$1,000 | World's Greatest Shave 2011 |
| TOTAL | \$1,000 | |

Overseas Visits

No overseas travel occurred during the last financial year.

Annual Report 2010/2011

The cost of 2010/2011 Annual Report was \$20,117.50 +GST. The annual report is available at www.hunterdevelopmentcorporation.com.au

Multicultural Policies and Services Program

The Corporation is sensitive to the cultural, racial, religious and linguistic traditions of communities in NSW and it endeavours to ensure that all people are considered in the policy process and have full access to appropriate information and services.

The Department of Planning & Infrastructure employs the HDC staff and it continues to develop and implement initiatives to cater to people from culturally and linguistically diverse backgrounds.

Freedom of Information

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. The Hunter Development Corporation received no applications for access to documents under the *Government Information (Public Access) Act 2009* in 2010/2011 and no applications under the Freedom of Information Act were carried over from the previous financial year.

Applications under the GIPA Act must be in writing and accompanied by an application fee of \$30. 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.



Hunter Development Corporation

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