



**Hunter
Development
Corporation**

Hunter Development Corporation Annual Report 2013-2014

Hunter Development Corporation

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31 October 2014

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Letter to the Minister

31 October 2014

The Hon Pru Goward MP
Minister for Planning
Parliament House
SYDNEY NSW 2000

Dear Minister

Please find enclosed the annual report of the Hunter Development Corporation for the year ended 30 June 2014. The report details the work, achievements and relevant statutory and financial information of this statutory body. The report is for submission to Parliament under the *Annual Reports (Statutory Bodies) Regulation 2010* and the applicable provisions of the *Public Finance and Audit Act 1983*.

Yours sincerely



Paul Broad
Chairman



Carolyn McNally
Secretary
Department of Planning and Environment

About the Hunter Development Corporation

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 Hunter Development Corporation has an important role to play in the ongoing growth of the Hunter region. As a State-Government-owned agency closely aligned with the Department of Planning and Environment, and as a landowner of strategic property assets, the Corporation is uniquely placed to stimulate, guide and facilitate economic growth, investment and urban renewal.

The Corporation adds value to the process of development by removing or addressing constraints that prevent investment by the private sector in the development of strategic sites. The Corporation has been successful in facilitating development on difficult sites that would otherwise remain undeveloped by undertaking remediation, providing essential infrastructure and services, and paving the way for private sector leverage.

Working collaboratively with other agencies and stakeholders, the Corporation has a role in resourcing and facilitating infrastructure planning, broader land-use planning in the Hunter and also planning and delivery of urban renewal in the Newcastle city centre and beyond. These initiatives aim to promote commercial, industrial and residential development, providing jobs and homes and quality public domain for the community to enjoy.

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 Corporation's Growth Centre encompasses the eleven 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.

Chairman's Overview

The Newcastle Urban Renewal Strategy and city centre transport plan are fundamental to Newcastle's future as a prosperous and reinvigorated regional city. A great deal of analysis and planning has gone into getting the city to where it is in 2014 and HDC has played a prominent role. The strategy and transport plan are rightly centred on opening up new connections between Hunter Street and the harbour. This has been the cornerstone of efforts to revitalise Newcastle city centre going back decades. While the truncation of rail has always been controversial, the NSW Government has demonstrated the leadership required to set the right policy parameters to build the foundation upon which the city centre can diversify and grow in the decades to come. The addition of light rail will allow the city to take advantage of new north-south connections stimulating economic development in a cohesive grid pattern, while providing an attractive mode of transport through the city centre to the beach. Other projects advocated by the Corporation such as the \$94 million Newcastle court complex and the NewSpace city campus at Civic, are both under construction, and the \$400 million Urban Growth/GPT partnership in the East End has achieved significant planning milestones.

This means the city will be opening itself up to its harbour just as planning for the release of the remaining Honeysuckle lands is being brought to maturity. The focus will now shift to the integration of the city centre urban renewal strategy and Honeysuckle landholdings and the delivery of new projects such as the exciting residential and commercial development at 18 Honeysuckle Drive. To be constructed by the ACT-based Doma Group, this \$36 million project will create an A-grade workspace for up to 750 workers and homes for around 100 residents. Fresh thought can then be given to the vast opportunity presented to the city for the redevelopment of the Throsby Wharf area of the harbour.

Significant progress has been made at the strategically significant former BHP site at Mayfield. The Corporation's role as the State's agent to undertake large scale remediation works has resulted in the 90 port-side hectares being included in the long term Port lease, adding to the value realised by the State. Meanwhile the Corporation has moved ahead with planning remediation works and site servicing on the remaining part of the site in preparation for its redevelopment and long term contribution to employment and productivity.

The lease of the Port will have a lasting impact in terms of infrastructure investment in both the private and public spheres. The Hunter Infrastructure and Investment Fund (HIIF) will have a key role in the recycling of these assets and the Corporation is excited to have an ongoing role in resourcing its work. As a result of the successful lease transaction a further \$340 million came to the Fund and a further \$100 million was secured from the 2013-14 Budget. This means a total of \$790 million has been allocated to the HIIF since it was established in 2011. By 30 June 2014 \$330 million in funding had been provided through the Fund. Projects already funded are located across the Hunter and this investment in infrastructure is already benefiting communities throughout the region.

As the Government prepares to release a Hunter regional growth plan, new opportunities for renewal in the region's growth corridors will present themselves. The Corporation is uniquely placed to add value to the process of guiding growth in employment and housing where it is most feasible and appropriate having developed an innovative Integrated Infrastructure Planning Tool (IIPT). The tool is an evidence-based decision support tool to better understand infrastructure capacity, costs and capability in the region to facilitate growth.

Infrastructure provision in the region has been an area of intense and unprecedented focus. The completion of the Hunter Expressway was a momentous occasion in the history of the valley. It brings the furthest flung parts of the region closer than ever before and opens up a raft of new opportunities for interaction and the movement of people and goods. Funding has been earmarked for the duplication of the Tourle Street Bridge at Kooragang Island and the construction of the Scone rail level crossing replacement. Meanwhile as work on the fourth stage of the Newcastle Inner-City Bypass was completed the Government committed to funding the remaining section. With plans for a Newcastle freight rail bypass gaining momentum, all these large scale infrastructure projects set the stage for significant productivity and liveability improvements.

Several distinct but related strategic planning initiatives have helped to position the region for future infrastructure investment. Releasing the Hunter Strategic Infrastructure Plan in late 2013, the Corporation has produced a strategic framework to inform the future urban growth of the Hunter. At the same time, Regional Development Australia, Hunter, released the Hunter Economic Infrastructure Plan, identifying key projects to help improve productivity for the benefit of the region and the nation.

On behalf of the Board I thank HDC General Manager Bob Hawes and his team for their hard work and dedication throughout the year and I look forward to another successful year for the Corporation and the region.

Paul Broad
Chairman

General Manager's Report

Placing Newcastle at the centrepiece of the 2013-14 State Budget had major implications for the region and the Hunter Development Corporation. The Budget committed an additional \$340 million towards the Newcastle Urban Renewal and Transport Plan initiatives from the proceeds of the lease of the Port of Newcastle and confirmed \$460 million in total was available for undertaking this game-changing project.

With the budget announcement came a change in the governance arrangements placing UrbanGrowth NSW at the centre of the project. Working collaboratively with Hunter Development Corporation, Transport for NSW, City of Newcastle and other agency stakeholders, UrbanGrowth has moved the project forward whilst continuing an extensive program of community consultation around elements of the renewal plan and transport strategies.

The focus of the strategy continues to centre on the provision of an interchange at Wickham, connectivity across the former rail corridor between Wickham and Newcastle and the planning and integration of a new light rail system within the centre of the city. The announcement that services will terminate on 26 December 2014 will be a major milestone and step off point for delivery of these significant and once in a lifetime initiatives.

The Corporation is devoting considerable resources to the collaboration effort to drive the project forward. The final plans and implementation will have a significant impact on the future development of the Honeysuckle project and particularly the Honeysuckle Central site.

The past year also saw the Corporation contribute significantly to the process for the long term lease of the Port of Newcastle.

Another game-changing initiative, this has the potential to see the private sector drive investment and growth within the Port of Newcastle with impacts being felt right across the region. The Corporation played a significant role in the due diligence across remediation works for a range of the port lands. It also vested control of development and investment properties that are now part of the port lease area.

The Corporation remains the State's agent to undertake the remaining land contamination remediation works on Kooragang Island and the former BHP steelworks site at Mayfield. The Corporation will continue to work with stakeholders including Government Property NSW, the Port of Newcastle and the Environment Protection Authority to deliver the remediation works in accordance with respective agreements.

The work with the Hunter Infrastructure and Investment Fund (HIIF) also continued at pace. Much of the focus was on project implementation and delivery and the next 12 months shapes to be a period when many of the projects will be completed. The 2014-15 State Budget also endowed the HIIF with a further \$100 million and the HIIF Board will now turn its attention to reviewing, researching and providing advice to government on the acquittal of these funds.

The HIIF has also been charged with the responsibility to administer the Newcastle Community Contribution (NCC), an initiative of Government emerging from the lease of the Port of Newcastle that will provide ongoing funds of around \$1 million per annum to provide community amenity and improve land based infrastructure around the Port of Newcastle. The HIIF has commenced consultation to develop a strategy for the implementation of this initiative and is confident

it will be a significant focus for community investment across a range of projects into the future.

The operation of the Corporation has also been influenced by major changes happening within the Department of Planning & Environment and more broadly those instituted by the Public Service Commission impacting the entire NSW public service. There is a considerable effort right across Government to improve the performance of the sector and its people. It is pleasing to note the enthusiasm and adaptability of the Corporation's staff and the stakeholders they work with in these times of change. I thank the staff for their dedication and persistence against a backdrop of somewhat uncertain times in some sectors

within the Hunter region. The role the Board has played through this period has also been significant and will continue to be so. I thank them for their input and wish to make special mention of the service and dedication provided by the outgoing Director General for Planning, Sam Haddad. I look forward to the input of the recently appointed Secretary Carolyn McNally to the efforts of the Corporation and improved outcomes for the Hunter region.

Bob Hawes
General Manager

Corporate Governance

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 Environment.

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, the Secretary of the Department of Planning and Environment and five Board members. Members are appointed by the Governor of NSW.

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 Audit and Risk Committee meetings when required.

All recommendations from the internal audit reports have been implemented.

Hunter Development Corporation held eight Board meetings, including one Open Board meeting, and four Audit and Risk Committee meetings in the year ended 30 June 2014.

The Board

Chairman

Mr Paul Broad M.Comm

Paul Broad was appointed Managing Director and CEO of Snowy Hydro Limited in July 2013. Prior to this Mr Broad was the CEO of Infrastructure NSW since its establishment in mid-2011.

Before leading Infrastructure NSW, Mr Broad was CEO of telecommunications company AAPT (May 2007-June 2011). Mr Broad has 16 years' experience leading some of Australia's largest energy and water companies such as Energy Australia, 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: 7 of 8

Director

Gary Kennedy

Mr Kennedy was the Secretary of the Newcastle Trades Hall Council from 2000 until July 2014. 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), Industry Development Centre and is Treasurer of Disability Advocacy NSW Inc. He is a former Director of Hunter Water Corporation.

Meeting attendance:
Board: 5 of 8

Director

Karen Howard

Ms Howard is currently an Independent Director and also Chairman of Hunter Primary Care 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.

Meting attendance:
Board: 7 of 8
Audit and Risk Committee: 4 of 4

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 8

Director**David Evans** B.Ec (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 chairs the Newcastle Urban Renewal and Transport Program Advisory Board.

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: 7 of 8

Audit and Risk Committee: 3 of 4

Director**Sharon Smith**

Ms Smith is the Chief Executive Officer of the Hunter Valley Training Company. She was previously 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: 7 of 8

Audit and Risk Committee: 4 of 4

Until 23 April 2014:

Chief Executive**Sam Haddad**

Mr Haddad is the former Director General of the Department of Planning and Infrastructure.

Meeting attendance:

Board: 4 of 7

Director**Carolyn McNally (or representative)**

Ms McNally was recently appointed as the Secretary of the Department of Planning and Environment and as such is an ex officio Member of the Board.

Prior to this, Carolyn was Deputy Director General in Transport for NSW.

Carolyn led the development of the State's Long Term Transport Masterplan, Sydney's Rail Future which proposes a new rapid transit sector for Sydney's rail system in New South Wales, the CBD Access Strategy and Regional Transport Plans for the entire state (10 regions).

Carolyn has a very strong public sector reform background and has worked extensively at a senior level in Government at the Commonwealth Government level in roles such as head of Regional Services, head of Infrastructure and held senior roles in welfare, health and education portfolios. Carolyn commenced with the State Government in 2011.

Meeting attendance:

Board: 0 of 1

Staff

General Manager

Bob Hawes

BEC, AAPI, GAICD

Commercial Manager

Robert Foster

B.Bus (Acc.) CPA

Communications

Communications Manager

Luke Mellare

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

Finance and administration

Senior Accountant

Renee Foate

B.Com, CPA

Administration Manager

Coral McDonnell

Admin Support Officer

Allissa Arnold

Admin Support Officer

Kristen McPherson

Executive Assistant

Gillian Foulcher

Operations

Senior Development Manager, Capital Works

Geoff Wade

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

Senior Development Manager, Planning

Scott Anson

BA, Grad.Dip.Urb.Reg.Plan, Grad.Dip.Urb.Des,
MPIA, CPP

A/Senior Development Manager, Development

Valentina Misevska

LLB, Dip. Legal Practice, B.Com

Environmental Manager

Mike Bardsley

B. Eng (Civil), MIEA

Project Manager

David Antcliff

B. Construction Management (Hons)

A/Development Manager

David Legg

Development Officer

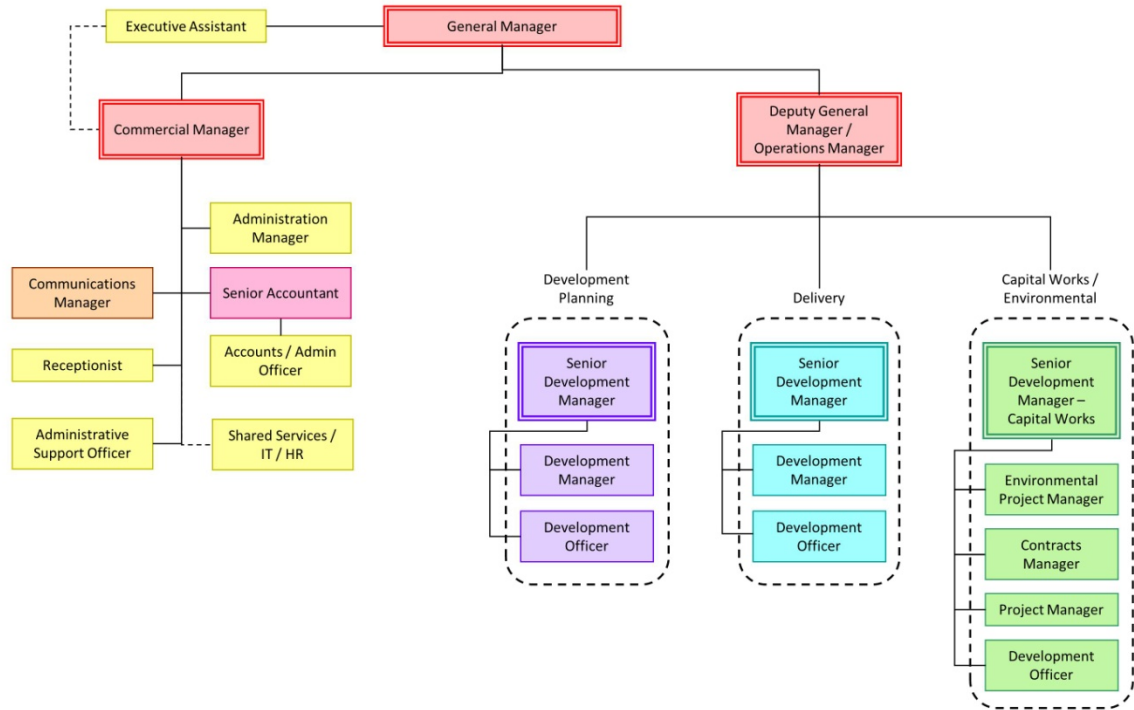
Toni Cappiello

A/Development Manager

Jeremy Amann

B. Construction Mngt (build), Dip Surveying

HUNTER DEVELOPMENT CORPORATION ORGANISATION CHART



The Corporation also provides administrative and secretariat support and operational services to the Hunter Infrastructure & Investment Fund Advisory Board. The Corporation's General Manager is an ex-officio member on the Board.

Highlights and Key Outcomes

- The Hunter Development Corporation publishes the Hunter Strategic Infrastructure Plan. At the same time, Regional Development Australia – Hunter publishes the Hunter Economic Infrastructure Plan. The two plans can be considered companion documents setting out priority infrastructure projects for investment.
- The NSW Government announces the successful lease of the Port of Newcastle and confirms allocation of \$340 million towards the implementation of the Newcastle urban renewal and transport program, in addition to the \$120 million previously allocated.
- The Government announces a further \$100 million will be allocated to infrastructure projects through the Hunter Infrastructure and Investment Fund as part of the 2014-15 State Budget.
- A successful expression of interest campaign in November 2013 for the redevelopment of the former Empire Hotel site in Hunter Street results in the selection of a Newcastle based consortium, NewcastleFirst, as preferred proponent with plans for a 100-plus unit apartment building with a minimum 25 affordable housing units.
- The University of Newcastle unveils concept designs for its \$95 million city campus by leading Melbourne firm Lyons Architecture and Newcastle architects EJE Architecture. The State Government through the Hunter Infrastructure and Investment Fund is providing \$25 million to the project.
- By June 2014, \$330 million is committed to funding infrastructure projects across the region from the Hunter Infrastructure and Investment Fund, administered by Hunter Development Corporation.
- The Corporation completes the design for closure works covering 20 hectares of the former BHP Steelworks waste emplacement facility on Kooragang Island in preparation for civil construction works.
- The Corporation awards a contract for the detailed design of remediation works on the 10 hectare “Intermodal area on the former BHP Steelworks site at Mayfield.
- The NSW Government unveils the proposed route for the light rail service between Wickham and Newcastle East and opens a registration of interest process for the design and construction of the Wickham transport interchange.
- The Corporation called for expressions of interest for the development of another Honeysuckle site next to the NIB building, known as Lot 230 or 18 Honeysuckle Drive, leading to the appointment of a preferred proponent with plans for a residential and commercial development.
- The Corporation develops an innovative approach to addressing mine subsidence on a precinct-wide basis as a model for greater efficiency in de-risking development sites. An application for funding to address mine subsidence on this basis is made under the Resources for Regions program.
- The Corporation obtains NSW EPA approval of remediation works to the 90 hectare Portside lands on the former BHP steelworks site at Mayfield and enters new remediation agreement for the remaining lands.

Urban Renewal

Newcastle City Centre

Significant progress was made during 2013-14 on several key aspects of the NSW Government's urban renewal and transport program.

The Government's June 2013 announcement that it would expand and accelerate its city centre revitalisation program, by committing to provide an additional \$340 million in funding, contingent on the successful lease of the Port of Newcastle, came to fruition with the completion of the lease transaction in April 2014.

The Government confirmed the additional funds would be put towards providing a light rail service in the city centre to replace the heavy rail service that has separated Hunter Street and the city centre from Honeysuckle and the harbour.

The NSW Government announced that Urban Growth NSW would take a central role in the implementation of the program, in particular working with Transport for NSW on the transport aspects of the program.

In March 2014 the amended Newcastle Urban Renewal Strategy was placed on exhibition ahead of a community engagement program undertaken by Urban Growth in July known as "Design Newcastle". Following Design Newcastle a more detailed urban renewal plan will be released to guide the delivery of the urban renewal program in the city centre.

Progress was made on the other significant urban renewal developments in the city centre such as the commencement of the \$94 million Newcastle court complex construction at Civic which began to take shape.

Grouting works to address mine subsidence have been undertaken at the \$95 million University of Newcastle city campus – to be known as "NeW Space". In March 2014 the University released details of an early concept design of an innovative 10-storey "vertical campus" building designed by leading Melbourne firm Lyons Architecture and Newcastle architects EJE Architecture. To be built on the corner of Hunter and Auckland Streets in time for the start of the 2017 academic year, it will provide facilities for all staff and students through digital library services and information commons, and collaborative learning and research spaces as well as house the Faculty of Business and Law.

Empire Hotel site

The Corporation launched an expression of interest campaign in November 2013 for the redevelopment of this large site in Hunter Street. Teaming up with the City of Newcastle, the expression of interest process called for proposals including affordable housing units. This led to the selection of a Newcastle based consortium, NewcastleFirst, as preferred proponent with plans for a 100-plus unit apartment building with a minimum 25 affordable housing units.

The Corporation is contributing the land value of \$2.8 million to the project while the City of Newcastle resolved to contribute \$2.9 million from its Building Better Cities Housing Management and Development Committee. The project is expected to contribute to the NSW Government's wider plans for urban renewal, creating jobs and homes in the city centre and transforming an eyesore into a positive contributor to the streetscape and the economy.

Urban Renewal - Honeysuckle

The Corporation continues to prepare for the redevelopment of the remaining eight hectares of undeveloped land in the Cottage Creek precinct and Lee Wharf.

The Corporation is carefully considering the interface between the Honeysuckle landholdings and the Newcastle Urban Renewal and Transport program, in particular the new transport interchange at Wickham and light rail. The NSW Government is determined to ensure the as-yet undeveloped lands in the Honeysuckle precinct integrate with the wider urban renewal of the Newcastle city centre. HDC, UrbanGrowth, the City of Newcastle and all other relevant stakeholders will be working closely together to ensure this is the case.

Lot 22

In March 2014 the Corporation responded to market interest in Lot 22, next to the Hunter Water Building on Honeysuckle Drive, by making the land available for developers seeking to respond to the Australian Taxation Office's expression of interest for new headquarters in Newcastle. The site was identified as a good fit with the Tax Office's requirements for a modern, stand-alone A-grade commercial office building.

This followed the announcement in late 2013 that The Greater Building Society would not pursue its plans to build a new corporate headquarters on the Lot 22 site.

Honeysuckle Central

Following the termination of the purchase agreement for land known as Honeysuckle Central in December 2012 the Corporation continued to prepare to bring the site back to the market to seek fresh expressions of interest for its development. Consideration was also given to the need to ensure the integration of the site with the wider urban renewal strategy,

given its proximity to the rail corridor. The site has the advantage of having a development application for a commercial office development already approved.

Lot 230

The Corporation called for expressions of interest for the development of another Honeysuckle site next to the NIB building, known as Lot 230 or 18 Honeysuckle Drive. This site was previously being held for consideration and potential development as part of the University of Newcastle's planned city campus. This site was released to the market by the Corporation following the progression of the University's plans to build the new campus on a site in Hunter Street. The expression of interest process led to the selection of the ACT-based Doma Group as preferred proponent to build a commercial office building and also a residential building on the site. The \$36 million development would consist of two seven storey buildings with 8,165m² of office space, approximately 66 residential units, ground floor retail and a café. The development will cater to around 750 workers and 100 residents.

Glendale development

Following successful discussions with NSW Trains (formerly RailCorp), the parties agreed to investigate the feasibility of the development potential of 20 hectares of NSW Trains land at Glendale. The investigation or due diligence will be undertaken with a view to delivering a mixture of commercial and residential development. Ongoing liaison with NSW Trains and Lake Macquarie City Council on this long term project will refine potential development opportunities on the site, which is located in an emerging regional centre.

Mine subsidence

With mine subsidence identified as a constraint to development in the Newcastle city centre due to historical mine workings around the harbour and the city centre, the Corporation participated in the Mine Subsidence Taskforce coordinated by the NSW Department of Premier and Cabinet. The Corporation had already developed a mine subsidence strategy for the entire Honeysuckle precinct and, in doing so, contributed greatly to the overall picture of mine subsidence in the city centre and how it might be tackled in the future.

Major Capital Works Projects

Mayfield

The Corporation awarded a contract for the detailed design of remediation works for the 10 hectare Intermodal Area on the former BHP Steelworks site at Mayfield. The site is a strategic parcel of land between the portside land and the 52 hectare Intertrade Area bounded by Industrial Drive.

HDC had already completed remediation works on 90 hectares of portside land, equivalent to an area covering 150 football fields, installed extensive drainage and constructed a new freight rail line on the site.

In 2013-14 the NSW Environment Protection Authority advised that as a result of the success of the remediation of the portside land, it had repealed the contaminated land declaration for this part of the site.

Moving on to the next phase in the clean-up, HDC has commenced preparation of the “blueprints” to guide remediation work to allow the Intermodal Area to be re-used.

Kooragang Island

The Corporation has progressed the planning of the necessary works to meet the State’s environmental responsibilities on Kooragang Island. BHP used the former landfill site during its Newcastle steelworks operations, and the overall closure works scope requires about 60 hectares to be brought up to an environmental standard set by the NSW Environment Protection Authority. Design documentation was completed and a contract awarded in August 2014 to Georgiou Group Pty Ltd for the first construction phase relating to 20 hectares of the site.

The Corporation continues to play a key role in working through a range of complexities with a variety of stakeholders to ensure the works will be environmentally sound and appropriately coordinated with other potential uses of the site, such as the proposed Port Waratah Coal Services T4 Coal Terminal on part of the site.

Place Making and Communications

Place-making

The Corporation's place making program continues to deliver a series of unique temporary and permanent projects to activate public spaces and improve the experience for people who live, work and play in the Honeysuckle precinct.

The program encompasses elements of art, culture, music, functionality and fun and is driven by the Honeysuckle Reference Group, comprising local businesses and residents who are taking an increased interest in, and ownership of, the program's outcomes.

The program includes free public events, roving musicians and portrait artists, public art, play sculptures, community gardens, murals, lighting installations and communication initiatives such as web and social media, community message boards and "meet 'n' greets".

The second annual "A Taste of Honeysuckle - Winter Heat", held in June, was resounding success with over 4,000 people enjoying local food and wine, fire installations, fine local entertainment and a family friendly atmosphere. "Classic's on the Boardwalk" and the "Boardwalk Beer Festival" were equally successful collaborative events held at Honeysuckle.

In the provision of such initiatives, the Corporation has partnered with organisations such as the City of Newcastle, TAFE, TINA Festival (This Is Not Art) and NIMA (Newcastle's Improvised Music Association) creating meaningful connections with community based organisations and their affiliates across the city. In-particular, the Corporation has continued its partnership with the Newcastle Now apolitical business improvement association which advocates for precinct development.

In addition, the Honeysuckle precinct is an increasingly popular place for other organisations to promote and stage events. Various charity and fundraising events, festivals and sporting events have taken place at Honeysuckle, drawing new people into the precinct.

The Corporation continued its support of Renew Newcastle as a means of supporting low key yet effective action to activate space in the Newcastle city centre. In 2013-14 the Corporation made its third annual \$50,000 contribution to assist the group with its work to bring vacant retail and commercial office spaces in the Newcastle city centre to life with creative and innovative start-up businesses and artistic ventures. Throughout the period July 2013 to June 2014 Renew Newcastle enlivened the city centre through the addition of 30 new creative projects and activating 7 new otherwise vacant properties. In total during the reporting period Renew Newcastle supported 71 arts, creative and community projects in the city, and kept 30 properties clean and activated.

The Corporation's sponsorship was critical to the temporary activation of various difficult-to-access sites in key locations, which would otherwise remain dormant. Renew Newcastle undertook a second iteration of the ground floor of the former David Jones department store in Hunter Street Mall, installing additional exhibition and shop spaces known as "The Emporium". This has allowed creative retail activity to continue to complement the commercial activity in the area which is otherwise at 95 per cent occupancy with commercial tenants at street level. A Hunter Water-owned property in the west of the city centre was restored after 10 years vacancy, allowing a contemporary art gallery run by TAFE students to be established. Three levels of artist studio space was made available, providing

inner city locations for visual artists, photographers, fashion designers, installation artists, and a performance collective to established themselves. This artist hub has already produced a new street press, "The Follower," and a group photography publication, "2hrs north," promoting the city's cultural life.

Sponsorship was provided to Regional Development Australia Hunter in November 2013 for a seminar featuring demographer Bernard Salt who addressed the theme "Can the Hunter Compete for Global Talent?". The seminar discussed ways the Hunter region can maximise its workforce for the future.

Amenity improvements

At the same time a range of amenity improvements, such as refreshed landscaping and seating as well colourful furniture that can be relocated around the precinct have been completed, complementing previous initiatives such as the provision of free-parking on weekends.

A major amenity improvement undertaken this year was the temporary extension of Worth Place Park. This project aims to provide interim and early enjoyment of recreational areas while the final treatment is being planned. The temporary park provides approximately 4,000m² of green open space, shade, seating, barbecue and play elements to make the Honeysuckle precinct a more comfortable and inviting place to linger, meet friends and relax.

Communications

In order to ensure effective communication with stakeholders, the Corporation continued to utilise a wide variety of communications and marketing tools throughout the year.

A Honeysuckle reference group continued to meet on a regular basis to discuss the future direction of the precinct. The Corporation also continued to provide free Wi-Fi and the use of its social media and online platforms to help people stay informed and connected with

events and initiatives in the precinct. This included the revamp of the Honeysuckle.net website to ensure continued optimal relevance and utility of the site through a redesign and making the site responsive to smartphones and tablets.

The Corporation continued to publish the popular monthly e-newsletter *HarbourLife* during the year, with subscription continuing to grow. At the end of June 2013 subscribers totalled 1,800.

The Corporation also maintained the Honeysuckle dining mobile optimised website featuring updated information on the many eateries in the Honeysuckle precinct to make choosing and booking a restaurant as easy as possible.

The Corporation also refreshed its billboards in the Honeysuckle precinct to promote key Honeysuckle attractions and enhance way-finding.

Sponsorship

The Corporation continued its sponsorship of the Hunter Valley Research Foundation (HVRF) and also participated in the HVRF Hunter Region Omnibus Surveys. Sponsorship was also provided to the Foundation's Upper Hunter Economic Update event in September 2013 at the Muswellbrook RSL Club. The event, attended by about 190 people, featured the release of HVRF's economic research and a national/international economic overview.

The Corporation continued its partnership with the Property Council of Australia Hunter Chapter as one of several sponsors of its Hunter Luncheon series. The series features prominent speakers on topical subjects in the planning and property spheres.

Another community initiative supported during the year was the Newcastle Rowing Club's Throsby Creek Regatta, attracting large numbers to compete on Throsby Creek, alongside the Linwood and Carrington residential communities.

The Corporation sponsored the Australian Institute of Architects 2013 Lower Hunter Urban Design Awards Student Concept Prize. The sponsorship provided a cash prize to the winning student, Kirsten Abrahall of Hunter TAFE, for her conceptual landscape design of the revitalisation of Maitland Walka Water Works.

Regional Planning and Infrastructure

Hunter Infrastructure and Investment Fund

The Corporation's work in administering and supporting the Hunter Infrastructure and Investment Fund continued in 2013-14. The Corporation assisted the Advisory Board in its evaluation of new infrastructure projects put forward after a public call for projects process. The NSW Government then announced funding for the following new projects in September 2013:

- \$11 million for the expansion of the Newcastle Airport terminal;
- \$7.3 million for the construction of a new regional football facility at Speers Point;
- \$7 million for the expansion of the Neonatal Intensive Care Unit at the John Hunter Children's Hospital;
- \$5.7 million for the refurbishment of the Singleton "Gym and Swim" complex;
- \$2 million for the refurbishment of the Upper Hunter Conservatorium of Music;
- \$2 million for the renovation of the Maitland Town Hall to provide a regional theatre space;
- \$9.6 million for the replacement of the Muswellbrook Sewerage Treatment Plant; and
- \$4 million for the reconstruction of Thomas Mitchell Drive, Muswellbrook.

The Government subsequently announced funding of \$5.6 million towards the \$8.6 million upgrade of the Maitland Sportsground and \$5.3 million towards the \$20 million rebuild of the Hunter Sports High School at Gateshead.

At the end of the 2013-14 financial year \$330 million had been committed to a wide variety of projects across the Hunter.

Several projects are now complete, including:

- The \$2 million refurbishment of the Cessnock Emergency Department;
- The \$2 million Maitland Mental Health Unit carer's room and courtyard; and
- The \$0.5 million equipment upgrade at the Wansey Dialysis Centre, Charlestown.

Many other projects are underway, including:

- The \$20 million Wine Region Roads upgrade at Pokolbin;
- The \$20 million Raymond Terrace to Dungog road upgrade;
- The \$44 million New England Highway upgrade at Maitland;
- The \$95 million University of Newcastle City Campus (\$25 million of which is funded through the HIIF);
- The \$11.3 million Lake Macquarie Football Facility (\$7.3 million from the HIIF); and
- \$11.1 million Newcastle Airport Expansion.

Other projects are in advanced stages of planning or are due to commence soon, including:

- The \$7 million refurbishment and expansion of the neonatal intensive care unit at the John Hunter Children's Hospital, Newcastle;
- The Newcastle City Centre urban renewal and light rail project to which the fund is directly contributing \$60 million; and
- The new Hunter Valley Hospital to be built at Metford to which the Fund has provided \$20 million.

These infrastructure projects will bring a wide range of benefits to the Hunter community.

Hunter Infrastructure Plans

The Hunter Development Corporation and the Department of Planning and Environment have been at the centre of the Government's work to integrate infrastructure planning with land use plans. This has involved participation in the preparation of several distinct but related plans.

The Corporation published the Hunter Strategic Infrastructure Plan in February 2014. Prepared by a Project Control Group driven by HDC, in partnership with Hunter Councils Inc, the plan focusses on infrastructure to boost economic capacity and enhance the liveability of urban areas of the five lower Hunter local government areas.

The release of the Hunter Strategic Infrastructure Plan coincided with the release by RDA Hunter and NSW of the Hunter Economic Infrastructure Plan which supports nation building infrastructure in the Hunter contributing to national productivity. The Corporation participated in the Infrastructure NSW project control group to undertake the sectoral plan on the Hunter region with a focus on the coal chain. This work involved working closely with NSW, Regional Development Australia Hunter, and other key stakeholders under an independent Chair.

Both plans were the result of extensive agency stakeholder consultation and data gathering and will provide a sound basis for future decision making by both the public and private sectors. The plans work together as a comprehensive picture of the infrastructure needs of the Hunter, recognising the importance of strategic corridors for the movement of people, freight and goods and their impact on urban communities.

The plans position the Hunter well for future investment by all tiers of government. The NSW and Australian Governments had already announced joint funding for two of the highest priority projects identified by the plans, namely, the duplication of the Tourle Street Bridge (Kooragang Island) and the construction of the Scone rail level crossing replacement.

The Integrated Infrastructure Planning Tool (IIPT) is an initiative of the Corporation and the Hunter Infrastructure Investment Fund (HIIF) Board. The IIPT is an evidence based decision support tool which has been developed to better understand infrastructure capacity, costs and capability in the region to facilitate growth. The tool specifically focusses on green-field development.

While the tool is a work in progress, HDC has run a successful pilot in the lower Hunter and is currently conducting a pilot in the upper Hunter. The focus over the next 12 to 18 months will be to refine the lead infrastructure data base to support regional growth infrastructure planning reporting. The tool will help the Corporation to identify the right infrastructure, in the right place, at the right time. An animated video explaining how the tool works can be accessed at <http://www.hunterinfrastructureplan.com.au/plan/>

At the same time several other strategically important plans were completed by other agencies in the infrastructure sphere. These include the Hunter Regional Transport Plan and the Newcastle Urban Renewal Strategy which both provide further clarity to guide future investment.

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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 comprise the statement of financial position as at 30 June 2014, 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 2014, and of its financial performance and its cash flows 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 of the financial statements that give a true and fair view 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 financial statements that give a true and fair view and 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 control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

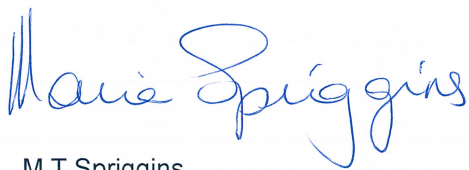
My opinion does *not* provide assurance:

- 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 assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about 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 roles by the possibility of losing clients or income.



M T Spriggins
Director of Audit

10 September 2014
SYDNEY

Statement by the Board

Directors Statement

Statement by the Directors on the Adoption of the Financial Statements for the Year Ended 30 June 2014.

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 2014 and transactions for the year then ended.
- 2) The statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and Treasurer's Directions.

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

Paul Broad
CHAIRMAN
HUNTER DEVELOPMENT CORPORATION

Sharon Smith
DIRECTOR
HUNTER DEVELOPMENT CORPORATION

5 SEPTEMBER 2014

Financial Statements

HUNTER DEVELOPMENT CORPORATION

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
Expenses Excluding Losses				
Operating expenses				
Personnel services expense	2(a)	2,489	2,938	2,460
Other operating expenses	2(b)	17,165	11,708	4,479
Depreciation and amortisation	2(c)	39	63	50
Grants and subsidies	2(d)	10,732	18,450	319
Finance costs	2(e)	-	338	-
Other expenses	2(f)	767	45,984	4,800
Total Expenses Excluding Losses		31,192	79,481	12,108
Revenue				
Sale of goods and services	3(a)	9,192	4,157	2,878
Investment revenue	3(b)	1,745	2,415	3,235
Grants and contributions	3(c)	10,859	18,660	1,605
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	129	80	81
Other revenue	3(e)	2,136	46,956	6,178
Total Revenue		24,061	72,268	13,977
Gain / (loss) on disposal		-	-	-
Other losses		-	-	-
Net result		(7,131)	(7,213)	1,869
Other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME		(7,131)	(7,213)	1,869

The accompanying notes form part of these financial statements

HUNTER DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	4	7,945	-	891
Receivables	5	996	222	889
Inventories	6	-	-	1,305
Total Current Assets		8,941	222	3,085
Non-Current Assets				
Inventories	6	35,971	56,102	55,023
Plant and equipment	7	58	30	97
Total Non-Current Assets		36,029	56,132	55,120
TOTAL ASSETS		44,970	56,354	58,205
LIABILITIES				
Current Liabilities				
Payables	9	960	431	1,175
Borrowings	10	-	6,369	-
Provisions	11	238	210	232
Other	12	538	103	127
Total Current Liabilities		1,736	7,113	1,534
Non-Current Liabilities				
Provisions	11	31	-	33
Other	12	35	31	114
Total Non-Current Liabilities		66	31	147
TOTAL LIABILITIES		1,802	7,144	1,681
NET ASSETS		43,168	49,210	56,524
EQUITY				
Accumulated funds		43,168	49,210	56,524
TOTAL EQUITY		43,168	49,210	56,524

The accompanying notes form part of these financial statements

HUNTER DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Accumulated Funds \$'000
Balance at 1 July 2013		56,524
Changes in accounting policy		-
Correction of errors		-
Restated total equity at 1 July 2013		56,524
Net result for the year		(7,131)
Other comprehensive income:		
Net increase / (decrease) in plant and equipment		-
Total other comprehensive income		-
Total comprehensive income for the year		(7,131)
Transactions with owners in their capacity as owners		
Increase / (decrease) in net assets from equity transfers		(6,225)
Balance at 30 June 2014		43,168
Balance at 1 July 2012		54,655
Changes in accounting policy		-
Correction of errors		-
Restated total equity at 1 July 2012		54,655
Net result for the year		1,869
Other comprehensive income:		
Net increase / (decrease) in plant and equipment		-
Total other comprehensive income		-
Total comprehensive income for the year		1,869
Transactions with owners in their capacity as owners		
Increase / (decrease) in net assets from equity transfers		-
Balance at 30 June 2013		56,524

The accompanying notes form part of these statements.

HUNTER DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Grants and subsidies		11,805	18,450	351
Finance costs		-	338	196
Suppliers and personnel services		6,968	58,831	12,394
Inventories		27	1,322	1,035
Total Payments		18,800	78,941	13,976
Receipts				
Reimbursements from the Crown Entity (Transfers to the Crown Entity)		129	80	81
Sale of goods and services		12,183	6,534	5,349
Interest received		195	-	59
Grants and contributions		13,347	65,536	8,401
Total Receipts		25,854	72,150	13,890
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	7,054	(6,791)	(86)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment		-	-	-
Purchases of plant and equipment		-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings		-	6,369	-
Repayment of borrowings		-	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	6,369	-
NET INCREASE / (DECREASE) IN CASH		7,054	(422)	(86)
Opening cash and cash equivalents		891	422	977
CLOSING CASH AND CASH EQUIVALENTS	4	7,945	-	891

The accompanying notes form part of these statements

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2014

1. Summary of Significant Accounting Policies

(a) Reporting Entity

The Hunter Development Corporation ("the Corporation") is a NSW government entity. The Corporation is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The Corporation is consolidated as part of the NSW Total State Sector Accounts.

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 has not prepared a Service Group Statement for the year ended 30 June 2014 as it is not applicable to its operations.

These financial statements for the year ended 30 June 2014 have been authorised for release by the Directors on 5 September 2014.

(b) Basis of preparation

The financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2010 and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

The financial report has been prepared on a going concern basis which assumes the Corporation's assets will be realised and liabilities settled in the ordinary course of business.

Property, plant and equipment are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

Notes to and Forming Part of the financial Statements for the Year Ended 30 June 2014

(d) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit general government sector entities.

(e) Insurance

The Corporation's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claim experience.

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

Income, expenses and assets are recognised net of the amount of GST, except that:

- the amount of GST incurred by the Corporation as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(g) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Sale of goods

Revenue from the sale of goods is recognised as revenue when the Corporation transfers the significant risks and rewards of ownership of the assets.

(ii) Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement. Rental revenue from operating leases is recognised in accordance with AASB 117 Leases on a straight-line basis over the lease term.

(h) Assets

(i) Acquisition of assets

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 1(l)).

Fair value is the amount that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2014

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted at an asset-specific rate.

(ii) Capitalisation thresholds

Property, plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

(iii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01) This policy adopts fair value in accordance with AASB 113 Fair Value Measurement and AASB 116 Property, Plant and Equipment.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

(iv) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

(v) Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Corporation.

All material identifiable components of assets are depreciated separately over their useful lives.

The depreciation rates of the various categories of non-current assets are as follows:

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

(vi) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

**Notes to and Forming Part of the financial Statements for the Year Ended
30 June 2014**

(vii) Leased assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

The Corporation has no finance lease arrangements.

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred.

(viii) Loans and receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost, or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ix) Inventories

Land inventory is reported at the lower of cost and net realisable value. Cost includes acquisition and development costs. Land purchases are recognised on settlement.

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

(x) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Corporation will not be able to collect all amounts due.

The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2014

(xi) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Corporation transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where the Corporation has not transferred substantially all the risks and rewards, if the Corporation has not retained control.

Where the Corporation has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Corporation's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(i) Liabilities

(i) Payables

These amounts represent liabilities for goods and services provided to the Corporation and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on derecognition.

(iii) Financial Guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued and initially measured at fair value plus, in the case of financial guarantees not at fair value through profit or loss, directly attributable transaction costs, where material. After initial recognition, the liability is measured at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised, less accumulated amortisation, where appropriate.

The Corporation has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2014 and at 30 June 2013. However, refer Note 14 regarding disclosures on contingent liabilities.

Notes to and Forming Part of the financial Statements for the Year Ended 30 June 2014

(iv) Personnel Services Expense

The Corporation does not employ any staff and receives personnel services from Planning and Infrastructure. The cost of personnel services is recognised as expenses and payables.

The Corporation's liabilities contain provision for recreation leave arising from services rendered by personnel up to balance date. 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. 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 recognised in the Corporation's financial statements. The unfunded liability of these entitlements are transferred to the Crown in accordance with Treasury Guidelines.

(v) Other Provisions

Other provisions exist when: the Corporation has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(j) Fair Value Hierarchy

A number of the Corporation's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Corporation categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices in active markets for identical assets / liabilities that the Corporation can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

The Corporation recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer Note 8 for further disclosures regarding fair value measurement of non-financial assets.

(k) Accumulated Funds

The category 'Accumulated Funds' includes all current and prior period retained funds.

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2014

(l) Equity Transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities are designated or required by Australian Accounting Standards to be treated as contributions by owners and recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 Contributions and Australian Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

(m) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the PFAA where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts.

(n) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

(o) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2013-14

The accounting policies applied in 2013-14 are consistent with those of the previous financial year.

(ii) Issued but not effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

The following new Australian Accounting Standards have not been applied and are not yet effective

- AASB 9, AASB 2010-7 and AASB 2012-6 regarding financial instruments (1 January 2015);
- AASB 2012-3 regarding offsetting financial assets and financial liabilities (1 January 2014);
- AASB 1031 Materiality (1 January 2014);
- AASB 1055 and AASB 2013-1 regarding budgetary reporting (1 July 2014);
- AASB 2013-9 regarding the conceptual framework, materiality and financial instruments (1 January 2015).

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 2014**

2. Expenses Excluding Losses

(a) Personnel service expense

	2014	2013
	\$'000	\$'000
Salaries and wages (including recreation leave)	2,168	2,120
Superannuation	172	191
Payroll tax and fringe benefits tax	149	148
Worker's compensation insurance	-	1
	2,489	2,460

(b) Other operating expenses include the following

	2014	2013
	\$'000	\$'000
Auditor's remuneration - audit of the financial statements	51	49
Internal audit fees	55	4
Cost of sales	14,159	-
Inventory adjustment to net realisable value	-	908
Operating lease rental expense - minimum lease payments	220	208
Property expenses	1,795	1,719
Insurance	57	47
Other Contractors	130	75
Community information / liaison and promotion	254	346
Board remuneration	99	115
Fees for services	83	94
Hunter Infrastructure and Investment Fund expenses	124	654
Other	138	260
	17,165	4,479

(c) Depreciation and amortisation expense

Depreciation - Furniture and Fittings	5	5
Depreciation - Plant and Equipment	3	3
Amortisation - Leasehold Improvements	31	42
	39	50

(d) Grants and subsidies

Hunter Infrastructure and Investment Fund Projects	10,325	-
Public domain landscaping and seawall repairs	277	106
Community activation	130	213
	10,732	319

**Notes to and Forming Part of the Financial Statements for the Year Ended
30 June 2014**

(e) Finance costs

Interest expense TCorp Loan	-	-
Interest government guarantee fee	-	-
	<u>-</u>	<u>-</u>

(f) Other expenses

Remediation expense	766	4,789
Infrastructure expense	1	11
	<u>767</u>	<u>4,800</u>

3. Revenue

(a) Sale of goods and services

	2014	2013
	\$'000	\$'000
Sale of goods	7,282	-
Other Income ¹	1,910	2,878
	<u>9,192</u>	<u>2,878</u>

Note:

1. 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.

(b) Investment Revenue

Interest revenue from financial assets not at fair value through profit or loss	15	8
TCorp Hour Glass Facilities designated at fair value through profit or loss	180	51
Rents	1,550	3,176
	<u>1,745</u>	<u>3,235</u>

(c) Grants and contributions

Grant revenue	10,859	1,605
	<u>10,859</u>	<u>1,605</u>

(d) Acceptance by the Crown Entity of employee benefits and other liabilities

The following liabilities and / or expenses have been assumed by the Crown Entity or other government entities:

Superannuation – defined benefit	23	18
Long service leave	105	62
Payroll tax	1	1
	<u>129</u>	<u>81</u>

(e) Other revenue

Remediation revenue	2,136	6,178
	<u>2,136</u>	<u>6,178</u>

**Notes to and Forming Part of the financial Statements for the Year Ended
30 June 2014**

4. Current Assets – Cash and Cash Equivalents

	2014	2013
	\$'000	\$'000
Cash at bank and on hand	544	258
TCorp Hour Glass Facility	1,360	633
Short-term deposits	6,041	-
	7,945	891

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	7,945	891
Closing cash and cash equivalents (per statement of cash flows)	7,945	891

Refer Note 17 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

5. Current / Non-Current Assets – Receivables

	2014	2013
	\$'000	\$'000
Sale of goods and services	488	684
Less: Allowance for impairment	-	-
Goods and Services Tax recoverable from ATO	497	124
Prepayments	11	81
	996	889

Movement in the allowance for impairment

Balance at 1 July	-	-
Amounts written off during the year	-	-
Amounts recovered during the year	-	-
Increase/(decrease) in allowance recognised in profit or loss	-	-
Balance at 30 June	-	-

Refer Note 17 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

**Notes to and Forming Part of the Financial Statements for the Year Ended
30 June 2014**

6. Current / Non-Current Assets – Inventories

	2014	2013
	\$'000	\$'000
Current		
At Cost	-	1,305
At Valuation	-	-
	-	1,305
Non-Current		
At Cost	24,629	37,383
At Valuation	11,342	17,640
	35,971	55,023
Total	35,971	56,328
Details of inventories		
Acquisition Costs	33,967	54,927
Development Costs	3,684	3,658
Accumulated Inventory Adjustment to Net Realisable Value	(1,680)	(2,257)
	35,971	56,328

7. Non-Current Assets – Property, Plant and Equipment

	Plant and equipment	Leasehold improvements	Furniture and fittings	Total
At 1 July 2013 – fair value				
Gross carrying amount	54	281	71	406
Accumulated depreciation and impairment	(46)	(211)	(52)	(309)
Net carrying amount	8	70	19	97
At 30 June 2014 – fair value				
Gross carrying amount	54	281	62	397
Accumulated depreciation and impairment	(49)	(243)	(47)	(339)
Net carrying amount	5	38	15	58

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Plant and equipment	Leasehold improvements	Furniture and fittings	Total
Year ended 30 June 2014				
Net carrying amount at start of year	8	70	19	97
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation expense	(3)	(32)	(4)	(39)
Net carrying amount at end of year	5	38	15	58

**Notes to and Forming Part of the financial Statements for the Year Ended
30 June 2014**

At 30 June 2013 – fair value

Gross carrying amount	54	281	71	406
Accumulated depreciation and impairment	(46)	(211)	(52)	(309)
Net carrying amount	8	70	19	97

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the prior reporting period is set out below:

Year ended 30 June 2013

Net carrying amount at start of year	11	112	24	147
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation expense	(3)	(42)	(5)	(50)
Net carrying amount at end of year	8	70	19	97

8. Fair Value measurement of non-financial assets

(a) Fair value hierarchy

2014

	Level 1	Level 2	Level 3	Total Fair Value
Property, plant and equipment (Note 7)				
Plant and Equipment	-	-	58	58
	-	-	58	58

(b) Valuation techniques, inputs and processes

The fair value measurement technique utilised by the Corporation for plant and equipment is the depreciated replacement cost approach refer Note 1 (h).

(c) Reconciliation of recurring Level 3 fair value measurements

	Plant and Equipment \$'000	Total Recurring Level 3 Fair Value \$'000
Fair value as at 1 July 2013	97	97
Additions	-	-
Revaluation increments/decrements recognised in Net result – included in the line item 'Other gains/losses'	-	-
Revaluation increments/decrements recognised in other comprehensive income – included in line item 'Net increase/(decrease) in property, plant and equipment revaluation surplus'	-	-
Transfers from Level 2	-	-
Transfers to Level 2	-	-
Disposals	-	-
Depreciation	39	39
Fair value as at 30 June 2014	58	58

**Notes to and Forming Part of the Financial Statements for the Year Ended
30 June 2014**

9. Current Liabilities – Payables

	2014	2013
	\$'000	\$'000
Accrued salaries, wages and on-costs	156	130
Creditors	499	717
Unearned revenue	305	328
	960	1,175

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 17.

10. Current / Non-Current Liabilities – Borrowings

	2014	2013
	\$'000	\$'000
TCorp borrowings – unsecured	-	-
	-	-

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 17.

11. Current / Non-Current Liabilities – Provisions

	2014	2013
	\$'000	\$'000
Current		
Recreation Leave ¹	237	231
Lease Incentive ²	1	1
Makegood Restoration ³	-	-
	238	232
Non-Current		
Lease Incentive ²	1	3
Makegood Restoration ³	30	30
	31	33

Notes

- The expected value of recreation leave to be paid within twelve months is \$192,000 and \$45,000 after twelve months. This forecast reflects the Government policy as set out in M2012-07 Reduction of accrued recreation leave balances.
- Lease incentive is amortised over the term of the lease and is recognised as a reduction in operating lease rental expense.
- Makegood restoration provision reflects an estimate of the cost to makegood the premises to their original condition at the end of the lease term.

Notes to and Forming Part of the financial Statements for the Year Ended 30 June 2014

Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Recreation Leave	Lease Incentive	Leasehold Improvement	Total
Carrying amount at the beginning of financial year	231	4	30	265
Additional provisions recognised	190	-	-	190
Amounts used	(182)	(2)	-	(184)
Unused amounts reversed	-	-	-	-
Unwinding / change in the discount rate	(2)	-	-	(2)
Carrying amount at end of financial year	237	2	30	269

12. Current / Non-Current Liabilities – Other

	2014 \$'000	2013 \$'000
Current		
Security deposits	538	127
	538	127
Non-current		
Security deposits	35	114
	35	114

13. Commitments for Expenditure

(a) Capital

Aggregate capital expenditure contracted for at balance date and not provided for:

	2014 \$'000	2013 \$'000
Not later than one year	10	100
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	10	100

(b) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable:

	2014 \$'000	2013 \$'000
Not later than one year	171	171
Later than one year and not later than five years	62	232
Later than five years	-	-
Total (including GST)	233	403

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

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2014

be increased by 3.25% per annum. 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.

14. Contingent Liabilities and Contingent Assets

Contingent liabilities

Extensive investigative works have been undertaken on mine subsidence and remediation issues that impact the Corporation's requirements for remediation works. There is a possibility that actual costs may exceed the estimated cost for remediation works.

Except for that noted above there are no other contingent liabilities as at 30 June 2014.

Contingent Assets

There are no contingent assets as at 30 June 2014.

15. Budget Review

Net result

The net result is favourable to budget by \$0.1m primarily as a result of:

- Actual investment revenue being less than budget by \$0.7m due to sale of rental properties;
- Actual personnel service expense being less than budget by \$0.5m due to positions not being filled and secondment of certain staff;
- Actual grants and subsidies expenditure (\$7.7m lower than budget) and actual grants and contributions (\$7.8m lower than budget) were impacted by delayed claims for projects funded by the Hunter Infrastructure Investment Fund;
- Actual other operating expenses (\$5.5m higher than budget) and actual sales of goods and services (\$5.0m higher than budget) were impacted by property settlements; and
- Actual other operating expenses (\$45.2m lower than budget) and actual other revenue (\$44.8m lower than budget) were impacted by fewer remediation works.

Assets and liabilities

The Corporation's net cash position was \$14.3m higher than budget primarily as a result of:

- An increase in payables of \$0.5m;
- An increase in receivables of \$0.8m;
- A decrease of \$20.1m in inventories; and
- Equity transfer of \$6.2m relating to inventories.

Cash flows

The net cash flows from operating activities were favourable to budget by \$13.8m primarily as a result of:

- An underspend of \$51.9m on suppliers and personnel services which is offset by a \$52.2m reduction in grants and contributions;
- Additional sales of goods and services of \$5.6m due to sale of properties;
- Deferral of \$1.3m expenditure on inventories; and
- Deferral of \$6.6m expenditure on grants and subsidies.

**Notes to and Forming Part of the financial Statements for the Year Ended
30 June 2014**

16. Reconciliation of Cash Flows from Operating Activities to Net Result

	2014	2013
	\$'000	\$'000
Net result	(7,131)	1,869
Depreciation	39	50
Inventory adjustment to net realisable value	-	908
Equity Transfer	(6,225)	-
(Increase) / decrease in receivables	(107)	(32)
(Increase) / decrease in inventories	20,357	(1,035)
Decrease / (increase) in creditors	(215)	(1,837)
(Decrease) / increase in provisions	4	(11)
Increase / (decrease) in other liabilities	332	2
Net gain / (loss) on sale of plant and equipment	-	-
Net Result	7,054	(86)

17. Financial Instruments

The Corporation's principal financial instruments are outlined below. These financial instruments arise directly from the Corporation's operations or are required to finance the Corporation's operations. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporation's main risks arising from financial instruments are outlined below, together with the Corporation's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Corporation, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Audit and Risk Committee on a continuous basis.

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2014

(a) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount	Carrying Amount
			2014	2013
			\$'000	\$'000
Class:				
Cash and cash equivalents	4	N/A	7,945	891
Receivables ¹	5	Loans and receivables (at amortised cost)	488	684

Financial Liabilities	Note	Category	Carrying Amount	Carrying Amount
			2014	2013
			\$'000	\$'000
Class:				
Payables ²	9	Financial liabilities measured at amortised cost	655	847
Borrowings	10	Financial liabilities measured at amortised cost	-	-

Notes

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

(b) Credit Risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Corporation, including cash and receivables. No collateral is held by the Corporation. The Corporation has not granted any financial guarantees.

Deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury. The TCorp Hour Glass cash facility is discussed in paragraph (d) below.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the Corporation

Notes to and Forming Part of the financial Statements for the Year Ended 30 June 2014

will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30 day terms.

The Corporation is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2014: \$313,000; 2013: \$449,000) and less than three months past due (2014: \$14,000; 2013: \$235,000) are not considered impaired. Together, these represent 99.5% of the total trade debtors.

The only financial assets that are past due or impaired are 'sales of goods and services' in the 'receivables' category of the statement of financial position.

	Total^{1,2}	Past due but not impaired^{1,2}	Considered impaired^{1,2}
		\$'000	\$'000
2014			
< 3 months overdue	14	14	-
3 months – 6 months overdue	1	1	-
> 6 months overdue	-	-	-
2013			
< 3 months overdue	235	235	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	-	-	-

Notes

- Each column in the table reports 'gross receivables'.
- The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the 'total' will not reconcile to the receivables total recognised in the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of loans.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future 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 NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2014

contract specifies otherwise. For payments to other suppliers, the Chief Executive Officer may automatically pay the supplier simple interest. No interest penalty was paid for the year (2013: nil).

The table below summarises the maturity profile of the Corporation's financial liabilities, together with the interest rate exposure.

	Weighted Average Effective Int. Rate	Nominal Amount ¹ \$ '000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate	Variable Interest Rate	Non- interest bearing	< 1 year	1-5 years	> 5 years
2014								
Trade Creditors and Accruals	-	655	-	-	655	655	-	-
T Corp Borrowings	-	-	-	-	-	-	-	-
Security Deposits	-	573	-	-	573	538	-	35
2013								
Trade Creditors and Accruals	-	847	-	-	847	847	-	-
T Corp Borrowings	-	-	-	-	-	-	-	-
Security Deposits	-	241	-	-	241	127	79	35

Notes:

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Corporation can be required to pay. The tables include both interest and principal cash flows and therefore may not reconcile to the statement of financial position.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's exposures to market risk are primarily through interest rate risk on the Corporation's borrowings and other price risks associated with the movement in the unit price of the Hour Glass Investment Facilities. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Corporation operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2013. The analysis assumes that all other variables remain constant.

Notes to and Forming Part of the financial Statements for the Year Ended 30 June 2014

Interest rate risk

Exposure to interest rate risk arises primarily through the Corporation's interest bearing liabilities. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Corporation's exposure to interest rate risk is set out below.

		\$ 000's			
	Carrying Amount	Profit	-1% Equity	Profit	+1% Equity
2014					
<i>Financial assets</i>					
Cash and cash equivalents	7,945	(79)	(79)	79	79
Receivables	488	-	-	-	-
<i>Financial liabilities</i>					
Payables	655	-	-	-	-
Borrowings	-	-	-	-	-
2013					
<i>Financial assets</i>					
Cash and cash equivalents	891	(9)	(9)	9	9
Receivables	684	-	-	-	-
<i>Financial liabilities</i>					
Payables	847	-	-	-	-
Borrowings	-	-	-	-	-

(e) Fair value compared to carrying amount

The Corporation's financial instruments are recognised at amortised cost. Because of the short-term nature of the Corporation's financial assets and liabilities, the amortised cost recognised in the Statement of Financial Position approximates fair value.

18. Restricted Assets

Within cash at bank and on hand (Note 4) is unspent administration funding for the Hunter Infrastructure and Investment Fund (2014: \$142,000; 2013: nil). This funding is included in Current Liabilities – Payables (Note 9) as unearned revenue.

19. Events after the Reporting Period

There are no after balance date events.

End of audited financial statements

Appendices

Appendix A

Under the Annual Reports (Statutory Bodies) Act 1984, the Annual Reports (Statutory Bodies) Regulation 2010 and various Treasury circulars, the Corporation is required to include in this report information on the following topics:

Topic	Comment / location
Letter of Submission	Page 1
Charter	Page 2
Aims and objectives	Page 2
Access	Inside cover
Management and structure	Pages 8 - 11
Summary review of operations	Page 12
Funds granted to non-government community organisations	Appendix B (i)
Legal Changes	There were no changes to the legislation affecting the Corporation.
Economic or other factors	Appendix B (ii)
Research and development	The Corporation did not undertake any research and development activity during the reporting period relating to new knowledge, products, services or processes within the established definition
Human resources	Appendix B (iii)
Consultants	During the year no consultants were engaged by the Corporation
Equal Employment Opportunity	Appendix B (iii)
Disability Plans	Appendix B (iii)
Land Disposal	Appendix B (iv)
Promotion - overseas visits	Appendix B (v)
Consumer Response	Appendix B (vi)
Payment of Accounts	Appendix B (vii)
Risk management and insurance activities	Appendix B (viii)
Internal audit and risk management policy attestation	Appendix B (ix)
Digital Information Security Annual Attestation Statement for the 2013-2014 Financial Year for the Hunter Development Corporation	Appendix B(x)
Disclosure of Controlled Entities	HDC has no controlled entities
Multicultural Policies and Services Program (formerly EAPS)	Appendix B (iii)
Occupational Health and Safety	Appendix B (iii)
Waste	Appendix B (x)
Response to significant issues raised by Auditor-General	Appendix B (xii)
Total external costs incurred in the production of the report.	Nil
Is the report available in non-printed formats	Yes
Is the report available on the internet	Yes at www.hdc.nsw.gov.au
Performance and numbers of executive officers	Appendix B (xiii)
Government Information (Public Access) Act 2009	Appendix B (xiv)
Public Interest Disclosures	Appendix B (iii) & (xv)
Credit card certification	In accordance with <i>Treasurer's Direction 205.01</i> , credit card usage during the reporting period was in accordance with relevant Government policy, Premier's memoranda and Treasurer's directions.
Public availability of annual reports	The Corporation's annual reports are available on its website and the NSW Parliament website after tabling in Parliament.

Appendix B

Under the Annual Reports (Statutory Bodies) Act 1984, the Annual Reports (Statutory Bodies) Regulation 2010 and various Treasury circulars, the Corporation is required to include in this report information on the following topics:

(i) Funds granted to non-government organisations

Sponsorships

Organisation	Amount (Net)	Purpose
Renew Newcastle	\$50,000	Sponsorship 2013/14
Hunter Valley Research Foundation	\$6,363	Sponsorship Annual 2013/14
Hunter Valley Research Foundation	\$5,000	Sponsorship Upper Hunter Economic Update 2013/14
Newcastle Rowing Club	\$1,000	Club Regatta 2013
Property Council of Australia	\$10,000	Hunter Corporate Partner 2013/14
Regional Development Australia Hunter	\$2,500	Sponsorship 2014
Total	\$ 74,863	

Donations

Nil

(ii) Economic or 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 settlements were either delayed or not brought to fruition. The Corporation has continually reviewed its strategy for future land releases to suit market conditions.

(iii) Human Resources

The Hunter Development Corporation does not directly employ staff. The Department of Planning & Environment 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 & Environment's annual report. These include the following matters:

- Exceptional Wage Movement
- Personnel Policies and Practices
- Industrial Relations Policies and Practices
- Equal Employment Opportunity
- Disability Action Plan
- Multicultural Policies and Services Program
- Occupational Health and Safety
- Privacy Management Plan
- Public Interest Disclosures

(iv) Land Disposal

During the year there were five land disposals, no key settlements were greater than \$5,000,000. The proceeds of these sales amounted to \$7,282,154.

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 Government Information (Public Access) Act 2009.

(v) Promotion – Overseas Visits

During the year there were no overseas visits.

(vi) 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.

(vii) Payment of Accounts

(a) Aged Analysis at the end of each quarter

Quarter	Current (within due date) \$	< 30 days overdue \$	30 – 60 days overdue \$	61 – 90 days overdue \$	90 + days overdue \$
All Suppliers					
September	19,538	-	-	-	-
December	49,613	-	-	-	-
March	68,580	-	-	-	-
June	172,221	-	-	-	-
Quarter	Current (within due date) \$	< 30 days overdue \$	30 – 60 days overdue \$	61 – 90 days overdue \$	90 + days overdue \$
Small Business Suppliers					
September	-	-	-	-	-
December	-	-	-	-	-
March	-	-	-	-	-
June	-	-	-	-	-

(b) Accounts due or paid within each quarter

Measure	Sept	Dec	Mar	Jun
All Suppliers				
Number of accounts due for payment	298	310	237	247
Number of accounts paid on time	297	310	236	247
Actual percentage of accounts paid on time (based on number of accounts)	99.66%	100.00%	99.58%	100.00%
Dollar amount of accounts due for payment	\$2,132,008	\$1,172,690	\$1,218,397	\$812,966
Dollar amount of accounts paid on time	\$2,128,266	\$1,172,690	\$1,181,447	\$812,966
Actual percentage of accounts paid on time (based on \$)	99.82%	100.00%	96.97%	100.00%
Number of payments for interest on overdue accounts	-	-	-	-
Interest paid on overdue accounts	-	-	-	-
Small Business Suppliers				
Number of accounts due for payment	5	7	4	7
Number of accounts paid on time	5	7	4	7
Actual percentage of accounts paid on time (based on number of accounts)	100.00%	100.00%	100.00%	100.00%
Dollar amount of accounts due for payment	\$2,131	\$5,385	\$1,344	\$24,371
Dollar amount of accounts paid on time	\$2,131	\$5,385	\$1,344	\$24,371
Actual percentage of accounts paid on time (based on \$)	100.00%	100.00%	100.00%	100.00%
Number of payments for interest on overdue accounts	-	-	-	-
Interest paid on overdue accounts	-	-	-	-

(viii) 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.

(ix) Internal Audit and Risk Management Policy Attestation

I, Paul Broad, Chairman of the Hunter Development Corporation, am of the opinion that the Corporation has internal audit and risk management processes in operation 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. These processes provide a level of assurance that enables the senior management of the Corporation to understand, manage and satisfactorily control risk exposures.

I, Paul Broad, Chairman of the Hunter Development Corporation, 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.

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 – Non-independent Member (term of appointment 3 years)

Paul Broad
Chairman
Hunter Development Corporation

1 August 2014

(x) Digital Information Security Annual Attestation Statement for the 2013-2014 Financial Year for the Hunter Development Corporation.

I, Paul Broad, am of the opinion that the Hunter Development Corporation had an Information Security Management System in place during the financial year being reported on consistent with the Core Requirements set out in the Digital Information Security Policy for the NSW Public Sector.

I, Paul Broad, am of the opinion that the security controls in place to mitigate identified risks to the digital information and digital information systems of the Hunter Development Corporation are adequate for the foreseeable future.

I, Paul Broad, am of the opinion that all Public Sector Agencies, or part thereof, under the control of Hunter Development Corporation with a risk profile sufficient to warrant an independent Information Security Management System have developed an Information Security Management System in accordance with the Core Requirements of the Digital Information Security Policy for the NSW Public Sector.

I, Paul Broad, am of the opinion that, where necessary in accordance with the Digital Information Security Policy for the NSW Public Sector, certified compliance with AS/NZS ISO/IEC 27001 Information technology -Security techniques - Information security management systems - Requirements had been maintained by the Hunter Development Corporation.

Paul Broad
CHAIRMAN
3 October 2014

(xi) Waste Reduction and Purchasing Policy (WRAPP)

Reducing the generation of waste

The Corporation promotes email as the preferred internal communication tool and encourages staff to print double-sided. We have an electronic records management system that allows staff to access information electronically such as policies, procedures and internal forms – reducing the need for paper copies. Publications are available to download from our website to reduce print quantities.

Resource recovery

The Corporation utilises 240 litre bins for secure paper destruction with all other office waste paper, cardboard, glass, plastic and aluminum being collected for recycling and we participate in a resource recovery program.

Using recycled material

Wherever possible the Corporation uses paper stock that is Forest Stewardship Council certified and contains recycled paper.

(xii) 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.

(xiii) Performance and numbers of executive officers

Senior Executive Service	2013/14		2012/13	
Level	Male	Female	Male	Female
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	1	-	1	-
Total	1	-	1	-

(xiv) **Government Information (Public Access) Act 2009**

During the reporting period the Corporation received two formal requests. No informal requests were received under the Act.

Formal access application tables

Table A: Number of applications by type of applicant and outcome*								
	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	1
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	2	0	0	0	0	0	0	0

*More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Table B: Number of applications by type of application and outcome								
	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	2	0	0	0	0	0	0	1
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

*A **personal information application** is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications	
Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act	
	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

*More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

**Table E: Other public interest considerations against disclosure:
matters listed in table to section 14 of the Act**

	Number of occasions when application not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	2
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	0

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by ADT	0	0	0
Total	0	0	0

*The Information Commissioner does not have the authority to vary decisions, but can make recommendation to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

(xv) **Public Interest Disclosures**

Number of public officials who have made a public interest disclosure to the Corporation	0
Number of public interest disclosures received by the Corporation in total	0
Number of public interest disclosures received by the Corporation relating to each of the following: <ul style="list-style-type: none">▪ corrupt conduct▪ maladministration▪ serious and substantial waste of public money government information contraventions	0 0 0
Number of public interest disclosures finalised	0