



**Hunter
Development
Corporation**

Hunter Development Corporation Annual Report 2015-2016



Hunter Development Corporation

ABN 94 688 782 063

Suite B, Level 5

26 Honeysuckle Drive

Newcastle NSW 2300

PO Box 813, Newcastle NSW 2300

Executive Reception Hours

Monday to Friday 9.00 am to 5.00 pm

Tel: 02 4904 2750

Fax: 02 4904 2751

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This annual report can be accessed on the Hunter Development Corporation website www.hdc.nsw.gov.au

31 October 2016

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Letter to the Minister

31 October 2016

The Hon Rob Stokes 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 2016. 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

David Evans
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, facilitate and deliver 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 and delivering 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 Report

It was another year of progress for the Hunter, and in particular, for the NSW Government's program to revitalise the Newcastle city centre.

Several of the key catalyst projects recommended by the Hunter Development Corporation in its 2009 Newcastle Renewal Report are now a reality. The city's new court complex on Hunter Street at Civic opened its doors and has been operating efficiently and providing a new level of amenity for practitioners and visitors alike as well as greatly enhancing the streetscape. Similarly, significant construction progress was made on the University of Newcastle's city campus project, NeW Space, with major structural works complete and elements of the façade being put in place. Both buildings are examples of striking architecture that will enhance perceptions of the city centre's main street.

The Government unveiled designs for the new transport interchange at Wickham and then went on to purchase The Store building adjacent to the interchange site in order to optimise the project for the long term. Construction on the interchange commenced and preparatory works for the planned light rail commenced on the corridor section of its planned route. The route and major design elements were consulted on through a Review of Environmental Factors and feedback taken on board.

These major projects are proving to be catalysts for economic activity in the city centre. There is now a real sense of momentum in private sector investment witnessed by development applications and building sites across the city centre.

The Corporation's Honeysuckle urban renewal project is also contributing to this momentum with new projects emerging during the 2015-16 year. Construction commenced on the \$38 million residential and commercial office buildings at 18 Honeysuckle Drive. Due to open in early 2017, it will provide homes to around 100 people and 7,500 square metres of office

space, attracting Southern Cross Austereo and Colliers International as major tenants.

The Corporation also released to the market the first waterfront parcel of land in over a decade at 21 Honeysuckle Drive. A call for proposals for this mixed-use site attracted responses from local, national and international developers. The Corporation exchanged contracts with the Doma Group for a predominantly residential development on the site. A key part of this project will be improvements to the harbour-side park and promenade at Worth Place Park West which sits between the site and harbour.

Meanwhile the ongoing effort to transform the former Empire Hotel site on Hunter Street came closer to fruition as the Corporation agreed to terms with the Catholic Diocese of Maitland-Newcastle for its plan for a residential development on the site featuring affordable housing. The Diocese lodged a development application and it is expected that construction will commence in the first half of 2017.

The Corporation called for tenders for construction works for the remediation of the final 52 hectare parcel of the former BHP steelworks site at Mayfield. To date the Corporation has remediated 100 hectares of the 152 hectare site. The massive remediation task has taken a decade and cost in the order of \$87 million. We aim to complete the entire remediation task by mid-2017 after which the site's future development can commence.

Under the auspices of the Hunter Infrastructure and Investment Fund (HIIF) the Corporation commenced operation of the \$17 million Newcastle Mines Grouting Fund which is designed to mitigate the significant element of risk associated with multi-storey construction within mine subsidence zones in the city centre. This ongoing program is an innovative way to overcome the unique historic legacy of mining voids under the city to encourage new investment in the city centre.

There was also considerable activity in Government's program in the wider Hunter region involving the Corporation. In particular, the Corporation's administration of the HIIF saw new infrastructure projects commence and others completed during the year. A noteworthy example was the completion of the expansion of the Newcastle Airport Terminal to accommodate future international services. The Corporation facilitated the evaluation of projects vying for a share in the \$50 million tranche of infrastructure funding to assist the HIIF board make recommendations to the Government for allocations to exciting new infrastructure projects.

I take this opportunity to thank former Corporation General Manager Bob Hawes who stepped down from the role in August 2016. Through dedication and leadership over five years in the role Bob achieved a great deal for the region and his contribution is greatly appreciated. My thanks also go to the Corporation's dedicated team for their hard work throughout the year.

David Evans
Chairman



General Manager's Overview

The massive remediation project on the former BHP steelworks site at Mayfield and the associated waste emplacement facility on Kooragang Island continued to be in strong focus for the Corporation in 2015-16. The work program included major remediation design and construction contracts on both the Mayfield and Kooragang Island sites to address the legacy of industrial contamination over many decades and protect the environment for the future. While the steelworks operated between 1915 and 1999, the Kooragang Island facility was used as a waste dump by BHP for the steelworks from around 1960.

Hunter-based contractor Daracon was appointed to undertake a \$7.6 million remediation construction project covering the 10 hectare Intermodal portion of the Mayfield site. The Intermodal area is a key parcel of land located adjacent to the Mayfield portside lands and a new freight rail line, and has the capacity to become a significant job generator in the future. This contract generated around 40 jobs over a 30 week construction program. The area covered by this contract alone required more than 100,000 tonnes of fill and capping materials. The Corporation then called for tenders for the construction of remediation works on the final 50 hectare part of the site and was preparing to award a contract for this work.

At Kooragang Island the Corporation commenced design for the remediation of 27 hectares on the former steelworks waste emplacement facility. A \$5.8 million contract was also awarded for remediation construction works covering a further 13 hectare parcel. The Corporation has already coordinated the implementation of previous remediation works on the site, and the completion of this stage, due in mid-2017, will bring the total to 33 hectares. The land on Kooragang Island is part of the new port lease, and when the remediation work is completed will revert to the

new operator's management. In all great strides were made towards completing the remediation of these sites by mid-2017. This will be a huge achievement for the region.

The Corporation progressed its work with Sydney Trains in relation to pre-planning for the potential future development of surplus rail lands at Glendale. This 20 hectare strategically located parcel includes the proposed road to link the Stockland Centre to Main Road at Cardiff and is regarded as a potential sub-regional centre within the Lake Macquarie local government area. It is anticipated the due diligence will identify lands capable of being brought to the market for development to complement and support the existing built forms and planning intentions for this important centre.

The Corporation's administration of the \$50 million Expression of Interest process for infrastructure projects in the Hunter resulted in Government endorsing funding for eight projects including a \$12.7 million permanent cruise terminal at Newcastle and \$9.823 million for the Hunter Innovation Project, a partnership between the University of Newcastle, Newcastle City Council, Newcastle Now and Hunter DiGiT.

The Corporation's administration of the Newcastle Port Community Contribution, which provides funds for projects that improve community amenity and land-based infrastructure around the Port of Newcastle, produced the first round of successful projects in 2015-16. These were \$500,000 towards the refurbishment of the Nobbys Surf Pavilion, \$137,000 for a home berth at the Lee Wharf Pontoon for the historic William the Fourth ship replica and \$10,000 for the disposal of waste collected from Newcastle City Council's regular clean-ups of the mangroves around Throsby Creek, Carrington. The Corporation then opened up the second round of applications under the

Fund, with further projects expected to be announced in the last quarter of 2016.

In addition to great progress on the construction of new residential and commercial office space at 18 Honeysuckle Drive and the release to the market of the first harbour side parcel of land at Honeysuckle to the market in a decade, the Corporation also carried out less visible but nevertheless essential work during the year. This included a four month cleaning and maintenance project on the 450m Merewether Wharf seawall and preparations for stabilisation work on 150m of the Lee 4 seawall. It also included planning for future land releases in the remaining undeveloped parts of Honeysuckle and working closely with Urban Growth NSW, Transport for NSW and Newcastle City Council on the Newcastle Urban Transformation and Transport Program, particularly in relation to the interface between Honeysuckle, the light rail and the former rail corridor lands.

I would like to acknowledge the contribution and support of the Board of the Corporation and the staff. The direction of the Board has been invaluable in tackling a range of complex challenges and new tasks and the dedication of the staff has been exemplary.

Robert Foster
A/General Manager

Corporate Governance

The 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. 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 three 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.

The Corporation held ten Board meetings and four Audit and Risk Committee meetings in the year ended 30 June 2016.

The Board

Chairman

David Evans B.Ec (Hons), FAICD

Appointed Chairman in October 2015

Mr Evans is a former member of Sydney Catchment Authority, a former Director of Country Energy and was a Director of the former Regional Land Management Corporation.

He is a former Managing Director of Sydney Water Corporation (2004-2006), Managing Director of Hunter Water Corporation (1993-2006) and Chairman of the Board of the Hunter Area Health Service (1997-2003).

Meeting attendance:

Board: 9 of 10

Audit and Risk Committee: 1 of 1

Former Chairman

Mr Paul Broad M.Com

Former Chair

Tenure ended – August 2015

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 holds a B.Com (Hons) and M.Com (Econ) from the University of Newcastle.

Meeting attendance:

Board: 2 of 2

Director

Sharon Smith

Ms Smith is the CEO of the Hunter Valley Training Company. She was previously General Manager of Business Strategy and Communications, 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: 10 of 10

Audit and Risk Committee: 4 of 4

Director

Karen Howard

Tenure commenced 5 October 2015

Tenure ended May 2016

Ms Howard is a small business proprietor and is a former Independent Director and Chairman of Hunter Primary Care and Director of the NSW Business Chamber.

Other previous Directorships include Nova Credit Union, the Westpac Rescue Helicopter Service, and the Hunter Business Chamber.

Meeting attendance:

Board: 5 of 6

Audit and Risk Committee: 2 of 2

Sean O'Toole

Director

Commenced 5 October 2015

Mr O'Toole is The West District Commissioner with the Greater Sydney Commission and a member of the Building Professionals Board.

He was Managing Director of Landcom/UrbanGrowth NSW from 1996 to 2013 and was Assistant Director General of the NSW Department of Planning. He is a Fellow of the Australian Institute of Company Directors and a Fellow of Planning Institute of Australia.

Meeting attendance:
Board: 6 of 7
Audit and Risk Committee: 3 of 3

Director
Andrew Jackson

Mr Jackson is Executive Director, Regional Coordination in the NSW Department of Premier and Cabinet. In this role, Mr Jackson is responsible for working across NSW government, with local councils and the community to ensure that the NSW Government's priorities are delivered regionally.

Mr Jackson has 20 years of experience across NSW Government including eight years as a senior executive. Mr Jackson has expertise in infrastructure planning and delivery, land use planning and financial management through his roles in Sydney Water Corporation, NSW Treasury and the Department of Planning and Environment.

Meeting attendance:
Board: 6 of 10

Director (Secretary's delegate)
Dr Liz Develin

Tenure ended May 2016

Dr Develin is Deputy Secretary, Growth, Design & Programs, NSW Department of Planning and Environment. Her experience spans a number of NSW Government agencies, the not-for-profit and academic sector, with much of her career focusing on public health policy.

Meeting attendance:
Board: 8 of 9

Director (Secretary's delegate)
Brendan Nelson

Tenure commenced June 2016

Mr Nelson is the National President of the Planning Institute of Australia and Deputy Secretary of Growth, Design and Programs with the NSW Department for Planning and Environment.

Prior to this, Mr Nelson was Director, Asia Pacific at Hawksley Consulting, General Manager of Land Use Planning at Queensland Reconstruction Authority and Executive Director, Planning Services at the Department of Infrastructure and Planning Growth Management, Queensland.

Meeting attendance:
Board: 1 of 1

Staff

Acting General Manager

Robert Foster

B.Bus (Acc.) CPA

Communications Manager

Luke Mellare

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

Senior Accountant

Renee Foate

B.Com, CPA

Administration Manager

Coral McDonnell

Executive Assistant

Gillian Foulcher

Administration Support Officer

Allissa Arnold

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

Valentina Misevska

LLB, Dip. Legal Practice, B.Com

Environmental Manager

Mike Bardsley

B. Eng (Civil), MIEA

Project Manager

David Antcliff

B. Construction Mngt (Hons)

A/Development Manager

David Legg

B. Construction Mngt (Build)(Hons)

A/Development Manager

Jeremy Amann

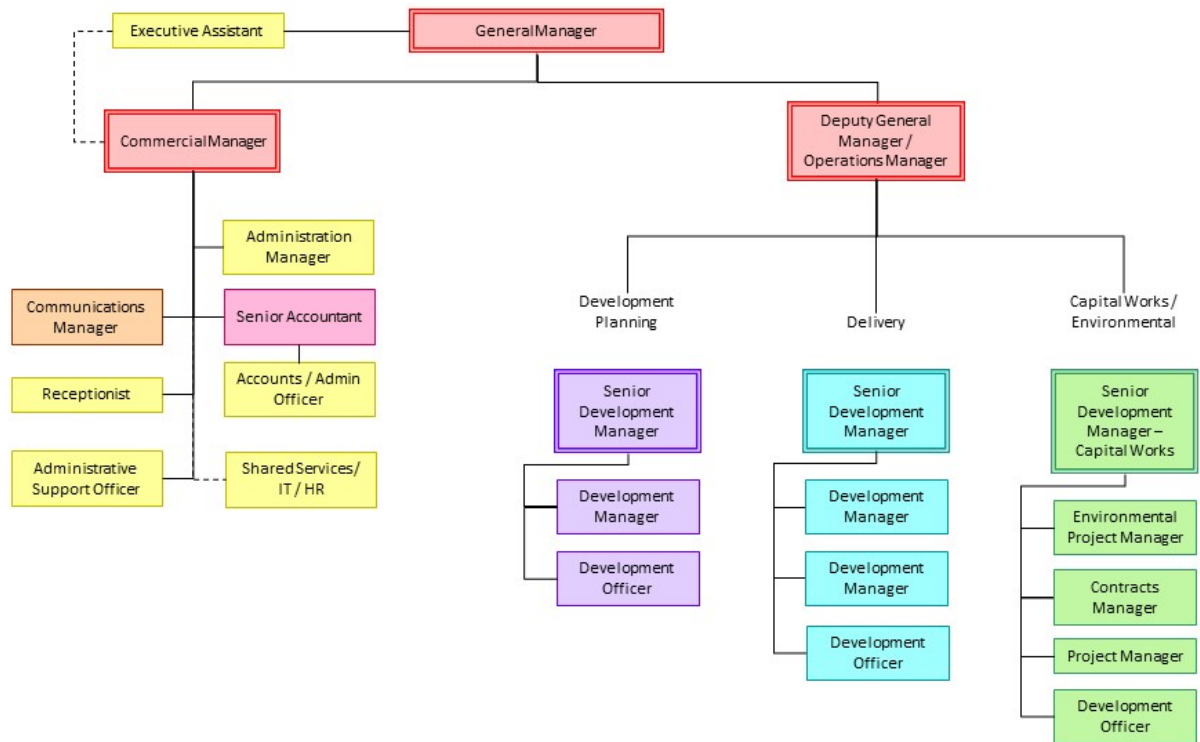
B. Construction Mngt (build), Dip Surveying

Development Officer

Toni Cappiello

A number of positions are currently being covered by contract staff.

HUNTER DEVELOPMENT CORPORATION ORGANISATION CHART



The Corporation also provided administrative and secretariat support and operational services to the Hunter Infrastructure and Investment Fund (HIIF) Advisory Board during the year. The Corporation's General Manager was an ex-officio member on the HIIF Board.

Highlights

- Construction commenced on the University of Newcastle's \$95 million city campus. The Hunter Infrastructure and Investment Fund, administered by the Corporation, provided \$25 million to the project during the year. By mid-2016 the structure had reached full height.
- The Corporation completed the construction of closure works covering 20 hectares of the former BHP Steelworks waste emplacement facility on Kooragang Island, and progressed procurement planning for the remaining 40 hectares.
- The Corporation completed remediation of the 10 hectare "Intermodal" area on the former BHP Steelworks site at Mayfield, bringing the total area remediated by the Corporation on the Mayfield site to 100 hectares.
- Planning Minister Rob Stokes launched the \$17 million Newcastle Mines Grouting Fund for the Newcastle city centre, administered by the Corporation. The Fund was opened for applications from investors in the city centre mine subsidence area. The initiative was designed to complement the Government's wider city centre revitalisation program by mitigating the risk associated with mine subsidence.
- Following an earlier expression of interest and evaluation process and development approval, construction commenced on a commercial office and residential development at 18 Honeysuckle Drive in the Corporation's Honeysuckle urban renewal area. The \$38 million development consists of two buildings with 7,500m² of office space and 72 apartments.
- The 2016-17 NSW Budget allocated \$14 million for planning to identify and preserve a freight rail corridor bypassing Newcastle between Fassifern and Hexham on land in the West Wallsend area owned by the Corporation. The allocation includes \$11 million for the acquisition of 1,550 hectares of for corridor preservation and environmental offsets.
- Following an expression of interest and evaluation process conducted by the Corporation, agreement was reached with the Catholic Diocese of Maitland-Newcastle for the redevelopment of the former Empire Hotel site in Newcastle West owned by the Corporation. The Diocese lodged a development application with Newcastle City Council to build affordable housing on the site. The project will transform a dormant site in a prominent position on Hunter Street and contribute to the Government's wider city centre revitalisation program.
- The Corporation released the first harbour side block of land in over a decade at 21 Honeysuckle Drive in the Honeysuckle urban renewal area. Contracts were exchanged with the ACT-based Doma Group, whose proposal is for a predominantly residential development.
- Following an expression of interest process conducted during the year, Planning Minister Rob Stokes and Parliamentary Secretary for the Hunter Scot MacDonald announced new infrastructure projects for the Hunter worth \$50 million from the Hunter Infrastructure and Investment Fund, administered by the Corporation.

Urban Renewal and Development

The 2015-16 financial year saw a level of new development in the city centre unprecedented in recent decades, with the presence of multiple cranes on the skyline throughout the year including in the Honeysuckle urban renewal area. Significant milestones continued to be achieved in the long term urban renewal of the region's capital, including the key catalyst projects identified and advocated by the Corporation in its seminal *Newcastle City Centre Renewal Report* (2009). The NSW Government's plans for a new transport interchange at Wickham, adjacent to Corporation-owned land in the Honeysuckle urban renewal area, and a new light rail service took important steps forward.

Newcastle City Centre

Significant progress was made on construction of the \$95 million University of Newcastle city campus – known as NeW Space. The Corporation advocated for this project in its *Newcastle City Centre Renewal Report*. The 10-storey vertical campus building was designed by Melbourne firm Lyons Architecture and Newcastle architects EJE Architecture.

In November 2015 Minister for Planning Rob Stokes launched the \$17 million Mine Subsidence Remediation Fund to unlock development potential in the Newcastle City Centre currently subject to potential mine subsidence constraints. The Corporation is responsible for the operation of the Fund.

Empire Hotel site

Following an expression of interest process the Corporation reached agreement with the Catholic Diocese of Maitland-Newcastle for the redevelopment of the former Empire Hotel site in Newcastle West. The Diocese lodged a development application with Newcastle City Council that includes affordable and disability housing on the site, allowing more people greater access to live in the Newcastle CBD. The application is for 128 units across a mix of studio, one and two bedroom layouts. The plans also include a number of disability accessible units which will provide high quality accommodation to people with a disability to live with genuine independence. The aim of the development is to assist with rental affordability within Newcastle especially for people who

need to be closer to the city centre. Both the Diocese and the Corporation are working to a completion date of early 2018.

Honeysuckle

The Corporation continues to progress the redevelopment of the remaining undeveloped land in the Cottage Creek precinct and Lee Wharf, Honeysuckle. This includes consideration of challenges including seawalls, mine subsidence, contamination and funding for the delivery of future public domain. During the year the Corporation also carried out less visible but nevertheless essential work in the Honeysuckle precinct. This included a four month cleaning and maintenance project on the 450m Merewether Wharf seawall adjacent to the Crowne Plaza and Breakwater Apartments and preparations for work on 150m of the Lee 4 seawall. The Lee 4 work involves the placement of 6,200 tonnes of rock to stabilise the seawall.

The Corporation is also carefully considering the interface between its 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. The Corporation has worked with UrbanGrowth, the Newcastle City Council and all other relevant stakeholders towards this goal.

18 Honeysuckle Drive

With mine subsidence rectification works completed for this site by the Corporation in the first half of 2015, the ACT-based Doma Group commenced construction in mid-2015 of a commercial office and residential development at 18 Honeysuckle Drive. The \$38 million development consists of two buildings with 7,500 square metres of office space, approximately 72 residential units, ground floor retail and a café. The development will cater to around 750 workers and 100 residents. By July 2016 significant progress had been made on construction, with the first tenants expected on site in the first quarter of 2017. Major media company Southern Cross Austereo announced it would be a major tenant in the new commercial building.

21 Honeysuckle Drive

The release to the market of the first harbour-side block of land in over a decade at 21 Honeysuckle Drive attracted a great deal of investor interest. The 7,300 square metre site is zoned mixed-use. After a thorough evaluation of a large number of proposals from local, national and international developers, the Corporation exchanged contracts with the Doma Group, which is currently nearing completion of construction of its residential and commercial development at 18 Honeysuckle Drive. The proposal for 21 Honeysuckle Drive is for three residential buildings. Doma will now work to finalise its plans and lodge a development application.

The Corporation's seawall replenishment works taking place in the latter stages of 2016 at Lee 4 adjacent to the site will help to prepare for the redevelopment of the harbour side promenade and park between the site and the harbour.

42 Honeysuckle Drive

The Corporation began preparations for the release to the market of 42 Honeysuckle Drive. The site is next to the Hunter Water building and is zoned commercial core. The zoning permits commercial office space, education facilities, entertainment facilities, function centres, hotel or motel accommodation and shop top housing. An important aspect of the development is the provision of landscaped open space between the building envelope and the Cottage Creek stormwater channel which will form part of a 50m wide open space corridor along the channel. The Corporation intends to complete mine subsidence grouting works on the site in order to make the site more attractive to private sector investment.

Major Capital Works Projects

Since the early 2000s, the Corporation and its predecessor, the Regional Land Management Corporation, has been the state's agent responsible for carrying out important remediation activities across former BHP landholdings around the Port of Newcastle at the former Steelworks site at Mayfield and its associated Waste Emplacement Facility at Kooragang Island. The Corporation has methodically completed complex, large scale remediation works progressively, with accompanying monitoring and verification programs to ensure adherence to environmental standards. This important work will ensure the sites are fit for re-use in the future to support the regional economy.

Mayfield

Hunter-based contractor Daracon was appointed to undertake a \$7.6 million remediation construction project covering the 10 hectare Intermodal portion of the Mayfield site. The Intermodal Area is a key parcel of land located adjacent to the Mayfield portside lands and the new freight rail line, and has the capacity to become a significant job generator in the future. This contract generated around 40 jobs over a 30 week construction program. The area covered by this contract alone required more than 100,000 tonnes of fill and capping materials. The Corporation then called for tenders for the construction of remediation works on the final 52 hectare part of the site and was preparing to award a contract for this work. To date the Corporation has completed 100 hectares of the 152 hectare remediation project.

In 2014-15 the Corporation completed the first construction phase of the work, with Georgiou Group Pty Ltd completing about 20 hectares of land forming and capping. In 2016 a \$5.8 million contract was awarded to Georgiou Group for remediation construction works covering a further 13 hectare parcel. Completion of this stage, due in mid-2017, will bring the total to 33 hectares.

In June 2016 the Corporation awarded a contract to Snowy Mountains Engineering Company for the design of the remediation of the remaining 27 hectare parcel at the site. The work will result in the production of a blueprint to guide large scale earthworks and capping, with the aim of completing the construction works by mid-2017. The land on Kooragang Island is part of the new port lease, and when the remediation work is completed will revert to the new operator's management.

Kooragang Island

The Corporation is arranging the delivery of closure works on the former Kooragang Island Waste Emplacement Facility. BHP used this former landfill site during its Newcastle steelworks operations. The overall closure works scope requires about 60 hectares to be brought up to an environmental standard set by the NSW Environment Protection Authority.

In all great strides were made towards completing the remediation of these sites by mid-2017. This will be a huge achievement for region.

Place Making and Communications

Place-making

The Corporation continued its partnership with Newcastle Now and the Honeysuckle Reference Group to provide a program of place-making initiatives aimed at enlivening Honeysuckle precinct and drawing new people to the precinct. The program has continued to include free public events and communication initiatives comprising interactive websites and social media platforms.

The Corporation also partnered with Newcastle City Council for the second time to deliver a program of summer events throughout the Honeysuckle precinct. The program included New Year's Eve and Australia Day celebrations, outdoor cinema events and a Chinese New Year Lantern Parade.

The Corporation also regularly engages with various charity and fundraising organisations to make public spaces available for numerous cultural and sporting festivals and events, which all draw new people into the precinct.

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.

The 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. The Corporation continued to publish the popular monthly e-newsletter *HarbourLife* during the year, with subscription continuing to

grow. At the end of June 2015 subscribers exceeded 1,500.

The Corporation also maintained the Honeysuckle dining mobile optimised website www.dine.honeysuckle.net featuring updated information on the many eateries in the Honeysuckle precinct to make choosing and booking a restaurant as easy as possible. The site features thirty restaurants, cafes, bars and pubs in the Honeysuckle area.

The Corporation participated in the Hunter Research Foundation's March 2016 Hunter Omnibus Survey. This survey continues to show the community's positive response to the Honeysuckle project. The survey showed that 60% of respondents had visited the Honeysuckle precinct in the last six months and 33% of this cohort visited more than four times. This underscores the emergence of the precinct as a genuine regional resource.

There was a high level of agreement with the statement *Honeysuckle is good for Newcastle* with 75% of respondents either agreeing or strongly agreeing with the statement. More than three quarters of respondents (77%) either agreed or strongly agreed *Honeysuckle is a good place to visit*.

Sponsorship

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. The Corporation's support for Renew Newcastle complements the NSW Government's comprehensive urban renewal program.

In 2015-16 the Corporation made a \$30,000 contribution to assist the group with its work to

bring vacant retail and commercial office spaces in the Newcastle city centre to life by enabling and incubating creative enterprises including designers, illustrators, photographers and fashion producers. Now predominately occupying empty office space above shops, 15 new projects joined the Renew program during the year. Twenty-three projects left the initiative, 19 of which continue to trade as commercial enterprises in their own right. Eight commercial leases were taken on properties that Renew has fixed up and activated.

In the year to June 2016, 214 job opportunities were created within Renew Newcastle projects. Income from sales and service exceeded \$660,000. Renew Newcastle is currently incubating 52 projects in 18 properties.

www.renewnewcastle.org

In October and November 2015 the Newcastle Cruising Yacht Club hosted the *Port2Port Down Under* cruising yacht rally from New Caledonia to Australia. This meant that Newcastle was the main destination for a large group of international yachts on their major rally to Australia. The Corporation supported the initiative with a \$2,000 sponsorship to encourage rally participants to spend time in Honeysuckle as well as venturing further afield from their Newcastle base.

A \$1,000 Sponsorship was provided to Newcastle University to support its 2016 School of Architecture and Built Environment Lecture Series. The fortnightly lectures showcase a wide range of projects, global trends and practice

styles from local, national and international industry experts within the architecture, landscape architecture, industrial design and construction management professions. The events provide exposure and insight to the professions as well as networking opportunities for students, industry and the local community.

The Corporation continued its sponsorship of the Hunter Research Foundation to support its ongoing program of research, including insights into the transitioning regional economy. The Foundation announced it was partnering with the University of Newcastle to become a “centre” of the University to ensure ongoing sustainability.

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.

Regional Planning and Infrastructure

Hunter Infrastructure and Investment Fund

The Corporation's work in administering the Hunter Infrastructure and Investment Fund (HIIF) continued in 2015-16. Through the HIIF the NSW Government has funded projects across the Hunter worth \$450 million to date.

Minister for Planning Rob Stokes launched a call for "expressions of interest" for potential projects for funding from within the final \$50 million tranche of funding. The Corporation, in collaboration with Infrastructure NSW, assisted the HIIF Board to evaluate a large number of proposals from around the Hunter. A shortlist of ten projects was announced and a second round of evaluations was undertaken. In September the Premier and Minister announced funding of \$12.7 million for a permanent Cruise Terminal at Newcastle and \$9.823 million for the Hunter Innovation Project, a partnership between the University of Newcastle, Newcastle City Council, Newcastle Now and Hunter DiGiT. The remaining projects were to be announced in October 2016.

To date significant progress has been made on a wide variety of projects supported by the HIIF. A large number of projects are now complete, including:

- The \$45 million Nelson Bay Road upgrade between Bob's Farm and Anna Bay;
- The \$11.3 million Lake Macquarie Football Facility (\$7.3 million from the HIIF).
- The \$2 million refurbishment of the Cessnock Emergency Department;
- The \$2 million Maitland Mental Health Unit carer's room and courtyard;
- Stage One of the \$11.1 million Newcastle Airport Expansion;
- The \$20 million Wine Region Roads upgrade at Pokolbin;
- The \$0.5 million equipment upgrade at the Wansey Dialysis Centre, Charlestown;

- The \$20 million Raymond Terrace to Dungog road upgrade;
- The \$95 million University of Newcastle city campus (\$25 million from the HIIF);
- The \$7 million Stage One refurbishment and expansion of the Neonatal Intensive Care Unit at the John Hunter Children's Hospital, Newcastle;
- The \$5.9 million Singleton Gym and Swim project; and
- The \$2 million refurbishment of the Campbell's Corner building as the Upper Hunter Conservatorium of Music, Muswellbrook.

Other projects are in advanced stages of planning or have commenced, including:

- The Newcastle City Centre urban renewal and light rail project to which the fund is directly contributing \$60 million;
- The \$45 million New England Highway upgrade at Maitland;
- \$5.3 million towards the \$20 million overhaul of the Hunter Sports High School at Gateshead;
- \$18 million for stages two and three of the expansion of the Neonatal Intensive Care Unit at the John Hunter Hospital Newcastle,
- \$7 million for Singleton Hospital improvements; and
- \$25 million to start early works on the new Lower Hunter hospital at Metford.

Infrastructure Planning

The Department of Planning and Environment released the Draft Hunter Regional Plan and the Draft Plan for Growing Hunter City during the year for comment and feedback. The Draft Hunter Regional Plan outlines a vision to grow and diversify the Hunter economy over the next 20 years so that it remains the biggest and most productive regional economy in Australia.

The Draft Plan for Growing Hunter City was released as a companion to the Draft Hunter Regional Plan. The draft Plan for Growing Hunter City recognises the area's importance as the second largest metropolitan area in NSW. Final plans are expected in the fourth quarter of 2016.

Freight Corridor

The 2016-17 NSW State Budget allocated \$14 million towards the planned Lower Hunter Freight Corridor. The allocation included \$3 million for planning to identify and preserve a freight rail corridor bypassing Newcastle between Fassifern and Hexham. The allocation included \$11 million for the acquisition of 1,550 hectares of land owned by the Corporation at West Wallsend for corridor preservation and environmental offsets. The corridor will improve the rail network by separating freight and passenger rail movements in populated areas between Fassifern and Hexham. The project will deliver capacity and reliability benefits and also result

in travel time savings for freight services of 15-20 minutes avoiding tight curves and steep grades in that section of track.

Glendale development

In collaboration with Sydney Trains, the Corporation undertook investigations to identify the development potential of 20 hectares of surplus rail land at Glendale. The land is situated within an emerging regional centre.

Investigations have focussed on various site constraints including ecological, archaeological, flooding, land contamination and mine subsidence issues. Ongoing liaison with Lake Macquarie City Council will assist to identify a preferred development pathway for this long term project.

Financial Statements

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INDEPENDENT AUDITOR'S REPORT

Hunter Development Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Hunter Development Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2016, 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.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2016, 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* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the Corporation in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles 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.

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

The Board's Responsibility for the Financial Statements

The members of the Board are responsible for preparing 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 Board determine is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board must assess the Corporation's ability to continue as a going concern unless the Corporation will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- 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.



Weini Liao
Director, Financial Audit Services

2 September 2016
SYDNEY

DIRECTORS STATEMENT

Statement by the Directors on the Adoption of the Financial Statements for the Year Ended 30 June 2016.

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

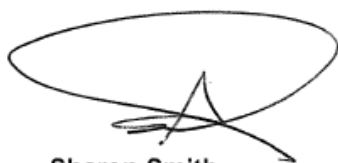
Pursuant to Section 41C (1B) and (1C) of the *Public Finance and Audit Act 1983* and in our capacity as Chairman and Director of Hunter Development Corporation, we declare that in our opinion:

- 1) The accompanying financial statements exhibit a true and fair view of the financial position of the Hunter Development Corporation as at 30 June 2016 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 2015* 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.



David Evans
CHAIRMAN
HUNTER DEVELOPMENT CORPORATION



Sharon Smith
DIRECTOR
HUNTER DEVELOPMENT CORPORATION

2 SEPTEMBER 2016

HUNTER DEVELOPMENT CORPORATION

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
Expenses Excluding Losses				
Operating expenses				
Personnel services expenses	2(a)	2,582	3,067	2,488
Other operating expenses	2(b)	4,992	9,346	2,159
Depreciation and amortisation	2(c)	13	19	38
Grants and subsidies	2(d)	37,098	29,830	73,683
Finance costs	2(e)	-	-	-
Other expenses	2(f)	11,371	66,929	8,714
Total Expenses Excluding Losses		56,056	109,191	87,082
Revenue				
Sale of goods and services	3(a)	6,959	8,900	1,706
Investment revenue	3(b)	624	737	1,131
Grants and contributions	3(c)	37,406	26,649	73,538
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	169	84	116
Other revenue	3(e)	12,977	67,629	10,110
Total Revenue		58,135	103,999	86,601
Gain / (loss) on disposal		-	-	-
Other gains / (losses)		-	-	-
Net result		2,079	(5,192)	(481)
Other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME		2,079	(5,192)	(481)

The accompanying notes form part of these financial statements

HUNTER DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	4	5,487	443	5,993
Receivables	5	4,402	3,150	1,111
Inventories	6	6,158	13,551	1,651
Total Current Assets		16,047	17,144	8,755
Non-Current Assets				
Inventories	6	30,499	21,425	36,043
Plant and equipment	7	7	-	20
Total Non-Current Assets		30,506	21,425	36,063
TOTAL ASSETS		46,553	38,569	44,818
LIABILITIES				
Current Liabilities				
Payables	8	1,452	234	1,201
Borrowings	9	-	-	-
Provisions	10	260	216	317
Other	11	10	1,004	538
Total Current Liabilities		1,722	1,454	2,056
Non-Current Liabilities				
Provisions	10	30	29	30
Other	11	35	35	45
Total Non-Current Liabilities		65	64	75
TOTAL LIABILITIES		1,787	1,518	2,131
NET ASSETS		44,766	37,051	42,687
EQUITY				
Accumulated funds		44,766	37,051	42,687
TOTAL EQUITY		44,766	37,051	42,687

The accompanying notes form part of these financial statements

HUNTER DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Accumulated Funds \$'000
Balance at 1 July 2015		42,687
Changes in accounting policy		-
Correction of errors		-
Restated total equity at 1 July 2015		42,687
Net result for the year		2,079
Other comprehensive income:		
Net increase / (decrease) in plant and equipment		-
Total other comprehensive income		-
Total comprehensive income for the year		2,079
Transactions with owners in their capacity as owners		
Increase / (decrease) in net assets from equity transfers		-
Balance at 30 June 2016		44,766
Balance at 1 July 2014		43,168
Changes in accounting policy		-
Correction of errors		-
Restated total equity at 1 July 2014		43,168
Net result for the year		(481)
Other comprehensive income:		
Net increase / (decrease) in plant and equipment		-
Total other comprehensive income		-
Total comprehensive income for the year		(481)
Transactions with owners in their capacity as owners		
Increase / (decrease) in net assets from equity transfers		-
Balance at 30 June 2015		42,687

The accompanying notes form part of these statements

HUNTER DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Grants and subsidies		40,808	29,830	75,551
Finance costs		-	-	-
Suppliers and personnel services		14,501	74,550	12,278
Inventories		517	1,785	540
Total Payments		55,826	106,165	88,369
Receipts				
Reimbursements from the Crown Entity (Transfers to the Crown Entity)		169	84	116
Sale of goods and services		7,507	6,334	2,068
Interest received		152	137	483
Grants and contributions		47,492	94,278	83,750
Total Receipts		55,320	100,833	86,417
NET CASH FLOWS FROM OPERATING ACTIVITIES	14 & 15	(506)	(5,332)	(1,952)
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		-	-	-
Repayment of borrowings		-	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-	-
NET INCREASE / (DECREASE) IN CASH		(506)	(5,332)	(1,952)
Opening cash and cash equivalents		5,993	5,775	7,945
CLOSING CASH AND CASH EQUIVALENTS	4	5,487	443	5,993

The accompanying notes form part of these statements

Notes to and Forming Part of the Financial Statements for the Year Ended 30 JUNE 2016

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 determined that it only has one segment and therefore has not prepared a Service Group Statement for the year ended 30 June 2016.

These financial statements for the year ended 30 June 2016 have been authorised for release by the Directors on 2 September 2016.

(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 2015 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 except where specified otherwise.

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

Unless otherwise stated 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.

(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 NSW GGS 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(k)).

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

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 over the period of credit.

(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 13 Fair Value Measurement and AASB 116.

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.

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. The Corporation has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

(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 or an amount that approximates 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 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 and Fittings 10% per annum
Leasehold Improvements life of the lease
Plant and 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.

(vii) Leased assets

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

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

Loans and 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. 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. Land sales are recognised on settlement.

(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.

(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. 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 2016 and at 30 June 2015.

(iv) Personnel Services Expense

The Corporation does not employ any staff and receives personnel services from the Department of Planning and Environment. The cost of personnel services is recognised as expenses and provisions.

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) Accumulated Funds

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

(k) 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 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.

(l) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual disclosed on the primary financial statements are explained in Note 14.

(m) 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.

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

- (i) Effective for the first time in 2015-16
The accounting policies applied in 2015-16 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 and AASB 2014-7 regarding financial instruments
- AASB 14 and AASB 2014-1(Part D) regarding Regulatory Deferral Accounts
- AASB 15, AASB 2014-5 and AASB 2015-8 regarding Revenue from Contracts with Customers
- AASB 1057 and AASB 2015-9 Application of Australian Accounting Standards
- AASB 2014-4 regarding acceptable methods of depreciation and amortisation
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012-2014 cycle
- AASB 2015-2 regarding amendments to AASB 101 (disclosure initiative)
- AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities
- AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities
- AASB 16 Leases

The impact from adoption of AASB 16 Leases is estimated to be the recognition of a right of use assets and corresponding lease liability of \$893,000 as at 30 June 2020. The impact of the other Accounting Standards noted above has not yet been determined.

2. Expenses Excluding Losses

(a) Personnel service expense

	2016 \$'000	2015 \$'000
Salaries and wages (including recreation leave)	2,095	2,080
Long Service Leave	152	91
Superannuation	179	163
Superannuation – defined benefit	13	19
Payroll tax and fringe benefits tax	143	135
Worker's compensation insurance	-	-
	2,582	2,488

(b) Other operating expenses include the following

	2016 \$'000	2015 \$'000
Auditor's remuneration - audit of the financial statements	52	52
Internal audit fees	24	-
Cost of sales	1,554	(1,183)
Inventory adjustment to net realisable value	-	-
Operating lease rental expense - minimum lease payments	178	232
Property expenses	1,828	2,133
Insurance	60	56
Other Contractors	313	124
Community information / liaison and promotion	235	221
Board remuneration	76	94
Fees for services	216	211
Hunter Infrastructure and Investment Fund expenses	134	7
Other	322	212
	4,992	2,159

(c) Depreciation and amortisation expense

	2016 \$'000	2015 \$'000
Depreciation - Furniture and Fittings	4	5
Depreciation - Plant and Equipment	2	2
Amortisation - Leasehold Improvements	7	31
	13	38

(d) Grants and subsidies

	2016 \$'000	2015 \$'000
Hunter Infrastructure and Investment Fund Projects	36,955	73,023
Public domain landscaping and seawall repairs	70	581
Community activation	73	79
	37,098	73,683

(e) Finance costs

	2016 \$'000	2015 \$'000
Interest expense	-	-
	-	-

(f) Other expenses

	2016 \$'000	2015 \$'000
Remediation expense	11,371	8,714
	11,371	8,714

3. Revenue**(a) Sale of goods and services**

	2016 \$'000	2015 \$'000
Sale of goods	4,850	-
Other Income ¹	2,109	1,706
	6,959	1,706

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

	2016 \$'000	2015 \$'000
Interest revenue from financial assets not at fair value through profit or loss	256	432
TCorp Hour Glass Facilities designated at fair value through profit or loss	-	51
Rents	368	648
	624	1,131

Future minimum lease receipts under non-cancellable operating leases as lessor:

	2016 \$'000	2015 \$'000
Not later than one year	146	165
Later than one year and not later than five years	83	198
Later than five years	-	-
Total (including GST)	229	363

The above represents future minimum lease receipts on The Corporation's owned properties. Future minimum lease receipts as at 30 June 2016 include GST payable of \$21,000 (\$33,000 at 30 June 2015).

(c) Grants and contributions

	2016 \$'000	2015 \$'000
Grants received from Department of Planning and Environment	37,406	73,538
	37,406	73,538

(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:

	2016	2015
	\$'000	\$'000
Superannuation – defined benefit	13	19
Long service leave	155	96
Payroll tax	1	1
	169	116

(e) Other revenue

	2016	2015
	\$'000	\$'000
Remediation revenue - Crown Finance Entity	8,113	10,110
Remediation revenue – Property NSW	4,864	-
	12,977	10,110

4. Current Assets – Cash and Cash Equivalents

	2016	2015
	\$'000	\$'000
Cash at bank and on hand	2,487	2,993
TCorp Hour Glass Facility	-	-
Short-term deposits	3,000	3,000
	5,487	5,993

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 is reconciled at the end of the financial year to the statement of cash flows as follows:

	2016	2015
	\$'000	\$'000
Cash and cash equivalents (per statement of financial position)	5,487	5,993
Closing cash and cash equivalents (per statement of cash flows)	5,487	5,993

Refer Note 16 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Refer Note 17 for details regarding restricted cash.

5. Current / Non-Current Assets – Receivables

	2016 \$'000	2015 \$'000
Trade Debtors	3,540	392
Less: Allowance for impairment	-	-
Accrued Income	560	452
Sale of Goods and Services Subtotal	4,100	844
Goods and Services Tax recoverable from ATO	271	253
Prepayments	31	14
	4,402	1,111
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 16 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. Current / Non-Current Assets – Inventories

	2016 \$'000	2015 \$'000
Current		
At Cost	3,458	1,651
At Valuation	2,700	-
	6,158	1,651
Non-Current		
At Cost	30,499	23,713
At Valuation	-	12,330
	30,499	36,043
Total	36,657	37,694
Details of inventories		
Acquisition Costs	32,982	33,967
Development Costs	3,707	4,224
Accumulated Inventory Adjustment to Net Realisable Value	(32)	(497)
	36,657	37,694

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

	Plant and equipment	Leasehold improvements	Furniture and fittings	Total
	\$'000	\$'000	\$'000	\$'000
At 30 June 2015 – fair value				
Gross carrying amount	33	281	60	374
Accumulated depreciation and impairment	(30)	(274)	(50)	(354)
Net carrying amount	3	7	10	20
At 30 June 2016 – fair value				
Gross carrying amount	32	281	60	373
Accumulated depreciation and impairment	(30)	(281)	(55)	(366)
Net carrying amount	2	-	5	7

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
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2016				
Net carrying amount at start of year	3	7	10	20
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation expense	(1)	(7)	(5)	(13)
Net carrying amount at end of year	2	-	5	7

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:

	Plant and equipment	Leasehold improvements	Furniture and fittings	Total
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2015				
Net carrying amount at start of year	5	38	15	58
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation expense	(2)	(31)	(5)	(38)
Net carrying amount at end of year	3	7	10	20

8. Current Liabilities – Payables

	2016 \$'000	2015 \$'000
Personnel services - Accrued salaries and wages	-	65
Creditors	1,432	1,013
Unearned revenue	20	123
	1,452	1,201

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 16.

9. Current / Non-Current Liabilities – Borrowings

	2016 \$'000	2015 \$'000
TCorp borrowings – unsecured	-	-
	-	-

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 16.

10. Current / Non-Current Liabilities – Provisions

	2016 \$'000	2015 \$'000
Current		
Personnel services - Recreation Leave ¹	170	227
Personnel services – On-costs ²	90	90
Makegood Provision ³	-	-
	260	317
Non-Current		
Makegood Provision ³	30	30
	30	30

Notes

1. The expected value of recreation leave to be paid within twelve months is \$154,000 and \$16,000 after twelve months.
2. The on-costs provision reflects an estimate of the on-costs and payroll tax obligations of the Corporation to extinguish the recreation leave (as provided above) and long service leave obligations (as assumed by the Crown).
3. Makegood provision reflects an estimate of the cost to makegood the premises to their original condition at the end of the lease term.

Movements in provisions

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

	On-costs	Makegood Provision	Total
2016	\$'000	\$'000	\$'000
Carrying amount at the beginning of financial year	90	30	120
Additional provisions recognised	5	-	5
Amounts used	(5)	-	(5)
Carrying amount at end of financial year	90	30	120

11. Current / Non-Current Liabilities – Other

	2016 \$'000	2015 \$'000
Current		
Security deposits	10	538
	10	538
Non-current		
Security deposits	35	45
	35	45

12. Commitments for Expenditure

(a) Capital

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

	2016 \$'000	2015 \$'000
Not later than one year	-	978
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	-	978

(b) Operating Lease Commitments

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

	2016 \$'000	2015 \$'000
Not later than one year	225	200
Later than one year and not later than five years	627	793
Later than five years	66	66
Total (including GST)	918	1,059

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

13. Contingent Liabilities and Contingent Assets

Contingent liabilities

There are no contingent liabilities as at 30 June 2016 (nil as at 30 June 2015).

Contingent Assets

There are no contingent assets as at 30 June 2016 (nil as at 30 June 2015).

14. Budget Review

Net result

The net result is favourable to budget by \$7.3m primarily as a result of:

- Actual personnel service expense being less than budget by \$0.5m due to positions not being filled;
- Actual other operating expenses being \$4.4m lower than budget due to expenditure being deferred or reduced and inventory increment adjustment;
- Actual grants and subsidies expenditure (\$7.3m higher than budget) and actual grants and contributions (\$10.8m higher than budget) were impacted by additional claims for projects funded by the Hunter Infrastructure Investment Fund;
- Actual other expenses (\$55.6m lower than budget) and actual other revenue (\$54.7m lower than budget) were impacted by fewer remediation works;
- Actual investment revenue being lower than budget by \$0.1m due to reduced rents received; and
- Actual sales of goods and services being \$1.9m lower than budget due to delays in land settlement.

Assets and liabilities

The Corporation's net cash position was \$5.0m higher than budget primarily as a result of:

- An increase in receivables of \$1.3m;
- An increase in inventories of \$1.6m;
- An increase in payables of \$1.2m;
- A decrease in other current liabilities of \$1.0m;
- The opening cash position being higher than budget by \$0.2m; and
- The net result being favourable to budget by \$7.3m.

Cash flows

The net cash flows from operating activities were favourable to budget by \$4.8m primarily as a result of:

- Additional expenditure of \$11.0m on grants and subsidies;
- Deferral of \$1.3m expenditure on inventories;
- An underspend of \$60.1m on suppliers and personnel services which is offset by a \$46.8m reduction in grants and contributions, primarily relating to the delay in the commencement of remediation works
- Additional sales of goods and services of \$1.1m due to additional other income and higher car parking revenue; and
- Additional interest received of \$0.1m due to higher cash balances.

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

	2016 \$'000	2015 \$'000
Net result	2,079	(481)
Depreciation	13	38
Inventory adjustment to net realisable value	(465)	(1,183)
Equity Transfer	-	-
(Increase) / Decrease in receivables	(3,291)	(115)
Decrease / (increase) in inventories	1,502	(540)
Decrease / (increase) in creditors	251	327
(Decrease) / increase in provisions	(57)	(8)
(Decrease) / increase in other liabilities	(538)	10
Net gain / (loss) on sale of plant and equipment	-	-
Net Cash Flows From Operating Activities	(506)	(1,952)

16. 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.

(a) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount	Carrying Amount
			2016	2015
Class:			\$'000	\$'000
Cash and cash equivalents	4	N/A	5,487	5,993
Receivables ¹	5	Loans and receivables (at amortised cost)	3,540	844
Financial Liabilities	Note	Category	Carrying Amount	Carrying Amount
			2016	2015
Class:			\$'000	\$'000
Payables ²	8	Financial liabilities measured at amortised cost	1,432	1,078
Borrowings	9	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) 11 am 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 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 (2016: \$2,777,000; 2015: \$278,000) and less than three months past due (2016: \$764,000; 2015: \$114,000) are not considered impaired. Together, these represent 100% 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} \$'000	Past due but not impaired ^{1,2} \$'000	Considered impaired ^{1,2} \$'000
2016			
< 3 months overdue	3,541	764	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	-	-	-
2015			
< 3 months overdue	114	114	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	-	-	-

Notes

1. Each column in the table reports 'gross receivables'.
2. 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 of 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 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 (2015: nil).

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

\$'000								
	Weighted Average Effective Int. Rate %	Nominal Amount ¹	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate	Variable Interest Rate	Non- interest bearing	< 1 year	1-5 years	> 5 years
2016								
Trade Creditors and Accruals	-	1,432	-	-	1,432	1,432	-	-
Security Deposits	-	45	-	-	45	10	-	35
		1,477	-	-	1,477	1,442	-	35
2015								
Trade Creditors and Accruals	-	1,078	-	-	1,078	1,078	-	-
Security Deposits	-	583	-	-	583	538	10	35
		1,661	-	-	1,661	1,616	10	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 cash and cash equivalents.

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 2015. The analysis assumes that all other variables remain constant.

(e) Interest rate risk

Exposure to interest rate risk arises primarily through the Corporation's cash and cash equivalents. 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	-1% Profit	-1% Equity	+1% Profit	+1% Equity
2016					
<i>Financial assets</i>					
Cash and cash equivalents	5,487	(55)	(55)	55	55
Receivables	3,540	-	-	-	-
<i>Financial liabilities</i>					
Payables	1,432	-	-	-	-
2015					
<i>Financial assets</i>					
Cash and cash equivalents	5,993	(60)	(60)	60	60
Receivables	844	-	-	-	-
<i>Financial liabilities</i>					
Payables	1,078	-	-	-	-

(f) 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.

17. Restricted Assets

There are no restricted funds within cash at bank and on hand (Note 4) 2016: Nil; 2015: \$106,000.

18. 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 13
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
Workforce Diversity	Appendix B (iii)
Disability Inclusion Action 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 2015-16 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)
Work Health and Safety	Appendix B (iii)
Response to significant issues raised by Auditor-General	Appendix B (xi)
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 (xii)
Government Information (Public Access) Act 2009	Appendix B (xiii)
Public Interest Disclosures	Appendix B (iii) and (xiv)
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	30,000	Sponsorship 2015-16
Hunter Research Foundation	9,966	Sponsorship Annual 2015-16
Newcastle Rowing Club	1,000	Club Regatta 2015-16
Property Council of Australia	12,000	Hunter Corporate Partner 2015-16
The University of Newcastle	909	Practice Matters 2015-16
Port2Port Down Under Rally	2,000	Race Sponsorship 2015-16
Total	55,895	

(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 and 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 and Environment's annual report. These include the following matters:

- Exceptional Wage Movement
- Personnel Policies and Practices
- Industrial Relations Policies and Practices
- Workforce Diversity
- Disability Inclusion Action Plan
- Multicultural Policies and Services Program
- Work Health and Safety
- Privacy Management Plan
- Public Interest Disclosures

During the 2015-16 year all Corporation staff completed the following compulsory workplace training modules:

- Workplace Health and Safety Awareness
- Disclosing Interests and Managing Conflicts of Interest
- Privacy and Personal Information Protection (NSW)

All staff completed and returned Declarations of Conflicts Interest during the reporting period.

All staff have participated in Performance Development planning as per the relevant provisions of the Government Sector Employment Act 2013.

(iv) Land Disposal

During the year there was one land disposal of 18 Honeysuckle Drive (formally Lot 230) to Doma Group.

Prior approval was 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 was one overseas visit to New Zealand, in relation to further studies undertaken with ANZOG, travel was pre-approved with The Premier of NSW and the Secretary of the Department.

(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	2,367,910	100,195	545	792	-
December	3,120,517	10,328	10,813	-	-
March	2,921,104	22,414	802	1,855	-
June	7,104,840	58,425	-	-	-
Quarter	Current (within due date) \$	< 30 days overdue \$	30 – 60 days overdue \$	61 – 90 days overdue \$	90 + days overdue \$
Small Business Suppliers					
September	57,154	545	545	-	-
December	104,920	-	-	-	-
March	58,784	-	-	-	-
June	13,434	-	-	-	-

(b) Accounts due or paid within each quarter

Measure	Sept	Dec	Mar	Jun
All Suppliers				
Number of accounts due for payment	271	259	230	201
Number of accounts paid on time	254	252	222	194
Actual percentage of accounts paid on time (based on number of accounts)	93.7%	97.3%	96.5%	96.5%
Dollar amount of accounts due for payment	\$2,469,442	\$3,141,658	\$2,946,175	\$7,163,265
Dollar amount of accounts paid on time	\$2,367,910	\$3,120,517	\$2,921,104	\$7,104,840
Actual percentage of accounts paid on time (based on \$)	95.9%	99.9%	99.1%	99.2%
Number of payments for interest on overdue accounts	-	-	-	-
Interest paid on overdue accounts	-	-	-	-
Small Business Suppliers				
Number of accounts due for payment	9	9	10	4
Number of accounts paid on time	7	9	10	4
Actual percentage of accounts paid on time (based on number of accounts)	77.8%	100.0%	100.0%	100.0%
Dollar amount of accounts due for payment	\$58,243	\$104,920	\$58,784	\$13,434
Dollar amount of accounts paid on time	\$57,154	\$104,920	\$58,784	\$13,434
Actual percentage of accounts paid on time (based on \$)	98.1%	100.0%	100.0%	100.0%
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 for the 2015-16 Financial Year for the Hunter Development Corporation

I, David Evans am of the opinion that the Hunter Development Corporation has internal audit and risk management processes in operation that are, excluding the exceptions or transitional arrangements described below, compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements

1. Risk Management Framework

- | | | |
|-----|--|-----------|
| 1.1 | The agency head is ultimately responsible and accountable for risk management in the agency | Compliant |
| 1.2 | A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009 | Compliant |

2. Internal Audit Function

- | | | |
|-----|--|-----------|
| 2.1 | An internal audit function has been established and maintained | Compliant |
| 2.2 | The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing | Compliant |
| 2.3 | The agency has an Internal Audit Charter that is consistent with the content of the 'model charter' | Compliant |

3. Audit and Risk Committee

- | | | |
|-----|---|-----------|
| 3.1 | An independent Audit and Risk Committee with appropriate expertise has been established | Compliant |
| 3.2 | The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations | Compliant |
| 3.3 | The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter' | Compliant |

Membership

The chair and members of the Audit and Risk Committee were:

- S Smith Independent Chair (4 out of 4)
- D Evans Independent Member (1 out of 4)
- S O'Toole Independent Member (3 out of 4)
- K Howard Independent Member (2 out of 4)

David Evans

CHAIRMAN

Hunter Development Corporation

(x) Digital Information Security Annual Attestation Statement for the 2015-16 Financial Year for the Hunter Development Corporation.

I, David Evans, am of the opinion that the Hunter Development Corporation had an Information Security Management System (ISMS) in place during the 2015-16 financial year that is consistent with the Core Requirements set out in the *NSW Government Digital Information Security Policy*.

The controls in place to mitigate identified risks to the digital information and digital information systems of the Hunter Development Corporation are adequate.

There is no agency under the control of the Hunter Development Corporation which is required to develop an independent ISMS in accordance with the *NSW Government Digital Information Security Policy*.

David Evans

CHAIRMAN

HUNTER DEVELOPMENT CORPORATION

(xi) 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.

(xii) Performance and numbers of executive officers

Senior Executive Service	2015-16		2014-15	
Level	Male	Female	Male	Female
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	1	-	1	-
Total	1	-	1	-

(xiii) Government Information (Public Access) Act 2009

The Corporation adopts the principle of proactive release of information as described in the GIPA Regulation. That is, the Corporation will seek to proactively release information which is deemed to be in the public interest where there are no overriding reasons against disclosure, and publish such information on its website. Information which would be proactively released is that which is commonly sought after by members of the public as reflected in the number of requests made for such information.

The Corporation will also routinely publish other information which could reasonably be expected to be of public interest based on the experiences and practices of other similar Government agencies or as determined by the Corporation's annual review of this program.

The annual review of this program is conducted by staff with relevant expertise in the operation of the GIPA Act and any recommendations arising from this review will be made to the General Manager on advice from the Administration Manager and Communications Manager.

The review seeks to understand what categories of information were repeatedly asked for, both formally and informally, what types of information have been produced by the Corporation since the last review and what types of information have been proactively released by other similar agencies or other agencies in general.

During the reporting period the Corporation did not receive any formal or informal requests.

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	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	0	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)	0	0	0	0	0	0	0	0
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)	0
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 NCAT	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 by the Information Commissioner.

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
Total	0

Table I: Applications transferred to other agencies	
	Number of applications for review
Agency-Initiated Transfers	0
Applicant – Initiated Transfers	0
Total	0

(xiv) 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

End of Annual Report 2015-2016