

# Financial Report

## Page

40		CERTIFICATION OF FINANCIAL STATEMENTS
41		AUDITOR-GENERAL'S REPORT TO THE TREASURER
43		INCOME STATEMENT
44		BALANCE SHEET
45		CASH FLOW STATEMENT
46		STATEMENT OF CHANGES IN EQUITY
47	Note 1	LEGAL STATUS AND ASSOCIATED GUARANTEES
47	Note 2	SUMMARY OF ACCOUNTING POLICIES
52	Note 3	ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS
53	Note 4	INTEREST REVENUE
53	Note 5	OTHER REVENUE
54	Note 6	INTEREST EXPENSE
55	Note 7	OTHER EXPENSES
55	Note 8	RETAINED PROFITS
55	Note 9	CONTRIBUTED CAPITAL
56	Note 10	TRADE AND OTHER RECEIVABLES
56	Note 11	LOANS
56	Note 12	TRADE AND OTHER PAYABLES
57	Note 13	PROVISIONS AND TAX LIABILITIES
57	Note 14	BORROWINGS
58	Note 15	FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
67	Note 16	FAIR VALUES OF FINANCIAL INSTRUMENTS
69	Note 17	RESERVES
69	Note 18	AUDITOR'S REMUNERATION
70	Note 19	RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES
70	Note 20	FIDUCIARY ACTIVITIES
71	Note 21	DIVIDENDS
71	Note 22	NORTHERN TERRITORY TREASURY CORPORATION ADVISORY BOARD
71	Note 23	FEES AND COMMISSIONS
71	Note 24	SEGMENT INFORMATION

# Certification of Financial Statements

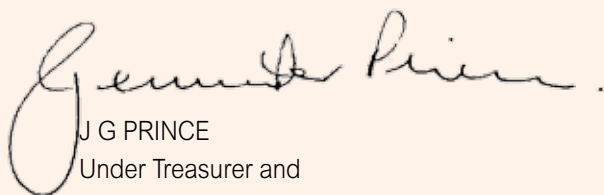
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

The accompanying annual financial statements have been prepared pursuant to the provisions of the *Northern Territory Treasury Corporation Act* and other prescribed requirements. We certify that:

- a) the accompanying financial statements and notes are in agreement with the accounts and records of the Northern Territory Treasury Corporation; and;
- b) in our opinion:
  - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the accompanying annual financial statements have been drawn up so as to present a true and fair view, in accordance with Accounting Standards, of the transactions of the Northern Territory Treasury Corporation for the year ended 30 June 2009 and of the financial position as at 30 June 2009.

At the date of signing, we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.

Signed in Darwin on the 28th day of September 2009.



J G PRINCE  
Under Treasurer and  
Chair of the Advisory Board



A POLLON  
Acting General Manager



## Auditor-General

### **Independent Auditor's Report to the Treasurer Northern Territory Treasury Corporation Year Ended 30 June 2009**

I have audited the accompanying financial report of the Northern Territory Treasury Corporation (the Corporation), which comprises a balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Certification by the Under Treasurer and General Manager.

#### **The Responsibility of the General Manager for the Financial Report**

The General Manager of the Corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Northern Territory Treasury Corporation Act*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the General Manager also states, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Manager, as well as evaluating the overall presentation of the financial report.

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

#### **Independence**

In conducting my audit I have met the independence requirements of the *Audit Act* and of Australian professional accounting bodies.



## Auditor-General

Page 2 of 2

### Auditor's Opinion

In my opinion the financial report of the Northern Territory Treasury Corporation:

- is based on proper accounts and is in agreement with the accounts and has been properly drawn up so as to present a true and fair view of the transactions for the financial year ended 30 June 2009 of the Corporation and the financial position at the end of the year;
- the financial report is presented in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the requirements of *the Northern Territory Treasury Corporation Act*;
- the receipt and expenditure of money and the acquisition and disposal of property by the Corporation during the year have been in accordance with the *Northern Territory Treasury Corporation Act*; and
- the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

F McGuinness  
Auditor-General for the Northern Territory

30 September 2009

# Income Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009	2008
		\$000	\$000
<b>REVENUE</b>		<b>160 175</b>	<b>174 063</b>
Interest	4	159 704	173 592
Other revenue	5	471	471
<b>EXPENSES</b>		<b>141 102</b>	<b>149 084</b>
Interest	6	139 016	146 898
Administration	7	2 086	2 186
<b>PROFIT BEFORE INCOME TAX</b>		<b>19 073</b>	<b>24 979</b>
Income tax expense		5 722	7 494
<b>NET PROFIT AFTER INCOME TAX</b>	8	<b>13 351</b>	<b>17 485</b>

Notes to the Financial Statements are included on pages 47 to 71

# Balance Sheet

AS AT 30 JUNE 2009

	Note	2009	2008
		\$000	\$000
<b>TOTAL ASSETS</b>		<b>2 392 912</b>	<b>2 392 061</b>
Cash and cash equivalents		30 272	38 136
Trade and other receivables	10	4 976	6 424
Prepayments		57	92
Loans	11	2 357 607	2 347 409
<b>TOTAL LIABILITIES</b>		<b>2 371 282</b>	<b>2 369 971</b>
Deposits held		1 149	1 757
Trade and other payables	12	32 938	37 381
Provisions	13	13 470	17 645
Tax liabilities	13	5 722	7 494
Borrowings	14	2 318 003	2 305 694
<b>NET ASSETS</b>		<b>21 630</b>	<b>22 090</b>
<b>TOTAL EQUITY</b>		<b>21 630</b>	<b>22 090</b>
Contributed capital	9	18 714	18 714
Retained profits	8	-	-
Reserves	17	2 916	3 376

Notes to the Financial Statements are included on pages 47 to 71

# Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009	2008
		\$000	\$000
		inflows	inflows
		(outflows)	(outflows)
<b>CASH FLOWS from OPERATING ACTIVITIES</b>	19	<b>7 460</b>	<b>13 395</b>
Interest received from investments		160 597	161 564
Interest and other costs of finance paid		(144 009)	(139 213)
Other receipts:			
Management fee		471	471
Payments to suppliers and employees		(2 105)	(2 332)
Income tax paid		(7 494)	(7 095)
<b>CASH FLOWS from INVESTING ACTIVITIES</b>		<b>(10 199)</b>	<b>(21 255)</b>
Repayment of loans		137 338	67 589
Drawdown of loans		(147 537)	(88 844)
<b>CASH FLOWS from FINANCING ACTIVITIES</b>		<b>(5 125)</b>	<b>16 368</b>
Repayment of borrowings		(541 364)	(840 774)
Drawdown of borrowings		554 332	875 648
Deposits received		(608)	(1 952)
Dividend paid		(17 485)	(16 554)
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>		<b>(7 864)</b>	<b>8 508</b>
Cash and cash equivalents at the beginning of the financial year		38 136	29 628
Cash and cash equivalents at the end of period		30 272	38 136

Notes to the Financial Statements are included on pages 47 to 71

# Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009	2008
		\$000	\$000
<b>CONTRIBUTED CAPITAL</b>			
Balance at the beginning of the financial year		18 714	18 714
Movement for the year		-	-
Balance at the end of the financial year		18 714	18 714
<b>HEDGE RESERVES</b>			
Balance at the beginning of the financial year		460	804
Gain/(losses) taken to equity		(460)	(704)
Transferred from/to profit or loss		-	360
Balance at the end of the financial year	17	-	460
<b>GENERAL RESERVES</b>			
Balance at the beginning of the financial year		2 916	2 916
Movement for the year		-	-
Balance at the end of the financial year		2 916	2 916
<b>RETAINED PROFITS</b>			
Balance at the beginning of the financial year		-	-
Net Profit		13 351	17 485
Dividends provided for and paid		(13 351)	(17 485)
Balance at the end of the financial year		-	-
<b>TOTAL EQUITY</b>		<b>21 630</b>	<b>22 090</b>

Notes to the Financial Statements are included on pages 47 to 71

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

## 1. LEGAL STATUS AND ASSOCIATED GUARANTEES

### (a) Determination of Government Business Division status

The Treasurer has determined the Northern Territory Treasury Corporation is a Government Business Division as defined in section 3(1) of the *Financial Management Act*. In accordance with section 10(2) of the *Financial Management Act*, the financial report of the entity has been prepared based on commercial accounting principles and on the basis that it complies with Australian Accounting Standards.

### (b) Statutory Guarantee

Under section 20 of the *Northern Territory Treasury Corporation Act*, all financial obligations incurred or assumed by the Corporation are guaranteed by the Treasurer on behalf of the Northern Territory of Australia.

## 2. SUMMARY OF ACCOUNTING POLICIES

### Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Northern Territory Treasury Corporation Act*, Australian Accounting Standards and Interpretations and the requirements of the *Financial Management Act* and Treasurer's Directions. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Corporation comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Under Treasurer on 28 September 2009.

### Basis of Preparation

The financial report is presented in Australian Dollars (AUD) rounded to the nearest thousand (unless otherwise indicated) and has been prepared on the basis of historical cost, except for derivative financial instruments, which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of Australian Accounting Standards management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgement made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

*Note 2 continued*

## 2. SUMMARY OF ACCOUNTING POLICIES (continued)

The significant policies which have been adopted in the preparation of this financial report are:

### (a) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at date of acquisition.

### (b) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

### (c) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits, such as wages, salaries and annual leave, expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Corporation in respect of services provided by employees up to reporting date.

The Corporation's long service leave liabilities are recorded by the Central Holding Authority. This is in accordance with the Territory Government's current policy where all government agencies' long service leave liabilities are assumed by the Central Holding Authority.

### (d) Expense Recognition

Expenses are recognised to the extent that it is probable that a future sacrifice will flow from the entity and the expense can be reliably measured. Specific expenses are recognised as follows:

(i) Interest Expenses:

Interest expense includes accrued interest, loss on extinguishment and amortisation of discount and premiums. Interest expense is recognised on an effective yield basis.

(ii) Administration Expenses:

Expenses for administration charges are recognised in the period in which the service is provided on an accrual basis.

### (e) Financial Instruments

(i) Financial Assets:

Financial assets include trade and other receivables (mainly interest and swap receivables) and loans. Financial assets are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, except for swap receivables, financial assets are measured at amortised cost (less impairment) with any difference between the initial recognised amount and the amortised cost (less impairment) amount being recognised in the Income Statement over the period of the financial asset using the effective interest rate method.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

*Note 2 continued*

## 2. SUMMARY OF ACCOUNTING POLICIES (continued)

(ii) Financial Liabilities:

Financial liabilities include trade and other accounts payables and borrowings. Financial liabilities are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption amount being recognised in the Income Statement over the period of the financial liability using the effective interest rate method.

(iii) Derivative Financial instruments:

The Corporation enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risk including: interest rate swaps, cross currency swaps, cross currency interest rate swaps, and forward start interest rate swaps. Further details of derivative financial instruments are disclosed in note 15 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date. The resulting gain or loss is recognised in the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the Income Statement depends on the nature of the hedge relationship (refer (v) below). The Corporation designates its derivatives as hedges of highly probable forecast transactions (cash flow hedges).

(iv) Effective Interest Method:

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets or liabilities, or, where appropriate, a shorter period. Income is recognised on an effective interest rate basis for debts instruments other than those "at fair value through profit or loss".

(v) Hedge Accounting:

At the inception of the hedge relationship the Corporation documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Corporation documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash Flow Hedge:

The Corporation has designated its hedging transactions as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Any gain or loss on a derivative hedging foreign currency risk of a recognised monetary asset or liability is recognised in the Income Statement. Amounts deferred in equity are recycled in the Income Statement in periods when the hedged item is recognised in the Income Statement.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

*Note 2 continued*

## 2. SUMMARY OF ACCOUNTING POLICIES (continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the Income Statement.

(vi) Netting of Swap Transactions:

The Corporation, from time to time, may facilitate certain structured finance arrangements, where a legally recognised right to set-off financial assets and liabilities exists, and the Corporation intends to settle on a net basis. Where these arrangements occur, the revenues and expenses are set-off and the net amount is recognised in the Income Statement. The financial assets and liabilities of such transactions are set-off and the net amount is recognised in the Balance Sheet.

(vii) Financial Instruments Issued by the Corporation:

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual agreement. All the Corporation's compounding products are debt instruments.

(viii) Impairment of Financial Assets:

Financial assets are reviewed at each Balance Sheet date to determine whether there is objective evidence of impairment. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition that indicates that it is probable that the Corporation will be unable to collect all amounts due. The carrying amount of a financial asset identified as impaired is reduced to its estimated recoverable amount.

(ix) Gains and Losses on Extinguishment:

Gains and losses on extinguishment occur when a borrowing is redeemed prior to the scheduled maturity date. A gain or loss is derived where the fair value at redemption is higher or lower than the value of the bond at amortised cost. These gains and losses are recognised in the period in which the debt is extinguished.

(x) Derecognition:

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

### (f) Foreign Currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in the Income Statement in the period in which they arise.

### (g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of the acquisition of an asset or as part of an item of expense; or

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

*Note 2 continued*

## 2. SUMMARY OF ACCOUNTING POLICIES (continued)

- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (h) Intangible Assets

Intangible assets are stated at cost less accumulated amortisation and impairment. Cost includes expenditure directly attributable to the acquisition of the item. Amortisation is calculated on a straight-line basis to write off the cost of each item over its expected useful life to the Corporation to its estimated residual value. The useful life of intangible assets is assumed to be 3-5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period. At each reporting date, the Corporation reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any).

### (i) Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (j) Provisions

Provisions are recognised when the Corporation has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

### (k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

- (i) Interest revenue: Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- (ii) Other revenue: Other revenue includes fees and commissions for services provided. Revenue for fees and commissions are recognised in the period in which the service is provided on an accrual basis.

### (l) Rounding

Amounts have been rounded to the nearest thousand dollars, unless otherwise stated.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Note 2 continued

## 2. SUMMARY OF ACCOUNTING POLICIES (continued)

### (m) Superannuation

Employee superannuation entitlements are provided through the:

- Northern Territory Government and Public Authorities Superannuation Scheme (NTGPASS);
- Northern Territory Supplementary Scheme; and
- employee nominated non-government schemes for those employees commencing on or after 10 August 1999.

The Corporation makes superannuation contributions on behalf of its employees. Any liability for superannuation is met directly by the Northern Territory Government and the Corporation has and will continue to have no other direct superannuation liability.

### (n) Taxation

In accordance with the requirements of the Treasurer's Directions and the Northern Territory Tax Equivalents Regime, the Corporation is required to pay notional income tax on its accounting profits at the company tax rate of 30 per cent. Current tax for current and prior periods is recognised as a liability to the extent that it is unpaid.

## 3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue and applicable to Northern Territory Treasury Corporation but not yet effective:

	Effective for Annual Reporting Periods:
AASB 101 'Presentation of Financial Statements – revised September 2007', AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB101'	beginning on or after 1 January 2009
AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB101'	beginning on or after 1 January 2009
AASB 2008-9 'Amendments to AASB 1049 for consistency with AASB 101'	beginning on or after 1 January 2009
AASB 123 'Borrowing Costs (revised) AASB2007-6 Amendments to Australian Accounting Standards arising from AASB 123'	beginning on or after 1 January 2009
AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation'	beginning on or after 1 January 2009
AASB 8 'Operating Segments' AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	beginning on or after 1 January 2009
AASB 2009-1 'Amendments to Australian Accounting Standards – 'Borrowing Costs of Not-for-Profit Public Sector Entities'	beginning on or after 1 January 2009
AASB 2009-2 'Amendments to Australian Accounting Standards – 'Improving Disclosures about Financial Instruments'	beginning on or after 1 January 2009

The Corporation anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements. These Standards and Interpretations will be first applied in the financial report of the Corporation that relates to the annual reporting period beginning after the effective date of each pronouncement.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

## 4. INTEREST REVENUE

	2009	2008
	\$000	\$000
Interest from:		
Northern Territory of Australia	115 322	109 185
Government Owned Corporations	32 612	27 974
Government Business Divisions	11 639	25 948
Local Government Authorities	35	54
Gain on Extinguishment	96	10 431
<b>TOTAL INTEREST REVENUE</b>	<b>159 704</b>	<b>173 592</b>

	2009	2009	2008	2008
	Average Balance	Average Rate	Average Balance	Average Rate
	\$000	%	\$000	%
Loans to:				
Northern Territory of Australia	1 632 976	7.06	1 598 983	6.65
Government Owned Corporation	496 054	6.57	386 587	7.24
Government Business Divisions	222 829	5.22	348 346	7.45
Local Government Authorities	649	5.40	857	6.34
	2 352 508		2 334 773	

	2009	2008
	\$000	\$000
Gains on Extinguishment:		
Gains on Extinguishment of Borrowings at Amortised Cost	96	75
Gains on Extinguishment of Loans and Investments	-	10 356
<b>TOTAL GAINS ON EXTINGUISHMENT</b>	<b>96</b>	<b>10 431</b>

## 5. OTHER REVENUE

	2009	2008
	\$000	\$000
Other Revenue		
Management Fees	471	471
<b>TOTAL OTHER REVENUE</b>	<b>471</b>	<b>471</b>

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

## 6. INTEREST EXPENSE

	2009	2008
	\$000	\$000
Interest to:		
Wholesale Borrowings	110 789	110 129
Debt to Australian Government	12 590	12 815
Retail Borrowings	10 937	11 963
Promissory Notes	4 134	5 458
Losses on Extinguishment	566	6 533
<b>TOTAL INTEREST EXPENSE</b>	<b>139 016</b>	<b>146 898</b>

	2009	2009	2008	2008
	Average Balance	Average Rate	Average Balance	Average Rate
	\$000	%	\$000	%
Borrowings From:				
Private Placements/Wholesale	1 843 440	6.01	1 818 826	6.05
Debt to Australian Government	267 400	4.71	272 238	4.71
Public Issues/Retail	176 352	6.20	197 241	6.07
Promissory Notes	85 068	6.78	81 178	6.81
	2 372 260		2 369 483	

	2009	2008
	\$000	\$000
Losses on Extinguishment:		
Losses on Extinguishment of Borrowings at Amortised Cost	570	191
Losses on Extinguishment of Loans and Investments	-	6 338
Losses on Derivative Instruments in Designated Hedge Accounting Relationships	(4)	4
<b>TOTAL LOSSES ON EXTINGUISHMENT</b>	<b>566</b>	<b>6 533</b>

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

## 7. OTHER EXPENSES

	2009	2008
	\$000	\$000
Administration		
Salaries and Related Employee Expenses	810	793
Agent Service Arrangements	655	676
Other Service Arrangements	455	583
Consultants	22	1
Marketing and Promotion	-	2
Document Production	25	5
Recruitment	1	-
General Property Management	32	31
Amortisation	-	10
Subscriptions	46	49
Training and Study	11	12
Official Duty Fares	5	2
Travelling Allowance	1	1
Other Operating Expenses	23	21
<b>TOTAL OTHER EXPENSES</b>	<b>2 086</b>	<b>2 186</b>

## 8. RETAINED PROFITS

	2009	2008
	\$000	\$000
Balance at the beginning of the financial year	-	-
Net Profit	13 351	17 485
Dividends provided for and paid	(13 351)	(17 485)
Balance at the End of the Financial Year	-	-

## 9. CONTRIBUTED CAPITAL

	2009	2008
	\$000	\$000
Balance at the beginning of the financial year	18 714	18 714
Movement for the year	-	-
Balance at the End of the Financial Year	18 714	18 714

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

## 10. TRADE AND OTHER RECEIVABLES

	2009	2008
	\$000	\$000
Interest on Loans	4 975	5 076
Debtors	1	6
Derivative Financial Instruments at fair value		
Interest Rate Swap	-	1 342
<b>TOTAL RECEIVABLES</b>	<b>4 976</b>	<b>6 424</b>
Due from External Bodies	1	1 348
Due from Northern Territory Government Agencies	4 975	5 076
<b>TOTAL RECEIVABLES</b>	<b>4 976</b>	<b>6 424</b>

## 11. LOANS

	2009	2008
	\$000	\$000
Northern Territory of Australia		
Fixed Rate Loans	1 386 200	1 486 200
Credit Foncier Loans	195 778	112 032
Government Owned Corporations		
Fixed Rate Loans	77 000	77 000
Floating Rate Loans	446 983	302 983
Credit Foncier Loans	41 304	46 836
Government Business Divisions		
Fixed Rate Loans	-	2 500
Floating Rate Loans	16 881	33 344
Credit Foncier Loans	192 994	285 682
Local Government Authorities		
Credit Foncier Loans	467	832
<b>TOTAL LOANS</b>	<b>2 357 607</b>	<b>2 347 409</b>

## 12. TRADE AND OTHER PAYABLES

	2009	2008
	\$000	\$000
Creditors and Accruals	227	245
Interest	32 704	37 129
Accrued Salaries	7	7
<b>TOTAL PAYABLES</b>	<b>32 938</b>	<b>37 381</b>
Due to External Bodies	32 872	37 319
Due to Northern Territory Government Agencies	66	62
<b>TOTAL PAYABLES</b>	<b>32 938</b>	<b>37 381</b>

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

## 13. PROVISIONS AND TAX LIABILITIES

	2009	2008
	\$000	\$000
a) Provisions		
Employee Benefits		
Recreation Leave	97	138
Leave Bonus	10	10
Other	10	12
Total Employee Benefits	117	160
Fringe Benefits Tax	2	-
Dividend Payable	13 351	17 485
<b>TOTAL PROVISIONS</b>	<b>13 470</b>	<b>17 645</b>
b) Tax Liabilities		
Notional Income Tax Payable	5 722	7 494
<b>TOTAL TAX LIABILITIES</b>	<b>5 722</b>	<b>7 494</b>

## 14. BORROWINGS

	2009	2008
	\$000	\$000
Domestic Borrowings		
Wholesale Market		
Fixed Interest Securities	1 832 483	1 654 399
Floating Rate Notes	-	199 999
Promissory Notes	49 313	-
Retail Market		
Territory Bonds	170 031	170 517
Migration Linked Bonds	1 250	10 906
Australian Government		
Credit Foncier Loans	264 926	269 873
<b>TOTAL BORROWINGS</b>	<b>2 318 003</b>	<b>2 305 694</b>

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

## 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Objectives and Policies

The Corporation's objectives in managing financial risks such as market risk (interest rate risk and foreign exchange risk), credit risk, liquidity risk and funding risk are to:

- safeguard financial resources by establishing and regularly reviewing counterparty credit limits, maintaining adequate internal controls and staffing;
- minimise borrowing costs via effective control and management of interest rate risk and maintain interest rate risk at an acceptable level;
- ensure there is sufficient short and long term liquidity to meet debts as and when they fall due;
- minimise the cost of foreign currency requirements through the effective control and management of its foreign exchange risk and neutralise foreign exchange exposures; and
- review and evaluate the risk management policies and procedures on an annual basis to ensure they remain adequate for the Corporation to operate in a risk neutral manner.

These objectives and policies are endorsed by the Corporation's Advisory Board and the Under Treasurer.

### Management of Capital

The Corporation is not subject to any legislative requirement to maintain a minimum level of equity, however the Corporation's Advisory Board reviews and recommends an appropriate balance between debt and equity funding. The current level of contributed equity is deemed appropriate for the risks inherent in the Corporation's business.

### Categories of Financial Instruments

The carrying amount of financial instruments by category is as follows:

	30 June 2009	30 June 2008
	\$000	\$000
<b>Financial Assets</b>		
Derivative Instruments in Designated Hedge Accounting Relationships	-	1 342
Loans and Receivables	2 362 600	2 352 583
Cash and Cash Equivalents	30 272	38 136
<b>Financial Liabilities</b>		
Financial Liabilities at Amortised Cost	2 352 090	2 344 832

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

*Note 15 continued*

## **Market Risk**

The Corporation adopts a policy of a risk neutral operation. Risk neutral means the Corporation will generally manage interest rate and foreign exchange risk, firstly, by matching assets and liabilities where possible, and then utilise a variety of derivative financial instruments to manage any residual exposures.

In the normal course of business, the Corporation may utilise the following derivative instruments:

- interest rate swaps to mitigate the risk of rising interest rates; and
- cross currency swaps to manage the foreign currency risk associated with foreign currency denominated borrowings.

The Corporation does not enter into or trade in derivative financial instruments for speculative purposes.

Market risk is reported at each meeting of the Advisory Board. To the extent there are mismatches between assets and liabilities, the sensitivity to interest rate risk is measured by a parallel shift in the current market yield curve of one per cent. There is currently no exposure to foreign exchange risk, therefore, no sensitivity analysis is undertaken. However, should the Corporation borrow in foreign currency in future, the sensitivity to foreign exchange risk can similarly be measured by shifting spot exchange rates by an appropriate margin.

Market risks are discussed in more detail below.

### **(a) Interest Rate Risk**

Interest rate risk is the risk of financial loss and/or increased costs due to adverse movements in the values of financial assets and liabilities as a result of changes in interest rates. The Corporation's interest rate risk arises from cash flow mismatches in the maturity profiles and repricing dates of its financial assets and liabilities.

The Corporation aims to manage the interest rate exposure on its financial assets and liabilities at an acceptable level in an attempt to minimise the cost of its borrowing requirements within stated guidelines.

The Corporation's interest rate risk on its financial assets and liabilities are significantly extinguished as a result of its relationship with the Northern Territory of Australia. As at 30 June 2009, approximately 73 per cent of the Corporation's issued debt is on-lent to the Northern Territory of Australia. The interest rates and maturity dates set on these loans are closely matched to the debt issued by the Corporation to external counterparties. The Corporation's loans to the Northern Territory of Australia attract a margin over the cost of servicing the debt.

When interest rate swaps are used to manage interest rate risk, those that convert floating rate debt to a fixed rate are designated as cash flow hedges. By using interest rate swaps, the Corporation agrees to exchange the difference between fixed and floating interest rate amounts calculated by reference to agreed notional principal, thereby enabling the Corporation to reduce the risk of rising interest rates now or at a future date.

The Corporation enters into interest rate swaps that entitle it to receive interest at floating rates and oblige it to pay interest at fixed rates on the same amount. The interest rate swaps allow the Corporation to raise long-term borrowings at floating rates and effectively swap them into fixed rates.

Notional principal amounts represent the contract or face value of the swap. The notional amounts do not represent amounts exchanged by the parties to the contract.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Note 15 continued

## Interest Rate Risk Exposures

The Corporation's exposure to interest rate risk, re-pricing maturities and the effective interest rates on financial instruments at 30 June 2009 are:

(i) Re-pricing maturities

	Weighted Average Int. Rate %	Interest Rate Reset Due in					Non- Interest Bearing \$000	Total \$000
		0 to 3 Months \$000	3 mths - 1 year \$000	1 to 5 Years \$000	More Than 5 years \$000			
<b>Financial Assets</b>								
Cash	2.75	30 272	-	-	-	-	30 272	
Receivables		-	-	-	-	4 976	4 976	
Loans								
Fixed Rate Loans	6.30	295 000	-	858 900	309 300	-	1 463 200	
Floating Rate Loans	6.54	-	4 000	459 864	-	-	463 864	
Credit Foncier Loans	8.52	-	317	53 788	376 438	-	430 543	
<b>Total Financial Assets</b>		<b>325 272</b>	<b>4 317</b>	<b>1 372 552</b>	<b>685 738</b>	<b>4 976</b>	<b>2 392 855</b>	
<b>Financial Liabilities</b>								
Deposits Held	-	-	-	-	-	1 149	1 149	
Creditors	-	-	-	-	-	32 938	32 938	
Borrowings								
Domestic								
Fixed Interest Securities	6.13	257 586	68 448	1 363 175	314 555	-	2 003 764	
Floating Rate Notes	-	-	-	-	-	-	-	
Promissory Notes	4.78	-	49 313	-	-	-	49 313	
Australian Government								
Credit Foncier Loans	4.66	-	-	-	264 926	-	264 926	
<b>Total Financial Liabilities</b>		<b>257 586</b>	<b>117 761</b>	<b>1 363 175</b>	<b>579 481</b>	<b>34 087</b>	<b>2 352 090</b>	
<b>Derivative Financial Instruments</b>								
Interest Rate Swaps - Fixed	-	-	-	-	-	-	-	
Interest Rate Swaps - Floating	-	-	-	-	-	-	-	
<b>Total Derivative Financial Instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Financial Liabilities (after Derivative Financial Instruments)</b>		<b>257 586</b>	<b>117 761</b>	<b>1 363 175</b>	<b>579 481</b>	<b>34 087</b>	<b>2 352 090</b>	

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Note 15 continued

For comparative purposes, the Corporation's exposure to interest rate risk, repricing maturities and the effective interest rates on financial instruments at 30 June 2008 were as follows:

	Weighted Average Int. Rate %	Interest Rate Reset Due in					Non- Interest Bearing \$000	Total \$000
		0 to 3 Months \$000	3 mths - 1 year \$000	1 to 5 Years \$000	More Than 5 years \$000			
<b>Financial Assets</b>								
Cash	7.00	38 136	-	-	-	-	38 136	
Receivables		-	-	-	-	6 424	6 424	
Loans								
Fixed Rate Loans	6.28	200 000	2 500	1 001 900	361 300	-	1 565 700	
Floating Rate Loans	7.06	-	20 000	316 327	-	-	336 327	
Credit Foncier Loans	8.46	452	-	59 173	385 757	-	445 382	
<b>Total Financial Assets</b>		<b>238 588</b>	<b>22 500</b>	<b>1 377 400</b>	<b>747 057</b>	<b>6 424</b>	<b>2 391 969</b>	
<b>Financial Liabilities</b>								
Deposits Held	-	-	-	-	-	1 757	1 757	
Creditors	-	-	-	-	-	37 381	37 381	
Borrowings								
Domestic								
Fixed Interest Securities	6.30	9 631	79 275	1 335 500	411 416	-	1 835 822	
Floating Rate Notes	7.66	199 999	-	-	-	-	199 999	
Australian Government								
Credit Foncier Loans	4.67	-	-	-	269 873	-	269 873	
<b>Total Financial Liabilities</b>		<b>209 630</b>	<b>79 275</b>	<b>1 335 500</b>	<b>681 289</b>	<b>39 138</b>	<b>2 344 832</b>	
<b>Derivative Financial Instruments</b>								
Interest Rate Swaps - Fixed	6.36	(200 000)	-	-	-	-	(200 000)	
Interest Rate Swaps - Floating	7.74	200 000	-	-	-	-	200 000	
<b>Total Derivative Financial Instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Financial Liabilities (after Derivative Financial Instruments)</b>		<b>209 630</b>	<b>79 275</b>	<b>1 335 500</b>	<b>681 289</b>	<b>39 138</b>	<b>2 344 832</b>	

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Note 15 continued

## (ii) Sensitivity analysis

Assuming the financial assets and liabilities at 30 June 2009 were to remain until maturity or settlement without any action by the Corporation to alter the resulting interest rate risk exposure, an immediate and sustained increase of one per cent in market interest rates across all maturities would have the following impact on profit before tax for the financial year:

	Forecast effect on profit before tax 2009-10		Forecast effect on profit before tax 2008-09	
	Rates up by 1%	Rates down by 1%	Rates up by 1%	Rates down by 1%
	\$000	\$000	\$000	\$000
Financial Assets – Cash at Bank	303	(303)	381	(381)
Financial Assets – Floating Rate Loans	8	(8)	133	(133)
Financial Liabilities – Floating Rate Borrowings	-	-	-	-
Others	-	-	-	-
<b>Net Sensitivity</b>	<b>311</b>	<b>(311)</b>	<b>514</b>	<b>(514)</b>

## (b) Foreign Exchange Risk

Foreign exchange risk is the risk of financial loss due to adverse movements in foreign exchange rates. The Corporation's assets are denominated solely in Australian Dollars, therefore exposure to foreign exchange risk arises only if and when borrowings are denominated in foreign currencies. The Corporation does not currently issue any foreign currency debt, however should it do so in the future foreign exchange exposures will be neutralised using cross currency interest rate swaps.

## (c) Credit Risk

Credit risk is the risk of financial loss and/or increased costs due to the failure of a counterparty to meet its financial obligations. The Corporation's exposure to credit risk arises out of lending and derivative transactions. This risk is mitigated by the fact that lending activities are limited to Northern Territory Government entities and it's wholly owned corporations and that derivative transactions may only be entered into with counterparties rated A- or better by Standard and Poor's Rating Group.

The Corporation aims to ensure that its exposures to individual and group counterparties are within acceptable levels, and to minimise the likelihood that a counterparty will fail to execute its financial obligations.

The Corporation's dealings in physical securities and/or derivative financial instruments are transacted only with counterparties possessing strong or extremely strong credit rating criteria as determined by Standard and Poor's Rating Group. In addition, derivative financial instruments are only transacted with counterparties that have signed an International Swaps and Derivatives Association (ISDA) Master Agreement with the Corporation.

The credit risk arising from funds advanced to loan counterparties is considered minimal as loans are only advanced to counterparties within the Northern Territory Public Sector, as directed by the Treasurer of the Northern Territory. Accordingly, ultimate responsibility for loans advanced by the Corporation lies with the Northern Territory Government. The Standard and Poor's credit rating criteria are not applied to loan counterparties.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

*Note 15 continued*

In the case of recognised financial assets, the carrying amount of the assets recorded in the Balance Sheet represents the Corporation's maximum exposure to credit risk.

The Corporation's exposure to derivative financial instruments has been quantified at replacement cost, that is, the sum of the fair values of all derivative contracts that are in gain at the reporting date. This quantification of credit risk does not take into account the potential credit exposure arising from the derivatives remaining term to maturity. Should the volume of derivative transactions increase in the future the Corporation will consider measuring the potential credit exposure using a sensitivity analysis measuring changes in potential market values of these instruments.

## **(d) Liquidity Risk**

Liquidity risk is the risk of financial loss and/or increased costs due to unanticipated events or errors in cash flow forecasts which result in additional borrowing costs, reduced investment income, or an inability to meet financial or operational commitments as they fall due. The Corporation's exposure to liquidity risk may arise due to inadequate or inaccurate communication of actual cash flows and the need to fund unanticipated operating cash requirements when an insufficient cash balance forces the Corporation to liquidate investments and/or utilise backup funding facilities at higher costs.

The Corporation seeks to ensure that adequate cash reserves and/or funding sources are available at all times to meet its short term commitments as they arise.

The Corporation's approach in minimising liquidity risk involves diversification of physical borrowing and investment activities across the maturity spectrum and utilising a variety of funding sources to meet the Corporation's requirements.

In addition, the Corporation at all times maintains:

- minimum cash balances;
- a committed overdraft facility;
- an uncommitted short term borrowing program via the Corporation's promissory note facility;
- a diverse list of counterparties; and
- its borrowing exposures in a manner that avoids undue reliance on any one counterparty.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Note 15 continued

## (e) Funding Risk

Funding risk refers to the medium to long term risk that the Corporation may be unable to raise funds when required or at a cost which is substantially higher than could be achieved under normal market conditions. Funding risk typically relates to periods greater than one year, whereas liquidity risk relates to periods less than one year. The objective of funding risk management is to ensure that the Corporation is not exposed to a significant refinancing risk in any financial year.

The Corporation's approach to minimising funding risk involves diversification of physical borrowing and investment activities across the maturity spectrum and utilising a variety of funding sources to meet the Corporation's requirements.

The Corporation has limited funding risk as the Northern Territory Government supports the financial viability of the Corporation under section 20 of the *Northern Territory Treasury Corporation Act*. Such a Government guarantee is believed to be sufficient to allow the Corporation to issue debt at competitive rates under normal market conditions.

The Corporation's funding sources are as follows:

### Domestic Borrowings

#### Wholesale Market

- Private Placements and Public Issues

  - Fixed Interest Securities

  - Floating Rate Notes

- Promissory Notes

#### Retail Market

- Territory Bonds

- Migration Linked Bonds

Wholesale market issues account for approximately \$1.88 billion or 92 per cent of all outstanding debt as at 30 June 2009 and generally, there has been a strong support by these investors for reinvesting with the Corporation at maturity. Borrowing from the retail market is primarily sourced via the Territory Bonds program. As at 30 June 2009, \$170 million of Territory Bonds were issued and spread across a large number of investors (approximately 11 000) at an average loan balance of \$15 000.

The Corporation constantly monitors credit markets and maintains key investor relationships to ensure there is sufficient diversification of available funding sources.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Note 15 continued

## Maturity Analysis

The following tables detail the maturity analysis of the Corporation's loans and domestic borrowings. The maturity analysis for loans is based on expected timing of receipts. The maturity analysis for domestic borrowings is based on the earliest possible date on which the Corporation can be required to pay. The tables have been drawn up based on undiscounted cash flows, and hence include both interest and principal cash flows. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected cash flows as illustrated by the yield curves existing at balance date.

30 June 2009	0 to 3 Months	3 mths - 1 year	1 to 5 Years	More Than 5 years	Total
	\$000	\$000	\$000	\$000	\$000
<b>LOANS</b>					
Northern Territory of Australia					
Fixed Rate Loans	313 963	51 289	956 545	441 142	1 762 939
Credit Foncier Loans	6 296	19 613	103 570	435 260	564 739
Government Owned Corporations					
Fixed Rate Loans	1 263	3 773	61 427	38 356	104 819
Floating Rate Loans	5 834	23 317	116 889	542 602	688 642
Credit Foncier Loans	3 328	5 076	30 409	12 488	51 301
Government Business Divisions					
Fixed Rate Loans	-	-	-	-	-
Floating Rate Loans	288	864	8 047	21 385	30 584
Credit Foncier loans	5 094	12 065	68 635	217 707	303 501
Local Government Authorities					
Credit Foncier Loans	16	48	259	329	652
<b>TOTAL LOANS</b>	<b>336 082</b>	<b>116 045</b>	<b>1 345 781</b>	<b>1 709 269</b>	<b>3 507 177</b>

## BORROWINGS

Due to Other Financial Institutions

Domestic Borrowings

Wholesale Market

Fixed Interest Securities
 291 899 | 82 349 | 1 519 586 | 453 722 | 2 347 556 |

Floating Rate Notes
 - | - | - | - | - |

Promissory Notes
 - | 49 313 | - | - | 49 313 |

Retail Market

Territory Bonds
 546 | 67 955 | 100 255 | 27 288 | 196 044 |

Migration Linked Bonds
 14 | 48 | 1 366 | - | 1 428 |

Australian Government

Credit Foncier Loans
 - | 17 531 | 70 057 | 404 728 | 492 316 |

**TOTAL BORROWINGS** **292 459** | **217 196** | **1 691 264** | **885 738** | **3 086 657** |

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Note 15 continued

30 June 2008	0 to 3 Months	3 mths - 1 year	1 to 5 Years	More Than 5 years	Total
	\$000	\$000	\$000	\$000	\$000
<b>LOANS</b>					
Northern Territory of Australia					
Fixed Rate Loans	222 341	60 221	1 170 892	470 564	1 924 018
Credit Foncier Loans	3 483	10 818	56 654	258 885	329 840
Government Owned Corporation					
Fixed Rate Loans	1 260	3 767	20 159	84 659	109 845
Floating Rate Loans	3 908	17 658	86 166	384 686	492 418
Credit Foncier Loans	3 328	5 185	31 369	19 933	59 815
Government Business Divisions					
Fixed Rate Loans	39	2 540	-	-	2 579
Floating Rate Loans	555	11 647	29 267	17 484	48 953
Credit Foncier loans	8 028	20 867	115 578	437 123	581 596
Local Government Authorities					
Credit Foncier Loans	37	70	427	624	1 158
<b>TOTAL LOANS</b>	<b>242 979</b>	<b>122 773</b>	<b>1 510 512</b>	<b>1 673 958</b>	<b>3 550 222</b>
<b>BORROWINGS</b>					
Due to Other Financial Institutions					
Domestic Borrowings					
Wholesale Market					
Fixed Interest Securities	35 655	74 805	1 526 974	564 458	2 201 892
Floating Rate Notes	207 649	-	-	-	207 649
Promissory Notes	-	-	-	-	-
Retail Market					
Territory Bonds	3 557	79 764	87 358	26 270	196 949
Migration Linked Bonds	6 919	3 836	543	-	11 298
Australian Government					
Credit Foncier Loans	-	17 538	70 084	422 232	509 854
<b>TOTAL BORROWINGS</b>	<b>253 780</b>	<b>175 943</b>	<b>1 684 959</b>	<b>1 012 960</b>	<b>3 127 642</b>

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

## 16. FAIR VALUES OF FINANCIAL INSTRUMENTS

As per AASB7 paragraph 25, the Corporation is required to provide fair value information through supplementary disclosures for any financial assets or financial liabilities that are not measured at fair value in its Balance Sheet.

Fair values of financial instruments are determined on the following basis:

- the fair value of cash and non-interest bearing monetary financial assets and liabilities approximate their carrying value, which is defined as their historical cost;
- the fair value of other monetary financial assets and liabilities is based on discounting the expected future cash flows by applying current market interest rates for assets and liabilities with similar risk profiles. Current market interest rates are determined with reference to the Australian Financial Markets Association (AFMA) Swap Reference Rates plus a margin. The market rates are then used to discount the expected future cash flows arising from the financial assets and liabilities to their present value. The margins applied to the current market interest rates on the Corporation's loans and domestic borrowings take into account credit quality and liquidity considerations; and
- the fair value of derivative financial instruments are derived using current market yields and exchange rates appropriate to the instrument.

The fair values represent the Corporation's best estimate of the replacement cost of the financial transactions undertaken by the entity. The Corporation concedes that in its estimation of fair value there is an element of subjectivity involved in the calculations, given that the Corporation's financial assets and liabilities are not readily priced and are not frequently traded in the financial markets.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Note 16 continued

The fair value of loans and domestic borrowings not recorded at fair value is as follows:

	30 Jun 2009 Carrying Value	30 Jun 2009 Fair Value	30 June 2008 Carrying Value	30 June 2008 Fair Value
<b>FAIR VALUES</b>				
Financial Assets	\$000	\$000	\$000	\$000
Loans				
Northern Territory of Australia				
Fixed Rate Loans	1 463 200	1 511 487	1 565 700	1 510 594
Floating Rate Loans	463 864	480 357	336 327	334 441
Credit Foncier Loans	430 076	491 119	444 551	485 655
Local Government Authorities				
Credit Foncier Loans	467	472	831	781
<b>TOTAL LOANS</b>	<b>2 357 607</b>	<b>2 483 435</b>	<b>2 347 409</b>	<b>2 331 471</b>
Financial Liabilities				
Borrowings				
Domestic				
Wholesale Market				
Fixed Interest Securities	1 832 483	1 920 288	1 654 399	1 616 468
Floating Rate Notes	-	-	199 999	205 777
Promissory Notes	49 313	49 523	-	-
Retail Market				
Territory Bonds	170 031	173 937	170 517	166 179
Migration Linked Bonds	1 250	1 259	10 906	11 058
Australian Government				
Credit Foncier Loans	264 926	229 522	269 873	207 308
<b>TOTAL BORROWINGS</b>	<b>2 318 003</b>	<b>2 374 529</b>	<b>2 305 694</b>	<b>2 206 790</b>

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

## 17. RESERVES

	2009	2008
	\$000	\$000
Hedging Reserve		
Balance at the beginning of the financial year	460	804
Restated balance at the beginning of the financial year	460	804
Gain/(loss) recognised:		
Interest rate swaps	(460)	(184)
Forward start interest rate swaps	-	(520)
Subtotal	(460)	(704)
Transferred to profit and loss:		
Interest rate swaps	-	360
Balance at the end of the financial year	-	460
General Reserve		
Balance at the beginning of the financial year	2 916	2 916
Transfer from Retained Earnings	-	-
Balance at the end of the financial year	2 916	2 916
<b>Total Reserve at the End of the Financial Year</b>	<b>2 916</b>	<b>3 376</b>

## 18. AUDITOR'S REMUNERATION

External audit services are provided by the Auditor-General for the Northern Territory. The Auditor-General's Office has advised that the estimated cost of this service for the 2008-09 year is \$52 000 (2008: \$56 000).

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

## 19. RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2009	2008
	\$000	\$000
<b>Net Profit</b>	<b>13 351</b>	<b>17 485</b>
<b>Non-Cash Flows in Net Profit</b>		
Add (gain)/loss on extinguishment	470	(3 898)
Less (premium) and discount amortisation	(1 209)	(362)
Add non-cash adjustments	-	10
Add unrealised interest expense	75	150
<b>Changes in Assets and Liabilities</b>		
Add decrease /(increase) in interest receivable	988	(1 597)
Add decrease /(increase) in debtors	6	9
Add decrease /(increase) in prepayments	35	(51)
Add increase /(decrease) in employee benefits	(43)	21
Add increase /(decrease) in trade creditors	(16)	(135)
Add increase /(decrease) in tax liabilities	(1 772)	399
Add increase /(decrease) in interest payable	(4 425)	1 364
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>7 460</b>	<b>13 395</b>

## 20. FIDUCIARY ACTIVITIES

The Corporation acts as manager for the Investments Portfolio of the Central Holding Authority and the Northern Territory Government Conditions of Service Reserve. Any associated assets and liabilities are not recognised in these financial statements. As at 30 June 2009, the size of the Investment Portfolio was \$589 million (2008: \$626 million) and the Northern Territory Government Conditions of Service Reserve was \$345 million (2008: \$404 million). Management fees generated in carrying out these activities are included in the Income Statement. The aggregate income from fiduciary activities for the year was:

	2009	2008
	\$000	\$000
Management Fees	471	471

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

## 21. DIVIDENDS

The Corporation has provided for a dividend of \$13.351 million which is at the rate of 100 per cent of its net profit for the 2008-09 year in accordance with the Northern Territory Treasurer's budget direction.

## 22. NORTHERN TERRITORY TREASURY CORPORATION ADVISORY BOARD

The Northern Territory Treasury Corporation Advisory Board was established in October 1994. The Under Treasurer of the Northern Territory Treasury, Mrs Jennifer Prince, is Chairman of the board, and the following persons held the position of member during the year ended 30 June 2009:

Mr Anthony S Cole AO	Mercer (Australia) Pty Ltd
Mr Richard V Ryan AO	Editure Ltd
Mr David Braines-Mead	Senior Director Financial Management, Northern Territory Treasury

During the year ended 30 June 2009 only two members were entitled to receive Advisory Board sitting fees, amounting to \$37 000 (2008: \$37 000). Members who are permanently employed under the *Public Sector Employment and Management Act*, or on similar terms, are not entitled to fees.

	2009	2008
	\$000	\$000
Sitting Fees	37	37

## 23. FEES AND COMMISSIONS

The Corporation currently has commission and maintenance arrangements with the following service providers:

	2009	2008
Provider:	\$000	\$000
Computershare Investor Services Pty Ltd	334	362
Sungard Systems Pty Ltd	65	61
Reuters Pty Ltd	-	19
Bloomberg Finance L.P.	43	32
ASX Austraclear Services Ltd	34	27

## 24. SEGMENT INFORMATION

The Corporation acts predominantly in the finance industry and lends funds and provides financial advice to the Northern Territory Government, its government business divisions and local authorities. The Corporation operates predominantly in one geographical area, being the Northern Territory of Australia.



This document was printed on recycled paper.