

This section of the report provides an analysis of the financial performance of the CHA.

The CHA is a key element of the Territory's financial management framework and is similar in role to the parent entity in a group of companies. It records on behalf of the Territory:

- assets that are not assigned to agencies, such as the Territory's investment portfolio. The CHA does not hold physical assets such as land and buildings;
- liabilities where it is not practical or effective to assign them to individual agencies. The CHA has two major liabilities – Territory borrowings and unfunded employee liabilities. Territory borrowings comprise the stock of general government debt that has accumulated since Self Government and has been used to fund the construction of major infrastructure in the Territory over this period. Unfunded employee liabilities are those which have accrued but are not yet due to be paid, such as superannuation and long service leave;

- revenue collected by the CHA, regarded as Territory revenue, the main types being taxation, untied grants (predominantly GST revenue) and fines; and
- expenses where the main expense is the payment of appropriation to agencies. Other significant expenses are interest on Territory borrowings, interest on cash balances of government business divisions and the government owned corporation, and the centrally managed employee costs of superannuation and long service leave.

The significant movements in these items are analysed below and incorporated in the Operating Statement, Balance Sheet, Cash Flow Statement and Statement of Changes in Equity and the accompanying notes to the financial statements.

Commonwealth appropriation is new in 2008-09, and follows from the Intergovernmental Agreement on Federal Financial Relations. It is received by Treasury on behalf of the CHA then on-passed to the relevant agencies as Commonwealth Appropriation. The change required amendments to be made to the *Financial Management Act*.

## Main Results

- As with all governments nationally and internationally the Territory's finances were significantly affected by the global financial crisis during 2008-09. The effect on the CHA was the most extreme of all Northern Territory Government agencies due to the significant decline in estimated GST revenue of \$158 million, the increase in the superannuation liability due to the drop in the 10-year bond rate used to value the liability, and the unrealised loss on the Conditions of Service Reserve.
- The CHA reported an operating deficit of \$114 million in 2008-09, compared with an operating surplus of \$275 million in 2007-08. The deficit was a result of the global financial crisis, specifically affecting the GST revenue, the superannuation liability and the returns on the COSR.

## Operating Statement

The CHA reported a net operating deficit of \$114 million in 2008-09 compared with a surplus of \$275 million in 2007-08. The outcome is largely a result of the decrease in estimated GST payments of \$158 million, and increased superannuation expenses compared to 2007-08 due to using a lower discount rate to measure the unfunded superannuation liability,

as required by Australian Accounting Standards. In addition, the increase in revenue of \$367 million relating to mining royalties and the changes in Commonwealth funding arrangements were offset by additional appropriation of \$292 million provided to agencies for increased service provision across Government.

## Operating Revenue

The CHA received revenue in excess of \$3.3 billion in 2008-09 of which the vast majority was Commonwealth grants and subsidies, predominantly GST. Around 14 per cent was Territory own-source revenue.

Total operating revenue increased by \$367 million or 12 per cent compared with the previous year. However this increase was largely due to the change in treatment of tied Commonwealth grants whereby Specific Purpose Payments (SPPs) and National Partnership (NPs) agreements are now received into the CHA. When the treatment change is removed, revenue only increased by 4 per cent from 2007-08.

Figure 12: 2008-09 Operating Revenue – \$3.34 billion

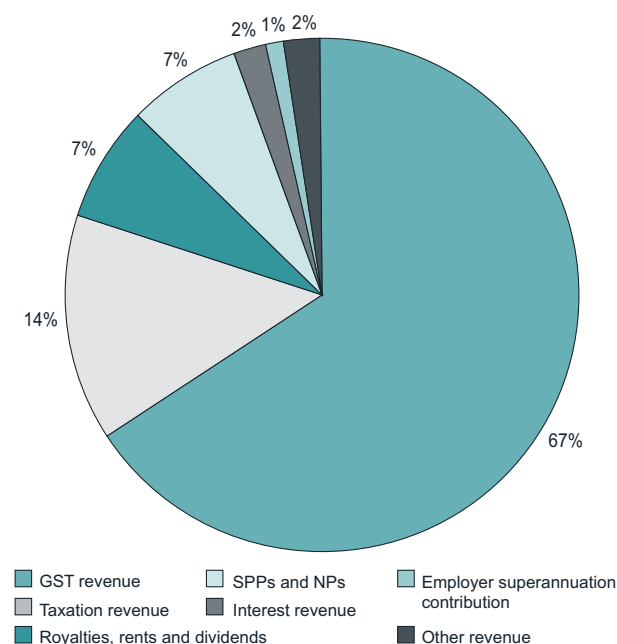


Table 36: Significant Components of the Increase in Operating Revenue

	2008-09	2007-08	Variation	Reason for variation
	\$M	\$M	\$M	
GST revenue	2 248	2 207	41	Minimal growth of less than 2%, previous years almost 10%.
Payroll tax	219	204	15	Higher collections consistent with growth in employment and wages.
SPPs and NP payments	251		251	Commonwealth funding received through new intergovernmental agreement.
Current and capital grants	48	64	- 16	Grant revenue reclassified under the new intergovernmental agreement.
Income tax equivalents	19	47	- 28	Less taxation revenue from Power and Water Corporation and TIO.
Mining royalties	223	94	129	Increases in commodity prices and demand.
Interest revenue and income distributions	67	85	- 18	Lower income distributions from COSR due to the downturn in the global economy.

## Operating Expenses

The CHA had operating expenses of \$3.4 billion in 2008-09, however the bulk of these were not for its own operations. About 83 per cent was provided as appropriation to agencies to enable them to deliver government services across the Territory. The remainder comprised superannuation expense and interest on borrowings.

Total operating expenses increased by \$755 million compared to the previous year. This was due to a \$286 million increase in superannuation expense as a result of the effect of the global financial crisis on the discount rates used in the actuarial calculations, and a \$517 million increase in appropriation to agencies. This was slightly offset by a decrease in administration expenses of \$54 million following a one-off payment in 2007-08.

Figure 13: 2008-09 Operating Expenses – \$3.45 billion

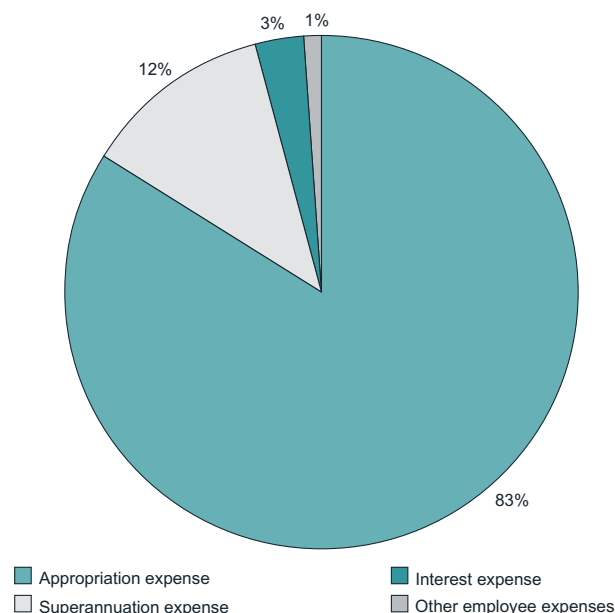


Table 37: Movements in Operating Expenses

	2008-09	2007-08	Variation	Reason for variation
	\$M	\$M	\$M	
Output appropriation	2 639	2 347	292	Increased service provision by agencies, across the Territory.
Commonwealth appropriation	225		225	On-passing of Commonwealth funding received under the new intergovernmental agreement.
Superannuation expense	430	143	287	Lower discount rate used to value superannuation liability, in accordance with Accounting Standards.
Administrative expense		54	- 54	One-off payment in 2007-08.

## Balance Sheet

As at 30 June 2009 net assets, being total assets less total liabilities, decreased by \$114 million to \$1215 million, compared with \$1330 million in 2007-08.

The most significant movement in assets relates to the increase in investments in agencies of \$345 million mainly consisting of capital appropriation, the majority paid to Department of Planning and Infrastructure and the Department of Local Government and Housing for the construction of assets. There was a decrease in advances and investments of \$93 million, due to unrealised losses in the COSR and funds held on call rather than in securities.

In relation to liabilities, the most significant upward movement is an increase of \$310 million in the Territory's unfunded superannuation liability due to the impact of the global financial crisis on the discount rates used in the actuarial calculations. Deposits held which represents the level of monies invested by the CHA on behalf of Government entities also

increased by \$89 million predominantly resulting from Commonwealth grant funding received late in the financial year.

## Cash Flow Statement

The Cash Flow Statement provides information on the movement of cash in and out of the CHA during the year and shows an increase in cash at the end of the year of \$15 million.

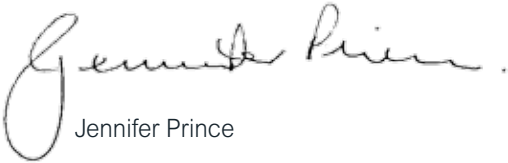
Figures in the Cash Flow Statement vary to those in the Operating Statement as the Cash Flow Statement refers to those transactions where there was a movement in either cash received or cash paid out whereas the Operating Statement includes non cash items such as the unrealised losses on COSR and superannuation actuarial assessment.

# Certification of the Financial Statements

We certify that the attached financial statements for the Central Holding Authority have been prepared from proper accounts and records in accordance with the prescribed format, the *Financial Management Act* and Treasurer's Directions.

We further state that the information set out in the Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and notes to and forming part of the financial statements, presents fairly the financial performance and cash flows for the year ended 30 June 2009 and the financial position on that date.

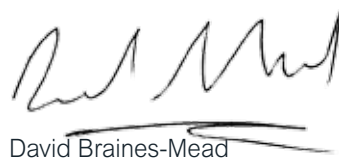
At the time of signing, we are not aware of any circumstances that would render the particulars included in the financial statements misleading or inaccurate.



Jennifer Prince

Under Treasurer

30 September 2009



David Braines-Mead

Assistant Under Treasurer

30 September 2009

# Operating Statement

For the year ended 30 June 2009

	Note	2009	2008
		\$000	\$000
<b>INCOME</b>			
Taxation revenue		489 148	503 861
Grants and subsidies revenue			
GST revenue		2 247 514	2 207 175
Specific Purpose Payments		62 651	
National Partnership Agreements		188 339	
Current		13 751	11 326
Capital		34 224	52 970
Sales of goods and services			
Fees from regulatory services		13 800	12 838
Interest revenue		67 312	84 925
Goods and services received free of charge	3	15	15
Unrealised gain/loss on securities marked to market		- 86 092	- 82 651
Royalties, rents and dividends		252 333	126 017
Employer superannuation contribution		42 304	43 272
Gain(+)/loss(-) on restructure of agency		3 133	
Other income		11 063	13 037
<b>TOTAL INCOME</b>		<b>3 339 495</b>	<b>2 972 785</b>
<b>EXPENSES</b>			
Long service leave expense		41 053	29 214
Superannuation expense	10	429 775	142 762
Workers compensation expense		4 490	3 382
Administrative expenses		343	53 858
Borrowing expenses			
Interest expense		113 024	121 659
Appropriation expenses		2 865 107	2 347 214
<b>TOTAL EXPENSES</b>		<b>3 453 792</b>	<b>2 698 089</b>
<b>NET SURPLUS / (DEFICIT)</b>		<b>- 114 297</b>	<b>274 696</b>

The Operating Statement is to be read in conjunction with the notes to the financial statements.

# Balance Sheet

As at 30 June 2009

	Note	2009	2008
		\$000	\$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and deposits	4	131 129	116 008
Receivables	5	56 556	95 531
Advances and investments		782 593	780 391
Prepayments		324	387
<b>Total current assets</b>		<b>970 602</b>	<b>992 318</b>
<b>Non-current assets</b>			
Advances and investments		100 000	195 000
Investments in agencies		4 910 458	4 565 688
<b>Total non-current assets</b>		<b>5 010 458</b>	<b>4 760 688</b>
<b>TOTAL ASSETS</b>		<b>5 981 060</b>	<b>5 753 006</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Deposits held		584 038	495 042
Payables	6	31 046	14 512
Borrowings and advances	7	1 102	101 160
Provisions	8	59	
Employee benefits	9	145 330	139 766
Superannuation liability	10	147 666	134 388
<b>Total current liabilities</b>		<b>909 241</b>	<b>884 868</b>
<b>Non-current liabilities</b>			
Borrowings and advances	7	1 495 851	1 496 953
Provisions	8	999	
Employee benefits	9	98 797	77 040
Superannuation liability	10	2 260 768	1 964 443
<b>Total non-current liabilities</b>		<b>3 856 415</b>	<b>3 538 437</b>
<b>TOTAL LIABILITIES</b>		<b>4 765 656</b>	<b>4 423 305</b>
<b>NET ASSETS</b>		<b>1 215 404</b>	<b>1 329 701</b>
<b>EQUITY</b>			
Accumulated funds		1 215 404	1 329 701
<b>TOTAL EQUITY</b>		<b>1 215 404</b>	<b>1 329 701</b>

The Balance Sheet is to be read in conjunction with the notes to the financial statements.

# Statement of Changes in Equity

For the year ended 30 June 2009

	Note	2009	2008
		\$000	\$000
<b>BALANCE OF EQUITY AT 1 JULY</b>		<b>1 329 701</b>	<b>1 055 005</b>
<b>Accumulated funds</b>			
Balance at 1 July		1 329 701	1 055 005
Surplus/(deficit) for the period		- 114 297	274 696
Balance at 30 June		1 215 404	1 329 701
<b>BALANCE OF EQUITY AT 30 JUNE</b>		<b>1 215 404</b>	<b>1 329 701</b>

This Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

# Cash Flow Statement

For the year ended 30 June 2009

	Note	2009	2008
		\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operating receipts</b>			
Taxes received		519 653	501 556
Grants and subsidies received			
GST received		2 247 514	2 207 175
Specific Purpose Payments		62 651	
National Partnership Agreements		188 339	
Current		13 751	11 326
Capital		34 596	26 693
Royalties rent and dividends		256 564	124 847
Agency superannuation contributions		42 304	43 272
Other agency receipts		48 481	26 845
Interest received		66 163	82 835
<b>Total operating receipts</b>		<b>3 480 016</b>	<b>3 024 549</b>
<b>Operating payments</b>			
Long service leave		24 415	23 618
Superannuation benefits		112 349	126 213
Payments for goods and services		467	57 357
Interest paid		117 893	117 362
Appropriation payments		2 865 107	2 347 214
<b>Total operating payments</b>		<b>3 120 231</b>	<b>2 671 765</b>
<b>Net cash from/(used in) operating activities</b>		<b>359 785</b>	<b>352 784</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Investing receipts</b>			
Equity sales or withdrawals		64 420	23 568
<b>Total investing receipts</b>		<b>64 420</b>	<b>23 568</b>
<b>Investing payments</b>			
Advances and investing payments		- 8 078	241 628
Appropriation payments		328 932	216 898
Equity acquisitions		76 067	29 555
<b>Total investing payments</b>		<b>396 921</b>	<b>488 081</b>
<b>Net cash from/(used in) investing activities</b>		<b>- 332 501</b>	<b>- 464 513</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Financing receipts</b>			
Proceeds of borrowings			
Deposits received		88 996	167 386
<b>Total financing receipts</b>		<b>88 996</b>	<b>167 386</b>
<b>Financing payments</b>			
Repayment of borrowings		101 159	1 036
<b>Total financing payments</b>		<b>101 159</b>	<b>1 036</b>
<b>Net cash from/(used in) financing activities</b>		<b>- 12 163</b>	<b>166 350</b>
Net increase/(decrease) in cash held		15 121	54 621
Cash at beginning of financial year		116 008	61 387
<b>CASH AT END OF FINANCIAL YEAR</b>	<b>4</b>	<b>131 129</b>	<b>116 008</b>

The Cash Flow Statement is to be read in conjunction with the notes to the financial statements.

# Notes to the Financial Statements

For the year ended 30 June 2009

## 1. Objectives and Funding

CHA is the 'parent body' that represents the Government's ownership interest in Government controlled entities.

The CHA also records all Territory items. Territory items are revenues, expenses, assets and liabilities controlled by the Government and managed by agencies on behalf of the Government. The main Territory item is Territory revenue, which includes taxation and royalty revenue, Commonwealth general purpose funding (such as GST revenue), fines and statutory fees and charges.

The CHA also holds certain Territory assets not assigned to agencies as well as certain Territory liabilities that are not practical or effective to assign to individual agencies.

### Territory Items

The CHA recognises all Territory items, therefore the Territory items managed by the agency on behalf of the Government are not recorded in their own financial statements. However, as agencies are accountable for the Territory items they manage on behalf of Government, these items have been separately disclosed in the notes of agency financial statements.

## 2. Statement of Significant Accounting Policies

### (a) Basis of Accounting

The financial statements have been prepared in accordance with the requirements of the *Financial Management Act* and related Treasurer's Directions. The *Financial Management Act* requires the CHA to prepare financial statements for the year ended 30 June 2009 based on the form determined by the Treasurer. The form of agency financial statements is to include:

- (i) a Certification of the Financial Statements;
- (ii) an Operating Statement;
- (iii) a Balance Sheet;
- (iv) a Statement of Changes in Equity;
- (v) a Cash Flow Statement; and
- (vi) applicable explanatory notes to the financial statements.

Accrual accounting principles are employed in the preparation of the CHA's Financial Report so as to recognise the financial effects of transactions and other events in the period in which they occur, rather than when cash is paid out or received.

The annual report is prepared in accordance with the historic cost convention, except for the revaluation of certain non current assets and certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

## 2. Statement of Significant Accounting Policies (continued)

Certain liabilities, most notably superannuation and workers compensation, are calculated with regard to actuarial assumptions and recorded at fair value.

### Compliance Framework

The 2008-09 CHA's Financial Report is a special purpose financial report that has been prepared in accordance with all relevant new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current annual reporting period. These include:

*AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AAS 27, AAS 29 and AAS 31*

The Standard relocates certain relevant requirements from AASs 27, 29 and 31, substantively unamended, into existing topic-based standards. This standard also makes consequential amendments, arising from the short-term review of AAS 27, 29 and 31, to AASB 5, AASB 8, AASB 101 and AASB 114. The Standard will not have an impact on the Financial Statements.

*AASB Interpretation 14 AASB 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The interpretation clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements on such assets. It also gives guidance on when a minimum funding requirement might give rise to a liability. The Standard will not have a material financial impact on the Financial Statements.

### Compliance with IFRS

A statement of compliance with the International Financial Reporting Standard (IFRS) cannot be made due to the application of the not-for-profit requirements contained within AAS (no equivalent requirements exist in IFRS).

### Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

## 2. Statement of Significant Accounting Policies (continued)

The following Standards and interpretations are expected to have an impact on the CHA for future reporting periods:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<ul style="list-style-type: none"> <li>AASB 101 Presentation of Financial Statements (revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards Arising from AASB 101, AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101</li> </ul>	1 January 2009	30 June 2010
<ul style="list-style-type: none"> <li>AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project</li> </ul>	1 January 2009	30 June 2010
<ul style="list-style-type: none"> <li>AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</li> </ul>	1 July 2009	30 June 2010
<ul style="list-style-type: none"> <li>AASB Interpretation 17 Distribution of Non-Cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Distributions of Non-Cash Assets to Owners</li> </ul>	1 July 2009	30 June 2010
<ul style="list-style-type: none"> <li>AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments</li> </ul>	1 January 2009	30 June 2010
<ul style="list-style-type: none"> <li>AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process</li> </ul>	1 January 2010	30 June 2011
<ul style="list-style-type: none"> <li>AASB 2009-6 Amendments to Australian Accounting Standards</li> </ul>	1 January 2009	30 June 2010
<ul style="list-style-type: none"> <li>AASB 2009-7 Amendments to Australian Accounting Standards</li> </ul>	1 July 2009	30 June 2010

## 2. Statement of Significant Accounting Policies (continued)

The following Standards and Interpretations are not expected to have an impact on the CHA for future reporting periods:

- AASB 3 Business Combinations (revised), AASB 127 Consolidated and Separate Financial Statements, AASB 2008-3 Amendments to Accounting Standards arising from AASB 3 and AASB 127, AASB 2008-11 Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities and AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Process
- AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations
- AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation
- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- AASB 123 Borrowing Costs (revised) and AASB 2009-1 Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions
- AASB Interpretation 15 Agreements for the Construction of Real Estate
- AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation

### (b) Comparatives

Where necessary, comparative information for the 2007-08 financial year has been reclassified to provide consistency with current year disclosures.

### (c) Presentation and Rounding of Amounts

Amounts in the financial statements and notes to the financial statements are presented in Australian dollars and have been rounded to the nearest thousand dollars, with amounts of \$500 or less being rounded down to zero. Totals may not add due to rounding.

### (d) Changes in Accounting Policies

There have been no changes to accounting policies adopted in 2008-09 as a result of management decisions.

## 2. Statement of Significant Accounting Policies (continued)

### (e) Accounting Judgements and Estimates

The preparation of the financial report requires the making of judgements and estimates that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements and estimates that have significant effects on the financial statements are disclosed in the relevant notes to the financial statements. Notes that include significant judgements and estimates are:

- Employee Benefits – Note 2(p) and Note 9: Non-current liabilities in respect of employee benefits are measured as the present value of estimated future cash outflows based on the appropriate Government bond rate, estimates of future salary and wage levels and employee periods of service.
- Superannuation Liabilities – Note 10.

### (f) Goods and Services Tax

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred on a purchase of goods and services is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable or payable unless otherwise specified.

## 2. Statement of Significant Accounting Policies (continued)

### (g) Income Recognition

Income encompasses both revenue and gains.

Income is recognised at the fair value of the consideration received, exclusive of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration being exchanged are not recognised as income.

#### Grants and Other Contributions

Grants, subsidies, donations, gifts and other non-reciprocal contributions are recognised as revenue when the agency obtains control over the assets comprising the contributions. Control is normally obtained upon receipt.

Commonwealth appropriation is new to 2008-09, and follows from the Intergovernmental Agreement on Federal Financial Relations. It has resulted in Specific Purpose Payments and National Partnership payments being made by the Commonwealth Treasury to state treasuries, in a manner similar to arrangements for GST payments. These payments are received by Treasury on behalf of the CHA and then on-passed to the relevant agencies as Commonwealth Appropriation.

Revenue in respect of appropriations is recognised in the period in which the agency gains control of the funds.

Contributions are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

#### Taxation

Territory taxation is recognised when the underlying transaction or event, which gives rise to the right to collect revenue, occurs and can be measured reliably.

Government-assessed revenues, including payroll tax, are recognised when a taxpayer's self-assessment is received. Additional revenues are recognised for assessments subsequently issued following review of returns lodged by taxpayers.

In respect of taxation balances from government trading entities under the National Tax Equivalent Regime, only the current taxation receivable is recognised in these statements.

Revenue from regulatory fees and fines is recognised at the time the fine or regulatory fee is issued.

## 2. Statement of Significant Accounting Policies (continued)

### Sale of Goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when:

- the significant risks and rewards of ownership of the goods have transferred to the buyer;
- the agency retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the agency; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Rendering of Services

Revenue from rendering services is recognised by reference to the stage of completion of the contract. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

### Interest Revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

### Dividends

Dividends revenue is recognised when control of the right to receive the dividend receivable from government trading entities is obtained by CHA.

### Goods and Services Received Free of Charge

Goods and Services Received Free of Charge are recognised as revenue when a fair value can be reliably determined and the resource would have been purchased if it had not been donated. Use of the resource is recognised as an expense.

### Fees and Fines

Revenue from regulatory fees and fines is recognised at the time the fine or regulatory fee is issued.

### (h) Interest Expenses

Interest expenses include interest charges on borrowings and interest paid to government business divisions on cash holdings and are expensed in the period in which they are incurred.

## 2. Statement of Significant Accounting Policies (continued)

### (i) Cash and Deposits

For the purposes of the Balance Sheet and the Cash Flow Statement, cash includes cash on hand, cash at bank and cash equivalents. Cash equivalents are highly liquid short-term investments that are readily convertible to cash.

### (j) Receivables

Receivables include accounts receivable and other receivables and are recognised at fair value less any allowance for impairment losses.

The allowance for impairment losses represents the amount of receivables the agency estimates are likely to be uncollectible and are considered doubtful.

Accounts receivable are generally settled within 30 days and other receivables within 30 days.

### (k) Advances and Investments

Advances include investment in financial assets for policy purposes and are recorded at cost.

Investments include investments in financial assets for liquidity management purposes. Securities and investments are recorded at net market value, after deducting estimated costs of realisation at reporting date.

### (l) Investments in Agencies

This represents the contributed capital balances of the Territory's investment in all its controlled entities.

### (m) Deposits Held

These represent amounts held on behalf of agencies, which are subsequently invested on their behalf.

### (n) Payables

Liabilities for accounts payable and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the agency.

Accounts payable are normally settled within 30 days.

### (o) Provisions

Provisions represent outstanding compensation claims which are reported at net present value.

## 2. Statement of Significant Accounting Policies (continued)

### (p) Borrowings and Advances

Borrowings represent funds raised for liquidity management purposes from the following sources: loans raised by the Commonwealth on behalf of the Territory, domestic and overseas borrowings via the Northern Territory Treasury Corporation, and overdraft facilities obtained from the commercial banking sector by public non financial corporations and public financial corporations.

Advances reflect loans received for policy purposes. These are primarily the original Commonwealth loans issued at Self Government.

### (q) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

#### Long Service Leave

The CHA holds the long service leave liabilities of Government agencies.

Liabilities recognised in respect of employee benefits which are 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.

Liabilities recognised 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 calculated using the appropriate Government bond rate and taking into consideration expected future salary and wage levels, experience of employee departures and periods of service.

#### Workers Compensation

Workers compensation liabilities comprise those under the *Workplace Health and Safety Act*, and COMCARE liabilities under Commonwealth legislation. The change in liability for the year ended 30 June 2009 is based upon an actuarial assessment of the value of outstanding claims at the end of the period and takes into account revisions to earlier years' estimates of the value of outstanding claims.

### (r) Superannuation Liability

Employees' superannuation entitlements are provided through either a defined contribution plan or a defined benefits plan. Liability for unfunded superannuation is met directly by the CHA. Agencies make superannuation contributions on behalf of their employees to either the CHA or to the non-government employee nominated schemes.

## 2. Statement of Significant Accounting Policies (continued)

### Defined Contribution Plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered the service entitling them to the contributions. These include the employee nominated non-government schemes for those employees commencing on or after 10 August 1999. As they are funded on an ongoing basis, a liability is generally not recognised, however a liability is recognised for the superannuation costs associated with the benefits accrued for employees in respect of annual leave and long service leave.

### Defined Benefit Plans

For defined benefit superannuation plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. The projected unit credit method calculates the accrued liability by discounting the value of the expected future benefit payments, after allowing for future salary increases, future interest and future pension increases where applicable, arising from membership completed prior to the reporting date. The discount rate used is the 10-year government bond rates as at 30 June 2009, which was 5.6 per cent; the equivalent rate as at 30 June 2008 was 6.5 per cent.

The defined benefit superannuation plans include:

- Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS);
- Commonwealth Superannuation Scheme (CSS);
- Northern Territory Supplementary Superannuation Scheme;
- Northern Territory Police Supplementary Benefit Scheme;
- Legislative Assembly Members and other statutory schemes

### (s) Equity

The values of all holdings in entities external to a sector that are controlled by that sector are included in equity.

### (t) Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include cash and deposits; receivables; advances, investments loan and placements; payables; advances received; borrowings and derivatives. Exposure to interest rate risk, foreign exchange risk, credit risk, price risk and liquidity risks arise in the normal course of activities. The CHA's investments, loans and placements and borrowings are predominantly managed through the Northern Territory Treasury Corporation.

## 2. Statement of Significant Accounting Policies (continued)

Financial assets and liabilities are recognised on the Balance Sheet when the CHA becomes a party to the contractual provisions of the financial instrument. The CHA has the following financial instruments:

- cash and cash equivalents;
- loans and receivables;
- trading financial assets in the normal course of operations;
- trading financial liabilities in the normal course of operations; and
- non-trading financial liabilities.

### Fair Value of Financial Instruments

The fair value of financial instruments is determined based on quoted market prices, where available, or on estimates using present values or other valuation techniques. These techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. When market prices are not readily available, fair value is either based on estimates obtained from independent experts or quoted market prices of comparable instruments.

Note 12 provides additional information on financial instruments.

### (u) Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in the financial report, unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable, a provision is recognised.

Contingent assets are not recognised in the Balance Sheet but are disclosed in the financial report when inflows are probable. If inflows become virtually certain, an asset is recognised.

The amount disclosed as a contingent liability or contingent asset is the best estimate of the settlement or inflow.

### (v) Reporting Period

The reporting period is the year ended each 30 June.

	2009	2008
	\$000	\$000
<b>3. Goods and Services Received Free of Charge</b>		
Provision of corporate and information services	15	15
	<b>15</b>	<b>15</b>
<b>4. Cash and Deposits</b>		
Cash and short term deposits	131 129	116 008
<b>Total cash and deposits</b>	<b>131 129</b>	<b>116 008</b>
<b>5. Receivables</b>		
Taxes receivable	24 763	43 804
Royalties, rents and dividends receivable	23 142	26 036
Interest receivables	2 688	2 910
Other receivables	5 963	22 781
<b>Total receivables</b>	<b>56 556</b>	<b>95 531</b>
<b>6. Payables</b>		
<b>Current</b>		
Other payables	31 046	14 512
<b>Total payables</b>	<b>31 046</b>	<b>14 512</b>
<b>7. Borrowings and Advances</b>		
<b>Current</b>		
Loans and advances	1 102	101 160
	<b>1 102</b>	<b>101 160</b>
<b>Non-current</b>		
Loans and advances	1 495 851	1 496 953
	1 495 851	1 496 953
<b>Total borrowings and advances</b>	<b>1 496 953</b>	<b>1 598 113</b>

## 8. Provisions

### Current

Other

59

### Non current

Other

999

**Total provisions**

**1 058**

### Reconciliation of provisions

Balance at 1 July

Additional provisions recognised

1 058

Reductions arising from payments

**Balance at 30 June**

**1 058**

## 9. Employee Benefits

### Current

Long service leave

134 010

125 566

Workers compensation

11 320

14 200

**145 330**

**139 766**

### Non-current

Long service leave

49 349

33 534

Workers compensation

49 448

43 506

**98 797**

**77 040**

**Total employee benefits**

**244 127**

**216 806**

2009

2008

\$000

\$000

## 10. Superannuation Liability

The values reported below are based on estimates of the size and timing of future benefit payments obtained through actuarial reviews conducted at three-yearly intervals that are updated on an annual basis. The Northern Territory Government and Public Authorities' Superannuation Scheme, the Northern Territory Supplementary Superannuation Scheme, the Supreme Court Judges Pension Scheme, the Northern Territory Government Death and Invalidity Scheme, the Administrators Pension Scheme and the Legislative Assembly Members Superannuation Scheme are based on reviews carried out at 30 June 2007. The Northern Territory Police Supplementary Benefit Scheme and the Commonwealth Superannuation Scheme are based on reviews carried out at 30 June 2009.

### Scheme Information

#### Commonwealth Superannuation Scheme (CSS)

The benefits provided by the scheme include an employer-financed defined benefit and the members' accumulation balances.

The amount of retirement benefit is the sum of:

- (a) an employer-financed indexed pension;
- (b) the accumulated value of productivity contributions (this can be converted to a non-indexed pension); and
- (c) the accumulated value of member contributions.

The employer-financed indexed pension is calculated as a percentage of final salary and discounted for early retirement before the maximum retirement age. The CSS was closed on 1 October 1986 to all new Territory employees except police who were eligible to join up until 1 January 1988.

#### Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS)

The NTGPASS is a contributory lump sum superannuation scheme which was closed to new members from 10 August 1999. On retirement the following benefits are payable:

- (a) the member's accumulation account; plus
- (b) an accrued employer component.

The accrued employer component is calculated as 2.5% x total benefit points x benefit salary.

#### Northern Territory Supplementary Superannuation Scheme (NTSSS)

The NTSSS is a non-contributory lump sum superannuation scheme which was closed to new members from 10 August 1999. The standard benefit is 3 per cent of annual salary plus approved allowances on the last day of employment for each year of service since October 1988.

## 10. Superannuation Liability (continued)

### Northern Territory Government Death and Invalidity Scheme

The scheme provides death and disablement cover to all public sector employees under choice of superannuation fund arrangements.

The Northern Territory Police Supplementary Benefit Scheme, Legislative Assembly Members Superannuation Scheme, Administrators and Judges Schemes are all pension-based schemes.

The following schemes are included in the consolidated disclosures:

- Commonwealth Superannuation Scheme
- Northern Territory Government and Public Authorities' Superannuation Scheme
- Northern Territory Supplementary Superannuation Scheme
- Northern Territory Government Death and Invalidity Scheme
- Northern Territory Police Supplementary Benefit Scheme
- Legislative Assembly Members Superannuation Scheme
- Administrators Pension Scheme
- Supreme Court (Judges Pension) Scheme

## 10. Superannuation Liability (continued)

### Operating Statement

The amounts recognised in the operating statement are as follows:

	2009 \$000	2008 \$000
Employer service cost	73 922	75 797
Interest cost	133 730	127 131
Recognised actuarial (gains)/losses	222 123	- 65 270
Superannuation oncost on long service leave liability <sup>1</sup>		5 104
<b>Total included in superannuation expense</b>	<b>429 775</b>	<b>142 762</b>

### Balance Sheet Amounts

Current	147 666	134 388
Non-current	2 260 768	1 964 443
<b>Total superannuation liabilities (a)</b>	<b>2 408 434</b>	<b>2 098 831</b>

(a) The Northern Territory Government superannuation schemes comprise:

Legislative Assembly Members Superannuation Scheme	29 034	11 731
Commonwealth Superannuation Scheme	1 366 900	1 203 300
Northern Territory Government and Public Authorities' Superannuation Scheme	683 900	601 700
Northern Territory Supplementary Superannuation Scheme	186 600	164 200
Northern Territory Police Supplementary Benefit Scheme	37 200	32 000
Northern Territory Government Death and Invalidation Scheme	52 800	41 200
Statutory Schemes <sup>2</sup>	52 000	44 700
	<b>2 408 434</b>	<b>2 098 831</b>

### Key Assumptions

Key assumptions as at balance date and for following year expense

Discount rate (gross of tax)	5.60%	6.50%
Salary rate	4.50%	4.50%
Expected return on scheme assets (net of tax)	6.00%	6.00%
Inflation (pensions)	2.50%	2.50%
Imputed cost of interest	6.50%	6.25%
Tax rate for employer contributions <sup>3</sup>	nil	nil

Decrement rates:

As per the last triennial review for each individual scheme

1. Superannuation oncosts have been included in the long service leave liability in 2008-09.
2. The statutory schemes comprise the superannuation liability for the Administrator and judges.
3. All employer contributions are untaxed. As such, no allowance has been made for contributions tax.

## 10. Superannuation Liability (continued)

### Balance Sheet Results

#### Net liability

Defined benefit obligation	2 450 859	2 150 622
Contributions tax liability		
Total defined benefit obligations	2 450 859	2 150 622
Scheme assets	- 42 425	- 51 791
Deficit/ (surplus)	2 408 434	2 098 831
<b>Net liability/ (asset)</b>	<b>2 408 434</b>	<b>2 098 831</b>

#### Funded Status

Defined benefit obligations		
Funded	42 425	51 791
Unfunded	2 408 434	2 098 831
<b>Total</b>	<b>2 450 859</b>	<b>2 150 622</b>

#### Scheme Assets

##### Fair Value of scheme assets

Australian equities	14 044	16 939
Overseas equities	15 709	18 842
Fixed interest securities	11 168	14 284
Property	1 504	1 726
<b>Total</b>	<b>42 425</b>	<b>51 791</b>

#### Movements in Net Liabilities

Net liability/ (asset) in balance sheet at end of prior year	2 098 831	2 087 387
Expense recognised in operating statement	429 775	137 658
Actual employer contributions – benefits paid	- 120 172	- 126 213
<b>Net liability/ (asset) in balance sheet at end of year</b>	<b>2 408 434</b>	<b>2 098 832</b>

#### Reconciliations

Fair value of scheme assets		
Fair value scheme assets at end of prior year	51 791	57 063
Expected return on assets	3 107	3 424
Expected assets at year end	54 898	60 487
Actuarial gain/ (loss) on assets	- 12 473	- 8 696
<b>Fair value scheme assets at year end</b>	<b>42 425</b>	<b>51 791</b>

	2009	2008
	\$000	\$000
<b>Balance Sheet Results</b>		
<b>Net liability</b>		
Defined benefit obligation	2 450 859	2 150 622
Contributions tax liability		
Total defined benefit obligations	2 450 859	2 150 622
Scheme assets	- 42 425	- 51 791
Deficit/ (surplus)	2 408 434	2 098 831
<b>Net liability/ (asset)</b>	<b>2 408 434</b>	<b>2 098 831</b>
<b>Funded Status</b>		
Defined benefit obligations		
Funded	42 425	51 791
Unfunded	2 408 434	2 098 831
<b>Total</b>	<b>2 450 859</b>	<b>2 150 622</b>
<b>Scheme Assets</b>		
<b>Fair Value of scheme assets</b>		
Australian equities	14 044	16 939
Overseas equities	15 709	18 842
Fixed interest securities	11 168	14 284
Property	1 504	1 726
<b>Total</b>	<b>42 425</b>	<b>51 791</b>
<b>Movements in Net Liabilities</b>		
Net liability/ (asset) in balance sheet at end of prior year	2 098 831	2 087 387
Expense recognised in operating statement	429 775	137 658
Actual employer contributions – benefits paid	- 120 172	- 126 213
<b>Net liability/ (asset) in balance sheet at end of year</b>	<b>2 408 434</b>	<b>2 098 832</b>
<b>Reconciliations</b>		
Fair value of scheme assets		
Fair value scheme assets at end of prior year	51 791	57 063
Expected return on assets	3 107	3 424
Expected assets at year end	54 898	60 487
Actuarial gain/ (loss) on assets	- 12 473	- 8 696
<b>Fair value scheme assets at year end</b>	<b>42 425</b>	<b>51 791</b>

## 10. Superannuation Liability (continued)

### Reconciliation of Actuarial (Gain)/ Loss

	2009 \$000	2008 \$000
Unrecognised actuarial (gain)/ loss at end of prior year	- 3 145	5 551
Actuarial (gain)/ loss on assets	- 12 473	- 8 696
Actuarial (gain)/ loss on liabilities	222 123	- 65 270
Amount recognised during year in Operating Statement	222 123	- 65 270
<b>Unrecognised actuarial (gain)/ loss at end of year</b>	<b>- 15 618</b>	<b>- 3 145</b>

### Expected Return on Assets

Fair value scheme assets at end of prior year	51 791	57 063
Average expected assets	51 791	57 063
Assumed rate of return	6.00%	6.00%
<b>Calculated expected return on assets</b>	<b>3 107</b>	<b>3 424</b>

The expected return on assets is 6 per cent which is the long-term return expected for the class of investments held.

### Actuarial Gain/(Loss) for Year

Defined benefit obligations (net of tax, prior year assumptions)	2 206 371	2 162 531
Defined benefit obligations (net of tax, current assumptions)	2 408 434	2 098 831
Actuarial (gain)/ loss for year due to assumptions	- 202 063	63 700
Actuarial (gain)/ loss for year due to experience	- 20 060	1 570
<b>Actuarial (gain)/ loss for year</b>	<b>- 222 123</b>	<b>65 270</b>

### History

The history of experience adjustments is as follows:

	2009 \$000	2008 \$000	2007 \$000
Total defined benefit obligation at year end	2 450 859	2 150 622	2 144 450
Actual assets at year end	42 425	51 791	57 063
Deficit/ (surplus)	2 408 434	2 098 831	2 087 387
Experience adjustment on liabilities	- 20 060	1 570	- 139 870

2009	2008
------	------

\$000	\$000
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## 11. Notes to the Cash Flow Statement

### Reconciliation of Cash

The total of agency cash and deposits of \$131 129 (2008: \$116 008) recorded in the Balance Sheet is consistent with that recorded as 'cash' in the Cash Flow Statement.

### Reconciliation of Net Surplus/(Deficit) to Net Cash From Operating Activities

<b>Net deficit</b>	- 114 297	274 696
Changes in assets and liabilities:		
Unrealised (gain)/loss on securities marked to market	86 092	82 651
Amortisation on investments	- 1 371	- 498
Gain on extinguishment	- 1	- 6
Gain on agency restructure	- 3 133	
Decrease/(increase) in receivables	38 975	- 30 182
Decrease/(increase) in prepayments	63	- 128
(Decrease)/increase in payables	16 533	7 128
(Decrease)/increase in provision for employee benefits	336 924	19 124
<b>Net cash from operating activities</b>	<b>359 785</b>	<b>352 784</b>

## 12. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments held by the CHA include cash and deposits, receivables and payables. The CHA has limited exposure to financial risks as discussed below.

### (a) Categorisation of Financial Instruments

The carrying amounts of the CHA's financial assets and liabilities by category are disclosed in the table below.

	2009	2008
	\$000	\$000
<b>Financial assets</b>		
Cash and deposits	131 129	116 008
Fair value through profit and loss (FVTPL)		
Designated as at FVTPL	395 910	454 024
Held-to-maturity investments	486 683	521 367
Loans and receivables	2 688	2 910
<b>Financial liabilities</b>		
Fair value through profit and loss (FVTPL)		
Designated as at FVTPL	584 757	500 630
Amortised cost	1 496 953	1 598 113

### (b) Credit Risk

The CHA has limited credit risk exposure (risk of default). In respect of any dealings with organisations external to Government, the CHA has adopted a policy of only dealing with credit worthy organisations and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the CHA's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

## 12. Financial Instruments (continued)

### (c) Liquidity Risk

Liquidity risk is the risk that the agency will not be able to meet its financial obligations as they fall due. The agency's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due.

The following tables detail the undiscounted cash flows payable by the agency by remaining contractual maturity for its financial liabilities. It should be noted that as these are undiscounted, totals may not reconcile to the carrying amounts presented in the Balance Sheet.

#### 2009 Maturity analysis for financial liabilities

	Fixed Interest Rate				Non Interest Bearing	Total	Weighted Average
	Variable Interest	Less than a Year	1 to 5 Years	More than 5 Years			
	\$000	\$000	\$000	\$000	\$000	\$000	%
Deposits held					584 038	584 038	
Payables					719	719	
Borrowings and advances		295 000	310 000	891 953		1 496 953	6.68
<b>Total financial liabilities</b>		<b>295 000</b>	<b>310 000</b>	<b>891 953</b>	<b>584 757</b>	<b>2 081 710</b>	

#### 2008 Maturity analysis for financial liabilities

	Fixed Interest Rate				Non Interest Bearing	Total	Weighted Average
	Variable Interest	Less than a Year	1 to 5 Years	More than 5 Years			
	\$000	\$000	\$000	\$000	\$000	\$000	%
Deposits held					495 042	495 042	
Payables					5 588	5 588	
Borrowings and advances		200 000	295 000	1 103 113		1 598 113	6.65
<b>Total financial liabilities</b>		<b>200 000</b>	<b>295 000</b>	<b>1 103 113</b>	<b>500 630</b>	<b>2 098 743</b>	

### (d) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It comprises interest rate risk, price risk and currency risk.

## 12. Financial Instruments (continued)

### (e) Interest Rate Risk

The CHA's exposure to interest rate risk and the average interest rate for classes of financial assets and financial liabilities is set out in the following tables.

The average interest rate is based on the outstanding balance at the start of the year.

	2009	2008
	\$000	\$000
<b>Fixed rate instruments</b>		
Financial assets	489 000	521 367
Financial liabilities	1 496 953	1 598 113
<b>Total</b>	<b>1 985 953</b>	<b>2 119 480</b>
<b>Variable rate instruments</b>		
Financial assets	527 039	570 032
Financial liabilities		
<b>Total</b>	<b>527 039</b>	<b>570 032</b>

## 12. Financial Instruments (continued)

### Market Sensitivity Analysis

Changes in the variable rates of 100 basis points (1 per cent) at reporting date would have the following effect on the agency's profit or loss and equity.

	Profit or Loss and Equity	
	100 basis points increase \$000	100 basis points decrease \$000
<b>30 June 2009</b>		
Financial assets – cash at bank	1 311	- 1 311
Financial assets – securities		
Floating rate notes	250	-250
Discount securities	2 890	- 2 890
Financial liabilities – borrowings	14 969	- 14 969
<b>Net sensitivity</b>	<b>19 420</b>	<b>- 19 420</b>
<b>30 June 2008</b>		
Financial assets – cash at bank	1 160	- 1 160
Financial assets – securities		
Floating rate notes	300	- 300
Discount securities	3 096	- 3 096
Financial liabilities – borrowings	15 981	- 15 981
<b>Net sensitivity</b>	<b>20 537</b>	<b>- 20 537</b>

### (f) Price Risk

The CHA is exposed to price risk as it holds units in unit trusts. Price risk arises due to the changes in the market value of the units as advised by respective fund managers.

Price risk is managed through the use of strictly monitored allocation limits for units held in each class of managed funds. The CHA invests in a diverse range of managed funds thereby limiting the impact of any one underlying variable affecting unit prices.

Returns achieved by appointed fund managers are continuously monitored and compared to returns earned by a suitable peer group of other professional fund managers.