



NORTHERN TERRITORY  
TREASURY CORPORATION

# Annual Report 2017-18



NORTHERN  
TERRITORY  
GOVERNMENT



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The Honourable Nicole Manison MLA  
Treasurer  
GPO Box 3146  
DARWIN NT 0801

Dear Treasurer

I am pleased to provide to you the 2017-18 Annual Report for the Northern Territory Treasury Corporation (NTTC), which has been prepared in accordance with section 31 of the *Northern Territory Treasury Corporation Act*, section 28 of the *Public Sector Employment and Management Act* and section 12 of the *Financial Management Act* (FMA).

Pursuant to my responsibilities as the Accountable Officer under the FMA, I advise that to the best of my knowledge and belief:

- proper records of all transactions affecting NTTC are kept and employees under my control observe the provisions of the FMA, Financial Management Regulations and Treasurer's Directions
- procedures within NTTC afford proper internal control and a current description of such procedures are recorded in the Accounting and Property Manual, which has been prepared in accordance with the requirements of the FMA
- there is no indication of fraud, malpractice, major breach of legislation or delegation, major error in, or omission from, the accounts and records
- in accordance with the requirements of section 15 of the FMA, the internal audit capacity available to NTTC is adequate and the results of internal audits have been reported to me
- the financial statements included in the annual report have been prepared from proper accounts and records, and are in accordance with the Treasurer's Directions
- all employment instructions issued by the Commissioner for Public Employment have been satisfied
- NTTC is working in compliance with section 131 of the *Information Act*.

I can also advise you that the Auditor-General has audited NTTC's financial statements for the year ended 30 June 2018 and her report is included.

Yours sincerely

A handwritten signature in black ink, appearing to read "C Weber".

Catherine Weber  
Acting Under Treasurer  
28 September 2018

## Mission

To provide the Northern Territory Government with cost-effective funding, efficient financial management and reliable service to assist the Territory in achieving long-term viability for the benefit of Territorians.

## Values

- Open communication and respect.
- Trust and integrity in all our dealings and relationships.
- Valuable contributions for our stakeholders.
- Dedication and professionalism of our people.

## Enabling Act

The Northern Territory Treasury Corporation (NTTC) was established on 1 July 1994 under the *Northern Territory Treasury Corporation Act* (NTTC Act).

## Statutory guarantee

All obligations incurred or assumed by NTTC are guaranteed by the Treasurer on behalf of the Territory under section 20 of the NTTC Act.

## Status

NTTC is a government business division and an administrative unit of the Department of Treasury and Finance (DTF) for the purposes of the *Public Sector Employment and Management Act* (PSEMA).

## Credit rating

As at 30 June 2018, Moody's Investors Service has assigned NTTC a long-term issuer and debt rating of Aa2 (stable). On 12 July 2018, Moody's re-affirmed the rating at Aa2, however, changed the outlook from stable to negative.

## Purpose of this report

This report is designed to meet NTTC's statutory annual reporting requirements, as specified for public sector agencies in PSEMA, the *Financial Management Act* (FMA), *Information Act* and NTTC Act. It reports NTTC's performance to the Treasurer, the Legislative Assembly, government agencies, stakeholders, financial markets and ratings agencies.

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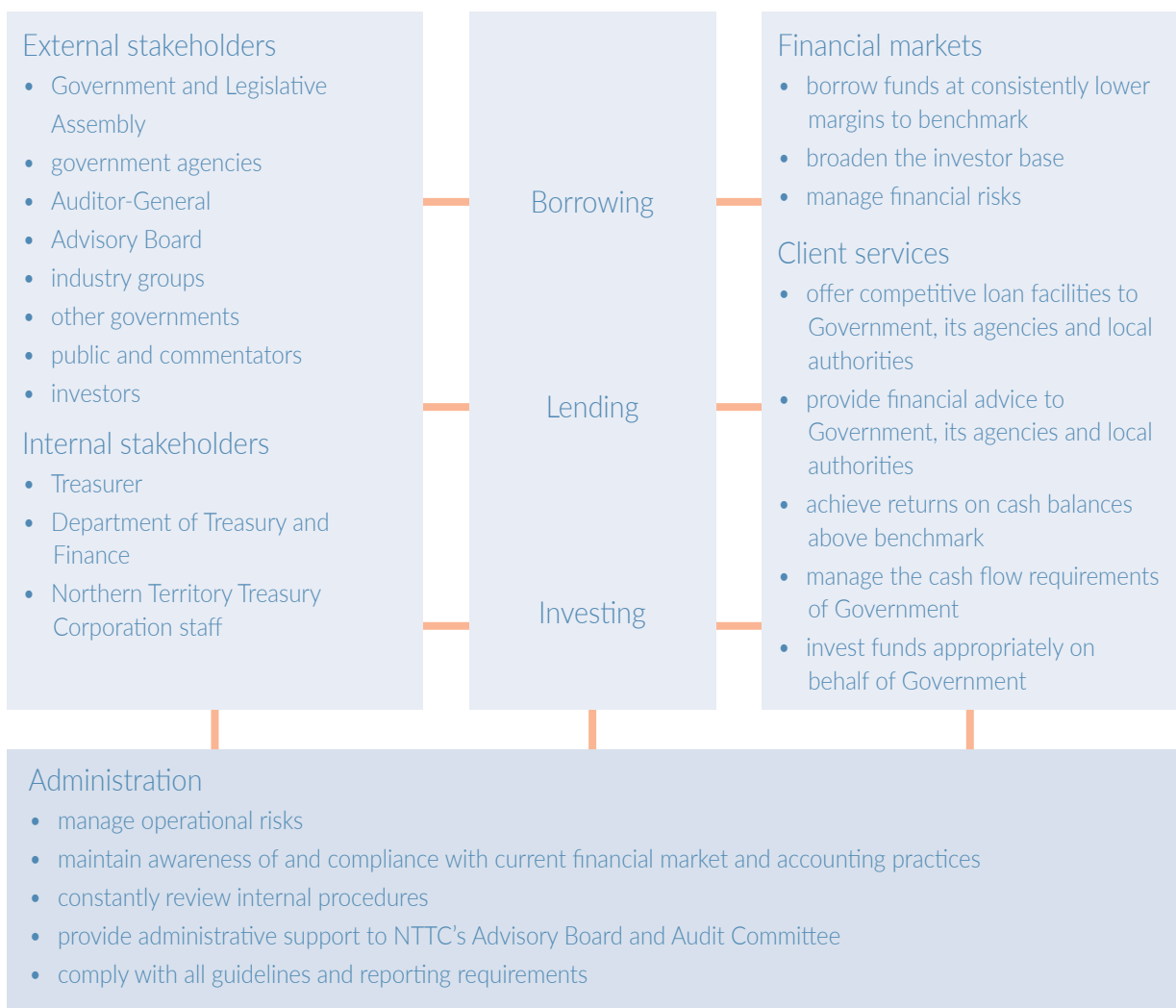
# Profile

## Purpose

NTTC is the central financing authority (CFA) for the Territory Government, responsible for providing specialist financial services and advice to the Territory Government to support the delivery of infrastructure and services to Territorians by:

- undertaking sound borrowing and investing activities for the Territory Government
- investing surplus short-term cash balances of government accounts
- providing cost-efficient loans to its public sector clients and government agencies, government owned corporations and local authorities.

Figure 1: NTTC stakeholders, functions and programs



# Chairman's Address



The global economy continued to grow through the 2017-18 financial year, driven by expansionary monetary settings and a rebound in commodity prices. The introduction of tax cuts in the United States (US) added impetus to its economy, boosting corporate earnings and the labour market. Trade tensions dominated the second half of the financial year, with the US raising tariffs on a range of imports, in particular those from China. This resulted in a reciprocal response from the countries the US targeted, which led to increased volatility and a deterioration of sentiment in the market. Overall however, it was generally a good year for investors with global shares performing well and bond markets delivering modest returns.

In Australia, the economy is growing at an annual rate of 3.1 per cent thanks to higher commodity prices, an improvement in exports, and substantial investment in infrastructure by state and federal governments. However, wages growth remains weak and this, combined with high household debt and rising utility prices, has put significant pressure on households, resulting in soft retail spending and falls in housing prices. With inflation also at a modest 1.9 per cent, the Reserve Bank of Australia has seen no reason to adjust the official cash rate, choosing to maintain it at the rate of 1.5 per cent, which it has been since August 2016.

The Territory is currently experiencing subdued economic conditions evidenced by a softening in investment and construction activity, and population numbers, with both set to decline over the 2018-19 financial year. This is largely due to the Ichthys liquefied natural gas (LNG) project finalising its transition from the construction phase to production and export phase. In response, the Territory Government has introduced a population strategy and a 10-year infrastructure plan in which it has committed to record levels of capital and infrastructure investment. In April 2018, the Territory Government lifted the moratorium on hydraulic fracturing of onshore unconventional reservoirs and this is expected to generate energy investment in the medium to long term. In addition, there are a large number of public and private projects in the pipeline that are expected to provide significant benefits to the Territory and the economy, including a range of potential resource projects and an \$8 billion additional defence infrastructure spend to upgrade facilities in the Territory over the next 10 years.

NTTC maintained a high level of liquidity throughout the financial year in recognition of the increased levels of expenditure by government. NTTC's investment activities achieved a return of 2.11 per cent over the financial year on the Territory Government's investment portfolio of surplus cash balances. Given the low interest rate environment, this was a strong performance and compares favourably against the benchmark return of 1.78 per cent.


The remainder of the Territory Government's funds available for investment are held in investment funds. In December 2017, the Medium Term Investment Fund was wound up with the proceeds transferred to the Conditions of Service Reserve (COSR). COSR delivered a healthy return of 9.17 per cent over the financial year but underperformed against the benchmark return of 10.47 per cent. In contrast, the Northern Territory Infrastructure Development Fund achieved a modest return of 2.61 per cent over the same period but outperformed the benchmark return of 1.78 per cent.

In terms of borrowing activity, it was a busy year for NTTC. To facilitate the Territory Government's commitment to infrastructure and capital investment, NTTC completed a borrowing program of \$1.48 billion for 2017-18 and pre-funded almost \$300 million of the 2018-19 borrowing program. NTTC established a number of longer dated maturities, including 10, 15 and 25-year bond series, which are consistent with the nature of the Government's commitment to infrastructure investment. With a similar borrowing campaign ahead in 2018-19, NTTC will continue to focus on longer dated funding opportunities.

As in previous years, in June 2018 NTTC provided a series of investor updates in Melbourne, Brisbane and Sydney. The roadshow offered a forum for investors to learn about the economic and fiscal position of the Territory and provided an opportunity for the Territory to gain an understanding of investor demand and preferences for new bond issues.

Administratively, a significant change for NTTC this year was the establishment of Treasury Financial Services (TFS) within DTF. The creation of this service bureau involved amalgamating the financial administration functions of a number of business units, including NTTC's Financial Administration team. TFS will provide financial services to NTTC, DTF and the Northern Territory Superannuation Office under service level agreement arrangements.

In conclusion, the Territory is currently experiencing challenging economic and fiscal conditions but with the Government's commitment to infrastructure and capital investment, and a number of large commercial projects in the pipeline, there is much to be optimistic about for the future. NTTC was able to partner with a number of financial intermediaries during the year to successfully deliver on a significant borrowing task and I would like to thank the staff and those syndication partners for their efforts. I would also like to thank the Advisory Board for its ongoing guidance and counsel, and give special thanks to the Financial Administration team for its dedication and contribution over the years.



Craig Graham  
Under Treasurer and Chair  
7 September 2018

# Performance Summary

## Review of 2017-18

- Mixed domestic economic conditions with ongoing low inflation.
- Increased borrowing program of \$1.77 billion including pre-funding of about \$290 million for 2018-19.
- About \$4.7 billion on issue in major bond series in Australian debt capital markets.
- Modest investment returns.

## Outlook for 2018-19

- Increased global financial market volatility.
- Increased cost of borrowing in line with the rising domestic and global interest rate environment.
- Borrowing program of \$1.46 billion will refinance maturing debt and fund new loans to counterparties.
- New major bond series will be established in Australian debt capital markets.
- Utilise short-dated Promissory Note facility and tap issues of existing long-dated bond series.

## Strategic issues for 2018-19

- Managing the Territory Government's pool of investments efficiently within defined risk management frameworks.
- Securing attractive term funding arrangements in the most cost-effective manner in order to refinance maturing debt and provide flexible and efficient financing options to clients.
- Continuous development of NTTC's business continuity plan and corporate governance framework.

Table 1: Five-year financial overview

	2017-18	2016-17	2015-16	2014-15	2013-14
	\$000	\$000	\$000	\$000	\$000
<b>Statement of Income</b>					
Revenue	232 972	214 571	239 230	277 249	289 872
Expenses	205 571	193 204	215 098	241 120	256 898
Profit before tax	27 401	21 367	24 132	36 129	32 974
Tax expense	8 220	6 410	7 240	10 839	9 892
<b>Net profit after tax</b>	<b>19 181</b>	<b>14 957</b>	<b>16 892</b>	<b>25 290</b>	<b>23 082</b>
<b>Statement of Financial Position</b>					
Total assets	5 268 961	4 056 115	4 085 056	4 648 108	5 283 013
Total liabilities	5 247 331	4 034 485	4 063 426	4 626 478	5 261 383
<b>Total equity</b>	<b>21 630</b>	<b>21 630</b>	<b>21 630</b>	<b>21 630</b>	<b>21 630</b>
<b>Statement of Cash Flows</b>					
Cash flows from operating activities	24 712	7 954	1 314	9 926	24 194
Cash flows from investing activities	(1 235 010)	58 430	582 025	60 012	352 242
Cash flows from financing activities	1 189 690	(36 886)	(563 648)	(642 314)	(410 272)



Table 2: Five-year key performance indicators summary

Performance measures	2017-18	2016-17	2015-16	2014-15	2013-14
<b>Quantity</b>					
Weighted average cost of borrowing (WACoB)	3.10%	2.54%	2.22%	2.51%	4.23%
<b>Quality</b>					
Borrowing rate margin compared to industry peers <sup>1</sup>	+ 0.31%	+ 0.41%	n.a.	n.a.	+ 0.37%
Investment portfolio return above benchmark <sup>2</sup>	+ 0.33%	+ 0.44%	+ 0.31%	+ 0.27%	+ 0.28%
Stakeholder satisfaction <sup>3</sup>	5	5	5	5	5

n.a.: not assessable

1 NTTC did not issue any term funding into the wholesale financial market during either 2014-15 or 2015-16.

2 The benchmark is the weighted composite of the Bloomberg AusBond Bank Bill Index and Bloomberg AusBond Semi-Government Index (0-3 yrs). The composite benchmark return for 2017-18 was 1.78% while NTTC achieved a return of 2.11%.

3 A stakeholder satisfaction rating is obtained from government agencies, government business divisions, government owned corporations and local government authorities. Ratings range from 1: extremely dissatisfied to 6: extremely satisfied.

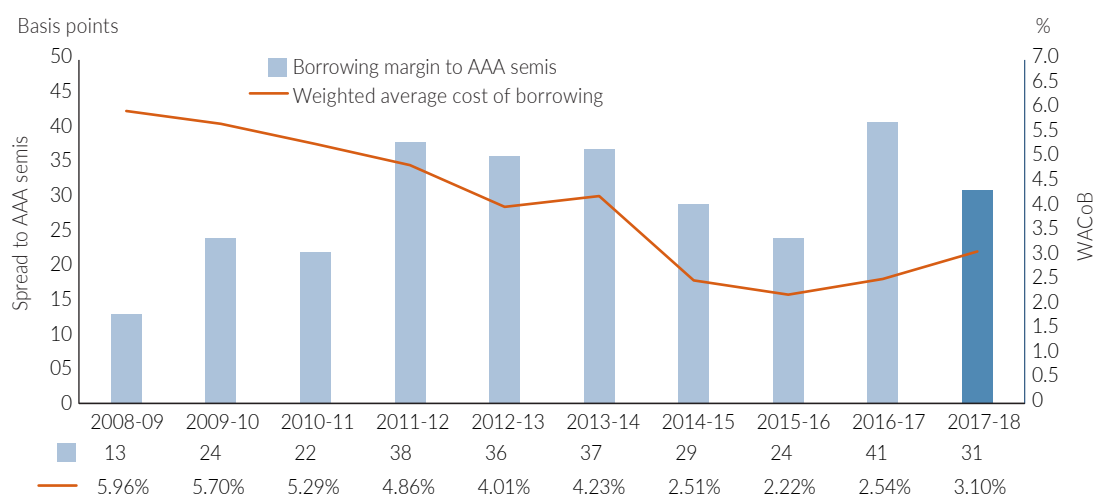
### Performance measure analysis

NTTC's weighted average cost of borrowing target for 2017-18 was lowered to 3.5 per cent in line with the low interest rate environment experienced throughout the year. The actual outcome achieved for the 2017-18 financial year was 3.1 per cent. However, when promissory note issuances are excluded, the weighted average cost of borrowing for 2017-18 increases to 3.4 per cent. The weighted average cost of borrowing on outstanding issued debt at 30 June 2018 was 4.17 per cent.

The average recorded spread or borrowing margin achieved on wholesale bonds issued by NTTC during the financial year was about 31 basis points over similar bond maturities issued by NTTC's AAA-rated semi-government peers. NTTC-issued bonds were priced at fairly consistent margins to peers throughout the financial year.

The Central Holding Authority (CHA) investment portfolio delivered a 2.11 per cent return for the financial year, predominantly invested in short-term securities within the existing credit limits approved by the Treasurer.

Figure 2: NTTC weighted average cost of borrowings versus spread to AAA semi-governments



# Financial Markets

## Funding

NTTC manages the Territory Government's exposure to funding risk by ensuring it is not subject to a significant refinancing risk in any financial year. NTTC's approach to minimise funding risk involves the diversification of borrowing and investment activities across the maturity spectrum and utilising a variety of funding sources to meet its requirements.

NTTC's funding sources are as follows:

- » Wholesale market
  - fixed interest securities
  - floating rate notes
  - promissory notes
- » Retail market
  - Territory Bonds
  - Migration Linked Bonds

Table 3: Borrowing composition

	2017-18	2016-17	2015-16	2014-15	2013-14
	\$M	\$M	\$M	\$M	\$M
Refinance maturing Territory debt	528	533	565	641	542
New borrowings	950	-	-	-	-
Debt reduction	-	- 6	- 532	- 219	-
Pre-funded	-	-	-	- 393	-
<b>Borrowing requirement</b>	<b>1 478</b>	<b>527</b>	<b>33</b>	<b>29</b>	<b>542</b>
Pre-funding	291	-	-	-	393
<b>Total borrowing program</b>	<b>1 769</b>	<b>527</b>	<b>33</b>	<b>29</b>	<b>935</b>

## Borrowing activity

The borrowing program for 2017-18 was about \$1.77 billion raised throughout the financial year compared to \$528 million of matured debt. The increased borrowing activity resulted in total outstanding issued debt as at 30 June 2018 being higher by about \$1.20 billion from 30 June 2017.

In 2017-18, NTTC issued four new wholesale bond lines and four taps of existing bonds lines. (See Table 4 on page 9). The \$500 million bond issued in August 2017 refinanced maturing debt in November 2017. In April and May 2018, NTTC took advantage of strong investor demand and accommodative market conditions to prefund about \$291 million of the 2018-19 borrowing program.

In terms of retail borrowings, Territory Bonds raised a net amount of about \$31 million throughout the year. Migration Linked Bonds of \$0.25 million were repaid in 2017-18. A full listing of NTTC's issued debt is provided in Appendix A on page 26.

Table 4: Institutional bond issues during 2017-18

Issue date		Amount issued	Maturity date	Coupon	Yield
		\$M		%	%
August 2017	New line	500	21 November 2022	2.50	2.65
October 2017	New line	500	21 April 2028	3.50	3.53
November 2017	New line	155	21 November 2042	4.10	4.12
January 2018	Tap	70	21 November 2042	4.10	4.22
February 2018	New line	150	21 April 2033	3.75	3.86
March 2018	Tap	55	21 April 2033	3.75	3.64
April 2018	Tap	60	21 November 2042	4.10	4.12
May 2018	Tap	250	21 April 2028	3.50	3.40
<b>Total</b>		<b>1 740</b>			

As at 30 June 2018, NTTC had nine institutional benchmark bond issues as detailed in Table 5.

Table 5: Institutional bond issues as at 30 June 2018

Maturity date	Coupon	Amount on issue
	%	\$M
20 September 2018	4.75	479
20 September 2021	4.25	650
21 November 2022	2.50	500
15 March 2024	6.00	650
21 October 2024	2.75	500
15 March 2026	6.00	650
21 April 2028	3.50	750
21 April 2033	3.75	205
21 November 2042	4.10	285

Table 6: Borrowing performance as at 30 June

	2018	2017	2016	2015	2014
	%	%	%	%	%
<b>Average borrowing margin</b>					
Short-term – margin to bank bill swap (BBSW) rate	- 0.04	- 0.04	- 0.04	- 0.04	- 0.05
Long-term (fixed rate) – margin to AAA-rated semi-government security	0.31	0.41	n.a.	n.a.	0.37
<b>Cost of borrowing achieved during the year</b>					
Weighted average cost of borrowing	3.10	2.54	2.22	2.51	4.23
<b>Total cost of funds</b>					
Weighted average cost of funds	4.17	4.65	5.00	5.19	5.21

n.a.: not assessable

### Portfolio duration and term to maturity

As at 30 June 2018, the weighted average duration of Territory debt on issue was 5.8 years compared to 4.4 years reported in June 2017. Similarly, weighted average term to maturity lengthened to 7.1 years compared to 5.1 years recorded in June 2017.

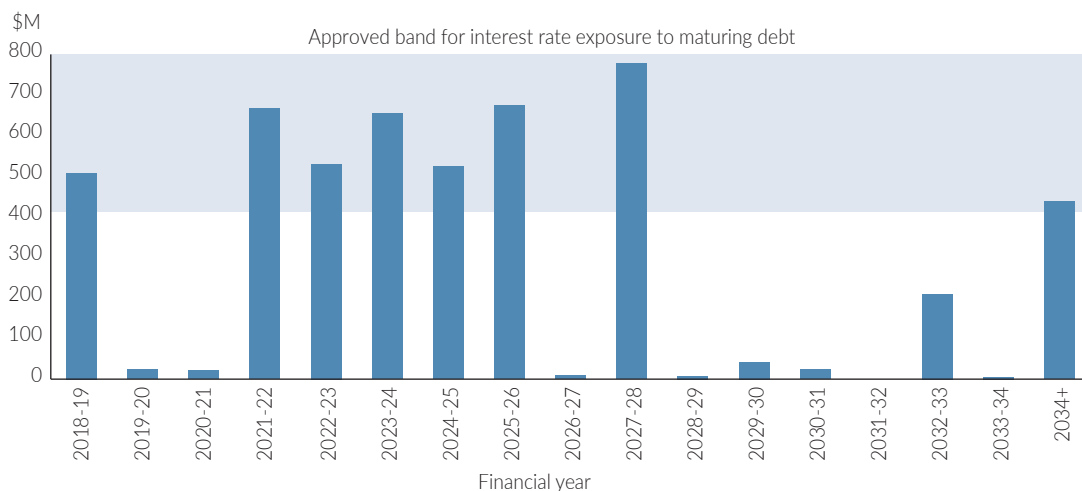
### Interest rate risk management

NTTC's interest rate risk arises from cash flow mismatches in the maturity profiles and repricing dates of its financial assets and liabilities. NTTC manages its exposure to interest rate risk to avoid creating abnormally high refinancing requirements during periods of high interest rates, or unusually low refinancing requirements in periods of low interest rates (see Figure 3 below). NTTC may use interest rate swaps and forward start interest rate swaps to manage interest rate risk as required.

In March 2012, NTTC established a target level of interest rate exposure to maturing Territory debt in a financial year with a lower limit of \$400 million and an upper limit of \$800 million. The limits were based on outstanding debt at the time, with the upper limit recognising the strategy of containing interest rate exposure in any one financial year to about 20 per cent of total outstanding debt, and the lower limit representing 10 per cent of outstanding debt.

This strategy continues to support NTTC's ability to respond to strong demand from institutional investors and create slightly larger and more liquid bonds series. The target will support the Territory's borrowing requirements anticipated for the next two to three years to fund the capital and operating expenditure requirements of Territory Government agencies, business divisions and government owned corporations.

Figure 3: Interest rate exposure of maturing debt as at 30 June 2018



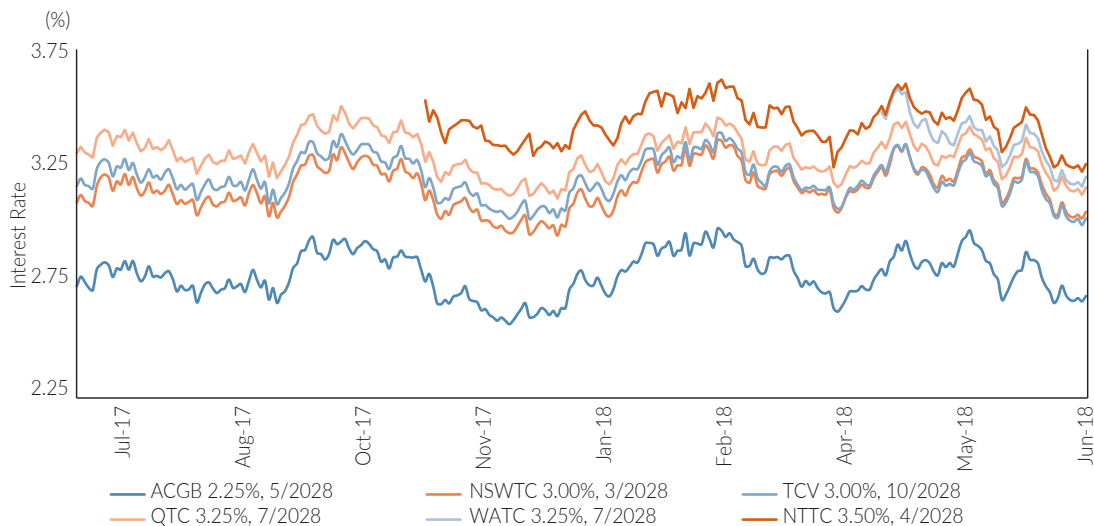
### Trading margin

An important influence on trading margins is the perception of liquidity. The relatively small size of the Territory's borrowing program does not promote significant trading activity. As a result, the borrowing margin is more a reflection of the liquidity premium demanded by institutional investors for supporting NTTC's bond issuances.

The average recorded spread or borrowing margin achieved on NTTC wholesale bond issues during 2017-18 was about 0.31 per cent over similar bond maturities issued by the two AAA-rated CFAs.

Figure 4 on page 11 shows the implied trading margin between NTTC's 2028 bond series and similar maturities issued by the Commonwealth and other CFAs. Relative to the Commonwealth bond, NTTC's 2028 bond series has been trading at a margin of between 60 and 70 basis points. NTTC's margin relative to the AAA-rated CFAs has been between 25 and 35 basis points.

Figure 4: Trading margin



### Promissory notes

NTTC's short-term funding requirement is met through its promissory note facility. These notes are issued by way of tender to our key institutional counterparties. While NTTC has no promissory notes on issue as at 30 June 2018, the promissory note facility was used throughout the year to meet short-term funding requirements.

The weighted average yield achieved for the financial year was about 1.70 per cent (2016-17: 1.72 per cent), with an average margin to BBSW reference rate of -0.04 per cent. The issuing margins to BBSW in 2017-18 ranged from -0.02 per cent to -0.05 per cent.

### Migration Linked Bonds

The bonds offered by NTTC satisfy the criteria of a Designated Investment under the following programs administered by the Department of Immigration and Border Protection:

- Business Innovation and Investment Programme
- Investor Retirement Migration.

As at 30 June 2018, total Designated Investments on issue decreased slightly to \$0.75 million.

### Territory Bonds

Territory Bonds is NTTC's retail fixed interest borrowing product and is used to attract funds from the general public. Territory Bonds has been issued since 1979 and is offered to investors seeking a safe, secure, government-guaranteed investment.

In 2017-18, Issues 103 and 104 raised approximately \$31 million from 671 applications, compared to last year's result of \$29.4 million from 760 applications. The average conversion rate for 2017-18 was about 65 per cent, a small reduction from last year's rate of 70 per cent, indicating that existing investors continue to show strong support for the product by reinvesting their investments at maturity.

Over the course of 2017-18, the number of registered investors declined by 235 to 2370. However, the average investment size increased to \$36 926 from last year's average of \$32 899, resulting in only a small reduction in the outstanding face value of Territory Bonds. As at 30 June 2018, the total outstanding balance was about \$87.5 million, which is about \$1.8 million higher than the balance of \$85.7 million recorded at 30 June 2017.

# Client Services

## Loans

NTTC lends funds to the Territory Government, government business divisions, government owned corporations, local authorities and other government organisations. Loans are issued in accordance with commercially based guidelines and practices. All loans are approved by the Treasurer in accordance with section 13(2)(b) of the NTTC Act and section 31(1) of the FMA.

As at 30 June 2018, NTTC had a total outstanding loan portfolio of \$5.22 billion, about \$1.24 billion higher than the balance reported at 30 June 2017. Table 7 on page 13 shows the comparative analysis of total outstanding loans provided by NTTC over the past five years. A full listing of NTTC's loans is provided in Appendix B on page 29.

### General government agencies

General government agencies are funded through CHA appropriations, some of which are funded by loans provided by NTTC. CHA is the 'parent body' that represents the Territory Government's ownership interest in government-controlled entities. The funds are used to finance general government activities and the Territory's major infrastructure projects.

As at 30 June 2018, loans to the general government sector totalled \$3.61 billion, an increase of about \$1.20 billion from the previous financial year. This represents the additional loans allocated to CHA in order to finance the capital and infrastructure expenditure undertaken by the Territory government established in the 2017-18 Budget.

### Government business divisions

Loans to government business divisions represent borrowings by Territory Government owned entities that operate on a commercial basis. The funds are used to finance capital expenditure requirements.

As at 30 June 2018, loans to this sector totalled about \$227 million, approximately \$4 million higher than the previous financial year. This net movement is a combination of scheduled principal repayments throughout the year on some of NT Home Ownership's structured loans and a new loan of \$10 million provided during the year.

### Government owned corporations

Loans to government owned corporations represent borrowings by Territory Government owned entities that operate on a commercial basis but whose operations are not guaranteed by the Crown and do not make the Territory liable for its debts, liabilities or obligations. The funds are used to finance capital expenditure requirements.

Loans to this sector totalled about \$1.38 billion as at 30 June 2018, an increase of about \$36 million from the previous financial year. This represents new loans provided to Power and Water Corporation over the course of the 2017-18 financial year.

### Local authorities

Loans to local authorities represent borrowings by local governing bodies situated throughout the Territory. The funds are used to finance specific council infrastructure projects, working capital requirements, or purchase or replace existing plant and equipment. Loans to local authorities are first assessed by the Department of Housing and Community Development and must carry the support and recommendation of the Minister for Local Government and Community Services prior to being submitted for approval to the Treasurer. As at 30 June 2018, there were no loans outstanding for local authorities.

## Other government organisations

Loans to other government organisations represent borrowings by non-financial public sector organisations with which the Territory Government has an association. As at 30 June 2018, NTTC had no outstanding loans to this sector.

Figure 5: Client loans as at 30 June 2018

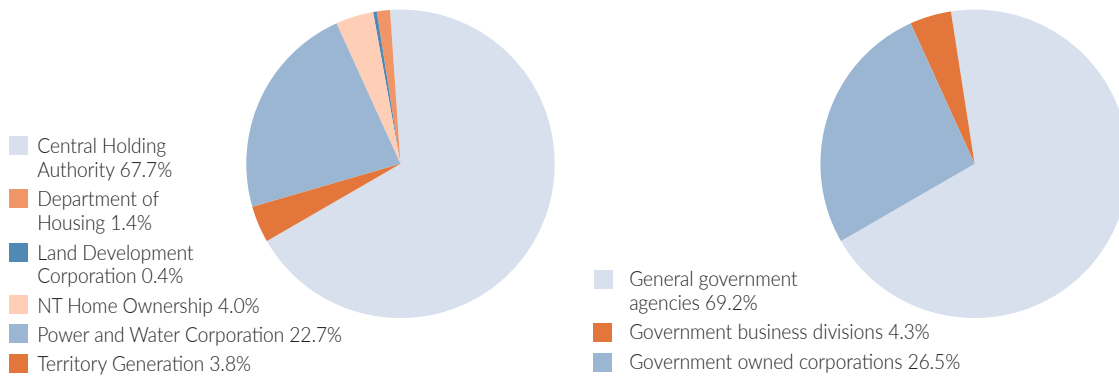


Table 7: Outstanding loans as at 30 June

	2018	2017	2016	2015	2014
	\$M	\$M	\$M	\$M	\$M
General government agencies	3 606.0	2 411.5	2 516.3	3 128.6	3 017.5
Government business divisions	226.5	222.2	230.8	279.0	327.0
Government owned corporations	1 384.0	1 347.8	1 292.8	1 214.3	1 336.7
Local government authorities	-	-	-	-	-
Other government organisations	-	-	-	-	-
<b>Total</b>	<b>5 216.5</b>	<b>3 981.5</b>	<b>4 039.9</b>	<b>4 621.9</b>	<b>4 681.2</b>

# Administration

The administration program aims to ensure NTTC operates in a professional, prudent and cost-effective manner. This is achieved by implementing policies relating to current financial market and accounting practices, regularly reviewing internal procedures and providing relevant and timely training to employees. Specific functions include:

- providing timely and accurate settlement of all financial market transactions
- maintaining NTTC's inscribed stock register by recording details of all inscribed stock and holders in accordance with the Registry Services Agreement and NTTC's Inscribed Stock Regulations
- ensuring NTTC's finances are managed effectively, within stated limits and in accordance with Australian Accounting Standards and legislative frameworks
- providing administrative support to NTTC's Advisory Board and Audit Committee
- satisfying NTTC's personnel requirements by maintaining current human resource management practices, and encouraging open communication between management and staff
- producing NTTC's annual report in accordance with legislative requirements.

## Major projects

### Creation of Treasury Financial Services

Effective 1 July 2018, NTTC's financial administration services will move to DTF under a finance bureau arrangement amalgamating three small finance teams across DTF and NTTC into Treasury Financial Services (TFS). The new business unit will provide financial services to NTTC, DTF and NT Superannuation Office under a service level agreement. The creation of TFS will address key person risk, ensure adequate resourcing is available to undertake key responsibilities, providing staff with greater diversity in the workplace and a better career path.

## Business relationships

### Registry services

NTTC has a key relationship with Link Market Services (Link), which maintains NTTC's retail inscribed stock register, recording details of all inscribed stock and holders in accordance with the Registry Services Agreement and NTTC's Inscribed Stock Regulations. Link has offices in Melbourne, Sydney, Brisbane and Perth, providing convenient access for most bondholders.

NTTC utilises ASX Austraclear Services Limited (ASX) for the registration of its wholesale domestic borrowings. ASX provides NTTC with the full range of corporate actions relating to the life cycle of the security issued to the financial markets, from origination to maturity. Corporate actions include inscribing the securities in the ASX register, making payments, transferring ownership of the security between seller and buyer, and effecting payments at maturity of securities.



# Our People

## Staffing

NTTC's employees are employed under PSEMA. Section 10 of the NTTC Act permits the Under Treasurer to assign employees to NTTC from DTF, on either a full-time or part-time basis.

As at 30 June 2018, NTTC had eight full-time employees and one part-time employee: four females and five males. Employees are required to comply with the PSEMA, Northern Territory Government Code of Conduct and codes of ethics of all relevant professional associations.

Figure 6: NTTC's organisational structure

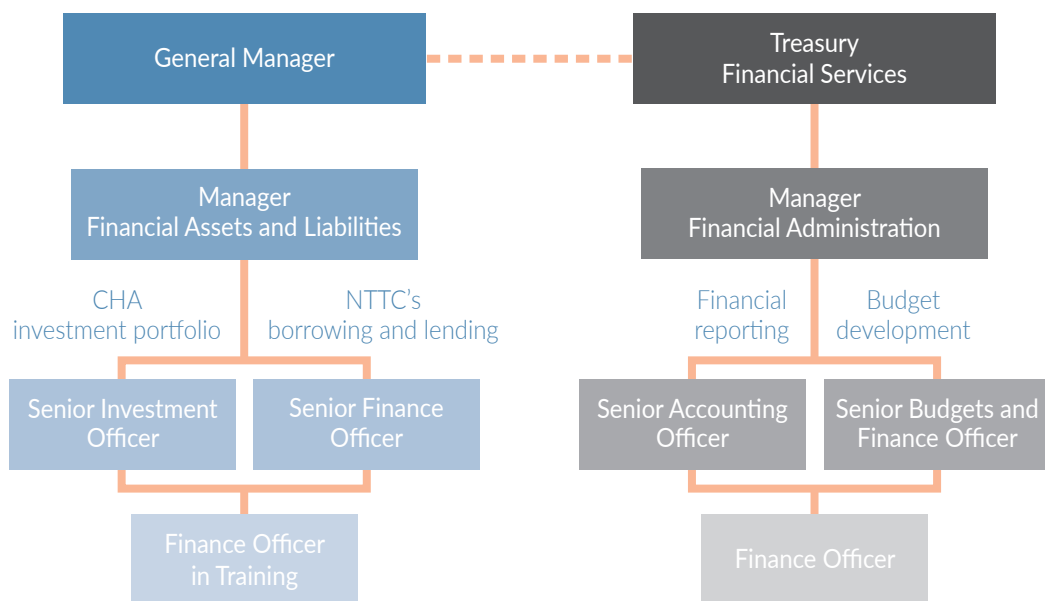


Table 8 provides a comparison by gender for each classification level.

Table 8: Staff demographics (full-time equivalent) as at 30 June

Designation	Male		Female		Total	
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
AO4	1	1	-	-	1	1
AO5	1	2	3	3	4	5
SAO1 <sup>1</sup>	-	1	1	1	1	2
ECO2	1	1	-	-	1	1
<b>Total</b>	<b>3</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>7</b>	<b>9</b>

1 Manager Financial Assets and Liabilities was vacant at 30 June 2017.

As part of NTTC's equal employment opportunities (EEO), staff take part in an annual census conducted by DTF to update contact, next of kin and EEO details. This data is used to assist in workforce planning, reporting and for business continuity purposes. Table 9 provides NTTC's reported EEO profile.

Table 9: Reported EEO profile as at 30 June 2018

Aboriginal and Torres Strait Islanders	-
Non-English-speaking background	4
People with a disability	-

## Flexible work arrangements

NTTC offers a range of initiatives for work-life balance for staff, including flexible work arrangements, flextime, purchased leave options and recreation leave at half pay. The initiatives are all in line with the NTPS Enterprise Agreement. In 2017-18, one employee accessed flexible work arrangements.

## Finance Officer in Training graduate program

Throughout the year, graduates employed through the DTF Finance Officer in Training (FOIT) graduate program are engaged on a one-year contract and undertake work experience in several work areas in DTF. This is coupled with regular training through a comprehensive series of workshops and seminars outlining DTF's functions, government processes and structures, and regular performance feedback.

## Training and professional memberships

Employees undertake training and professional development aligned with organisational requirements, generally identified through an employee development framework process. In addition to training, they are encouraged to undertake finance and accounting-related study through various professional bodies and institutions at the postgraduate level. Formal study is supported by DTF's Study Assistance program.

Employees are reimbursed half the cost of their annual professional membership fees where membership is relevant to their work role. Memberships are held with the following professional bodies:

- Australian Financial Markets Association
- Certified Practising Accountants Australia
- Australian Institute of Company Directors.

## Equal opportunity and workplace harassment

NTTC is an equal opportunity employer and is committed to providing a workplace free from discrimination and harassment. All employees are required to take sessions on anti-discrimination, cross-cultural and harassment awareness to promote an understanding of such issues and inform staff of policies in place to address any incidents. In addition, DTF has formal and informal complaints processes as well as a grievance resolution procedure in place that staff can access.

## Employee wellness

NTTC employees have access to DTF's Employee Assistance Program (EAP). This program provides an important service to the agency's employees and forms part of our work health and safety commitments. NTTC recognises that staff may be affected by personal, family or work-related issues and EAP is one way NTTC supports staff. The EAP offers up to three free confidential counselling sessions for employees and their family members with DTF's EAP providers.

Also, flu vaccinations are available to NTTC employees on an annual basis.

# Corporate Governance

Figure 7: NTTC's corporate governance framework

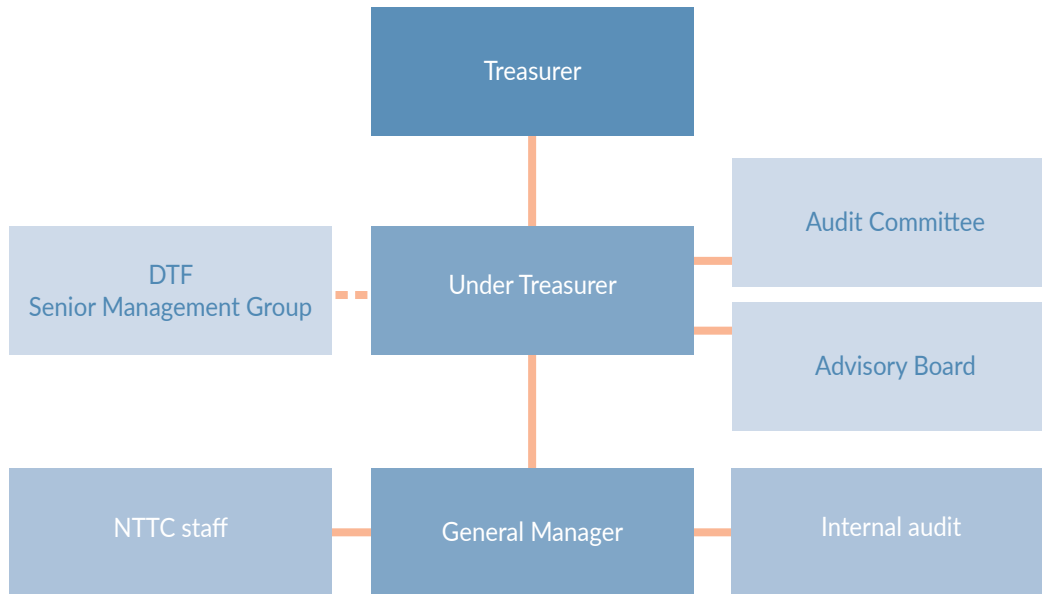


## Corporate governance

NTTC's objective is to provide the Territory Government with cost-effective funding, efficient financial management and reliable service and advice. Its Advisory Board and management are committed to achieving this objective while upholding high standards of corporate governance, transparency and accountability through controls, policies and best practice frameworks.

NTTC was established as a corporation sole (a corporation that consists solely of a nominated office holder) in July 1994 and is constituted under the NTTC Act. The Under Treasurer of DTF is designated as the office holder, the corporation sole, under the NTTC Act and as such represents the Crown in right of the Territory. Under section 5 of the NTTC Act, NTTC is subject to the direction of the Treasurer.

Figure 8: NTTC's reporting structure



## Strategic direction

### Corporate objectives

NTTC's objectives are to:

- safeguard financial resources by establishing and regularly reviewing credit limits and maintaining adequate internal controls
- minimise borrowing costs via effective control and management of its 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 risk exposures
- review and evaluate risk management policies and procedures on an annual basis to ensure they remain adequate for NTTC to operate in a risk-neutral manner.

## Department of Treasury and Finance

NTTC reports to DTF as its parent agency through its senior executive and is a member of DTF's Senior Management Group (SMG), which is responsible for strategic decision making and policy setting of DTF and its business units. This includes managing performance and improving management and business practices. A key priority of SMG is to develop DTF's corporate capabilities including people, systems and work environment.

Audit and compliance reports are also reviewed by DTF's Risk and Audit Committee. The committee oversees the internal audit, risk management and compliance with legislative requirements.

## Advisory Board

Under section 8 of the NTTC Act, NTTC has established an Advisory Board to assist the Under Treasurer with issues relating to NTTC's operations. The Advisory Board is constituted to be the Under Treasurer and no more than five other persons appointed by the Treasurer. The Advisory Board meets quarterly to review and monitor NTTC's business risks and performance in relation to its objectives. It also provides guidance on policy, analysis of economic conditions and advice on aligning borrowing and investing intentions with interest rate expectations.

### Matters considered by the Advisory Board

The Advisory Board receives specific papers and management reports that cover:

- financial statements and budget position
- performance and progress reports on the investment portfolio
- NTTC's borrowing and lending programs
- financial and operational risk exposure reports covering interest rates, counterparties and liquidity.

### Conflict of interest

Advisory Board members monitor and disclose any actual, potential or perceived conflicts of interest. Formal disclosure declarations are made on an annual basis and verbally on an ad hoc basis at board meetings where a conflict is identified. Where a member has a conflict of interest they will refrain from participating in any discussions and decision making on the matter.

### Advisory Board members



Mr Craig Graham  
Chair  
Department of Treasury and Finance

Mr Graham was appointed Under Treasurer in April 2017, following three years in the role of Deputy Under Treasurer from June 2014.

Mr Graham joined Treasury in February 1997, undertaking the graduate program in February 1998 after completing a Bachelor of Economics at Northern Territory University (now Charles Darwin University), and was in the first intake of the still-current Finance Office in Training (graduate program).

In August 2008, Mr Graham was appointed Senior Director Economic in the Economic Policy and Public Finance areas, and in July 2011 he was appointed Assistant Under Treasurer (Economic).



Mr David Braines-Mead  
Deputy Under Treasurer  
Department of Treasury and Finance

Mr Braines-Mead was appointed Deputy Under Treasurer in July 2014 and is currently responsible for providing high level policy, strategic and technical advice on the full range of economic, commercial and intergovernmental financial relations issues affecting the Territory. Previously Mr Braines-Mead held responsibility for the full range of financial and budgetary issues affecting the Territory, including oversight of the financial management group. Mr Braines-Mead continues to have oversight of the operations of the Territory Revenue Office.

Mr Braines-Mead joined Treasury in 2004 after more than 15 years' experience in a number of roles within the accounting profession both in Darwin and the United Kingdom. He has an accounting degree from Thames University (now University of Greenwich) in London and is also a Fellow of the United Kingdom-based Association of Chartered Certified Accountants.



Mr Richard Ryan AO

#### External Board Member and Chair of the Audit Committee

Mr Ryan was appointed to the Board in June 1995 and is a Fellow of the Chartered Accountants Australia and New Zealand, a Companion of the Institution of Engineers Australia and a Companion of the Institute of Management (UK). He was previously Chancellor of Charles Darwin University, Chair of the Menzies School of Health Research and President of the National Heart Foundation. Mr Ryan is also a non-executive director of several public companies.



Mr John Montague

#### External Board Member and Member of the Audit Committee

Mr Montague was appointed to the Board in November 2014. Mr Montague began his career with Westpac Banking Corporation in 1986, holding various trading and management positions in Sydney and Melbourne within the bank's Treasury Fixed Interest division. He was seconded to NTTC in 1994 where he was General Manager for 14 years before being appointed as DTF's Senior Director Funds Management in 2008, Assistant Under Treasurer (Funds Management) in 2011 and Commissioner of Superannuation in April 2012. Mr Montague was General Manager of Super SA , the superannuation provider for South Australian public sector employees from 2014 to 2017.

## Northern Territory Treasury Corporation Audit Committee

The Audit Committee is a subcommittee of the Advisory Board. It provides advice to the Chair on operational issues and on internal and external audit matters. It meets prior to all Advisory Board meetings or as necessary. As at 30 June 2018, the Audit Committee comprised the two external Advisory Board members and is chaired by Mr Ryan.

KPMG Darwin is NTTC's appointed internal auditor and representatives of the Northern Territory Auditor-General's Office (NTAGO) undertake the external audit of NTTC's financial statements. A partner from KPMG attends Audit Committee meetings at the request of the Audit Committee. The Auditor-General may also be invited to attend meetings during the year to provide direct comment to the committee members.

## Treasury Corporation management team

### Mr Alex Pollon

#### General Manager

Mr Pollon was appointed General Manager of NTTC in May 2010 and is responsible for the overall management of NTTC's staff and resources, ensuring the efficient, effective and appropriate control of the borrowing, lending and investing activities on behalf of government. Mr Pollon has over 20 years' experience in the finance and treasury industry and is a member of various inter-agency committees and boards including the Public Trustee Investment Board, Superannuation Trustee Board, Agents Licensing Fidelity Guarantee Fund and Legal Practitioners Fidelity Fund. Prior to joining NTTC, Mr Pollon held various treasury management positions in the financial services sector. Mr Pollon is a member of the Australian Institute of Company Directors and holds Australian Financial Markets Association dealer accreditation.

### Mr Martin Stewart

#### Manager Financial Assets and Liabilities

Mr Stewart has over 20 years' experience in the Northern Territory Government, having worked for a number of different agencies in primarily finance-related roles. Mr Stewart commenced with NTTC in July 2017 as the Manager Financial Assets and Liabilities and is responsible for the day-to-day activities and operational effectiveness of the treasury functions undertaken by NTTC. He holds a Bachelor of Business from Northern Territory University (now Charles Darwin University) and has completed a Graduate Diploma in Applied Finance and Investment with the Securities Institute of Australia.

## Risk management

Risk recognition and management is an essential function of NTTC, given the nature of its operations. NTTC has various frameworks, policies and controls in place to ensure all key risks are identified and managed.

### Enterprise risk management framework

NTTC has developed a framework to capture and articulate all elements of risk management and compliance in the business environment. The framework comprises a comprehensive risk register, documents NTTC's applicable internal controls, and includes internal and external compliance requirements.

### Fraud control

NTTC is subject to DTF's fraud control framework, which provides assurance that fraud control strategies are robust. Additionally, NTTC has its own fraud control policy that articulates its approach to fraud, specifies staff responsibilities, details NTTC's internal controls environment and provides ongoing fraud awareness training for all staff. NTTC's fraud control policy is reviewed annually in conjunction with its risk management framework to ensure risk strategies remain effective and controls are adequate. To date, there have been no incidents of fraud detected in NTTC's business environment.

### Anti-money laundering and counter-terrorism financing legislation

NTTC is subject to the suspicious matters reporting requirement of the *Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Act*. A staff member is appointed as Compliance Officer and oversees the program and monitors risk mitigation processes by maintaining the current AML/CTF program and supporting policies.

### Business continuity management

NTTC has a business continuity plan to ensure it is able to meet its financial obligations during an event that disrupts normal processes and procedures. The plan is reviewed on a regular basis to ensure all critical functions are captured and contingency arrangements are documented.

### Compliance self-assessment reviews

NTTC uses compliance self-assessment reviews to identify and monitor risk areas in its environment. Management completes monthly questionnaires and the Advisory Board reviews the associated quarterly reports, which are reviewed by internal audit on a semi-annual basis.

### Delegations

Clear lines of responsibility and authority to act are specified in agency corporate delegations through DTF and internal policy manuals approved by the Under Treasurer. Both delegations and policy manuals are reviewed annually to ensure they meet current legislative frameworks and business resourcing requirements.

### Insurance arrangements

Insurable risks are risks generally related to workers compensation, assets and inventories, public liabilities and indemnities. They exclude financial risk and legal costs in action.

In line with Territory Government policy, NTTC self-insures. As a government business division, NTTC can and has elected to pay a premium to DTF as its host agency for workers compensation insurance, in lieu of purchasing commercial insurance. In 2017-18 there were no self-insurance claims. This is consistent with 2016-17.

## Work health and safety

Work health and safety (WHS) services are provided to NTTC as part of DTF's WHS program. DTF's WHS Committee meets quarterly and reports to DTF's SMG. The committee reports and advises on workplace safety and systems of work, developing, implementing and monitoring WHS measures, advocating acceptable and responsible practices by employees and others, and promoting a health and safety ethos.

## Compliance

NTTC has a high level of compliance and is subject to several audits and review processes during the year. Audits are undertaken by both internal and external auditors and their focus reflects the importance of risk management and corporate governance. Findings of reviews and audits conducted during the year are reported in Table 10.

### External audit

Under section 30 of the NTTC Act, the NTAGO is required to review and audit NTTC's accounts and operating environment. Under section 31, the Auditor-General will issue an audit opinion on NTTC's financial statements and report to the Treasurer and the Legislative Assembly. The Auditor-General also attends NTTC's Audit Committee meetings as requested.

### Internal audit

NTTC has an internal audit function, reporting directly to its Advisory Board, Audit Committee and DTF's senior executives. The internal auditor, KPMG, reviews NTTC's operational controls environment, specifically focusing on its information technology and general controls and its control self-assessment process.

Table 10: Audits undertaken during the year

Function	Type	Period ending	Internal/external	Outcomes
2016-17 financial statements	Audit	30/06/17	External	Unqualified audit opinion
Compliance of control self-assessment process	Review	30/09/17	Internal	No significant matters identified
	Review	31/03/18	Internal	No significant matters identified
Internal controls testing	Audit	30/06/18	Internal	No significant matters identified
Interim period review	Audit	30/06/18	External	No significant matters identified

## Policy and procedures

Formal policy and procedure manuals were created and provided to all staff members. Policy and procedure manuals are updated annually or as required.

## Corporate planning and reporting process

As an agency of DTF, NTTC links into DTF's strategic planning processes, which develop objectives to guide core business areas in the delivery of government outcomes.

## Information Act compliance

NTTC is subject to the requirements of the *Information Act*, which include records management, freedom of information (FOI) and privacy. DTF is responsible for the management of all information requests on behalf of NTTC. Details of information held by NTTC, including an outline of how to make an application under the *Information Act*, can be found on the website below. NTTC did not receive any requests under the *Information Act* during 2017-18. FOI requests can be made to the following:

Information Policy Officer  
Department of Treasury and Finance  
GPO Box 1974  
Darwin NT 0801

Telephone: +61 8 8999 6982  
Facsimile: +61 8 8999 6150  
Email: [foi.dtf@nt.gov.au](mailto:foi.dtf@nt.gov.au)  
Website: [www.treasury.nt.gov.au/InformationAct](http://www.treasury.nt.gov.au/InformationAct)



# Territory Economy

The following section provides an overview of the Territory economy, including the overall performance in 2017-18 and the outlook for 2018-19 through to 2021-22. Table 11 outlines the latest Territory key economic forecasts contained in the 2018 Budget released on 1 May 2018. The latest data for key economic indicators is published regularly and can be downloaded at [www.treasury.nt.gov.au/economy](http://www.treasury.nt.gov.au/economy) and on [nteconomy.nt.gov.au](http://nteconomy.nt.gov.au).

Table 11: Territory key economic indicators (%)

	2016-17a	2017-18a	2018-19f	2019-20f	2020-21f	2021-22f
Gross state product <sup>1</sup>	4.0	2.6e	2.1	- 0.4	2.6	2.8
State final demand <sup>1</sup>	7.6	0.1e	- 8.0	- 4.4	2.0	2.8
Population <sup>2</sup>	0.8	0.2	- 0.7	0.6	1.0	1.1
Employment <sup>3</sup>	2.9	- 1.1	- 0.5	0.3	0.9	1.0
Unemployment rate <sup>4</sup>	3.4	4.2	4.9	4.5	4.3	4.0
Darwin consumer price index <sup>3</sup>	0.1	1.0	1.0	1.7	1.9	2.3
Wage price index <sup>3</sup>	2.1	1.3	1.7	1.8	2.0	2.1

a: actual; e: estimate; f: forecast

1 Year ended June, year-on-year percentage change, inflation adjusted.

2 As at December, annual percentage change.

3 Year ended June, year-on-year percentage change.

4 Year average.

Source: Northern Territory Department of Treasury and Finance, Australian Bureau of Statistics

## Structure of the economy

The Territory has a small open economy significantly influenced by major projects, with abundant natural resources and relatively large defence and public sectors. Between 2007-08 and 2016-17, gross state product (GSP) in the Territory grew from \$18.5 billion to \$25.4 billion, which represents an increase of about 37 per cent. Over the same period the Territory's population increased by about 29 500 people to over 246 000 people.

Over 2018-19 and 2019-20 the Territory economy will face challenging conditions, following a sustained period of record growth associated with the construction of the \$US37 billion Ichthys LNG project. As the project transitions from the construction to production phase, resulting in export-led growth, key economic indicators are expected to moderate from recent highs. The current downturn in the economic cycle is systematic of the observed growth and contractions in the Territory's GSP, employment and population, being a reflection of the cyclical nature of the Territory economy (see Figure 9 on page 24).

Despite economic challenges, there is significant potential upside to the Territory economy with a pipeline of major projects that have not yet reached final investment decision. Other opportunities exist with defence infrastructure investment, record levels of tourism investment, and emerging agricultural and mining potential, together with onshore gas to support growth of the Territory economy over the medium term.



Figure 9: Year-on-year change in key indicators



1 Inflation adjusted.

2 Annual change.

Source: Department of Treasury and Finance, ABS, Australian National Accounts: State Accounts, Cat. No. 5220.0, Labour Force, Australia, Cat. No. 6202.0, Australian Demographic Statistics, Cat. No. 3101.0

## Economic growth

The Territory economy recorded growth of 4.0 per cent in 2016-17 to \$25.4 billion, which was stronger than the national economic growth rate of 2.1 per cent and an improvement from 1.9 per cent growth in 2015-16. The Territory recorded the second highest growth rate of the jurisdictions in 2016-17.

The 2018 Budget forecasts the economy to grow moderately over 2017-18 and 2018-19, before declining in 2019-20, largely reflecting declines in business investment as the Ichthys LNG project transitions to the production and export phase. This will be partly offset by a significant improvement in net exports over the two-year period 2018-19 and 2019-20. However, given the significant scale of the Ichthys LNG project, any changes to the construction completion, commissioning timing or initial level of exports from the project will have a material impact on the Territory's annual economic growth forecasts.

The Territory's 2017-18 net international trade goods balance increased by \$463 million to \$3.7 billion in current price terms. This was driven by a \$756 million increase in the value of goods exported to \$5.7 billion, partly offset by a \$293 million increase in the value of goods imported to \$2.0 billion.

## Population

The annual population growth rate in the Territory continues to remain subdued compared to long-term trends, increasing by 0.2 per cent to 246 726 persons at 31 December 2017. This reflects the slowing of net overseas migration and record low levels of net interstate migration likely due to weakness in the mining sector, moderation in residential building activity and the continued reliance on fly-in, fly-out workforces for major projects.

The Territory's population growth is forecast to remain below long-term trends over the forward estimates and is forecast to decline by 0.7 per cent in 2018. Much of this decline reflects further expected net interstate migration outflows over the year with the departure of workers who relocated to the Territory to work on major projects. Net overseas migration is expected to continue to be a stable but modest contributor to the Territory population but the levels are not expected to offset the net interstate migration outflows. From 2019, the Territory's population growth is expected to recover, increasing steadily from 0.6 per cent to 1.1 per cent by 2021, although remaining below the long-term average.

## Labour force

The Territory's employment declined by 1.1 per cent in 2017-18, compared to growth of 2.9 per cent in 2016-17. This was a result of the Ichthys LNG project nearing completion of the construction phase and transitioning to the production and export phase, and the general slowing of economic activity associated with the current phase of the economic cycle. The Territory consistently has the highest labour force participation rate of all jurisdictions in Australia. In addition, the Territory's unemployment rate is the second lowest of the jurisdictions, averaging 4.2 per cent over 2017-18.

As construction work on the Ichthys LNG project nears completion and commissioning activities ramp up through 2018, employment growth is estimated to decline by 0.5 per cent in 2018-19. Employment is forecast to recover modestly from 2019-20 onwards, increasing by 0.3 per cent. Employment growth will no longer be driven by the construction sector but an increased reliance on general growth across other key industries in the Territory.

## Prices and wages

The Darwin consumer price index (CPI) strengthened to 1.0 per cent in 2017-18, up from 0.1 per cent in 2016-17. This result was driven by the transport category, with higher world oil prices. However, CPI growth remains below the historical 10-year average of 2.0 per cent largely due to the declines in both house prices and rents. The subdued growth in the Darwin CPI reflects the continuing impact of lower domestic holiday travel and accommodation costs, lower rents and lower telecommunication costs.

Darwin CPI is forecast to increase by 1.0 per cent over 2018-19 and trend upwards to 2.3 per cent by 2021-22, reflecting moderate levels of price growth across a number of categories, while remaining below the historical trend.

Wages growth over the medium term is forecast to remain subdued, reflecting low inflation expectations and a weaker labour market, with a shift towards part-time employment in the Territory. Another factor contributing to moderate wage growth is a decrease in labour demand as the construction of the Ichthys LNG project nears completion. Public sector wage growth is anticipated to provide support to wage growth, being above private sector wage growth. It is expected to be below the long-term average, reflecting ongoing wage restraint and financial consolidation across all tiers of government. The low wage growth in the Territory is consistent with national trends and demand for labour.

## External economic environment

The Territory is a small open economy influenced by trade, investment and movements in commodity prices and exchange rates, with a large proportion (about 33 per cent) of the Territory economy comprising the mining, construction, manufacturing and tourism sectors.

In its July 2018 World Economic Update, the International Monetary Fund (IMF) forecasts global economic growth at 3.9 per cent in 2018, up from the estimated 3.7 per cent growth in 2017, and forecasts growth of 3.9 per cent in 2019. The IMF forecasts growth in advanced economies to increase by up to 2.4 per cent in 2018. Although developing economies' growth is stronger, it continues to remain modest compared to long-term averages.

The Territory's five largest export markets in 2017-18 were China, Japan, Indonesia, Thailand and the Republic of Korea. While the IMF is forecasting economic growth to average 6.5 per cent in China over 2018 and 2019, overall the outlook for the Territory's major export markets remains subdued. The only exception is exports to Japan, which will increase substantially from 2018-19 onwards as a result of LNG exports commencing from the Ichthys LNG project.

Growth in the national economy is an important driver of activity in the Territory, primarily through interstate trade and Commonwealth revenue. Based on the May 2018 Commonwealth Budget, the Australian economy is forecast to grow by 2.75 per cent in 2017-18 and strengthen to 3.0 per cent in 2018-19. Growth is expected to be supported by solid contributions from consumption and non-mining business investment.

# Appendix A: Outstanding Domestic Borrowings

as at 30 June 2018

Maturity date	Coupon rate	Face value	Maturity date	Coupon rate	Face value
	%	\$000		%	\$000
<b>2018-19</b>			<b>2019-20</b>		
20-Sep-18	4.75	479 400	08-Oct-19	8.14	5 000
15-Dec-18	2.15	493	15-Dec-19	2.25	244
15-Dec-18	2.20	2 649	15-Dec-19	2.30	588
15-Dec-18	2.25	20	15-Dec-19	2.40	1 379
15-Dec-18	2.30	3 334	15-Dec-19	2.50	1 415
15-Dec-18	2.40	508	15-Dec-19	2.75	105
15-Dec-18	2.55	15	15-Dec-19	2.80	43
15-Dec-18	2.60	532	15-Dec-19	2.90	150
15-Dec-18	2.70	496	15-Dec-19	3.95	529
15-Dec-18	3.65	139	15-Dec-19	4.00	2 096
15-Dec-18	3.70	556	15-Dec-19	4.10	3 018
15-Dec-18	3.80	438	15-Jun-20	2.35	6
15-Dec-18	4.15	600	15-Jun-20	2.40	60
15-Dec-18	4.20	1 109	15-Jun-20	2.45	568
15-Dec-18	4.30	2 573	15-Jun-20	2.50	1 952
13-Apr-19	2.80	250	15-Jun-20	2.60	1 663
15-Jun-19	2.25	669	15-Jun-20	2.65	119
15-Jun-19	2.30	406	15-Jun-20	2.70	112
15-Jun-19	2.35	184	15-Jun-20	2.80	137
15-Jun-19	2.40	5 921	15-Jun-20	2.90	50
15-Jun-19	2.45	159	15-Jun-20	3.00	240
15-Jun-19	2.50	1 246	15-Jun-20	3.05	277
15-Jun-19	2.60	592	15-Jun-20	3.10	617
15-Jun-19	2.75	72	15-Jun-20	3.20	2 242
15-Jun-19	2.80	152	15-Jun-20	3.35	489
15-Jun-19	2.90	712	15-Jun-20	3.40	76
15-Jun-19	3.20	201	15-Jun-20	3.50	1 423
15-Jun-19	4.25	429			
15-Jun-19	4.30	1 074	<b>TOTAL 2019-20</b>	<b>4.17</b>	<b>24 598</b>
15-Jun-19	4.40	3 003			
<b>TOTAL 2018-19</b>	<b>4.65</b>	<b>507 932</b>			

Maturity date	Coupon rate	Face value	Maturity date	Coupon rate	Face value
	%	\$000		%	\$000
<b>2020-21</b>			<b>2022-23</b>		
25-Jul-20	2.50	500	30-Sep-22	8.24	5 000
15-Dec-20	2.40	142	21-Nov-22	2.50	500 000
15-Dec-20	2.45	41	15-Dec-22	2.75	353
15-Dec-20	2.50	845	15-Dec-22	2.80	1 210
15-Dec-20	2.60	2 121	15-Dec-22	2.85	275
15-Dec-20	3.05	1 140	15-Dec-22	2.90	1 790
15-Dec-20	3.10	680	15-Dec-22	3.00	1 853
15-Dec-20	3.20	4 918	15-Dec-22	6.00	10 000
15-Jun-21	2.60	91	15-Dec-22	5.00	5 000
15-Jun-21	2.65	107	15-Dec-22	2.85	177
15-Jun-21	2.70	864	15-Dec-22	2.90	173
15-Jun-21	2.80	498	15-Dec-22	2.95	300
15-Jun-21	2.85	981	15-Dec-22	3.00	1 757
15-Jun-21	2.90	869	15-Dec-22	3.10	873
15-Jun-21	3.00	5 256	<b>TOTAL 2022-23</b>	<b>2.65</b>	<b>528 761</b>
15-Jun-21	3.05	300			
15-Jun-21	3.10	30	<b>2023-24</b>		
15-Jun-21	3.20	905	15-Mar-24	6.00	650 000
<b>TOTAL 2020-21</b>	<b>2.95</b>	<b>20 288</b>	20-May-24	5.00	5 000
			<b>TOTAL 2023-24</b>	<b>5.99</b>	<b>655 000</b>
<b>2021-22</b>			<b>2024-25</b>		
20-Sep-21	4.25	650 000	21-Oct-24	2.75	500 000
15-Dec-21	2.55	15	15-Mar-25	6.00	18 900
15-Dec-21	2.60	210	20-May-25	8.50	5 000
15-Dec-21	2.65	140	<b>TOTAL 2024-25</b>	<b>2.92</b>	<b>523 900</b>
15-Dec-21	2.70	1 349			
15-Dec-21	2.80	4 481	<b>2025-26</b>		
15-Mar-22	6.06	5 000	15-Sep-25	8.50	24 974
15-Jun-22	2.75	5	15-Mar-26	6.00	650 000
15-Jun-22	2.80	120	<b>TOTAL 2025-26</b>	<b>6.09</b>	<b>674 974</b>
15-Jun-22	2.85	994			
15-Jun-22	2.90	574	<b>2026-27</b>		
15-Jun-22	3.00	3 198	15-Mar-27	6.00	8 400
<b>TOTAL 2021-22</b>	<b>4.24</b>	<b>666 086</b>	<b>TOTAL 2026-27</b>	<b>6.00</b>	<b>8 400</b>

Maturity date	Coupon rate	Face value
	%	\$000
2027-28		
15-Mar-28	6.00	7 900
21-Apr-28	3.50	750 000
<b>TOTAL 2027-28</b>	<b>3.53</b>	<b>757 900</b>
2028-29		
15-Mar-29	6.00	7 500
<b>TOTAL 2028-29</b>	<b>6.00</b>	<b>7 500</b>
2029-30		
15-Mar-30	6.00	42 000
<b>TOTAL 2029-30</b>	<b>6.00</b>	<b>42 000</b>
2032-33		
21-Apr-33	3.75	205 000
<b>TOTAL 2032-33</b>	<b>3.75</b>	<b>205 000</b>
2042-43		
21-Nov-42	4.10	285 000
<b>TOTAL 2042-43</b>	<b>4.10</b>	<b>285 000</b>
<b>TOTAL</b>	<b>4.34</b>	<b>4 907 339</b>

# Appendix B: Outstanding Loans

As at 30 June 2018

	Face value
	\$000
<b>General government agencies</b>	
Central Holding Authority	3 533 950
Department of Housing and Community Development	72 071
<b>Total</b>	<b>3 606 021</b>
<b>Government business divisions</b>	
Land Development Corporation	20 000
NT Home Ownership	206 507
<b>Total</b>	<b>226 507</b>
<b>Government owned corporations</b>	
Power and Water Corporation	1 184 000
Territory Generation	200 000
<b>Total</b>	<b>1 384 000</b>
<b>TOTAL</b>	<b>5 216 528</b>





# Appendix D: Glossary of Terms

## Advisory Board

The board established under section 8 of the NTTC Act to exercise such powers and perform such functions as determined by the Treasurer.

## Agency

A unit of government administration, or office or statutory corporation, nominated in an Administrative Arrangements Order, as an agency for the purpose of the *Financial Management Act*.

## Bank bill swap rate (BBSW)

Australian Financial Markets Association (AFMA) bankbill reference rates published daily on AFMA data page 'BBSW'.

## Bond

A bond is a negotiable certificate or debt security that acknowledges the indebtedness of the bond issuer to the holder. It is a formal agreement to pay interest at defined fixed intervals and repay the borrowed principal at maturity.

## Central financing authorities

Central financing authorities (CFAs) are institutions established by state and territory governments primarily to provide finance for their respective governments and other corporations owned or controlled by those governments. CFAs borrow funds, mainly by issuing securities, and on-lend them to their public sector clients. CFAs also administer and invest surplus funds on behalf of government. However, they also engage in other financial intermediation activity for investment purposes and may engage in the financial management activities of the parent government.

## Credit foncier loan

A loan that is repaid in instalments comprising both principal and interest components.

## Debt

A debt is an obligation owed by one party (the debtor) to a second party (the creditor). A debt is created when a creditor agrees to lend or invest a stated principal amount of funds to a debtor.

## Designated investments

NTTC provides Territory Bonds as Designated Investments under the Australian Department of Immigration and Border Protection's Business Innovation and Investment program and Investor Retirement Migration visa (subclass 405) program.

## Discount

The amount by which the value of a security is less than its face value.

## Face value

The amount of money indicated on a security, or inscribed in relation to a security, as being due to be paid on maturity.

## Fixed interest

Interest on investments such as bonds and debentures, paid at a predetermined and unchanging rate for a specified period, the life of the bond or debenture.

## Floating rate note

Medium to long-term debt securities carrying a variable interest rate adjusted periodically by a margin against a benchmark rate.

## Government business division

A Territory-controlled trading entity that follows commercial practices and is required to comply with competitive neutrality principles.

## Government owned corporation

An entity in which its objectives are to operate at least as efficiently as any corporate business and maximise sustainable return to government. The *Government Owned Corporations Act* adopts the shareholder model of corporate governance.

## Inscribed stock

Securities for which the ownership is recorded in a registry. The owner is issued with a certificate, which is not itself transferable. The stock can only be transferred by use of the appropriate documents.

## Local authorities

Town, municipal and shire councils within the Territory.

## Margin

The difference between a benchmark interest rate and the rate charged to an individual borrower. It is sometimes called the spread.

## Maturity date

The date on which the final bond payment is to be made.

## Migration Linked Bonds

Bonds offered by NTTC that satisfy the criteria of a Designated Investment under the relevant programs administered by the Department of Immigration and Border Protection. Refer Designated Investments for details.

## Operational risk

The risk of loss, whether direct or indirect, arising from inadequate or failed internal processes, people or systems, or from external events. It encompasses risks inherent in the agency's operating activities such as fraud risk, settlement risk, legal risk, accounting risk, personnel risk and reputation risk.

## Premium

The amount by which the value of a security is greater than its face value.

## Principal

The nominal amount or face value of a bond.

## Promissory note

Issues of a debt security by NTTC with the undertaking to pay the stated amount to the note holder on a specified date.

## Security

A security is generally a fungible, negotiable financial instrument representing financial value.

## Territory Bonds

Issues of NTTC inscribed stock to retail investors.

# Financial Statements

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**Auditor-General**  
**Independent Auditor's Report**  
**to the Treasurer**  
**Northern Territory Treasury Corporation**

**Page 1 of 3**

## **Opinion**

I have audited the accompanying financial report of Northern Territory Treasury Corporation, which comprises the statement of financial position as at 30 June 2018, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes, and the certification of the financial statements by the Under Treasurer and General Manager.

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 2018 and the financial position at the end of the year;
- The financial report is presented in accordance with Australian Accounting Standards and the *Northern Territory Treasury Corporation Act*; and
- 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*.

## **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of Northern Territory Treasury Corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Other Information**

The General Manager of the Northern Territory Treasury Corporation is responsible for the other information. The other information comprises the information included in Northern Territory Treasury Corporation's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.



## Auditor-General

Page 2 of 3

### Responsibilities 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 and the *Northern Territory Treasury Corporation Act*, and for such internal control as the General Manager determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing Northern Territory Treasury Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Northern Territory Treasury Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Northern Territory Treasury Corporation's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Northern Territory Treasury Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Northern Territory Treasury Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report however future events or conditions may cause Northern Territory Treasury Corporation to cease to continue as a going concern.



## Auditor-General

### Page 3 of 3

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

A handwritten signature in blue ink, appearing to read 'Julie Crisp'.

Julie Crisp  
Auditor-General for the Northern Territory

Darwin, Northern Territory

13 September 2018

# Statement of Comprehensive Income

As at 30 June 2018

	Note	2018	2017
		\$000	\$000
REVENUE		232 972	214 571
Interest	4	232 150	213 749
Other revenue	5	822	822
EXPENSES		205 571	193 204
Interest	6	203 288	190 982
Administration	7	2 283	2 222
PROFIT BEFORE INCOME TAX		27 401	21 367
Income tax expense	8	8 220	6 410
NET PROFIT AFTER INCOME TAX	9	19 181	14 957
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Northern Territory Government		19 181	14 957
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		19 181	14 957

Notes to the financial statements are included on pages 41 to 66.

# Statement of Financial Position

As at 30 June 2018

	Note	2018	2017
		\$000	\$000
<b>TOTAL ASSETS</b>		<b>5 268 961</b>	<b>4 056 115</b>
Cash and cash equivalents	10	48 017	68 625
Trade and other receivables	11	4 365	5 898
Prepayments	12	51	74
Loans	13	5 216 528	3 981 518
<b>TOTAL LIABILITIES</b>		<b>5 247 331</b>	<b>4 034 485</b>
Deposits held		388	313
Trade and other payables	14	52 398	46 266
Provisions	15	19 372	15 112
Tax liabilities	8	8 220	6 410
Borrowings	16	5 166 953	3 966 384
<b>NET ASSETS</b>		<b>21 630</b>	<b>21 630</b>
<b>TOTAL EQUITY</b>		<b>21 630</b>	<b>21 630</b>
Contributed capital	17	21 630	21 630

Notes to the financial statements are included on pages 41 to 66.



# Statement of Cash Flows

For the financial year ended 30 June 2018

	Note	2018	2017
		\$000	\$000
		inflows	inflows
		(outflows)	(outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	18	24 712	7 954
Interest received from investments		233 660	213 742
Interest and other costs of finance paid		(201 129)	(197 065)
Other receipts:			
Management fee		820	820
Other fees		2	2
Payments to suppliers and employees		(2 231)	(2 305)
Income tax paid		(6 410)	(7 240)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		(1 235 010)	58 430
Repayment of loans		219 990	128 430
Drawdown of loans		(1 455 000)	(70 000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		1 189 690	(36 886)
Repayment of borrowings		(907 687)	(792 187)
Drawdown of borrowings		2 112 257	772 403
Deposits received		76	(210)
Dividend paid		(14 956)	(16 892)
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		(20 608)	29 498
Cash and cash equivalents at the beginning of the financial year		68 625	39 127
Cash and cash equivalents at the end of period	10	48 017	68 625

Notes to the financial statements are included on pages 41 to 66.

# Statement of Changes in Equity

For the financial year ended 30 June 2018

	Note	2018	2017
		\$000	\$000
<b>CONTRIBUTED CAPITAL</b>			
Balance at the beginning of the financial year		21 630	21 630
Movement for the year		-	-
Balance at the end of the financial year	17	21 630	21 630
<b>RETAINED PROFITS</b>			
Balance at the beginning of the financial year		-	-
Net profit	9	19 181	14 957
Dividends provided for	15	(19 181)	(14 957)
Dividends paid		-	-
Balance at the end of the financial year		-	-
<b>TOTAL EQUITY</b>		<b>21 630</b>	<b>21 630</b>

Notes to the financial statements are included on pages 41 to 66.

# Notes to the Financial Statements

For the financial year ended 30 June 2018

## 1. Objectives and associated guarantees

### (a) Objectives

The Northern Territory Treasury Corporation (NTTC) is the central financing authority for the Territory Government, responsible for providing special financial advice and services to the Territory. Additional information in relation to NTTC and its principal activities may be found on page 3 of this Annual Report.

### (b) Statutory guarantee

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

## 2. Statement of significant accounting policies

### (a) Statement of compliance

The financial statements are general purpose financial statements prepared in accordance with the NTTC Act, Australian Accounting Standards (AAS) as issued by the Australian Accounting Standards Board (AASB), the requirements of the *Financial Management Act* (FMA), and the Treasurer's Directions.

The financial statements were authorised for issue by the Under Treasurer on 3 September 2018.

### (b) Basis of accounting

In accordance with section 10(2) of the FMA, the financial statements of NTTC were prepared based on commercial accounting principles and comply with AAS.

The financial statements have been prepared using the accrual basis of accounting, which recognises the effect of financial transactions and events when they occur, rather than when cash is paid out or received. NTTC's financial statements are also consistent with the requirements of AAS. The effects of all relevant new and revised Standards and Interpretations issued by the AASB that are effective for the current annual reporting period have been evaluated.

### (c) Reporting entity

The financial statements cover NTTC as an individual entity. The Treasurer has determined that NTTC is a government business division as defined in section 3(1) of the FMA.

NTTC is domiciled in Australia. Its registered address is 19 The Mall Darwin NT 0800.

### (d) Agency and Territory items

The financial statements of NTTC include income, expenses, assets, liabilities and equity over which NTTC has control. Certain items, while managed by NTTC, are controlled and recorded by the Territory rather than NTTC. Territory items are recognised and recorded in the Central Holding Authority (CHA). CHA holds certain Territory liabilities that are not practical or effective to assign to individual agencies, such as unfunded superannuation and long service leave, and therefore these liabilities are not recognised in NTTC's financial statements.

### (e) Comparatives

Where necessary, comparative information for the 2017-18 financial year has been reclassified to provide consistency with current year disclosures.

# Notes to the Financial Statements

For the financial year ended 30 June 2018

Note 2 continued

## (f) 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.

## (g) Changes in accounting policies

There have been no changes to accounting policies adopted in 2017-18 as a result of management decisions.

## (h) Accounting judgments and estimates

The preparation of the financial report requires the making of judgments, assumptions and estimates that affect the recognised amounts of assets, liabilities, revenues and expenses. Except where stated, the financial statements were prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

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. Actual results may differ from these estimates.

Use of estimates and judgements in preparing these financial statements has been limited. Information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in Note 20.

## (i) 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
- (ii) or for receivables and payables that 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 Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to the taxation authority is classified as operating cash flows.

## (j) Distributions to government

NTTC may make distributions to government in the form of dividends in accordance with the NTTC Act, the FMA and Treasurer's Directions. These designated distributions are treated by NTTC as adjustments to equity. The Statement of Changes in Equity provides additional information in relation to any distributions to government.

## (k) Revenue recognition

Revenue is recognised to the extent that it is probable the economic benefits will flow to the entity and the revenue can be reliably measured.

# Notes to the Financial Statements

For the financial year ended 30 June 2018

Note 2 continued

## (l) Expense recognition

An expense is recognised to the extent that it is a probable outflow of economic sacrifice and will flow from the entity and the expense can be reliably measured.

## (m) Financial instruments

### (i) Financial assets:

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

### (ii) Financial liabilities:

Financial liabilities include deposits held, trade and other 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 recognised in the Statement of Comprehensive Income over the period of the financial liability using the effective interest method.

### (iii) 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 and basis 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. Interest income and expense is recognised on an effective interest rate basis for debt instruments.

### (iv) Financial instruments issued by NTTC:

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual agreement.

### (v) Impairment of financial assets:

Financial assets are reviewed at each reporting 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, which indicates it is probable NTTC 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.

### (vi) Derecognition:

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

# Notes to the Financial Statements

For the financial year ended 30 June 2018

Note 2 (m) continued

(vii) Gains and losses on extinguishment:

Gains and losses on extinguishment occur when a loan or 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 instrument at amortised cost. These gains and losses are recognised in the period in which the instrument is extinguished.

### 3. New standards and interpretations

No accounting standard has been adopted earlier than the applicable dates as stated in the standard.

Several amending standards and AASB interpretations have been issued that apply to the current reporting periods but are considered to have no impact on public sector reporting.

At the date of authorisation of the financial statements, the following standards and interpretations were in issue but are not yet effective and are expected to have a potential impact on future reporting periods:

#### AASB 9 Financial Instruments

AASB 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and a new general hedge accounting model which aligns hedge accounting more closely with risk management. AASB 9 allows an entity an accounting policy choice to continue to apply all of the hedge accounting requirements of AASB 139 rather than applying the new general hedge accounting model. Extensive new disclosure requirements apply.

As NTTC does not have financial assets and liabilities carried at fair value to profit and loss or currently hold hedges, this standard is not expected to have a financial impact on NTTC.

#### AASB 16 Leases

This standard is effective for annual reporting periods beginning on or after 1 January 2019 and will be reported in these financial statements for the first time in 2019-20. When the standard is effective it will supersede AASB 117 Leases and requires the majority of leases to be recognised on the Statement of Financial Position. For lessees with operating leases, a right-of-use asset will now come onto the Statement of Financial Position together with a lease liability for all leases with a term of more than 12 months, unless the underlying assets are of low value. The Statement of Comprehensive Income will no longer report operating lease rental payments, instead a depreciation expense will be recognised relating to the right-to-use asset and interest expense relating to the lease liability. The change to this standard is not expected to have a material impact on the financial statements.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on future financial reporting.

# Notes to the Financial Statements

For the financial year ended 30 June 2018

## 4. Interest revenue

	2018	2017
	\$000	\$000
Interest from loans:		
General government agencies	155 868	137 561
Government owned corporations	63 181	63 509
Government business divisions	10 497	10 832
Gain on extinguishment	21	19
Interest from cash balances:		
General government agencies	2 583	1 828
<b>TOTAL INTEREST REVENUE</b>	<b>232 150</b>	<b>213 749</b>

	2018	2018	2017	2017
	Average Balance	Average Rate	Average Balance	Average Rate
	\$000	%	\$000	%
Loans to:				
General government agencies	3 008 760	5.18	2 463 924	5.58
Government owned corporations	1 365 903	4.63	1 320 305	4.81
Government business divisions	224 361	4.68	226 504	4.78
<b>TOTAL</b>	<b>4 599 024</b>		<b>4 010 733</b>	

	2018	2017
	\$000	\$000
Gains on extinguishment:		
Gains on extinguishment of loans at amortised cost	21	19
<b>TOTAL GAINS ON EXTINGUISHMENT</b>	<b>21</b>	<b>19</b>

Interest revenue includes interest from loans to government and gains on extinguishment from retail borrowings. 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.

# Notes to the Financial Statements

For the financial year ended 30 June 2018

## 5. Other revenue

	2018	2017
	\$000	\$000
Management fees	820	820
Other revenue	2	2
<b>TOTAL OTHER REVENUE</b>	<b>822</b>	<b>822</b>

Other revenue includes fees for services provided to government. Revenue is recognised in the period in which the service is provided on an accrual basis.

## 6. Interest expense

	2018	2017
	\$000	\$000
Interest to:		
Wholesale borrowings	188 666	176 356
Debt to Commonwealth	10 042	10 379
Retail borrowings	2 818	3 153
Promissory notes	1 460	1 070
Losses on extinguishment	302	24
<b>TOTAL INTEREST EXPENSE</b>	<b>203 288</b>	<b>190 982</b>

	2018	2018	2017	2017
	Average balance	Average rate	Average balance	Average rate
	\$000	%	\$000	%
Borrowings from:				
Wholesale market				
Fixed interest securities	4 266 732	4.42	3 669 971	4.81
Promissory notes	-	-	62 329	1.72
Debt to Commonwealth	212 453	4.73	219 722	4.72
Retail market	87 483	3.22	89 272	3.53
<b>TOTAL</b>	<b>4 566 668</b>		<b>4 041 294</b>	

	2017	2017
	\$000	\$000
Losses on extinguishment:		
Losses on extinguishment of borrowings at amortised cost	302	24
<b>TOTAL LOSSES ON EXTINGUISHMENT</b>	<b>302</b>	<b>24</b>

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



# Notes to the Financial Statements

For the financial year ended 30 June 2018

## 7. Administration expenses

	2018	2017
	\$000	\$000
Salaries and related employee expenses	1 000	885
Agent service arrangements – external	478	535
Other service arrangements – internal	554	555
Consultants	4	1
Marketing and promotion	3	3
Document production	31	37
Recruitment	11	-
General property management	103	101
Operating leases	9	8
Subscriptions	67	65
Training and study	3	13
Official duty fares	5	5
Travel allowance	1	1
Other operating expenses	14	13
<b>TOTAL OTHER EXPENSES</b>	<b>2 283</b>	<b>2 222</b>

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

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

## 8. Tax expense and liabilities

	2018	2017
	\$000	\$000
Notional income tax payable	8 220	6 410
<b>TOTAL TAX EXPENSE AND LIABILITIES</b>	<b>8 220</b>	<b>6 410</b>

NTTC is exempt from the payment of income tax under section 50-25 of the *Income Tax Assessment Act 1997* (as amended).

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

# Notes to the Financial Statements

For the financial year ended 30 June 2018

## 9. Retained profits

	2018	2017
	\$000	\$000
Balance at the beginning of the financial year	-	-
Net profit	19 181	14 957
Dividends provided for	(19 181)	(14 957)
<b>BALANCE AT THE END OF THE FINANCIAL YEAR</b>	<b>-</b>	<b>-</b>

## 10. Cash and cash equivalents

	2018	2017
	\$000	\$000
Cash at bank	48 017	68 625
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>48 017</b>	<b>68 625</b>

For the purposes of the Statement of Financial Position and Statement of Cash Flows, 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 insignificant risk of changes in value and have a maturity of three months or less at date of acquisition. They are measured at face value or the gross value of the outstanding balance.

## 11. Trade and other receivables

	2018	2017
	\$000	\$000
Accrued interest on loans	4 359	5 890
Debtors	6	8
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>4 365</b>	<b>5 898</b>

## 12. Prepayments

	2018	2017
	\$000	\$000
Prepayments	51	74
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>51</b>	<b>74</b>

Prepayments represent payments in advance of receipt of goods and services or that part of expenditure made in one accounting period covering a term extending beyond that period.

# Notes to the Financial Statements

For the financial year ended 30 June 2018

## 13. Loans

	2018	2017
	\$000	\$000
General government agencies		
Fixed rate loans	3 442 200	2 242 200
Credit foncier loans	163 821	169 299
Government owned corporations		
Fixed rate loans	726 000	606 000
Floating rate loans	658 000	741 805
Government business divisions		
Fixed rate loans	125 000	110 000
Floating rate loans	-	5 000
Credit foncier loans	101 507	107 214
<b>TOTAL LOANS</b>	<b>5 216 528</b>	<b>3 981 518</b>

NTTC issues loans to government. Loans are measured at amortised cost using the effective interest rate method.

Information on NTTC's exposure to market risk and fair value measurements is included in notes 19 and 20.

## 14. Trade and other payables

	2018	2017
	\$000	\$000
Creditors and accruals	173	181
Accrued interest on borrowings	52 218	46 080
Accrued salaries	7	5
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>52 398</b>	<b>46 266</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2018

## 15. Provisions and tax liabilities

	2018	2017
a) Employee benefits	\$000	\$000
Recreation leave		
Opening balance	124	107
Recreation leave paid	(90)	(76)
Recreation leave provided for	116	93
Closing balance	150	124
Leave bonus		
Opening balance	10	9
Leave bonus paid	(9)	(7)
Leave bonus provided for	13	8
Closing balance	14	10
Leave airfares		
Opening balance	3	4
Leave airfares paid	(4)	(3)
Leave airfares provided for	5	2
Closing balance	4	3
Purchased leave		
Opening balance	-	2
Purchased leave paid	-	(5)
Purchased leave provided for	-	3
Closing balance	-	-
Superannuation external		
Opening balance	17	14
Superannuation paid	(17)	(14)
Superannuation provided for	22	17
Closing balance	22	17
Total employee benefits	190	154
b) Fringe benefit tax	1	1
c) Dividend payable	19 181	14 957
<b>TOTAL PROVISIONS</b>	<b>19 372</b>	<b>15 112</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2018

Note 15 continued

## Provisions

Provisions are recognised when NTTC 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 recovery will be received and the amount of the receivable can be measured reliably.

## Employee benefits

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

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

NTTC's long service leave liabilities are recorded by CHA. This is in accordance with the Territory Government's current policy where all government agencies' long service leave liabilities are assumed by CHA.

## Superannuation

Employee superannuation entitlements are provided through the:

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

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

## Dividends

NTTC has provided for a dividend of \$19.181 million, which is at the rate of 100 per cent of its net profit for the 2017-18 year in accordance with the Treasurer's budget direction.

# Notes to the Financial Statements

For the financial year ended 30 June 2018

## 16. Borrowings

	2018	2017
Wholesale market	\$000	\$000
Fixed interest securities	4 869 952	3 663 513
Retail market		
Territory Bonds	87 515	85 701
Migration Linked Bonds	750	1 000
Commonwealth		
Credit foncier loans	208 736	216 170
<b>TOTAL BORROWINGS</b>	<b>5 166 953</b>	<b>3 966 384</b>

Borrowings are measured at amortised cost using the effective interest rate method.

Information on NTTC's exposure to market risk and fair value measurements is included in notes 19 and 20.

## 17. Contributed capital

	2018	2017
	\$000	\$000
Balance at the beginning of the financial year	21 630	21 630
Movement for the year	-	-
<b>BALANCE AT THE END OF THE FINANCIAL YEAR</b>	<b>21 630</b>	<b>21 630</b>

## 18. Reconciliations of net profit from operating activities

	2018	2017
	\$000	\$000
Net profit	19 181	14 957
Reconciliation flows in net profit		
Add (gain)/loss on extinguishment	281	4
Less (premium) and discount amortisation	(4 283)	(5 383)
Changes in assets and liabilities		
Less decrease/(increase) in interest receivable	1 531	13
Less decrease/(increase) in debtors	2	(2)
Add decrease/(increase) in prepayments	23	(2)
Add increase/(decrease) in employee benefits	35	21
Add increase/(decrease) in creditors and accruals	(6)	(100)
Add increase/(decrease) in tax liabilities	1 810	(830)
Add increase/(decrease) in interest payable	6 138	(724)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>24 712</b>	<b>7 954</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2018

## 19. Financial instruments and risk management

### Objectives and policies

NTTC'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 and maintaining adequate internal controls
- 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
- review and evaluate risk management policies and procedures on an annual basis to ensure they remain adequate for NTTC to operate in a risk-neutral manner.

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

### Management of capital

NTTC is not subject to any legislative requirement to maintain a minimum level of equity, however NTTC'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 to NTTC's business.

### Categories of financial instruments

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

	30 June 2018	30 June 2017
	\$000	\$000
<b>Financial assets:</b>		
Cash and cash equivalents	48 017	68 625
Loans and receivables at amortised cost:		
Trade and other receivables	4 365	5 898
Loans	5 216 528	3 981 518
<b>TOTAL LOANS AND RECEIVABLES AT AMORTISED COST</b>	<b>5 220 893</b>	<b>3 987 416</b>
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost:		
Deposits held	388	313
Trade and other payables	52 398	46 266
Borrowings	5 166 953	3 966 384
<b>TOTAL FINANCIAL LIABILITIES AT AMORTISED COST</b>	<b>5 219 739</b>	<b>4 012 963</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2018

Note 19 continued

## Market risk

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

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

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

NTTC 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 1 per cent. There is currently no exposure to foreign exchange risk, therefore no sensitivity analysis is undertaken. However, should NTTC borrow in foreign currency in the 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 or increased costs due to adverse movements in the value of financial assets and liabilities as a result of changes in interest rates. NTTC's interest rate risk arises from cash flow mismatches in the maturity profiles and the repricing dates of its financial assets and liabilities.

NTTC 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.

NTTC's interest rate risk on its financial assets and liabilities is significantly reduced as a result of its relationship with CHA. As at 30 June 2018, approximately 72 per cent (2017: 63 per cent) of NTTC's issued debt is on-lent to CHA. The interest rates and maturity dates set on these loans are closely matched to the debt issued by NTTC to external counterparties. NTTC's loans to CHA 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, NTTC agrees to exchange the difference between fixed and floating interest rate amounts calculated by reference to agreed notional principal, thereby enabling NTTC to reduce the risk of rising interest rates now or at a future date.

NTTC 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. Interest rate swaps allow NTTC 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.

As at 30 June 2018, NTTC did not hold any derivative transactions.



# Notes to the Financial Statements

For the financial year ended 30 June 2018

Note 19 continued

## (i) Sensitivity analysis

Assuming the financial assets and liabilities at 30 June 2018 were to remain until maturity or settlement without any action by NTTC to alter the resulting interest rate risk exposure, an immediate and sustained increase or decrease of 1 per cent in market interest rates across all maturities would have the following impact on profit before tax for the financial year:

	± 1% movement in interest rates	
	Impact on profit before tax 2018	Impact on profit before tax 2017
	\$000	\$000
Financial assets:		
Cash at bank	± 480	± 686
<b>NET SENSITIVITY</b>	<b>± 480</b>	<b>± 686</b>

## (ii) Interest rate risk exposures

NTTC's exposure to interest rate risk, re-pricing maturities and the effective interest rates at 30 June 2018 is:

### Re-pricing maturities

	Weighted average interest rate	Interest rate reset due in					Non-interest bearing	Total
		0 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years			
	%	\$000	\$000	\$000	\$000	\$000	\$000	
Financial assets:								
Cash	1.50	48 017	-	-	-	-	48 017	
Trade and other receivables	-	-	-	-	-	4 365	4 365	
Loans								
Fixed rate loans	4.54	570 000	35 000	1 946 000	1 742 200	-	4 293 200	
Floating rate loans	4.67	-	144 000	514 000	-	-	658 000	
Credit foncier loans	9.37	-	-	244	265 084	-	265 328	
<b>TOTAL FINANCIAL ASSETS</b>		<b>618 017</b>	<b>179 000</b>	<b>2 460 244</b>	<b>2 007 284</b>	<b>4 365</b>	<b>5 268 910</b>	
Financial liabilities:								
Deposits held	-	-	-	-	-	388	388	
Trade and other payables	-	-	-	-	-	52 397	52 397	
Borrowings								
Fixed interest securities	4.17	479 036	28 533	1 232 760	3 217 889	-	4 958 218	
Credit foncier loans	4.64	-	-	1 485	207 251	-	208 736	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>479 036</b>	<b>28 533</b>	<b>1 234 245</b>	<b>3 425 140</b>	<b>52 785</b>	<b>5 219 739</b>	

# Notes to the Financial Statements

For the financial year ended 30 June 2018

Note 19 continued

For comparative purposes, NTTC's exposure to interest rate risk, repricing maturities and the effective interest rates at 30 June 2017 was as follows:

	Weighted average interest rate	Interest rate reset due in					Non- interest bearing	Total
		0 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years			
	%	\$000	\$000	\$000	\$000	\$000	\$000	
<b>Financial assets:</b>								
Cash	1.50	68 625	-	-	-	-	68 625	
Trade and other receivables	-	-	-	-	-	5 898	5 898	
<b>Loans</b>								
Fixed rate loans	4.97	57 000	680 000	1 649 000	572 200	-	2 958 200	
Floating rate loans	4.74	48 805	40 000	658 000	-	-	746 805	
Credit foncier loans	9.34	-	-	318	276 195	-	276 513	
<b>TOTAL FINANCIAL ASSETS</b>		<b>174 430</b>	<b>720 000</b>	<b>2 307 318</b>	<b>848 395</b>	<b>5 898</b>	<b>4 056 041</b>	
<b>Financial liabilities:</b>								
Deposits held	-	-	-	-	-	313	313	
Trade and other payables	-	-	-	-	-	46 266	46 266	
<b>Borrowings</b>								
Fixed interest securities	4.65	250	526 945	1 213 717	2 009 302	-	3 750 214	
Credit foncier loans	4.65	-	-	316	215 854	-	216 170	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>250</b>	<b>526 945</b>	<b>1 214 033</b>	<b>2 225 156</b>	<b>46 579</b>	<b>4 012 963</b>	

## (b) Foreign exchange risk

Foreign exchange risk is the risk of financial loss due to adverse movements in foreign exchange rates. NTTC'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. NTTC 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 or increased costs due to the failure of a counterparty to meet its financial obligations. NTTC'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 Territory Government entities and its wholly-owned corporations.

NTTC aims to ensure 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. NTTC's dealings in physical securities or derivative financial instruments are transacted only with counterparties possessing strong or extremely strong credit rating. In addition, derivative financial instruments are only transacted with counterparties that have signed an International Swaps and Derivatives Association (ISDA) Master Agreement.

# Notes to the Financial Statements

For the financial year ended 30 June 2018

Note 19 continued

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 approved by the Treasurer. Accordingly, ultimate responsibility for loans advanced by NTTC lies with the Territory Government. Credit rating criteria is not applied to loan counterparties.

In the case of recognised financial assets, the carrying amount of the assets recorded in the Statement of Financial Position represents NTTC's maximum exposure to credit risk.

## (d) Liquidity risk

Liquidity risk is the risk of financial loss 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. NTTC'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 NTTC to liquidate investments or utilise backup funding facilities at higher costs.

NTTC seeks to ensure adequate cash reserves or funding sources are available at all times to meet its short-term commitments as they arise.

NTTC'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 NTTC's requirements.

In addition, NTTC at all times maintains:

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

## (e) Funding risk

Funding risk refers to the medium to long-term risk that NTTC may be unable to raise funds when required or at a cost 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 NTTC is not exposed to a significant refinancing risk in any financial year.

NTTC'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 its requirements.

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

# Notes to the Financial Statements

For the financial year ended 30 June 2018

Note 19 continued

NTTC's current funding sources are as follows:

Wholesale market

Fixed interest securities

Floating rate notes

Promissory notes

Retail market

Territory Bonds

Migration Linked Bonds

Wholesale market issues account for approximately \$4.82 billion (2017: \$3.60 billion) or 98 per cent (2017: 98 per cent) of all outstanding issued debt as at 30 June 2018. Borrowing from the retail market is primarily sourced through the Territory Bonds program. As at 30 June 2018, \$87.5 million (2017: \$85.7 million) of Territory Bonds was issued and spread across a large number of investors: approximately 2370 (2017: 2605) at an average loan balance of \$36 926 (2017: \$32 899).

NTTC 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 2018

Note 19 continued

## (iii) Maturity analysis

The following tables detail the maturity analysis of NTTC's financial instruments including deposits held, loans and 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 NTTC can be required to pay. The tables are 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 2018

	At call	0 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Loans:</b>						
General government agencies						
Fixed rate loans	-	549 500	97 427	1 649 518	1 907 241	4 203 686
Credit foncier loans	-	6 296	19 552	103 325	202 624	331 797
Government owned corporations						
Fixed rate loans	-	68 450	22 052	731 502	-	822 004
Floating rate loans	-	7 858	163 953	550 530	-	722 341
Government business divisions						
Fixed rate loans	-	1 362	38 657	99 221	-	139 240
Credit foncier loans	-	2 681	8 043	42 721	82 759	136 204
<b>TOTAL LOANS</b>	<b>-</b>	<b>636 147</b>	<b>349 684</b>	<b>3 176 817</b>	<b>2 192 624</b>	<b>6 355 272</b>
Deposits held	388	-	-	-	-	388
<b>Borrowings:</b>						
Due to other financial institutions						
Wholesale market						
Fixed interest securities	-	547 652	130 483	1 879 776	3 805 682	6 363 593
Retail market						
Territory Bonds	-	74	30 758	62 857	-	93 689
Migration Linked Bonds	-	6	263	519	-	788
Commonwealth						
Credit foncier loans	-	-	17 470	69 634	247 676	334 780
<b>TOTAL BORROWINGS</b>	<b>388</b>	<b>547 732</b>	<b>178 974</b>	<b>2 012 786</b>	<b>4 053 358</b>	<b>6 793 238</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2018

Note 19 continued

30 June 2017	At call	0 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Loans:</b>						
General government agencies						
Fixed rate loans	-	28 503	570 102	1 400 657	654 530	2 653 792
Credit foncier loans	-	6 296	19 559	103 353	228 445	357 653
Government owned corporations						
Fixed rate loans	-	54 194	142 687	472 556	-	669 437
Floating rate loans	-	53 231	63 756	722 341	-	839 328
Government business divisions						
Fixed rate loans	-	11 307	57 480	47 392	-	116 179
Floating rate loans	-	5 057	-	-	-	5 057
Credit foncier loans	-	2 681	8 043	42 809	93 395	146 928
<b>TOTAL LOANS</b>	-	<b>161 269</b>	<b>861 627</b>	<b>2 789 108</b>	<b>976 370</b>	<b>4 788 374</b>
Deposits held	313	-	-	-	-	313
<b>Borrowings:</b>						
Due to other financial institutions						
Wholesale market						
Fixed interest securities	-	68 741	596 110	1 673 952	2 250 386	4 589 189
Retail market						
Territory Bonds	-	82	29 789	62 465	-	92 336
Migration Linked Bonds	-	261	13	788	-	1 062
Commonwealth						
Credit foncier loans	-	-	17 477	69 750	265 030	352 257
<b>TOTAL BORROWINGS</b>	<b>313</b>	<b>69 084</b>	<b>643 389</b>	<b>1 806 955</b>	<b>2 515 416</b>	<b>5 035 157</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2018

## 20. Fair values of financial instruments

AASB 7, paragraph 25 requires NTTC to provide fair value information through supplementary disclosures for any financial assets or financial liabilities not measured at fair value in its Statement of Financial Position.

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 amortised cost.
- The fair value of other monetary financial assets is based on discounting the expected future cash flows by applying current market yields. Current market yields used for valuing loans to counterparties, excluding loans to government agencies, are determined with reference to the Thomson Reuters Australian Dollar Interest Rate Swaps plus a margin. Market yields used for valuing loans to government agencies are derived from current market interest rates for debt securities issued by NTTC plus a margin. The market yields are then used to discount the expected future cash flows arising from the financial assets to their present value. The margins applied to the current market yields on NTTC's loans take into account credit quality and liquidity considerations.
- The fair value of other monetary financial liabilities is determined using valuation models, whereby appropriate direct market inputs are used to benchmark, extrapolate or otherwise derive a fair value on the instrument's risk characteristics and correlations. The market rates are then used to discount the expected future cash flows arising from the financial liabilities to their present value.
- The fair value of derivative financial instruments are derived using current market yields and exchange rates appropriate to the instrument.

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

The carrying value of all other assets and liabilities not recorded at fair value approximates fair value.

The following table presents financial assets and liabilities measured at fair value for disclosure purposes in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the degree to which the fair value is observable.

- Level 1 – derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – derived from valuation techniques that include inputs for the asset or liability not based on observable market data (unobservable inputs).

# Notes to the Financial Statements

For the financial year ended 30 June 2018

Note 20 continued

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

2018	Total carrying amount	Net fair value total	Net fair value level 1	Net fair value level 2	Net fair value level 3
	\$000	\$000	\$000	\$000	\$000
<b>Financial assets:</b>					
<b>Loans:</b>					
Fixed rate loans	4 293 200	4 559 027	-	4 559 027	-
Floating rate loans	658 000	663 999	-	663 999	-
Credit foncier loans	265 328	341 928	-	341 928	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>5 216 528</b>	<b>5 564 954</b>	<b>-</b>	<b>5 564 954</b>	<b>-</b>

**Financial liabilities:**

**Borrowings and advances:**

Wholesale	4 869 952	5 227 157	-	5 227 157	-
Retail	88 265	89 926	-	89 926	-
Commonwealth	208 736	231 624	-	231 624	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>5 166 953</b>	<b>5 548 707</b>	<b>-</b>	<b>5 548 707</b>	<b>-</b>

2017	Total carrying amount	Net fair value total	Net fair value level 1	Net fair value level 2	Net fair value level 3
	\$000	\$000	\$000	\$000	\$000
<b>Financial assets:</b>					
<b>Loans:</b>					
Fixed rate loans	2 958 200	3 147 078	-	3 147 078	-
Floating rate loans	746 805	757 231	-	757 231	-
Credit foncier loans	276 513	360 511	-	360 511	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>3 981 518</b>	<b>4 264 820</b>	<b>-</b>	<b>4 264 820</b>	<b>-</b>

**Financial liabilities:**

**Borrowings and advances:**

Wholesale	3 663 513	4 024 380	-	4 024 380	-
Retail	86 701	88 858	-	88 858	-
Commonwealth	216 170	247 274	-	247 274	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>3 966 384</b>	<b>4 360 512</b>	<b>-</b>	<b>4 360 512</b>	<b>-</b>



# Notes to the Financial Statements

For the financial year ended 30 June 2018

## 21. Related parties

### (i) Related parties

NTTC is a government administrative entity and is wholly owned and controlled by the Territory Government. Under section 5 of the NTTC Act, NTTC is subject to the direction of the Treasurer. NTTC is a government business division and an administrative unit of the Department of Treasury and Finance (DTF). The Under Treasurer of DTF is designated as the office holder, the corporation sole, under the NTTC Act and as such represents the Crown in right of the Territory.

Related parties of NTTC include:

- the portfolio minister (the Treasurer) and key management personnel (KMP) because they have authority and responsibility for planning, directing and controlling the activities of the department directly
- spouses, children and dependants who are close family members of the portfolio minister or KMP
- all public sector entities that are controlled and consolidated into the whole of government financial statements
- any entities controlled or jointly controlled by KMPs or the portfolio minister or controlled or jointly controlled by their close family members.

### (ii) Key management personnel

KMP of NTTC are those persons having authority and responsibility for planning, directing and controlling the activities of NTTC. The following people have been identified as KMPs for NTTC:

- the Treasurer
- the Under Treasurer
- the two Deputy Under Treasurers
- the General Manager.

Related party transactions of the former minister have not been assessed as the period served during the 2017-18 financial year is considered minor.

### (iii) Remuneration of key management personnel

The details below excludes the salaries and other benefits of the Treasurer as the minister's remunerations and allowances are payable by the Department of the Legislative Assembly and consequently disclosed within the Treasurer's Annual Financial Statements. NTTC does not make any direct payments to the Under Treasurer or Deputy Under Treasurers whose remunerations and allowances are payable by DTF and therefore also excluded.

# Notes to the Financial Statements

For the financial year ended 30 June 2018

Note 21 continued

The aggregate compensation of KMP of NTTC is set out below:

	2017-18	2016-17
	\$000	\$000
Short-term benefits <sup>1</sup>	208	205
Long-term benefits	-	-
Post-employee benefits <sup>2</sup>	25	25
Termination benefits	-	-
<b>TOTAL</b>	<b>233</b>	<b>230</b>

1 Includes salary, paid leave, motor vehicle benefits and parking.

2 Includes superannuation contributions paid by NTTC.

(iv) Related party transactions:

## Transactions with Territory Government-controlled entities

Transactions with related parties during the year include:

- loans, loan repayments and associated interest from public sector entities (refer notes 4, 11 and 13)
- interest on investment of cash surpluses (refer notes 4 and 11)
- payment for services provided by government agencies (refer note 7)
- management fees for services provided to government agencies (refer note 5)
- tax payments made to DTF (refer note 8)
- dividend payments made to CHA (refer note 15).

The above transactions were in the normal course of business and on commercial terms and conditions.

Outstanding balances with related parties are discussed throughout the financial statements.

The following table provides quantitative information about related party transactions entered into during the year with all other Territory Government-controlled entities.

Related party	2017-18	2016-17
	\$000	\$000
Receipts from related parties	452 941	327 982
Payments to related parties	1 476 920	79 687

# Notes to the Financial Statements

For the financial year ended 30 June 2018

## 22. Auditor and review services

	2018	2017
	\$000	\$000
External audit – NT Auditor-General's Office		
Audit and review of financial statements	76	77
Internal audit – KPMG		
Internal audit	32	76
Review services	32	19
<b>TOTAL</b>	<b>140</b>	<b>172</b>

## 23. Fees and commissions

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

	2018	2017
	\$000	\$000
Link Market Services Pty Ltd	163	213
Sungard Systems Pty Ltd	103	97
Austraclear Ltd	82	71
Thomson Reuters Pty Ltd	24	22

## 24. Fiduciary activities

NTTC acts as manager of CHA's investment portfolio. Any associated assets and liabilities are not recognised in these financial statements. Management fees generated in carrying out these activities are included in the Statement of Comprehensive Income. The aggregate income from fiduciary activities for the 2017-18 year was \$820 000 (2017: \$820 000). As at 30 June, CHA investment portfolio balances were:

	2018	2017
	\$000	\$000
Investment portfolio	645 000	494 000
Conditions of Service Reserve	857 241	719 509
Medium Term Investment Fund	-	85 025
Infrastructure Development Fund	199 503	205 223
<b>TOTAL</b>	<b>1 701 744</b>	<b>1 503 757</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2018

## 25. Advisory Board

The NTTC Advisory Board was established in October 1994. The Under Treasurer of DTF, Mr Craig Graham, is the Chair of the Board, and the following people held the position of member during the year ended 30 June 2018:

Mr Richard V Ryan AO     Editure Limited  
Mr John R P Montague     Company Director  
Mr David Braines-Mead     DTF, Deputy Under Treasurer

During the year ended 30 June 2018 only two members were entitled to receive Advisory Board sitting fees, amounting to \$40 231 (2017: \$48 199). Members who are permanently employed under the *Public Sector Employment and Management Act*, or on similar terms, are not entitled to fees.

	2018	2017
	\$000	\$000
Sitting fees	40	48

## 26. Segment information

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

## 27. Events subsequent to reporting date

There were no subsequent events.

# Certification of Financial Statements

For the financial year ended 30 June 2018

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

We further state that the information set out in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and notes to and forming part of the financial statements presents fairly the financial performance and cash flows for the year ended 30 June 2018 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.



Craig Graham  
Under Treasurer  
3 September 2018



Alex Pollon  
General Manager  
3 September 2018

