



# Annual Report 2014-15

Northern Territory Treasury Corporation

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# Northern Territory Government

The Honourable David Tollner MLA  
Treasurer  
GPO Box 3146  
DARWIN NT 0801

Dear Treasurer

In accordance with the provisions of 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* (the Act), I am pleased to provide to you the 2014-15 Annual Report of the Northern Territory Treasury Corporation (NTTC).

Pursuant to the Act, I advise that to the best of my knowledge and belief:

- proper records of all transactions affecting NTTC are kept and that employees under my control observe the requirements of the Act, the Financial Management Regulations and the Treasurer's Directions;
- procedures within NTTC afford proper internal control, and that these procedures are recorded in the Accounting and Property Manual, which has been prepared in accordance with the requirements of the Act;
- 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 Act, the internal audit capacity available to NTTC is adequate and the results 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 Treasurer's Directions;
- all Employment Instructions issued by the Commission for Public Employment have been satisfied; and
- NTTC is working in compliance with the *Information Act*.

I can also advise you that the Auditor-General has audited NTTC's financial statements for the year ended 30 June 2015 and her report is included.

Yours sincerely

Jodie Ryan  
Under Treasurer and Chairman  
30 September 2015

## 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

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 part of the Department of Treasury and Finance (DTF) for the purposes of the *Public Sector Employment and Management Act* (PSEMA).

## Credit Rating

Moody's Investors Service has assigned NTTC a long-term issuer and debt rating of Aa1 with a negative outlook.

## How to Use this Report

This report is designed to meet NTTC's 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 and to financial markets and ratings agencies.

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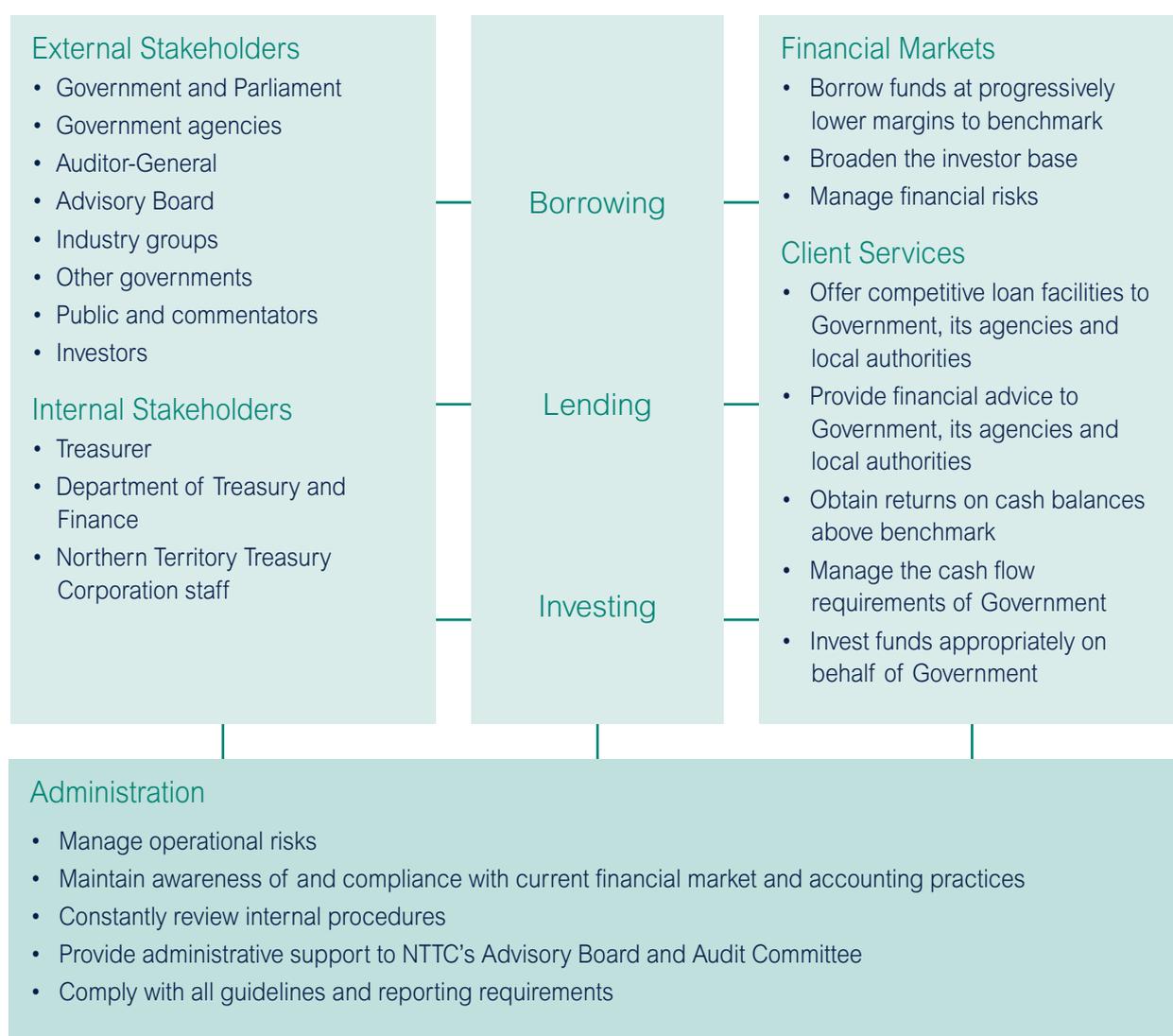
# Profile

## Purpose

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

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

Figure 1: Corporation Stakeholders, Functions and Programs



# Chairman's Address



Despite the mixed economic environment and ongoing geopolitical challenges, global financial markets delivered reasonably strong returns over the 2014-15 financial year. International interest rates remain at or near-historic lows providing an ongoing stimulus and much needed support for the global economy. The notable fall in the Australian investment market off its April 2015 highs and the decline in commodity prices seem to contradict a year marked with across-the-board gains. The Reserve Bank of Australia's official cash rate fell to a record low 2.00 per cent, down from 2.50 per cent at the end of June 2014 as a result of two 0.25 per cent rate cuts in February and May 2015 due to below-trend economic growth, increasing unemployment and low inflation.

While the national economy is estimated to have grown by 2.4 per cent in 2014-15, the Northern Territory's gross state product is estimated to have increased by 3.9 per cent, outperforming all other states and territories according to Deloitte Access Economics (DAE). The growth was driven by strong private equipment, engineering and commercial investments. DAE forecasts show the Territory is expected to outperform the national economy by about 1.3 per cent over the period 2014-15 to 2018-19, growing by an annual average of 4.1 per cent.

Due to the pre-funding undertaken in 2013-14 and the retirement of loans from counterparties during 2014-15, NTTC did not issue term funds into the wholesale financial market. Accordingly, NTTC's borrowing program for 2014-15 was significantly lower than the prior year with approximately \$29 million raised throughout the financial year primarily through retail Territory Bond issuances. This reduced borrowing activity resulted in total outstanding debt as at 30 June 2015 being lower by approximately \$612 million from the balance reported at 30 June 2014.

Volatility dominated the financial markets during the financial year, with equities and bond markets locked in increasingly volatile trading sessions. As a result, the Conditions of Service Reserve (COSR), which invests with a long-term perspective, closed the financial year 0.04 percentage points below the benchmark, delivering a return of 9.75 per cent for the year. However the rolling returns for three, five and 10 years show that COSR outperformed the benchmark by at least 1.09 per cent. The Medium Term Investment Fund (MTIF) delivered pleasing results for the past financial year despite the increased volatility, producing a weighted average return of 5.12 per cent, or 2.52 percentage points above the benchmark return of 2.60 per cent. Both the COSR and the MTIF returned well above the NTTC's 2.51 per cent cost of borrowing for 2014-15.

NTTC was also instrumental in establishing a new transitional Infrastructure Fund in June 2015. This investment fund was derived from proceeds from the sale of Territory Insurance Office, which were accumulated and invested into financial markets by JANA Investment Advisers Pty Ltd (JANA). The JANA managed fund is invested to returns from cash over the transitional period of approximately 12 months.

The investment portfolio managed by NTTC on behalf of the Central Holding Authority (CHA) is composed of a range of secure investments, a significant proportion of which is in short-term instruments. The portfolio performed better than the implied benchmark in 2014-15 and returned 2.87 per cent, or 0.27 percentage points above the benchmark return of 2.60 per cent.

Overall, the 2014-15 financial year was successful across the key areas of responsibility of the organisation. I particularly wish to acknowledge the Advisory Board for its guidance over the past year and thank the management and staff for their contribution and continued dedication.

A handwritten signature in cursive script that reads "Jodie Ryan".

Jodie Ryan  
Under Treasurer and Chairman  
30 September 2015

# Performance Summary

## Review of 2014-15

- Increased global financial market volatility
- Mixed domestic economic conditions
- Reduced borrowing program of \$29 million
- No term funding issuances into the wholesale market
- About \$4 billion on issue in major bond series
- Strong investment returns

## Outlook for 2015-16

- Borrowing program of \$654 million mainly to refinance maturing debt
- New major bond series to be established under the Australian Domestic Note Programme
- Tap issues of existing long-dated bond series
- Ongoing market volatility

## Strategic Issues for 2015-16

- 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

	2014-15	2013-14	2012-13	2011-12	2010-11
<b>Statement of Income</b>	\$000	\$000	\$000	\$000	\$000
Revenue	277 249	289 872	258 055	233 453	197 262
Expenses	241 120	256 898	224 250	203 527	173 751
Profit before tax	36 129	32 974	33 805	29 926	23 511
Tax expense	10 839	9 892	10 141	8 978	7 053
<b>Net profit after tax</b>	<b>25 290</b>	<b>23 082</b>	<b>23 664</b>	<b>20 948</b>	<b>16 458</b>
<b>Statement of Financial Position</b>					
Total assets	4 648 108	5 283 013	4 848 368	4 098 068	3 113 897
Total liabilities	4 626 478	5 261 383	4 826 738	4 076 438	3 092 267
<b>Total equity</b>	<b>21 630</b>				
<b>Statement of Cash Flows</b>					
Cash flows from operating activities	9 926	24 194	29 793	30 416	16 762
Cash flows from investing activities	60 012	352 242	770 051	480 057	392 392
Cash flows from financing activities	642 314	410 272	720 774	952 126	188 191

Table 2: Five-Year Key Performance Indicators Summary

Performance Measures	2014-15	2013-14	2012-13	2011-12	2010-11
<b>Quantity</b>					
Weighted average cost of borrowing (WACoB)	2.51%	4.23%	4.01%	4.86%	5.29%
<b>Quality</b>					
Borrowing rate margin compared to industry peers <sup>1</sup>	n/a	+ 0.37%	+ 0.36%	+ 0.38%	+ 0.22%
Investment portfolio return above benchmark <sup>2</sup>	+ 0.27%	+ 0.28%	+ 0.36%	+ 0.32%	+ 0.31%
Stakeholder satisfaction <sup>3</sup>	5	5	5	n/a	6

1 NTTC did not issue any term funding into the wholesale financial market during the financial year 2014-15.

2 The benchmark is the weighted relevant Bloomberg AusBond indices. The composite benchmark return for 2014-15 was 2.60% while NTTC achieved a return of 2.87%.

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

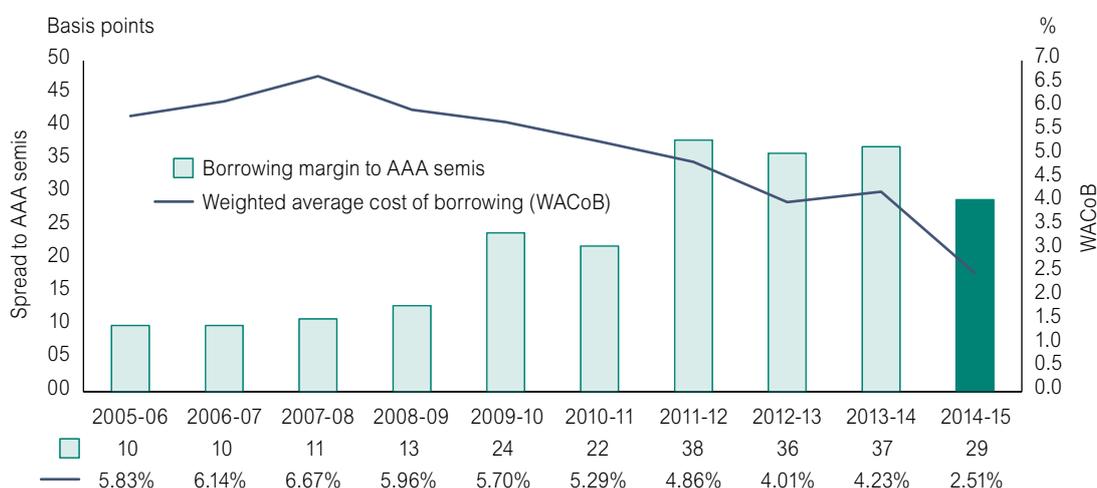
### Performance Measure Analysis

NTTC's cost of borrowing target for 2014-15 was lowered to 3.5 per cent in line with the low interest rate environment throughout the year. The actual outcome achieved for the year was 2.51 per cent. However, when promissory note issuances are excluded, the weighted average cost of borrowing for 2014-15 increases to 3.23 per cent. The weighted average cost of borrowing on outstanding issued debt at 30 June 2015 was 5.19 per cent.

As NTTC did not issue any term funding into the wholesale financial market during the 2014-15 financial year, NTTC's best estimate of current borrowing margins is determined by reference to secondary market activity as reflected on end-of-day rate sheets published by a number of financial institutions and intermediaries. As at 30 June 2015, NTTC's 10-year bond yields are priced at approximately 0.29 per cent over similar bond maturities offered by AAA-rated semi-government authorities.

The CHA investment portfolio was predominantly invested in short-term securities within the existing credit limits approved by the Treasurer and delivered a 2.87 per cent return for the financial year.

Figure 2: NTTC WACoB versus Spread to AAA Semi-Governments



# Financial Markets

## Funding

NTTC manages the Territory Government's exposure to funding risk by ensuring it is not exposed 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

	2014-15	2013-14	2012-13	2011-12	2010-11
	\$M	\$M	\$M	\$M	\$M
Refinance maturing Territory debt	641	542	411	427	363
New borrowings	-	-	245	479	207
Debt reduction	- 219	-	-	-	-
Pre-funded	- 393	-	-	-	-
Borrowing requirement	29	542	656	906	570
Pre-funding	-	393	453	492	-
<b>Total borrowing program</b>	<b>29</b>	<b>935</b>	<b>1 109</b>	<b>1 398</b>	<b>570</b>

## Borrowing Activity

The 2014-15 borrowing program was significantly lower than last year with approximately \$29 million raised throughout the financial year compared to \$641 million of matured debt. The reduced borrowing program therefore has resulted in total outstanding debt as at 30 June 2015 being lower by approximately \$612 million from last year's reported balance.

During 2014-15 NTTC had not issued into the wholesale financial market. The pre-funding of approximately \$393 million undertaken in the prior year and the early repayment of loans from a number of counterparties have largely met NTTC's funding requirements for the financial year. A full listing of NTTC's issued debt is provided in Appendix A on page 31.

As at 30 June 2015, NTTC had seven institutional benchmark bond issues as detailed in Table 4.

Table 4: Institutional Bond Issues as at 30 June 2015

Maturity Date	Coupon	Amount on Issue
	%	\$M
20 October 2015	6.25	500
20 November 2016	5.75	500
17 November 2017	4.75	500
20 September 2018	4.75	500
20 September 2021	4.25	650
15 March 2024	6.00	650
15 March 2026	6.00	650

Table 5: Borrowing Performance as at 30 June

	2015	2014	2013	2012	2011
	%	%	%	%	%
<b>Average borrowing margin</b>					
Short-term – margin to bank bill swap (BBSW) rate	- 0.04	- 0.05	- 0.04	- 0.04	- 0.04
Long-term (fixed rate) – margin to AAA-rated semi-government security	n/a	0.37	0.36	0.38	0.22
<b>Cost of borrowing achieved during the year</b>					
Weighted average cost of borrowing	2.51	4.23	4.01	4.86	5.29
<b>Total cost of funds</b>					
Weighted average cost of funds	5.19	5.21	5.32	5.67	6.10

### Portfolio Duration and Term to Maturity

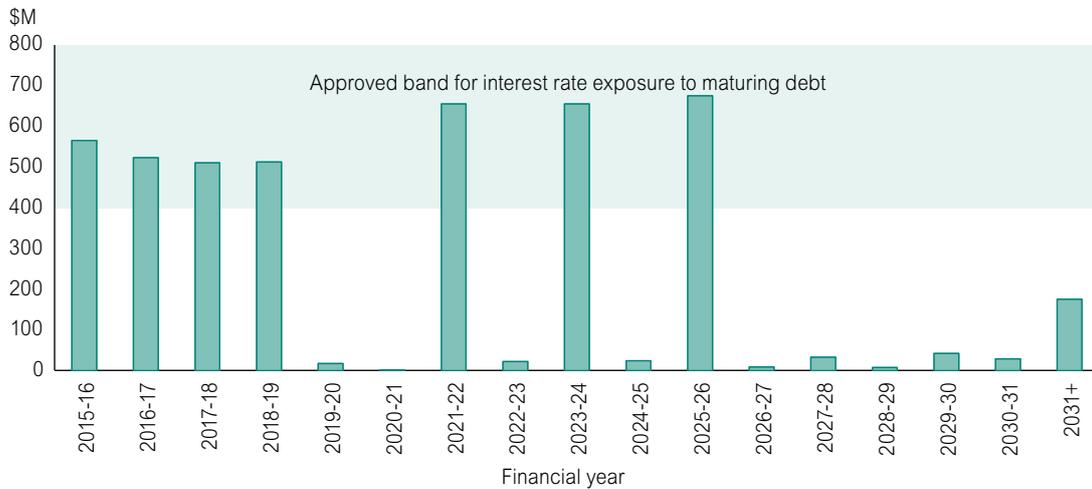
As at 30 June 2015, the weighted average duration of Territory debt on issue was 4.3 years, slightly shorter than the 4.4 years reported in June 2014. Similarly, weighted average term to maturity reduced to 5.3 years compared to 5.5 years in 2014.

### 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 on page 10). NTTC may use interest rate swaps and forward start interest rate swaps to manage interest rate risk as required. The target level of interest rate exposure to maturing debt in any financial year is \$600 million, with a lower limit of \$400 million and an upper limit of \$800 million.

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 2015



### Trading Margin

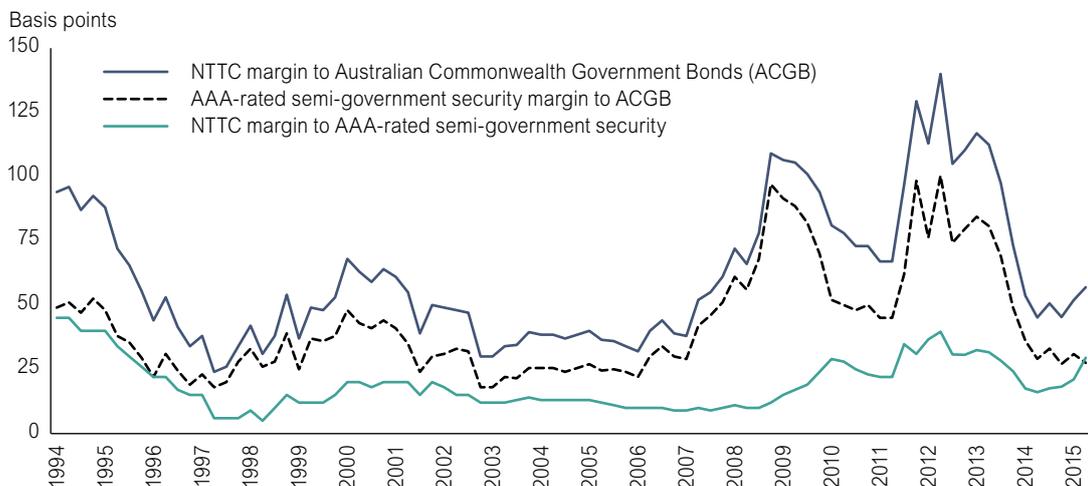
An important influence on trading margins is the perception of liquidity. The relatively small size of the Territory’s borrowing program does not promote significant trading activity. As such, the borrowing margin is more a reflection of the liquidity premium demanded by institutional investors for supporting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

NTTC had not issued into the wholesale financial market during the financial year 2014-15. Accordingly, NTTC’s best estimate of current borrowing margin is determined by reference to secondary market activity as reflected on end-of-day rate sheets published by a number of financial institutions and intermediaries.

Rate sheets as at 30 June 2015 show NTTC’s 10-year bond yields are approximately 0.29 per cent over similar bond maturities offered by AAA-rated CFAs such as New South Wales Treasury Corporation and Treasury Corporation of Victoria.

Figure 4 shows NTTC’s borrowing margin relative to the Commonwealth and AAA-rated CFAs.

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 outstanding at 30 June 2015, 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 2.45 per cent (2013-14: 2.56 per cent), with an average margin to BBSW reference rate of -0.04 per cent. The issuing margins to BBSW in 2014-15 ranged from -0.02 per cent to -0.06 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 2015, there were \$0.5 million Designated Investments on issue, \$1 million lower than the previous financial year. The net movement represents the \$0.25 million new applications during the financial year, less the \$1.25 million investments that were scheduled to mature.

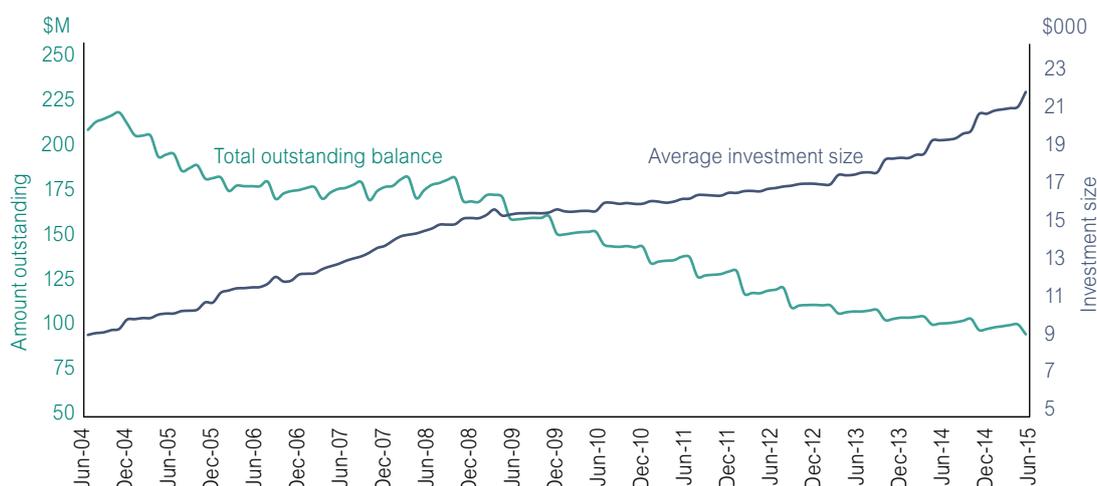
## Territory Bonds

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 2014-15, Issues 97 and 98 raised approximately \$30.5 million from 1083 applications, compared to last year's result of \$26.1 million from 1128 applications. The results were pleasing with an average conversion rate of approximately 62 per cent, indicating that existing investors continued to show reasonably strong support for the product by reinvesting their investments at maturity.

Over the course of the 2014-15 financial year, the number of registered investors declined by 857 to 4334. This reduction in investor numbers combined with the decline in the outstanding face value of Territory Bonds results in an average investment size of about \$22 134 as at year end. While the average subscription size has increased, the total amount outstanding in Territory Bonds continues to decline. As at 30 June 2015, the total outstanding balance was approximately \$96 million, which is about \$5.5 million lower than the balance recorded at 30 June 2014.

Figure 5: Territory Bonds Outstanding and Average Holding Size



# 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 2015, NTTC had a total outstanding loan portfolio of \$4622 million, approximately \$59 million lower than the previous financial year. Table 6 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 are provided in Appendix B on Page 36.

### General Government Agencies

General government agencies are funded through the CHA via 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 2015, loans to the general government sector totalled \$3129 million, an increase of about \$111 million from the previous financial year. The net movement represents the \$170 million debt-to-equity swap agreement between CHA and Power and Water Corporation (PWC), less a \$45 million early repayment of loans by CHA and the scheduled loan repayments throughout the year.

### 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 2015, loans to this sector totalled about \$279 million, approximately \$48 million lower than the previous financial year. This net movement resulted mainly from the decision by Darwin Port Corporation and NT Home Ownership to apply some of their surplus cash balances to repay \$28.4 million and \$5 million of their outstanding loans, respectively. In addition, Land Development Corporation had a \$5 million loan scheduled to be refinanced during the financial year but elected to repay the loan in full. The remaining \$10 million was a result of scheduled loan repayments throughout 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.

On 1 July 2014, the legislation came into effect to separate PWC into three separate government owned corporations namely PWC, Jacana Energy and Territory Generation. PWC continues to manage the electricity network and remains the water and sewerage services provider. Jacana Energy as a retailer looks after electricity accounts and customer needs, issues bills and collects payments while Territory Generation supplies electricity to the market including Jacana Energy.

Loans to this sector totalled approximately \$1214 million as at 30 June 2015, a decrease of about \$123 million from last year's balance of \$1337 million. This is the net movement resulting from the \$70 million of new loans provided to PWC over the course of the financial year, less the \$170 million debt-to-equity swap with CHA and the scheduled loan repayments throughout the year.

Table 6: Outstanding Loans as at 30 June

	2015	2014	2013	2012	2011
	\$M	\$M	\$M	\$M	\$M
General government agencies	3 128.6	3 017.5	2 640.8	2 113.8	1 789.5
Government business divisions	279.0	327.0	361.2	246.7	206.4
Government owned corporations	1 214.3	1 336.7	1 320.9	1 197.9	1 082.5
Local authorities	-	-	-	0.4	0.4
Other government organisations	-	-	6.0	-	-
<b>Total</b>	<b>4 621.9</b>	<b>4 681.2</b>	<b>4 328.9</b>	<b>3 558.8</b>	<b>3 078.8</b>

## 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 Local Government and Regions and must carry the support and recommendation of the Minister for Local Government and Regions prior to being submitted for approval to the Treasurer. As at 30 June 2015, there are 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. Charles Darwin University (CDU) is the only entity established under this classification. As at 30 June 2015, NTTC has no outstanding loans to this sector. CDU's loan facility expired in May 2015.

Figure 6: Client Loans as at 30 June 2015

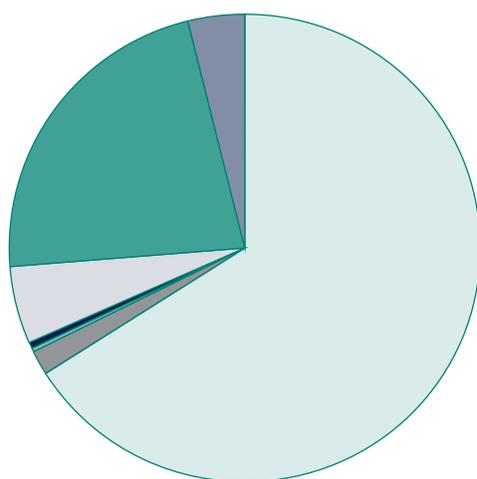
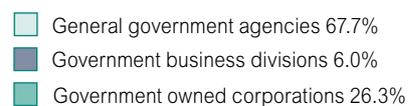
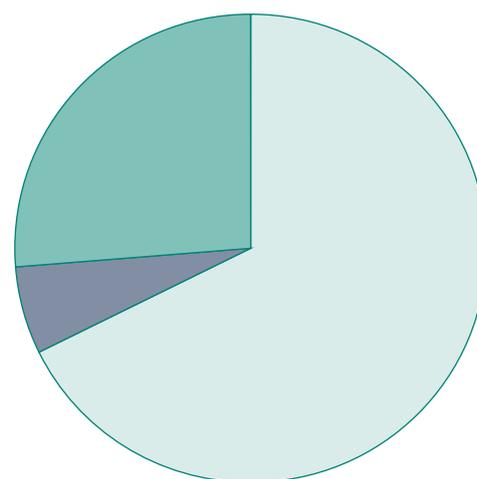


Figure 7: Client Loans by Sector as at 30 June 2015



## Central Holding Authority Investments

- » The Territory Government's investment portfolio is formed by pooling the surplus cash balances held in the name of CHA and investing in a variety of secure short, medium and long-term debt securities issued in the Australian financial markets.
  - » The broad objectives of NTTC in managing CHA's investment portfolio are:
    - to ensure sufficient liquidity is maintained in the Government's cash balances to meet all financial obligations as they fall due; and
    - to obtain a return on the Government's cash balances in line with the benchmark, while adhering to the investment guidelines approved by the Treasurer.
- Details of the investment guidelines approved by the Treasurer are outlined in Appendix C on page 37.

### Investment Portfolio

The investment portfolio is composed of a range of secure investments, of which a significant proportion is in short-term instruments such as term deposits, bank accepted bills, promissory notes and negotiable certificates of deposit. A core amount of the investment portfolio is available for investment in longer-term instruments, such as floating rate notes and fixed interest securities.

NTTC aims to achieve the maximum return on investments within defined risk parameters, while ensuring the Government has sufficient cash balances to meet cash flow requirements in anticipation of increased government expenditure and declining revenues. Accordingly, NTTC has maintained a high allocation to cash and short-term securities.

As at 30 June 2015, the total investment portfolio had a market value of \$1233 million, approximately \$159 million higher compared to the \$1074 million reported at 30 June 2014 (see Table 7).

Total investment income for 2014-15 was \$31.0 million compared to \$29.5 million in 2013-14. All interest revenue on the investment portfolio is paid directly to CHA. The weighted average return on the investment portfolio in 2014-15 was 2.87 per cent compared to 2.97 per cent in 2013-14 (see Table 8) outperforming the benchmark by 0.27 per cent.

Table 7: Investment Portfolio by Asset Allocation as at 30 June

	2015		2014		2013		2012		2011	
	%	\$M	%	\$M	%	\$M	%	\$M	%	\$M
Cash and term deposits and discount securities	99.2	1 223	98.2	1 054	99.4	840	99.2	650	96.7	436
Floating rate notes	0.8	10	0.9	10	0.6	5	0.8	5	3.3	15
Fixed interest securities	-	-	0.9	10	-	-	-	-	-	-
<b>Total</b>		<b>1 233</b>		<b>1 074</b>		<b>845</b>		<b>655</b>		<b>451</b>

Table 8: Investment Performance against Objective/Comparison to Benchmark

	2014-15	2013-14	2012-13	2011-12	2010-11
	%	%	%	%	%
Weighted average return	2.87	2.97	3.64	5.02	5.27
Weighted Bloomberg AusBond performance indices	2.60	2.69	3.28	4.70	4.96

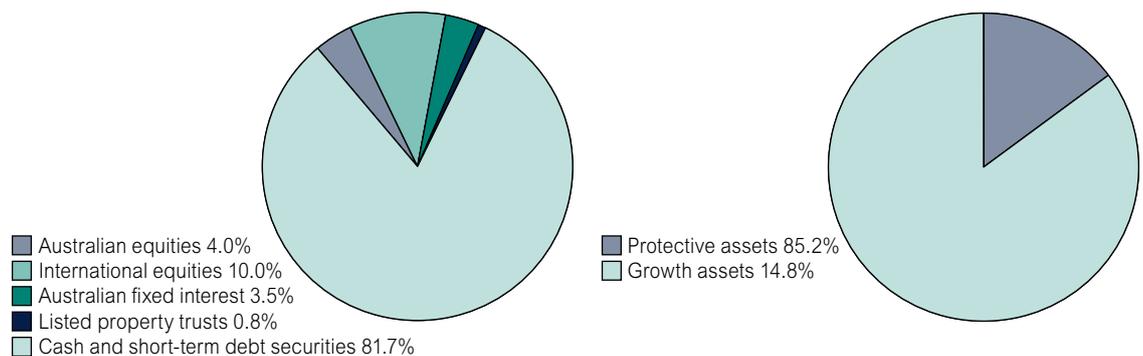
## Medium-Term Investment Fund

The MTIF is a segregated pool of investments held within CHA. It primarily represents surplus funds that have accumulated and not yet been expended by Territory Government agencies. The MTIF is a tailored solution provided by JANA. The MTIF has a relatively conservative investment style, with a small allocation (about 15 per cent) to growth assets in to achieve its stated objective of producing a superior return over the medium term (two to three years).

NTTC is responsible for monitoring and reporting on the performance of the fund and managing the relationship with the investment manager. The investment performance of the fund is benchmarked against the Bloomberg AusBond Bank Bill Index.

The MTIF commenced on 27 November 2007 with an initial investment of \$50 million. As at 30 June 2015, the market valuation of the MTIF totalled \$177.2 million, an increase of \$106.7 million from the \$70.5 million reported at 30 June 2014. In November 2014, the fund was increased by \$100 million as a result of a review performed in October 2014 on the CHA investment portfolio guidelines.

Figure 8: MTIF Asset Allocation at 30 June 2015



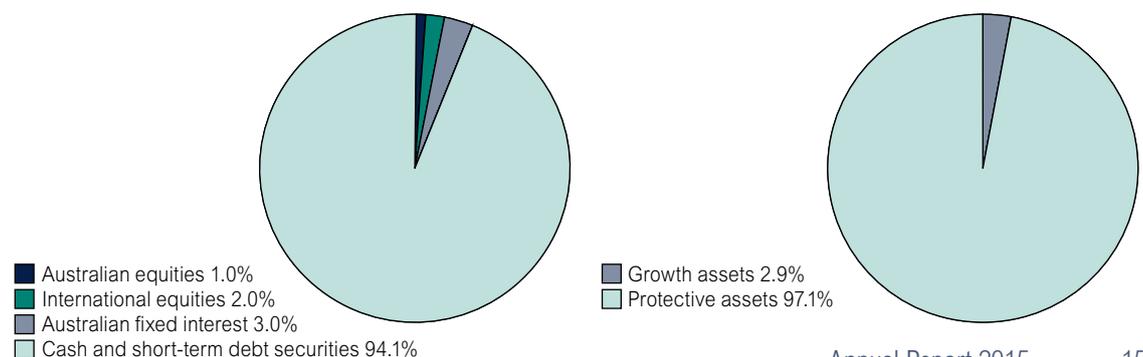
## Infrastructure Development Fund

The Infrastructure Development Fund (IDF) is a transitional segregated pool of investments held within the CHA. It primarily represents funds received from the sale of the Territory Insurance Office, which have been accumulated and were temporarily invested into financial markets, pending the formal establishment of the IDF.

The IDF is managed by JANA via multi-manager sector trusts and is a highly conservative investment approach with a very small (about 3 per cent) allocation to growth assets. The IDF commenced on 26 June 2015 with an initial investment of \$210 million.

As at 30 June 2015, the IDF had a market value of about \$210 million. The investment performance of the fund is benchmarked against the Bloomberg AusBond Bank Bill Index.

Figure 9: NTIDF Asset Allocation at 30 June 2015



## Conditions of Service Reserve

COSR is a segregated pool of investments held within CHA. The funds are held at the discretion of the Treasurer and are intended for purposes such as meeting the Territory Government's unfunded superannuation liabilities. The funds are managed by three investment managers with a long-term investment strategy oriented towards growth assets such as domestic and international equities. NTTC is responsible for monitoring and reporting on the performance of the fund and managing the relationship with the investment managers.

The investment performance of the fund is benchmarked against performance results for the 'Multisector Growth' product category as published in the monthly Morningstar Australian Superannuation Survey. This is consistent with the asset allocation mix applied to COSR.

As at 30 June 2015, the market valuation of the COSR fund totalled \$647 million, an increase of approximately \$57 million from the \$590 million recorded on 30 June 2014. During the second quarter of 2014-15, fund manager allocations were rebalanced such that all three fund managers were allocated approximately one third each. Accordingly, in November 2014, \$55 million was withdrawn from Colonial First State Global Asset Management and \$25 million and \$30 million were transferred into AMP Capital Investors and JANA, respectively.

A snapshot of the COSR pool of investments and fund performance is shown in Table 9 below.

Table 9: Conditions of Service Reserve – Investment Allocation and Performance Summary

Fund manager	Fund Allocation	Market Valuation 30 June		Performance Returns			
	2015	2015	2014	1 Year	3 Years	5 Years	10 Years
	%	\$M	\$M	%	%	%	%
AMP Capital Investors Limited	33.9	219.5	173.5	11.20	15.63	11.43	7.91
Colonial First State Global Asset Management	32.9	212.6	250.1	8.01	12.75	9.58	7.43
JANA Investment Advisers Pty Ltd	33.2	214.8	166.1	10.13	14.59	10.70	7.00
<b>Total</b>	<b>100.0</b>	<b>646.9</b>	<b>589.7</b>				
Weighted average fund return				9.76	14.19	10.49	7.50
Benchmark – Morningstar Multisector Growth Portfolio				9.80	13.10	9.30	6.00
Performance of COSR relative to benchmark				- 0.04	+ 1.09	+ 1.19	+ 1.50

# Administration

The administration program aims to ensure NTTC operates in a professional, efficient 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 in an efficient and cost-effective manner, 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; and
- producing NTTC's annual report in accordance with legislative requirements.

## Major Projects

### Control Self-Assessment Systemisation

Continuing from the work undertaken in the control self-assessment review last year, NTTC finalised the reporting functionality of its new systemised process. This resulted in a fully automated dashboard-style reporting format creating a more streamlined and targeted reporting mechanism highlighting areas of compliance and risk within the organisation.

### Enterprise Risk Management Framework

NTTC continued to develop a framework to capture and articulate all elements of risk management in its business environment. The framework outlines all areas of compliance, including frameworks both internal and external to government and NTTC's applicable internal controls. The project is expected to be completed by the end of 2015.

## Business Relationships

### Registry Services

NTTC has a key relationship with Link Market Services (Link), which maintains its retail inscribed stock register, recording details of all inscribed stock and holders in accordance with the Registry Services Agreement and the 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.

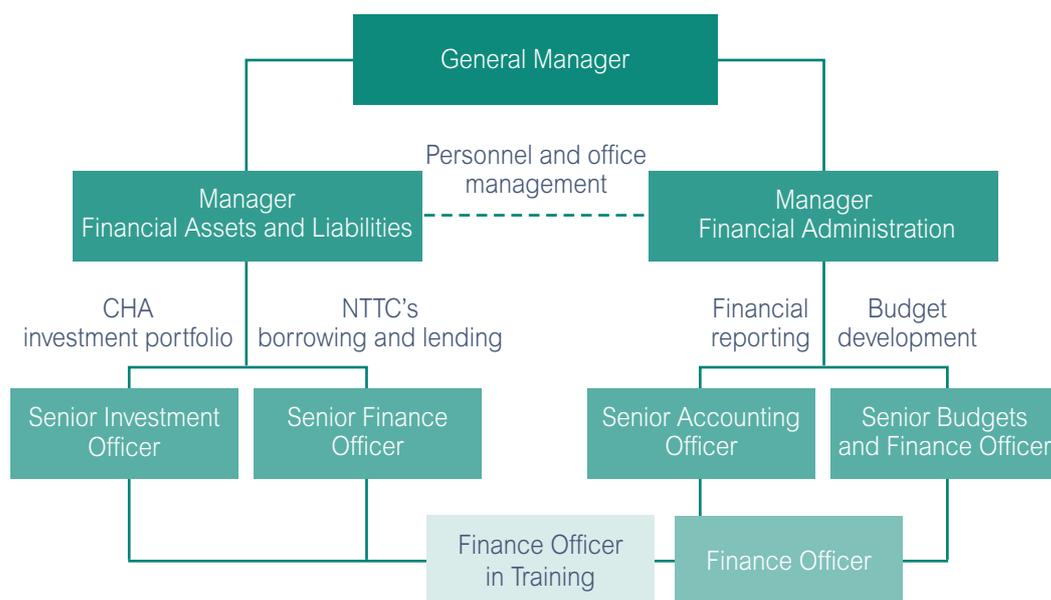
## Human Resource Management

### 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 2015, NTTC had eight full-time employees, four females and four males. Employees are required to comply with the PSEMA, the Northern Territory Government Code of Conduct and the codes of ethics of all relevant professional associations.

Figure 10: NTTC's Organisational Structure



### Employee Performance Management

NTTC, in conjunction with DTF, operates an Employee Development Framework (EDF), which provides a two-way feedback structure between managers and staff. The framework is designed to identify and develop the work performance of employees so NTTC's and employees' objectives and goals are achieved. Staff and management undertake two performance reviews each year. Development requirements are recorded and followed up using the DTF EDF system.

### Flexible Work Arrangements

NTTC continues to recognise the need for employees to balance their work and family commitments and has a flexible work arrangements policy. The policy, which is consistent with the Union Collective Agreement for Territory public sector employees, emphasises the need for employees and their managers to negotiate arrangements that suit both the individual and the needs of the workplace and provides a structured approach to making arrangements that are clear and equitable for those involved.

### Finance Officer in Training Graduate Program

Throughout the year, graduates employed through the DTF Finance Officer in Training graduate program (FOIT program) may be provided with placement opportunities in NTTC. The FOIT program consists of graduates engaged on a 12-month contract who undertake work experience in several work areas in DTF over the year. This is coupled with regular training through a comprehensive series of workshops and seminars outlining DTF's functions and government processes and structures.

## Training and Professional Memberships

Employees undertake training and professional development aligned with organisational requirements generally identified through the EDF process. In addition to training, they are encouraged to undertake finance and accounting-related study through various professional bodies and institutions at the post-graduate level. Formal study is supported by DTF's Study Assistance program, which provides up to 2.5 hours paid study leave per week and reimbursement of course costs upon successful completion (capped at \$1500 per unit).

Employees are reimbursed half the cost of their annual professional membership fees where membership is relevant to their work role. Management and staff hold memberships with the following professional bodies:

- Australian Financial Markets Association;
- Certified Practising Accountants Australia;
- Australian Institute of Company Directors;
- Finance and Treasury Association; and
- Institute of Chartered Accountants of Australia and New Zealand.

## Equal Opportunity and Workplace Harassment

NTTC is an equal opportunity employer and is committed to providing a workplace that is 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 that NTTC supports staff. The EAP offers up to five free confidential counselling sessions for employees and their family members with either of DTF's EAP providers.

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

### Employment Opportunities

Information on employment opportunities within NTTC can be found on the Territory Government's website at [www.nt.gov.au/jobs](http://www.nt.gov.au/jobs), DTF's website at [www.treasurycareers.nt.gov.au](http://www.treasurycareers.nt.gov.au), or by contacting:

Mr Alex Pollon  
General Manager  
+61 8 8999 6318

Ms Vicky Coleman  
Manager Financial  
Administration  
+61 8 8999 5599

Mr Archellus Lim  
Manager Financial Assets  
and Liabilities  
+61 8 8999 6767

# Treasury Corporation People

## Total Staff Numbers by Gender and Level

Table 10 provides a comparison by gender for each classification level.

Table 10: Staff Demographics (full-time equivalent) as at 30 June 2015

Designation	Male		Female		Total	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
AO4	1	1	-	-	1	1
AO5	-	1	4	3	4	4
SAO1	1	1	1	1	2	2
ECO1	1	1	-	-	1	1
<b>Total</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>8</b>	<b>8</b>

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 11 provides NTTC's reported EEO profile.

Table 11: Reported EEO Profile as at 30 June 2015

Aboriginal and Torres Strait Islanders	-
Non-English speaking background	5
People with a disability	-



Left to right:

Niki Mastoros, Gloria Lui, Daniel Susantio, Alex Pollon, Vicky Coleman, John Kidd, Anna Mitchell, Archellus Lim

# Corporate Governance

Figure 11: NTTC's Corporate Governance Framework

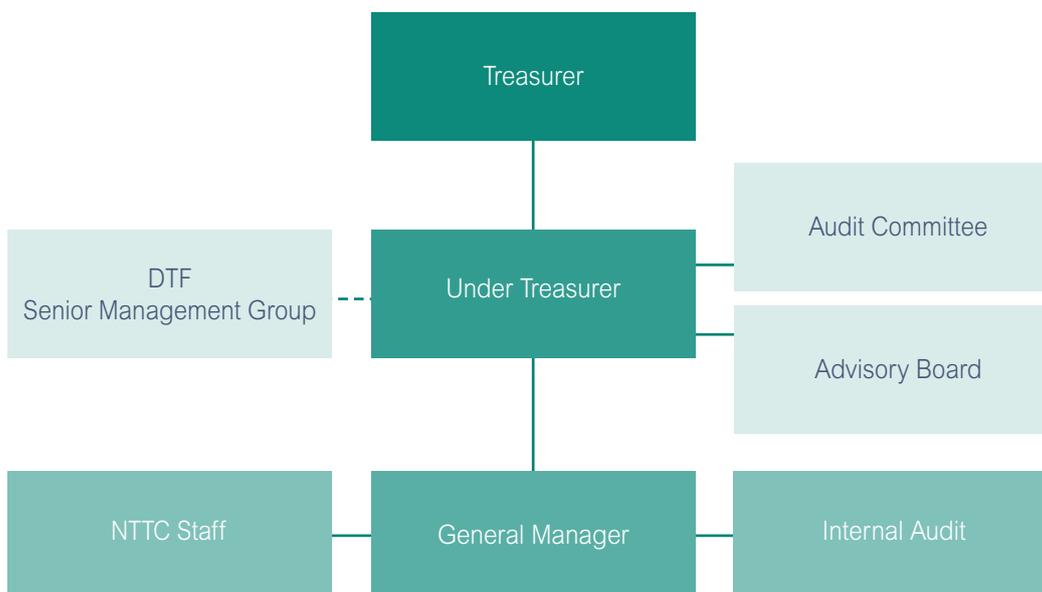


## Corporate Governance

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 June 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 Act, NTTC is subject to the direction of the Treasurer.

Figure 12: NTTC's Reporting Structure



## Strategic Direction

### Corporate Objectives

NTTC's objectives are to:

- safeguard the Territory's financial resources by establishing and regularly reviewing credit limits and maintaining adequate internal controls and staffing;
- reduce the Territory's cost of borrowings through the effective control and management of its interest rate risk and maintain the exposure to interest rate risk at an acceptable level;
- ensure NTTC's continued ability to meet the Territory's financing obligations in an orderly manner, as and when they fall due, in both the short and long term, through liquidity management;
- minimise the Territory's cost of foreign currency requirements through the effective control and management of its foreign exchange risk and remove the exposure to foreign exchange risk; and
- adopt improved risk management strategies through the ongoing evaluation and review of appropriate risk management frameworks by utilising specialist resources available to NTTC.

## Department of Treasury and Finance's Senior Management Group

NTTC reports to 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. Monthly management reports are provided to DTF senior executives and SMG.

## Department of Treasury and Finance's Risk and Audit Committee

Audit and compliance reports submitted to DTF's senior executives are 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 the performance of NTTC, its business risks and performance in relation to its objectives. The Advisory Board 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; and
- 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

Ms Jodie Ryan

Under Treasurer and Chairman

Department of Treasury and Finance

Ms Ryan was appointed Under Treasurer in July 2013. Ms Ryan has over 20 years' experience in Treasury and Finance, having previously held the positions of Deputy Under Treasurer and Deputy Chief Executive of the Department of the Chief Minister. She sits on various inter-agency committees including the Executive Remuneration Review Panel and the Infrastructure Subcommittee. Ms Ryan has a Bachelor of Business (Accounting) and is a Certified Practising Accountant.

Mr Anthony Cole AO

External Board Member and Member of the Audit Committee

Mr Cole was appointed to the Board in June 1995 and was a senior partner of Mercer for 15 years. Mr Cole and his team advised institutional investors, including superannuation funds, on the development of their investment programs. His experience includes nearly 30 years in senior Commonwealth Government economic posts. These included Principal Adviser to the then Treasurer, the Hon. Paul Keating MP, Deputy Secretary (Economic) to the Department of the Prime Minister and Cabinet, and Secretary to the Treasury. Mr Cole is also a director of the Commonwealth Superannuation Corporation and of Australian Ethical Investments Ltd.

### 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 and is General Manager of Super SA, the superannuation provider for South Australian public sector employees. 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 David Braines-Mead

#### Deputy Under Treasurer

#### Department of Treasury and Finance

Mr Braines-Mead is Deputy Under Treasurer in DTF and has held various positions at the director level and above within the Financial Management Group since joining DTF in 2004. He represents DTF on both intergovernmental and whole of government committees. Prior to this, he had over 15 years' experience within the accounting profession both in Darwin as a Senior Audit Manager with Ernst & Young and in the UK with various chartered accountancy firms. Mr Braines-Mead is a fellow of the UK-based Association of Chartered Certified Accountants.



*Left to right: Richard Ryan, John Montague, David Braines-Mead, Jodie Ryan, Alex Pollon, Vicky Coleman and Anthony Cole*

## Northern Territory Treasury Corporation Audit Committee

The Audit Committee is a subcommittee of the Advisory Board. It provides advice to the Chairman on operational issues and in relation to internal and external audits and meets prior to all Advisory Board meetings or as necessary. As at 30 June 2015, the Audit Committee comprised the three external Advisory Board members and is chaired by Mr Ryan.

Merit Partners Darwin, in conjunction with Ernst & Young Adelaide, undertake the internal audit review of NTTC's business while the Auditor-General for the Northern Territory carries out the external audit of NTTC's financial statements.

A partner from Merit Partners 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 joined NTTC in September 1998 as Manager Financial Assets and Liabilities. In December 2004, he advanced to Assistant Director and was appointed General Manager of NTTC in May 2010. As General Manager, he 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. 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.

Ms Vicky Coleman

Manager Financial Administration and Corporate Secretary

Ms Coleman joined DTF in April 2000 and was appointed Manager Financial Administration for NTTC in February 2002. Ms Coleman is responsible for NTTC's financial reporting, budgeting, corporate governance and risk management functions. Prior to joining DTF, Ms Coleman held various management positions in private industry mainly in the finance sector. She is a Certified Practising Accountant, a member of the Australian Institute of Company Directors and the Finance and Treasury Association, holds a Certificate in Governance and Risk Management from the Chartered Secretaries Australia and is currently completing a Master of Business Administration at Deakin University.

Mr Archellus Lim

Manager Financial Assets and Liabilities

Mr Lim joined NTTC in September 2013 as Manager Financial Assets and Liabilities and is responsible for the day-to-day activities and operational effectiveness of the treasury functions undertaken by NTTC. Prior to working with NTTC, Mr Lim worked as Chief Financial Officer at an Indigenous college and as an auditor at a chartered accounting firm in Darwin specialising in the financial services sector. He holds a Bachelor of Science in Accountancy and a Bachelor of Science in Business Administration, majoring in Finance and Management Accounting, from Holy Angel University in the Philippines. He is currently completing his Master of Business Administration at Charles Darwin University. He is a Certified Finance and Treasury Professional and a Member of the Finance and Treasury Association of Australia. He is also a Member (Provisional) of the Chartered Accountants Australia and New Zealand and a Member of the Philippine Institute of Certified Public Accountants.

## 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.

### Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Legislation

NTTC is subject to the suspicious matters reporting requirement of the 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. Questionnaires are completed by management monthly and associated reports are reviewed by the Advisory Board quarterly and audited by NTTC's internal auditors 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 on an annual basis 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 2014-15 there were no self-insurance claims. This is consistent with 2013-14.

### 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 regularly 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. These 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 12 on page 27.

## 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 its 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 2014-15. FOI requests can be made to the following:

Information Policy Officer	Telephone: +61 8 8999 6982
Department of Treasury and Finance	Facsimile: +61 8 8999 6150
GPO Box 1974	Email: <a href="mailto:foi.dtf@nt.gov.au">foi.dtf@nt.gov.au</a>
Darwin NT 0801	Website: <a href="http://www.treasury.nt.gov.au/InformationAct">www.treasury.nt.gov.au/InformationAct</a>

## External Audit

Under section 30 of the NTTC Act, the Auditor-General of the Northern Territory 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 Territory Parliament. 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, Merit Partners Darwin, in conjunction with Ernst & Young Adelaide, audits NTTC's financial statements and reviews its risk and operational controls environment.

Table 12: Audits Undertaken During the Year

Function	Type	Period	Internal/External	Outcomes
2013-14 financial statements	Audit	30/06/14	Internal	Unqualified audit opinion
			External	Unqualified audit opinion
Compliance self-assessment	Review	30/09/14 31/03/15	Internal	No significant matters identified
Information technology controls	Audit	30/06/15	Internal	No significant matters identified
Interim period review	Audit	30/06/15	Internal/external	No significant matters identified

# Territory Economy

The following section provides an overview of the Territory economy, including the overall performance of the economy in 2014-15 and the outlook for 2015-16 through to 2018-19. Updates of key economic indicators are published regularly and can be downloaded at [www.treasury.nt.gov.au/economy](http://www.treasury.nt.gov.au/economy).

## Structure of the Economy

The Territory accounts for 18 per cent of Australia's total land mass and just over 1 per cent of Australia's total population, with approximately one third of the Territory's population being Indigenous.

The Territory has a relatively small economy, making up about 1.4 per cent of Australia's gross domestic product (GDP) in 2013-14. The Territory's economic base is also relatively concentrated, with large contributions from construction, mining, government services and defence.

The small size of the Territory economy means large, typically resource-based projects can have a substantial impact on investment and production, resulting in volatile growth patterns. Historically, mining was the largest industry in the Territory, accounting for an average of 17 per cent of the Territory's gross state product (GSP) over the past decade. However in 2013-14, construction was the largest industry in terms of contribution to the Territory's economy, accounting for about 18 per cent of the Territory's GSP. In comparison, mining accounted for just under 16 per cent of Territory GSP in 2013-14.

## Economic Growth

The Territory economy has grown at above trend levels in recent years, and this is expected to continue in the medium term. The Territory's GSP was estimated to be \$21.2 billion in 2013-14, an increase of 6.5 per cent compared to the previous year, and the highest growth rate of the jurisdictions. Growth was underpinned by a strong increase in business investment, mostly related to major projects, as well as dwelling investment. Household consumption was also a strong contributor to growth.

The Territory's GSP is estimated to have increased by 4.5 per cent in 2014-15, a lower rate of growth than the previous year but remaining strong. Growth is expected to have been driven primarily by continued strength in business investment, reflecting peak construction activity on the Ichthys LNG project, although this will be partly offset by increased levels of imports related to the project.

In 2014-15, the value of the Territory's net exports is expected to contract following the import of machinery and equipment related to the Ichthys LNG projects. Exports from the Territory are expected to be supported by the commencement of woodchip exports from the Tiwi Islands, and exports of processed meat from the Australian Agricultural Company beef processing facility at Livingstone. The value of exports from the Territory is nonetheless expected to decline in 2014-15, following the closure of some Territory mines.

From 2015-16, the Territory economy is expected to commence a period of transition as investment in major resource projects pass their peak and move to the production and export phase. The forecast decline in business investment is expected to be offset by a decline in imports and an increase in public investment, with the Territory Government investing strongly in economic, community and social infrastructure from 2015-16. Furthermore, the Government's land release program and changes to the First Home Owner Grant, which target the grants toward the purchase or construction of new homes, is expected to support dwelling investment in the Territory. In the outer years, the investment in the Ichthys LNG project will translate into a substantial increase in exports from 2016-17, which will underpin economic growth.

## External Economic Environment

In its July 2015 World Economic Outlook, the International Monetary Fund (IMF) forecasts global economic growth to moderate slightly from 3.4 per cent in 2014 to 3.3 per cent in 2015. Advanced economies are experiencing a gradual pickup in growth while there is a slowdown in emerging and developing economies due to several factors including lower commodity prices and tighter external financial conditions. Growth in China is expected to moderate from 7.4 per cent in 2014 to 6.8 per cent in 2015 and to 6.3 per cent in 2016, reducing demand for commodities such as iron ore and steel, which is likely to lead to lower prices. Global economic growth is expected to strengthen to 3.8 per cent in 2016 as advanced economies gradually accelerate with the economic recovery in Europe broadly on track and the underlying drivers for consumption and investment growth in the United States remaining intact.

The Territory's five largest export markets are Japan, China, Thailand, Indonesia and Vietnam. While the IMF is forecasting economic growth to moderate in China, overall the outlook for economic growth in the Territory's major export markets is favourable.

The national economy is important to the Territory primarily through interstate trade and Commonwealth revenue. In the 2015 Budget, Commonwealth Treasury forecast growth in the Australian economy of 2.5 per cent in 2014-15 and 2.75 per cent in 2015-16, before strengthening to 3.25 per cent in 2016-17. Short-term growth is forecast at below the long-term average of 2.8 per cent, however Australia is experiencing higher growth than in many other developed economies.

## Population

The Territory's annual population growth rate moderated from 1.7 per cent in 2013 to 0.4 per cent in 2014. This reflects a slowing of net overseas migration, which added 1461 persons to the Territory's population in 2014, which is much lower than the relatively high levels seen in recent years. Net interstate migration also contributed to the slowdown in population growth, with almost 3400 more interstate departures than arrivals in 2014.

Population growth is forecast to strengthen again in 2015 as the workforce requirements for the construction phase of the Ichthys LNG project peak. Growth is forecast to moderate from 2016 onward as the Ichthys LNG project moves into the production phase, which will require fewer workers on site, and population growth returns to levels more akin to natural increase.

## Labour Force

Following a strong result in 2013-14, employment in the Territory declined by 0.4 per cent in 2014-15. However the unemployment rate remained amongst the lowest of the jurisdictions, declining slightly to an annual average rate of 4.2 per cent. The Territory consistently has the highest labour force participation rate of any jurisdiction in Australia. The result in 2014-15 largely reflected the earlier and stronger than anticipated increase in employment relating to the Ichthys LNG project and strong residential construction activity in late 2013-14, which flowed through to mid 2014-15.

From 2015-16 labour market conditions in the Territory are expected to soften reflecting the transition of the Ichthys LNG project from the construction phase to the less labour intensive production phase and the forecast decline in dwelling construction activity, albeit from a high base. This is expected to lead to softer employment growth, with the forecast below historical trend levels over the medium term.

The unemployment rate in the Territory is expected to slowly rise over the coming years, largely as a result of slower employment growth, and is forecast to increase to 4.5 per cent in 2015-16 before further increasing to 4.7 per cent between 2016-17 and 2018-19. Nevertheless, the Territory's unemployment rate is likely to remain below the national average.

## Prices

Growth in the Darwin consumer price index (CPI) moderated from 3.9 per cent in 2013 to 2.9 per cent in 2014 and has continued to moderate in the first half of 2015. Slowing growth in the Darwin CPI reflects reduced growth in housing costs, in particular utilities, rents and house purchase prices, as well as lower transportation costs.

Darwin CPI growth is expected to remain within a 2 to 3 per cent band over the medium term. This reflects the forecast modest growth in population and employment in the Territory over the coming years, which is expected to lead to lower growth in demand for goods and services and consequently lower growth in prices. In addition, an expected increase in the supply of new dwelling stock and proposed land releases in Greater Darwin should reduce demand pressure on property prices and rents.



*Cruise ship 'Crystal Harmony' berthed at Stokes Hill Wharf*

*Reproduced courtesy of Tourism NT*

# Appendix A: Outstanding Domestic Borrowings

As at June 2015

Maturity Date	Coupon Rate	Face Value	Maturity Date	Coupon Rate	Face Value
	%	\$000		%	\$000
2015-16			15-Dec-15	5.40	101
20-Oct-15	6.25	500 000	15-Dec-15	5.35	94
20-Oct-15	6.50	20 000	15-Dec-15	5.05	90
15-Dec-15	3.10	2 353	15-Dec-15	3.30	70
15-Dec-15	5.60	1 507	15-Dec-15	6.80	60
15-Dec-15	5.70	1 068	15-Dec-15	6.90	56
15-Dec-15	4.10	1 013	15-Dec-15	3.95	50
15-Dec-15	3.00	950	15-Dec-15	4.85	49
15-Dec-15	3.30	866	15-Dec-15	6.25	35
15-Dec-15	5.00	857	15-Dec-15	5.40	34
15-Dec-15	5.50	696	15-Dec-15	3.90	33
15-Dec-15	5.50	636	15-Dec-15	3.15	24
15-Dec-15	4.00	631	15-Dec-15	5.45	22
15-Dec-15	3.20	629	15-Dec-15	5.10	22
15-Dec-15	5.60	629	15-Dec-15	6.75	20
15-Dec-15	5.50	541	15-Dec-15	6.00	12
15-Dec-15	3.10	443	15-Dec-15	5.35	11
15-Dec-15	4.00	397	15-Dec-15	4.90	10
15-Dec-15	6.70	360	15-Dec-15	3.20	6
15-Dec-15	2.95	307	15-Dec-15	5.55	5
15-Dec-15	5.95	299	20-May-16	5.00	5 000
15-Dec-15	5.40	288	01-Jun-16	6.46	2 011
15-Dec-15	5.00	245	15-Jun-16	2.50	2 977
15-Dec-15	4.10	219	15-Jun-16	6.00	2 049
15-Dec-15	5.60	215	15-Jun-16	5.90	1 588
15-Dec-15	4.00	202	15-Jun-16	3.40	1 119
15-Dec-15	5.70	200	15-Jun-16	5.50	881
15-Dec-15	4.90	189	15-Jun-16	5.00	870
15-Dec-15	6.60	178	15-Jun-16	5.70	832
15-Dec-15	6.55	161	15-Jun-16	2.40	749
15-Dec-15	5.55	151	15-Jun-16	5.85	656
15-Dec-15	2.95	151	15-Jun-16	5.10	604
15-Dec-15	5.20	146	15-Jun-16	5.20	569
15-Dec-15	3.15	144	15-Jun-16	3.80	479
15-Dec-15	6.40	135	15-Jun-16	5.40	475
15-Dec-15	3.00	131	15-Jun-16	5.30	414
15-Dec-15	5.50	125	15-Jun-16	5.15	401
15-Dec-15	6.30	116	15-Jun-16	4.70	394
15-Dec-15	5.40	114	15-Jun-16	3.30	382
15-Dec-15	5.35	112	15-Jun-16	5.60	368

Maturity Date	Coupon Rate	Face Value	Maturity Date	Coupon Rate	Face Value
	%	\$000		%	\$000
15-Jun-16	4.80	357	15-Dec-16	3.30	1 107
15-Jun-16	3.40	351	15-Dec-16	5.00	1 095
15-Jun-16	3.65	336	15-Dec-16	5.10	1 010
15-Jun-16	5.35	254	15-Dec-16	5.60	723
15-Jun-16	5.90	250	15-Dec-16	6.00	616
15-Jun-16	4.30	240	15-Dec-16	5.10	601
15-Jun-16	5.80	223	15-Dec-16	3.70	600
15-Jun-16	2.35	219	15-Dec-16	6.10	594
15-Jun-16	3.70	207	15-Dec-16	6.10	553
15-Jun-16	3.25	188	15-Dec-16	4.20	439
15-Jun-16	4.20	166	15-Dec-16	5.00	352
15-Jun-16	6.00	162	15-Dec-16	6.00	328
15-Jun-16	5.85	162	15-Dec-16	4.95	294
15-Jun-16	4.15	160	15-Dec-16	3.30	216
15-Jun-16	4.95	103	15-Dec-16	3.15	199
15-Jun-16	4.70	100	15-Dec-16	3.70	170
15-Jun-16	2.50	100	15-Dec-16	3.60	163
15-Jun-16	2.70	82	15-Dec-16	5.50	147
15-Jun-16	4.65	81	15-Dec-16	4.10	132
15-Jun-16	5.90	64	15-Dec-16	3.55	130
15-Jun-16	3.30	47	15-Dec-16	3.55	127
15-Jun-16	2.35	44	15-Dec-16	4.95	107
15-Jun-16	3.70	44	15-Dec-16	6.20	98
15-Jun-16	2.65	43	15-Dec-16	6.10	77
15-Jun-16	4.60	42	15-Dec-16	5.45	77
15-Jun-16	4.30	35	15-Dec-16	4.00	75
15-Jun-16	3.65	29	15-Dec-16	3.15	45
15-Jun-16	5.75	28	15-Dec-16	5.95	42
15-Jun-16	3.80	23	15-Dec-16	4.05	40
15-Jun-16	6.46	14	15-Dec-16	4.20	32
15-Jun-16	5.80	10	15-Dec-16	3.20	25
15-Jun-16	6.46	7	15-Dec-16	6.05	24
15-Jun-16	5.55	4	15-Dec-16	5.95	24
15-Jun-16	4.65	4	15-Dec-16	4.10	18
15-Jun-16	4.80	1	15-Dec-16	3.60	5
<b>TOTAL 2015-16</b>	<b>6.13</b>	<b>565 206</b>	15-Jun-17	6.00	1 320
			15-Jun-17	2.60	908
			15-Jun-17	6.10	830
<b>2016-17</b>			15-Jun-17	4.00	673
20-Nov-16	5.75	300 000	15-Jun-17	3.70	664
20-Nov-16	5.75	200 000	15-Jun-17	5.00	609
15-Dec-16	3.20	1 526			

Maturity Date	Coupon Rate	Face Value	Maturity Date	Coupon Rate	Face Value
	%	\$000		%	\$000
15-Jun-17	2.45	547	15-Dec-17	4.30	1 015
15-Jun-17	6.46	530	15-Dec-17	6.46	707
15-Jun-17	3.80	464	15-Dec-17	4.20	481
15-Jun-17	4.00	450	15-Dec-17	3.40	343
15-Jun-17	2.50	446	15-Dec-17	4.00	339
15-Jun-17	4.40	408	15-Dec-17	4.15	237
15-Jun-17	4.35	407	15-Dec-17	3.50	200
15-Jun-17	6.15	370	15-Dec-17	4.00	170
15-Jun-17	6.20	365	15-Dec-17	3.90	146
15-Jun-17	6.10	364	15-Dec-17	4.20	113
15-Jun-17	3.90	335	15-Dec-17	4.20	79
15-Jun-17	5.95	246	15-Dec-17	3.85	59
15-Jun-17	6.30	194	15-Dec-17	3.40	55
15-Jun-17	3.65	192	15-Dec-17	4.05	30
15-Jun-17	4.65	133	15-Dec-17	4.15	17
15-Jun-17	4.80	122	15-Dec-17	3.90	15
15-Jun-17	4.50	102	15-Dec-17	4.10	14
15-Jun-17	2.75	100	15-Dec-17	3.85	12
15-Jun-17	2.90	95	15-Dec-17	3.35	5
15-Jun-17	3.80	74	15-Jun-18	4.00	766
15-Jun-17	6.20	72	15-Jun-18	4.10	759
15-Jun-17	4.90	64	15-Jun-18	4.10	657
15-Jun-17	3.85	58	15-Jun-18	4.10	539
15-Jun-17	3.70	57	15-Jun-18	3.95	505
15-Jun-17	4.35	35	15-Jun-18	2.60	342
15-Jun-17	2.60	25	15-Jun-18	4.00	301
15-Jun-17	3.90	18	15-Jun-18	2.70	294
15-Jun-17	4.70	14	15-Jun-18	4.00	244
15-Jun-17	3.65	11	15-Jun-18	3.95	202
15-Jun-17	4.40	9	15-Jun-18	4.10	118
15-Jun-17	4.85	9	15-Jun-18	3.95	103
15-Jun-17	2.50	7	15-Jun-18	3.00	60
15-Jun-17	3.85	5	15-Jun-18	4.00	50
15-Jun-17	2.80	4	15-Jun-18	2.90	50
15-Jun-17	6.05	1	15-Jun-18	2.85	50
<b>TOTAL 2016-17</b>	<b>5.70</b>	<b>523 148</b>	15-Jun-18	2.70	30
			15-Jun-18	2.55	27
			15-Jun-18	3.95	9
<b>2017-18</b>			<b>TOTAL 2017-18</b>	<b>4.74</b>	<b>510 572</b>
26-Sep-17	3.90	250			
17-Nov-17	4.75	500 000			
15-Dec-17	4.30	1 179			

Maturity Date	Coupon Rate	Face Value	Maturity Date	Coupon Rate	Face Value
	%	\$000		%	\$000
<b>2018-19</b>			15-Jun-20	3.35	489
20-Sep-18	4.75	500 000	15-Jun-20	3.05	276
15-Dec-18	4.30	1 545	15-Jun-20	3.10	165
15-Dec-18	4.30	1 243	15-Jun-20	3.40	102
15-Dec-18	4.20	1 029	15-Jun-20	3.05	85
15-Dec-18	3.70	589	<b>TOTAL 2019-20</b>	<b>4.98</b>	<b>17 148</b>
15-Dec-18	4.15	390	<b>2021-22</b>		
15-Dec-18	4.20	310	20-Sep-21	4.25	525 000
15-Dec-18	4.15	270	20-Sep-21	4.25	75 000
15-Dec-18	3.80	223	20-Sep-21	4.25	50 000
15-Dec-18	3.80	215	15-Mar-22	6.06	5 000
15-Dec-18	3.65	89	<b>TOTAL 2021-22</b>	<b>4.26</b>	<b>655 000</b>
15-Dec-18	3.65	70	<b>2022-23</b>		
15-Dec-18	3.70	63	30-Sep-22	8.24	5 000
13-Apr-19	2.80	250	15-Mar-23	6.00	10 000
15-Jun-19	4.40	2 349	20-May-23	5.00	5 000
15-Jun-19	4.40	882	<b>TOTAL 2022-23</b>	<b>6.31</b>	<b>20 000</b>
15-Jun-19	4.30	792	<b>2023-24</b>		
15-Jun-19	2.90	657	15-Mar-24	6.00	325 000
15-Jun-19	4.30	454	15-Mar-24	6.00	70 300
15-Jun-19	4.25	386	15-Mar-24	6.00	65 000
15-Jun-19	3.20	201	15-Mar-24	6.00	45 000
15-Jun-19	2.80	135	15-Mar-24	6.00	45 000
15-Jun-19	4.25	95	15-Mar-24	6.00	40 000
15-Jun-19	2.90	60	15-Mar-24	6.00	30 000
15-Jun-19	2.75	56	15-Mar-24	6.00	20 000
15-Jun-19	2.75	14	15-Mar-24	6.00	9 700
<b>TOTAL 2018-19</b>	<b>4.73</b>	<b>512 367</b>	20-May-24	5.00	5 000
<b>2019-20</b>			<b>TOTAL 2023-24</b>	<b>5.99</b>	<b>655 000</b>
08-Oct-19	8.14	5 000	<b>2024-25</b>		
15-Dec-19	4.10	2 054	15-Mar-25	6.00	9 600
15-Dec-19	4.00	1 798	15-Mar-25	6.00	9 300
15-Dec-19	4.10	1 177	20-May-25	8.50	5 000
15-Dec-19	4.00	740	<b>TOTAL 2024-25</b>	<b>6.52</b>	<b>23 900</b>
15-Dec-19	3.95	446			
15-Dec-19	3.95	90			
15-Jun-20	3.50	1 534			
15-Jun-20	3.20	1 435			
15-Jun-20	3.20	943			
15-Jun-20	3.10	814			

Maturity Date	Coupon Rate	Face Value
	%	\$000
<b>2025-26</b>		
15-Sep-25	8.50	20 000
15-Sep-25	8.50	4 974
15-Mar-26	6.00	300 000
15-Mar-26	6.00	215 000
15-Mar-26	6.00	65 300
15-Mar-26	6.00	40 000
15-Mar-26	6.00	9 200
15-Mar-26	6.00	8 900
15-Mar-26	6.00	5 000
15-Mar-26	6.00	3 200
15-Mar-26	6.00	2 400
15-Mar-26	6.00	1 000
<b>TOTAL 2025-26</b>	<b>6.09</b>	<b>674 974</b>
<b>2026-27</b>		
15-Mar-27	6.00	8 400
<b>TOTAL 2026-27</b>	<b>6.00</b>	<b>8 400</b>
<b>2027-28</b>		
15-Mar-28	6.00	7 900
<b>TOTAL 2027-28</b>	<b>6.00</b>	<b>7 900</b>
<b>2028-29</b>		
15-Mar-29	6.00	7 500
<b>TOTAL 2028-29</b>	<b>6.00</b>	<b>7 500</b>
<b>2029-30</b>		
15-Mar-30	6.00	17 000
15-Mar-30	6.00	10 000
15-Mar-30	6.00	7 000
15-Mar-30	6.00	5 000
15-Mar-30	6.00	3 000
<b>TOTAL 2029-30</b>	<b>6.00</b>	<b>42 000</b>
<b>TOTAL</b>	<b>5.42</b>	<b>4 223 115</b>

# Appendix B: Outstanding Loans

As at 30 June 2015

	Face Value
	\$000
<b>General government agencies</b>	
Central Holding Authority	3 050 531
Department of Housing	78 116
<b>Total</b>	<b>3 128 647</b>
<b>Government business divisions</b>	
Darwin Port Corporation	12 000
Land Development Corporation	20 000
NT Home Ownership	246 979
<b>Total</b>	<b>278 979</b>
<b>Government owned corporations</b>	
Power and Water Corporation	1 034 346
Territory Generation	180 000
<b>Total</b>	<b>1 214 346</b>
<b>TOTAL</b>	<b>4 621 972</b>

# Appendix C: Investment Guidelines

As at 30 June 2015

Institution	Standard & Poor's Credit Rating	Limit \$AUD \$000
<b>Short-term investments (&lt; 1 year)</b>		
Governments	A-1+	150 000
	A-1	100 000
	A-2	75 000
Financial institutions	A-1+	75 000
	A-1	50 000
	A-2	30 000
Structured finance instruments	A-1+	30 000
	A-1	20 000
	A-2	10 000
Corporates	A-1+	30 000
	A-1	20 000
	A-2	10 000
<b>Long-term investments (&gt; 1 year)</b>		
Governments	AAA	100 000
	AA+	80 000
	AA	60 000
	AA-	50 000
Financial institutions	AAA	50 000
	AA+	40 000
	AA	30 000
	AA-	20 000
	A+	10 000
	A	5 000
Structured finance instruments	AAA	20 000
	AA+	15 000
	AA	10 000
	AA-	5 000
Corporates	AAA	20 000
	AA+	15 000
	AA	10 000
	AA-	5 000

# Appendix D: Glossary of Terms

## Aaa/AAA

The highest credit rating assigned by credit rating agencies such as Moody's Investors Services and Standard & Poor's.

## 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) bank-bill 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 (CFA) 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 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 Divisions

Entities that operate on a commercial basis and have a significant proportion of their operating cost recovered through charges on goods and services provided to users.

## Government Owned Corporations

Entities that operate on a commercial basis whose operations are not guaranteed by the Crown and do not make the Territory liable for its debts, liabilities or obligations.

## 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.

## Interest Rate Risk

Exposure to loss resulting from a change in interest rates. Hedging strategies are designed to minimise, possibly eliminate, interest rate risk.

## 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.

## 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.

## Syndication

A formal process of issuing debt securities by the NTTC. Bonds are structured and issued to a group of investors arranged and administered by one or more financial intermediaries known as arrangers.

## Territory Bonds

Issues of NTTC inscribed stock to retail investors.



# Financial Statements

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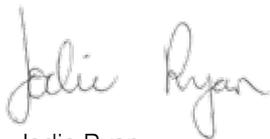
# Certification of Financial Statements

For the financial year ended 30 June 2015

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

- a. the accompanying financial statements and notes are in agreement with the accounts and records of the Northern Territory Treasury Corporation; and
- b. in our opinion:
  - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the accompanying annual financial statements have been drawn up in accordance with Australian Accounting Standards, and present a true and fair view of the transactions of the Northern Territory Treasury Corporation for the year ended 30 June 2015 and of the financial position as at 30 June 2015.

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



Jodie Ryan  
Under Treasurer and  
Chairman of the Advisory Board  
28 September 2015



Alex Pollon  
General Manager  
Northern Territory Treasury Corporation  
28 September 2015



## Auditor-General

# Independent Auditor's Report to the Treasurer Northern Territory Treasury Corporation Year Ended 30 June 2015

## Page 1 of 2

I have audited the accompanying financial report of Northern Territory Treasury Corporation ("the Corporation"), which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Certification by the Under Treasurer and General Manager.

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

The General Manager of the Corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Northern Territory Treasury Corporation Act*, and for such internal control as management determine 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.

### **Auditor's Responsibility**

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

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

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



## Auditor-General

### Page 2 of 2

#### Opinion

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

- is based on proper accounts and is in agreement with the accounts and has been properly drawn up so as to present a true and fair view of the transactions for the financial year ended 30 June 2015 of the Corporation 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*.

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

Julie Crisp  
Auditor-General for the Northern Territory  
Darwin, Northern Territory

29 September 2015

# Statement of Comprehensive Income

For the financial year ended 30 June 2015

	Note	2015 \$000	2014 \$000
REVENUE		277 249	289 872
Interest	4	276 405	289 050
Other revenue	5	844	822
EXPENSES		241 120	256 898
Interest	6	238 841	254 574
Administration	7	2 279	2 324
PROFIT BEFORE INCOME TAX		36 129	32 974
Income tax expense		10 839	9 892
NET PROFIT AFTER INCOME TAX	8	25 290	23 082
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Northern Territory Government		25 290	23 082
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		25 290	23 082

Notes to the financial statements are included on pages 49 to 71.

# Statement of Financial Position

For the financial year ended 30 June 2015

	Note	2015 \$000	2014 \$000
TOTAL ASSETS		4 648 108	5 283 013
Cash and cash equivalents	10	19 436	591 812
Trade and other receivables	11	6 646	9 943
Prepayments		54	53
Loans	12	4 621 972	4 681 205
TOTAL LIABILITIES		4 626 478	5 261 383
Deposits held		470	405
Trade and other payables	13	53 720	67 253
Provisions	14	25 475	23 276
Tax liabilities	14	10 839	9 892
Borrowings	15	4 535 974	5 160 557
NET ASSETS		21 630	21 630
TOTAL EQUITY		21 630	21 630
Contributed capital	9	21 630	21 630

Notes to the financial statements are included on pages 49 to 71.

# Statement of Cash Flows

For the financial year ended 30 June 2015

	Note	2015	2014
		\$000	\$000
		inflows (outflows)	inflows (outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	18	9 926	24 194
Interest received from investments		278 921	288 883
Interest and other costs of finance paid		(257 677)	(253 074)
Other receipts:			
Management fee		820	820
Other fees		24	2
Payments to suppliers and employees		(2 270)	(2 296)
Income tax paid		(9 892)	(10 141)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		60 012	(352 242)
Repayment of loans		130 012	98 758
Drawdown of loans		(70 000)	(451 000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		(642 314)	410 272
Repayment of borrowings		(1 000 598)	(851 386)
Drawdown of borrowings		381 300	1 285 196
Deposits received		66	126
Dividend paid		(23 082)	(23 664)
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>		<b>(572 376)</b>	<b>82 224</b>
Cash and cash equivalents at the beginning of the financial year		591 812	509 588
Cash and cash equivalents at the end of the financial year	10	19 436	591 812

Notes to the financial statements are included on pages 49 to 71.

# Statement of Changes in Equity

For the financial year ended 30 June 2015

	Note	2015	2014
		\$000	\$000
CONTRIBUTED CAPITAL			
Balance at the beginning of the financial year		21 630	21 630
Movement for the year		-	-
Balance at the end of the financial year	9	21 630	21 630
RETAINED PROFITS			
Balance at the beginning of the financial year		-	-
Net profit	8	25 290	23 082
Dividends provided for		(25 290)	(23 082)
Dividends paid		-	-
Balance at the end of the financial year		-	-
TOTAL EQUITY		21 630	21 630

Notes to the financial statements are included on pages 49 to 71.

# Notes to the Financial Statements

For the financial year ended 30 June 2015

## 1. Legal Status, Associated Guarantees and Entity Domicile

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

The Treasurer has determined that the Northern Territory Treasury Corporation (NTTC) is a government business division as defined in section 3(1) of the *Financial Management Act* (FMA). In accordance with section 10(2) of the FMA, the financial statements of NTTC were prepared based on commercial accounting principles and compliance with Australian Accounting Standards.

### (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.

### (c) Reporting Entity

NTTC is domiciled in Australia. Its registered address is 38 Cavenagh Street Darwin NT 0800. NTTC is designated as a not-for-profit entity and is primarily involved in borrowing and investing on behalf of the Northern Territory Government.

## 2. Summary of Accounting Policies

### Statement of Compliance

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

The financial statements were authorised for issue by the Under Treasurer on 28 September 2015.

### Basis of Preparation

The financial statements are presented in Australian dollars, rounded to the nearest thousand (unless otherwise indicated), and 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 preparation of the financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

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 17.

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

# Notes to the Financial Statements

For the financial year ended 30 June 2015

## Note 2 continued

The significant policies adopted in the preparation of these financial statements are:

### (a) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to 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.

### (b) Employee Benefits

Provision is made for benefits accruing to employees in respect to salaries and wages, and annual leave, when it is probable that settlement will be required and they 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 the Central Holding Authority (CHA). This is in accordance with the Territory Government's current policy where all government agencies' long service leave liabilities are assumed by CHA.

### (c) Expense Recognition

Expense is recognised to the extent that it is probable an outflow of economic sacrifice will flow from the entity and the expense can be reliably measured. Specific expenses are recognised as follows:

#### (i) Interest expense:

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

#### (ii) Other expense:

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

### (d) 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.

# Notes to the Financial Statements

For the financial year ended 30 June 2015

*Note 2 continued*

(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 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 that 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) 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.

(vii) 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.

(e) Goods and Services Tax

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

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

# Notes to the Financial Statements

For the financial year ended 30 June 2015

## Note 2 continued

### (f) Operating Leases

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

### (g) 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 that recovery will be received and the amount of the receivable can be measured reliably.

### (h) 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. Specific revenues are recognised as follows:

#### (i) Interest revenue:

Interest revenue includes accrued revenue and gain on extinguishment. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### (ii) Other revenue:

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

### (i) Superannuation

Employee superannuation entitlements are provided through the:

- Northern Territory Government and Public Authorities Superannuation Scheme (NTGPASS);
- Northern Territory Supplementary Superannuation Scheme (NTSSS); and
- 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.

### (j) Taxation

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. Current 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 2015

## 3. New Standards and Interpretations not yet Adopted

### (a) Standards and Interpretations Adopted During the Year Ended

The table below summarises the standards and interpretations that became applicable during the year ended 30 June 2015 and were adopted by NTTC.

AASBs and Interpretations	Applicable from reporting period date
AASB 2012-3 Amendments to Australia Accounting Standards – Offsetting Financial Assets and Liabilities. Provides guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014
AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (AASB 139). AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014

### (b) Standards and Interpretations on Issue but not yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and were not applied in preparing these financial statements, none of which are expected to have a significant effect on the financial statements of NTTC.

The table below summarises the standards and interpretations already issued but not applicable until a later date. However, some standards and interpretations are available for voluntary early adoption. NTTC has not opted to adopt any standards and interpretations early. The list below primarily includes those standards and interpretations relevant to NTTC.

AASBs and Interpretations	Application date of Standard
The items below are mandatory for years ending on or after 31 December 2016:	
AASB 15 Revenue from Contracts with Customers	30 June 2018
AASB 9 Financial Instruments	30 June 2019
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	30 June 2019
The items below are mandatory for years ending on or after 31 December 2015:	
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-204 cycle – AASB7 and AASB119	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 101 – Presentation of Financial Statements	1 January 2016

# Notes to the Financial Statements

For the financial year ended 30 June 2015

## 4. Interest Revenue

	2015	2014
	\$000	\$000
Interest from loans:		
General government agencies	188 070	176 419
Government owned corporations	68 788	84 836
Government business divisions	15 830	17 609
Other government organisations	-	367
Gain on extinguishment	779	2
Interest from cash balances:		
General government agencies	2 938	9 817
<b>TOTAL INTEREST REVENUE</b>	<b>276 405</b>	<b>289 050</b>

	2015	2015	2014	2014
	Average Balance	Average Rate	Average Balance	Average Rate
	\$000	%	\$000	%
Loans to:				
General government agencies	3 073 052	6.12	2 829 147	6.24
Government owned corporations	1 275 526	5.39	1 328 800	6.38
Government business divisions	303 011	5.22	344 137	5.12
Other government organisations	-	-	6 923	5.30
<b>TOTAL</b>	<b>4 651 589</b>		<b>4 509 007</b>	

	2015	2014
	\$000	\$000
Gains on extinguishment:		
Gains on extinguishment of loans at amortised cost	779	2
<b>TOTAL GAINS ON EXTINGUISHMENT</b>	<b>779</b>	<b>2</b>

## 5. Other Revenue

	2015	2014
	\$000	\$000
Management fees	820	820
Other revenue	24	2
<b>TOTAL OTHER REVENUE</b>	<b>844</b>	<b>822</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2015

## 6. Interest Expense

	2015	2014
	\$000	\$000
Interest to:		
Wholesale borrowings	220 508	235 900
Debt to Commonwealth	11 009	11 303
Retail borrowings	4 780	5 396
Promissory notes	2 519	1 956
Losses on extinguishment	25	19
<b>TOTAL INTEREST EXPENSE</b>	<b>238 841</b>	<b>254 574</b>

	2015	2015	2014	2014
	Average Balance	Average Rate	Average Balance	Average Rate
	\$000	%	\$000	%
Borrowings from:				
Wholesale market				
Fixed interest securities	4 515 299	5.18	4 550 539	5.18
Promissory notes	100 548	2.50	77 534	2.52
Debt to Commonwealth	233 305	4.72	239 649	4.72
Retail market	99 661	5.09	106 106	5.09
	4 948 813		4 973 828	

	2015	2014
	\$000	\$000
Losses on extinguishment:		
Losses on extinguishment of borrowings at amortised cost	25	19
<b>TOTAL LOSSES ON EXTINGUISHMENT</b>	<b>25</b>	<b>19</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2015

## 7. Other Expenses

	2015	2014
	\$000	\$000
Administration:		
Salaries and related employee expenses	824	868
Agent service arrangements – external	682	650
Other service arrangements – internal	559	540
Consultants	17	67
Marketing and promotion	3	3
Document production	36	41
General property management	67	66
Operating leases	9	9
Subscriptions	62	61
Training and study	7	4
Official duty fares	1	2
Travel allowance	1	-
Other operating expenses	11	13
<b>TOTAL OTHER EXPENSES</b>	<b>2 279</b>	<b>2 324</b>

## 8. Retained Profits

	2015	2014
	\$000	\$000
Balance at the beginning of the financial year	-	-
Net profit	25 290	23 082
Dividends provided for	(25 290)	(23 082)
Balance at the end of the financial year	-	-

## 9. Contributed Capital

	2015	2014
	\$000	\$000
Balance at the beginning of the financial year	21 630	21 630
Movement for the year	-	-
Balance at the end of the financial year	21 630	21 630

## 10. Cash and Cash Equivalents

	2015	2014
	\$000	\$000
Cash at bank	19 436	591 812
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>19 436</b>	<b>591 812</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2015

## 11. Trade and Other Receivables

	2015	2014
	\$000	\$000
Accrued interest on loans	6 641	9 937
Debtors	5	6
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>6 646</b>	<b>9 943</b>
Due from external bodies	5	6
Due from Northern Territory Government agencies	6 641	9 937
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>6 646</b>	<b>9 943</b>

## 12. Loans

	2015	2014
	\$000	\$000
General government agencies		
Fixed rate loans	2 950 200	2 835 200
Credit foncier loans	178 447	182 257
Government owned corporations		
Fixed rate loans	430 000	220 000
Floating rate loans	781 805	1 111 805
Credit foncier loans	2 541	4 900
Government business divisions		
Fixed rate loans	133 000	138 000
Floating rate loans	22 000	36 881
Credit foncier loans	123 979	152 162
<b>TOTAL LOANS</b>	<b>4 621 972</b>	<b>4 681 205</b>

## 13. Trade and Other Payables

	2015	2014
	\$000	\$000
Creditors and accruals	295	274
Accrued interest on borrowings	53 406	66 956
Accrued salaries	19	23
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>53 720</b>	<b>67 253</b>
Due to external bodies	53 629	67 185
Due to Northern Territory Government agencies	91	68
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>53 720</b>	<b>67 253</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2015

## 14. Provisions and Tax Liabilities

	2015	2014
	\$000	\$000
a) Employee benefits		
Recreation Leave		
Opening balance	156	119
Recreation leave paid	(100)	(67)
Recreation leave provided for	90	104
Closing balance	146	156
Leave bonus		
Opening balance	12	10
Leave bonus paid	(7)	(9)
Leave bonus provided for	8	11
Closing balance	13	12
Leave airfares		
Opening balance	-	-
Leave airfares paid	-	(3)
Leave airfares provided for	-	3
Closing balance	-	-
Purchased leave		
Opening balance	-	-
Purchased leave paid	-	(2)
Purchased leave provided for	1	2
Closing balance	1	-
Superannuation external		
Opening balance	24	19
Superannuation paid	(24)	(19)
Superannuation provided for	23	24
Closing balance	23	24
Total employee benefits	183	192
Fringe benefit tax	2	2
Dividend payable	25 290	23 082
<b>TOTAL PROVISIONS</b>	<b>25 475</b>	<b>23 276</b>
b) Tax liabilities		
Notional income tax payable	10 839	9 892
<b>TOTAL TAX LIABILITIES</b>	<b>10 839</b>	<b>9 892</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2015

## 15. Borrowings

	2015	2014
	\$000	\$000
Wholesale market		
Fixed interest securities	4 209 482	4 721 679
Promissory notes	-	99 437
Retail market		
Territory Bonds	95 930	101 392
Migration Linked Bonds	500	1 500
Commonwealth		
Credit foncier loans	230 062	236 549
<b>TOTAL BORROWINGS</b>	<b>4 535 974</b>	<b>5 160 557</b>

## 16. 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, maintaining adequate internal controls and staffing;
- minimise borrowing costs via effective control and management of interest rate risk and maintain interest rate risk at an acceptable level;
- ensure sufficient short and long-term liquidity to meet debts as and when they fall due;
- minimise the cost of foreign currency requirements through the effective control and management of its foreign exchange risk and neutralise foreign exchange exposures; and
- review and evaluate the risk management policies and procedures on an annual basis to ensure they remain adequate for 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.

# Notes to the Financial Statements

For the financial year ended 30 June 2015

Note 16 continued

## Categories of Financial Instruments

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

	30 June 2015	30 June 2014
	\$000	\$000
<b>Financial assets:</b>		
Cash and cash equivalents	19 436	591 812
<b>Loans and receivables at amortised cost:</b>		
Trade and other receivables	6 646	9 943
Loans	4 621 972	4 681 205
<b>Total loans and receivables at amortised cost</b>	<b>4 628 618</b>	<b>4 691 148</b>
<b>Financial liabilities:</b>		
<b>Financial liabilities at amortised cost:</b>		
Deposits held	470	405
Trade and other payables	53 720	67 253
Borrowings	4 535 974	5 160 557
<b>Total financial liabilities at amortised cost</b>	<b>4 590 164</b>	<b>5 228 215</b>

## Market Risk

NTTC adopts a policy of a risk-neutral operation. Risk-neutral means NTTC will generally manage interest rate and foreign exchange risk, firstly, 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; and
- 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 NTTC Advisory Board. To the extent that 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 and/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.

# Notes to the Financial Statements

For the financial year ended 30 June 2015

*Note 16 continued*

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 2015, approximately 72 per cent (2014: 61 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. The 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 2015, NTTC did not hold any derivative transactions.

## (i) Sensitivity analysis

Assuming the financial assets and liabilities at 30 June 2015 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/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:

	Impact on Profit before Tax 2015		Impact on Profit before Tax 2014	
	Rates Up by 1%	Rates Down by 1%	Rates Up by 1%	Rates Down by 1%
	\$000	\$000	\$000	\$000
Financial assets:				
Cash at bank	194	(194)	5 918	(5 918)
Floating rate loans	685	(685)	1 094	(1 094)
<b>NET SENSITIVITY</b>	<b>879</b>	<b>(879)</b>	<b>7 012</b>	<b>(7 012)</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2015

Note 16 continued

## Interest Rate Risk Exposures

NTTC's exposure to interest rate risk, re-pricing maturities and the effective interest rates on financial instruments at 30 June 2015 is:

(ii) Re-pricing maturities

	Interest Rate Reset Due In						Non-Interest Bearing	Total
	Weighted Average Interest Rate	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	2.00	19 436	-	-	-	-	19 436	
Trade and other receivables	-	-	-	-	-	6 646	6 646	
Loans								
Fixed rate loans	5.33	40 000	553 000	1 995 000	925 200	-	3 513 200	
Floating rate loans	5.53	15 000	158 000	630 805	-	-	803 805	
Credit foncier loans	9.16	-	2 540	6 143	296 284	-	304 967	
<b>TOTAL FINANCIAL ASSETS</b>		<b>74 436</b>	<b>713 540</b>	<b>2 631 948</b>	<b>1 221 484</b>	<b>6 646</b>	<b>4 648 054</b>	
Financial liabilities:								
Deposits held	-	-	-	-	-	470	470	
Trade and other payables	-	-	-	-	-	53 720	53 720	
Borrowings								
Fixed interest securities	5.19	-	564 915	1 558 139	2 182 858	-	4 305 912	
Promissory notes	-	-	-	-	-	-	-	
Credit foncier loans	4.65	-	-	-	230 062	-	230 062	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>-</b>	<b>564 915</b>	<b>1 558 139</b>	<b>2 412 920</b>	<b>54 190</b>	<b>4 590 164</b>	

# Notes to the Financial Statements

For the financial year ended 30 June 2015

Note 16 continued

For comparative purposes, NTTC's exposure to interest rate risk, repricing maturities and the effective interest rates on financial instruments at 30 June 2014 was as follows:

	Interest Rate Reset Due In						Total
	Weighted Average Interest Rate %	0 to 3 Months \$000	3 Months to 1 Year \$000	1 to 5 Years \$000	More than 5 Years \$000	Non- Interest Bearing \$000	
Financial assets:							
Cash	2.25	591 812	-	-	-	-	591 812
Trade and other receivables	-	-	-	-	-	9 943	9 943
Loans							
Fixed rate loans	5.67	500 000	35 000	2 398 000	260 200	-	3 193 200
Floating rate loans	6.36	39 000	316 000	793 686	-	-	1 148 686
Credit foncier loans	8.84	-	-	34 285	305 034	-	339 319
<b>TOTAL FINANCIAL ASSETS</b>		<b>1 130 812</b>	<b>351 000</b>	<b>3 225 971</b>	<b>565 234</b>	<b>9 943</b>	<b>5 282 960</b>
Financial liabilities:							
Deposits held	-	-	-	-	-	405	405
Trade and other payables	-	-	-	-	-	67 253	67 253
Borrowings							
Fixed interest securities	5.27	499 988	41 175	2 088 666	2 194 742	-	4 824 571
Promissory notes	2.65	99 437	-	-	-	-	99 437
Credit foncier loans	4.65	-	-	-	236 549	-	236 549
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>599 425</b>	<b>41 175</b>	<b>2 088 666</b>	<b>2 431 291</b>	<b>67 658</b>	<b>5 228 215</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 and/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 and that derivative transactions may only be entered into with counterparties rated A- or better by Standard & Poor's rating group.

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

# Notes to the Financial Statements

For the financial year ended 30 June 2015

## *Note 16 continued*

NTTC's dealings in physical securities and/or derivative financial instruments are transacted only with counterparties possessing strong or extremely strong credit rating criteria as determined by Standard & Poor's rating group. In addition, derivative financial instruments are only transacted with counterparties that have signed an International Swaps and Derivatives Association Master Agreement.

The credit risk arising from funds advanced to loan counterparties is considered minimal, as loans are only advanced to counterparties within the Northern Territory public sector, as directed by the Treasurer. Accordingly, ultimate responsibility for loans advanced by NTTC lies with the Territory Government. The Standard & Poor's credit rating criteria are 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 and/or increased costs due to unanticipated events or errors in cash flow forecasts, which result in additional borrowing costs, reduced investment income, or an inability to meet financial or operational commitments as they fall due. 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 and/or utilise backup funding facilities at higher costs.

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

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 via NTTC's promissory note facility;
- a diverse list of counterparties; and
- 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 that is substantially higher than could be achieved under normal market conditions. Funding risk typically relates to periods greater than one year, whereas liquidity risk relates to periods less than one year. The objective of funding risk management is to ensure that 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.

# Notes to the Financial Statements

For the financial year ended 30 June 2015

*Note 16 continued*

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.

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 \$4.13 billion (2014: \$4.73 billion) or 98 per cent (2014: 98 per cent) of all outstanding issued debt as at 30 June 2015. Borrowing from the retail market is primarily sourced via the Territory Bonds program. As at 30 June 2015, \$95.9 million (2014: \$101.4 million) of Territory Bonds were issued and spread across a large number of investors, approximately 4334 (2014: 5191) at an average balance of \$22 134 (2014: \$19 532).

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 2015

Note 16 continued

## 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 have been drawn up based on undiscounted cash flows, and hence include both interest and principal cash flows. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected cash flows as illustrated by the yield curves existing at balance date.

30 June 2015	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>						
<b>General government agencies</b>						
Fixed rate loans	-	40 150	598 040	1 820 305	1 053 685	3 512 180
Credit foncier loans	-	6 296	19 573	103 407	280 108	409 384
<b>Government owned corporations</b>						
Fixed rate loans	-	45 300	14 671	435 453	-	495 424
Floating rate loans	-	26 500	55 271	598 338	303 146	983 255
Credit foncier loans	-	661	1 983	-	-	2 644
<b>Government business divisions</b>						
Fixed rate loans	-	1 766	57 181	86 761	-	145 708
Floating rate loans	-	283	10 841	9 783	5 706	26 613
Credit foncier loans	-	3 485	10 456	46 114	114 755	174 810
<b>TOTAL LOANS</b>	-	124 441	768 016	3 100 161	1 757 400	5 750 018
<b>Deposits held</b>	470	-	-	-	-	470
<b>Borrowings:</b>						
<b>Due to other financial institutions</b>						
<b>Wholesale market</b>						
Fixed interest securities	-	69 471	665 874	2 076 079	2 587 338	5 398 762
<b>Retail market</b>						
Territory Bonds	-	125	42 052	62 608	-	104 785
Migration Linked Bonds	-	5	11	536	-	552
<b>Commonwealth</b>						
Credit foncier loans	-	-	17 490	69 894	299 847	387 231
<b>TOTAL BORROWINGS</b>	470	69 601	725 427	2 209 117	2 887 185	5 891 800

# Notes to the Financial Statements

For the financial year ended 30 June 2015

Note 16 continued

30 June 2014	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
Loans:						
General government agencies						
Fixed rate loans	-	535 885	108 567	2 329 791	355 739	3 329 982
Credit foncier loans	-	6 296	19 579	103 434	305 949	435 258
Government owned corporation						
Fixed rate loans	-	2 989	28 359	229 986	-	261 334
Floating rate loans	-	18 341	52 648	576 089	877 397	1 524 475
Credit foncier loans	-	661	1 983	2 644	-	5 288
Government business divisions						
Fixed rate loans	-	1 808	10 244	145 708	-	157 760
Floating rate loans	-	490	1 459	28 945	18 010	48 904
Credit foncier loans	-	4 918	11 889	60 794	136 942	214 543
<b>TOTAL LOANS</b>	-	<b>571 388</b>	<b>234 728</b>	<b>3 477 391</b>	<b>1 694 037</b>	<b>5 977 544</b>
Deposits held	405	-	-	-	-	405
Borrowings:						
Due to other financial institutions						
Wholesale market						
Fixed interest securities	-	683 845	162 274	2 691 149	2 707 611	6 244 879
Retail market						
Territory Bonds	-	144	39 475	72 198	-	111 817
Migration Linked Bonds	-	39	1 289	274	-	1 602
Commonwealth Government						
Credit foncier loans	-	-	17 497	69 921	317 310	404 728
<b>TOTAL BORROWINGS</b>	<b>405</b>	<b>684 028</b>	<b>220 535</b>	<b>2 833 542</b>	<b>3 024 921</b>	<b>6 763 431</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2015

## 17. Fair Values of Financial Instruments

AASB7, paragraph 25 requires NTTC to provide fair value information through supplementary disclosures for any financial assets or financial liabilities that are 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 interest rates. Current market interest rates are determined with reference to the Australian Financial Markets Association swap reference rates plus a margin. The market rates 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 interest rates 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; and
- the fair value of derivative financial instruments are derived using current market yields and exchange rates appropriate to the instrument.

The fair values represent 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 are 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 that are 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 (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

# Notes to the Financial Statements

For the financial year ended 30 June 2015

Note 17 continued

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

2015	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
Financial assets:					
Loans:					
Fixed rate loans	3 513 200	3 758 651	-	3 758 651	-
Floating rate loans	803 805	823 670	-	823 670	-
Credit foncier loans	304 967	398 882	-	398 882	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>4 621 972</b>	<b>4 981 203</b>	<b>-</b>	<b>4 981 203</b>	<b>-</b>

Financial liabilities:

Borrowings and advances:

Wholesale	4 209 482	4 622 303	-	4 622 303	-
Retail	96 430	100 302	-	100 302	-
Commonwealth	230 062	250 060	-	250 060	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4 535 974</b>	<b>4 972 665</b>	<b>-</b>	<b>4 972 665</b>	<b>-</b>

2014	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
Financial assets:					
Loans:					
Fixed rate loans	3 193 200	3 385 410	-	3 385 410	-
Floating rate loans	1 148 686	1 184 131	-	1 184 131	-
Credit foncier loans	339 319	424 349	-	424 349	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>4 681 205</b>	<b>4 993 890</b>	<b>-</b>	<b>4 993 890</b>	<b>-</b>

Financial liabilities:

Borrowings and advances:

Wholesale	4 821 116	5 183 827	-	5 183 827	-
Retail	102 892	107 286	-	107 286	-
Commonwealth	236 549	243 707	-	243 707	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>5 160 557</b>	<b>5 534 820</b>	<b>-</b>	<b>5 534 820</b>	<b>-</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2015

## 18. Reconciliations of Net Profit from Operating Activities

	2015	2014
	\$000	\$000
Net profit	25 290	23 082
Reconciliation flows in net profit		
Add (gain)/loss on extinguishment	(754)	18
Less (premium) and discount amortisation	(5 310)	(4 738)
Changes in assets and liabilities		
Less decrease/(increase) in interest receivable	3 295	(165)
Less decrease/(increase) in debtors	1	(1)
Add decrease/(increase) in prepayments	(1)	(12)
Add increase/(decrease) in employee benefits	(9)	44
Add increase/(decrease) in trade creditors	17	(3)
Add increase/(decrease) in tax liabilities	947	(249)
Add increase/(decrease) in interest payable	(13 550)	6 218
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>9 926</b>	<b>24 194</b>

## 19. Auditor's Remuneration

External audit services are provided by the Auditor-General for the Northern Territory. The Auditor-General's Office has advised that the estimated cost of this service for the 2014-15 year is \$76 674 (2014: \$73 460).

## 20. Fiduciary Activities

NTTC acts as manager for the investments portfolio of CHA. 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 2014-15 year was \$820 000 (2014: \$820 000). As at 30 June 2015, CHA Investment balances were:

	2015	2014
	\$000	\$000
Investment Portfolio	1 233 000	1 074 000
Conditions of Service Reserve	646 880	589 740
Medium Term Investment Fund	177 151	70 543
Infrastructure Development Fund	209 900	-
<b>TOTAL</b>	<b>2 266 931</b>	<b>1 734 283</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2015

## 21. Dividends

NTTC has provided for a dividend of \$25.290 million, which is at the rate of 100 per cent of its net profit for the 2014-15 year in accordance with the Treasurer's budget direction.

## 22. Advisory Board

The Northern Territory Treasury Corporation Advisory Board was established in October 1994. The Under Treasurer of the Department of Treasury and Finance, Ms Jodie Ryan, is the Chair of the Board and the following people held the position of member during the year ended 30 June 2015:

Mr Anthony S Cole AO	Company Director
Mr Richard V Ryan AO	Editure Limited
Mr John R P Montague	Super SA
Mr David Braines-Mead	Department of Treasury and Finance, Deputy Under Treasurer

During the year ended 30 June 2015 only three members were entitled to receive Advisory Board sitting fees, amounting to \$54 511 (2014: \$39 644). Members who are permanently employed under the *Public Sector Employment and Management Act*, or on similar terms, are not entitled to fees.

	2015	2014
	\$000	\$000
Sitting fees	55	40

## 23. Fees and Commissions

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

	2015	2014
	\$000	\$000
Link Market Services Pty Ltd	258	269
Sungard Systems Pty Ltd	85	79
Thomson Reuters Pty Ltd	29	36
Austraclear Ltd	74	71

## 24. Segment Information

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



## Executive

Under Treasurer/Chairman



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General Manager



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