

Northern Territory TREASURY CORPORATION

# Annual Report 2018-19



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

Dear Treasurer

I am pleased to provide to you the 2018-19 Annual Report for the Northern Territory Treasury Corporation (NTTC), which has been prepared in accordance with section 31 of the *Northern Territory Treasury Corporation Act 1994*, section 28 of the *Public Sector Employment and Management Act 1993* (PSEMA) and section 12 of the *Financial Management Act 1995* (FMA).

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

- proper records of all transactions affecting NTTC are kept and employees under my control observe the provisions of the FMA, Financial Management Regulations and Treasurer's Directions
- procedures within NTTC afford proper internal control and a current description of such procedures are recorded in the Accounting and Property Manual, which has been prepared in accordance with the requirements of the FMA
- there is no indication of fraud, malpractice, major breach of legislation or delegation, or major error in or omission from the accounts and records
- in accordance with the requirements of section 15 of the FMA, the internal audit capacity available to NTTC is adequate and the results of internal audits have been reported to me
- the financial statements included in the annual report have been prepared from proper accounts and records, and are in accordance with the Treasurer's Directions
- all Employment Instructions issued by the Commissioner for Public Employment have been satisfied
- NTTC is working in compliance with section 131 of the *Information Act 2002*.

I can also advise you that the Auditor-General has audited NTTC's financial statements for the year ended 30 June 2019 and her report is included.

Yours sincerely



Craig Graham  
Under Treasurer  
24 September 2019

## Mission

Assist the Territory in achieving long-term viability by providing the Northern Territory public sector with cost-effective funding, efficient financial management and reliable service, and advice on banking, finance and investment matters.

## Values

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

## Enabling Act

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

## Statutory guarantee

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

## Status

NTTC is a government business division and an administrative unit of the Department of Treasury and Finance (DTF) for the purposes of the *Financial Management Act 1995* (FMA) and the *Public Sector Employment and Management Act 1993* (PSEMA).

## Credit rating

In June 2019, Moody's Investors Service published an updated credit opinion for the Northern Territory and announced a downgrade to the Territory's credit rating from Aa2 to Aa3. The outlook on the rating has changed from negative to stable.

## Purpose of this report

This report is designed to meet NTTC's statutory annual reporting requirements, as specified for public sector agencies in PSEMA, the FMA, *Information Act 2002* and NTTC Act. It reports NTTC's performance to the Treasurer, the Legislative Assembly, government agencies, stakeholders, financial markets and ratings agencies.

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# Corporate profile

## Structure

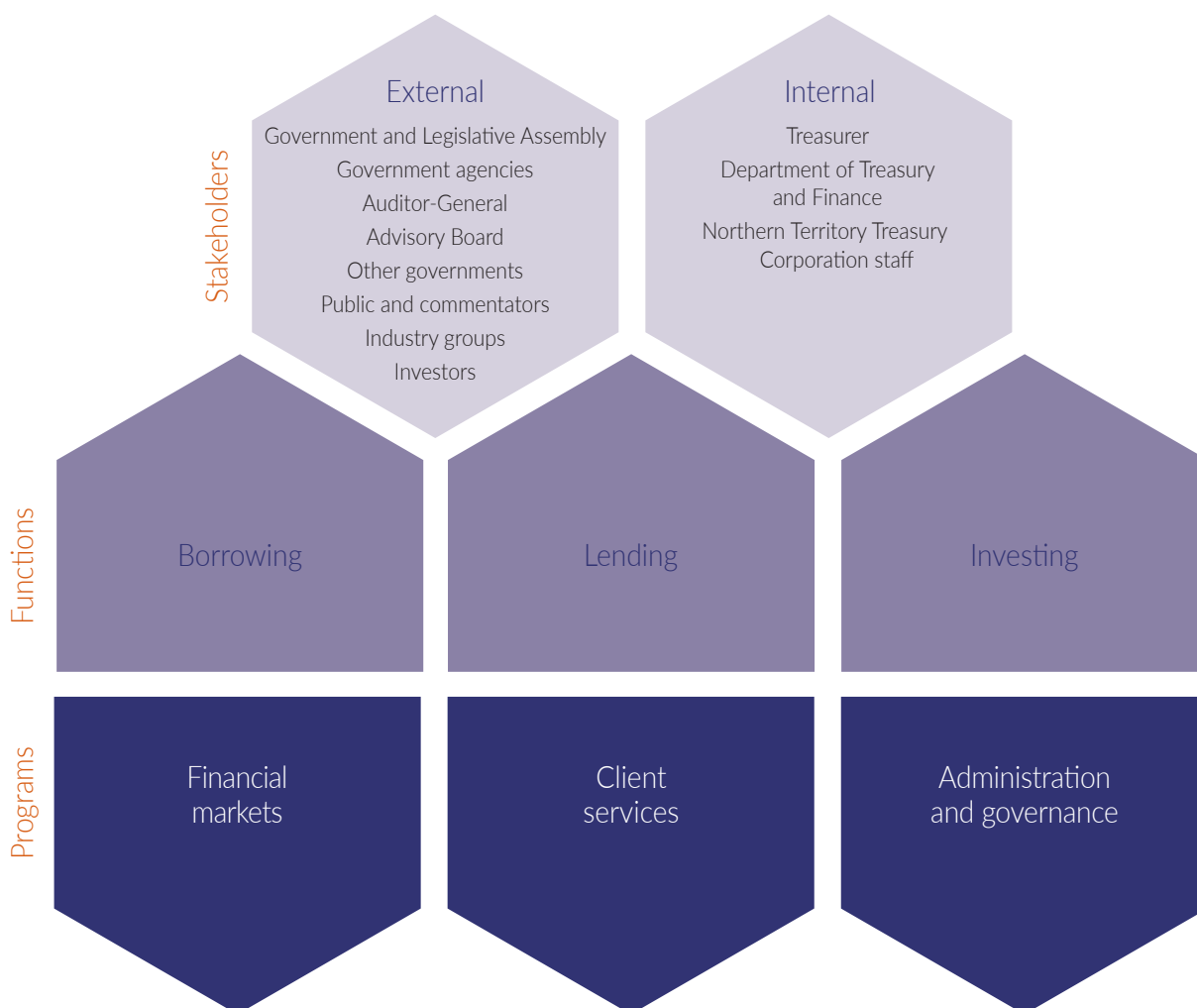
NTTC was established as a corporation sole (a corporation that consists solely of a nominated office holder) in July 1994 and is constituted under the NTTC Act. The Under Treasurer of DTF is designated as the office holder, the corporation sole, under the NTTC Act and as such represents the Crown in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

## Purpose

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

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

Figure 1: NTTC stakeholders, functions and programs



# Chairman's address



In what was another busy year for NTTC, it successfully delivered on a borrowing program of \$1.26 billion, headlined by its record largest single borrowing transaction of \$600 million in a new 21 April 2027 bond series. NTTC also issued \$500 million in a new 21 May 2030 bond series, with both of these series highlighting NTTC's strategy to issue longer-term debt to complement the government's ongoing commitment to infrastructure and capital spend.

In July 2018, Moody's Investors Service (Moody's) issued a credit opinion for the Northern Territory in which it affirmed the rating of Aa2 but changed the outlook from 'stable' to 'negative'. In June 2019, Moody's published an updated credit opinion with a downgrade to the Northern Territory's credit rating from Aa2 to Aa3, primarily due to the cumulative effect of the lower GST grants from the Commonwealth Government. The outlook on the Territory's credit rating has changed from 'negative' to 'stable'.

Despite these changes, the pricing of NTTC's bonds remained reasonably steady throughout 2018-19, and NTTC was able to achieve a borrowing margin during the financial year of about 37 basis points over similar bond maturities issued by NTTC's AAA-rated semi-government peers. NTTC attributes this result to its focus on building and maintaining strong and informed relationships with its institutional investors.

In terms of financial performance, NTTC's 2018-19 operating surplus before tax is \$31.6 million, approximately \$7.4 million above the budgeted forecast of \$24.2 million. This is due to savings in interest and administration costs. This results in a tax equivalent payment of \$9.5 million and a dividend payment of \$22.1 million. NTTC's cash position at 30 June 2019 is \$44.7 million, approximately \$22.8 million higher than budgeted forecast of \$21.9 million. This is due to savings in interest and administration expenses and the additional borrowings received in June 2019 from its retail borrowing activities (Territory Bonds).

Separate from NTTC's capital markets function, NTTC achieved a return on the government's surplus cash balances of 2.39 per cent against the benchmark return of 1.97 per cent. This was a strong result considering the prevailing low interest rate environment, and highlights the value NTTC provides for the Territory in performing this function.

As in previous years, I would like to thank the staff and NTTC's syndication partners for their efforts as well as the Advisory Board for its ongoing guidance and counsel throughout the 2018-19 financial year.

A handwritten signature in blue ink, which appears to read "Craig Graham". The signature is fluid and cursive.

Craig Graham  
Under Treasurer and Chair  
24 September 2019

# Performance summary

## Review of 2018-19

- Successful delivery of \$1.26 billion borrowing program.
- Extended term/duration and reduced cost of borrowing.
- About \$4.7 billion on issue in major bond series in Australian debt capital markets.

## Outlook for 2019-20

- Ongoing geo-political tensions resulting in global and domestic financial market volatility.
- Reduced cost of borrowing in line with falling domestic and global interest rate environment.
- Borrowing program of \$1.1 billion to fund new loans to counterparties.
- Issuance of new major bond series in Australian debt capital markets.
- Utilising short-dated promissory note facility and tap issues of existing long-dated bond series.

## Strategic issues for 2019-20

- 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 relationships with financial market participants in order to minimise refinance risk while attempting to satisfy investor demand for liquidity and expand investor diversification.

Table 1: Five-year financial overview

	2018-19	2017-18	2016-17	2015-16	2014-15
	\$000	\$000	\$000	\$000	\$000
Statement of income					
Revenue	258 322	232 972	214 571	239 230	277 249
Expenses	226 671	205 571	193 204	215 098	241 120
Profit before tax	31 651	27 401	21 367	24 132	36 129
Tax expense	9 495	8 220	6 410	7 240	10 839
<b>Net profit after tax</b>	<b>22 156</b>	<b>19 181</b>	<b>14 957</b>	<b>16 892</b>	<b>25 290</b>
Statement of financial position					
Total assets	6 001 145	5 268 961	4 056 115	4 085 056	4 648 108
Total liabilities	5 979 515	5 247 331	4 034 485	4 063 426	4 626 478
<b>Total equity</b>	<b>21 630</b>	<b>21 630</b>	<b>21 630</b>	<b>21 630</b>	<b>21 630</b>
Statement of cash flows					
Cash flows from operating activities	16 932	24 712	7 954	1 314	9 926
Cash flows from (to) investing activities	- 735 824	- 1 235 010	58 430	582 025	60 012
Cash flows from (to) financing activities	715 576	1 189 690	- 36 886	- 563 648	- 642 314

Table 2: Five-year key performance indicators summary

Performance measures	2018-19	2017-18	2016-17	2015-16	2014-15
<b>Quantity</b>					
Weighted average cost of borrowing (WACoB)	2.84%	3.10%	2.54%	2.22%	2.51%
<b>Quality</b>					
Borrowing rate margin compared to industry peers <sup>1</sup>	+ 0.37%	+ 0.31%	+ 0.41%	n.a.	n.a.
Investment portfolio return above benchmark <sup>2</sup>	+ 0.42%	+ 0.33%	+ 0.44%	+ 0.31%	+ 0.27%
Stakeholder satisfaction <sup>3</sup>	5	5	5	5	5

n.a.: not assessable

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

2 The benchmark is the Bloomberg AusBond Bank Bill Index. The benchmark return for 2018-19 was 1.97% while NTTC achieved a return of 2.39%.

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

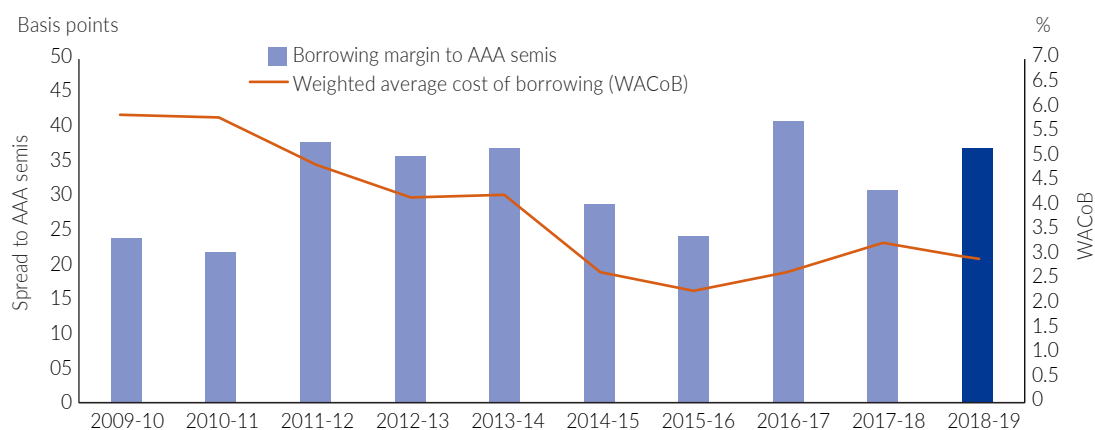
### Performance measure analysis

NTTC's weighted average cost of borrowing target for 2018-19 was lowered to 3.0 per cent in line with the low interest rate environment experienced throughout the year. The actual outcome achieved for the 2018-19 financial year was 2.84 per cent. However, when promissory note issuances are excluded, the weighted average cost of borrowing for 2018-19 increases to 3.15 per cent. The weighted average cost of borrowing on outstanding issued debt at 30 June 2019 was 3.85 per cent.

The average recorded spread or borrowing margin achieved on wholesale bonds issued by NTTC during the financial year was about 37 basis points over similar bond maturities issued by NTTC's AAA-rated semi-government peers. NTTC-issued bonds were priced at fairly consistent margins to peers throughout the financial year.

The Central Holding Authority (CHA) investment portfolio delivered a 2.39 per cent return for the financial year, predominantly invested in short-term securities within the existing credit limits approved by the Treasurer.

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





# Financial markets

## Funding

NTTC manages the Territory Government's exposure to funding risk by ensuring it is not subject to a significant refinancing risk in any financial year. NTTC's approach to minimising 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

	2018-19	2017-18	2016-17	2015-16	2014-15
	\$M	\$M	\$M	\$M	\$M
Refinance maturing Territory debt	508	528	533	565	641
New borrowings	1 021	950	-	-	-
Debt reduction	-	-	- 6	- 532	- 219
Pre-funded	- 291	-	-	-	- 393
<b>Borrowing requirement</b>	<b>1 238</b>	<b>1 478</b>	<b>527</b>	<b>33</b>	<b>29</b>
Pre-funding	21	291	-	-	-
<b>Total borrowing program</b>	<b>1 259</b>	<b>1 769</b>	<b>527</b>	<b>33</b>	<b>29</b>

## Borrowing activity

The borrowing program for 2018-19 was about \$1.259 billion raised throughout the financial year including \$508 million of matured debt. The borrowing activity resulted in total outstanding issued debt as at 30 June 2019 being higher by about \$750 million from 30 June 2018.

In 2018-19, NTTC issued two new wholesale bond lines (See Table 4). The \$500 million bond issued in August 2018 refinanced maturing debt in September 2018. In January 2019 a wholesale bond issuance of \$600 million was achieved. NTTC held promissory notes throughout the year and has carried over \$100 million in promissory notes into financial year 2019-20.

In terms of retail borrowings, Territory Bonds had a strong year raising about \$60 million, which contributed towards a small prefunded position of \$21 million of the 2019-20 borrowing program. Migration Linked Bonds of \$0.25 million were repaid in 2018-19. A full listing of NTTC's issued debt is provided in Appendix A on page 23.

Table 4: Institutional bond issues during 2018-19

Issue date		Amount issued	Maturity date	Coupon	Yield
		\$M		%	%
August 2018	New line	500	21 May 2030	3.50	3.44
January 2019	New line	600	21 April 2027	2.75	2.97
<b>Total</b>		<b>1 100</b>			

As at 30 June 2019, NTTC had 10 institutional benchmark bond issues as detailed in Table 5.

Table 5: Institutional bond issues as at 30 June 2019

Maturity date	Coupon	Amount on issue
	%	\$M
20 September 2021	4.25	650
21 November 2022	2.50	500
15 March 2024	6.00	650
21 October 2024	2.75	500
15 March 2026	6.00	650
21 April 2027	2.75	600
21 April 2028	3.50	750
21 May 2030	3.50	500
21 April 2033	3.75	205
21 November 2042	4.10	285

Table 6: Borrowing performance as at 30 June

	2019	2018	2017	2016	2015
	%	%	%	%	%
Average borrowing margin					
Short-term – margin to bank bill swap (BBSW) rate	- 0.03	- 0.04	- 0.04	- 0.04	- 0.04
Long-term (fixed rate) – margin to AAA-rated semi-government security	0.37	0.31	0.41	n.a.	n.a.
Cost of borrowing achieved during the year					
Weighted average cost of borrowing	2.84	3.10	2.54	2.22	2.51
Total cost of funds					
Weighted average cost of funds	3.85	4.17	4.65	5.00	5.19

n.a.: not assessable

### Portfolio duration and term to maturity

As at 30 June 2019, the weighted average duration of Territory debt on issue was 6.1 years compared to 5.8 years reported in June 2018. Similarly, weighted average term to maturity lengthened to 7.2 years compared to 7.1 years recorded in June 2018.

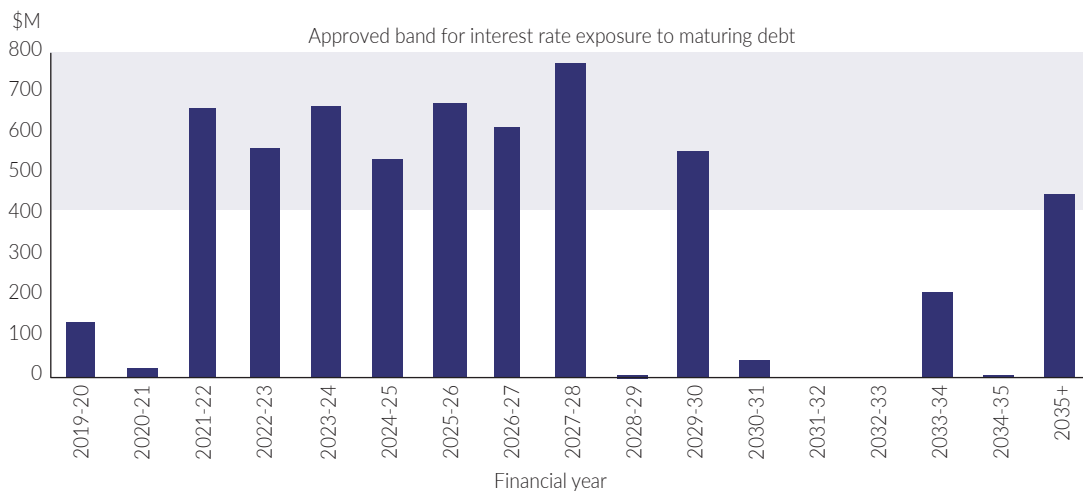
### Interest rate risk management

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 excessive refinancing requirements during periods of high interest rates or unusually low refinancing requirements in periods of low interest rates (see Figure 3 below). NTTC may use interest rate swaps and forward start interest rate swaps to manage interest rate risk as required.

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

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

Figure 3: Interest rate exposure of maturing debt as at 30 June 2019



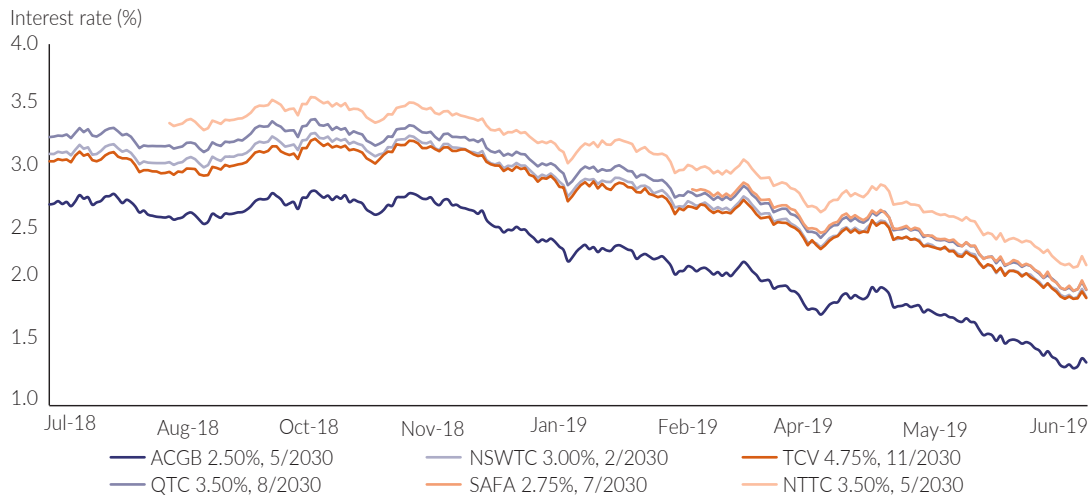
### Trading margin

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

The average recorded spread or borrowing margin achieved on NTTC wholesale bond issues during 2018-19 was about 0.37 per cent over similar bond maturities issued by the two AAA-rated CFAs.

Figure 4 shows the implied trading margin between NTTC's 2030 bond series and similar maturities issued by the Commonwealth and other CFAs. Relative to the Commonwealth bond, NTTC's 2030 bond series has been trading at a margin of between 80 and 90 basis points. NTTC's margin relative to the AAA-rated CFAs has been between 30 and 40 basis points.

Figure 4: Trading margin



### Promissory notes

NTTC's short-term funding requirement is met through its promissory note facility. These notes are issued by way of tender to key institutional counterparties. NTTC had \$100 million of promissory notes on issue as at 30 June 2019. The promissory note facility was used throughout the year to meet short-term funding requirements.

The weighted average yield achieved for the financial year was about 2.00 per cent (2017-18: 1.70 per cent), with an average margin to BBSW reference rate of -0.03 per cent. The issuing margins to BBSW in 2018-19 ranged from -0.01 per cent to -0.05 per cent.

### Migration Linked Bonds

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

- Business Innovation and Investment Programme
- Investor Retirement Migration.

As at 30 June 2019, total Migration Linked Bonds on issue decreased slightly to \$0.5 million.

### Territory Bonds

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

In 2018-19, Issues 105 and 106 raised approximately \$60 million from 681 applications, compared to last year's result of \$31 million from 671 applications. The average conversion rate for 2018-19 was about 64 per cent, down slightly from last year's conversion rate of 65 per cent, indicating that existing investors continue to show strong support for the product by reinvesting their investments at maturity.

Over the course of 2018-19, the number of registered investors declined by 156 to 2214. However, the average investment size increased to \$53 588 from last year's average of \$36 926, resulting in a reasonably large increase in the outstanding face value of Territory Bonds. As at 30 June 2019, the total outstanding balance was about \$118.6 million, which is about \$31.1 million higher than the balance of \$87.5 million recorded at 30 June 2018.

# 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 2019, NTTC had a total outstanding loan portfolio of \$5.95 billion, about \$730 million higher than the balance reported at 30 June 2018. Table 7 shows the comparative analysis of total outstanding loans provided by NTTC over the past five years. A full listing of NTTC's loans is provided in Appendix B on page 25.

### General government agencies

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

As at 30 June 2019, loans to the general government sector totalled \$4.3 billion, an increase of about \$690 million from the previous financial year. This represents the additional loans allocated to CHA in order to finance the capital and infrastructure expenditure undertaken by the Territory Government established in the 2018-19 Budget.

### Government business divisions

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

As at 30 June 2019, loans to this sector totalled about \$210 million, approximately \$16 million lower than the previous financial year. This net movement is a combination of scheduled principal repayments throughout the year on some of NT Home Ownership's structured loans and a new loan of \$10 million provided during the year.

### Government owned corporations

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

Loans to this sector totalled about \$1.44 billion as at 30 June 2019, an increase of about \$58 million from the previous financial year. This represents new loans provided to Power and Water Corporation over the course of the 2018-19 financial year.

### Local Government Councils

Loans to local government councils represent borrowings by municipal, regional and shire councils 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 government councils are first assessed by the Department of Local Government, Housing and Community Development and must carry the support and recommendation of the Minister prior to being submitted for approval to the Treasurer. As at 30 June 2019, there were no loans outstanding for local authorities.

## Other government organisations

Loans to other government organisations represent borrowings by non-financial public sector organisations with which the Territory Government has an association. As at 30 June 2019, NTTC had no outstanding loans to this sector.

Figure 5: Client loans as at 30 June 2019

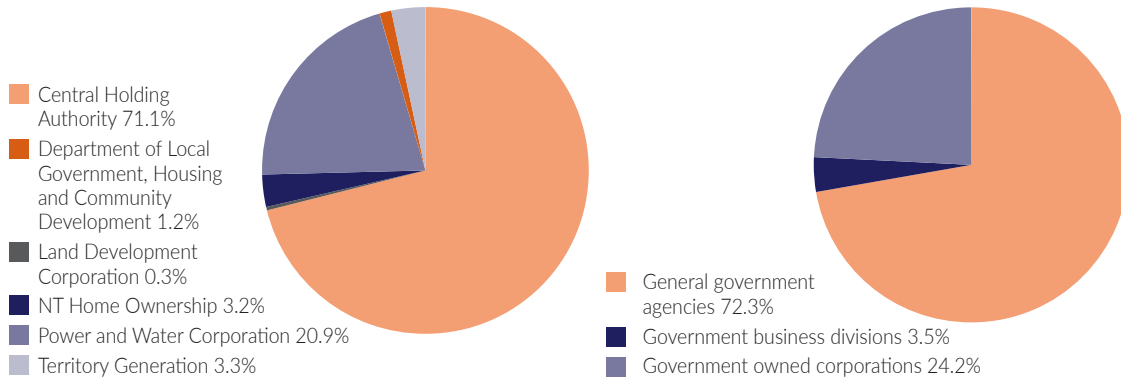


Table 7: Outstanding loans as at 30 June

	2019	2018	2017	2016	2015
	\$M	\$M	\$M	\$M	\$M
General government agencies	4 299.8	3 606.0	2 411.5	2 516.3	3 128.6
Government business divisions	210.5	226.5	222.2	230.8	279.0
Government owned corporations	1 442.0	1 384.0	1 347.8	1 292.8	1 214.3
<b>Total</b>	<b>5 952.3</b>	<b>5 216.5</b>	<b>3 981.5</b>	<b>4 039.9</b>	<b>4 621.9</b>

# Administration and governance

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

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

## Corporate governance

Figure 6: NTTC's corporate governance framework



## Corporate objectives

NTTC's objectives are to provide the Territory Government with cost-effective funding, efficient financial management and reliable service and advice by:

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

## Our people

### Treasury Corporation management team

Mr Alex Pollon

General Manager

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

Mr Martin Stewart

Manager Financial Assets and Liabilities

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

### 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 2019, NTTC had four full-time employees and one part-time employee: three females and two males. This reflects the transfer of four staff to DTF's Treasury Financial Services as at 1 July 2019. Additionally, one graduate from DTF's Finance Officer in Training (FOIT) program undertook a rotation in NTTC during the year.

Employees are required to comply with PSEMA, Northern Territory Government Code of Conduct and codes of ethics of all relevant professional associations.



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

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

Designation	Male		Female		Total <sup>1</sup>	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
AO4	1	-	-	-	1	-
AO5	2	-	3	3	5	3
SAO1	1	1	1	-	2	1
ECO2	1	1	-	-	1	1
<b>Total</b>	<b>5</b>	<b>2</b>	<b>4</b>	<b>3</b>	<b>9</b>	<b>5</b>

1 Changes between 2017-18 and 2018-19 represent the transfer of staff to DTF for Treasury Financial Services effective 1 July 2018.

### Flexible work arrangements

NTTC offers a range of initiatives for work-life balance for staff, including flexible work arrangements, flextime, purchased leave options and recreation leave at half pay. The initiatives are in line with the NTPS Enterprise Agreement. In 2018-19, one employee accessed flexible work arrangements.

### Finance Officer in Training graduate program

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

### Training and professional memberships

Employees undertake training and professional development aligned with organisational requirements, generally identified through an employee development framework process. In addition to training, they are encouraged to undertake finance and accounting-related study through various professional bodies and institutions at the post-graduate level. Formal study is supported by DTF's Study Assistance program and employees are reimbursed half the cost of their annual professional membership fees where membership is relevant to their work role. Additionally, all staff working in NTTC are required to undertake anti-money laundering and counter-terrorism financing awareness training.

### Equal opportunity and workplace harassment

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

### Employee wellness

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

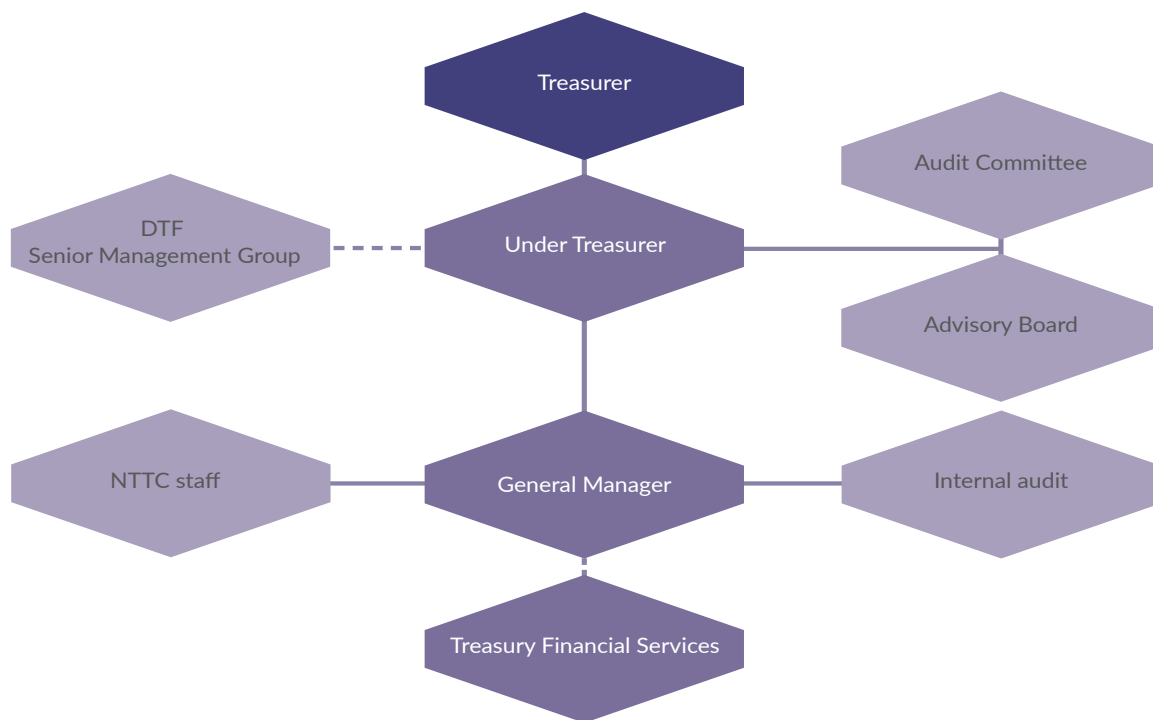
Also, flu vaccinations are available to NTTC employees on an annual basis.

## Business relationships

### Department of Treasury and Finance

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

Figure 7: NTTC's reporting structure



### Registry services

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

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

## Major projects

### Provision of financial services

From 1 July 2018, NTTC's financial administration services were provided by DTF under a service level agreement. The provision of services via DTF addresses key person risk and ensures adequate resourcing is available to undertake key responsibilities.

### Review of control self-assessment

In February 2019, NTTC commenced an update of its control self-assessment (CSA) consistent with a number of internal audit findings and recommendations. NTTC expects to go live with the revised CSA in 2019-20.

## 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 up to five other persons appointed by the Treasurer. The Advisory Board meets quarterly to review and monitor NTTC's business risks and performance in relation to its objectives. It also provides guidance on policy, analysis of economic conditions and advice on aligning borrowing and investing intentions with interest rate expectations.

### Advisory Board members



Mr Craig Graham

Chair

Department of Treasury and Finance

Mr Graham was appointed Under Treasurer in April 2017, following three years in the role of Deputy Under Treasurer from June 2014. Mr Graham joined Treasury in February 1997, undertaking the graduate program in February 1998 after completing a Bachelor of Economics at Northern Territory University (now Charles Darwin University), and was in the first intake of the still-current FOIT graduate program. In August 2008, Mr Graham was appointed Senior Director Economic in the Economic Policy and Public Finance areas, and in July 2011 he was appointed Assistant Under Treasurer (Economic).



Mr David Braines-Mead

Deputy Under Treasurer

Department of Treasury and Finance

Mr Braines-Mead was appointed Deputy Under Treasurer in July 2014 and is currently responsible for providing high level policy, strategic and technical advice on the full range of economic, commercial and intergovernmental financial relations issues affecting the Territory.

Previously Mr Braines-Mead held responsibility for the full range of financial and budgetary issues affecting the Territory, including oversight of the Financial Management Group. Mr Braines-Mead now leads the Economic Group and the Territory Revenue Office. Mr Braines-Mead joined Treasury in 2004 after more than 15-years' experience in a number of roles within the accounting profession both in Darwin and the United Kingdom. He has an accounting degree from Thames University (now University of Greenwich) in London and is also a Fellow of the United Kingdom-based Association of Chartered Certified Accountants.



Mr Richard Ryan AO

External Board Member and Chair of the Audit Committee

Mr Ryan was appointed to the Board in October 1994 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 Inaugural Chancellor of Charles Darwin University, and President of the National Heart Foundation.

Mr Ryan is also a non-executive director of several public and private companies and not for profit entities.



Mr John Montague

External Board Member and Member of the Audit Committee

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

## 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.

### Conflict of interest

Staff and Advisory Board members are required to 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 where a conflict is identified.

### Enterprise risk management framework

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

### Fraud control

NTTC is subject to DTF's fraud control framework, which provides assurance that fraud control strategies are robust. This is supported by NTTC's internal controls environment and ongoing fraud awareness training provided to all staff. To date, there have been no incidents of fraud detected in NTTC's business environment.

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

NTTC has an exemption to the general requirements of the *Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Act 2006* but is subject to the suspicious matters reporting requirements.

### Business continuity management

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

### Compliance self-assessment reviews

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

### Delegations

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

### Work health and safety

Under the new shared services arrangements between DTF and the Department of the Chief Minister (DCM) introduced in February 2019, the agencies now operate a joint work health and safety committee that meets regularly and reports to SMG.

## Compliance

NTTC has a high level of compliance and is subject to several audits and review processes during the year. Audits are undertaken by both internal and external auditors and their focus reflects the importance of risk management and corporate governance. Findings of reviews and audits conducted during the year are reported in Table 9.

### Northern Territory Treasury Corporation Audit Committee

The Audit Committee is a subcommittee of the Advisory Board. It provides advice to the Chair on operational issues and audit matters. It meets prior to all Advisory Board meetings or as necessary. As at 30 June 2019, the Audit Committee comprised the two external Advisory Board members and is chaired by Mr Ryan.

### External audit

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

### Internal audit

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

Table 9: Audits undertaken during the year

Function	Type	Period ending	Internal/external	Outcomes
2017-18 financial statements	Audit	30/06/18	External	Unqualified audit opinion
Internal controls testing	Review	30/09/18	Internal	No significant matters identified
	Review	31/03/19	Internal	No significant matters identified
Interim period review	Audit	30/06/19	External	No significant matters identified

### Policy and procedures

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

### Corporate planning and reporting process

NTTC links into DTF's strategic planning and reporting 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 2002*, which include records management, freedom of information (FOI) and privacy with the assistance of DCM Shared Services. DTF, through DCM Shared Services, 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 2002*, can be found on the website below. NTTC did not receive any requests under the *Information Act 2002* during 2018-19. FOI requests can be made to the following:

Information and Governance Officer  
Department of Treasury and Finance  
GPO Box 4396  
Darwin NT 0801

Telephone: +61 8 8999 5429  
Email: DTF.FOI@nt.gov.au  
Website: [www.treasury.nt.gov.au/InformationAct](http://www.treasury.nt.gov.au/InformationAct)

# Territory economy

The following section provides an overview of the Territory economy, including the overall performance in 2018-19 and the outlook for 2019-20 through to 2022-23. Table 10 outlines the latest Territory key economic forecasts contained in the 2019-20 Budget released on 7 May 2019.

Table 10: Territory key economic indicators (%)

	2017-18a	2018-19a	2019-20f	2020-21f	2021-22f	2022-23f
Gross state product <sup>1</sup>	1.7	- 0.2e	6.3	4.1	2.9	2.5
State final demand <sup>1</sup>	- 2.8	- 15.6	- 1.7	0.3	2.4	2.2
Population <sup>2</sup>	- 0.1	- 0.7e	0.2	0.6	0.7	0.8
Employment <sup>3</sup>	- 1.1	- 3.3	0.0	0.7	0.9	1.0
Unemployment rate <sup>4</sup>	4.2	4.5	4.6	4.5	4.5	4.4
Darwin consumer price index <sup>3</sup>	1.0	0.9	1.6	2.0	2.2	2.2
Wage price index <sup>3</sup>	1.3	2.1	1.5	1.5	1.6	1.8

a: actual; e: estimate; f: forecast

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

2 As at June, annual percentage change.

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

4 Year average.

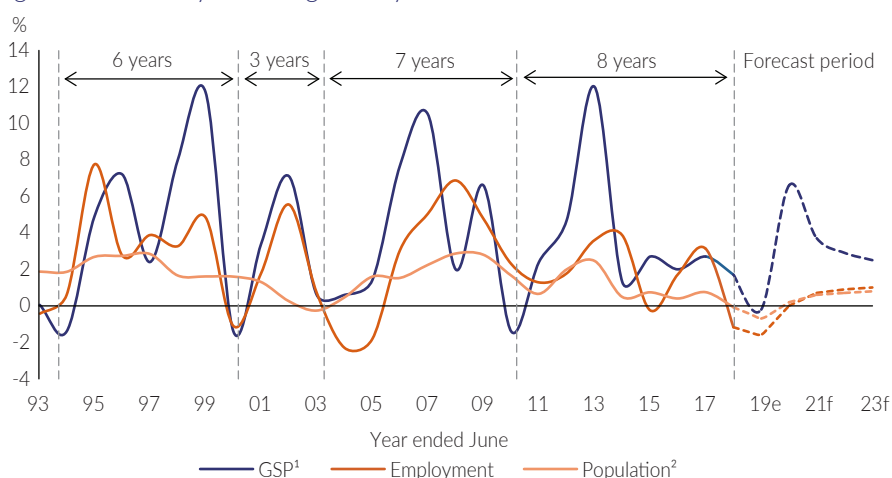
Source: Northern Territory Department of Treasury and Finance, Australian Bureau of Statistics

## Structure of the economy

The Territory has a small open economy significantly influenced by major projects, with abundant natural resources and relatively large defence and public sectors. Between 2008-09 and 2017-18, gross state product (GSP) in the Territory grew from \$18.7 billion to \$26.2 billion, which represents an increase of about 40 per cent. Over the same period the Territory's population increased by about 23 300 people to over 245 000 people.

Over 2019-20 and 2020-21 the Territory economy will transition through challenging conditions, as it recalibrates from being driven by construction of major projects and business investment to export-led growth. Export-led growth has fewer flow on effects throughout the on the ground economy than the construction phase of major projects. Key economic indicators, particularly population and employment growth reflect the current downturn in the economic cycle (Figure 8), and the cyclical nature of the Territory economy with the large swings in growth and contractions in the Territory's GSP, employment and population.

Figure 8: Year-on-year change in key indicators



1 Inflation adjusted.

2 Annual change.

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

Despite economic challenges, there is untapped potential for the Territory economy with undeveloped mineral and energy resources yet to be realised that could support the economy well into the future. There is a pipeline of major projects with several projects progressing closer to final investment decision although none of these compare in scale to the recently completed Ichthys liquefied natural gas (LNG) project. However, they have the potential to provide significant upside for the Territory economy.

## Economic growth

The Territory economy recorded growth of 1.7 per cent in 2017-18 to \$26.2 billion. The 2019-20 Budget forecasts the economy to contract over 2018-19 by 0.2 per cent, largely due to a decline in business investment as the Ichthys LNG project enters the production phase. The decline will be partly offset by a significant improvement in net exports particularly LNG, which will also contribute to economic growth over 2019-20 and into 2020-21. The value of the Territory's net exports is forecast to grow by more than 300 per cent over 2018-19 to 2020-21. This is highlighted by the Territory's 2018-19 net international trade goods balance increasing by \$3.9 billion to \$7.6 billion in current price terms. This was driven by a \$3.7 billion increase in the value of goods exported to \$9.5 billion and a \$132 million decrease in the value of goods imported to \$1.8 billion.

Territory state final demand (SFD) declined by 15.6 per cent to \$24.8 billion in 2018-19, following a 2.8 per cent decrease in 2017-18, mainly driven by falling private investment as the Ichthys LNG project's construction phase is completed. SFD is expected to contract by 1.7 per cent over 2019-20 as private investment stabilises following the completion of the construction part of the project. From 2020-21, SFD is expected to return to growth although at below-trend levels.

## Population

The Territory's population was 245 854 people as at 31 December 2018, a decrease of 0.4 per cent (1010 persons) from 31 December 2017. This reflects the slowing of net overseas migration and large outflows of interstate migrants. The Territory's population is expected to decline by 0.7 per cent in 2018-19, due to a large outflow of workers with the construction of the Ichthys LNG project now complete, while population growth is forecast to remain below long-term trends over the forward estimates and is forecast to slowly trend upwards to 0.8 per cent by 2022-23.

The Territory Government has developed a comprehensive Population Strategy, which aims to increase the Territory's population through a range of measures. This includes promoting a new Territory masterbrand 'Boundless Possible', targeted incentives to attract and retain early career women and mid and late career workers, as well as retain retirees. In addition, there is a renewed focus on jobs and investment to encourage private sector investment to create new jobs and attract people to move, live and work in the Territory.

## Labour force

Territory employment declined by 3.3 per cent in 2018-19, following a 1.1 per cent decline in 2017-18. This predominantly reflects the transition of the Ichthys LNG project from construction activity to the less labour intensive operational phase. The impact of the Ichthys LNG project was also reflected in the annual average unemployment rate, which increased from 4.2 per cent to 4.5 per cent over the year.

Following the recent declines in employment, the outcome for 2019-20 is expected to be flat, reflecting subdued economic conditions across the Territory. Over the outer years of the outlook period, employment is expected to return to growth, albeit at below trend levels. From 2019-20 onwards, a large portion of workers who became unemployed and were unsuccessful in securing other employment are expected to move interstate in pursuit of other employment opportunities or to return to their usual place of residence. As a result, the unemployment rate is forecast to fall slowly, dropping to 4.4 per cent by 2022-23, however, remain above the long-term average.

## Prices and wages

The Darwin consumer price index (CPI) grew by 0.9 per cent in 2018-19, down slightly from 1.0 per cent growth in 2017-18. This result was driven by the alcohol and tobacco, and transportation categories. Darwin CPI growth remains below the historical 10-year average of 1.8 per cent largely due to declines in rents. The subdued growth in the Darwin CPI reflects the continuing impact of lower clothing and footwear costs, lower rents and lower telecommunication costs.

Darwin CPI growth is forecast to trend upwards to 2.2 per cent by 2022-23, reflecting moderate levels of price growth across a number of categories.

Wage growth in the Territory strengthened from 1.3 per cent in 2017-18 to 2.1 per cent in 2018-19. This improvement reflects the effects of the public sector's enterprise bargaining cycle, in particular delays in approving the 2017-21 Northern Territory Public Sector Enterprise Agreement. Wages growth over the medium term is forecast to remain subdued, reflecting low inflation expectations and a weak labour market and lower labour demands. Public sector wage growth is anticipated to provide support to wage growth, being above private sector wage growth, however, it is expected to be below the long-term average, reflecting ongoing wage restraint and financial consolidation across all tiers of government. The below trend growth forecast in the Territory is consistent with national trends.

## External economic environment

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

In its July 2019 World Economic Update, the International Monetary Fund (IMF) forecasts global economic growth at 3.2 per cent in 2019, and forecasts growth of 3.5 per cent in 2020 a downward revision from previous forecasts. The IMF forecasts growth in advanced economies to grow by 1.9 per cent in 2019 and developing economies to grow by 4.1 per cent.

The Territory's five largest export markets in 2018-19 were Japan, China, Taiwan, Republic of Korea and Indonesia. The IMF is forecasting economic activity in China to grow by 6.2 per cent in 2019 and by 6.0 per cent in 2020. Overall the outlook for the Territory's major export markets have been revised downwards, in line with their revisions to global growth. The only exception is exports to Japan, which are expected to increase substantially from 2018-19 as a result of LNG exports commencing from the Ichthys LNG project.

Growth in the national economy is an important driver of activity in the Territory, primarily through interstate trade and Commonwealth revenue. Based on the April 2019 Commonwealth Budget, the Australian economy is forecast to strengthen to 2.75 per cent in 2019-20 following growth of 1.9 per cent in 2018-19. Growth is expected to be supported by solid contributions from employment growth and a pick-up in wage growth.

The latest data for key economic indicators is published regularly and can be downloaded at [www.treasury.nt.gov.au/economy](http://www.treasury.nt.gov.au/economy) and on [nteconomy.nt.gov.au](http://nteconomy.nt.gov.au).



# Appendix A: Outstanding domestic borrowings

as at 30 June 2019

Maturity date	Coupon rate	Face value	Maturity date	Coupon rate	Face value
	%	\$000		%	\$000
<b>2019-20</b>			<b>2020-21</b>		
08-Oct-19	8.14	5 000	25-Jul-20	2.50	500
10-Oct-19	1.73	100 000	15-Dec-20	2.40	94
15-Dec-19	2.25	494	15-Dec-20	2.45	162
15-Dec-19	2.30	1 427	15-Dec-20	2.50	1 429
15-Dec-19	2.40	4 200	15-Dec-20	2.60	4 043
15-Dec-19	2.50	1 415	15-Dec-20	3.05	1 008
15-Dec-19	2.75	105	15-Dec-20	3.10	673
15-Dec-19	2.80	43	15-Dec-20	3.20	4 868
15-Dec-19	2.90	150	15-Jun-21	2.15	193
15-Dec-19	3.95	529	15-Jun-21	2.20	332
15-Dec-19	4.00	1 969	15-Jun-21	2.30	7 272
15-Dec-19	4.10	2 891	15-Jun-21	2.50	765
15-Jun-20	2.05	412	15-Jun-21	2.60	296
15-Jun-20	2.10	341	15-Jun-21	2.65	107
15-Jun-20	2.20	2 904	15-Jun-21	2.70	864
15-Jun-20	2.35	6	15-Jun-21	2.80	498
15-Jun-20	2.40	105	15-Jun-21	2.85	981
15-Jun-20	2.45	528	15-Jun-21	2.90	861
15-Jun-20	2.50	1 938	15-Jun-21	3.00	5 251
15-Jun-20	2.60	1 663	15-Jun-21	3.05	300
15-Jun-20	2.65	119	15-Jun-21	3.10	30
15-Jun-20	2.70	112	15-Jun-21	3.20	895
15-Jun-20	2.80	137			
15-Jun-20	2.90	50	<b>TOTAL 2020-21</b>	<b>2.74</b>	<b>31 422</b>
15-Jun-20	3.00	240			
15-Jun-20	3.05	277	<b>2021-22</b>		
15-Jun-20	3.10	579	20-Sep-21	4.25	650 000
15-Jun-20	3.20	2 232	15-Dec-21	2.55	16
15-Jun-20	3.35	489	15-Dec-21	2.60	210
15-Jun-20	3.40	76	15-Dec-21	2.65	272
15-Jun-20	3.50	1 423	15-Dec-21	2.70	1 586
			15-Dec-21	2.80	5 607
<b>TOTAL 2019-20</b>	<b>2.21</b>	<b>131 854</b>	15-Mar-22	6.06	5 000
			15-Jun-22	2.25	137
			15-Jun-22	2.30	322
			15-Jun-22	2.40	5 711

Maturity date	Coupon rate	Face value	Maturity date	Coupon rate	Face value
	%	\$000		%	\$000
15-Jun-22	2.70	40	2024-25		
15-Jun-22	2.75	5	21-Oct-24	2.75	500 000
15-Jun-22	2.80	175	15-Mar-25	6.00	18 900
15-Jun-22	2.85	904	20-May-25	8.50	5 000
15-Jun-22	2.90	538	<u>TOTAL 2024-25</u>	<u>2.92</u>	<u>523 900</u>
15-Jun-22	3.00	3 144			
<u>TOTAL 2021-22</u>	<u>4.22</u>	<u>673 667</u>	2025-26		
			15-Sep-25	8.50	24 974
2022-23			15-Mar-26	6.00	650 000
30-Sep-22	8.24	5 000	<u>TOTAL 2025-26</u>	<u>6.09</u>	<u>674 974</u>
21-Nov-22	2.50	500 000			
15-Dec-22	2.75	372	2026-27		
15-Dec-22	2.80	1 284	15-Mar-27	6.00	8 400
15-Dec-22	2.85	275	21-Apr-27	2.75	600 000
15-Dec-22	2.90	12 374	<u>TOTAL 2026-27</u>	<u>2.79</u>	<u>608 400</u>
15-Dec-22	3.00	1 853			
15-Mar-23	6.00	10 000	2027-28		
20-May-23	5.00	5 000	15-Mar-28	6.00	7 900
15-Jun-23	2.35	8	21-Apr-28	3.50	750 000
15-Jun-23	2.40	65	<u>TOTAL 2027-28</u>	<u>3.53</u>	<u>757 900</u>
15-Jun-23	2.50	8 277			
15-Jun-23	2.80	10	2028-29		
15-Jun-23	2.85	177	15-Mar-29	6.00	7 500
15-Jun-23	2.90	312	<u>TOTAL 2028-29</u>	<u>6.00</u>	<u>7 500</u>
15-Jun-23	2.95	300			
15-Jun-23	3.00	1 657	2029-30		
15-Jun-23	3.10	873	15-Mar-30	6.00	42 000
<u>TOTAL 2022-23</u>	<u>2.65</u>	<u>547 837</u>	21-May-30	3.50	500 000
			<u>TOTAL 2029-30</u>	<u>3.69</u>	<u>542 000</u>
2023-24					
15-Dec-23	2.95	340	2032-33		
15-Dec-23	3.00	589	21-Apr-33	3.75	205 000
15-Dec-23	3.10	3 821	<u>TOTAL 2032-33</u>	<u>3.75</u>	<u>205 000</u>
15-Mar-24	6.00	650 000			
20-May-24	5.00	5 000	2042-43		
15-Jun-24	2.45	194	21-Nov-42	4.10	285 000
15-Jun-24	2.50	1 035	<u>TOTAL 2042-43</u>	<u>4.10</u>	<u>285 000</u>
15-Jun-24	2.60	5 393			
15-Jun-24	2.95	253	<u>TOTAL</u>	<u>4.00</u>	<u>5 658 818</u>
15-Jun-24	3.00	225			
15-Jun-24	3.10	2 514			
<u>TOTAL 2023-24</u>	<u>5.92</u>	<u>669 364</u>			

# Appendix B: Outstanding loans

As at 30 June 2019

	Face value
	\$000
General government agencies	
Central Holding Authority	4 230 354
Department of Local Government, Housing and Community Development	69 479
<b>TOTAL</b>	<b>4 299 833</b>
Government business divisions	
Land Development Corporation	20 000
NT Home Ownership	190 519
<b>TOTAL</b>	<b>210 519</b>
Government owned corporations	
Power and Water Corporation	1 242 000
Territory Generation	200 000
<b>TOTAL</b>	<b>1 442 000</b>
<b>TOTAL</b>	<b>5 952 352</b>



# Appendix D: Glossary of terms

## Advisory Board

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

## Agency

A unit of government administration, or office or statutory corporation, nominated in an Administrative Arrangements Order, as an agency for the purpose of the *Financial Management Act 1995*.

## Bank bill swap rate (BBSW)

Australian Stock Exchange (ASX) bank bill reference rates available via live feed from a financial markets information service or published daily with a 24-hour delay on the ASX benchmark rates web page.

## Bond

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

## Central financing authorities

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

## Credit foncier loan

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

## Debt

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

## Designated investments

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

## Discount

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

## Face value

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

## Fixed interest

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

## Floating rate note

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

## Government business division

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

## Government owned corporation

An entity in which its objectives are to operate at least as efficiently as any corporate business and maximise a sustainable return to government. The *Government Owned Corporations Act 1993* adopts the shareholder model of corporate governance.

## Inscribed stock

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

## Local Government Councils

Municipal, regional and shire councils within the Territory.

## Margin

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

## Maturity date

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

## Migration Linked Bonds

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

## Operational risk

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

## Premium

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

## Principal

The nominal amount or face value of a bond.

## Promissory note

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

## Security

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

## Territory Bonds

Issues of NTTC inscribed stock to retail investors.

# Financial statements

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**Auditor-General**  
**Independent Auditor's Report**  
**to the Treasurer**  
**Northern Territory Treasury Corporation**  
**Page 1 of 3**

## Opinion

I have audited the accompanying financial report of Northern Territory Treasury Corporation, which comprises the statement of financial position as at 30 June 2019, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes, and the certification of the financial statements by the Under Treasurer and General Manager.

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

- Is based on proper accounts and is in agreement with the accounts and has been properly drawn up so as to present a true and fair view of the transactions for the financial year ended 30 June 2019 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 1994*; 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 1994*.

## Basis for Opinion

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

## Other Information

The General Manager of the Northern Territory Treasury Corporation is responsible for the other information. The other information comprises the information included in Northern Territory Treasury Corporation's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.

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

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

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





## Auditor-General

### Page 2 of 3

#### **Responsibilities of the General Manager for the Financial Report**

The General Manager of the Corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Northern Territory Treasury Corporation Act 1994*, and for such internal control as the General Manager determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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



## Auditor-General

### Page 3 of 3

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

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

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

Julie Crisp

Auditor-General for the Northern Territory

Darwin, Northern Territory

18 September 2019

# Statement of comprehensive income

As at 30 June 2019

	Note	2019	2018
		\$000	\$000
REVENUE		258 322	232 972
Interest	4	257 500	232 150
Other revenue	5	822	822
EXPENSES		226 671	205 571
Interest	6	224 719	203 288
Administration	7	1 952	2 283
PROFIT BEFORE INCOME TAX		31 651	27 401
Income tax expense	8	9 495	8 220
NET PROFIT AFTER INCOME TAX	9	22 156	19 181
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Northern Territory Government		22 156	19 181
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		22 156	19 181

Notes to the financial statements are included on pages 37 to 62.

# Statement of financial position

As at 30 June 2019

	Note	2019	2018
		\$000	\$000
TOTAL ASSETS		6 001 145	5 268 961
Cash and cash equivalents	10	44 701	48 017
Trade and other receivables	11	4 023	4 365
Prepayments	12	69	51
Loans	13	5 952 352	5 216 528
TOTAL LIABILITIES		5 979 515	5 247 331
Deposits held		273	388
Trade and other payables	14	51 385	52 398
Provisions	15	22 287	19 372
Tax liabilities	8	9 495	8 220
Borrowings	16	5 896 075	5 166 953
NET ASSETS		21 630	21 630
TOTAL EQUITY		21 630	21 630
Contributed capital	17	21 630	21 630

Notes to the financial statements are included on pages 37 to 62.

# Statement of cash flows

For the financial year ended 30 June 2019

	Note	2019	2018
		\$000	\$000
		inflows	inflows
		(outflows)	(outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	18	16 932	24 712
Interest received from investments		257 837	233 660
Interest and other costs of finance paid		(231 488)	(201 129)
Other receipts:			
Management fee		820	820
Other fees		2	2
Payments to suppliers and employees		(2 019)	(2 231)
Income tax paid		(8 220)	(6 410)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		(735 824)	(1 235 010)
Repayment of loans		226 176	219 990
Drawdown of loans		(962 000)	(1 455 000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		715 576	1 189 690
Repayment of borrowings		(846 714)	(907 687)
Drawdown of borrowings		1 581 585	2 112 257
Deposits received		(114)	76
Dividend paid		(19 181)	(14 956)
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		(3 316)	(20 608)
Cash and cash equivalents at the beginning of the financial year		48 017	68 625
Cash and cash equivalents at the end of period	10	44 701	48 017

Notes to the financial statements are included on pages 37 to 62.

# Statement of changes in equity

For the financial year ended 30 June 2019

	Note	2019	2018
		\$000	\$000
<b>CONTRIBUTED CAPITAL</b>			
Balance at the beginning of the financial year		21 630	21 630
Movement for the year		-	-
Balance at the end of the financial year	17	21 630	21 630
<b>RETAINED PROFITS</b>			
Balance at the beginning of the financial year		-	-
Net profit	9	22 156	19 181
Dividends provided for	15	(22 156)	(19 181)
Dividends paid		-	-
Balance at the end of the financial year		-	-
<b>TOTAL EQUITY</b>		<b>21 630</b>	<b>21 630</b>

Notes to the financial statements are included on pages 37 to 62.

# Notes to the financial statements

For the financial year ended 30 June 2019

## 1. Objectives and associated guarantees

### (a) Objectives

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

### (b) Statutory guarantee

Under section 20 of the *Northern Territory Treasury Corporation Act 1994* (NTTC Act), all financial obligations incurred or assumed by NTTC are guaranteed by the Treasurer on behalf of the Northern Territory Government of Australia.

## 2. Statement of significant accounting policies

### (a) Statement of compliance

The financial statements are general purpose financial statements prepared in accordance with the NTTC Act, Australian Accounting Standards (AAS) as issued by the Australian Accounting Standards Board (AASB), the requirements of the *Financial Management Act 1995* (FMA), and the Treasurer's Directions.

The financial statements were authorised for issue by the Under Treasurer on 17 September 2019.

### (b) Basis of accounting

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

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

### (c) Reporting entity

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

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

### (d) Agency and Territory items

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

### (e) Comparatives

Where necessary, comparative information for the 2018-19 financial year has been reclassified to provide consistency with current year disclosures.

# Notes to the financial statements

For the financial year ended 30 June 2019

Note 2 continued

## (f) Presentation and rounding of amounts

Amounts in the financial statements and notes to the financial statements are presented in Australian dollars and have been rounded to the nearest thousand dollars, with amounts of \$500 or less being rounded down to zero.

## (g) Changes in accounting policies

There have been no changes to accounting policies adopted in 2018-19 as a result of management decisions.

## (h) Accounting judgements and estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Actual results may differ from these estimates.

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

## (i) Goods and services tax

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

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of the acquisition of an asset or as part of an item of expense
- (ii) or for receivables and payables that are recognised inclusive of GST.

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

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

## (j) Distributions to government

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

## (k) Revenue recognition

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

## (l) Expense recognition

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



# Notes to the financial statements

For the financial year ended 30 June 2019

Note 2 continued

## (m) Financial instruments

### (i) Financial assets:

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

### (ii) Financial liabilities:

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

### (iii) Effective interest method:

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

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

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

### (v) Impairment of financial assets:

NTTC recognises an allowance for expected credit losses (ECLs) for loans and other financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that NTTC expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

NTTC considers a financial asset in default when contractual payments are past due. However, in certain cases, NTTC may also consider a financial asset to be in default when internal or external information indicates that NTTC is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by NTTC. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# Notes to the financial statements

For the financial year ended 30 June 2019

Note 2 (m) continued

(vi) Derecognition:

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

vii) Gains and losses on extinguishment:

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

### 3. New standards and interpretations

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

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

#### AASB 9 Financial Instruments

The agency applied AASB 9 for the first time in 2018-19. AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and measurement for annual periods beginning on or after 1 January 2018. The agency has not restated the comparative information, which continues to be reported under AASB 139. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

#### Classification and measurement

NTTC's financial instruments are classified as amortised cost. The classification of these instruments is based on NTTC's business model for managing the financial assets and the contractual terms of the cash flows.

The classification and measurement requirements of AASB 9 did not impact on NTTC's financial statements.

NTTC's debt instruments are comprised of interest receivables and loans. These assets were classified as loans and receivables as at 30 June 2018 under AASB 139 and were measured at amortised cost. As these assets are held to collect contractual cash flows that are solely payments of principal and interest, they continue to be measured at amortised cost from 1 July 2018.

The agency has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the agency's financial liabilities.

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

#### Standards and interpretations issued but not yet effective

No Australian accounting standards have been early adopted for 2018-19.

# Notes to the financial statements

For the financial year ended 30 June 2019

*Note 3 continued*

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

## AASB 16 Leases

AASB 16 Leases is effective for annual reporting periods beginning on or after 1 January 2019 and will be reported for the first time in 2019-20 financial statements. When effective, the standard will supersede AASB 117 Leases and require the majority of leases to be recognised on the balance sheet.

For lessees with operating leases, a right-of-use asset will now be included in the balance sheet together with a lease liability for all leases with a term of 12 months or more, unless the underlying assets are of low value. The comprehensive operating statement will no longer report operating lease rental payments. Instead, amortisation expense will be recognised relating to the right-of-use asset and interest expense relating to the lease liability.

The right-of-use asset will be amortised generally on a straight-line basis while the lease liability will reduce to reflect lease payments made and increase to reflect the interest on the liability. Consistent with the methodology applied to other long-term liabilities, the lease liability is discounted using the NTTC institutional bond rates. As the lease term progresses, the carrying amount of the asset (cost less accumulated amortisation) is likely to reduce more quickly than the liability, resulting in a lower net asset in the earlier stages of the lease arrangement.

The modified retrospective approach has been elected to transition to the new lease standard. This approach does not require restatement of comparative years and the cumulative impact is accounted for as an equal adjustment to the right-of-use asset and lease liabilities, thus, having no impact in NTTC's net assets at initial adoption.

Consequently, it is expected that approximately \$13 000 will be recognised in the balance sheet as a lease liability and corresponding right to use asset from 2019-20.

# Notes to the financial statements

For the financial year ended 30 June 2019

## 4. Interest revenue

	2019	2018
	\$000	\$000
Interest from loans:		
General government agencies	180 467	155 868
Government owned corporations	63 563	63 181
Government business divisions	9 881	10 497
Gain on extinguishment	8	21
Interest from cash balances:		
General government agencies	3 581	2 583
<b>TOTAL INTEREST REVENUE</b>	<b>257 500</b>	<b>232 150</b>

	2019	2019	2018	2018
	Average balance	Average rate	Average balance	Average rate
	\$000	%	\$000	%
Loans to:				
General government agencies	3 952 927	4.57	3 008 760	5.18
Government owned corporations	1 413 000	4.50	1 365 903	4.63
Government business divisions	218 513	4.52	224 361	4.68
<b>TOTAL</b>	<b>5 584 440</b>		<b>4 599 024</b>	

	2019	2018
	\$000	\$000
Gains on extinguishment:		
Gains on extinguishment of loans at amortised cost	8	21
<b>TOTAL GAINS ON EXTINGUISHMENT</b>	<b>8</b>	<b>21</b>

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

# Notes to the financial statements

For the financial year ended 30 June 2019

## 5. Other revenue

	2019	2018
	\$000	\$000
Management fees	820	820
Other revenue	2	2
<b>TOTAL OTHER REVENUE</b>	<b>822</b>	<b>822</b>

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

## 6. Interest expense

	2019	2018
	\$000	\$000
Interest to:		
Wholesale borrowings	208 465	188 666
Debt to Commonwealth	9 689	10 042
Retail borrowings	2 942	2 818
Promissory notes	3 619	1 460
Losses on extinguishment	4	302
<b>TOTAL INTEREST EXPENSE</b>	<b>224 719</b>	<b>203 288</b>

	2019	2019	2018	2018
	Average balance	Average rate	Average balance	Average rate
	\$000	%	\$000	%
Borrowings from:				
Wholesale market				
Fixed interest securities	5 173 201	4.03	4 266 732	4.42
Promissory notes	178 986	2.02	-	-
Debt to Commonwealth	204 846	4.73	212 453	4.73
Retail market	103 705	2.84	87 483	3.22
<b>TOTAL</b>	<b>5 660 738</b>		<b>4 566 668</b>	

	2019	2018
	\$000	\$000
Losses on extinguishment:		
Losses on extinguishment of borrowings at amortised cost	4	302
<b>TOTAL LOSSES ON EXTINGUISHMENT</b>	<b>4</b>	<b>302</b>

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

# Notes to the financial statements

For the financial year ended 30 June 2019

## 7. Administration expenses

	2019	2018
	\$000	\$000
Salaries and related employee expenses	646	1 000
Agent service arrangements – external	560	478
Other service arrangements – internal	544	554
Consultants	4	4
Marketing and promotion	3	3
Document production	30	31
Recruitment	-	11
General property management	54	103
Operating leases	10	9
Subscriptions	92	67
Training and study	2	3
Official duty fares	2	5
Travel allowance	1	1
Other administration expenses	4	14
<b>TOTAL OTHER EXPENSES</b>	<b>1 952</b>	<b>2 283</b>

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

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

## 8. Tax expense and liabilities

	2019	2018
	\$000	\$000
Notional income tax payable	9 495	8 220
<b>TOTAL TAX EXPENSE AND LIABILITIES</b>	<b>9 495</b>	<b>8 220</b>

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

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

# Notes to the financial statements

For the financial year ended 30 June 2019

## 9. Retained profits

	2019	2018
	\$000	\$000
Balance at the beginning of the financial year	-	-
Net profit	22 156	19 181
Dividends provided for	(22 156)	(19 181)
<b>BALANCE AT THE END OF THE FINANCIAL YEAR</b>	<b>-</b>	<b>-</b>

## 10. Cash and cash equivalents

	2019	2018
	\$000	\$000
Cash at bank	44 701	48 017
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>44 701</b>	<b>48 017</b>

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents include cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to insignificant risk of changes in value and have a maturity of three months or less at date of acquisition. They are measured at face value or the gross value of the outstanding balance.

## 11. Trade and other receivables

	2019	2018
	\$000	\$000
Accrued interest on loans	4 014	4 359
Debtors	9	6
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>4 023</b>	<b>4 365</b>

## 12. Prepayments

	2019	2018
	\$000	\$000
Prepayments	69	51
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>69</b>	<b>51</b>

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

# Notes to the financial statements

For the financial year ended 30 June 2019

## 13. Loans

	2019	2018
	\$000	\$000
General government agencies		
Fixed rate loans	4 142 200	3 442 200
Credit foncier loans	157 633	163 821
Government owned corporations		
Fixed rate loans	928 000	726 000
Floating rate loans	514 000	658 000
Government business divisions		
Fixed rate loans	115 000	125 000
Credit foncier loans	95 519	101 507
<b>TOTAL LOANS</b>	<b>5 952 352</b>	<b>5 216 528</b>

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

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

## 14. Trade and other payables

	2019	2018
	\$000	\$000
Creditors and accruals	192	173
Accrued interest on borrowings	51 189	52 218
Accrued salaries	4	7
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>51 385</b>	<b>52 398</b>



# Notes to the financial statements

For the financial year ended 30 June 2019

## 15. Provisions and tax liabilities

	2019	2018
a) Employee benefits	\$000	\$000
Recreation leave		
Opening balance	150	124
Recreation leave paid	(59)	(90)
Recreation leave provided for	14	116
Closing balance	105	150
Leave bonus		
Opening balance	14	10
Leave bonus paid	-	(9)
Leave bonus provided for	(7)	13
Closing balance	7	14
Leave airfares		
Opening balance	4	3
Leave airfares paid	(4)	(4)
Leave airfares provided for	2	5
Closing balance	2	4
Superannuation external		
Opening balance	22	17
Superannuation paid	(22)	(17)
Superannuation provided for	16	22
Closing balance	16	22
Total employee benefits	130	190
b) Fringe benefit tax	1	1
c) Dividend payable	22 156	19 181
<b>TOTAL PROVISIONS</b>	<b>22 287</b>	<b>19 372</b>

# Notes to the financial statements

For the financial year ended 30 June 2019

Note 15 continued

## Provisions

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

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

## Employee benefits

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

Provisions made in respect to employee benefits that are expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect to employee benefits not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by NTTC in respect to services provided by employees up to the reporting date.

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

## Superannuation

Employee superannuation entitlements are provided through the:

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

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

## Dividends

NTTC has provided for a dividend of \$22.156 million, which is at the rate of 100 per cent of its net profit for the 2018-19 year in accordance with the Treasurer's budget direction.

# Notes to the financial statements

For the financial year ended 30 June 2019

## 16. Borrowings

	2019	2018
Wholesale market	\$000	\$000
Fixed interest securities	5 476 450	4 869 952
Promissory notes	99 525	-
Retail market		
Territory Bonds	118 644	87 515
Migration Linked Bonds	500	750
Commonwealth		
Credit foncier loans	200 956	208 736
<b>TOTAL BORROWINGS</b>	<b>5 896 075</b>	<b>5 166 953</b>

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

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

## 17. Contributed capital

	2019	2018
	\$000	\$000
Balance at the beginning of the financial year	21 630	21 630
Movement for the year	-	-
<b>BALANCE AT THE END OF THE FINANCIAL YEAR</b>	<b>21 630</b>	<b>21 630</b>

## 18. Reconciliations of net profit from operating activities

	2019	2018
	\$000	\$000
Net profit	22 156	19 181
Reconciliation flows in net profit adjusted for:		
(Gain)/loss on extinguishment	(4)	281
(Premium) and discount amortisation	(5 746)	(4 283)
Changes in assets and liabilities:		
Decrease/(increase) in interest receivable	345	1 531
Decrease/(increase) in debtors	(3)	2
Decrease/(increase) in prepayments	(18)	23
Increase/(decrease) in employee benefits	(60)	35
Increase/(decrease) in creditors and accruals	15	(6)
Increase/(decrease) in tax liabilities	1 275	1 810
Increase/(decrease) in interest payable	(1 028)	6 138
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>16 932</b>	<b>24 712</b>

# Notes to the financial statements

For the financial year ended 30 June 2019

## 19. Financial instruments and risk management

### Objectives and policies

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

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

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

### Management of capital

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

### Categories of financial instruments

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

	30 June 2019	30 June 2018
	\$000	\$000
Financial assets:		
Cash and cash equivalents	44 701	48 017
Loans and receivables at amortised cost:		
Trade and other receivables	4 023	4 365
Loans	5 952 352	5 216 528
<b>TOTAL LOANS AND RECEIVABLES AT AMORTISED COST</b>	<b>5 956 375</b>	<b>5 220 893</b>
Financial liabilities:		
Financial liabilities at amortised cost:		
Deposits held	273	388
Trade and other payables	51 385	52 398
Borrowings	5 896 075	5 166 953
<b>TOTAL FINANCIAL LIABILITIES AT AMORTISED COST</b>	<b>5 947 733</b>	<b>5 219 739</b>

# Notes to the financial statements

For the financial year ended 30 June 2019

Note 19 continued

## Market risk

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

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

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

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

Market risk is reported at each meeting of the Advisory Board. To the extent there are mismatches between assets and liabilities, the sensitivity to interest rate risk is measured by a parallel shift in the current market yield curve of 1 per cent. There is currently no exposure to foreign exchange risk, therefore no sensitivity analysis is undertaken. However, should NTTC borrow in foreign currency in the future, the sensitivity to foreign exchange risk can similarly be measured by shifting spot exchange rates by an appropriate margin.

Market risks are discussed in more detail below.

### (a) Interest rate risk

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

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

NTTC's interest rate risk on its financial assets and liabilities is significantly reduced as a result of its relationship with CHA. As at 30 June 2019, approximately 75 per cent (2018: 72 per cent) of NTTC's issued debt is on lent to CHA. The interest rates and maturity dates set on these loans are closely matched to the debt issued by NTTC to external counterparties. NTTC's loans to CHA attract a margin over the cost of servicing the debt.

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

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

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

As at 30 June 2019, NTTC did not hold any derivative transactions.

# Notes to the financial statements

For the financial year ended 30 June 2019

Note 19 continued

## (i) Sensitivity analysis

Assuming the financial assets and liabilities at 30 June 2019 were to remain until maturity or settlement without any action by NTTC to alter the resulting interest rate risk exposure, an immediate and sustained increase or decrease of 1 per cent in market interest rates across all maturities would have the following impact on profit before tax for the financial year:

	± 1% movement in interest rates	
	Impact on profit before tax 2019	Impact on profit before tax 2018
	\$000	\$000
Financial assets:		
Cash at bank	± 447	± 480
<b>NET SENSITIVITY</b>	<b>± 447</b>	<b>± 480</b>

## (ii) Interest rate risk exposures

NTTC's exposure to interest rate risk, re-pricing maturities and the effective interest rates at 30 June 2019 is:

### Re-pricing maturities

	Weighted average interest rate	Interest rate reset due in				Non-interest bearing	Total
		0 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years		
	%	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets:							
Cash	1.00	44 701	-	-	-	-	44 701
Trade and other receivables	-	-	-	-	-	4 023	4 023
Loans							
Fixed rate loans	4.24	44 000	119 000	2 725 000	2 297 200	-	5 185 200
Floating rate loans	4.45	-	232 000	282 000	-	-	514 000
Credit foncier loans	9.40	-	-	1 201	251 951	-	253 152
<b>TOTAL FINANCIAL ASSETS</b>		<b>88 701</b>	<b>351 000</b>	<b>3 008 201</b>	<b>2 549 151</b>	<b>4 023</b>	<b>6 001 076</b>
Financial liabilities:							
Deposits held	-	-	-	-	-	273	273
Trade and other payables	-	-	-	-	-	51 385	51 385
Borrowings							
Fixed interest securities	3.89	-	31 854	1 947 622	3 616 118	-	5 595 594
Promissory notes	1.73	-	99 525	-	-	-	99 525
Credit foncier loans	4.64	-	-	1 187	199 769	-	200 956
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>-</b>	<b>131 379</b>	<b>1 948 809</b>	<b>3 815 887</b>	<b>51 658</b>	<b>5 947 733</b>

# Notes to the financial statements

For the financial year ended 30 June 2019

Note 19 continued

For comparative purposes, NTTC's exposure to interest rate risk, repricing maturities and the effective interest rates at 30 June 2018 was as follows:

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

## (b) Foreign exchange risk

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

## (c) Credit risk

Credit risk is the risk of financial loss or increased costs due to the failure of a counterparty to meet its financial obligations. NTTC's exposure to credit risk arises out of lending and derivative transactions. This risk is mitigated by the fact that lending activities are limited to Territory Government entities and its wholly-owned corporations.

NTTC aims to ensure its exposures to individual and group counterparties are within acceptable levels, and to minimise the likelihood that a counterparty will fail to execute its financial obligations. NTTC's dealings in physical securities or derivative financial instruments are transacted only with counterparties possessing strong or extremely strong credit rating. In addition, derivative financial instruments are only transacted with counterparties that have signed an International Swaps and Derivatives Association (ISDA) Master Agreement.

# Notes to the financial statements

For the financial year ended 30 June 2019

Note 19 continued

The credit risk arising from funds advanced to loan counterparties is considered minimal, as loans are only advanced to counterparties within the Northern Territory public sector, as approved by the Treasurer. Accordingly, ultimate responsibility for loans advanced by NTTC lies with the Territory Government. Credit rating criteria is not applied to loan counterparties.

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

## (d) Liquidity risk

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

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

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

In addition, NTTC at all times maintains:

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

## (e) Funding risk

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

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

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



# Notes to the financial statements

For the financial year ended 30 June 2019

*Note 19 continued*

NTTC's current funding sources are as follows:

Wholesale market

Fixed interest securities

Floating rate notes

Promissory notes

Retail market

Territory Bonds

Migration Linked Bonds

Wholesale market issues account for approximately \$5.54 billion (2018: \$4.82 billion) or 98 per cent (2018: 98 per cent) of all outstanding issued debt as at 30 June 2019. Borrowing from the retail market is primarily sourced through the Territory Bonds program. As at 30 June 2019, \$118.6 million (2018: \$87.5 million) of Territory Bonds was issued and spread across a large number of investors: approximately 2214 (2018: 2370) at an average loan balance of \$53 588 (2018: \$36 926).

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 2019

Note 19 continued

## (iii) Maturity analysis

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

30 June 2019	At call	0 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Loans:</b>						
General government agencies						
Fixed rate loans	-	44 059	135 946	2 424 094	2 685 387	5 289 486
Credit foncier loans	-	6 296	19 545	103 298	176 810	305 949
Government owned corporations						
Fixed rate loans	-	39 078	142 006	861 545	-	1 042 629
Floating rate loans	-	5 746	247 150	297 634	-	550 530
Government business divisions						
Fixed rate loans	-	16 205	3 178	107 805	-	127 188
Credit foncier loans	-	2 681	8 043	42 342	72 414	125 480
<b>TOTAL LOANS</b>	<b>-</b>	<b>114 065</b>	<b>555 868</b>	<b>3 836 718</b>	<b>2 934 611</b>	<b>7 441 262</b>
Deposits held	273	-	-	-	-	273
<b>Borrowings:</b>						
Due to other financial institutions						
Wholesale market						
Fixed interest securities	-	57 072	169 073	2 623 883	4 259 930	7 109 958
Promissory Notes	-	-	100 000	-	-	100 000
Retail market						
Territory Bonds	-	64	30 033	97 505	-	127 602
Migration Linked Bonds	-	6	6	506	-	518
Commonwealth						
Credit foncier loans	-	-	17 463	69 223	230 624	317 310
<b>TOTAL BORROWINGS</b>	<b>273</b>	<b>57 142</b>	<b>316 575</b>	<b>2 791 117</b>	<b>4 490 554</b>	<b>7 655 661</b>

# Notes to the financial statements

For the financial year ended 30 June 2019

Note 19 continued

30 June 2018	At call	0 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Loans:</b>						
<b>General government agencies</b>						
Fixed rate loans	-	549 500	97 427	1 649 518	1 907 241	4 203 686
Credit foncier loans	-	6 296	19 552	103 325	202 624	331 797
<b>Government owned corporations</b>						
Fixed rate loans	-	68 450	22 052	731 502		822 004
Floating rate loans	-	7 858	163 953	550 530		722 341
<b>Government business divisions</b>						
Fixed rate loans	-	1 362	38 657	99 221		139 240
Credit foncier loans	-	2 681	8 043	42 721	82 759	136 204
<b>TOTAL LOANS</b>	<b>-</b>	<b>636 147</b>	<b>349 684</b>	<b>3 176 817</b>	<b>2 192 624</b>	<b>6 355 272</b>
Deposits held	388	-	-	-	-	388
<b>Borrowings:</b>						
<b>Due to other financial institutions</b>						
<b>Wholesale market</b>						
Fixed interest securities	-	547 652	130 483	1 879 776	3 805 682	6 363 593
<b>Retail market</b>						
Territory Bonds	-	74	30 758	62 857	-	93 689
Migration Linked Bonds	-	6	263	519	-	788
<b>Commonwealth</b>						
Credit foncier loans	-	-	17 470	69 634	247 676	334 780
<b>TOTAL BORROWINGS</b>	<b>388</b>	<b>547 732</b>	<b>178 974</b>	<b>2 012 786</b>	<b>4 053 358</b>	<b>6 793 238</b>

# Notes to the financial statements

For the financial year ended 30 June 2019

## 20. Fair values of financial instruments

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

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

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

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

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

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

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

# Notes to the financial statements

For the financial year ended 30 June 2019

Note 20 continued

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

2019	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	5 185 200	5 785 425	-	5 785 425	-
Floating rate loans	514 000	524 431	-	524 431	-
Credit foncier loans	253 152	340 016	-	340 016	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>5 952 352</b>	<b>6 649 872</b>	<b>-</b>	<b>6 649 872</b>	<b>-</b>

Financial liabilities:

Borrowings and advances:

Wholesale	5 575 975	6 338 246	-	6 338 246	-
Retail	119 144	123 960	-	123 960	-
Commonwealth	200 956	249 192	-	249 192	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>5 896 075</b>	<b>6 711 398</b>	<b>-</b>	<b>6 711 398</b>	<b>-</b>

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

Financial liabilities:

Borrowings and advances:

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

# Notes to the financial statements

For the financial year ended 30 June 2019

## 21. Related parties

### (i) Related parties

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

Related parties of NTTC include:

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

### (ii) Key management personnel

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

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

### (iii) Remuneration of key management personnel

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

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

	2019	2018
	\$000	\$000
Short-term benefits <sup>1</sup>	214	208
Long-term benefits	-	-
Post-employee benefits <sup>2</sup>	26	25
Termination benefits	-	-
<b>TOTAL</b>	<b>240</b>	<b>233</b>

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

2 Includes superannuation contributions paid by NTTC.

# Notes to the financial statements

For the financial year ended 30 June 2019

Note 21 continued

(iv) Related party transactions:

Transactions with Territory Government-controlled entities

Transactions with related parties during the year include:

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

The above transactions were in the normal course of business and on commercial terms and conditions. Outstanding balances with related parties are discussed throughout the financial statements.

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

Related party	2019	2018
	\$000	\$000
Receipts from related parties	484 835	452 941
Payments to related parties	989 945	1 476 920

## 22. Auditor and review services

	2019	2018
	\$000	\$000
External audit – NT Auditor-General's Office		
Audit and review of financial statements	80	76
Internal audit – KPMG		
Internal audit	64	32
Review services	44	32
<b>TOTAL</b>	<b>188</b>	<b>140</b>

## 23. Fees and commissions

Service providers under contractual arrangements	2019	2018
	\$000	\$000
Link Market Services Pty Ltd	156	163
Sungard Systems Pty Ltd	111	103
Austraclear Ltd	97	82
Thomson Reuters Pty Ltd	25	24

# Notes to the financial statements

For the financial year ended 30 June 2019

## 24. Fiduciary activities

NTTC acts as manager of CHA's investment portfolio. Any associated assets and liabilities are not recognised in these financial statements. Management fees generated in carrying out these activities are included in the statement of comprehensive income. The aggregate income from fiduciary activities for the 2018-19 year was \$820 000 (2018: \$820 000). As at 30 June, CHA investment portfolio balances were:

	2019	2018
	\$000	\$000
Investment portfolio	610 000	645 000
Conditions of Service Reserve	1 016 408	857 241
Infrastructure Development Fund	-	199 503
<b>TOTAL</b>	<b>1 626 408</b>	<b>1 701 744</b>

## 25. Advisory Board

The NTTC Advisory Board was established in October 1994. The Under Treasurer of DTF, Mr Craig Graham, is the Chair of the Board, and the following people held the position of member during the year ended 30 June 2019:

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

During the year ended 30 June 2019 only two members were entitled to receive Advisory Board sitting fees. Members who are permanently employed under the *Public Sector Employment and Management Act 1993* or on similar terms are not entitled to fees.

	2019	2018
	\$000	\$000
Sitting fees	40	40

## 26. Segment information

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

## 27. Events subsequent to reporting date

There were no subsequent events.



# Certification of financial statements

For the financial year ended 30 June 2019

We certify that the attached financial statements for the Northern Territory Treasury Corporation have been prepared from proper accounts and records in accordance with the prescribed format, the *Financial Management Act 1995*, *Northern Territory Treasury Corporation Act 1994* and Treasurer's Directions.

We further state that the information set out in the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes to and forming part of the financial statements presents fairly the financial performance and cash flows for the year ended 30 June 2019 and the financial position on that date.

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



Craig Graham  
Under Treasurer  
17 September 2019



Alex Pollon  
General Manager  
17 September 2019

