



Northern  
Territory  
Government

# NORTHERN TERRITORY TREASURY CORPORATION



Annual Report 2014

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Northern Territory Treasury Corporation

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# Northern Territory Government

The Honourable Adam Giles MLA  
Treasurer  
Parliament House  
DARWIN NT 0800

Dear Treasurer

I have pleasure in presenting to you the Annual Report of the Northern Territory Treasury Corporation (NTTC). The report details the activities and operations of NTTC for the year ended 30 June 2014, in accordance with the provisions of section 31 of the *Northern Territory Treasury Corporation Act* and section 28 of the *Public Sector Employment and Management Act*.

Pursuant to the *Financial Management Act* (the Act), I advise that to the best of my knowledge and belief:

- proper records of all transactions affecting NTTC are kept and that employees under my control observe the provisions of that Act, the Financial Management Regulations and the Treasurer's Directions;
- procedures within NTTC afford proper internal control and all procedures and policies are documented;
- no indication of fraud, malpractice, major breach of legislation or delegation, major error in or omission from the accounts and records exists;
- in accordance with the requirements of section 15 of the Act, the internal audit capacity available to NTTC is adequate and the results of internal audits have been reported to me; and
- the financial statements included in this Annual Report have been prepared from proper accounts and records, and are in accordance with Treasurer's Directions.

Pursuant to section 131 of the *Information Act*, I advise that to the best of my knowledge and belief, NTTC has implemented processes to achieve compliance with the archives and records management provisions as prescribed in Part 9 of the *Information Act*.

I can also advise you that the Auditor-General has audited NTTC's financial statements for the year ended 30 June 2014 and her report is included.

Yours sincerely

Jodie Ryan  
Under Treasurer and Chairman  
30 September 2014

## Mission

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

## Values

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

## Enabling Act

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

## Statutory Guarantee

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

## Status

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

## Credit Rating

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

## How to Use this Report

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

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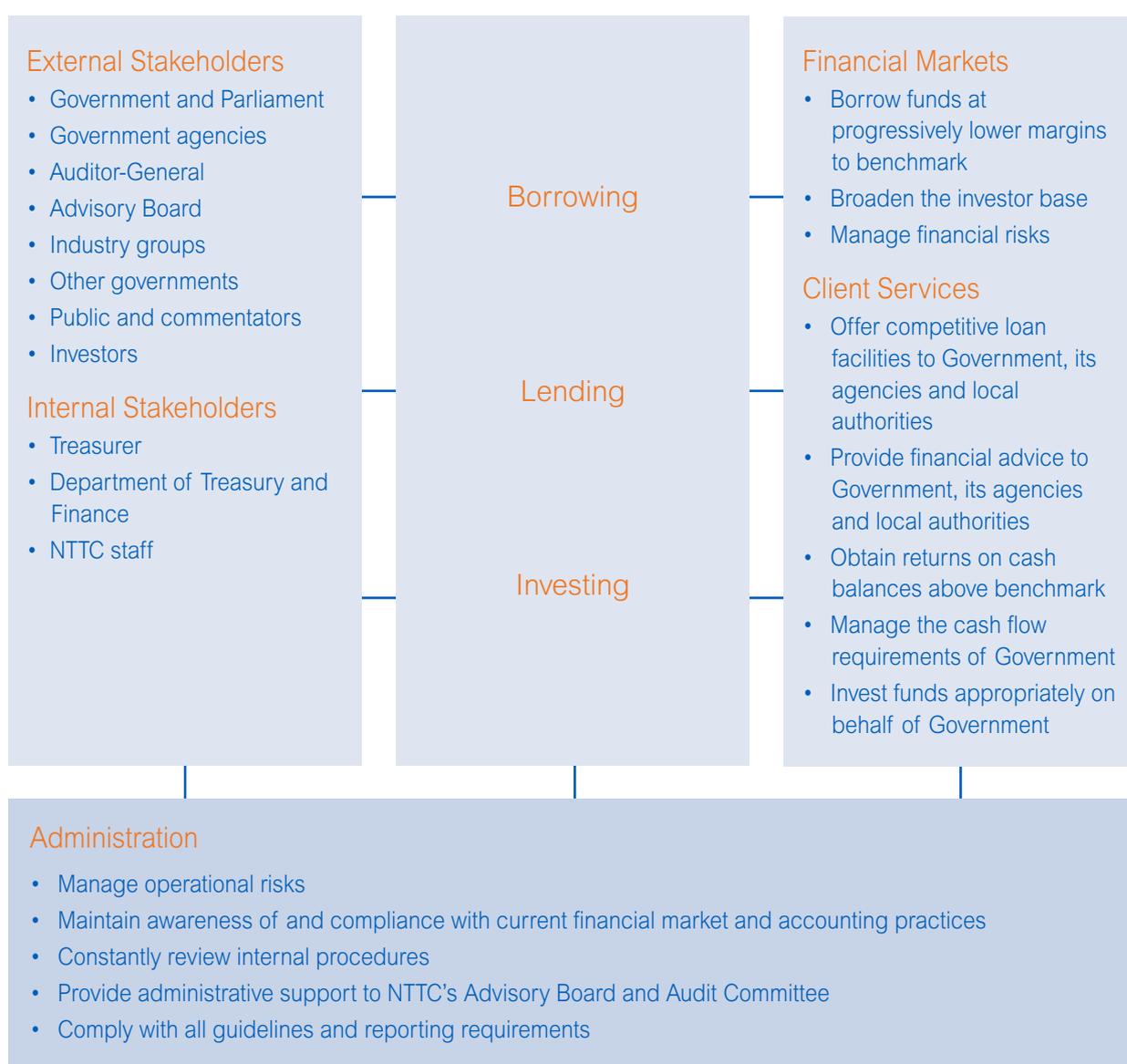
# Profile

## Purpose

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

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

Figure 1: Corporation Stakeholders, Functions and Programs



# Chairman's Address



Over the course of the year, the global economy has generally improved largely due to progress in the major developed economies. In Australia, overall economic growth has accelerated over the past year. NTTC has benefited from the subdued volatility in financial markets and a low interest rate environment with the successful term bond issuance and strong returns in aggregate on the investment portfolios it manages on behalf of the Central Holding Authority (CHA).

The Territory economy outperformed the national economy in 2013-14 with gross state product estimated to have increased by 5.6 per cent to \$20.96 billion compared to only 2.9 per cent nationally. This was driven by strong growth in private housing investment, equipment investment and exports. While private construction investment is forecast to decline slightly, Territory international exports are expected (as forecast by Deloitte Access Economics) to grow by an annual average of over 12 per cent between 2013-14 and 2017-18. Overall, forecasts estimate that the Territory economy will grow at an average annual rate of 5.1 per cent between 2013-14 and 2017-18, which is the highest growth rate of the jurisdictions.

NTTC borrowed a total of \$935 million in 2013-14, comprised of \$542 million of maturing debt and \$393 million of pre-funding for the 2014-15 borrowing program. This borrowing was spread across three major bond issues maturing in 2021, 2024 and 2026. The combined strong investor demand on longer dated bonds and the low outright interest rate encouraged NTTC to focus on long-term fixed rate issuance. The outcome of this activity saw the weighted average duration of debt on issue increase from 4.0 years reported in June 2013 to 4.4 years in 2013-14. This occurred while the weighted average cost of borrowing for the 2013-14 year of 4.23 per cent reduced the overall weighted average cost of borrowing on the total portfolio of debt from 5.32 to 5.21 per cent. The extension of debt on issue at a relatively low interest rate was supported by both the Advisory Board and the Department of Treasury and Finance.

In terms of investment activities, world share markets delivered their second consecutive financial year of double-digit returns. Fixed income returns improved but still underperformed global markets over the year. As a result, the Conditions of Service Reserve (COSR), which invests with a long term perspective, returned 14.98 per cent in 2013-14 or 2.08 percentage points above its benchmark. COSR is now 1.91 percentage points above its benchmark over the 10 year period. The Medium Term Investment Fund (MTIF) also performed well during the past year, producing a weighted average return of 6.72 per cent, or 4.04 percentage points above the benchmark return of 2.68 per cent. Both the COSR and the MTIF returned well above the NTTC's 4.23 per cent cost of borrowing for 2013-14.

The investment portfolio managed by NTTC on behalf of CHA is composed of range of secure investments, a significant proportion of which is in short-term instruments, also performed well above its benchmark. In 2013-14, the portfolio returned 2.97 per cent, or 0.28 percentage points above the benchmark return of 2.69 per cent.

During the financial year, Ernst & Young Adelaide, in collaboration with Merit Partners Darwin, were appointed to perform the internal audit of NTTC's activities. NTTC also successfully upgraded to a current version of its Treasury Management system to ensure compliance and ongoing system support.

In summary, it has been another successful year across the key areas of responsibility of the organisation. NTTC continues to seek diversity in its funding and investment exposures and appreciates the efforts of its syndication partners and investment advisors throughout the year to achieve this end. I particularly wish to acknowledge the Advisory Board for their guidance over the past year and extend my thanks to the management and staff of NTTC.



Jodie Ryan

Under Treasurer and Chairman

30 September 2014

# Performance Summary

## Review of 2013-14

- Improving global market environment
- Mixed domestic economic conditions
- Borrowing program of \$935 million including pre-funding of \$393 million for 2014-15
- Extended term/duration and reduced cost of borrowing
- Over \$4.4 billion on issue in major bond series
- Strong investment returns

## Outlook for 2014-15

- Reduced borrowing program (including refinancing) of \$334 million
- Tap issues of existing long-dated bond series
- New major bond series to be established under the Australian Domestic Note Programme
- Ongoing market volatility

Table 1: Five-Year Financial Overview

	2013-14	2012-13	2011-12	2010-11	2009-10
<b>Statement of Income</b>	\$000	\$000	\$000	\$000	\$000
Revenue	289 872	258 055	233 453	197 262	172 750
Expenses	256 898	224 250	203 527	173 751	150 175
Profit before tax	32 974	33 805	29 926	23 511	22 575
Tax expense	9 892	10 141	8 978	7 053	6 773
<b>Net profit after tax</b>	<b>23 082</b>	<b>23 664</b>	<b>20 948</b>	<b>16 458</b>	<b>15 802</b>
<b>Statement of Financial Position</b>					
Total assets	5 283 013	4 848 368	4 098 068	3 113 897	2 907 334
Total liabilities	5 261 383	4 826 738	4 076 438	3 092 267	2 885 704
<b>Total equity</b>	<b>21 630</b>				
<b>Statement of Cash Flows</b>					
Cash flows from operating activities	24 194	29 793	30 416	16 762	22 000
Cash flows from investing activities	352 242	770 051	480 057	392 392	328 745
Cash flows from financing activities	410 272	720 774	952 126	188 191	490 499

Table 2: Five-Year Key Performance Indicators Summary

Performance Measures	2013-14	2012-13	2011-12	2010-11	2009-10
<b>Quantity</b>					
Weighted average cost of borrowing (WACoB)	4.23%	4.01%	4.86%	5.29%	5.70%
<b>Quality</b>					
Borrowing rate margin compared to industry peers <sup>1</sup>	+ 0.37%	+ 0.36%	+ 0.38%	+ 0.22%	+ 0.24%
Investment portfolio return above benchmark <sup>2</sup>	+ 0.28%	+ 0.36%	+ 0.32%	+ 0.31%	+ 0.48%
Stakeholder satisfaction <sup>3</sup>	5	5	N/A	6	5

1 State and territory governments' central financing authorities (CFA).

2 The benchmark is the weighted relevant UBS Warburg Performance indices. The composite benchmark return for 2013-14 was 2.69% while NTTC achieved a return of 2.97%.

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

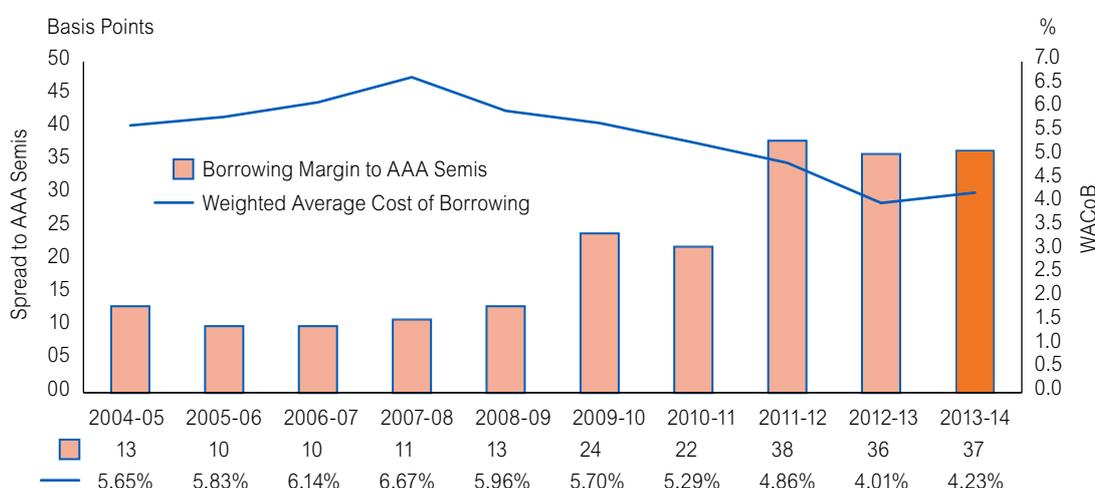
### Performance Measure Analysis

Despite continued volatility experienced in the financial market during the year, NTTC's cost of borrowing target was lowered to 5 per cent. The actual outcome achieved for the year was 4.23 per cent. The weighted average cost of borrowing (including short-term promissory notes) on outstanding issued debt at 30 June 2014 was 5.21 per cent.

While market interest rates declined throughout 2013-14, NTTC's borrowing margin remained steady during the financial year. This can be primarily attributed to the ongoing uncertainty in Europe and the continued recovery in the US, which resulted in a steadying in credit markets and consistent demand from investors for liquidity. NTTC accepts the widening spread in recent years reflects the increased liquidity premium demanded by investors and NTTC's strategy to increase the term and duration of bonds on issue.

The portfolio was predominantly invested in short-term securities within the existing credit limits approved by the Treasurer.

Figure 2: NTTC WACoB vs Spread to AAA Semi Governments



# Financial Markets

## Funding

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

NTTC's funding sources are as follows:

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

Table 3: Borrowing Composition

	2013-14	2012-13	2011-12	2010-11	2009-10
	\$M	\$M	\$M	\$M	\$M
Refinance maturing Territory debt	542	411	427	363	376
New borrowings	-	245	479	207	325
Borrowing requirement	542	656	906	570	701
Pre-funding	393	453	492	-	190
<b>Total borrowing program</b>	<b>935</b>	<b>1 109</b>	<b>1 398</b>	<b>570</b>	<b>891</b>

## Borrowing Activity

The 2013-14 borrowing requirement was lower than last year, with approximately \$542 million raised to refinance maturing debt. In addition, NTTC committed to pre-fund part of the 2014-15 borrowing program, which resulted in raising a further \$393 million, taking the total borrowing program for 2013-14 to \$935 million. This follows \$1109 million raised in 2012-13 and \$1398 million raised in 2011-12, as shown in Table 3.

As in recent years, NTTC's entire borrowing requirement was met from domestic financial and retail markets. The bulk of the funds were raised through a number of medium to long-term fixed interest securities, issued to institutional investors via tap increases of existing bond series and creation of new bond issues on a syndication basis. A full listing of NTTC's issued debt is provided in Appendix A on page 32.

NTTC's funding requirement in 2013-14 resulted in modest increases to two existing series (September 2021 and March 2024) and the establishment of one new benchmark series of bonds maturing in March 2026.

As at 30 June 2014, NTTC had eight institutional benchmark bond issues as detailed in Table 4.

Table 4: Institutional Bond Issues as at 30 June 2014

Maturity Date	Coupon	Amount on Issue
	%	\$M
14 July 2014	5.75	500
20 October 2015	6.25	500
20 November 2016	5.75	500
17 November 2017	4.75	500
20 September 2018	4.75	500
20 September 2021	4.25	650
15 March 2024	6.00	650
15 March 2026	6.00	650

Table 5: Borrowing Performance as at 30 June

	2013-14	2012-13	2011-12	2010-11	2009-10
	%	%	%	%	%
<b>Average borrowing margin</b>					
Short-term – margin to bank bill swap (BBSW) rate	- 0.05	- 0.04	- 0.04	- 0.04	- 0.05
Long-term (fixed rate) – margin to AAA-rated semi-government security	0.37	0.36	0.38	0.22	0.24
<b>Cost of borrowing achieved during the year</b>					
Weighted average cost of borrowing	4.23	4.01	4.86	5.29	5.70
<b>Total cost of funds</b>					
Weighted average cost of funds	5.21	5.32	5.67	6.10	6.15

### Portfolio Duration and Term to Maturity

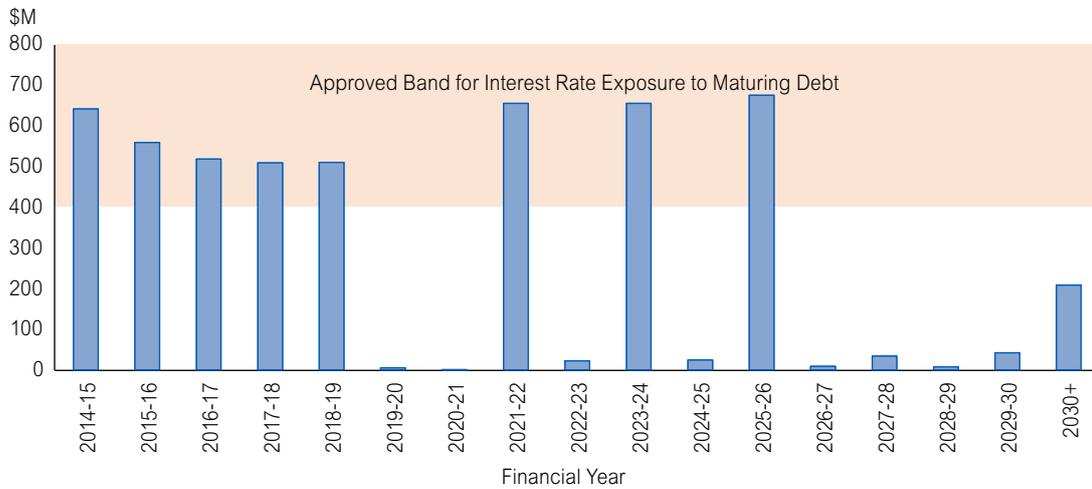
As at 30 June 2014, the weighted average duration of Territory debt on issue was 4.4 years, an increase from the 4.0 years reported in June 2013. Similarly, weighted average term to maturity was slightly higher at 5.5 years compared to 4.9 years recorded in 2013.

### Interest Rate Risk Management

NTTC's interest rate risk arises from cash flow mismatches in the maturity profiles and repricing dates of its financial assets and liabilities. NTTC manages its exposure to interest rate risk to avoid creating abnormally high refinancing requirements during periods of high interest rates, or unusually low refinancing requirements in periods of low interest rates (see Figure 3 on page 10). NTTC may use interest rate swaps and forward start interest rate swaps to manage interest rate risk as required. The target level of interest rate exposure to maturing debt in any financial year is \$600 million, with a lower limit of \$400 million and an upper limit of \$800 million.

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

Figure 3: Interest Rate Exposure of Maturing Debt as at 30 June 2014



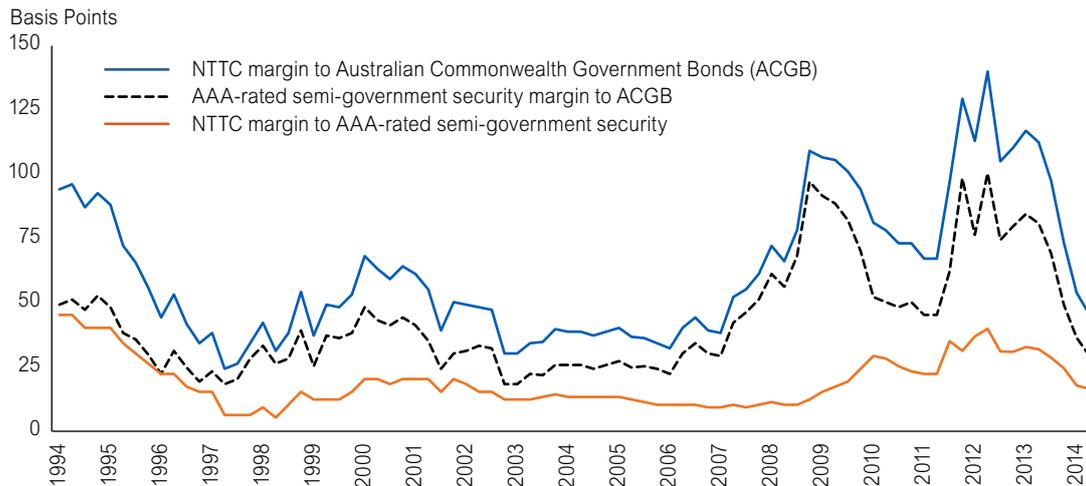
### Trading Margin

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

The implied trading margin between a Territory Government-issued bond and an interpolated AAA-rated state government fixed interest security has improved significantly throughout the course of the financial year, declining by around 0.15 per cent.

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

Figure 4: Trading Margin



## Promissory Notes

NTTC's short-term funding requirement is met through its promissory note facility. These notes are issued by way of tender to our main banking counterparties.

The promissory note facility was used throughout the year to meet short-term funding requirements and as at 30 June 2014, the outstanding promissory notes are \$100 million.

The weighted average yield achieved for the financial year was 2.56 per cent (2012-13: 3.11 per cent), with an average margin to BBSW reference rate of -0.05 per cent. The issuing margins to BBSW in 2013-14 ranged from -0.04 per cent to -0.06 per cent.

## Migration Linked Bonds

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

- Business Innovation and Investment Programme
- Investor Retirement Migration

NTTC received a \$250 000 application for Designated Investments during the financial year, which brought the total on issue as at 30 June 2014 to \$1.5 million.

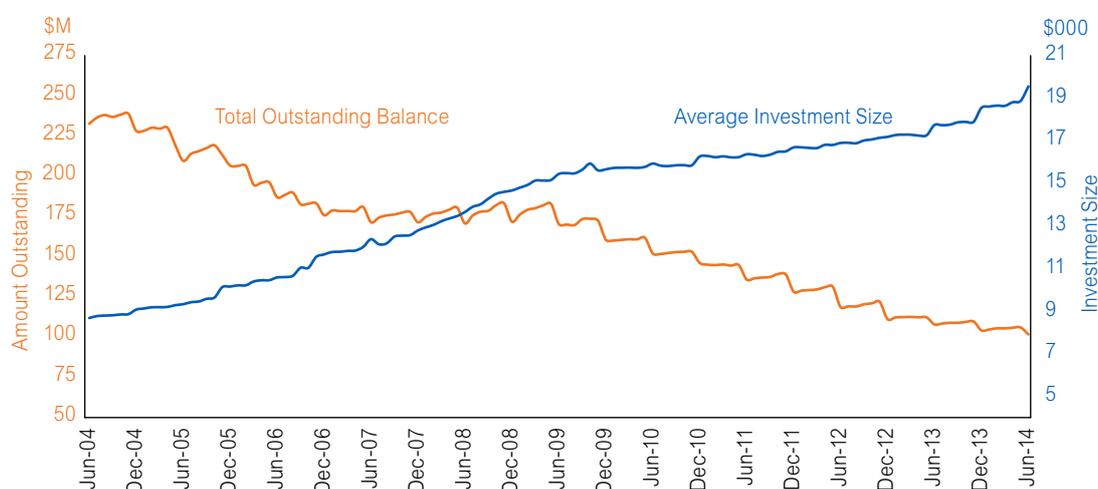
## Territory Bonds

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

In 2013-14, a total of \$26.1 million was raised from 1128 applications, which was slightly lower than last year's result of \$26.4 million from 1172 applications. As at 30 June 2014, total outstanding Territory Bonds on issue stood at approximately \$101 million, down from the \$108 million recorded at the end of the fiscal year 2013.

Territory Bonds has become a more cost-effective borrowing source over the last ten years due to the increase in the average investment size per bond holding. This trend continued in 2013-14 and, as Figure 5 below shows, the average investment size has continued to rise and has almost tripled since June 2004.

Figure 5: Territory Bonds Outstanding and Average Holding Size



# Client Services

## Loans

NTTC lends funds to the Territory Government, government business divisions, the government owned corporation, 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 *Financial Management Act*.

As at 30 June 2014, NTTC had a total outstanding loan portfolio of approximately \$4681 million, an increase of \$352 million from the previous financial year. Table 6 shows the comparative analysis of total outstanding loans provided by NTTC over the past five years.

### General Government Agencies

General government agencies are funded through the Central Holding Authority (CHA) via appropriations, some of which are funded by loans provided by NTTC. The 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 Northern Territory's major infrastructure projects.

As at 30 June 2014, loans to the general government sector totalled \$3018 million, an increase of about \$377 million from the previous financial year. The net movement represents new loans of \$380 million, less scheduled loan repayments throughout the year.

### Government Business Divisions

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

As at 30 June 2014, loans to this sector totalled about \$327 million, a decrease of approximately \$34 million from the previous financial year. This movement primarily resulted from NT Home Ownership's decision to utilise surplus cash balances to repay \$30 million of outstanding loans during the course of the financial year. The remaining \$4 million was a result of scheduled loan repayments throughout the year.

### Government Owned Corporations

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

Loans to this sector totalled approximately \$1337 million, an increase of \$16 million from the previous financial year. This is the net movement resulting from a \$60 million loan provided to Power and Water Corporation, less scheduled loan repayments of \$44 million throughout the year.

Table 6: Outstanding Loans as at 30 June

	2014	2013	2012	2011	2010
	\$M	\$M	\$M	\$M	\$M
General government agencies	3 017.5	2 640.8	2 113.8	1 789.5	1 579.9
Government business divisions	327.0	361.2	246.7	206.4	201.6
Government owned corporation	1 336.7	1 320.9	1 197.9	1 082.5	904.5
Local authorities	-	-	0.4	0.4	0.4
Other government organisations	-	6.0	-	-	-
<b>Total</b>	<b>4 681.2</b>	<b>4 328.9</b>	<b>3 558.8</b>	<b>3 078.8</b>	<b>2 686.4</b>

### Local Authorities

Loans to local authorities represent borrowings by local governing bodies situated throughout the Territory. The funds are used to finance specific council infrastructure projects, working capital requirements or purchase or replace existing plant and equipment. Loans to local authorities are first assessed by the Department of Local Government and Regions and must carry the support and recommendation of the Minister for Local Government and Regions prior to being submitted for approval to the Treasurer. As at 30 June 2014, there are no loans outstanding for local authorities.

### Other Government Organisations

Loans to other government organisations represent borrowings by non-financial public sector organisations with which the Territory Government has an association.

Charles Darwin University (CDU) is the only entity established under this classification. As at 30 June 2014, NTTC has no outstanding loans to this sector as CDU elected to repay the outstanding loan balance scheduled to mature in May 2015.

Figure 6: Client Loans as at 30 June 2014

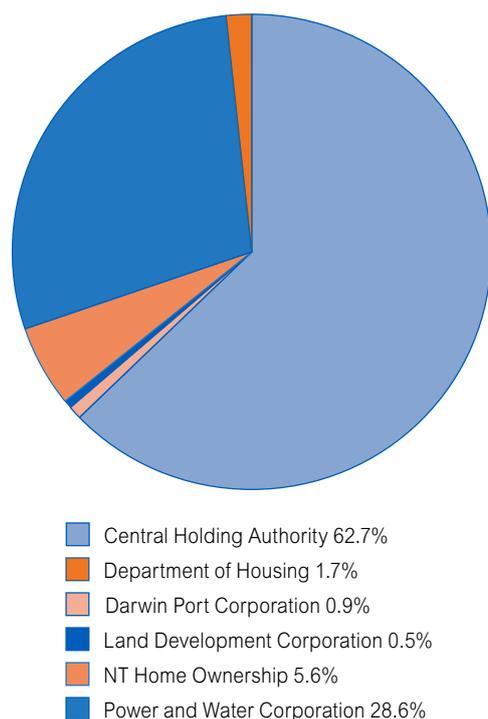
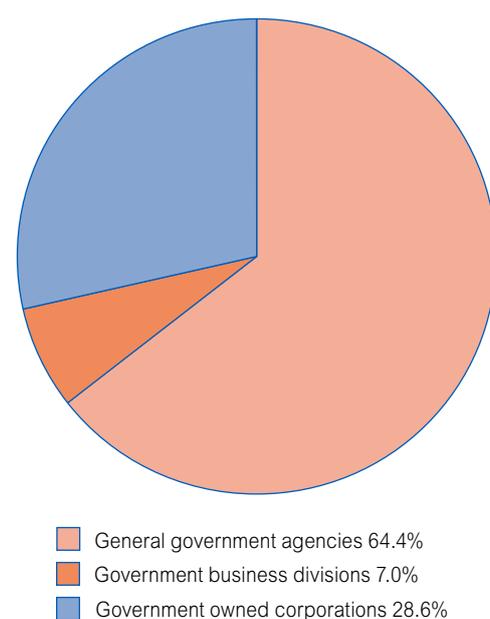


Figure 7: Client Loans by Sector as at 30 June 2014



## Central Holding Authority Investments

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

Details of the investment guidelines approved by the Treasurer are outlined in Appendix C on page 37.

## Central Holding Authority Investments

### Investment Portfolio

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

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

As at 30 June 2014, the total investment portfolio was \$1074 million, compared to \$845 million at 30 June 2013 (see Table 7).

Total investment income for 2013-14 was \$29.5 million compared to \$18.1 million in 2012-13. All interest revenue on the investment portfolio is paid directly to CHA. The weighted average return on the investment portfolio in 2013-14 was 2.97 per cent compared to 3.64 per cent in 2012-13 (see Table 8). The portfolio outperformed the benchmark in 2013-14, with a higher nominal return due to larger levels of cash balances maintained in the portfolio during the year.

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

	2014		2013		2012		2011		2010	
	%	\$M	%	\$M	%	\$M	%	\$M	%	\$M
Cash and term deposits and discount securities	98.2	1 054.0	99.4	840.0	99.2	650.0	96.7	436.5	89.0	812.0
Floating rate notes	0.9	10.0	0.6	5.0	0.8	5.0	3.3	15.0	2.2	20.0
Fixed interest securities	0.9	10.0	-	-	-	-	-	-	8.8	80.0
<b>Total</b>		<b>1 074.0</b>		<b>845.0</b>		<b>655.0</b>		<b>451.5</b>		<b>912.0</b>

Table 8: Investment Performance against Objective/Comparison to Benchmark

	2013-14	2012-13	2011-12	2010-11	2009-10
	%	%	%	%	%
Weighted average return	2.97	3.64	5.02	5.27	4.39
Weighted UBS performance indices	2.69	3.28	4.70	4.96	3.91

## Medium-Term Investment Fund

The Medium-Term Investment Fund (MTIF) is a segregated pool of investments held within CHA. It primarily represents surplus funds that have accumulated and have not yet been expended by Territory Government agencies. The MTIF fund is a tailored solution provided by JANA Investment Advisers Pty Ltd. The MTIF has a relatively conservative investment style, with a small allocation (about 17 per cent) to growth assets in order to achieve its stated objective of producing a superior return over the medium term (two to three years).

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

The MTIF commenced on 27 November 2007 with an initial investment of \$50 million. As at 30 June 2014, the market valuation of the MTIF totalled \$70.5 million, an increase of \$4.4 million from the \$66.1 million at 30 June 2013. There were no additional contributions to the fund during 2013-14.

## Conditions of Service Reserve

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

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

As at 30 June 2014, the market valuation of the COSR fund totalled \$589.7 million, an increase of \$76.7 million from the \$513.0 million recorded on 30 June 2013. There were no additional contributions to the fund during 2013-14.

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

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

Fund manager	Fund Allocation %	Market Valuation 30 June		Performance Returns			
	2014	2014	2013	1 Year	3 Years	5 Years	10 Years
AMP Capital Investors Limited	29.4	173.5	149.9	15.78	11.50	12.24	8.56
Colonial First State Global Asset Management	42.4	250.1	218.8	14.30	9.47	10.67	8.42
JANA Investment Advisers Pty Ltd	28.2	166.1	144.3	15.13	11.21	11.32	7.39
<b>Total</b>	<b>100.0</b>	<b>589.7</b>	<b>513.0</b>				
Weighted average fund return				14.98	10.56	11.32	8.21
Benchmark – Morningstar Multisector Growth Portfolio				12.90	9.40	9.60	6.30
Performance of COSR relative to benchmark				2.08	1.16	1.72	1.91

## Investment Environment

### July – September 2013

- Growth in the global economy was subdued in the September quarter as the situation in financial markets continued to be uncertain in response to the US Federal Reserve's unexpected decision to delay the tapering of quantitative easing. Economic conditions remained weak in the Euro area for some time and, as a result, investor sentiment in financial markets waned since the middle of the 2013 financial year. However, further support for markets stemming from a diplomatic solution to Syrian chemical weapons was tempered towards the end of the quarter by the US government shutdown, compounded by the looming US debt ceiling negotiations in October.
- Domestically, economic data released during the quarter was mixed. GDP was higher than expected, consumer and business confidence rose after the Australian election brought a conclusive result and retail sales rose slightly. However, the September quarter labour market was below market expectations; the unemployment rate rose to its highest level at 5.8% since August 2009.
- At its August meeting the RBA decided to cut the cash rate from 2.75% to 2.5% and it remained unchanged through to September. The cut was consistent with global growth running slightly below average and the unemployment rate edging higher.
- The AUD declined by 0.3% on a trade-weighted basis in August 2013 against the USD but recovered in September, rising 2.9% to finish the quarter at US\$0.93.

### October – December 2013

- Global financial conditions continued to be uncertain but generally remained accommodative, with volatility in financial markets slightly subsided. This followed the US Federal Open Market Committee announcement in December 2013 that they would begin tapering their asset purchases from January 2014 with the US economy continuing to steadily recover. Economic data confirmed an ongoing recovery in China and after two years of going backwards, the Eurozone showed signs of economic recovery. However, analysts argue this was insufficient to grow the region out of debt. The UK enjoyed a strong recovery during the quarter, while structural reforms and monetary and fiscal stimulus in Japan helped to re-inflate the economy after years of deflation.
- Domestic economic data during the December quarter was again mixed. Retail sales were strong but GDP fell below market expectations. The unemployment rate remained steady at 5.8% at the end of the quarter.
- The RBA left the official cash rate on hold at 2.5% throughout the December quarter.
- The AUD depreciated some 2.1% against the USD and 1.3% on a TWI basis in December, rounding off a weak year, down 10.6% for the year.

### January – March 2014

- The risks to global financial stability have continued to evolve during the quarter in line with shifting outlooks for growth and monetary policy. Developments in advanced economy financial systems have been broadly favourable, consistent with an ongoing recovery in economic conditions in the US. The investment environment during the quarter showed mixed results. The quarter started strong for global equity markets, which rebounded in February but somewhat retreated in March following their strong performance in the previous months. Vulnerabilities remained in Europe but conditions have improved gradually assisted by a tentative economic recovery and an ongoing European Central Bank (ECB) support. The events in Ukraine and Russia highlight that geopolitical events can have repercussions in financial markets and sectors.

- In Australia, economic data was generally strong with building approvals, retail sales and Quarter 4 2013 GDP numbers beating market expectations. The unemployment rate rose to a 10-year high of 6% in February but normalised to 5.8% in March 2014.
- The RBA maintained its neutral outlook and left the official cash rate unchanged at 2.5%.
- The quarter ended on a high note for the AUD, which reached its highest point since December 2013 rising to 92.75 against the USD. The AUD appreciated by 3% on a TWI basis and outperformed most of the major currencies by 0.3% or more.

#### April – June 2014

- Growth in the global economy was slightly below trend, but economic developments, particularly in advanced financial systems, have been broadly favourable. Economic data out of the US has begun to firm up supporting economic recovery. The risk of European deflation remained a concern with the prospect of the ECB policy action increasingly likely. The geopolitical uncertainties in Ukraine still posed a risk to sentiment, but markets seem to ignore the uncertainties with the probability of the situation escalating further considered low. Japan has recorded a significant pick-up in growth. Chinese data started weak but improved late in the quarter. Market concerns about emerging markets, however, still persist.
- Domestic economic data was weaker than the previous quarters. The unemployment rate increased by 0.02% over March 2014 to 6.0% in June (seasonally adjusted) and there was weakness in housing and lending, and building approvals with numbers falling during the latter part of the quarter. The Federal Budget on 13 May 2014 initially had a negative impact on consumer sentiment. However, business confidence grew in June, recording an unexpected increase, with firms apparently shrugging off the sharp deterioration in consumer confidence that followed May's Federal Budget.
- The RBA kept interest rates unchanged at 2.5% re-stating that the 'most prudent course is likely to be a period of stability in interest rates'. However, diverging views in the financial markets on RBA rate expectations varied from a near certain rate hike in 2015 to a possible chance of rate cuts.
- On a trade-weighted basis, the AUD increased by about 1.0% in June. The AUD fell against GBP, CAD and NZD yet rose against the USD, JPY, CHF and EUR. The AUD traded a narrow range in June due to lower non-Japan Asian currencies, a lower Australia-US 2 year bond spread, a slight firming in the USD and a markets' changed outlook for the RBA rate expectations.



# Administration

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

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

## Major Projects

### Enterprise Risk Management Framework

NTTC is developing a framework to capture and articulate all elements of risk management in its business environment. The framework outlines all areas of compliance, including frameworks both internal and external to government and NTTC's applicable internal controls. The project is expected to be completed by the end of 2014.

### Treasury Management System Upgrade

An upgrade to NTTC's treasury management system, Quantum, was undertaken in 2014. This upgrade introduced various enhancements and keeps the system within the support scope. User acceptance testing was undertaken from December 2013 to February 2014 and the new version went live on 1 April in 2014.

### Provision of Internal Audit Services

NTTC's internal audit services went to tender in October 2013 and provision of the services for three years was awarded to Merit Partners Darwin in conjunction with Ernst & Young Adelaide in December 2013. Merit Partners are a local Darwin firm with extensive experience working with Territory Government agencies, including NTTC, in its previous role of providing external audit services on behalf of the Northern Territory Auditor-General's Office. Ernst & Young Adelaide office provides additional technical capacity and experience in auditing financial services entities and central financing authorities in other jurisdictions. Internal audit undertakes an audit of NTTC's financial statements as at 30 June each year, provides assurance around NTTC's internal controls environment and undertakes a semi-annual review of NTTC's control self-assessment process.

## Business Relationships

### Registry Services

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

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

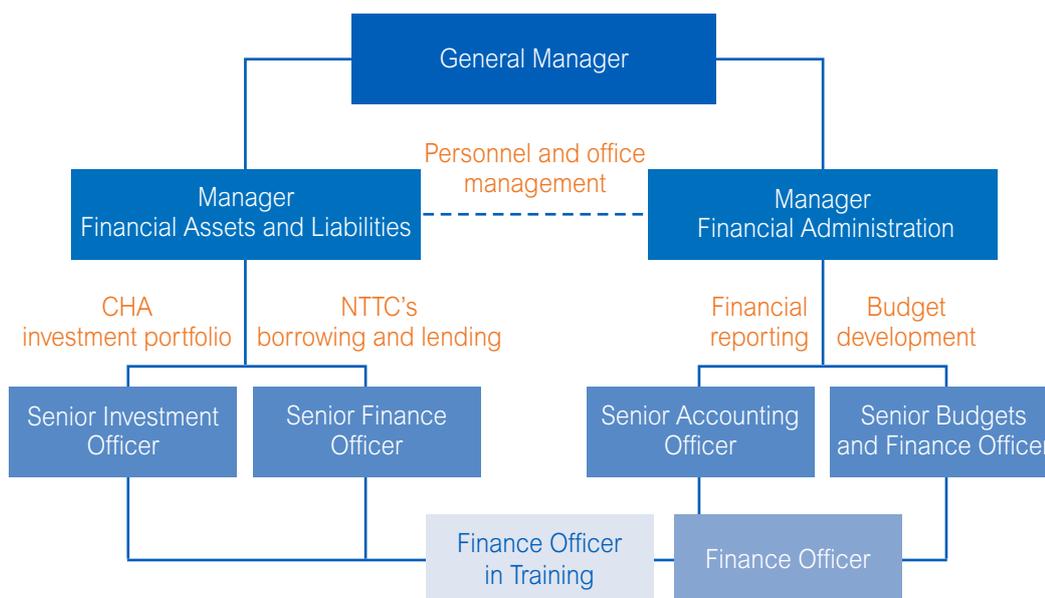
## Human Resource Management

### Staffing

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

As at 30 June 2014, NTTC had seven full-time employees, five females and two males. Employees are required to comply with PSEMA, the Northern Territory Government Code of Conduct and the codes of ethics of all relevant professional associations.

Figure 8: NTTC's Organisational Structure



### Employee Performance Management

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

### Flexible Work Arrangements

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

## Finance Officer in Training Graduate Development Program

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

## Training and Professional Memberships

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

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

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

## Equal Opportunity and Workplace Harassment

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

## Employee Wellness

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

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

Mr Alex Pollon	Ms Vicky Coleman	Mr Archellus Lim
General Manager	Manager Financial Administration	Acting Manager Financial Assets and Liabilities
+61 8 8999 6318	+61 8 8999 5599	+61 8 8999 6767

# Treasury Corporation People

## Total Staff Numbers by Gender and Level

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

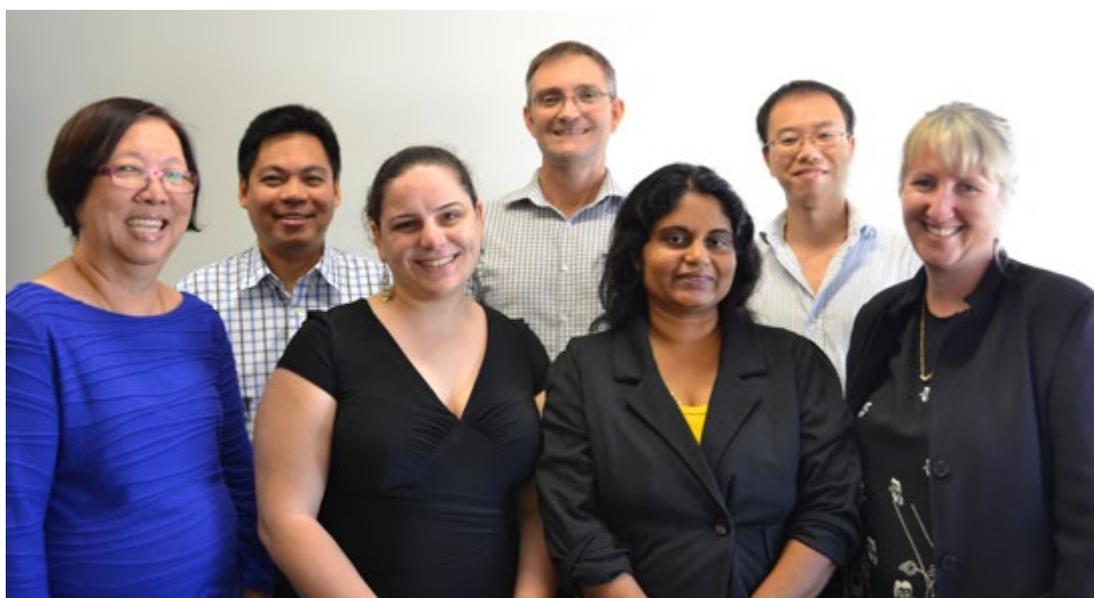
Table 10: Staff Demographics (full-time equivalent) as at 30 June 2014

Designation	Male		Female		Total	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
AO4	1	1	0	0	1	1
AO5	0	0	4	4	4	4
SAO1	0	1	1	1	1	2
ECO1	1	1	-	-	1	1
<b>Total</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>7</b>	<b>8</b>

As part of NTTC's equal employment opportunities (EEO), staff take part in an annual census conducted by DTF to update their contact, next of kin and EEO details. This data is used to assist in workforce planning, reporting and for business continuity purposes. Table 11 provides NTTC's reported EEO profile.

Table 11: Reported EEO Profile as at 30 June 2014

Aboriginal and Torres Strait Islanders	-
Non-English speaking background	3
People with a disability	-



Left to right: Gloria Lui, Archellus Lim, Niki Mastoros, Alex Pollon, Kanchana Perera, Donny Shao, Vicky Coleman  
Absent: Nawal Islam

# Corporate Governance

Figure 9: NTTC's Corporate Governance Framework

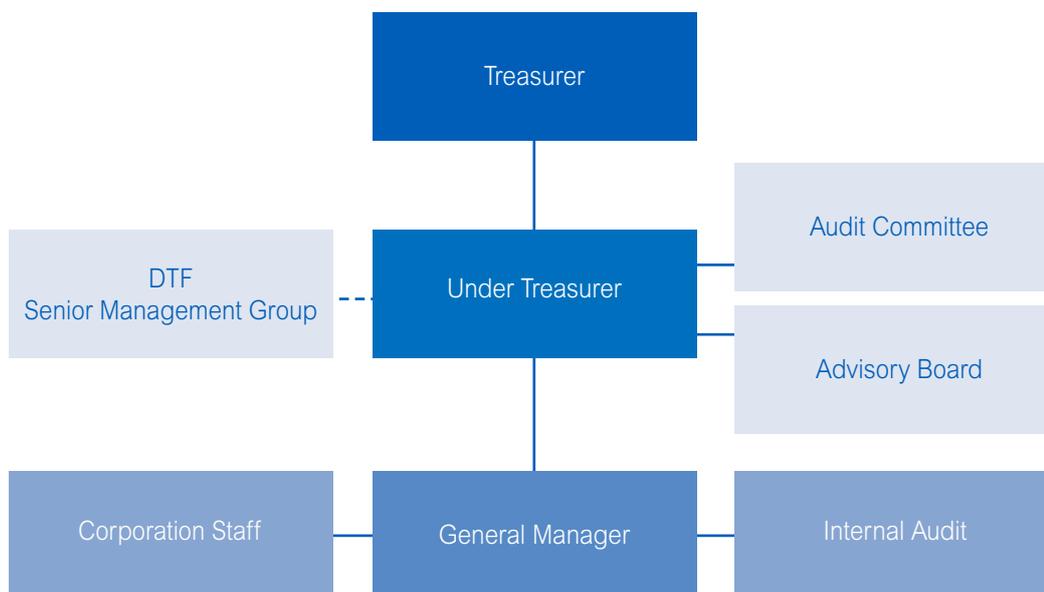


## Corporate Governance

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

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

Figure 10: NTTC's Reporting Structure



## Strategic Direction

### Corporate Objectives

NTTC's objectives are to:

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

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

NTTC reports to DTF's Senior Management Group (SMG), which is responsible for strategic decision making and policy setting of DTF and its business units. This includes managing performance and improving management and business practices. A key priority of SMG is to develop DTF's corporate capabilities including people, systems and work environment. Monthly management reports are provided to DTF Senior Executive and SMG.

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

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

## Advisory Board

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

### Matters Considered by the Advisory Board

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

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

### Conflict of Interest

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

### Advisory Board Members

[Ms Jodie Ryan](#)

[Under Treasurer and Chairman](#)

[Department of Treasury and Finance](#)

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

[Mr Anthony Cole AO](#)

[External Board Member and Member of the Audit Committee](#)

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

## Mr Richard Ryan AO

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

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

## Mr David Braines-Mead

### Deputy Under Treasurer

#### Department of Treasury and Finance

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

## Mr John Montague

### Assistant Under Treasurer (Funds Management)

#### Department of Treasury and Finance

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 as Manager Financial Assets and Liabilities in 1994 and was appointed General Manager in November 1996. Mr Montague was appointed the DTF's Assistant Under Treasurer (Funds Management) in 2011 and Commissioner of Superannuation in April 2012. NTTC reported through Mr Montague as its representative on DTF's SMG. In May 2014, Mr Montague resigned from the Territory public service to take up the position of General Manager of Super SA, the superannuation provider for South Australian public sector employees.



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

## Northern Territory Treasury Corporation Audit Committee

The Audit Committee is a subcommittee of the Advisory Board. It provides advice to the Chairman on operational issues and in relation to internal and external audits and meets prior to all Advisory Board meetings, or as necessary. As at 30 June 2014, the Audit Committee comprised the two external Advisory Board members and is chaired by Mr Ryan.

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

A partner from Merit Partners attends Audit Committee meetings at the request of the Audit Committee. The Auditor-General may also be invited to attend meetings during the year to provide direct comment to the committee members.

## Treasury Corporation Management Team

**Mr Alex Pollon**

**General Manager**

Mr Pollon joined NTTC in September 1998 as Manager Financial Assets and Liabilities. In December 2004, he was elevated to Assistant Director and was appointed General Manager of NTTC in May 2010. As General Manager, he is responsible for the overall management of NTTC's staff and resources, ensuring the efficient, effective and appropriate control of the borrowing, lending and investing activities on behalf of government. Prior to joining NTTC, Mr Pollon held various treasury management positions in the financial services sector. Mr Pollon is a member of the Australian Institute of Company Directors and holds Australian Financial Markets Association dealer accreditation.

**Ms Vicky Coleman**

**Manager Financial Administration and Corporate Secretary**

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

**Mr Archellus Lim**

**Acting Manager Financial Assets and Liabilities**

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

## Risk Management

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

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

NTTC is subject to the suspicious matters reporting requirement of the AML/CTF Act. A staff member is appointed as Compliance Officer and oversees the program and monitors risk mitigation processes by maintaining the current AML/CTF program and supporting policies.

## Business Continuity Management

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

## Compliance Self-Assessment Reviews

NTTC uses compliance self-assessment reviews to identify and monitor risk areas in its environment. Questionnaires are completed by management monthly and associated reports are reviewed by the Advisory Board quarterly and audited by NTTC's internal auditors on a semi-annual basis.

## Delegations

Clear lines of responsibility and authority to act are specified in Agency Corporate Delegations through DTF and internal policy manuals approved by the Under Treasurer. Both delegations and policy manuals are reviewed on an annual basis to ensure they meet current legislative frameworks and business resourcing requirements.

## Insurance Arrangements

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

In line with Territory Government policy, NTTC self insures. As a government business division, NTTC can and has elected to pay a premium to DTF as its host agency for workers compensation insurance, in lieu of purchasing commercial insurance. In 2013-14 there were no self-insurance claims. This is consistent with 2012-13.

## Work Health and Safety

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

## Compliance

NTTC has a high level of compliance and is subject to several audits and review processes during the year. These are undertaken by both internal and external auditors and their focus reflects the importance of risk management and corporate governance. Findings of reviews and audits conducted during the year are reported in Table 12 of this section.

### Policy and Procedures

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

### Corporate Planning and Reporting Process

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

### Information Act Compliance

NTTC is subject to the requirements of the *Information Act*, which include records management, freedom of information (FOI) and privacy. DTF is responsible for the management of all information requests on behalf of NTTC. Details of information held by NTTC, including an outline of how to make an application under the *Information Act*, can be found on the website below. NTTC did not receive any requests under the *Information Act* during 2013-14. FOI requests can be made to the following:

Information Policy Officer	Telephone: +61 8 8999 6800
Department of Treasury and Finance	Facsimile: +61 8 8999 6150
GPO Box 1974	Email: <a href="mailto:foi.dtf@nt.gov.au">foi.dtf@nt.gov.au</a>
Darwin NT 0801	Website: <a href="http://www.treasury.nt.gov.au/InformationAct">www.treasury.nt.gov.au/ InformationAct</a>

### External Audit

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

### Internal Audit

NTTC has an internal audit function reporting directly to its Advisory Board, Audit Committee and DTF's Senior Executive. The internal auditor, Merit Partners Darwin, in conjunction with Ernst & Young Adelaide, audits NTTC's financial statements and reviews its risk and operational controls environment.

Table 12: Audits Undertaken During the Year

Function	Type	Period	Internal/External	Outcomes
2012-13 Financial Statements	Audit	30/06/13	Internal	Unqualified audit opinion
			External	Unqualified audit opinion
Compliance self-assessment	Review	30/09/13 31/03/14	Internal	No significant matters identified
Information technology controls	Audit	30/06/14	Internal	No significant matters identified
Interim period review	Audit	30/06/14	Internal/external	No significant matters identified

# Territory Economy

The following section provides an overview of the Territory economy, including the overall performance of the economy in 2013-14 and the outlook for 2014-15 through to 2017-18. Updates of key economic indicators are published regularly and can be downloaded at [www.treasury.nt.gov.au/economy](http://www.treasury.nt.gov.au/economy).

## Structure of the Territory Economy

The Territory accounts for 18 per cent of Australia's total landmass and just over one per cent of Australia's total population, with about one-third of the Territory's population being Indigenous.

In 2012-13, the Territory's gross state product (GSP) was estimated to be \$19.9 billion, accounting for 1.3 per cent of Australian output. On a per capita basis, the Territory ranked third at \$83 828 GSP per person, behind Western Australia (\$102 232) and the Australian Capital Territory (\$90 631), and was significantly higher than the national figure of \$66 549.

In real terms, mining was the largest industry in the Territory in 2012-13, accounting for about 19 per cent of the Territory's GSP. This was followed by construction (14 per cent), ownership of dwellings (9 per cent) and public administration and safety (9 per cent).

## Economic Growth

The Territory economy has grown at above trend levels in recent years and this is expected to continue with economic growth estimated to increase by 5.0 per cent in 2013-14.

Recent growth in the economy has been supported by record levels of private investment, which has more than doubled since 2010-11. The increase in private investment over this period was driven by construction activity associated with a number of major projects including the Ichthys liquefied natural gas (LNG) project, expansions at the Groote Eylandt Mining Company and McArthur River mines, the development of the Montara and nearby oilfields and the construction of the Marine Supply Base.

In 2014-15, the Territory economy is forecast to expand by 6.0 per cent before moderating and returning to long term trend levels from 2015-16. The key factors that are expected to influence economic growth in the Territory over this period are resource investment, net exports and public final demand.

Economic growth in 2014-15 will be underpinned by onshore construction activity related to the Ichthys project, which peaks during this time. This is expected to have a positive effect on other sectors of the economy and support household consumption growth.

From 2015-16, the main driver of growth in the Territory economy is expected to transition from private investment to net exports. Territory total exports are forecast to increase from \$7.0 billion in 2012-13 to \$13.4 billion in 2017-18. As a result, net exports share of the Territory's economy is forecast to increase substantially from 7.9 per cent in 2012-13 to 36.6 per cent in 2017-18.

Consolidation of Territory and Commonwealth government budgets is expected to subdue public final demand over the medium term. As a result, its share of the Territory economy is forecast to decline from a peak of 43.6 per cent in 2010-11 to 27.9 per cent in 2017-18.

## External Economic Environment

In its July 2014 World Economic Outlook Update, the International Monetary Fund forecasts global economic growth to strengthen from 3.2 per cent in 2013 to 3.4 per cent in 2014, and to average 3.9 per cent per annum between 2015 and 2017.

In terms of the Territory's major export destinations, overall economic performance is expected to be favourable over the medium term with the exception of Japan where economic growth is forecast to remain relatively weak. However, this is not expected to have a significant impact on Territory goods exports to Japan, which are primarily LNG exports sold on long term contracts.

The Australian economy is also important to the Territory primarily through interstate trade and goods and services tax revenue to the Territory. The key factors identified by the Reserve Bank of Australia (RBA) that will influence Australia's economic growth over the next few years are: the expected decline in mining investment; consolidation of state and federal government budgets; and the exchange rate which remains at elevated levels. The RBA expects growth to be below trend levels in 2014-15 (between 2 and 3 per cent) before strengthening to around trend levels in 2015-16 (between 2.5 and 3.5 per cent).

## Population

In the March quarter 2014, the Territory's population grew by 1.4 per cent in annual terms, compared with the national average of 1.7 per cent. This follows particularly strong growth of 2.8 per cent in 2012, which was well above national growth (1.8 per cent).

Typically, natural increase (births less deaths) has been the primary contributor to population growth in the Territory, however, its contribution to growth since the June quarter 2012 has been surpassed by that from net overseas migration. The contribution made by net overseas migration to the Territory's population growth has tripled in recent years from 1087 people in 2010 to 3196 people in 2013. While interstate migrants are also drawn to the Territory, the outflow of people to other jurisdictions tends to be greater so net interstate migration typically detracts from Territory population growth.

The Territory's population is estimated to grow by 1.6 per cent in 2014 and 2.6 per cent in 2015 in line with elevated economic activity largely driven by the Ichthys project. In subsequent years, the expected transition of the Territory economy from the construction phase of major resource projects to the production and exports phase is expected to result in population growth to levels more consistent with natural increase.

## Labour Market

Employment growth in the Territory strengthened from 2.6 per cent in 2012-13 to 4.3 per cent in 2013-14, while the Territory's unemployment rate of 4.8 per cent in August 2014 was the second lowest of all jurisdictions.

Labour market conditions are expected to remain robust in 2014-15 in line with the peak level of onshore construction activity on the Ichthys project. This is expected to have a flow on effect boosting demand for labour in other sectors of the economy such as retail trade, accommodation and food services and rental, hiring and real estate services.

From 2015-16, labour market conditions are forecast to soften as major projects move to the less labour intensive production phase. This is expected to lead to a moderation in employment growth and a rise in the unemployment rate. Despite the forecast rise, the Territory's unemployment rate is expected to remain one of the lowest in Australia.

## Prices and Wages

The Darwin consumer price index increased by 0.7 per cent in the June quarter 2014, bringing the annual rate to 3.3 per cent.

The annual growth in the Darwin CPI eased in the first half of 2014 from a peak of 4.4 per cent in the December quarter 2013. The moderation in the annual growth was primarily due to lower increases in housing costs (utilities, rents and house purchase) and transport costs.

In contrast, the annual growth in the weighted average eight capital cities CPI trended upwards over the same period from 2.7 per cent in the December quarter 2013 to 3.0 per cent in the June quarter 2014.

Darwin CPI is forecast to moderate over the four years to 2017, with an average growth rate of 2.7 per cent per annum.

Growth in the Territory wage price index (WPI) moderated from 3.3 per cent in 2012-13 to 2.7 per cent in 2013-14. The easing in wage growth occurred in both public and private sector WPIs, however the slowdown was more pronounced in the public sector.

The Territory's WPI is forecast to grow by 3.5 per cent in 2014 and 3.7 per cent in 2015 before moderating to 3.0 per cent from 2016.



*Bayu-Undan gas field production platform*

*Reproduced courtesy of the Department of Business*

# Appendix A: Outstanding Domestic Borrowings

As at June 2014

Maturity Date	Coupon Rate	Face Value	Maturity Date	Coupon Rate	Face Value
	%	\$000		%	\$000
<b>2014-15</b>			15-Jun-15	3.70	1 243
14-Jul-14	5.75	500 000	15-Jun-15	4.05	467
17-Sep-14	2.65	100 000	15-Jun-15	4.10	632
01-Oct-14	5.00	5 000	15-Jun-15	4.20	743
15-Dec-14	2.95	337	15-Jun-15	4.45	3
15-Dec-14	3.00	711	15-Jun-15	4.50	122
15-Dec-14	3.10	2 789	15-Jun-15	4.55	151
15-Dec-14	3.70	69	15-Jun-15	4.60	1 124
15-Dec-14	3.80	5	15-Jun-15	4.70	35
15-Dec-14	3.85	410	15-Jun-15	5.45	1
15-Dec-14	3.90	1 430	15-Jun-15	5.50	111
15-Dec-14	4.00	2 045	15-Jun-15	5.55	35
15-Dec-14	4.75	380	15-Jun-15	5.60	139
15-Dec-14	4.80	700	15-Jun-15	5.70	229
15-Dec-14	4.90	510	15-Jun-15	5.75	192
15-Dec-14	4.95	7	15-Jun-15	5.80	1 107
15-Dec-14	5.00	260	15-Jun-15	5.90	2 662
15-Dec-14	5.10	16	15-Jun-15	5.95	138
15-Dec-14	5.25	45	15-Jun-15	6.00	312
15-Dec-14	5.30	398	15-Jun-15	6.10	540
15-Dec-14	5.40	447	15-Jun-15	6.65	175
15-Dec-14	5.45	88	15-Jun-15	6.70	743
15-Dec-14	5.50	965	15-Jun-15	6.80	462
15-Dec-14	5.60	661	15-Jun-15	6.85	20
15-Dec-14	5.95	568	15-Jun-15	6.90	40
15-Dec-14	6.00	1 946	15-Jun-15	7.00	255
15-Dec-14	6.10	1 909			
15-Dec-14	6.45	190	<b>TOTAL 2014-15</b>	<b>5.21</b>	<b>641 211</b>
15-Dec-14	6.50	473			
15-Dec-14	6.60	769	<b>2015-16</b>		
15-Dec-14	6.85	43	20-Oct-15	6.25	500 000
15-Dec-14	6.90	64	20-Oct-15	6.50	20 000
15-Dec-14	7.00	670	15-Dec-15	3.15	168
18-Mar-15	5.50	500	15-Dec-15	3.20	637
23-Mar-15	5.50	750	15-Dec-15	3.30	946
15-Jun-15	2.95	116	15-Dec-15	3.90	33
15-Jun-15	3.00	822	15-Dec-15	3.95	50
15-Jun-15	3.10	2 786	15-Dec-15	4.00	1 257
15-Jun-15	3.55	149	15-Dec-15	4.10	1 236
15-Jun-15	3.60	502	15-Dec-15	4.85	49
			15-Dec-15	4.90	199

Maturity Date	Coupon Rate	Face Value	Maturity Date	Coupon Rate	Face Value
	%	\$000		%	\$000
15-Dec-15	5.00	1 118	15-Jun-16	5.20	569
15-Dec-15	5.05	90	15-Jun-16	5.30	414
15-Dec-15	5.10	22	15-Jun-16	5.35	404
15-Dec-15	5.20	146	15-Jun-16	5.40	475
15-Dec-15	5.35	217	15-Jun-16	5.50	881
15-Dec-15	5.40	566	15-Jun-16	5.55	4
15-Dec-15	5.45	22	15-Jun-16	5.60	368
15-Dec-15	5.50	2 110	15-Jun-16	5.70	832
15-Dec-15	5.55	156	15-Jun-16	5.75	29
15-Dec-15	5.60	2 351	15-Jun-16	5.80	243
15-Dec-15	5.70	1 284	15-Jun-16	5.85	817
15-Dec-15	5.95	299	15-Jun-16	5.90	1 922
15-Dec-15	6.00	12	15-Jun-16	6.00	2 211
15-Dec-15	6.25	35			
15-Dec-15	6.30	116	<b>TOTAL 2015-16</b>	<b>6.18</b>	<b>558 955</b>
15-Dec-15	6.40	135			
15-Dec-15	6.55	161	<b>2016-17</b>		
15-Dec-15	6.60	178	20-Nov-16	5.75	500 000
15-Dec-15	6.70	360	15-Dec-16	3.55	261
15-Dec-15	6.75	20	15-Dec-16	3.60	168
15-Dec-15	6.80	60	15-Dec-16	3.70	770
15-Dec-15	6.90	56	15-Dec-16	4.00	75
20-May-16	5.00	5 000	15-Dec-16	4.05	45
01-Jun-16	6.46	3 897	15-Dec-16	4.10	150
15-Jun-16	3.25	223	15-Dec-16	4.20	471
15-Jun-16	3.30	429	15-Dec-16	4.95	401
15-Jun-16	3.40	1 470	15-Dec-16	5.00	1 526
15-Jun-16	3.65	366	15-Dec-16	5.10	1 635
15-Jun-16	3.70	251	15-Dec-16	5.45	77
15-Jun-16	3.80	503	15-Dec-16	5.50	147
15-Jun-16	4.15	160	15-Dec-16	5.60	756
15-Jun-16	4.20	166	15-Dec-16	5.95	66
15-Jun-16	4.30	275	15-Dec-16	6.00	948
15-Jun-16	4.60	42	15-Dec-16	6.05	24
15-Jun-16	4.65	85	15-Dec-16	6.10	1 240
15-Jun-16	4.70	494	15-Dec-16	6.20	98
15-Jun-16	4.80	358	15-Jun-17	3.65	204
15-Jun-16	4.95	103	15-Jun-17	3.70	721
15-Jun-16	5.00	870	15-Jun-17	3.80	565
15-Jun-16	5.10	604	15-Jun-17	3.85	63
15-Jun-16	5.15	401	15-Jun-17	3.90	354
			15-Jun-17	4.00	1 126

Maturity Date	Coupon Rate	Face Value	Maturity Date	Coupon Rate	Face Value
	%	\$000		%	\$000
15-Jun-17	4.35	442	15-Jun-19	4.40	3 241
15-Jun-17	4.40	453	<b>TOTAL 2018-19</b>	<b>4.74</b>	<b>509 817</b>
15-Jun-17	4.50	656			
15-Jun-17	4.65	133	<b>2019-20</b>		
15-Jun-17	4.70	15	08-Oct-19	8.14	5 000
15-Jun-17	4.80	122	<b>TOTAL 2019-20</b>	<b>8.14</b>	<b>5 000</b>
15-Jun-17	4.85	10			
15-Jun-17	4.90	64	<b>2021-22</b>		
15-Jun-17	5.00	609	20-Sep-21	4.25	650 000
15-Jun-17	5.95	248	15-Mar-22	6.06	5 000
15-Jun-17	6.00	1 325	<b>TOTAL 2021-22</b>	<b>4.26</b>	<b>655 000</b>
15-Jun-17	6.05	1			
15-Jun-17	6.10	1 254	<b>2022-23</b>		
15-Jun-17	6.15	370	30-Sep-22	8.24	5 000
15-Jun-17	6.20	437			
15-Jun-17	6.30	193	15-Mar-23	6.00	10 000
<b>TOTAL 2016-17</b>	<b>5.72</b>	<b>518 223</b>	20-May-23	5.00	5 000
			<b>TOTAL 2022-23</b>	<b>6.31</b>	<b>20 000</b>
<b>2017-18</b>					
26-Sep-17	3.90	250	<b>2023-24</b>		
17-Nov-17	4.75	500 000	15-Mar-24	6.00	650 000
15-Dec-17	3.85	70	20-May-24	5.00	5 000
15-Dec-17	3.90	161	<b>TOTAL 2023-24</b>	<b>5.99</b>	<b>655 000</b>
15-Dec-17	4.00	509			
15-Dec-17	4.05	30	<b>2024-25</b>		
15-Dec-17	4.10	64	15-Mar-25	6.00	18 900
15-Dec-17	4.15	289	20-May-25	8.50	5 000
15-Dec-17	4.20	753	<b>TOTAL 2024-25</b>	<b>6.52</b>	<b>23 900</b>
15-Dec-17	4.30	2 194			
15-Jun-18	3.95	820	<b>2025-26</b>		
15-Jun-18	4.00	1 371	15-Sep-25	8.50	24 974
15-Jun-18	4.10	2 072	15-Mar-26	6.00	650 000
<b>TOTAL 2017-18</b>	<b>4.74</b>	<b>508 583</b>	<b>TOTAL 2025-26</b>	<b>6.09</b>	<b>674 974</b>
<b>2018-19</b>			<b>2026-27</b>		
20-Sep-18	4.75	500 000	15-Mar-27	6.00	8 400
15-Dec-18	4.15	662	<b>TOTAL 2026-27</b>	<b>6.00</b>	<b>8 400</b>
15-Dec-18	4.20	1 348			
15-Dec-18	4.30	2 839			
15-Jun-19	4.25	481			
15-Jun-19	4.30	1 246			

Maturity Date	Coupon Rate	Face Value
	%	\$000
<b>2027-28</b>		
15-Mar-28	6.00	7 900
<b>TOTAL 2027-28</b>	<b>6.00</b>	<b>7 900</b>
<b>2028-29</b>		
15-Mar-29	6.00	7 500
<b>TOTAL 2028-29</b>	<b>6.00</b>	<b>7 500</b>
<b>2029-30</b>		
15-Mar-30	6.00	42 000
<b>TOTAL 2029-30</b>	<b>6.00</b>	<b>42 000</b>
<b>TOTAL</b>	<b>5.40</b>	<b>4 836 463</b>

# Appendix B: Outstanding Loans

As at 30 June 2014

	Face Value
	\$000
<b>General government agencies</b>	
Central Holding Authority	2 937 792
Department of Housing	79 665
<b>Total</b>	<b>3 017 457</b>
<b>Government business divisions</b>	
Darwin Port Corporation	42 253
Land Development Corporation	25 000
NT Home Ownership	259 790
<b>Total</b>	<b>327 043</b>
<b>Government owned corporations</b>	
Power and Water Corporation	1 336 705
<b>Total</b>	<b>1 336 705</b>
<b>TOTAL</b>	<b>4 681 205</b>

# Appendix C: Investment Guidelines

As at 30 June 2014

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

# Appendix D: Glossary of Terms

## Aaa/AAA

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

## Advisory Board

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

## Agency

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

## Bank Bill Swap Rate (BBSW)

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

## Bond

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

## Central Financing Authorities

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

## Credit Foncier Loan

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

## Debt

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

## Designated Investments

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

## Discount

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

## Face Value

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

## Fixed Interest

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

## Floating Rate Note

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

## Government Business Divisions

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

## Government Owned Corporations

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

## Inscribed Stock

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

## Interest Rate Risk

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

## Local Authorities

Town, municipal and shire councils within the Territory.

## Margin

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

## Maturity Date

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

## Operational Risk

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

## Premium

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

## Principal

The nominal amount or face value of a bond.

## Promissory Note

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

## Security

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

## Syndication

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

## Territory Bonds

Issues of NTTC inscribed stock to retail investors.



# Financial Statements

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# Certification of Financial Statements

For the financial year ended 30 June 2014

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

- a. the accompanying financial statements and notes are in agreement with the accounts and records of the Northern Territory Treasury Corporation; and
- b. in our opinion:
  - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the accompanying annual financial statements have been drawn up in accordance with Australian Accounting Standards, and present a true and fair view of the transactions of the Northern Territory Treasury Corporation for the year ended 30 June 2014 and of the financial position as at 30 June 2014.

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



Jodie Ryan  
Under Treasurer and  
Chairman of the Advisory Board  
26 September 2014



Alex Pollon  
General Manager  
Northern Territory Treasury Corporation  
26 September 2014



## Auditor-General

# Independent Auditor's Report to the Treasurer Northern Territory Treasury Corporation Year Ended 30 June 2014

## Page 1 of 2

I have audited the accompanying financial report of Northern Territory Treasury Corporation ("the Corporation"), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Certification by the Under Treasurer and General Manager.

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

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

### **Auditor's Responsibility**

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

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

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



## Auditor-General

Page 2 of 2

### Opinion

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

- is based on proper accounts and is in agreement with the accounts and has been properly drawn up so as to present a true and fair view of the transactions for the financial year ended 30 June 2014 of the Corporation and the financial position at the end of the year;
- the financial report is presented in accordance with Australian Accounting Standards and the *Northern Territory Treasury Corporation Act*; and
- the receipt and expenditure of money and the acquisition and disposal of property by the Corporation during the year have been in accordance with the *Northern Territory Treasury Corporation Act*.

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

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

29 September 2014

# Statement of Comprehensive Income

For the financial year ended 30 June 2014

	Note	2014	2013
		\$000	\$000
<b>REVENUE</b>		<b>289 872</b>	<b>258 055</b>
Interest	4	289 050	257 582
Other revenue	5	822	473
<b>EXPENSES</b>		<b>256 898</b>	<b>224 250</b>
Interest	6	254 574	221 957
Administration	7	2 324	2 293
<b>PROFIT BEFORE INCOME TAX</b>		<b>32 974</b>	<b>33 805</b>
Income tax expense		9 892	10 141
<b>NET PROFIT AFTER INCOME TAX</b>	8	<b>23 082</b>	<b>23 664</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Northern Territory Government		23 082	23 664
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>23 082</b>	<b>23 664</b>

Notes to the financial statements are included on pages 49 to 72.

# Statement of Financial Position

For the financial year ended 30 June 2014

	Note	2014	2013
		\$000	\$000
<b>TOTAL ASSETS</b>		<b>5 283 013</b>	<b>4 848 368</b>
Cash and cash equivalents	10	591 812	509 588
Trade and other receivables	11	9 943	9 777
Prepayments		53	41
Loans	12	4 681 205	4 328 962
<b>TOTAL LIABILITIES</b>		<b>5 261 383</b>	<b>4 826 738</b>
Deposits held		405	278
Trade and other payables	13	67 253	61 039
Provisions	14	23 276	23 813
Tax liabilities	14	9 892	10 141
Borrowings	15	5 160 557	4 731 467
<b>NET ASSETS</b>		<b>21 630</b>	<b>21 630</b>
<b>TOTAL EQUITY</b>		<b>21 630</b>	<b>21 630</b>
Contributed capital	9	21 630	21 630

Notes to the financial statements are included on pages 49 to 72.

# Statement of Cash Flows

For the financial year ended 30 June 2014

	Note	2014	2013
		\$000	\$000
		inflows	inflows
		(outflows)	(outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	18	<b>24 194</b>	<b>29 793</b>
Interest received from investments		288 883	257 847
Interest and other costs of finance paid		(253 074)	(217 256)
Other receipts:			
Management fee		820	471
Other fees		2	2
Payments to suppliers and employees		(2 296)	(2 293)
Income tax paid		(10 141)	(8 978)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(352 242)</b>	<b>(770 051)</b>
Repayment of loans		98 758	13 949
Drawdown of loans		(451 000)	(784 000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>410 272</b>	<b>720 774</b>
Repayment of borrowings		(851 386)	(880 936)
Drawdown of borrowings		1 285 196	1 623 321
Deposits received		126	(663)
Dividend paid		(23 664)	(20 948)
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>		<b>82 224</b>	<b>(19 484)</b>
Cash and cash equivalents at the beginning of the financial year		509 588	529 072
Cash and cash equivalents at the end of the financial year	10	591 812	509 588

Notes to the financial statements are included on pages 49 to 72.

# Statement of Changes in Equity

For the financial year ended 30 June 2014

	Note	2014	2013
		\$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	9	21 630	21 630
<b>RETAINED PROFITS</b>			
Balance at the beginning of the financial year		-	-
Net profit		23 082	23 664
Dividends provided for		(23 082)	(23 664)
Balance at the end of the financial year	8	-	-
<b>TOTAL EQUITY</b>		<b>21 630</b>	<b>21 630</b>

Notes to the financial statements are included on pages 49 to 72.

# Notes to the Financial Statements

For the financial year ended 30 June 2014

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

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

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

### (b) Statutory Guarantee

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

### (c) Reporting Entity

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

## 2. Summary of Accounting Policies

### Statement of Compliance

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

The financial statements were authorised for issue by the Under Treasurer on 26 September 2014.

### Basis of Preparation

The financial statements are presented in Australian dollars, rounded to the nearest thousand (unless otherwise indicated), and have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The preparation of the financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Use of estimates and judgements in preparing these financial statements has been limited. Information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in Note 17.

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

# Notes to the Financial Statements

For the financial year ended 30 June 2014

Note 2 continued

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

## (a) Cash and Cash Equivalents

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

## (b) Employee Benefits

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

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

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

## (c) Expense Recognition

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

### (i) Interest expense:

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

### (ii) Other expense:

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

## (d) Financial Instruments

### (i) Financial assets:

Financial assets include cash and cash equivalents, trade and other receivables (mainly interest) and loans 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 being 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 being recognised in the Statement of Comprehensive Income over the period of the financial liability using the effective interest method.

# Notes to the Financial Statements

For the financial year ended 30 June 2014

Note 2 continued

(iii) Effective interest method:

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

(iv) Financial instruments issued by NTTC:

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

(v) Impairment of financial assets:

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

(vi) Gains and losses on extinguishment:

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

(vii) Derecognition:

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

## (e) Goods and Services Tax

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

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

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

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

# Notes to the Financial Statements

For the financial year ended 30 June 2014

Note 2 continued

## (f) Operating Leases

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

## (g) Provisions

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

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

## (h) Revenue Recognition

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

### (i) Interest revenue:

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

### (ii) Other revenue:

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

## (i) Superannuation

Employee superannuation entitlements are provided through the:

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

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

## (j) Taxation

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

# Notes to the Financial Statements

For the financial year ended 30 June 2014

## 3. New Standards and Interpretations not yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of NTTC, except for AASB 9 Financial Instruments, which becomes mandatory for NTTC's financial statements for the year ending 30 June 2015 and could change the classification and measurement of financial assets. NTTC does not plan to adopt this standard early.

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

The following table summarises the standards and interpretations that have become applicable during the year ended 30 June 2014 and have been adopted by NTTC.

AASBs and Interpretations	Applicable from reporting period date
AASB 13 Fair Value Measurement (and consequential amendment AASB 2011-8) provides a single source of guidance for determining the fair value of assets and liabilities measured at fair value.	1 July 2013
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities, which principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with NTTC's recognised financial assets and recognised financial liabilities, on the NTTC's financial position, when all the offsetting criteria of AASB 132 are not met.	1 July 2013

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

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

AASBs and Interpretations	Application date of Standard
The items below are mandatory for years ending on or after 31 December 2015:	
AASB 9 Financial Instruments	30 June 2017
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2015
The items below are mandatory for years ending on or after 31 December 2014:	
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014
AASB 2013-3 Amendments to AASB 136 – Recoverable amount disclosures for non-financial assets	1 January 2014
AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (AASB 139)	1 January 2014

# Notes to the Financial Statements

For the financial year ended 30 June 2014

## 4. Interest Revenue

	2014	2013
	\$000	\$000
Interest from loans:		
General government agencies	176 419	150 856
Government owned corporation	84 836	80 110
Government business divisions	17 609	16 284
Local government authorities	-	12
Other government organisations	367	123
Gain on extinguishment	2	22
Interest from cash balances:		
General government agencies	9 817	10 175
<b>TOTAL INTEREST REVENUE</b>	<b>289 050</b>	<b>257 582</b>

	2014	2014	2013	2013
	Average Balance	Average Rate	Average Balance	Average Rate
	\$000	%	\$000	%
Loans to:				
General government agencies	2 829 147	6.24	2 377 336	6.35
Government owned corporation	1 328 800	6.38	1 259 413	6.36
Government business divisions	344 137	5.12	303 997	5.36
Local government authorities	-	-	180	7.00
Other government organisations	6 923	5.30	3 000	5.48
<b>TOTAL</b>	<b>4 509 007</b>		<b>3 943 926</b>	

	2014	2013
	\$000	\$000
Gains on extinguishment		
Gains on extinguishment of loans at amortised costs	2	22
<b>TOTAL GAINS ON EXTINGUISHMENT</b>	<b>2</b>	<b>22</b>

## 5. Other Revenue

	2014	2013
	\$000	\$000
Management fees	820	471
Other revenue	2	2
<b>TOTAL OTHER REVENUE</b>	<b>822</b>	<b>473</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2014

## 6. Interest Expense

	2014	2013
	\$000	\$000
Interest to:		
Wholesale borrowings	235 900	199 606
Debt to Commonwealth	11 303	11 585
Retail borrowings	5 396	6 214
Promissory notes	1 956	4 200
Losses on extinguishment	19	352
<b>TOTAL INTEREST EXPENSE</b>	<b>254 574</b>	<b>221 957</b>

	2014	2014	2013	2013
	Average Balance	Average Rate	Average Balance	Average Rate
	\$000	%	\$000	%
Borrowings from:				
Wholesale market				
Fixed interest securities	4 550 539	5.18	3 977 127	5.02
Promissory notes	77 534	2.52	134 027	3.13
Debt to Commonwealth	239 649	4.72	245 711	4.71
Retail market	106 106	5.09	115 122	5.40
	4 973 828		4 471 987	

	2014	2013
	\$000	\$000
Losses on extinguishment		
Losses on extinguishment of borrowings at amortised cost	19	352
<b>TOTAL LOSSES ON EXTINGUISHMENT</b>	<b>19</b>	<b>352</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2014

## 7. Other Expenses

	2014	2013
	\$000	\$000
Administration		
Salaries and related employee expenses	868	799
Agent service arrangements – external	650	736
Other service arrangements – internal	607	543
Marketing and promotion	3	4
Document production	41	47
General property management	66	63
Operating leases	9	12
Subscriptions	61	59
Training and study	4	7
Official duty fares	2	2
Other operating expenses	13	21
<b>TOTAL OTHER EXPENSES</b>	<b>2 324</b>	<b>2 293</b>

## 8. Retained Profits

	2014	2013
	\$000	\$000
Balance at the beginning of the financial year	-	-
Net profit	23 082	23 664
Dividends provided for	(23 082)	(23 664)
<b>Balance at the end of the financial year</b>	<b>-</b>	<b>-</b>

## 9. Contributed Capital

	2014	2013
	\$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>

## 10. Cash and Cash Equivalents

	2014	2013
	\$000	\$000
Cash at bank	591 812	509 588
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>591 812</b>	<b>509 588</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2014

## 11. Trade and Other Receivables

	2014	2013
	\$000	\$000
Accrued interest on loans	9 937	9 772
Debtors	6	5
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>9 943</b>	<b>9 777</b>
Due from external bodies	6	5
Due from Northern Territory Government agencies	9 937	9 772
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>9 943</b>	<b>9 777</b>

## 12. Loans

	2014	2013
	\$000	\$000
General government agencies		
Fixed rate loans	2 835 200	2 455 200
Credit foncier loans	182 257	185 636
Government owned corporation		
Fixed rate loans	220 000	202 000
Floating rate loans	1 111 805	1 111 805
Credit foncier loans	4 900	7 090
Government business divisions		
Fixed rate loans	138 000	133 000
Floating rate loans	36 881	66 881
Credit foncier loans	152 162	161 350
Other government organisations		
Fixed rate loans	-	6 000
<b>TOTAL LOANS</b>	<b>4 681 205</b>	<b>4 328 962</b>

## 13. Trade and Other Payables

	2014	2013
	\$000	\$000
Creditors and accruals	274	285
Accrued interest on borrowings	66 956	60 737
Accrued salaries	23	17
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>67 253</b>	<b>61 039</b>
Due to external bodies	67 185	60 829
Due to Northern Territory Government agencies	68	210
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>67 253</b>	<b>61 039</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2014

## 14. Provisions and Tax Liabilities

	2014	2013
	\$000	\$000
a) Provisions		
Employee benefits		
Recreation leave		
Opening balance	119	120
Recreation leave paid	(67)	(68)
Recreation leave provided for	104	67
Closing balance	156	119
Leave bonus		
Opening balance	10	9
Leave bonus paid	(9)	(7)
Leave bonus provided for	11	8
Closing balance	12	10
Leave airfares		
Opening balance	-	4
Leave airfares paid	(3)	(4)
Leave airfares provided for	3	-
Closing balance	-	-
Purchased leave		
Opening balance	-	-
Purchased leave paid	(2)	(2)
Purchased leave provided for	2	2
Closing balance	-	-
Superannuation external		
Opening balance	19	20
Superannuation paid	(19)	(20)
Superannuation provided for	24	19
Closing balance	24	19
Total employee benefits	192	148
Fringe benefit tax	2	1
Dividend payable	23 082	23 664
<b>TOTAL PROVISIONS</b>	<b>23 276</b>	<b>23 813</b>
b) Tax liabilities		
Notional income tax payable	9 892	10 141
<b>TOTAL TAX LIABILITIES</b>	<b>9 892</b>	<b>10 141</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2014

## 15. Borrowings

	2014	2013
	\$000	\$000
Wholesale market		
Fixed interest securities	4 721 679	4 379 399
Promissory notes	99 437	-
Retail market		
Territory Bonds	101 392	107 569
Migration Linked Bonds	1 500	1 750
Commonwealth		
Credit foncier loans	236 549	242 749
<b>TOTAL BORROWINGS</b>	<b>5 160 557</b>	<b>4 731 467</b>

## 16. Financial Instruments and Risk Management

### Objectives and Policies

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

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

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

### Management of Capital

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

# Notes to the Financial Statements

For the financial year ended 30 June 2014

Note 16 continued

## Categories of Financial Instruments

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

	30 June 2014	30 June 2013
	\$000	\$000
<b>Financial assets:</b>		
Cash and cash equivalents	591 812	509 588
Loans and receivables at amortised cost:		
Trade and other receivables	9 943	9 777
Loans	4 681 205	4 328 962
Total loans and receivables at amortised cost	4 691 148	4 338 739
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost:		
Deposits held	405	278
Trade and other payables	67 253	61 039
Borrowings	5 160 557	4 731 467
Total financial liabilities at amortised cost	5 228 215	4 792 784

## Market Risk

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

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

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

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

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

Market risks are discussed in more detail below.

### (a) Interest Rate Risk

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

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

# Notes to the Financial Statements

For the financial year ended 30 June 2014

Note 16 continued

NTTC's interest rate risk on its financial assets and liabilities is significantly reduced as a result of its relationship with CHA. As at 30 June 2014, approximately 61 per cent (2013: 58 per cent) of NTTC's issued debt is on-lent to CHA. The interest rates and maturity dates set on these loans are closely matched to the debt issued by NTTC to external counterparties. NTTC's loans to CHA attract a margin over the cost of servicing the debt.

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

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

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

As at 30 June 2014, NTTC did not hold any derivative transactions.

## (i) Sensitivity analysis

Assuming the financial assets and liabilities at 30 June 2014 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 of 1 per cent in market interest rates across all maturities would have the following impact on profit before tax for the financial year:

	Forecast Effect on Profit before Tax 2014-15		Forecast Effect on Profit before Tax 2013-14	
	Rates Up by 1%	Rates Down by 1%	Rates Up by 1%	Rates Down by 1%
Financial assets	\$000	\$000	\$000	\$000
Cash at bank <sup>1</sup>	5 918	(5 918)	5 096	(5 096)
Floating rate loans	1 094	(1 094)	745	(745)
<b>NET SENSITIVITY</b>	<b>7 012</b>	<b>(7 012)</b>	<b>5 841</b>	<b>(5 841)</b>

<sup>1</sup> The high level of sensitivity is primarily due to \$393 million pre-funding relating to the 2014-15 borrowing program, which is due to be extinguished by July 2014. If the sensitivity analysis was applied to the 30 June 2014 cash balance, exclusive of the \$393 million pre-funding, the amount would be \$3.08 million.

# Notes to the Financial Statements

For the financial year ended 30 June 2014

Note 16 continued

## Interest Rate Risk Exposures

NTTC's exposure to interest rate risk, re-pricing maturities and the effective interest rates on financial instruments at 30 June 2014 is:

### (ii) Re-pricing Maturities

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

# Notes to the Financial Statements

For the financial year ended 30 June 2014

Note 16 continued

For comparative purposes, NTTC's exposure to interest rate risk, re-pricing maturities and the effective interest rates on financial instruments at 30 June 2013 was as follows:

	Interest Rate Reset Due In						Non-Interest Bearing	Total
	Weighted Average Interest Rate	0 to 3 Months	3 Months to 1 Year	1 to 5 Years	More than 5 Years			
	%	\$000	\$000	\$000	\$000	\$000	\$000	
<b>Financial assets</b>								
Cash	2.50	509 588	-	-	-	-	509 588	
Trade and other receivables		-	-	-	-	9 777	9 777	
<b>Loans</b>								
Fixed rate loans	5.86	-	557 000	2 029 900	209 300	-	2 796 200	
Floating rate loans	6.32	10 000	166 000	1 002 686		-	1 178 686	
Credit foncier loans	8.76	-	-	40 954	313 122		354 076	
<b>TOTAL FINANCIAL ASSETS</b>		<b>519 588</b>	<b>723 000</b>	<b>3 073 540</b>	<b>522 422</b>	<b>9 777</b>	<b>4 848 327</b>	
<b>Financial liabilities</b>								
Deposits held	-	-	-	-	-	278	278	
Trade and other payables	-	-	-	-	-	61 039	61 039	
<b>Borrowings</b>								
Fixed interest securities	5.32	1 001	1 042 851	1 612 182	1 832 684	-	4 488 718	
Promissory notes	-	-	-	-	-	-	-	
Credit foncier loans	4.66	-	-	-	242 749	-	242 749	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>1 001</b>	<b>1 042 851</b>	<b>1 612 182</b>	<b>2 075 433</b>	<b>61 317</b>	<b>4 792 784</b>	

## (b) Foreign Exchange Risk

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

## (c) Credit Risk

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

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

# Notes to the Financial Statements

For the financial year ended 30 June 2014

Note 16 continued

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

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

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

## (d) Liquidity Risk

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

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

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

In addition, NTTC at all times maintains:

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

## (e) Funding Risk

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

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

# Notes to the Financial Statements

For the financial year ended 30 June 2014

*Note 16 continued*

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

NTTC's current funding sources are as follows:

Wholesale market

Fixed interest securities

Floating rate notes

Promissory notes

Retail market

Territory Bonds

Migration Linked Bonds

Wholesale market issues account for approximately \$4.73 billion (2013: \$4.34 billion) or 98 per cent (2013: 97 per cent) of all outstanding issued debt as at 30 June 2014 and generally, there has been a strong support by these investors for reinvesting with NTTC at maturity. Borrowing from the retail market is primarily sourced via the Territory Bonds program. As at 30 June 2014, \$101.4 million (2013: \$107.6 million) of Territory Bonds was issued and spread across a large number of investors approximately 5191 (2013: 6077) at an average loan balance of \$19 532 (2013: \$17 701).

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 2014

Note 16 continued

## Maturity Analysis

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

30 June 2014	At Call	0 to 3 Months	3 Months to 1 year	1 to 5 Years	More than 5 Years	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>LOANS</b>						
General government agencies						
Fixed rate loans	-	535 885	108 567	2 329 791	355 739	3 329 982
Credit foncier loans	-	6 296	19 579	103 434	305 949	435 258
Government owned corporations						
Fixed rate loans	-	2 989	28 359	229 986	-	261 334
Floating rate loans	-	18 341	52 648	576 089	877 397	1 524 475
Credit foncier loans	-	661	1 983	2 644	-	5 288
Government business divisions						
Fixed rate loans	-	1 808	10 244	145 708	-	157 760
Floating rate loans	-	490	1 459	28 945	18 010	48 904
Credit foncier loans	-	4 918	11 889	60 794	136 942	214 543
Other government organisations						
Fixed rate loans	-	-	-	-	-	-
<b>TOTAL LOANS</b>		<b>571 388</b>	<b>234 728</b>	<b>3 477 391</b>	<b>1 694 037</b>	<b>5 977 544</b>
Deposits held	405	-	-	-	-	405
Borrowings						
Due to other financial institutions						
Wholesale market						
Fixed interest securities	-	683 845	162 274	2 691 149	2 707 611	6 244 879
Retail market						
Territory Bonds	-	144	39 475	72 198	-	111 817
Migration Linked Bonds	-	39	1 289	274	-	1 602
Commonwealth						
Credit foncier loans	-	-	17 497	69 921	317 310	404 728
<b>TOTAL BORROWINGS</b>	<b>405</b>	<b>684 028</b>	<b>220 535</b>	<b>2 833 542</b>	<b>3 024 921</b>	<b>6 763 431</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2014

Note 16 continued

30 June 2013	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	-	36 546	600 228	1 941 621	312 666	2 891 061
Credit foncier loans	-	6 296	19 586	103 461	331 798	461 141
Government owned corporation						
Fixed rate loans	-	2 884	49 849	187 208	-	239 941
Floating rate loans	-	18 387	52 492	443 619	1 080 090	1 594 588
Credit foncier loans	-	661	1 983	5 288	-	7 932
Government business divisions						
Fixed rate loans	-	1 755	10 075	145 379	-	157 209
Floating rate loans	-	880	2 628	62 206	20 924	86 638
Credit foncier loans	-	4 918	11 889	64 011	150 532	231 350
Other government organisations						
Fixed rate loans	-	83	245	6 329	-	6 657
<b>TOTAL LOANS</b>		<b>72 410</b>	<b>748 975</b>	<b>2 959 122</b>	<b>1 896 010</b>	<b>5 676 517</b>
Deposits held	278	-	-	-	-	278
Borrowings						
Due to other financial institutions						
Wholesale market						
Fixed interest securities	-	60 630	675 959	2 624 195	2 184 925	5 545 709
Retail market						
Territory Bonds	-	688	35 907	83 433	-	120 028
Migration Linked Bonds	-	548	34	1 319	-	1 901
Commonwealth Government						
Credit foncier loans	-	-	17 504	69 948	334 780	422 232
<b>TOTAL BORROWINGS</b>	<b>278</b>	<b>61 866</b>	<b>729 404</b>	<b>2 778 895</b>	<b>2 519 705</b>	<b>6 090 148</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2014

## 17. Fair Values of Financial Instruments

AASB7, paragraph 25 requires NTTC to provide fair value information through supplementary disclosures for any financial assets or financial liabilities that are not measured at fair value in its Statement of Financial Position.

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

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

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

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

# Notes to the Financial Statements

For the financial year ended 30 June 2014

Note 17 continued

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

	30 June 2014	30 June 2014	30 June 2013	30 June 2013
FAIR VALUES	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$000	\$000	\$000	\$000
Financial assets – loans				
Northern Territory of Australia				
Fixed rate loans	3 193 200	3 385 410	2 796 200	2 959 497
Floating rate loans	1 148 686	1 184 131	1 178 686	1 222 310
Credit foncier loans	339 319	424 349	354 076	434 167
<b>TOTAL LOANS</b>	<b>4 681 205</b>	<b>4 993 890</b>	<b>4 328 962</b>	<b>4 615 974</b>
Financial liabilities – borrowings				
Wholesale market				
Fixed interest securities	4 721 679	5 084 390	4 379 399	4 612 636
Promissory notes	99 437	99 437	-	-
Retail market				
Territory Bonds	101 392	105 732	107 569	112 800
Migration Linked Bonds	1 500	1 554	1 750	1 835
Commonwealth				
Credit foncier loans	236 549	243 707	242 749	233 843
<b>TOTAL BORROWINGS</b>	<b>5 160 557</b>	<b>5 534 820</b>	<b>4 731 467</b>	<b>4 961 114</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2014

Note 17 continued

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

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

2014	Total Carrying Amount \$000	Net Fair Value Total	Net Fair Value Level 1 \$000	Net Fair Value Level 2 \$000	Net Fair Value Level 3 \$000
<b>Financial Assets</b>					
Loans:					
Fixed rate loans	3 193 200	3 385 410	-	3 385 410	-
Floating rate loans	1 148 686	1 184 131	-	1 184 131	-
Credit foncier loans	339 319	424 349	-	424 349	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>4 681 205</b>	<b>4 993 890</b>	<b>-</b>	<b>4 993 890</b>	<b>-</b>

## Financial Liabilities

Borrowings and advances:

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

2013	Total Carrying Amount \$000	Net Fair Value Total	Net Fair Value Level 1 \$000	Net Fair Value Level 2 \$000	Net Fair Value Level 3 \$000
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## Financial Assets

Loans:

Fixed rate loans	2 796 200	2 959 497	-	2 959 497	-
Floating rate loans	1 178 686	1 222 310	-	1 222 310	-
Credit foncier loans	354 076	434 167	-	434 167	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>4 328 962</b>	<b>4 615 974</b>	<b>-</b>	<b>4 615 974</b>	<b>-</b>

## Financial Liabilities

Borrowings and advances:

Wholesale	4 379 399	4 612 636	-	4 612 636	-
Retail	109 319	114 635	-	114 635	-
Commonwealth	242 749	233 843	-	233 843	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4 731 467</b>	<b>4 961 114</b>	<b>-</b>	<b>4 961 114</b>	<b>-</b>

# Notes to the Financial Statements

For the financial year ended 30 June 2014

## 18. Reconciliations of Net Profit from Operating Activities

	2014	2013
Net profit	\$000 23 082	\$000 23 664
<b>Reconciliation flows in net profit</b>		
Add (gain)/loss on extinguishment	18	330
Less (premium) and discount amortisation	(4 738)	(5 484)
<b>Changes in assets and liabilities</b>		
Less decrease/(increase) in interest receivable	(165)	287
Less decrease/(increase) in debtors	(1)	2
Add decrease/(increase) in prepayments	(12)	1
Add increase/(decrease) in employee benefits	44	(5)
Add increase/(decrease) in trade creditors	(3)	2
Add increase/(decrease) in tax liabilities	(249)	1 163
Add increase/(decrease) in interest payable	6 218	9 833
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>24 194</b>	<b>29 793</b>

## 19. Auditor's Remuneration

External audit services are provided by the Auditor-General for the Northern Territory. The Auditor-General's Office has advised that the estimated cost of this service for the 2013-14 year is \$73 460 (2013: \$66 700).

## 20. Fiduciary Activities

NTTC acts as manager for the investments portfolio of the CHA. Any associated assets and liabilities are not recognised in these financial statements. Management fees generated in carrying out these activities are included in the Statement of Comprehensive Income. The aggregate income from fiduciary activities for the 2013-14 year was \$820 000 (2013: \$471 000). As at 30 June 2014, the CHA Investment Portfolio balances were:

	2014	2013
Investment portfolio	\$ 000 1 074 000	\$ 000 845 000
Conditions of Service Reserve	589 740	512 957
Medium Term Investment Fund	70 543	66 098
<b>TOTAL</b>	<b>1 734 283</b>	<b>1 424 055</b>

## 21. Dividends

NTTC has provided for a dividend of \$23 082 million, which is at the rate of 100 per cent of its net profit for the 2013-14 year in accordance with the Treasurer's budget direction.

# Notes to the Financial Statements

For the financial year ended 30 June 2014

## 22. Advisory Board

NTTC Advisory Board was established in October 1994. The Under Treasurer of the Department of Treasury and Finance, Ms Jodie Ryan, is the Chair of the Board, and the following people held the position of member during the year ended 30 June 2014:

Mr Anthony S Cole AO	Mercer (Australia) Pty Ltd
Mr Richard V Ryan AO	Editure Limited
Mr David Braines-Mead	Department of Treasury and Finance, Deputy Under Treasurer (Budgets and Finance)
Mr John R P Montague	Department of Treasury and Finance, Assistant Under Treasurer (Funds Management) to May 2014

During the year ended 30 June 2014 only two members were entitled to receive Advisory Board sitting fees, amounting to \$39 644 (2013: \$39 644). Members who are permanently employed under the *Public Sector Employment and Management Act*, or on similar terms, are not entitled to fees.

	2014	2013
	\$ 000	\$ 000
Sitting Fees	40	40

## 23. Fees and Commissions

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

	2014	2013
	\$000	\$000
Link Market Services Pty Ltd	269	332
Sungard Systems Pty Ltd	79	77
Reuters Pty Ltd	36	34
Austraclear Ltd	71	69

## 24. Segment Information

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

## Executive

Under Treasurer/Chairman



Jodie Ryan  
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General Manager



Alex Pollon  
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## Financial Administration

Manager  
Financial Administration



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Senior  
Accounting Officer



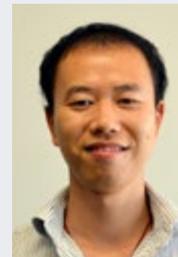
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## Financial Assets and Liabilities

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