

Northern Territory Treasury Corporation

ANNUAL REPORT 2020-21



Published by the Department of Treasury and Finance

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ISSN 1324-9789 (print)

ISSN 2204-5759 (online)

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The Honourable Michael Gunner MLA
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Dear Treasurer

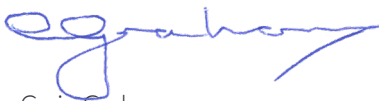
I am pleased to provide to you the 2020-21 Annual Report for the Northern Territory Treasury Corporation (NTTC), which has been prepared in accordance with section 31 of the *Northern Territory Treasury Corporation Act 1994*, section 28 of the *Public Sector Employment and Management Act 1993* (PSEMA) and section 12 of the *Financial Management Act 1995* (FMA).

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

- proper records of all transactions affecting NTTC are kept and employees under my control observe the provisions of the FMA, Financial Management Regulations and Treasurer's Directions
- procedures within NTTC afford proper internal control and a current description of such procedures are recorded in the accounting and property manual, which has been prepared in accordance with the requirements of the FMA
- no instance of fraud, malpractice, major breach of legislation or delegation, or major error in or omission from the accounts and records that has not been appropriately reported and addressed exists. Proper records of incidents of suspected fraud are documented in a fraud register in accordance with the Treasurer's Direction – Fraud Control. The incidents are managed in accordance with the Department of Treasury and Finance's Fraud Control Framework, including notification to the appropriate agencies. There is no impact on NTTC's financial statements
- in accordance with the requirements of section 15 of the FMA, the internal audit capacity available to NTTC is adequate and the results of internal audits have been reported to me
- the financial statements included in the annual report have been prepared from proper accounts and records, and are in accordance with the Treasurer's Directions
- all Employment Instructions issued by the Commissioner for Public Employment have been satisfied
- NTTC is working in compliance with section 131 of the *Information Act 2002*.

I can also advise you that the Auditor-General has audited NTTC's financial statements for the year ended 30 June 2021 and her report is included.

Yours sincerely



Craig Graham
Under Treasurer
30 September 2021

Mission

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

Values

- Commitment to service
- Ethical practice
- Respect
- Accountability
- Impartiality
- Diversity

Enabling Act

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

Statutory guarantee

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

Status

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

Credit rating

Moody's Investors Service has assigned NTTC a long-term issuer and debt rating of Aa3 with a stable outlook.

Purpose of this report

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

Contents

Corporate profile	3
Chairman's address	4
Performance summary	5
Financial markets	7
Client services	11
Administration and governance	13
Appendices	21
Financial statements	27

Corporate profile

Structure

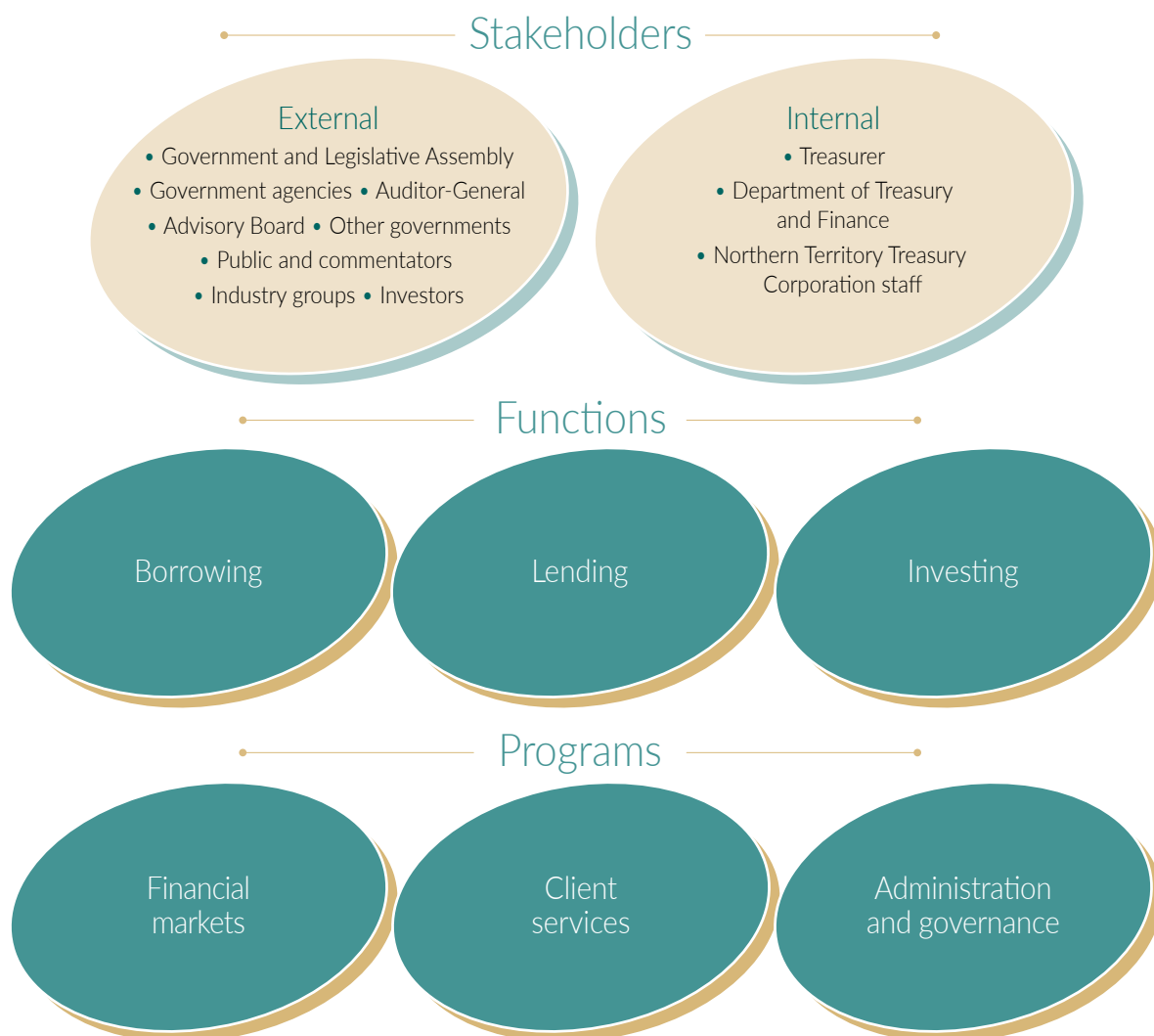
NTTC was established as a corporation sole (a corporation that consists solely of a nominated office holder) in July 1994 and is constituted under the NTTC Act. The Under Treasurer of DTF is designated as the office holder, the corporation sole, under the NTTC Act and as such represents the Crown in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

Purpose

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

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

Figure 1: NTTC stakeholders, functions and programs





Chairman's address

Eighteen months after the initial coronavirus outbreak, COVID-19 continues to dominate global financial markets. Despite the economic fluctuations and uncertainty caused by the pandemic, NTTC successfully issued about \$2.05 billion in 2020-21 thereby completing the 2020-21 funding task and contributing \$870 million towards the Territory's anticipated 2021-22 borrowing requirement.

In Australia, the economy is recovering more strongly than expected with national income being supported by strong prices for key commodities as well as accommodative domestic financial conditions. The Reserve Bank of Australia (RBA) continues to provide much needed support as the economy transitions from the pandemic recovery phase to the expansion phase. The RBA has maintained the current policy settings, keeping the targets of 10 basis points for the cash rate and yield on three-year Australian Government bonds as well as the continuation of government bond purchases until at least November 2021.

In February 2021, Moody's published an updated credit opinion for the Northern Territory of Australia in which it affirmed the rating of Aa3 with a stable outlook. Moody's maintain the challenge for the Territory Government will be its ability to sustain fiscal improvements over the medium term through continued commitment to meet lower spending targets.

In June 2021, financial markets posted positive returns, supported by the ongoing global economic recovery, accelerating vaccination campaigns in the majority of developed economies and massive ongoing fiscal stimulus programs. However, there are significant concerns both globally and domestically regarding the fast-spreading Delta variant of the coronavirus, which has seen rising case numbers and have forced a number of countries into further lockdowns.

In Australia, there is growing uncertainty regarding the potential economic impact of the Delta variant outbreak, which has resulted in extended lockdowns and border restrictions in a number of states and territories, most notably in New South Wales and Victoria. The recent outbreaks are interrupting economic recovery with gross domestic product expected to decline in the September quarter 2021. Nonetheless, experience to date has been that the economy rebounds quickly once outbreaks are contained and restrictions eased. The accelerated vaccination program combined with continued significant additional policy support will assist the Australian economy with its recovery.

To date, the Territory has shown its resilience to the COVID-19 outbreaks. The Territory's small population, geographic isolation and quick response to recent cases with early implementation of lockdowns and restrictions reduced the relative fiscal impact of COVID-19 compared to the other states and territories. Latest data reports the Territory economy has weathered the impacts of COVID-19 and is on a growth trajectory, with state final demand increasing by 6.2% in 2020-21, the strongest since 2016-17. The Territory's population is also growing again, with net interstate migration reporting its best results since 2012 as outflows to other jurisdictions have fallen considerably. This has supported demand for housing, with property prices up and vacancy rates near historical lows. Growth in the Territory's population is forecast to strengthen in the medium term and will be vital to economic growth going forward. However, the pace of the Territory's economic recovery will be influenced by Australia's broader economic recovery with the timing of vaccine rollouts and easing of travel restrictions having longer term impacts on tourism, international students and overseas migration.

As in previous years, I would like to thank the staff and NTTC's syndication partners for their efforts as well as the Advisory Board for its ongoing guidance and counsel throughout the 2020-21 financial year.

Craig Graham
Under Treasurer and Chair

Performance summary

Review of 2020-21

- Successful delivery of \$2.05 billion borrowing program.
- Ongoing focus on issuing longer-dated bonds to extend term/duration and reduced cost of borrowing.
- About \$8.5 billion on issue in major bond series in Australian debt capital markets.

Outlook for 2021-22

- Australian economy is recovering stronger and earlier than expected however there is growing uncertainty regarding the potential impact of the recent COVID-19 Delta variant outbreak that has resulted in lockdowns and restrictions in a number of states and territories.
- Increased market volatility and uncertainty resulting in higher cost of borrowing assumptions in line with the rising domestic and global interest rate environment.
- Issuance of new major bond series in Australian debt capital markets.
- Utilising short-dated promissory note facility and increases of existing long-dated bond series to meet borrowing requirements.

Strategic issues for 2021-22

- Managing the Territory Government's pool of investments efficiently within defined risk management frameworks.
- Securing attractive term funding arrangements in the most cost-effective manner in order to refinance maturing debt and provide flexible and efficient financing options to clients.
- Enhancing existing and developing new NTTC relationships with financial market participants in order to minimise refinance risk while attempting to satisfy investor demand for liquidity and expand investor diversification.

Table 1: Five-year financial overview

	2020-21	2019-20	2018-19	2017-18	2016-17
	\$000	\$000	\$000	\$000	\$000
Statement of income					
Revenue	318 084	288 828	258 322	232 972	214 571
Expenses	286 424	248 847	226 671	205 571	193 205
Profit before tax	31 660	39 981	31 651	27 401	21 366
Tax expense	9 498	11 994	9 495	8 220	6 410
Net profit after tax	22 162	27 987	22 156	19 181	14 956
Statement of financial position					
Total assets	10 039 274	7 976 070	6 001 146	5 268 961	4 056 116
Total liabilities	10 017 643	7 954 439	5 979 515	5 247 330	4 034 485
Total equity	21 631	21 631	21 631	21 631	21 631
Statement of cash flows					
Cash flows from operating activities	10 720	31 359	16 932	24 712	7 954
Cash flows from (to) investing activities	(1 827 999)	(1 116 723)	(735 824)	(1 235 010)	58 430
Cash flows from (to) financing activities	2 053 464	1 943 158	715 576	1 189 690	(36 886)

Table 2: Five-year key performance indicators summary

	2020-21	2019-20	2018-19	2017-18	2016-17
Quantity					
Weighted average cost of borrowing	1.90%	1.86%	2.84%	3.10%	2.54%
Quality					
Borrowing rate margin compared to industry peers	0.41%	0.37%	0.37%	0.31%	0.41%
Investment portfolio return above benchmark ¹	+ 0.39%	+ 0.45%	+ 0.42%	+ 0.33%	+ 0.44%
Stakeholder satisfaction ²	5	5	5	5	5

1 The benchmark is the Bloomberg AusBond Bank Bill Index. The benchmark return for 2020-21 was 0.06% while NTTC achieved a return of 0.45%.

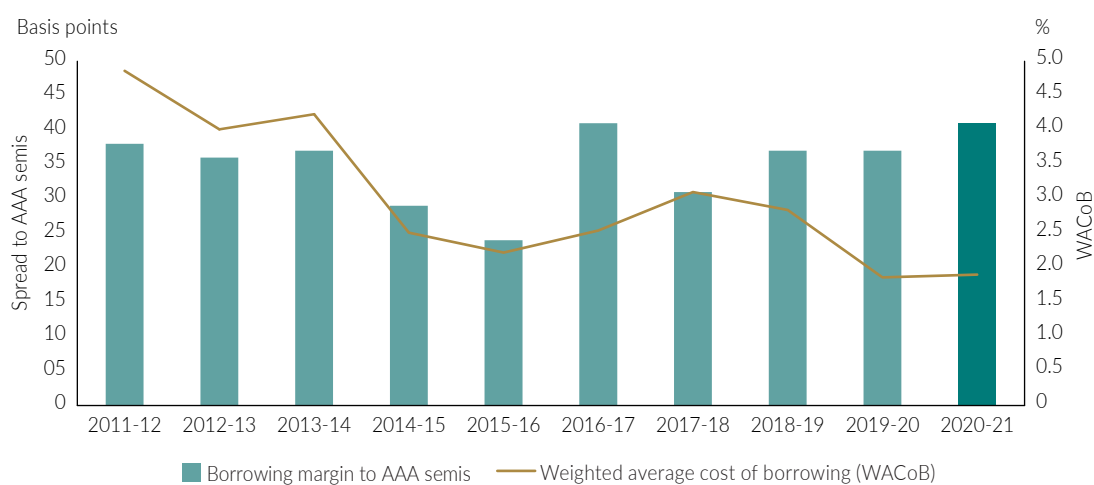
2 A stakeholder satisfaction rating is obtained from government agencies, government business divisions, government owned corporations and local government councils. Ratings range from 1: extremely dissatisfied to 6: extremely satisfied.

Performance measure analysis

NTTC's weighted average cost of borrowing target for 2020-21 was lowered to 2.00% in line with the low interest rate environment experienced throughout the year. The actual outcome achieved for the 2020-21 financial year was 1.90%. The weighted average cost of borrowing on outstanding issued debt at 30 June 2021 was 3.09%.

Consistent with previous years, the average recorded spread or borrowing margin achieved on wholesale bonds issued by NTTC during the financial year was about 41 basis points over similar bond maturities issued by NTTC's semi-government peers. NTTC-issued bonds were priced at fairly consistent margins to peers throughout the financial year.

Figure 2: NTTC weighted average cost of borrowing versus spread to comparative semi-governments



Financial markets

Funding

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

NTTC's funding sources are as follows:

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

Table 3: Borrowing composition

	2020-21	2019-20	2018-19	2017-18	2016-17
	\$M	\$M	\$M	\$M	\$M
Refinance maturing Territory debt	98	132	508	528	533
New borrowings	1 790	1 215	1 021	950	-
Debt reduction	-	-	-	-	- 6
Pre-funded	- 708	- 21	- 291	-	-
Borrowing requirement	1 180	1 326	1 238	1 478	527
Pre-funding	870	708	21	291	-
Total borrowing program	2 050	2 034	1 259	1 769	527

Borrowing activity

The Territory Government borrowing requirement for 2020-21 was slightly lower than each of the last three years at about \$1.2 billion with only \$98 million needed to refinance maturing debt. In addition, NTTC committed to pre-fund part of the 2021-22 borrowing program, which resulted in NTTC raising a further \$870 million, taking the total borrowing program for 2020-21 to a little over \$2 billion. The borrowing activity resulted in total outstanding issued debt as at 30 June 2021 rising to about \$9.5 billion from \$7.6 billion as at 30 June 2020.

In 2020-21, NTTC issued a new wholesale bond line and responded to a number of reverse enquiries from institutional investors that led to a series of tap increases to existing bond lines (see Table 4). In March 2021 a new \$650 million benchmark bond series was issued with a further \$715 million raised through a number of existing bond lines throughout the year.

In terms of retail borrowings, Territory Bonds had an outstanding year, raising a record amount of about \$685 million, contributing almost a third of NTTC's 2020-21 funding requirement and added to the pre-funded position of \$870 million of the 2021-22 borrowing program. A full listing of NTTC's issued debt is provided in Appendix A on page 20.

Table 4: Institutional bond issues during 2020-21

Issue date		Amount issued	Maturity date	Coupon	Yield
		\$M		%	%
September 2020	Existing line	200	21 April 2033	3.75	2.07
October 2020	Existing line	125	21 November 2042	4.10	2.52
November 2020	Existing line	150	21 April 2033	3.75	1.77
March 2021	New line	650	21 May 2032	2.50	2.41
April 2021	Existing line	95	21 November 2042	4.10	3.27
April 2021	Existing line	70	21 November 2042	4.10	3.24
May 2021	Existing line	75	21 November 2042	4.10	3.17
Total		1 365			

As at 30 June 2021, NTTC had 13 institutional benchmark bond issues as detailed in Table 5.

Table 5: Institutional bond issues as at 30 June 2021

Maturity date	Coupon	Amount on issue
	%	\$M
20 September 2021	4.25	650
21 November 2022	2.50	600
15 March 2024	6.00	650
21 October 2024	2.75	500
15 March 2026	6.00	650
21 April 2027	2.75	600
21 April 2028	3.50	750
21 May 2029	2.00	600
21 May 2030	3.50	750
21 April 2031	2.00	750
21 May 2032	2.50	650
21 April 2033	3.75	750
21 November 2042	4.10	650

Table 6: Borrowing performance as at 30 June

	2021	2020	2019	2018	2017
	%	%	%	%	%
Average borrowing margin					
Short-term – margin to bank bill swap (BBSW) rate	n/a	0.00	- 0.03	- 0.04	- 0.04
Long-term (fixed rate) – margin to comparative semi-government security	0.41	0.37	0.37	0.31	0.41
Cost of borrowing achieved during the year					
Weighted average cost of borrowing	1.90	1.86	2.84	3.10	2.54
Total cost of funds					
Weighted average cost of funds	3.06	3.35	3.85	4.17	4.65

n/a: not assessable

Portfolio duration and term to maturity

As at 30 June 2021, the weighted average duration of Territory debt on issue is 6.1 years compared to 6.3 years reported in June 2020. Similarly, the weighted average term to maturity decreased to 7.1 years, compared with the 7.2 years recorded in June 2020.

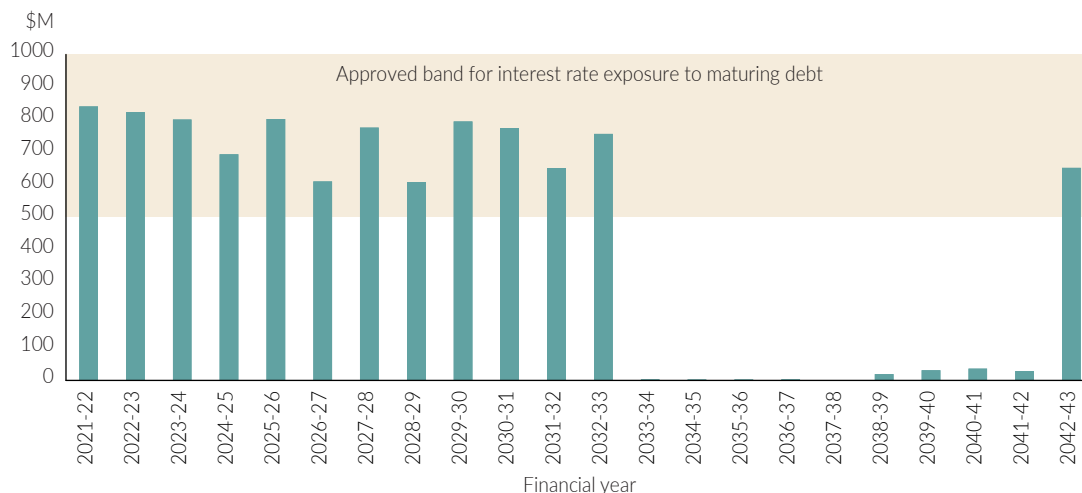
Interest rate risk management

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

In March 2020, NTTC established a target level of interest rate exposure to maturing Territory debt in a financial year with a lower limit of \$500 million and an upper limit of \$1 billion. The limits were based on outstanding debt at the time, with the upper limit recognising the strategy of containing interest rate exposure in any one financial year to about 20% of total outstanding debt and the lower limit representing 10% of outstanding debt.

This strategy provides sufficient flexibility to support NTTC's ability to respond to strong demand from institutional investors seeking the creation of slightly larger and more liquid bond series. The target band 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 2021



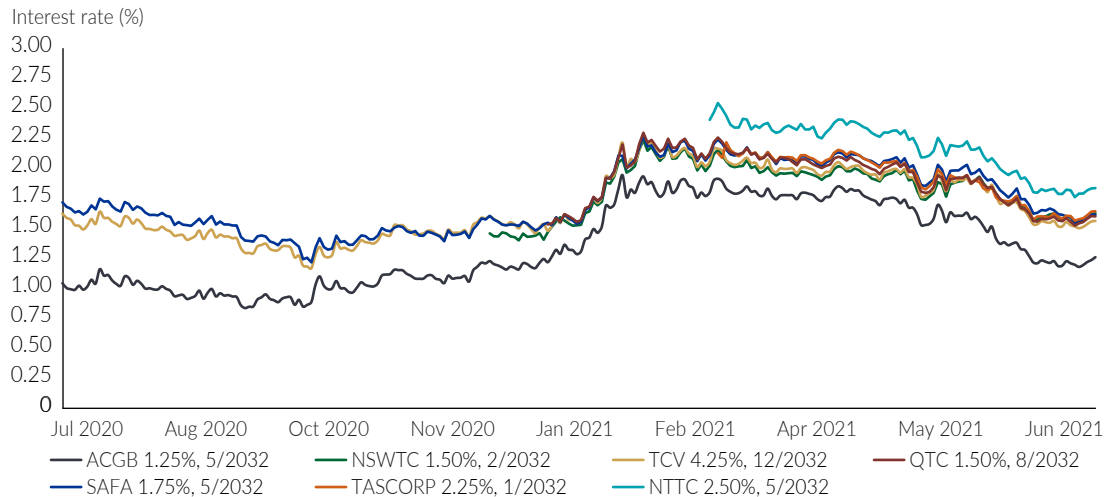
Trading margin

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

The average recorded spread or borrowing margin achieved on NTTC wholesale bond issues during 2020-21 was about 0.41% over similar bond maturities issued by the other AAA-rated CFAs.

Figure 4 shows the implied trading margin between NTTC's recently issued 2032 bond series and similar maturities issued by the Commonwealth and other CFAs. Relative to the Commonwealth bond, NTTC's 2032 bond series has been trading at a margin of between 50 and 70 basis points. NTTC's margin relative to comparative bonds issued by other CFAs has been between 25 and 40 basis points.

Figure 4: Trading margin



Promissory notes

NTTC's short-term funding requirement is met through its promissory note facility. These notes are issued by way of tender to key institutional counterparties. While NTTC had no promissory notes on issue as at 30 June 2021, the promissory note facility remains available to use during the year to meet short-term funding requirements.

Migration Linked Bonds

The bonds offered by NTTC satisfy the criteria of a 'designated investment' under the following programs administered by the Department of Home Affairs:

- Business Innovation and Investment program
- Investor Retirement Migration.

As at 30 June 2021, NTTC had no migration linked bonds on issue with the last designated investment of \$0.5 million maturing in July 2020.

Territory Bonds

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

In overall terms, Territory Bonds raised a record-breaking amount of \$685 million in 2020-21. NTTC considers this result can be largely attributed to the introduction of RBA's Term Funding Facility (TFF) for the domestic banking system. Essentially, this has delivered Australian banks access to extremely cheap funding through the RBA, which has allowed them to refinance their higher cost debt and significantly reduce the rates offered on their term deposits. Accordingly, this has prompted in a significant number of investors to consider alternative investments including Territory Bonds.

Over the course of 2020-21, the number of registered investors increased by 25 to 1966. However, the average investment size increased to \$415,851 from last year's average of \$93,547, resulting in a significantly large increase in the outstanding face value of Territory Bonds. As at 30 June 2021, the total outstanding balance was about \$818 million, which is about \$636 million higher than the balance of \$182 million recorded at 30 June 2020.

Client services

Loans

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

As at 30 June 2021, NTTC had a total outstanding loan portfolio of \$8.9 billion, about \$1.8 billion higher than the balance reported at 30 June 2020. Table 7 (page 12) shows the comparative analysis of total outstanding loans provided by NTTC over the past five years. A full listing of NTTC's loans is provided in Appendix B on page 23.

General government agencies

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

As at 30 June 2021, loans to the general government sector totalled \$7.3 billion, an increase of about \$1.8 billion from the previous financial year. This represents the additional loans allocated to CHA in order to finance the Territory Government's fiscal deficit.

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 2021, loans to this sector totalled about \$193 million, around \$12 million lower than the previous financial year. This net movement is a combination of scheduled principal repayments throughout the year on some of NT Home Ownership's structured loans.

Government owned corporations

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

As at 30 June 2021, loans to this sector totalled about \$1.4 billion, an increase of about \$25 million from the previous financial year. This represents new loans by Territory Generation offset by repayments of loans by Power and Water Corporation during the 2020-21 financial year.

Local government councils

Loans to local government councils represent borrowings by municipal, regional and shire councils situated throughout the Territory. The funds are used to finance specific council infrastructure projects, working capital requirements, or to purchase or replace existing plant and equipment. Loans to local government councils are first assessed by the Local Government division (now part of the Department of the Chief Minister and Cabinet (CMC)), and must carry the support and recommendation of the minister prior to being submitted for approval to the Treasurer. As at 30 June 2021, there were no loans outstanding for local authorities.

Other government organisations

Loans to other government organisations represent borrowings by non financial public sector organisations with which the Territory Government has an association. As at 30 June 2021, NTTC had no outstanding loans to this sector.

Figure 5: Client loans as at 30 June 2021

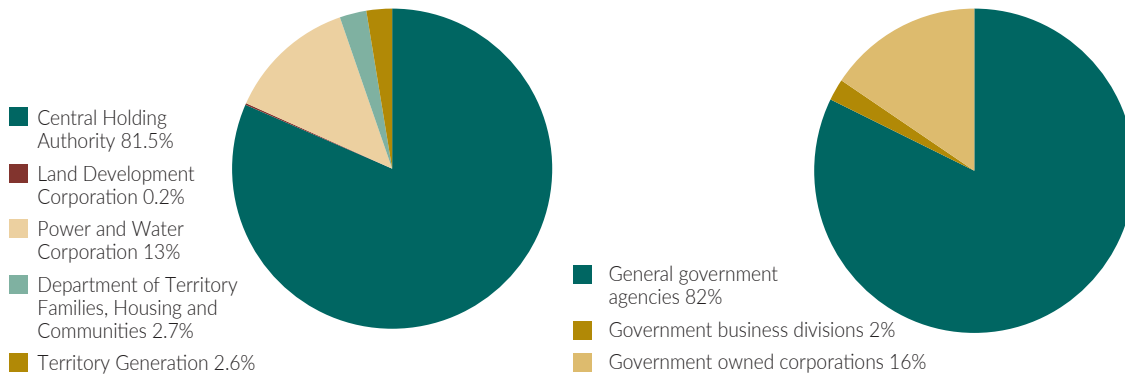


Table 7: Outstanding loans as at 30 June

	2021	2020	2019	2018	2017
	\$M	\$M	\$M	\$M	\$M
General government agencies	7 317.4	5 502.8	4 299.8	3 606.0	2 411.5
Government business divisions	192.6	204.2	210.5	226.5	222.2
Government owned corporations	1 387.0	1 362.0	1 442.0	1 384.0	1 347.8
Total	8 897.0	7 069.0	5 952.3	5 216.5	3 981.5

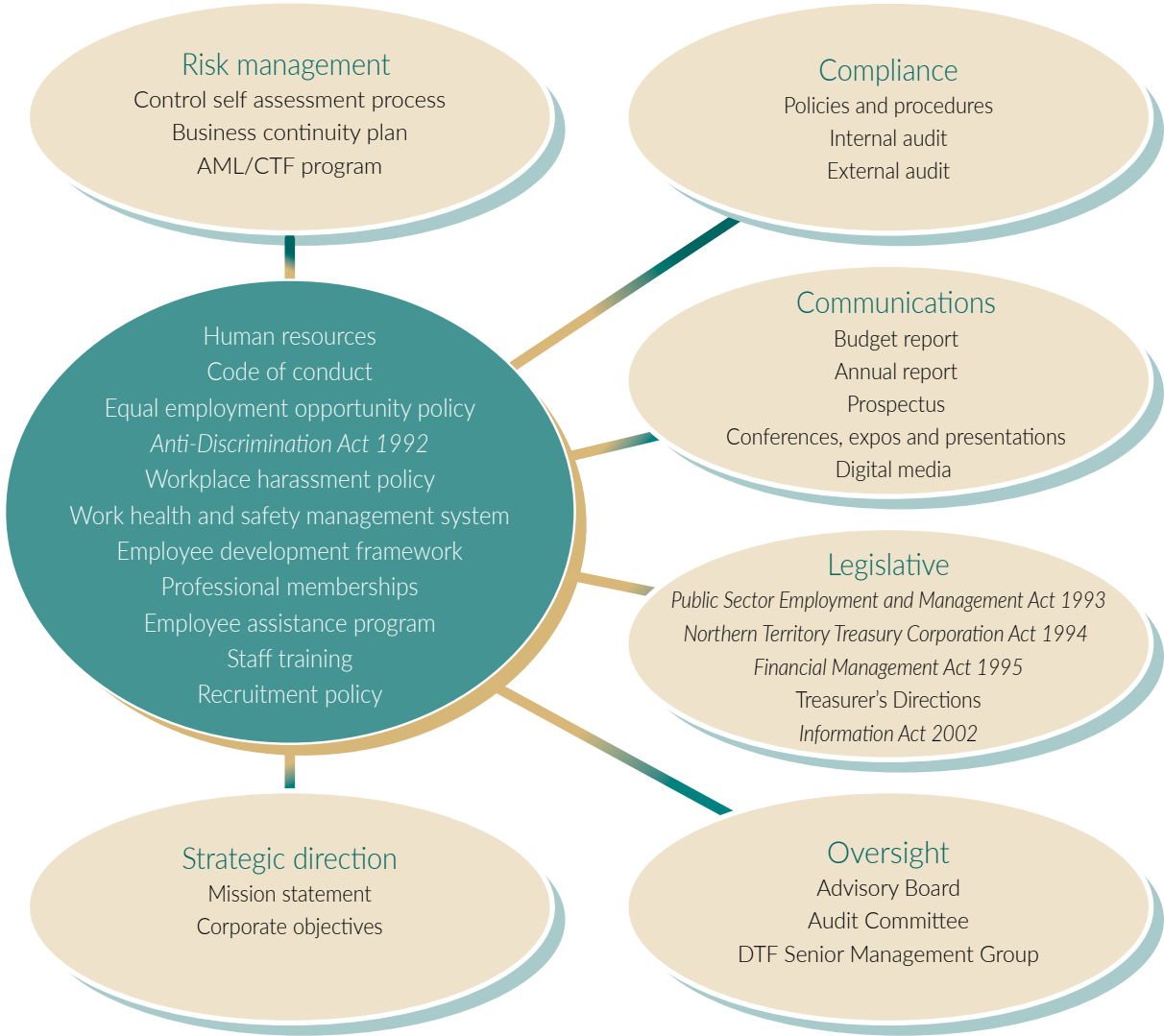
Administration and governance

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

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

Corporate governance

Figure 6: NTTC's corporate governance framework



AML/CTF: Anti-Money Laundering and Counter-Terrorism Financing Act 2006

Corporate objectives

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

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

Our people

Management team

Mr Alex Pollon

General Manager

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

Mrs Tania Senga

Manager Financial Assets and Liabilities

Tania commenced with NTTC in February 2020 as the Manager Financial Assets and Liabilities and is responsible for the day-to-day activities and operational effectiveness of the treasury functions undertaken by NTTC. Tania has over 17 years' experience in the public accounting industry and has worked across a wide range of industries. Tania previously worked at Power and Water Corporation as Supervisor Financial Accounting for three years. She holds a Bachelor of Business and a Bachelor of Laws from the Northern Territory University (now Charles Darwin University). She also has a Graduate Diploma from the Institute of Chartered Accountants Australia (now Chartered Accountants Australia and New Zealand (CAANZ)) and is a current member of CAANZ.

Ms Raffaella Carpine

Manager Financial Services – Treasury Financial Services

Raffaella joined DTF in January 2021 as the Manager Financial Services and is responsible for the management of TFS divisional group, including staff and resources, and ensuring the efficient and effective provision of financial services to NTTC and Northern Territory Superannuation Office, including the administration of the Disaster Recovery Funding Arrangements on behalf of the Territory.

Raffaella has 14 years' experience in finance roles, including 10 years in audit and assurance at PricewaterhouseCoopers Italy. Her expertise is in listed and proprietary multinationals and has worked in various business, including the Italian Stock Exchange. She has a Masters of Business Economics and Bachelor of Business Management.

Staffing

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

As at 30 June 2021, NTTC had five full-time employees: three females and two males. Additionally, one graduate from DTF's graduate program undertook a rotation in NTTC during the year.

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

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

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

Designation	Male		Female		Total	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
AO5	-	1	3	2	3	3
AO7	-	-	1	-	1	-
SAO1	-	-	-	1	-	1
ECO2	1	1	-	-	1	1
Total	1	2	4	3	5	5

Flexible work arrangements

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

Graduate program

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

Training and professional memberships

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

Equal opportunity and workplace harassment

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

Employee wellness

NTTC employees have access to DTF's Employee Assistance Program (EAP). This program provides an important service to the agency's employees and forms part of our work health and safety commitments. NTTC recognises that staff may be affected by personal, family or work-related issues and EAP is one way NTTC supports staff.

The EAP offers up to three free confidential counselling sessions for employees and their family members with DTF's EAP providers.

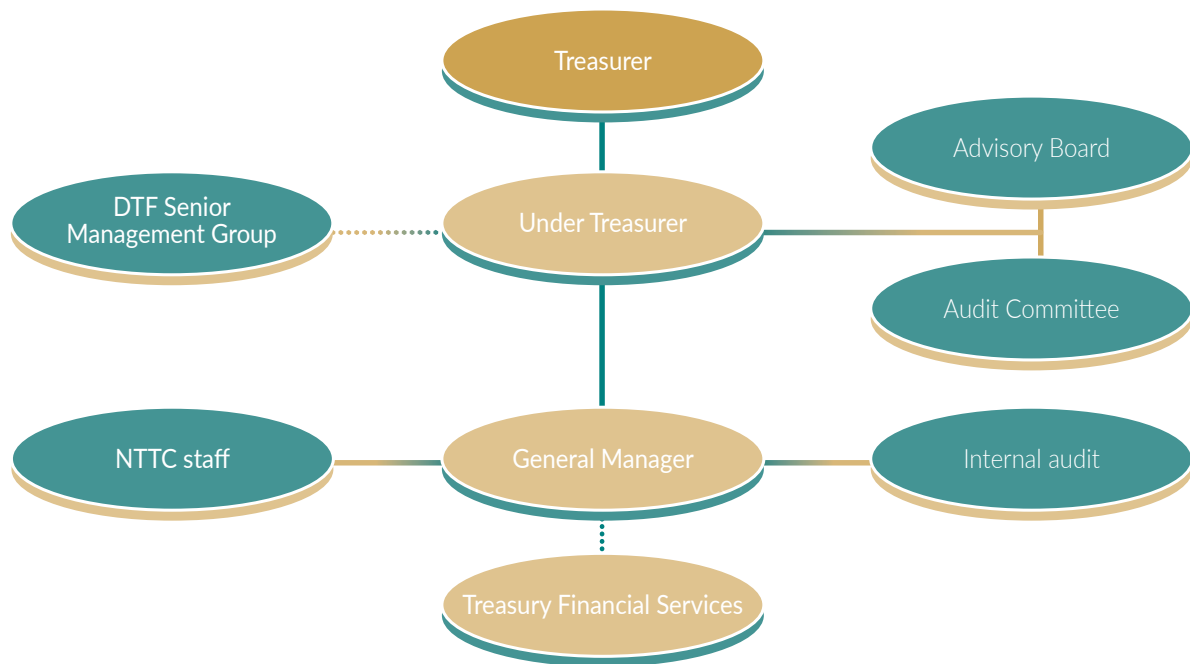
Also, flu vaccinations are available to NTTC employees on an annual basis.

Business relationships

Department of Treasury and Finance

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

Figure 7: NTTC's reporting structure



Registry services

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

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

Advisory Board

Under section 8 of the NTTC Act, NTTC has established an Advisory Board to assist the Under Treasurer with issues relating to NTTC's operations. The Advisory Board is constituted to be the Under Treasurer and up to five other persons appointed by the Treasurer. The Advisory Board meets quarterly to review and monitor NTTC's business risks and performance in relation to its objectives. It also provides guidance on policy, analysis of economic conditions and advice on aligning borrowing and investing intentions with interest rate expectations.

Advisory Board members



Mr Craig Graham, Chair
Department of Treasury and Finance

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

Craig joined Treasury in February 1997, undertaking the graduate program in February 1998 after completing a Bachelor of Economics at Northern Territory University (now Charles Darwin University), and was in the first intake of the still-current graduate program. In August 2008, Craig was appointed Senior Director Economic in the Economic Policy and Public Finance areas, and in July 2011 he was appointed Assistant Under Treasurer (Economic).



Dr Sarah Rummery, Assistant Under Treasurer (Revenue)
Department of Treasury and Finance

Sarah was appointed Assistant Under Treasurer (Revenue) in January 2020 and is also the Commissioner of Territory Revenue and Mineral Royalty Secretary. She is responsible for the administration and enforcement of own-source revenue and grants legislation, ensuring the strategic alignment and effectiveness of revenue programs, and providing high level policy, strategic and technical advice.

Sarah's previous roles include Assistant Under Treasurer (Economic) and Commissioner of Superannuation in the Funds Management division of the DTF. She joined the NTPS in 2005 after 10 years working as an economics lecturer in the United States. Sarah has a Bachelor of Economics from the University of Western Australia and a PhD in Economics from the Australian National University.



Mr John Montague
External Board Member and Chair of the Audit Committee

John was appointed to the Board in November 2014. He has held a variety of senior executive roles over the past 25 years in the private and public sector. He joined NTTC in 1994 and was General Manager for 14 years before being appointed as DTF's Senior Director Funds Management in 2008, Assistant Under Treasurer (Funds Management) in 2011 and Commissioner of Superannuation in 2012. John was General Manager of Super SA from 2014 to 2017 and is currently a financial services consultant.



Ms Clare Milikins
External Board Member and Member of the Audit Committee

Clare was appointed to the Board in May 2021 and is a Fellow of CPA Australia, with a Bachelor of Commerce (Accounting) and a Graduate Certificate in Public Sector Management. She is a graduate of the Australian Institute of Company Directors, a Board Director and member of the Audit and Risk Committee of Venture Housing Company Inc, independent Chair of the Department of Infrastructure, Planning and Logistics' Audit and Risk Management Committee, and independent Audit Committee Chair for City of Palmerston, East Arnhem Regional Council and Wagait Shire Council. She was the Deputy Chair and Chair of Audit and Risk of Jacana Energy from 2014 to 2021. Clare has diversified experience in both the public and private sectors, and provides consultancy and advisory services focused on business redirection, governance, financial and change management.

Risk management

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

Conflict of interest

Staff and Advisory Board members are required to disclose any actual, potential or perceived conflicts of interest. Formal disclosure declarations are made on an annual basis and verbally on an ad hoc basis where a conflict is identified.

Enterprise risk management framework

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

Fraud control

NTTC is subject to DTF's fraud control framework, which provides assurance that fraud control strategies are robust. This is supported by NTTC's internal controls environment and ongoing fraud awareness training provided to all staff.

Anti-money laundering and counter-terrorism financing legislation

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

Business continuity management

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

Compliance self-assessment reviews

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

Delegations

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

Work health and safety

Under the shared services arrangements between DTF and CMC, the agencies operate a joint work health and safety committee that meets regularly and reports to SMG.

Compliance

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

Northern Territory Treasury Corporation Audit Committee

The Audit Committee is a subcommittee of the Advisory Board. It provides advice to the Chair on operational issues and audit matters. It meets prior to all Advisory Board meetings or as necessary. As at 30 June 2021, the Audit Committee comprised the two external Advisory Board members and is chaired by Mr Montague.

External audit

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

Internal audit

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

Table 9: Audits undertaken during the year

Function	Type	Period ending	Internal/external	Outcomes
2019-20 financial statements	Audit	30/06/20	External	Unqualified audit opinion
Internal controls testing	Review	30/09/20	Internal	No significant matters identified
	Review	31/03/21	Internal	No significant matters identified
Interim period review	Audit	30/06/21	External	No significant matters identified

Policy and procedures

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

Corporate planning and reporting process

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

Information Act 2002 compliance

NTTC is subject to the requirements of the *Information Act 2002*, which include records management, freedom of information (FOI) and privacy with the assistance of CMC Shared Services. DTF, through CMC Shared Services, is responsible for managing all information requests on behalf of NTTC. Details of information held by NTTC, including an outline of how to make an application under the *Information Act 2002*, can be found on the website below. NTTC did not receive any requests under the *Information Act 2002* during 2020-21. FOI requests can be made to the following:

Information and Governance Officer Telephone: +61 8 8999 5429
Department of Treasury and Finance Email: FOI.DTF@nt.gov.au
GPO Box 4396 Website: treasury.nt.gov.au/InformationAct
Darwin NT 0801

Appendix A: Outstanding domestic borrowings

as at 30 June 2021

Maturity date	Coupon rate	Face value	Maturity date	Coupon rate	Face value
	%	\$000		%	\$000
2021-22			15-Jun-22	2.85	904
20-Sep-21	4.25	650 000	15-Jun-22	2.90	475
15-Dec-21	0.40	15 800	15-Jun-22	3.00	2 850
15-Dec-21	0.45	128	TOTAL 2021-22	3.52	837 830
15-Dec-21	0.50	704			
15-Dec-21	0.60	37 263	2022-23		
15-Dec-21	0.70	3 000	30-Sep-22	8.24	5 000
15-Dec-21	0.80	2 250	21-Nov-22	2.50	600 000
15-Dec-21	0.85	5	15-Dec-22	0.50	7 000
15-Dec-21	1.00	12 810	15-Dec-22	0.55	23
15-Dec-21	1.25	135	15-Dec-22	0.60	46
15-Dec-21	1.30	340	15-Dec-22	0.70	62 526
15-Dec-21	1.40	747	15-Dec-22	0.80	3 000
15-Dec-21	1.70	33	15-Dec-22	0.90	16 450
15-Dec-21	1.80	6	15-Dec-22	1.00	335
15-Dec-21	1.90	10 040	15-Dec-22	1.10	9 760
15-Dec-21	2.55	16	15-Dec-22	1.35	162
15-Dec-21	2.60	195	15-Dec-22	1.40	95
15-Dec-21	2.65	245	15-Dec-22	1.50	2 861
15-Dec-21	2.70	1 499	15-Dec-22	1.80	5 000
15-Dec-21	2.80	5 547	15-Dec-22	1.90	50
15-Mar-22	6.06	5 000	15-Dec-22	2.00	5 100
15-Jun-22	0.30	5 000	15-Dec-22	2.75	372
15-Jun-22	0.40	47 500	15-Dec-22	2.80	1 268
15-Jun-22	0.45	346	15-Dec-22	2.85	275
15-Jun-22	0.50	660	15-Dec-22	2.90	12 327
15-Jun-22	0.60	20 952	15-Dec-22	3.00	1 788
15-Jun-22	0.95	390	15-Mar-23	6.00	10 000
15-Jun-22	1.00	754	20-May-23	5.00	5 000
15-Jun-22	1.10	5 798	15-Jun-23	0.40	5 000
15-Jun-22	1.40	85	15-Jun-23	0.50	39 000
15-Jun-22	2.25	137	15-Jun-23	0.55	64
15-Jun-22	2.30	322	15-Jun-23	0.60	360
15-Jun-22	2.40	5 711	15-Jun-23	0.70	9 253
15-Jun-22	2.70	40	15-Jun-23	1.05	410
15-Jun-22	2.75	5	15-Jun-23	1.10	180
15-Jun-22	2.80	140			

Maturity date	Coupon rate	Face value	Maturity date	Coupon rate	Face value
	%	\$000		%	\$000
15-Jun-23	1.20	5 374	15-Jun-24	2.95	253
15-Jun-23	1.50	180	15-Jun-24	3.00	225
15-Jun-23	2.35	8	15-Jun-24	3.10	2 424
15-Jun-23	2.40	65			
15-Jun-23	2.50	8 267	TOTAL 2023-24	5.12	797 953
15-Jun-23	2.80	10			
15-Jun-23	2.85	167	2024-25		
15-Jun-23	2.90	238	21-Oct-24	2.75	500 000
15-Jun-23	2.95	290	15-Dec-24	0.70	13 250
15-Jun-23	3.00	1 652	15-Dec-24	0.80	129
15-Jun-23	3.10	853	15-Dec-24	0.90	6 682
TOTAL 2022-23	2.24	819 808	15-Dec-24	1.00	5 054
			15-Dec-24	1.10	39 045
2023-24			15-Dec-24	1.30	8 102
15-Dec-23	0.60	8 000	15-Dec-24	1.55	271
15-Dec-23	0.65	7	15-Dec-24	1.60	378
15-Dec-23	0.70	393	15-Dec-24	1.70	11 846
15-Dec-23	0.80	29 977	15-Dec-24	1.85	100
15-Dec-23	0.90	556	15-Dec-24	2.00	2 845
15-Dec-23	1.00	23 034	15-Dec-24	2.05	26
15-Dec-23	1.20	7 710	15-Dec-24	2.10	130
15-Dec-23	1.50	20	15-Dec-24	2.20	5 590
15-Dec-23	1.60	2 552	15-Mar-25	6.00	18 900
15-Dec-23	1.90	2 500	20-May-25	8.50	5 000
15-Dec-23	2.00	10	15-Jun-25	0.90	33 060
15-Dec-23	2.10	5 065	15-Jun-25	0.95	5
15-Dec-23	2.95	340	15-Jun-25	1.00	140
15-Dec-23	3.00	584	15-Jun-25	1.10	37 606
15-Dec-23	3.10	3 751	15-Jun-25	1.25	450
15-Mar-24	6.00	650 000	15-Jun-25	1.30	321
20-May-24	5.00	5 000	15-Jun-25	1.40	2 198
15-Jun-24	0.60	6 500	15-Jun-25	1.55	86
15-Jun-24	0.70	35	15-Jun-25	1.60	122
15-Jun-24	0.80	41 835	15-Jun-25	1.70	430
15-Jun-24	1.15	11	TOTAL 2024-25	2.49	691 765
15-Jun-24	1.20	175			
15-Jun-24	1.30	217			
15-Jun-24	1.60	260			
15-Jun-24	2.45	189			
15-Jun-24	2.50	1 003			
15-Jun-24	2.60	5 328			

Maturity date	Coupon rate	Face value	Maturity date	Coupon rate	Face value
	%	\$000		%	\$000
2025-26			2030-31		
15-Sep-25	8.50	24 974	21-Apr-31	2.00	750 000
15-Dec-25	0.80	7 000	TOTAL 2029-30	2.00	750 000
15-Dec-25	0.85	167	2031-32		
15-Dec-25	0.90	163	21-May-32	2.50	650 000
15-Dec-25	1.00	36 046	TOTAL 2032-33	2.50	650 000
15-Dec-25	1.10	5 000	2032-33		
15-Dec-25	1.20	29 425	21-Apr-33	3.75	750 000
15-Dec-25	1.25	77	TOTAL 2032-33	3.75	750 000
15-Dec-25	1.30	25	2042-43		
15-Dec-25	1.40	6 216	21-Nov-42	4.10	650 000
15-Mar-26	6.00	650 000	TOTAL 2042-43	4.10	650 000
15-Jun-26	0.85	210	TOTAL	3.36	9 512 237
15-Jun-26	1.00	13 393			
15-Jun-26	1.15	586			
15-Jun-26	1.20	409			
15-Jun-26	1.30	25 389			
TOTAL 2025-26	5.32	799 081			
2026-27					
15-Mar-27	6.00	8 400			
21-Apr-27	2.75	600 000			
TOTAL 2026-27	2.79	608 400			
2027-28					
15-Mar-28	6.00	7 900			
21-Apr-28	3.50	750 000			
TOTAL 2027-28	3.53	757 900			
2028-29					
15-Mar-29	6.00	7 500			
21-May-29	2.00	600 000			
TOTAL 2028-29	2.05	607 500			
2029-30					
15-Mar-30	6.00	42 000			
21-May-30	3.50	750 000			
TOTAL 2029-30	3.63	792 000			

Appendix B: Outstanding loans

as at 30 June 2021

	Face value
	\$000
General government agencies	
Central Holding Authority	7 254 255
Department of Territory Families, Housing and Communities	63 176
Total	7 317 431
Government business divisions	
Land Development Corporation	15 000
NT Home Ownership	177 644
Total	192 644
Government owned corporations	
Power and Water Corporation	1 157 000
Territory Generation	230 000
Total	1 387 000
TOTAL	8 897 075

Appendix C: Glossary of terms

Advisory Board

The board established under section 8 of the *Northern Territory Treasury Corporation Act 1994* to exercise powers and perform functions as determined by the Treasurer.

Agency

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

Bank bill swap rate (BBSW)

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

Bond

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

Central financing authorities

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

Credit foncier loan

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

Debt

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

Designated investments

NTTC provides Territory Bonds as designated investments under the Australian Department of Home Affairs' Business Innovation and Investment program and Investor Retirement Migration visa (subclass 405) program.

Discount

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

Face value

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

Fixed interest

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

Floating rate note

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

Government business division

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

Government owned corporation

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

Inscribed stock

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

Local government councils

Municipal, regional and shire councils within the Territory.

Margin

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

Maturity date

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

Migration Linked Bonds

Bonds offered by NTTC that satisfy the criteria of a designated investment under the relevant programs administered by the Department of Home Affairs. Refer to designated investments for details.

Operational risk

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

Premium

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

Principal

The nominal amount or face value of a bond.

Promissory note

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

Security

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

Territory Bonds

Issues of NTTC inscribed stock to retail investors.

Financial statements

	Page
Auditor-General's Report to the Treasurer	28
Statement of comprehensive income	32
Statement of financial position	33
Statement of cash flows	34
Statement of changes in equity	35
1. Objectives and associated guarantees	36
2. Statement of significant accounting policies	36
3. New standards and interpretations	40
4. Interest revenue	41
5. Other revenue	41
6. Interest expense	42
7. Administration expenses	43
8. Tax expense and liabilities	43
9. Retained profits	44
10. Cash and cash equivalents	44
11. Trade and other receivables	44
12. Loans	45
13. Property, plant and equipment	45
14. Trade and other payables	46
15. Provisions and tax liabilities	46
16. Borrowings	47
17. Leases	48
18. Contributed capital	48
19. Reconciliations of net profit from operating activities	49
20. Financial instruments and risk management	50
21. Fair values of financial instruments	58
22. Related parties	60
23. Auditor and review services	61
24. Fees and commissions	61
25. Fiduciary activities	62
26. Advisory Board	62
27. Segment information	62
28. Events subsequent to reporting date	62



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

Page 1 of 4

Opinion

I have audited the accompanying financial report of Northern Territory Treasury Corporation, which comprises the statement of financial position as at 30 June 2021, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes, and the certification of the financial statements by the Under Treasurer and General Manager.

In my opinion:

- the financial report 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 2021 and the financial position at the end of the year;
- the financial report is presented in accordance with Australian Accounting Standards and the *Northern Territory Treasury Corporation Act 1994*; and
- the receipt and expenditure of money and the acquisition and disposal of property by the Corporation during the year have been in accordance with the *Northern Territory Treasury Corporation Act 1994*.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.



Auditor-General

Page 2 of 4

Key Audit Matter	Audit Response to the Key Audit Matter
<i>Economic volatility affecting recoverability of loans receivable and discharge of loans payable</i>	
<p>As disclosed in the financial statements, Northern Territory Treasury Corporation has loans receivable of \$8.897 billion (Note 12) and corresponding borrowings payable of \$9.919 billion (Note 16). The significant exposure to risks affecting the global financial market necessitates effective risk recognition and management by Northern Territory Treasury Corporation.</p>	<p>To address the identified risk, my audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> ▪ Identifying the controls in place to monitor and manage risks. ▪ Confirming that all arrangements are transacted in Australian currency to minimise foreign exchange risk. ▪ Determining the extent to which terms and conditions of borrowing transactions are matched to loan transactions to minimise liquidity risk and interest risk. ▪ Confirming that all loans counterparties are within the Northern Territory Public Sector. Assessing the process used by Northern Territory Treasury Corporation to assess the recoverability of loans receivable. ▪ Evaluating diversification of borrowing activities intended to minimise funding risk. ▪ Obtaining confirmation of outstanding borrowings as at 30 June 2021 and testing movements affecting borrowings throughout the financial year. ▪ Obtaining independent confirmation of outstanding loan balances as at 30 June 2021 and testing movements affecting loans throughout the financial year.
<i>Fair value of financial instruments</i>	
<p>At Note 21 to the financial statements, Northern Territory Treasury Corporation discloses the fair value of financial assets and liabilities that are recognised in the financial statements at amortised cost.</p> <p>The determination of the fair value of financial assets and liabilities by management is a key audit matter due to the complexity involved in calculating fair value.</p>	<p>My audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> ▪ Engaging treasury specialists to perform independent valuation testing for a sample of loans and borrowings and assessing the reasonableness of the methodology and assumptions used by Northern Territory Treasury Corporation in the fair value calculations. ▪ Assessing the market inputs used by Northern Territory Treasury Corporation in the valuation of the loans and borrowings and comparing them to independently sourced rates. ▪ Recalculating the fair value of the sample of loans and borrowings using a methodology consistent with that applied by Northern Territory Treasury Corporation.



Auditor-General

Page 3 of 4

Other Information

The General Manager of Northern Territory Treasury Corporation is responsible for the other information. The other information comprises the information included in Northern Territory Treasury Corporation's Annual Report for the year ended 30 June 2021, but does not include the financial report and my auditor's report thereon.

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

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

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

Responsibilities of the General Manager for the Financial Report

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

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Auditor-General

Page 4 of 4

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northern Territory Treasury Corporation's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Northern Territory Treasury Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report however future events or conditions may cause Northern Territory Treasury Corporation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in cursive script, appearing to read 'Julie Crisp'.

Julie Crisp
Auditor-General for the Northern Territory

Darwin, Northern Territory

24 September 2021

Statement of comprehensive income

For the year ended 30 June 2021

	Note	2021	2020
		\$000	\$000
REVENUE		318 084	288 828
Interest	4	317 262	288 006
Other revenue	5	822	822
EXPENSES		286 424	248 847
Interest	6	284 568	246 785
Administration	7	1 856	2 062
PROFIT BEFORE INCOME TAX		31 660	39 981
Income tax expense	8	9 498	11 994
NET PROFIT AFTER INCOME TAX	9	22 162	27 987
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		22 162	27 987
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Northern Territory Government		22 162	27 987
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		22 162	27 987

Notes to the financial statements are included on pages 36 to 62.

Statement of financial position

As at 30 June 2021

	Note	2021	2020
		\$000	\$000
TOTAL ASSETS		10 039 274	7 976 070
Cash and cash equivalents	10	1 138 680	902 495
Trade and other receivables	11	3 515	4 489
Loans	12	8 897 075	7 069 075
Property, plant and equipment	13	4	11
TOTAL LIABILITIES		10 017 643	7 954 439
Deposits held		715	333
Trade and other payables	14	66 393	58 665
Provisions	15	22 311	28 116
Tax liabilities	8	9 498	11 994
Borrowings	16	9 918 722	7 855 320
Leases	17	4	11
NET ASSETS		21 631	21 631
TOTAL EQUITY		21 631	21 631
Contributed capital	18	21 631	21 631

Notes to the financial statements are included on pages 36 to 62.

Statement of cash flows

For the year ended 30 June 2021

	Note	2021 Inflows (outflows)	2020 Inflows (outflows)
		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES	19a	10 720	31 359
Interest received from operating activities		318 251	287 640
Interest and other costs of finance paid		(294 574)	(245 502)
Other receipts:			
Management fee		820	820
Other fees		2	2
Payments to suppliers and employees		(1 785)	(2 106)
Income tax paid		(11 994)	(9 495)
CASH FLOWS FROM INVESTING ACTIVITIES		(1 827 999)	(1 116 723)
Repayment of loans		303 501	260 277
Drawdown of loans		(2 131 500)	(1 377 000)
CASH FLOWS FROM FINANCING ACTIVITIES	19b	2 053 464	1 943 158
Repayment of borrowings		(107 646)	(192 310)
Finance Lease Payments		(7)	(7)
Drawdown of borrowings		2 188 722	2 157 569
Deposits received		382	62
Dividend paid		(27 987)	(22 156)
NET INCREASE/(DECREASE) IN CASH HELD		236 185	857 794
Cash and cash equivalents at the beginning of the financial year		902 495	44 701
Cash and cash equivalents at the end of period	10	1 138 680	902 495

Notes to the financial statements are included on pages 36 to 62.

Statement of changes in equity

For the year ended 30 June 2021

	Note	2021	2020
		\$000	\$000
CONTRIBUTED CAPITAL			
Balance at the beginning of the financial year		21 631	21 631
Movement for the year		-	-
Balance at the end of the financial year	18	21 631	21 631
RETAINED PROFITS			
Balance at the beginning of the financial year		-	-
Net profit	9	22 162	27 987
Dividends provided for	15	(22 162)	(27 987)
Balance at the end of the financial year		-	-
TOTAL EQUITY		21 631	21 631

Notes to the financial statements are included on pages 36 to 62.

Notes to the financial statements

For the financial year ended 30 June 2021

1. Objectives and associated guarantees

(a) Objectives

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

(b) Statutory guarantee

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

2. Statement of significant accounting policies

(a) Statement of compliance

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

The financial statements were authorised for issue by the Under Treasurer on 24 September 2021.

(b) Basis of accounting

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

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

(c) Reporting entity

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

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

(d) Agency and Territory items

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

(e) Comparatives

Where necessary, comparative information for the 2020-21 financial year has been reclassified to provide consistency with current year disclosures.

Notes to the financial statements

For the financial year ended 30 June 2021

Note 2 continued

(f) Presentation and rounding of amounts

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

(g) Changes in accounting policies

There have been no changes to accounting policies adopted in 2020-21 other than the adoption of the new accounting standards and interpretations, as described in Note 3.

(h) Accounting judgements and estimates

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

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

Use of estimates and judgements in preparing these financial statements has been limited. Information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in Note 21.

(i) Goods and services tax

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

- 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 for receivables and payables that are recognised inclusive of GST.

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

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

(j) Distributions to government

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

(k) Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which NTTC expects to be entitled in exchange for those goods or services. Performance obligations may be completed at a point in time or over time.

Notes to the financial statements

For the financial year ended 30 June 2021

Note 2 continued

(l) Expense recognition

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

(m) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be settled within 12 months in exchange for that service. Provisions made in respect to employee benefits not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by NTTC in respect to services provided by employees up to the reporting date.

(n) Financial instruments

(i) Financial assets

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

(ii) Financial liabilities

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

(iii) Effective interest method

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

(iv) Financial instruments issued by NTTC

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

(v) Impairment of financial assets

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

Notes to the financial statements

For the financial year ended 30 June 2021

Note 2 continued

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

NTTC considers a financial asset in default when contractual payments are past due. However, in certain cases, NTTC may also consider a financial asset to be in default when internal or external information indicates that NTTC is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by NTTC. In assessing whether the credit risk has increased significantly since initial recognition, NTTC considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(vi) Derecognition

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

(vii) Gains and losses on extinguishment

Gains and losses on extinguishment occur when a loan or 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.

(o) Provisions

Provisions are recognised when NTTC has a present obligation as a result of a past event, it is probable that it will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. 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 these cash flows.

(p) Leases

The assessment on whether a contract is, or contains, a lease is performed at inception of the contract.

NTTC recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets with a fair value of \$10,000 or less. For these leases, NTTC has elected to recognise the lease payments as an operating expense on a straight-line basis over the term of the lease.

Right-of-use assets are initially measured at the amount of initial measurement of the lease liability, adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset.

Notes to the financial statements

For the financial year ended 30 June 2021

Note 2 continued

The lease liability is initially measured at the present value of the lease payments discounted by using the rate implicit in the lease. If this rate cannot be readily determined, NTTC uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (such as changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The lease liability is presented as a separate line of the financial position.

(q) Impact of COVID-19

NTTC has not identified any impact to its business environment due to COVID-19 to date. This assessment is based on the following considerations:

- there have been no write-offs, postponements or waivers, or expected credit or impairment losses due to COVID-19
- in 2020-21, NTTC undertook a significant level of pre-funding towards the Territory's 2021-22 borrowing requirement. The remaining funding requirement is expected to be raised by NTTC through a combination of institutional and retail borrowings
- NTTC's borrowing program for 2021-22 is similar to the borrowing requirement set down by the Territory Government in prior years. This was established when the Territory Budget was finalised and tabled by the Treasurer of the Northern Territory on 4 May 2021
- Investor demand remains strong and the Commonwealth is expected to continue to support financial markets, ensuring the ability for semi-governments to raise funds in financial markets and maintain liquidity
- NTTC's clients are Territory Government agencies, business divisions and government owned corporations who continue to meet the contractual payments of their loans, which based on available information, are considered fully recoverable
- NTTC's financial instruments are recorded at amortised cost as they are generally held to maturity, not traded or redeemed early. Therefore, movements in fair value do not impact the statement of income but are disclosed in the fair value disclosures at Note 21
- under section 20 of the NTTC Act, all financial obligations incurred or assumed by NTTC are guaranteed by the Treasurer on behalf of the Territory Government.

3. New standards and interpretations

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

Several amending standards and AASB interpretations have been issued that apply to the current reporting periods, but are considered to have limited or no impact on NTTC financial reporting.

Standards and interpretations issued but not yet effective

No Australian accounting standards have been adopted early for 2020-21. Several other amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited or no impact on NTTC financial reporting.

Notes to the financial statements

For the financial year ended 30 June 2021

4. Interest revenue

	2021	2020
	\$000	\$000
Interest from loans:		
General government agencies	254 108	215 646
Government owned corporations	53 252	61 717
Government business divisions	8 611	9 202
Gain on extinguishment	3	-
Interest from cash balances:		
General government agencies	1 288	1 441
TOTAL INTEREST REVENUE	317 262	288 006

	2021		2020	
	Average balance	Average rate	Average balance	Average rate
	\$000	%	\$000	%
Loans to:				
General government agencies	6 410 135	3.96	4 901 336	4.40
Government owned corporations	1 374 500	3.87	1 402 000	4.40
Government business divisions	198 440	4.34	207 378	4.44
TOTAL	7 983 075		6 510 714	

	2021	2020
	\$000	\$000
Gains on extinguishment:		
Gains on extinguishment of loans at amortised cost	3	-
TOTAL GAINS ON EXTINGUISHMENT	3	-

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

5. Other revenue

	2021	2020
	\$000	\$000
Management fees	820	820
Other revenue	2	2
TOTAL OTHER REVENUE	822	822

Other revenue includes fees for services provided to government. These fees charged for providing ongoing services are recognised as income over the period the service is provided.

Notes to the financial statements

For the financial year ended 30 June 2021

6. Interest expense

	2021	2020
	\$000	\$000
Interest to:		
Wholesale borrowings	267 098	232 559
Debt to Commonwealth	8 933	9 319
Retail borrowings	8 474	4 126
Promissory notes	46	743
Losses on extinguishment	17	38
TOTAL INTEREST EXPENSE	284 568	246 785

	2021		2020	
	Average balance	Average rate	Average balance	Average rate
	\$000	%	\$000	%
Borrowings from:				
Wholesale market				
Fixed interest securities	8 173 673	3.27	6 453 464	3.60
Promissory notes	13 699	0.34	64 110	1.16
Debt to Commonwealth	188 551	4.74	196 884	4.73
Retail market	499 819	1.70	150 609	2.85
TOTAL	8 875 742		6 865 067	

	2021	2020
	\$000	\$000
Losses on extinguishment:		
Losses on extinguishment of borrowings at amortised cost	17	38
TOTAL LOSSES ON EXTINGUISHMENT	17	38

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

Notes to the financial statements

For the financial year ended 30 June 2021

7. Administration expenses

	2021	2020
	\$000	\$000
Salaries and related employee expenses	688	629
Agent service arrangements – external	351	514
Other service arrangements – internal	430	440
IT charges and communications	196	287
Consultants	–	1
Marketing and promotion	–	3
Document production	17	17
General property management	35	51
Amortisation	7	7
Subscriptions	130	103
Training and study	1	–
Official duty fares	–	7
Travel allowance	–	1
Other operating expenses	1	3
TOTAL OTHER EXPENSES	1 856	2 062

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

8. Tax expense and liabilities

	2021	2020
	\$000	\$000
Notional income tax payable	9 498	11 994
TOTAL TAX LIABILITIES	9 498	11 994

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

In accordance with the requirements of the Treasurer's Directions, NTTC is required to pay notional income tax on its accounting profits at the company tax rate of 30%. 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 2021

9. Retained profits

	2021	2020
	\$000	\$000
Balance at the beginning of the financial year	-	-
Net profit	22 162	27 987
Dividends provided for	(22 162)	(27 987)
BALANCE AT THE END OF THE FINANCIAL YEAR	-	-

10. Cash and cash equivalents

	2021	2020
	\$000	\$000
Cash at bank	1 138 680	902 495
TOTAL CASH AND CASH EQUIVALENTS	1 138 680	902 495

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

The carrying amount of cash and cash equivalents approximate fair value due to their short-term nature.

11. Trade and other receivables

	2021	2020
	\$000	\$000
Accrued interest on loans	3 387	4 380
Prepayments	128	109
TOTAL TRADE AND OTHER RECEIVABLES	3 515	4 489

All receivables are current and deemed collectable. There are no known expected credit losses identified as at 30 June 2021.

The carrying amount of trade and other receivables approximate fair value due to their short-term nature.

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

Notes to the financial statements

For the financial year ended 30 June 2021

12. Loans

	2021	2020
	\$000	\$000
General government agencies		
Fixed rate loans	7 174 700	5 352 200
Credit foncier loans	142 731	150 639
Government owned corporations		
Fixed rate loans	1 228 000	1 080 000
Floating rate loans	159 000	282 000
Government business divisions		
Fixed rate loans	110 000	115 000
Credit foncier loans	82 644	89 236
TOTAL LOANS	8 897 075	7 069 075

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

Information on NTTC's exposure to market risk and fair value measurements is included in notes 20 and 21.

13. Property, plant and equipment

	2021	2020
	\$000	\$000
Right-of-use asset – motor vehicles		
At capitalised cost	18	18
Less: accumulated amortisation	(14)	(7)
TOTAL PROPERTY, PLANT AND EQUIPMENT	4	11

As at 30 June 2021, NTTC leased assets relating to vehicles and are typically made for fixed periods of four years, but may have extension options. These right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The following amounts were recognised in the statement of comprehensive income for the year in respect of leases where NTTC is the lessee:

	2021	2020
	\$000	\$000
Amortisation expense of right-of-use assets	7	7
Interest expense on lease liabilities	-	-
Total amount recognised in the comprehensive operating statement	7	7

Notes to the financial statements

For the financial year ended 30 June 2021

14. Trade and other payables

	2021	2020
	\$000	\$000
Creditors and accruals	222	171
Accrued interest on borrowings	66 150	58 486
Accrued salaries	21	8
TOTAL TRADE AND OTHER PAYABLES	66 393	58 665

Liabilities for accounts payable and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the agency. Accounts payable are normally settled within 20 days from receipt of valid invoices under \$1 million or 30 days for invoices over \$1 million.

15. Provisions and tax liabilities

	2021	2020
	\$000	\$000
Employee benefits		
Recreation leave		
Opening balance	104	105
Recreation leave paid	(57)	(43)
Recreation leave provided for	72	42
Closing balance	119	104
Leave bonus		
Opening balance	6	7
Leave bonus paid	(4)	(4)
Leave bonus provided for	7	3
Closing balance	9	6
Leave airfares		
Opening balance	1	2
Leave airfares paid	-	(2)
Leave airfares provided for	1	1
Closing balance	2	1
Superannuation external		
Opening balance	17	16
Superannuation paid	(6)	(4)
Superannuation provided for	7	5
Closing balance	18	17
Total employee benefits	148	128
Fringe benefit tax	1	1
Dividend payable	22 162	27 987
TOTAL PROVISIONS	22 311	28 116

Notes to the financial statements

For the financial year ended 30 June 2021

Note 15 continued

Annual leave

Provision is made for benefits accruing to employees in respect to annual leave in the period the related service is rendered at the amount of the benefits expected to be paid in exchange for that service.

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

Superannuation

Employee superannuation entitlements are provided through the:

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

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

Dividends

NTTC has provided for a dividend of \$22.162 million, which is at the rate of 100% of its net profit for the 2020-21 year in accordance with the Treasurer's budget direction.

16. Borrowings

	2021	2020
	\$000	\$000
Wholesale market		
Fixed interest securities	8 916 869	7 430 478
Promissory notes	–	49 954
Retail market		
Territory Bonds	817 563	181 575
Migration Linked Bonds	–	500
Commonwealth		
Credit foncier loans	184 290	192 813
TOTAL BORROWINGS	9 918 722	7 855 320

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

Information on NTTC's exposure to market risk and fair value measurements is included in notes 20 and 21.

Notes to the financial statements

For the financial year ended 30 June 2021

17. Leases

	2021	2020
	\$000	\$000
Lease liabilities	4	11
TOTAL LEASE LIABILITIES	4	11

At the commencement date of the lease where NTTC is the lessee, the lease liability is recognised and measured at the present value of lease payments to be made over the lease term. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

The movement of the period is as follows:

	2021	2020
	\$000	\$000
Balance at 1 July	11	18
Additions/remeasurements	-	-
Interest expenses	-	-
Payments	(7)	(7)
BALANCE AT 30 JUNE	4	11

18. Contributed capital

	2021	2020
	\$000	\$000
Balance at the beginning of the financial year	21 631	21 631
Movement for the year	-	-
BALANCE AT THE END OF THE FINANCIAL YEAR	21 631	21 631

Notes to the financial statements

For the financial year ended 30 June 2021

19. Reconciliations of net profit from operating activities

	2021	2020
	\$000	\$000
a) Net profit	22 162	27 987
Reconciliation flows in net profit		
Add (gain)/loss on extinguishment	13	37
Add amortisation	7	7
Less (premium) and discount amortisation	(17 688)	(6 050)
Changes in assets and liabilities		
Less decrease/(increase) in interest receivable	992	(365)
Add decrease/(increase) in prepayments and other receivables	(19)	(39)
Add increase/(decrease) in employee benefits	20	(2)
Add increase/(decrease) in creditors and accruals	64	(10)
Add increase/(decrease) in tax liabilities	(2 496)	2 499
Add increase/(decrease) in interest payable	7 665	7 295
NET CASH INFLOW FROM OPERATING ACTIVITIES	10 720	31 359

b) Reconciliation of liabilities arising from financing activities

	2020	Cash flow	Non-cash		2021
	\$000	\$000	Provision	Premiums and discounts	\$000
Borrowings	7 855 320	2 081 076	-	(17 675)	9 918 722
Lease liabilities	11	(7)	-	-	4
Deposits held	333	382	-	-	715
Dividends	27 987	(27 987)	22 162	-	22 162
TOTAL LIABILITIES	7 883 651	2 053 464	22 162	(17 675)	9 941 603

	2019	Recognised on AASB 16	Adjusted 1 July 2019	Cash flow	Non-cash		2020
	\$000	\$000	\$000	\$000	Provision	Premiums and discounts	\$000
Borrowings	5 896 075	-	5 896 075	1 965 259	-	(6 014)	7 855 320
Lease liabilities	-	18	18	(7)	-	-	11
Deposits held	273	-	273	62	(2)	-	333
Dividends	22 156	-	22 156	(22 156)	27 987	-	27 987
TOTAL LIABILITIES	5 918 504	18	5 918 522	1 943 158	27 985	(6 014)	7 883 651

Notes to the financial statements

For the financial year ended 30 June 2021

20. Financial instruments and risk management

Objectives and policies

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

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

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

Management of capital

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

Categories of financial instruments

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

	2021	2020
	\$000	\$000
Financial assets:		
Cash and cash equivalents	1 138 680	902 495
Loans and receivables at amortised cost:		
Trade and other receivables	3 387	4 380
Loans	8 897 075	7 069 075
TOTAL LOANS AND RECEIVABLES AT AMORTISED COST	8 900 462	7 073 455
Financial liabilities:		
Financial liabilities at amortised cost:		
Deposits held	715	333
Trade and other payables	66 393	58 665
Borrowings	9 918 722	7 855 320
Leases	4	11
TOTAL FINANCIAL LIABILITIES AT AMORTISED COST	9 985 834	7 914 329

Notes to the financial statements

For the financial year ended 30 June 2021

Note 20 continued

Market risk

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

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

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

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

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

Market risks are discussed in more detail below.

(a) Interest rate risk

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

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

NTTC's interest rate risk on its financial assets and liabilities is significantly reduced as a result of its relationship with CHA. As at 30 June 2021, approximately 73% (2020: 69%) of NTTC's issued debt is on-lent to CHA. The interest rates and maturity dates set on these loans are closely matched to the debt issued by NTTC to external counterparties. NTTC's loans to CHA attract a margin over the cost of servicing the debt.

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

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

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

As at 30 June 2021, NTTC did not hold any derivative transactions.

Notes to the financial statements

For the financial year ended 30 June 2021

Note 20 continued

(i) Sensitivity analysis

Assuming the financial assets and liabilities at 30 June 2021 were to remain until maturity or settlement without any action by NTTC to alter the resulting interest rate risk exposure, an immediate and sustained increase or decrease of 1% in market interest rates across all maturities would have the following impact on profit before tax for the financial year:

	Impact on profit before tax 2021		Impact on profit before tax 2020	
	Rates up by 1%	Rates down to 0%	Rates up by 1%	Rates down to 0%
	\$000	\$000	\$000	\$000
Financial assets:				
Cash at bank	11 387	(1 139)	9 025	(2 256)
NET SENSITIVITY	11 387	(1 139)	9 025	(2 256)

(ii) Interest rate risk exposures

NTTC's exposure to interest rate risk, re-pricing maturities and the effective interest rates at 30 June 2021 is:

	Weighted average interest rate	Interest rate reset due in				Non-interest bearing	Total
		0 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years		
	%	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets:							
Cash	0.10	1 138 680	-	-	-	-	1 138 680
Trade and other receivables	-	-	-	-	-	3 387	3 387
Loans							
Fixed rate loans	3.58	687 000	110 000	3 579 900	4 135 800	-	8 512 700
Floating rate loans	4.51	-	159 000	-	-	-	159 000
Credit foncier loans	9.47	-	-	548	224 827	-	225 375
TOTAL FINANCIAL ASSETS		1 825 680	269 000	3 580 448	4 360 627	3 387	10 039 142
Financial liabilities:							
Deposits held	-	-	-	-	-	715	715
Trade and other payables	-	-	-	-	-	66 393	66 393
Leases	1.31	-	4	-	-	-	4
Borrowings							
Fixed interest securities	3.06	649 806	187 830	3 146 609	5 750 187	-	9 734 432
Promissory notes	-	-	-	-	-	-	-
Credit foncier loans	4.63	-	-	541	183 749	-	184 290
TOTAL FINANCIAL LIABILITIES		649 806	187 834	3 147 150	5 933 936	67 108	9 985 834

Notes to the financial statements

For the financial year ended 30 June 2021

Note 20 continued

For comparative purposes, NTTC's exposure to interest rate risk, repricing maturities and the effective interest rates at 30 June 2020 was as follows:

	Weighted average interest rate	Interest rate reset due in				Non- interest bearing	Total
		0 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years		
	%	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets:							
Cash	0.25	902 495	-	-	-	-	902 495
Trade and other receivables	-	-	-	-	-	4 380	4 380
Loans							
Fixed rate loans	4.00	156 000	50 000	3 352 900	2 988 300	-	6 547 200
Floating rate loans	4.39	-	123 000	159 000	-	-	282 000
Credit foncier loans	9.44	-	86	798	238 991	-	239 875
TOTAL FINANCIAL ASSETS		1 058 495	173 086	3 512 698	3 227 291	4 380	7 975 950
Financial liabilities:							
Deposits held	-	-	-	-	-	333	333
Trade and other payables	-	-	-	-	-	58 665	58 665
Leases	1.31	-	-	11	-	-	11
Borrowings							
Fixed interest securities	3.37	500	47 661	2 608 698	4 955 694	-	7 612 553
Promissory notes	0.34	-	49 954	-	-	-	49 954
Credit foncier loans	4.63	-	85	789	191 939	-	192 813
TOTAL FINANCIAL LIABILITIES		500	97 700	2 609 498	5 147 633	58 998	7 914 329

(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.

Notes to the financial statements

For the financial year ended 30 June 2021

Note 20 continued

(c) Credit risk

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

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

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

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

(d) Liquidity risk

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

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

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

In addition, NTTC at all times maintains:

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

Notes to the financial statements

For the financial year ended 30 June 2021

Note 20 continued

(e) Funding risk

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

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

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

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 about \$8.92 billion (2020: \$7.48 billion) or 90% (2020: 95%) of all outstanding issued debt as at 30 June 2021. Borrowing from the retail market is primarily sourced through the Territory Bonds program. NTTC constantly monitors credit markets and maintains key investor relationships to ensure there is sufficient diversification of available funding sources.

	2021	2020
Territory Bonds as at 30 June		
Number of investors	1 966	1 941
Bonds on issue (\$000)	817 563	181 575
Average investment size (\$000)	416	94

Notes to the financial statements

For the financial year ended 30 June 2021

Note 20 continued

(iii) Maturity analysis

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

30 June 2021	At call	0 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Loans:						
General government agencies						
Fixed rate loans	-	714 403	174 211	3 121 021	4 720 208	8 729 843
Credit foncier loans	-	6 296	19 532	103 243	125 202	254 273
Government owned corporations						
Fixed rate loans	-	48 287	81 937	1 215 886	-	1 346 110
Floating rate loans	-	1 805	162 519	-	-	164 324
Government business divisions						
Fixed rate loans	-	1 099	57 713	56 352	-	115 164
Credit foncier loans	-	2 659	7 977	41 671	51 724	104 031
TOTAL LOANS	-	774 549	503 889	4 538 173	4 897 134	10 713 745
Deposits held	715	-	-	-	-	715
Borrowings:						
Due to other financial institutions						
Wholesale market						
Fixed interest securities	-	707 072	244 960	3 447 304	6 597 782	10 997 118
Promissory notes	-	-	-	-	-	-
Retail market						
Territory Bonds	-	32	191 333	651 192	-	842 557
Migration Linked Bonds	-	-	-	-	-	-
Commonwealth						
Credit foncier loans	-	-	17 361	68 489	196 541	282 391
TOTAL BORROWINGS	715	707 104	453 654	4 166 985	6 794 323	12 122 781

Notes to the financial statements

For the financial year ended 30 June 2021

Note 20 continued

30 June 2020	At call	0 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Loans:						
General government agencies						
Fixed rate loans	-	54 216	160 239	3 019 015	3 460 210	6 693 680
Credit foncier loans	-	6 296	19 539	103 272	151 002	280 109
Government owned corporations						
Fixed rate loans	-	156 863	72 038	964 186	-	1 193 087
Floating rate loans	-	3 135	130 174	164 325	-	297 634
Government business divisions						
Fixed rate loans	-	11 196	8 116	104 567	-	123 879
Credit foncier loans	-	2 681	8 043	41 962	62 069	114 755
TOTAL LOANS	-	234 387	398 149	4 397 327	3 673 281	8 703 144
Deposits held	333	-	-	-	-	333
Borrowings:						
Due to other financial institutions						
Wholesale market						
Fixed interest securities	-	57 072	209 432	3 335 968	5 638 153	9 240 625
Promissory notes	-	-	50 000	-	-	50 000
Retail market						
Territory Bonds	-	49	51 534	140 419	-	192 002
Migration Linked Bonds	-	506	-	-	-	506
Commonwealth						
Credit foncier loans	-	-	17 456	68 812	213 579	299 847
TOTAL BORROWINGS	333	57 627	328 422	3 545 199	5 851 732	9 783 313

Notes to the financial statements

For the financial year ended 30 June 2021

21. Fair values of financial instruments

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

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

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

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

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

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

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

Notes to the financial statements

For the financial year ended 30 June 2021

Note 21 continued

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

	Total carrying amount	Net fair value total	Net fair value level 1	Net fair value level 2	Net fair value level 3
	\$000	\$000	\$000	\$000	\$000
30 June 2021					
Financial assets:					
Loans:					
Fixed rate loans	8 512 700	9 193 984	-	9 193 984	-
Floating rate loans	159 000	161 414	-	161 414	-
Credit foncier loans	225 375	289 871	-	289 871	-
TOTAL FINANCIAL ASSETS	8 897 075	9 645 269	-	9 645 269	-
Financial liabilities:					
Borrowings and advances:					
Wholesale	8 916 869	9 654 390	-	9 654 390	-
Retail	817 563	830 334	-	830 334	-
Commonwealth	184 290	226 098	-	226 098	-
TOTAL FINANCIAL LIABILITIES	9 918 722	10 710 822	-	10 710 822	-
30 June 2020					
Financial assets:					
Loans:					
Fixed rate loans	6 547 200	7 392 396	-	7 392 396	-
Floating rate loans	282 000	288 796	-	288 796	-
Credit foncier loans	239 875	324 587	-	324 587	-
TOTAL FINANCIAL ASSETS	7 069 075	8 005 779	-	8 005 779	-
Financial liabilities:					
Borrowings and advances:					
Wholesale	7 480 432	8 415 547	-	8 415 547	-
Retail	182 075	189 988	-	189 988	-
Commonwealth	192 813	245 919	-	245 919	-
TOTAL FINANCIAL LIABILITIES	7 855 320	8 851 454	-	8 851 454	-

Notes to the financial statements

For the financial year ended 30 June 2021

22. Related parties

(a) Related parties

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

Related parties of NTTC include:

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

(b) Key management personnel

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

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

(c) Remuneration of key management personnel

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

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

	2021	2020
	\$000	\$000
Short-term benefits ¹	216	214
Long-term benefits	-	-
Post-employee benefits ²	27	27
Termination benefits	-	-
TOTAL	243	241

1 Includes salary, paid leave, motor vehicle benefits.

2 Includes superannuation contributions paid by NTTC.

Notes to the financial statements

For the financial year ended 30 June 2021

(d) Related-party transactions

Transactions with Territory Government-controlled entities

Transactions with related parties during the year include:

- loans, loan repayments and associated interest from public sector entities (refer notes 4 and 12)
- interest on investment of cash surpluses (refer notes 4 and 12)
- management fees for services provided to government agencies (refer Note 5)
- payment for services provided by government agencies (refer Note 7)
- tax payments made to DTF (refer Note 8)
- dividend payments made to CHA (refer Note 15).

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

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

	2021	2020
	\$000	\$000
Receipts from related parties	622 574	548 740
Payments to related parties	2 171 989	1 409 138

23. Auditor and review services

	2021	2020
	\$000	\$000
External audit – Northern Territory Auditor-General's Office		
Audit and review of financial statements	73	76
Internal Audit – KPMG		
Internal audit	76	56
Review services	32	32
TOTAL	181	164

24. Fees and commissions

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

	2021	2020
	\$000	\$000
Link Market Services Pty Ltd	113	117
FIS Asia Pacific Inc	125	189
Austraclear Ltd	134	131
Thomson Reuters Pty Ltd	29	27

Notes to the financial statements

For the financial year ended 30 June 2021

25. Fiduciary activities

NTTC acts as manager of CHA's investments portfolio. Any associated assets and liabilities are not recognised in these financial statements. Management fees generated in carrying out these activities are included in the statement of comprehensive income. The aggregate income from fiduciary activities for the 2020-21 year was \$820,000 (2020: \$820,000). As at 30 June, CHA investment portfolio balances were:

	2021	2020
	\$000	\$000
Investment portfolio	295 000	725 000
Conditions of Service Reserve	1 177 508	991 633
TOTAL	1 472 508	1 716 633

26. Advisory Board

The NTTC Advisory Board was established in October 1994. The Under Treasurer of the DTF, Mr Craig Graham, is the Chair of the Board and the following people held the position of member as at 30 June 2021:

Mr John R P Montague	External Advisory Board member
Ms Clare Milikins	External Advisory Board member
Dr Sarah Rummery	DTF, Assistant Under Treasurer (Revenue)

Ms Clare Milikins and Dr Sarah Rummery were appointed in May 2021 following the resignation of two Advisory Board members as follows:

Mr Richard V Ryan AO – resigned in December 2020
Mr David Braines-Mead – resigned in March 2021

During the year ended 30 June 2021 four advisory board meetings were held and only two members were entitled to receive Advisory Board sitting fees, amounting to \$32,720 (2020: \$39,644). Members who are permanently employed under the *Public Sector Employment and Management Act 1993*, or on similar terms, are not entitled to fees.

	2021	2020
	\$000	\$000
Sitting fees	33	40

27. Segment information

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

28. Events subsequent to reporting date

There were no subsequent events.

Certification of financial statements

For the financial year ended 30 June 2021

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

We further state that the information set out in the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes to and forming part of the financial statements presents fairly the financial performance and cash flows for the year ended 30 June 2021 and the financial position on that date.

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



Craig Graham
Under Treasurer
24 September 2021



Alex Pollon
General Manager
24 September 2021