

NORTHERN TERRITORY
TREASURY CORPORATION

ANNUAL REPORT

2019-20



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
Treasurer
GPO Box 3146
DARWIN NT 0801

Dear Treasurer

I am pleased to provide to you the 2019-20 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 indication of fraud, malpractice, major breach of legislation or delegation, or major error in or omission from the accounts and records exists
- 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 2020 and her report is included.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Craig Graham".

Craig Graham
Under Treasurer
30 September 2020

Mission

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

Values

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

Enabling Act

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

Statutory guarantee

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

Status

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

Credit rating

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, the FMA, *Information Act 2002* and NTTC Act. It reports NTTC's performance to the Treasurer, the Legislative Assembly, government agencies, stakeholders, financial markets and ratings agencies.

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Corporate profile

Structure

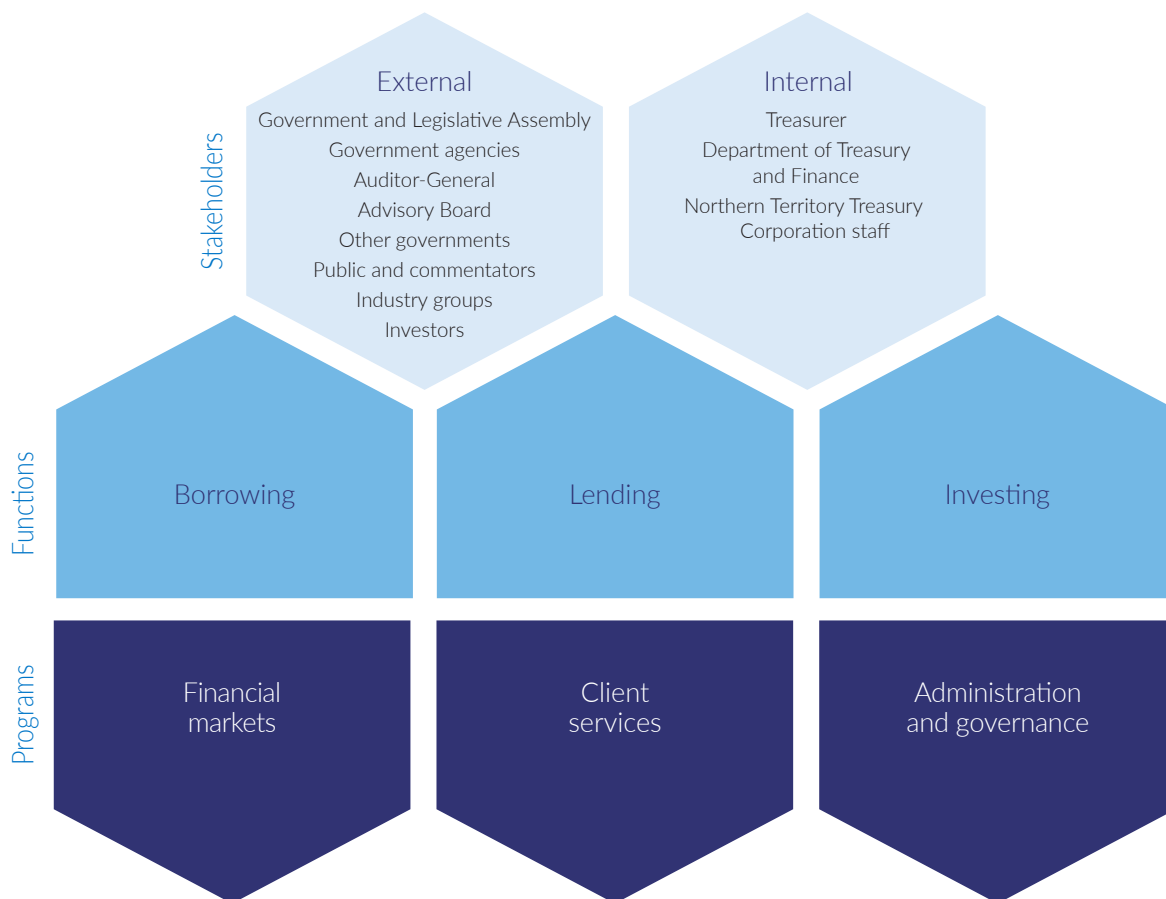
NTTC was established as a corporation sole (a corporation that consists solely of a nominated office holder) in July 1994 and is constituted under the NTTC Act. The Under Treasurer of DTF is designated as the office holder, the corporation sole, under the NTTC Act and as such represents the Crown in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

Purpose

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

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

Figure 1: NTTC stakeholders, functions and programs



Chairman's address



The COVID-19 pandemic imposed a severe economic shock on the global and domestic economy during the second half of the 2019-20 financial year. Thankfully, prior to the coronavirus outbreak, NTTC had a very productive start to the year, having successfully issued \$1.3 billion in the form of two new benchmark bond series, thereby completing the 2019-20 borrowing program by February 2020.

Despite the first half of the financial year being reasonably stable, the period was also marked by increased volatility, punctuated by back-and-forth US-China trade tensions. However, from mid-to-late February 2020, international media attention shifted to the rapid spread of COVID-19 globally, and the realisation that the coronavirus situation was no longer a China-only issue.

In response, many countries restricted movements within countries and across borders, and implemented social distancing measures that resulted in major disruptions to economic activity across the world. The global economic shock spread to international and domestic financial markets, and there was significant concern about its potential impact on the ability to raise new borrowings from capital markets.

The Commonwealth Government responded to this crisis by announcing a package of policies focused on providing financial relief to households and small to medium businesses. In an effort to provide support and stability to the domestic financial markets and Australian economy, the Reserve Bank of Australia (RBA) reduced the official cash rate from 0.75 per cent to 0.25 per cent and introduced a secondary market bond-buying program to purchase Commonwealth Government bonds and securities issued by the state and territory central financing authorities.

Initially, Australia managed to largely contain the spread of the virus by effectively closing its international border and introducing internal border restrictions, as well as physical distancing measures. Towards the end of May 2020, the declining infection rates allowed easing of restrictions in most states and territories. Conditions stabilised and infection rates declined, and the economic downturn in the June quarter was not as severe as expected, buoyed by retail spending increases in response to the easing of restrictions.

In May 2020, 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 maintains the challenge for the Territory Government will be its ability to sustain fiscal improvements over the medium term through continued commitment to meeting lower spending targets. The updated credit opinion enabled NTTC to engage with investors, resulting in a further issuance of \$595 million to institutional investors from existing bond lines in May and June 2020, which pre-funds a significant portion of the anticipated 2020-21 funding task.

In July 2020, there was a resurgence of COVID-19 infections most notably in Victoria, which triggered a reversal of easing restrictions and a further imposition of even stricter lockdown measures and border restrictions between states and territories in an effort to contain the spread of the virus. To date, the Territory has managed to contain the virus, which has allowed the easing of many internal restrictions. However, like the other states, the Territory has had to impose border restrictions to avoid the spread, which has further slowed economic recovery. Given the relatively high reliance of the Territory economy on the international flow of goods and services, tourists, students and overseas workers, this recovery is expected to be gradual and dependent on the overall success of containing the virus, and the length of time restrictions are kept in place.

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 2019-20 financial year.

A handwritten signature in blue ink that reads "Craig Graham". The signature is fluid and cursive, with a long horizontal stroke at the end.

Craig Graham
Under Treasurer and Chair
22 September 2020

Performance summary

Review of 2019-20

- Successful delivery of \$1.3 billion borrowing program.
- Extended term/duration and reduced cost of borrowing.
- About \$7.3 billion on issue in major bond series in Australian debt capital markets.

Outlook for 2020-21

- Outlook for Australian economy remains uncertain and will depend on success of efforts to contain the spread of COVID-19 and how long restrictions need to remain in place.
- Reduced cost of borrowing in line with falling domestic and global interest rate environment.
- Anticipated borrowing program consistent with prior year to fund new loans to counterparties, to be formalised when the 2020-21 Budget is released in November 2020.
- Issuance of new major bond series in Australian debt capital markets.
- Utilising short-dated promissory note facility and tap issues of existing long-dated bond series.

Strategic issues for 2020-21

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

Table 1: Five-year financial overview

	2019-20	2018-19	2017-18	2016-17	2015-16
	\$000	\$000	\$000	\$000	\$000
Statement of income					
Revenue	288 828	258 322	232 972	214 571	239 230
Expenses	248 847	226 671	205 571	193 204	215 098
Profit before tax	39 981	31 651	27 401	21 367	24 132
Tax expense	11 994	9 495	8 220	6 410	7 240
Net profit after tax	27 987	22 156	19 181	14 957	16 892
Statement of financial position					
Total assets	7 976 100	6 001 145	5 268 961	4 056 115	4 085 056
Total liabilities	7 954 470	5 979 515	5 247 331	4 034 485	4 063 426
Total equity	21 630	21 630	21 630	21 630	21 630
Statement of cash flows					
Cash flows from operating activities	31 359	16 932	24 712	7 954	1 314
Cash flows from (to) investing activities	- 1 116 723	- 735 824	- 1 235 010	58 430	582 025
Cash flows from (to) financing activities	1 943 158	715 576	1 189 690	- 36 886	- 563 648

Table 2: Five-year key performance indicators summary

Performance measures	2019-20	2018-19	2017-18	2016-17	2015-16
Quantity					
Weighted average cost of borrowing (WACoB)	1.86%	2.84%	3.10%	2.54%	2.22%
Quality					
Borrowing rate margin compared to industry peers ¹	+ 0.37%	+ 0.37%	+ 0.31%	+ 0.41%	n.a.
Investment portfolio return above benchmark ²	+ 0.45%	+ 0.42%	+ 0.33%	+ 0.44%	+ 0.31%
Stakeholder satisfaction ³	5	5	5	5	5

n.a.: not assessable

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

2 The benchmark is the Bloomberg AusBond Bank Bill Index. The benchmark return for 2019-20 was 0.85% while NTTC achieved a return of 1.30%.

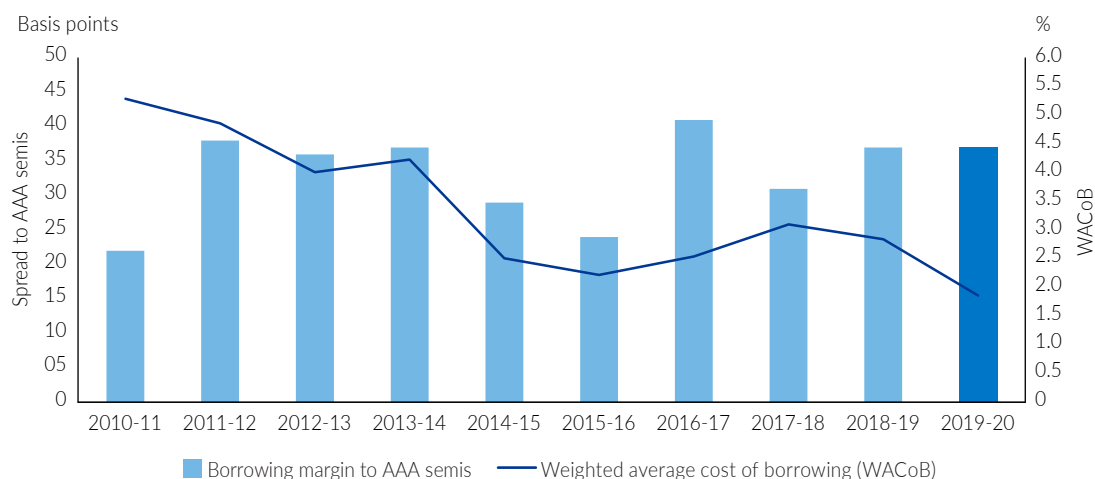
3 A stakeholder satisfaction rating is obtained from government agencies, government business divisions, government owned corporations and local government councils. Ratings range from 1: extremely dissatisfied to 6: extremely satisfied.

Performance measure analysis

NTTC's weighted average cost of borrowing target for 2019-20 was lowered to 2.25 per cent in line with the low interest rate environment experienced throughout the year. The actual outcome achieved for the 2019-20 financial year was 1.86 per cent. However, when promissory note issuances are excluded, the weighted average cost of borrowing for 2019-20 increases to 1.93 per cent. The weighted average cost of borrowing on outstanding issued debt at 30 June 2020 was 3.4 per cent.

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

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



Financial markets

Funding

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

NTTC's funding sources are as follows:

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

Table 3: Borrowing composition

	2019-20	2018-19	2017-18	2016-17	2015-16
	\$M	\$M	\$M	\$M	\$M
Refinance maturing Territory debt	132	508	528	533	565
New borrowings	1 215	1 021	950	-	-
Debt reduction	-	-	-	- 6	- 532
Pre-funded	- 21	- 291	-	-	-
Borrowing requirement	1 326	1 238	1 478	527	33
Pre-funding	708	21	291	-	-
Total borrowing program	2 034	1 259	1 769	527	33

Borrowing activity

The Territory government borrowing requirement for 2019-20 was slightly higher than prior years at about \$1.3 billion with about \$132 million used to refinance maturing debt. In addition, NTTC committed to pre-fund part of the 2020-21 borrowing program, which resulted in NTTC raising a further \$708 million, taking the total borrowing program for 2019-20 to a little over \$2 billion. The borrowing activity resulted in total outstanding issued debt as at 30 June 2020 being higher by about \$1.9 billion from 30 June 2019.

In 2019-20, NTTC issued two new wholesale bond lines and responded to a number of reverse enquiries from investors that lead to a series of taps into existing bond lines (see Table 4). In July 2019 a new \$600 million benchmark bond series was issued followed by another new \$700 million benchmark bond series issue in February 2020. A further \$595 million was issued into a number of existing bond lines in May and June 2020. NTTC also issued promissory notes throughout the year and has carried over \$50 million in promissory notes into 2020-21.

In terms of retail borrowings, Territory Bonds had a strong year raising about \$92 million, which contributed to the pre-funded position of \$708 million of the 2020-21 borrowing program. A full listing of NTTC's issued debt is provided in Appendix A on page 23.

Table 4: Institutional bond issues during 2019-20

Issue date		Amount issued	Maturity date	Coupon	Yield
		\$M		%	%
July 2019	New line	600	21 May 2029	2.00	2.13
February 2020	New line	700	21 April 2031	2.00	1.90
May 2020	Existing line	100	21 November 2022	2.50	0.53
May 2020	Existing line	250	21 May 2030	3.50	1.86
May 2020	Existing line	50	21 April 2031	2.00	1.96
June 2020	Existing line	195	21 April 2033	3.75	2.32
Total		1 895			

As at 30 June 2020, NTTC had 12 institutional benchmark bond issues as detailed in Table 5.

Table 5: Institutional bond issues as at 30 June 2020

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 April 2033	3.75	400
21 November 2042	4.10	285

Table 6: Borrowing performance as at 30 June

	2020	2019	2018	2017	2016
	%	%	%	%	%
Average borrowing margin					
Short-term – margin to bank bill swap (BBSW) rate	0.00	- 0.03	- 0.04	- 0.04	- 0.04
Long-term (fixed rate) – margin to AAA-rated semi-government security	0.37	0.37	0.31	0.41	n.a.
Cost of borrowing achieved during the year					
Weighted average cost of borrowing	1.86	2.84	3.10	2.54	2.22
Total cost of funds					
Weighted average cost of funds	3.35	3.85	4.17	4.65	5.00

n.a.: not assessable

Portfolio duration and term to maturity

As at 30 June 2020, the weighted average duration of Territory debt on issue is 6.3 years compared to 6.1 years reported in June 2019. Meanwhile, the weighted average term to maturity remained steady at around 7.2 years, consistent with the 7.2 years recorded in June 2019.

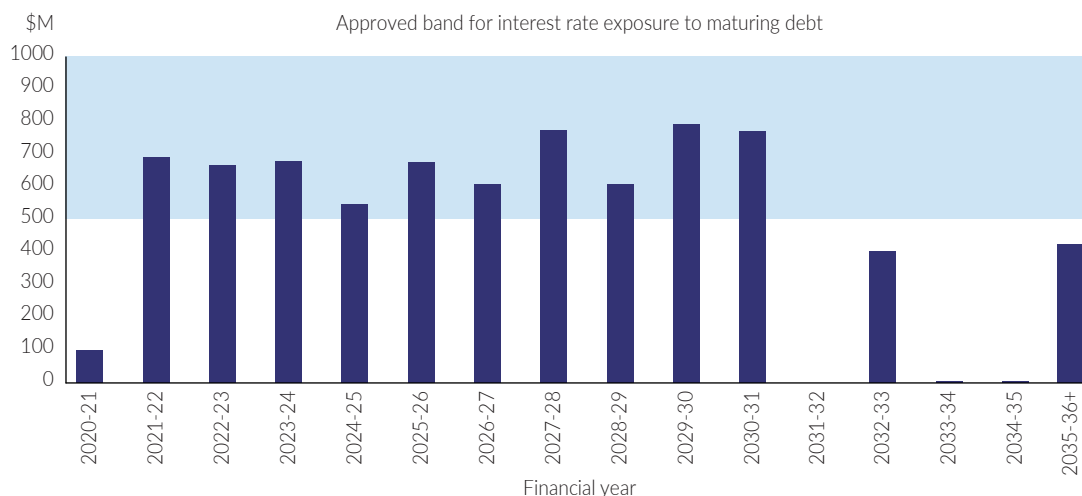
Interest rate risk management

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 increased the interest rate exposure band from a lower limit of \$400 million and a maximum limit of \$800 million to a lower limit of \$500 million and a maximum limit of \$1 billion. The revised limits recognise the current level of outstanding debt, with the upper limit respecting the strategy of containing interest rate exposure in any one financial year to about 20 per cent of total outstanding debt and the lower limit representing 10 per cent of outstanding debt.

This strategy 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 2020



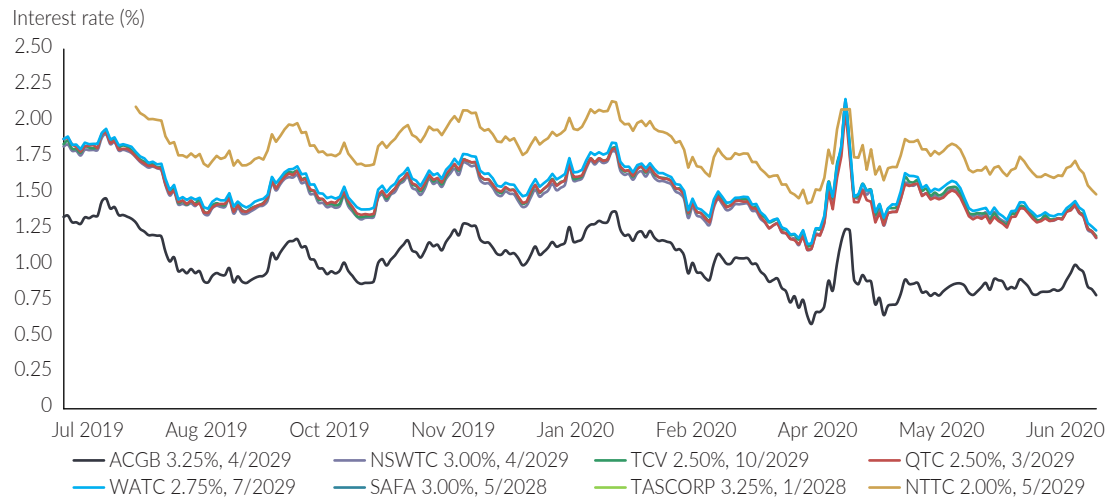
Trading margin

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 2019-20 was about 0.37 per cent over similar bond maturities issued by the two AAA-rated CFAs.

Figure 4 shows the implied trading margin between NTTC's 2029 bond series and similar maturities issued by the Commonwealth and other CFAs. Relative to the Commonwealth bond, NTTC's 2029 bond series has been trading at a margin of between 80 and 100 basis points. NTTC's margin relative to the AAA-rated CFAs has been between 35 and 40 basis points.

Figure 4: Trading margin



Promissory notes

NTTC's short-term funding requirement is met through its promissory note facility. These notes are issued by way of tender to key institutional counterparties. NTTC had \$50 million of promissory notes on issue as at 30 June 2020. The promissory note facility was used throughout the year to meet short-term funding requirements.

The weighted average yield achieved for the financial year was 0.64 per cent (2018-19: 2.00 per cent), with an average margin or spread of zero per cent to BBSW reference rate.

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 2020, total designated investments on issue were \$0.5 million.

Territory Bonds

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

In 2019-20, issues 107 and 108 raised about \$92 million from 555 applications, compared to last year's result of \$60 million from 681 applications. The average rollover rate for 2019-20 was about 61 per cent, down slightly from last year's conversion result of 64 per cent, indicating that existing investors continue to show strong support for the product by reinvesting their investments at maturity.

Over the course of 2019-20, the number of registered investors declined by 273 to 1941. However, the average investment size increased to \$93 547 from last year's average of \$53 588, resulting in a reasonably large increase in the outstanding face value of Territory Bonds. As at 30 June 2020, the total outstanding balance was about \$182 million, which is about \$63 million higher than the balance of \$119 million recorded at 30 June 2019.

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 2020, NTTC had a total outstanding loan portfolio of \$7.07 billion, about \$1.12 billion higher than the balance reported at 30 June 2019. 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 26.

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 2020, loans to the general government sector totalled \$5.5 billion, an increase of about \$1.2 billion from the previous financial year. This represents the additional loans allocated to CHA in order to finance the capital and infrastructure expenditure undertaken by the Territory Government established in the 2019-20 Budget.

Government business divisions

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

As at 30 June 2020, loans to this sector totalled about \$204 million, around \$6 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 2020, loans to this sector totalled about \$1.36 billion, a decrease of about \$80 million from the previous financial year. This represents repayments of loans by Power and Water Corporation during the 2019-20 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 Department of Local Government, Housing and Community Development (now part of the Department of the Chief Minister and Cabinet (DCMC)), and must carry the support and recommendation of the minister prior to being submitted for approval to the Treasurer. As at 30 June 2020, 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 2020, NTTC had no outstanding loans to this sector.

Figure 5: Client loans as at 30 June 2020

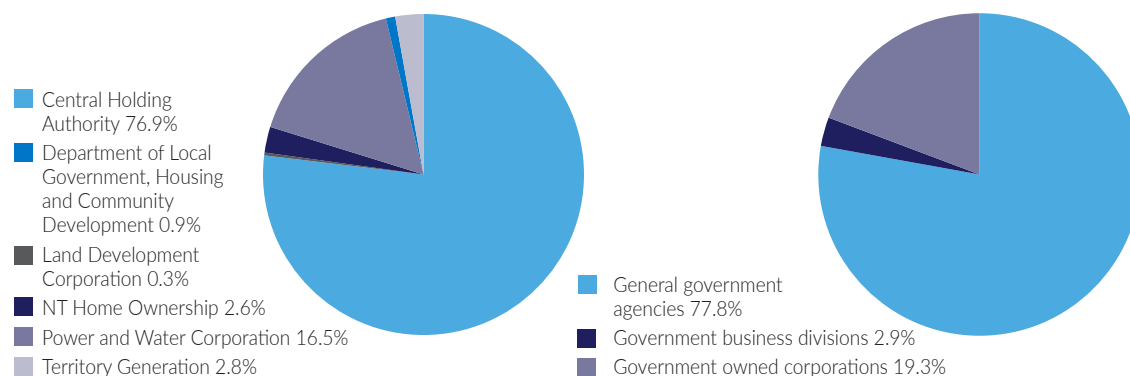


Table 7: Outstanding loans as at 30 June

	2020	2019	2018	2017	2016
	\$M	\$M	\$M	\$M	\$M
General government agencies	5 502.8	4 299.8	3 606.0	2 411.5	2 516.3
Government business divisions	204.2	210.5	226.5	222.2	230.8
Government owned corporations	1 362.0	1 442.0	1 384.0	1 347.8	1 292.8
Total	7 069.0	5 952.3	5 216.5	3 981.5	4 039.9

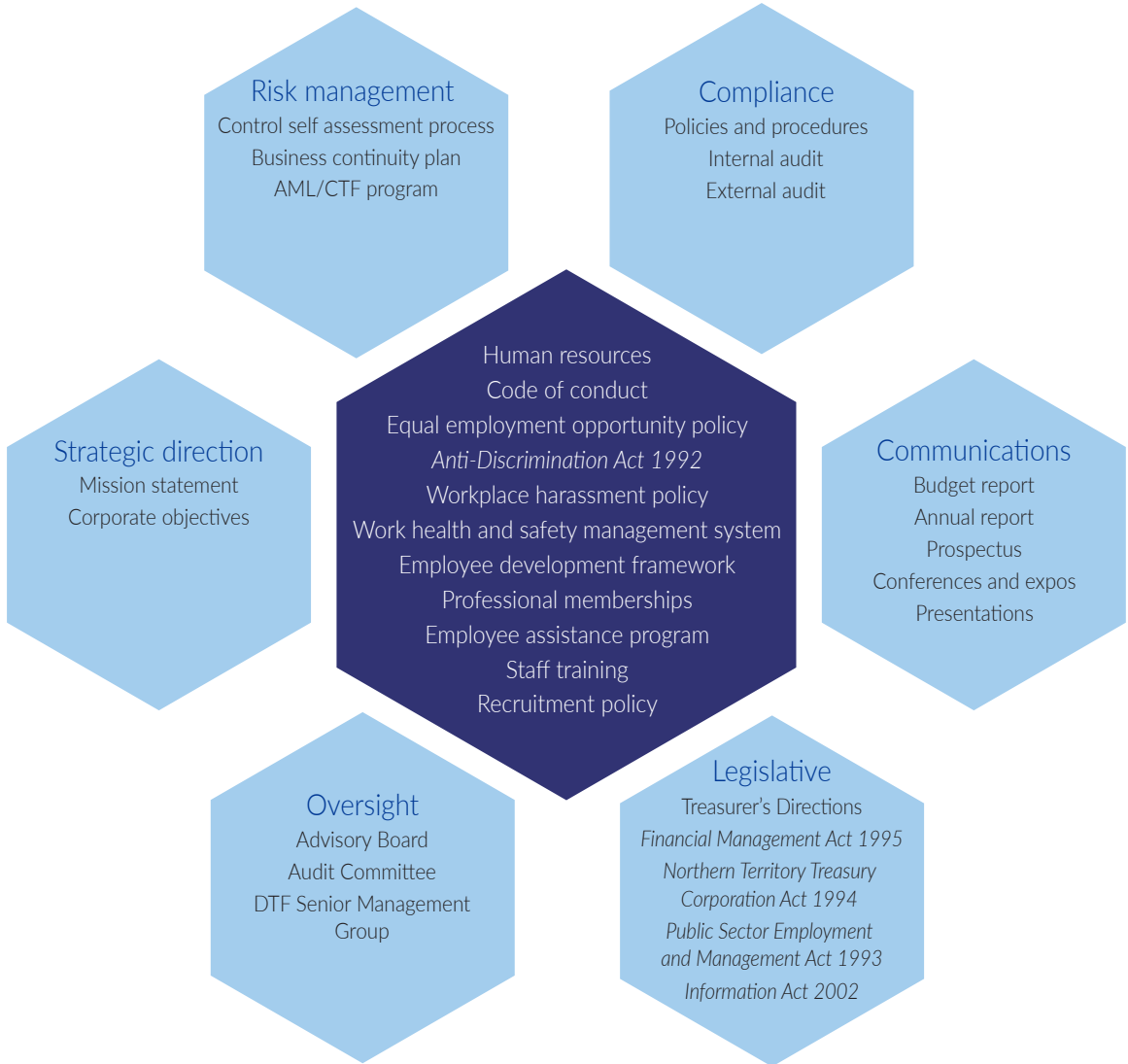
Administration and governance

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, and encouraging open communication between management and staff
- producing NTTC's annual report in accordance with legislative requirements.

Corporate governance

Figure 6: NTTC's corporate governance framework



Corporate objectives

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

- safeguarding financial resources by establishing and regularly reviewing credit limits and maintaining adequate internal controls and staffing
- minimising borrowing costs through effective control and management of its interest rate risk, and maintain 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

Treasury Corporation management team

Mr Alex Pollon

General Manager

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

Mrs Tania Senga

Manager Financial Assets and Liabilities

Mrs Senga 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. Mrs Senga has over 17 years' experience in the public accounting industry and has worked across a wide range of industries. Mrs Senga 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.

Staffing

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

As at 30 June 2020, NTTC had four full-time employees and one part-time employee: four females and one male. 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	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
AO5	-	-	3	3	3	3
AO7	-	-	-	1	-	1
SAO1	1	-	-	-	1	-
ECO2	1	1	-	-	1	1
Total	2	1	3	4	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. In 2019-20, one employee accessed flexible work arrangements.

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.

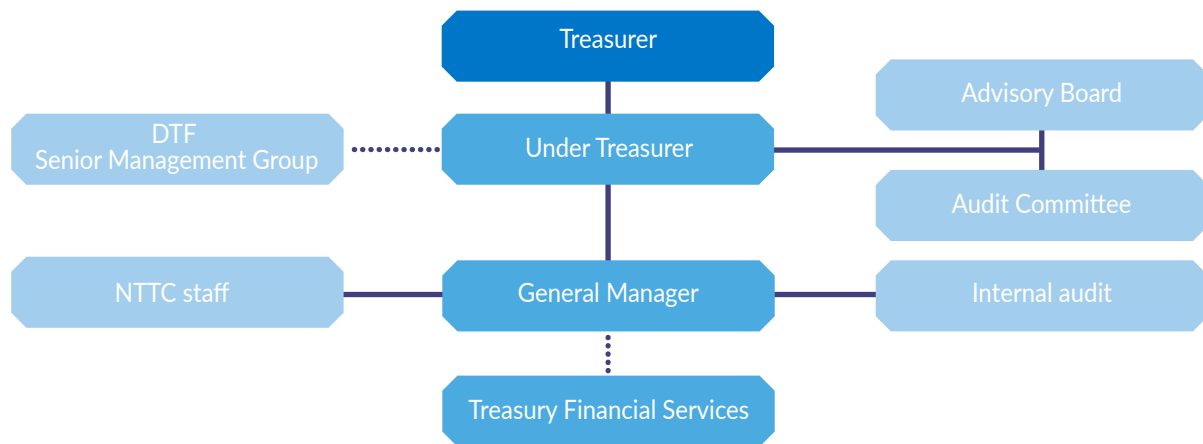
Also, flu vaccinations are available to NTTC employees on an annual basis.

Business relationships

Department of Treasury and Finance

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

Figure 7: NTTC's reporting structure



Registry services

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

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

Major projects

Treasury management system upgrade

An upgrade to NTTC's treasury management system, Quantum, was undertaken in 2019-20. This upgrade keeps the system within the support scope, and introduced various enhancements and increased functionality. User acceptance testing was undertaken from October 2019 to January 2020 and the new version went live in February 2020.

Review of control self-assessment

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

Extension to internal auditor services

In December 2016, KPMG Darwin was appointed NTTC's internal auditor for a three-year period with an option to extend for a further 24 months. In December 2019, NTTC exercised this option and has extended the contract with KPMG to 31 January 2022.

Advisory Board

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

Advisory Board members



Mr Craig Graham

Chair

Department of Treasury and Finance

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

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



Mr David Braines-Mead

Deputy Chief Executive

Department of Health

Mr Braines-Mead was appointed Deputy Under Treasurer with DTF in July 2014. In this role, David was responsible for providing high level policy, strategic and technical advice on the full range of economic, commercial and intergovernmental financial relations issues affecting the Territory. He is currently on a 12-month secondment with the Department of Health.

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



Mr Richard Ryan AO

External Board Member and Chair of the Audit Committee

Mr Ryan was appointed to the Board in October 1994 and is a Fellow of CAANZ, a Companion of the Institution of Engineers Australia and a Companion of the Institute of Management (UK). He was Inaugural Chancellor of Charles Darwin University and President of the National Heart Foundation. Mr Ryan is also a non-executive director of several public and private companies and not-for-profit entities.



Mr John Montague

External Board Member and Member of the Audit Committee

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

Risk management

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

Conflict of interest

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

Enterprise risk management framework

NTTC has developed a framework to capture and articulate all elements of risk management and compliance in the business environment. The framework comprises a comprehensive risk register, 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. To date, there have been no incidents of fraud detected in NTTC's business environment.

Anti-money laundering and counter-terrorism financing legislation

NTTC has an exemption to the general requirements of the *Anti-Money Laundering and Counter-Terrorism Financing 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 new shared services arrangements between DTF and DCMC introduced in February 2019, the agencies now operate a joint work health and safety committee that meets regularly and reports to SMG.

Compliance

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

Northern Territory Treasury Corporation Audit Committee

The Audit Committee is a subcommittee of the Advisory Board. It provides advice to the Chair on operational issues and audit matters. It meets prior to all Advisory Board meetings or as necessary. As at 30 June 2020, the Audit Committee comprised the two external Advisory Board members and is chaired by Mr Ryan.

External audit

Under section 30 of the NTTC Act, the 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
2018-19 financial statements	Audit	30/06/19	External	Unqualified audit opinion
Internal controls testing	Review	30/09/19	Internal	No significant matters identified
	Review	31/03/20	Internal	No significant matters identified
Interim period review	Audit	30/06/20	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 DCM Shared Services. DTF, through DCMC Shared Services, is responsible for the management of all information requests on behalf of NTTC. Details of information held by NTTC, including an outline of how to make an application under the *Information Act 2002*, can be found on the website below. NTTC did not receive any requests under the *Information Act 2002* during 2019-20. FOI requests can be made to the following:

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

Telephone: +61 8 8999 5429
Email: DTF.FOI@nt.gov.au
Website: treasury.nt.gov.au/InformationAct

Territory economy

The following section provides an overview of the Territory economy in 2019-20 and the outlook for 2020-21. Given the uncertain economic circumstances, all states and territories agreed to suspend the delivery of their budgets until after delivery of the Commonwealth budget, and passed temporary supply bills.

Table 10 outlines key economic forecasts for the Territory reported in the COVID-19 Financial Report on 29 July 2020. The assumptions and published estimates in the report only considered information available up to the date of its release, and the estimates may be subject to significant revision at the next round of official forecasts given the rapidly evolving economic and fiscal environments.

Table 10: Territory key economic indicators (%)

	2018-19a	2019-20a	2020-21f
Gross state product ¹	- 1.5	3.8e	- 3.4
State final demand ¹	- 16.5	4.5	- 3.9
Employment ²	3.4	- 0.8	- 1.6
Unemployment rate ³	4.5	5.6	6.8
Population ⁴	- 0.4	- 0.3e	0.1
Consumer price index ²	0.9	0.2	0.5
Wage price index ²	2.1	2.3	1.7

a: actual; e: estimate; f: forecast

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

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

3 Year average.

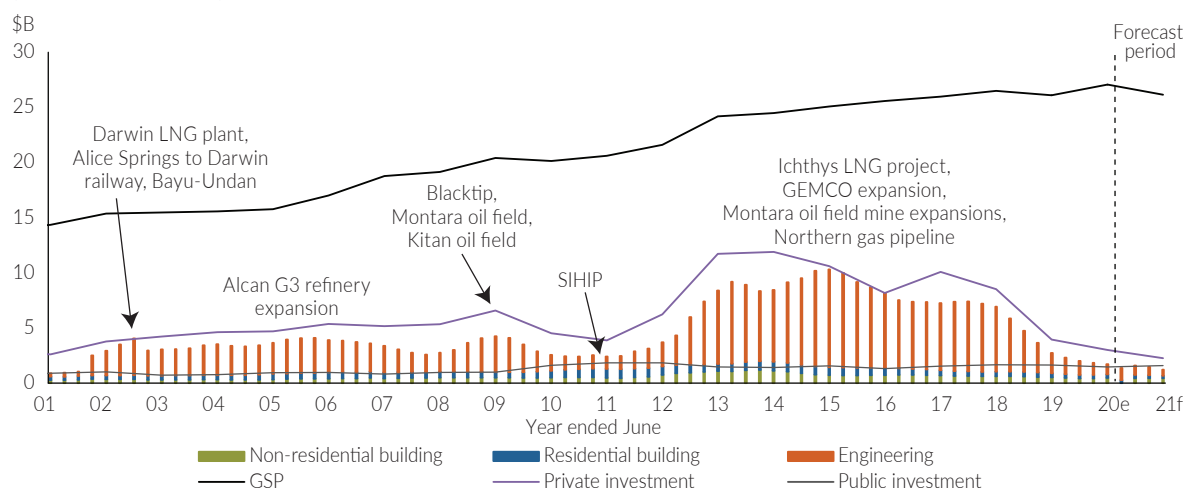
4 Year ended June, annual percentage change.

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

Structure of the economy and the impact of COVID-19

The Territory has a small open economy that is significantly influenced by investment for major projects, external economic factors, commodity prices and exchange rates. The structure of the economy reflects its abundant natural resources, strategic defence significance, iconic tourism destinations and large public sector. Mining, construction, manufacturing and tourism accounted for one-third of economic activity in 2018-19, and Figure 8 shows the project-based nature of the economy over the past 20 years.

Figure 8: Economic growth and construction work done



e: estimate for GSP only; f: forecast; SIHIP: Strategic Indigenous Housing and Infrastructure Program; GEMCO: Groote Eylandt Mining Company
Source: Northern Territory Department of Treasury and Finance; Australian Bureau of Statistics

Between 2009-10 and 2018-19, the Territory's gross state product (GSP) increased from \$20.1 billion to \$26.1 billion (or 30 per cent), supported by investment for the Ichthys liquefied natural gas (LNG) project. Over the same period the Territory's population increased by about 16 300 people to over 246 000 people, or by 7 per cent.

The Territory faced challenging economic conditions as it transitioned from the construction to production phase of the Ichthys LNG project and, in the absence of projects to replace the significant Ichthys-related investment, the onshore economy weakened, and employment and population declined. The economy was starting to show early signs of improvement prior to COVID-19, including in private consumption and investment. Economic data released since March 2020 reports that conditions have deteriorated markedly.

The duration and severity of the COVID-19-related health response will impact the economic outlook. In the Territory these measures have included the closure or restriction of business activity that relies on direct consumer contact, and restrictions on international, interstate and intrastate travel. The restrictions have created a series of supply and demand shocks in the economy, resulting in significantly reduced tourist numbers, the effective closure of many tourism activities, lower consumption of goods and services, and reduced demand for labour. With labour-intensive tourism-related activities representing over 4 per cent of the Territory economy, the pace of easing restrictions for interstate and international visitors will be a significant factor influencing the pace of the economic recovery.

The Territory's decisive health policy response, support packages and early easing of restrictions through the *Roadmap to the new normal* have supported activity but the Territory is not immune from the economic impacts of COVID-19. The pace of the Territory's recovery will also depend on how the national economy recovers, how household and business behaviours and production might change, and how effective government policies and assistance measures are in supporting households and businesses over the medium term.

Economic growth

The Territory economy contracted by 1.5 per cent in 2018-19 to \$26.1 billion, the first contraction since 2009-10. The COVID-19 Financial Report estimates economic growth of 3.8 per cent in 2019-20, before contracting by 3.4 per cent in 2020-21.

LNG exports have been a major contributor to economic growth in recent years as production at the Ichthys LNG project has ramped up to full capacity. LNG is expected to contribute to economic growth in 2019-20, before approaching a steady state of production from 2020-21. The Territory's net international trade goods balance increased by \$3.5 billion to \$11.0 billion in 2019-20 as exports increased by \$3.0 billion (to \$12.4 billion) and imports decreased by \$489 million to \$1.3 billion.

Territory state final demand (SFD) declined by 4.5 per cent to \$23.4 billion in 2019-20, following a 16.5 per cent decrease in 2018-19. Weaker demand largely reflected declining private sector engineering investment, with flow-on impacts to employment, and household confidence and consumption. Despite the positive impact of COVID-19 assistance packages implemented by the Commonwealth and Territory governments (for example, the Commonwealth's JobKeeper and JobSeeker programs, and the Territory's Home Improvement Scheme), SFD is forecast to decline by 3.9 per cent in 2020-21.

It is estimated that all stimulus measures will contribute around \$400 million per annum to SFD in 2019-20 and 2020-21, and illustrates that in the absence of stimulus, economic conditions in the Territory would be significantly worse.

Population

The Territory's population was 245 353 at 31 March 2020, an increase of 0.1 per cent (364 persons) in the quarter, and a decrease of 0.2 per cent (407 persons) compared with 31 March 2019. The contribution to growth from natural increase and net overseas migration has been moderating recently, though the impact has largely been offset by reduced net interstate migration outflows from the Territory.

Prior to COVID-19, the Territory had the highest annual population turnover rate in Australia at about 17 per cent, equivalent to 42 000 people moving in and out each year. In addition to uncertainty arising from the pandemic, the impact of COVID-19 border restrictions is anticipated to significantly reduce the flow of interstate and overseas migration. Interstate migration flows are more difficult to quantify, with key risks to forecasts including the complex and volatile interstate border arrangements, employment opportunities here and interstate, and the emergence of the Territory as a potential safe haven from the pandemic. The Territory's population is expected to decline by 0.3 per cent in 2019-20 and increase by 0.1 per cent in 2020-21.

Labour force

Since the COVID-19 outbreak, labour market conditions in the Territory have deteriorated, with an estimated loss of around 3600 workers in the June quarter 2020, largely due to the impact of business and border restrictions. This represents a 2.7 per cent drop in employment in the quarter and a 0.8 per cent decline in 2019-20 relative to 2018-19. Notwithstanding the June quarter deterioration, the employment result for 2019-20 is a significant improvement on the 2019-20 Mid-Year Report estimate of a 2 per cent decline and reflects stronger than expected employment growth in the six months to April 2020.

The average unemployment rate for 2019-20 was 5.6 per cent, higher than the 5.0 per cent estimated in the Mid-Year Report. Historically, a large proportion of people not able to secure employment in the Territory migrate interstate but COVID-19 has resulted in unemployed persons having a greater propensity to remain in the Territory as a result of reduced employment opportunities interstate, border restrictions inhibiting mobility and more relaxed trading and physical distancing restrictions in the Territory.

It is estimated the Commonwealth and Territory government stimulus measures have saved about 6700 workers who would have otherwise lost their jobs. In the absence of such measures, employment is expected to have declined by 2.1 per cent in 2019-20.

Prices and wages

The Darwin consumer price index (CPI) increased by 0.2 per cent in 2019-20, down from 0.9 per cent growth in 2018-19. The result was significantly impacted by the low fuel prices in last few months of 2019-20, as well as the Commonwealth's increased child care subsidy, reducing the out-of-pocket expense, for the June quarter. Continued low rents, low fuel prices, and discounted travel and accommodation options are expected to detract from CPI growth going forward.

Wage growth in the Territory was 2.3 per cent in 2019-20, comprising public sector wage growth of 2.6 per cent and private sector wage growth of 2.1 per cent. Moderate public sector wage growth is expected to continue with the 2017-21 Northern Territory Public Sector Enterprise Agreement now in full effect. This will be offset by modest private sector wage growth in line with weaker economic conditions, employment growth and business sentiment.

External economic environment

The International Monetary Fund estimated the global economy will contract by 4.9 per cent in 2020 before returning to growth of 5.4 per cent in 2021. The estimate is for advanced economies to contract by 8.0 per cent in 2020 and developing economies to contract by 3.0 per cent.

Australia's gross domestic product declined by 0.2 per cent 2019-20. In its August 2020 statement on monetary policy the RBA has flagged that the economy will need considerable support for some time, and its 'gradual recovery' outlook scenario suggests the national economy will start to recover in the second half of 2020 led by consumption, with growth over 2021 also supported by business and dwelling investment.

The latest data for key economic indicators is published regularly and can be downloaded at nteconomy.nt.gov.au. Economic forecasts will be published in the 2020-21 Budget in November 2020.

Appendix A: Outstanding domestic borrowings

as at 30 June 2020

Maturity date	Coupon rate	Face value	Maturity date	Coupon rate	Face value
	%	\$000		%	\$000
2020-21			2021-22		
25-Jul-20	2.50	500	20-Sep-21	4.25	650 000
08-Oct-20	0.34	50 000	15-Dec-21	1.25	135
15-Dec-20	1.15	215	15-Dec-21	1.30	340
15-Dec-20	1.20	753	15-Dec-21	1.40	747
15-Dec-20	1.30	2 043	15-Dec-21	1.70	33
15-Dec-20	1.80	6 500	15-Dec-21	1.80	6
15-Dec-20	2.40	94	15-Dec-21	1.90	10 040
15-Dec-20	2.45	137	15-Dec-21	2.55	16
15-Dec-20	2.50	1 304	15-Dec-21	2.60	210
15-Dec-20	2.60	4 003	15-Dec-21	2.65	245
15-Dec-20	3.05	1 008	15-Dec-21	2.70	1 581
15-Dec-20	3.10	663	15-Dec-21	2.80	5 582
15-Dec-20	3.20	4 332	15-Mar-22	6.06	5 000
15-Jun-21	0.85	176	15-Jun-22	0.95	390
15-Jun-21	0.90	230	15-Jun-22	1.00	754
15-Jun-21	1.00	8 441	15-Jun-22	1.10	5 818
15-Jun-21	1.30	30	15-Jun-22	1.40	85
15-Jun-21	2.15	168	15-Jun-22	2.25	137
15-Jun-21	2.20	322	15-Jun-22	2.30	322
15-Jun-21	2.30	7 237	15-Jun-22	2.40	5 711
15-Jun-21	2.50	745	15-Jun-22	2.70	40
15-Jun-21	2.60	296	15-Jun-22	2.75	5
15-Jun-21	2.65	107	15-Jun-22	2.80	175
15-Jun-21	2.70	864	15-Jun-22	2.85	904
15-Jun-21	2.80	498	15-Jun-22	2.90	528
15-Jun-21	2.85	969	15-Jun-22	3.00	2 930
15-Jun-21	2.90	856			
15-Jun-21	3.00	4 446	TOTAL 2021-22	4.15	691 734
15-Jun-21	3.05	300			
15-Jun-21	3.10	29			
15-Jun-21	3.20	895			
TOTAL 2020-21	1.25	98 161			

Maturity date	Coupon rate	Face value	Maturity date	Coupon rate	Face value
	%	\$000		%	\$000
2022-23			2023-24		
30-Sep-22	8.24	5 000	15-Dec-23	1.50	20
21-Nov-22	2.50	600 000	15-Dec-23	1.60	2 572
15-Dec-22	1.35	162	15-Dec-23	1.90	2 500
15-Dec-22	1.40	95	15-Dec-23	2.00	10
15-Dec-22	1.50	2 861	15-Dec-23	2.10	5 065
15-Dec-22	1.80	5 000	15-Dec-23	2.95	340
15-Dec-22	1.90	50	15-Dec-23	3.00	584
15-Dec-22	2.00	5 100	15-Dec-23	3.10	3 806
15-Dec-22	2.75	372	15-Mar-24	6.00	650 000
15-Dec-22	2.80	1 268	20-May-24	5.00	5 000
15-Dec-22	2.85	275	15-Jun-24	1.15	11
15-Dec-22	2.90	12 364	15-Jun-24	1.20	175
15-Dec-22	3.00	1 848	15-Jun-24	1.30	235
15-Mar-23	6.00	10 000	15-Jun-24	1.60	260
20-May-23	5.00	5 000	15-Jun-24	2.45	189
15-Jun-23	1.05	410	15-Jun-24	2.50	1 035
15-Jun-23	1.10	180	15-Jun-24	2.60	5 343
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	8 277	<u>TOTAL 2023-24</u>	<u>5.86</u>	<u>680 047</u>
15-Jun-23	2.80	10			
15-Jun-23	2.85	167	2024-25		
15-Jun-23	2.90	312	21-Oct-24	2.75	500 000
15-Jun-23	2.95	290	15-Dec-24	1.55	271
15-Jun-23	3.00	1 652	15-Dec-24	1.60	378
15-Jun-23	3.10	873	15-Dec-24	1.70	11 866
			15-Dec-24	1.85	100
<u>TOTAL 2022-23</u>	<u>2.60</u>	<u>667 193</u>	15-Dec-24	2.00	2 895
			15-Dec-24	2.05	26
			15-Dec-24	2.10	130
			15-Dec-24	2.20	5 640
			15-Mar-25	6.00	18 900
			20-May-25	8.50	5 000
			15-Jun-25	1.25	450
			15-Jun-25	1.30	331
			15-Jun-25	1.40	2 216
			15-Jun-25	1.55	86
			15-Jun-25	1.60	122
			15-Jun-25	1.70	429
			<u>TOTAL 2024-25</u>	<u>2.87</u>	<u>548 840</u>

Maturity date	Coupon rate	Face value	Maturity date	Coupon rate	Face value
	%	\$000		%	\$000
2025-26			2029-30		
15-Sep-25	8.50	24 974	15-Mar-30	6.00	42 000
15-Mar-26	6.00	650 000	21-May-30	3.50	750 000
TOTAL 2025-26	6.09	674 974	TOTAL 2029-30	3.63	792 000
2026-27			2030-31		
15-Mar-27	6.00	8 400	21-Apr-31	2.00	750 000
21-Apr-27	2.75	600 000	TOTAL 2030-31	2.00	750 000
TOTAL 2026-27	2.79	608 400	2032-33		
2027-28			21-Apr-33	3.75	400 000
15-Mar-28	6.00	7 900	TOTAL 2032-33	3.75	400 000
21-Apr-28	3.50	750 000	2042-43		
TOTAL 2027-28	3.53	757 900	21-Nov-42	4.10	285 000
2028-29			TOTAL 2042-43	4.10	285 000
15-Mar-29	6.00	7 500	TOTAL	3.58	7 561 749
21-May-29	2.00	600 000			
TOTAL 2028-29	2.05	607 500			

Appendix B: Outstanding loans

As at 30 June 2020

	Face value
	\$000
General government agencies	
Central Holding Authority	5 436 309
Department of Local Government, Housing and Community Development	66 530
TOTAL	5 502 839
Government business divisions	
Land Development Corporation	20 000
NT Home Ownership	184 236
TOTAL	204 236
Government owned corporations	
Power and Water Corporation	1 162 000
Territory Generation	200 000
TOTAL	1 362 000
TOTAL	7 069 075

Appendix C: Glossary of terms

Advisory Board

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

Agency

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

Bank bill swap rate (BBSW)

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

Bond

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

Central financing authorities

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

Credit foncier loan

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

Debt

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

Designated investments

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

Discount

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

Face value

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

Fixed interest

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

Floating rate note

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

Government business division

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

Government owned corporation

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

Inscribed stock

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

Local government councils

Municipal, regional and shire councils within the Territory.

Margin

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

Maturity date

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

Migration Linked Bonds

Bonds offered by NTTC that satisfy the criteria of a designated investment under the relevant programs administered by the Department of 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

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

I have audited the accompanying financial report of Northern Territory Treasury Corporation, which comprises the statement of financial position as at 30 June 2020, 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 2020 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.

Key Audit Matter	Audit Response to the Key Audit Matter
<i>Economic volatility affecting recoverability of loans receivable and discharge of loans payable</i>	
As disclosed in the financial statements, Northern Territory Treasury Corporation has loans receivable of \$7.069 billion (Note 13) and corresponding borrowings payable of \$7.855 billion (Note 17).	To address the identified risk, my audit procedures included but were not limited to: <ul style="list-style-type: none">▪ Identifying the controls in place to monitor and manage risks.



Auditor-General

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Key Audit Matter	Audit Response to the Key Audit Matter
<p>The significant exposure to risks affecting the global financial market necessitates effective risk recognition and management by Northern Territory Treasury Corporation.</p>	<ul style="list-style-type: none">▪ 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 2020 and testing movements affecting borrowings throughout the financial year.▪ Obtaining independent confirmation of outstanding loan balances as at 30 June 2020 and testing movements affecting loans throughout the financial year.
<i>Fair value of financial instruments</i>	
<p>At Note 22 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

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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 2020, 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

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- 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.

Julie Crisp
Auditor-General for the Northern Territory

Darwin, Northern Territory

24 September 2020

Statement of comprehensive income

As at 30 June 2020

	Note	2020	2019
		\$000	\$000
REVENUE		288 828	258 322
Interest	4	288 006	257 500
Other revenue	5	822	822
EXPENSES		248 847	226 671
Interest	6	246 785	224 719
Administration	7	2 062	1 952
PROFIT BEFORE INCOME TAX		39 981	31 651
Income tax expense	8	11 994	9 495
NET PROFIT AFTER INCOME TAX	9	27 987	22 156
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Northern Territory Government		27 987	22 156
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		27 987	22 156

Notes to the financial statements are included on pages 38 to 67.

Statement of financial position

As at 30 June 2020

	Note	2020	2019
		\$000	\$000
TOTAL ASSETS		7 976 100	6 001 145
Cash and cash equivalents	10	902 495	44 701
Trade and other receivables	11	4 413	4 023
Prepayments	12	106	69
Loans	13	7 069 075	5 952 352
Property, plant and equipment	14	11	-
TOTAL LIABILITIES		7 954 470	5 979 515
Deposits held		333	273
Trade and other payables	15	58 696	51 385
Provisions	16	28 116	22 287
Tax liabilities	8	11 994	9 495
Borrowings	17	7 855 320	5 896 075
Leases	18	11	-
NET ASSETS		21 630	21 630
TOTAL EQUITY		21 630	21 630
Contributed capital	19	21 630	21 630

Notes to the financial statements are included on pages 38 to 67.

Statement of cash flows

For the financial year ended 30 June 2020

	Note	2020	2019
		\$000	\$000
		inflows	inflows
		(outflows)	(outflows)
CASH FLOWS FROM OPERATING ACTIVITIES	20a	31 359	16 932
Interest received from investments		287 640	257 837
Interest and other costs of finance paid		(245 502)	(231 488)
Other receipts:			
Management fee		820	820
Other fees		2	2
Payments to suppliers and employees		(2 106)	(2 019)
Income tax paid		(9 495)	(8 220)
CASH FLOWS USED IN INVESTING ACTIVITIES		(1 116 723)	(735 824)
Repayment of loans		260 277	226 176
Drawdown of loans		(1 377 000)	(962 000)
CASH FLOWS FROM FINANCING ACTIVITIES	20b	1 943 158	715 576
Repayment of borrowings		(192 310)	(846 714)
Principal repayments of lease liabilities		(7)	-
Drawdown of borrowings		2 157 569	1 581 585
Deposits received		62	(114)
Dividend paid		(22 156)	(19 181)
NET INCREASE/(DECREASE) IN CASH HELD		857 794	(3 316)
Cash and cash equivalents at the beginning of the financial year		44 701	48 017
Cash and cash equivalents at the end of year	10	902 495	44 701

Notes to the financial statements are included on pages 38 to 67.

Statement of changes in equity

For the financial year ended 30 June 2020

	Note	2020	2019
		\$000	\$000
CONTRIBUTED CAPITAL			
Balance at the beginning of the financial year		21 630	21 630
Movement for the year		-	-
Balance at the end of the financial year	19	21 630	21 630
RETAINED PROFITS			
Balance at the beginning of the financial year		-	-
Net profit	9	27 987	22 156
Dividends provided for	16	(27 987)	(22 156)
Dividends paid		-	-
Balance at the end of the financial year		-	-
TOTAL EQUITY		21 630	21 630

Notes to the financial statements are included on pages 38 to 67.

Notes to the financial statements

For the financial year ended 30 June 2020

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 this Annual Report.

(b) Statutory guarantee

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

2. Statement of significant accounting policies

(a) Statement of compliance

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

The financial statements were authorised for issue by the Under Treasurer on 23 September 2020.

(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 2019-20 financial year has been reclassified to provide consistency with current year disclosures.

Notes to the financial statements

For the financial year ended 30 June 2020

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 2019-20 other than the adoption of the new accounting standards and interpretations, a result of management decisions.

(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 the fair values of the consideration given in exchange for assets.

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

Use of estimates and judgements in preparing these financial statements has been limited. Information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in Note 22.

(i) Goods and services tax

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

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

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

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

(j) Distributions to government

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

(k) Revenue recognition

Revenue 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 2020

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) 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.

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

Notes to the financial statements

For the financial year ended 30 June 2020

Note 2 (m) continued

information indicates that NTTC is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by NTTC. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(vi) Derecognition

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

(vii) Gains and losses on extinguishment

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

(n) 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 has been no write-offs, postponements or waivers, or expected credit or impairment losses due to COVID-19
- in 2019-20, NTTC undertook a significant level of prefunding towards the Territory's 2020-21 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 2020-21 is anticipated to be similar to the borrowing requirement set down by the Territory Government in prior years. This will be established when the Territory Budget is finalised and tabled by the Treasurer of the Northern Territory in early November 2020
- 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 22
- 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.

Notes to the financial statements

For the financial year ended 30 June 2020

3. New standards and interpretations

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

The following new accounting standards and interpretations were effective for the first time in 2019-20:

AASB 16 Leases

AASB 16 Leases (AASB 16) supersedes AASB 117 Leases and relevant interpretations, and introduces significant changes to lessee accounting by removing the distinction between operating and finance leases. For lessees with operating leases, a right-of-use asset has now been recognised on the balance sheet together with a lease liability at the lease commencement.

In accordance with transition provisions, NTTC has applied the modified retrospective approach on transition to AASB 16, with the cumulative effect of initial application of the standard as an adjustment to the balance sheet as at 1 July 2019. Accordingly, the comparative information presented for 2018-19 has not been restated and is presented as previously reported.

Lease liabilities recognised at 1 July 2019 have been measured at the present value of the remaining lease payments, discounted using the NTTC's institutional bond rate as the incremental borrowing rate at the date of initial application. The incremental borrowing rate applied to the lease liabilities as at 1 July 2019 was 1.31 per cent.

The corresponding right-of-use asset has been recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 July 2019.

On adoption of AASB 16, NTTC recognised additional right-of-use assets and lease liabilities for vehicles that had previously been classified as operating leases.

Impact on affected balances of adopting AASB 16 as at 1 July 2019 is as follows:

Balance sheet	\$000
ASSETS	
Property, plant and equipment	18
TOTAL ASSETS	18
LIABILITIES	
Lease liabilities	18
TOTAL LIABILITIES	18
NET ASSETS	-

Notes to the financial statements

For the financial year ended 30 June 2020

Note 3 continued

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease liability as of 30 June 2019, as follows:

	\$000
Minimum operating lease liability as at 30 June 2019	13
Less: commitments relating to short-term leases	-
Less: commitments relating to leases of low-value assets	-
Add: lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	5
Undiscounted lease payments	18
Less: effect of discounting using the incremental borrowing rate	-
Additional lease liabilities recognised at 1 July 2019	18
Add: commitments relating to leases previously classified as finance leases	-
Adjusted lease liabilities as at 1 July 2019	18

AASB 2016-8 Amendments to Australian accounting standards – Australian implementation guidance for not-for-profit entities (AASB 9 Financial instruments).

AASB 2016-8 is effective for the first time in 2019-20 and will require non-contractual receivables arising from statutory requirements to apply the initial recognition and measurement requirements of AASB 9. The requirements of AASB 2016-8 are largely consistent with existing recognition and measurement practices and therefore not expected to have a material impact.

Standards and interpretations issued but not yet effective.

No Australian accounting standards have been adopted early for 2019-20. 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 2020

4. Interest revenue

	2020	2019
	\$000	\$000
Interest from loans:		
General government agencies	215 646	180 467
Government owned corporations	61 717	63 563
Government business divisions	9 202	9 881
Gain on extinguishment	-	8
Interest from cash balances:		
General government agencies	1 441	3 581
TOTAL INTEREST REVENUE	288 006	257 500

	2020		2019	
	Average balance	Average rate	Average balance	Average rate
	\$000	%	\$000	%
Loans to:				
General government agencies	4 901 336	4.40	3 952 927	4.57
Government owned corporations	1 402 000	4.40	1 413 000	4.50
Government business divisions	207 378	4.44	218 513	4.52
TOTAL	6 510 714		5 584 440	

	2020	2019
	\$000	\$000
Gains on extinguishment:		
Gains on extinguishment of loans at amortised cost	-	8
TOTAL GAINS ON EXTINGUISHMENT	-	8

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 that asset's net carrying amount.

Notes to the financial statements

For the financial year ended 30 June 2020

5. Other revenue

	2020	2019
	\$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.

6. Interest expense

	2020	2019
	\$000	\$000
Interest to:		
Wholesale borrowings	232 559	208 465
Debt to Commonwealth	9 319	9 689
Retail borrowings	4 126	2 942
Promissory notes	743	3 619
Losses on extinguishment	38	4
TOTAL INTEREST EXPENSE	246 785	224 719

	2020		2019	
	Average balance	Average rate	Average balance	Average rate
	\$000	%	\$000	%
Borrowings from:				
Wholesale market				
Fixed interest securities	6 453 464	3.60	5 173 201	4.03
Promissory notes	64 110	1.16	178 986	2.02
Debt to Commonwealth	196 884	4.73	204 846	4.73
Retail market	150 609	2.74	103 705	2.84
TOTAL	6 865 067		5 660 738	

	2020	2019
	\$000	\$000
Losses on extinguishment:		
Losses on extinguishment of borrowings at amortised cost	38	4
TOTAL LOSSES ON EXTINGUISHMENT	38	4

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 2020

7. Administration expenses

	2020	2019
	\$000	\$000
Salaries and related employee expenses	629	646
Agent service arrangements – external	514	400
Other service arrangements – internal	440	504
IT charges and communications	287	200
Consultants	1	4
Marketing and promotion	3	3
Document production	17	30
General property management	50	54
Amortisation	7	-
Subscriptions	103	92
Training and study	-	2
Official duty fares	7	2
Travel allowance	1	1
Other operating expenses	3	14
TOTAL OTHER EXPENSES	2 062	1 952

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

8. Tax expense and liabilities

	2020	2019
	\$000	\$000
Notional income tax payable	11 994	9 495
TOTAL TAX LIABILITIES	11 994	9 495

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

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

Notes to the financial statements

For the financial year ended 30 June 2020

9. Retained profits

	2020	2019
	\$000	\$000
Balance at the beginning of the financial year	-	-
Net profit	27 987	22 156
Dividends provided for	(27 987)	(22 156)
BALANCE AT THE END OF THE FINANCIAL YEAR	-	-

10. Cash and cash equivalents

	2020	2019
	\$000	\$000
Cash at bank	902 495	44 701
TOTAL CASH AND CASH EQUIVALENTS	902 495	44 701

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

	2020	2019
	\$000	\$000
Accrued interest on loans	4 380	4 014
Debtors	33	9
TOTAL TRADE AND OTHER RECEIVABLES	4 413	4 023

All receivables are all current and deemed collectable. There are no known expected credit losses identified as at 30 June 2020.

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

Notes to the financial statements

For the financial year ended 30 June 2020

12. Prepayments

	2020	2019
	\$000	\$000
Prepayments	106	69
TOTAL PREPAYMENTS	106	69

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.

13. Loans

	2020	2019
	\$000	\$000
General government agencies		
Fixed rate loans	5 352 200	4 142 200
Credit foncier loans	150 639	157 633
Government owned corporations		
Fixed rate loans	1 080 000	928 000
Floating rate loans	282 000	514 000
Government business divisions		
Fixed rate loans	115 000	115 000
Credit foncier loans	89 236	95 519
TOTAL LOANS	7 069 075	5 952 352

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 21 and 22.

14. Property, plant and equipment

	2020	2019
	\$000	\$000
Right-of-use asset – motor vehicles		
At capitalised cost	18	-
Less: accumulated depreciation	(7)	-
TOTAL PROPERTY, PLANT AND EQUIPMENT	11	-

Balance relates to motor vehicle lease arrangements under AASB 16 leases.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 14 continued

Recognition and measurement (under AASB 16 from 1 July 2019)

NTTC assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NTTC recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

NTTC recognises right-of-use motor vehicles at the commencement date of the lease (the date the underlying asset is available for use). 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, and estimated costs of dismantling and removing the asset or restoring the site, if any.

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 motor vehicles.

The right-of-use assets are subsequently measured at fair value which approximates costs except for those arising from leases that have significantly below-market terms and conditions principally to enable NTTC to further its objectives and are also subject to impairment.

The right-of-use assets are subject to remeasurement principles consistent with the lease liability including indexation and market rent review that approximates fair value and only revalued where a trigger or event may indicate their carrying amount does not equal fair value.

Recognition and measurement (under AASB 117 until 30 June 2019)

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

A reconciliation of the carrying amount of motor vehicles under lease at the beginning and end of 2019-20 is set below:

	Leased property plant and equipment	Total
	\$000	\$000
Recognition of right-of-use assets on initial adoption of AASB 16	18	18
Adjusted carrying amount as at 1 July 2019	18	18
Amortisation expense – right-of-use asset	(7)	(7)
CARRYING AMOUNT AS AT 30 JUNE 2020	11	11

The fair value measurement for the motor vehicles under lease has been categorised as level 3 fair value based on the above inputs.

Notes to the financial statements

For the financial year ended 30 June 2020

15. Trade and other payables

	2020	2019
	\$000	\$000
Creditors and accruals	203	192
Accrued interest on borrowings	58 485	51 189
Accrued salaries	8	4
TOTAL TRADE AND OTHER PAYABLES	58 696	51 385

Liabilities for creditors and accruals are carried at cost, which is the fair value of the consideration paid or to be paid.

16. Provisions and tax liabilities

	2020	2019
Employee benefits		
Recreation leave		
Opening balance	105	150
Recreation leave paid	(43)	(59)
Recreation leave provided for	42	14
Closing balance	104	105
Leave bonus		
Opening balance	7	14
Leave bonus paid	(4)	-
Leave bonus provided for	3	(7)
Closing balance	6	7
Leave airfares		
Opening balance	2	4
Leave airfares paid	(2)	(4)
Leave airfares provided for	1	2
Closing balance	1	2
Superannuation external		
Opening balance	16	22
Superannuation paid	(16)	(22)
Superannuation provided for	17	16
Closing balance	17	16
Total employee benefits	128	130
Fringe benefit tax	1	1
Dividend payable	27 987	22 156
TOTAL PROVISIONS	28 116	22 287

Notes to the financial statements

For the financial year ended 30 June 2020

Note 16 continued

Provisions

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

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

Employee benefits

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

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

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

Superannuation

Employee superannuation entitlements are provided through the:

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

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

Dividends

NTTC has provided for a dividend of \$27.987 million, which is at the rate of 100 per cent of its net profit for the 2019-20 year in accordance with the Treasurer's budget direction.

Notes to the financial statements

For the financial year ended 30 June 2020

17. Borrowings

	2020	2019
	\$000	\$000
Wholesale market		
Fixed interest securities	7 430 478	5 476 450
Promissory notes	49 954	99 525
Retail market		
Territory Bonds	181 575	118 644
Migration Linked Bonds	500	500
Commonwealth		
Credit foncier loans	192 813	200 956
TOTAL BORROWINGS	7 855 320	5 896 075

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

Information on NTTC's exposure to market risk and fair value measurements is included in notes 21 and 22.

18. Leases

	2020	2019
	\$000	\$000
Lease liabilities	11	-
TOTAL LEASE LIABILITIES	11	-

At the commencement date of the lease where NTTC is the lessee, NTTC recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments may include fixed payments (including in substance fixed payments) less any lease incentives receivable and payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for NTTC's leases, the NTTC institutional bond rate is used as the incremental borrowing rate.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for 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.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 18 continued

Lease liabilities are determined in accordance with AASB 117 until 30 June 2019. From 1 July 2019, lease liabilities are determined in accordance with AASB 16.

The following table presents liabilities under leases for 2019-20.

	Amount
	\$000
Balance at 1 July 2019	-
Recognition of lease liabilities on initial adoption of AASB 16	18
Adjusted balance at 1 July 2019	18
Additions/remeasurements	-
Interest expenses	-
Payments	(7)
BALANCE AT 30 JUNE 2020	11

Future minimum lease payments under non-cancellable leases not recorded as liability are as follows:

	2020	2019
	\$	\$
Within one year	-	7
Later than one year and not later than five years	-	11
Later than five years	-	-
	-	18

19. Contributed capital

	2020	2019
	\$000	\$000
Balance at the beginning of the financial year	21 630	21 630
Movement for the year	-	-
BALANCE AT THE END OF THE FINANCIAL YEAR	21 630	21 630

Notes to the financial statements

For the financial year ended 30 June 2020

20. Reconciliations of net profit from operating activities

	2020	2019
	\$000	\$000
a) Net profit	27 987	22 156
Reconciliation flows in net profit		
Add (gain)/loss on extinguishment	37	(4)
Add amortisation	7	-
Less (premium) and discount amortisation	(6 050)	(5 746)
Changes in assets and liabilities		
Less decrease/(increase) in interest receivable	(365)	345
Less decrease/(increase) in debtors	(25)	(3)
Add decrease/(increase) in prepayments	(39)	(18)
Add increase/(decrease) in employee benefits	(2)	(60)
Add increase/(decrease) in creditors and accruals	15	15
Add increase/(decrease) in tax liabilities	2 499	1 275
Add increase/(decrease) in interest payable	7 295	(1 028)
NET CASH INFLOW FROM OPERATING ACTIVITIES	31 359	16 932

b) Reconciliation of liabilities arising from financing activities

	30 June 2019	Recognised on AASB 16	Adjusted 1 July 2019	Cash flow	Non-cash		30 June 2020
					Premiums Provision and discounts		
	\$000	\$000	\$000	\$000	\$000	\$000	\$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

	30 June 2018	Cash flow	Non-cash		30 June 2019
			Premiums Provision and discounts		
	\$000	\$000	\$000	\$000	\$000
Borrowings	5 166 953	734 871	-	(5 749)	5 896 075
Lease liabilities	-				-
Deposits held	388	(114)	(1)	-	273
Dividends	19 181	(19 181)	22 156	-	22 156
TOTAL LIABILITIES	5 186 522	715 576	22 155	(5 749)	5 918 504

Notes to the financial statements

For the financial year ended 30 June 2020

21. 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:

	30 June 2020	30 June 2019
	\$000	\$000
Financial assets:		
Cash and cash equivalents	902 495	44 701
Loans and receivables at amortised cost:		
Trade and other receivables	4 413	4 023
Loans	7 069 075	5 952 352
TOTAL LOANS AND RECEIVABLES AT AMORTISED COST	7 073 488	5 956 375
Financial liabilities:		
Financial liabilities at amortised cost:		
Deposits held	333	273
Trade and other payables	58 696	51 385
Borrowings	7 855 320	5 896 075
TOTAL FINANCIAL LIABILITIES AT AMORTISED COST	7 914 349	5 947 733

Notes to the financial statements

For the financial year ended 30 June 2020

Note 21 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 per cent. There is currently no exposure to foreign exchange risk, therefore no sensitivity analysis is undertaken. However, should NTTC borrow in foreign currency in the future, the sensitivity to foreign exchange risk can similarly be measured by shifting spot exchange rates by an appropriate margin.

Market risks are discussed in more detail below.

(a) Interest rate risk

Interest rate risk is the risk of financial loss or increased costs due to adverse movements in the value of financial assets and liabilities as a result of changes in interest rates. NTTC's interest rate risk arises from cash flow mismatches in the maturity profiles and 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 2020, approximately 72 per cent (2019: 75 per cent) of NTTC's issued debt is on-lent to CHA. The interest rates and maturity dates set on these loans are closely matched to the debt issued by NTTC to external counterparties. NTTC's loans to CHA attract a margin over the cost of servicing the debt.

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

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

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

As at 30 June 2020, NTTC did not hold any derivative transactions.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 21 continued

(i) Sensitivity analysis

Assuming the financial assets and liabilities at 30 June 2020 were to remain until maturity or settlement without any action by NTTC to alter the resulting interest rate risk exposure, an immediate and sustained increase or decrease of 1 per cent in market interest rates across all maturities would have the following impact on profit before tax for the financial year:

	Impact on profit before tax 2020		Impact on profit before tax 2019
	Rates up by 1%	Rates down to 0%	± 1% movement in interest rates
	\$000	\$000	\$000
Financial assets:			
Cash at bank	9 025	(2 256)	± 447
NET SENSITIVITY	9 025	(2 256)	± 447

(ii) Interest rate risk exposures

NTTC's exposure to interest rate risk, re-pricing maturities and the effective interest rates at 30 June 2020 is:

Re-pricing maturities

	Weighted average interest rate	Interest rate reset due in				Non-interest bearing	Total
		0 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years		
	%	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets:							
Cash	0.25	902 495	-	-	-	-	902 495
Trade and other receivables	-	-	-	-	-	4 413	4 413
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	4 413	7 975 983
Financial liabilities:							
Deposits held	-	-	-	-	-	333	333
Trade and other payables	-	-	-	-	-	58 696	58 696
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	2 609 487	5 147 633	59 029	7 914 349

Notes to the financial statements

For the financial year ended 30 June 2020

Note 21 continued

For comparative purposes, NTTC's exposure to interest rate risk, re-pricing maturities and the effective interest rates at 30 June 2019 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	1.00	44 701	-	-	-	-	44 701
Trade and other receivables	-	-	-	-	-	4 023	4 023
Loans							
Fixed rate loans	4.24	44 000	119 000	2 725 000	2 297 200	-	5 185 200
Floating rate loans	4.45	-	232 000	282 000	-	-	514 000
Credit foncier loans	9.40	-	-	1 201	251 951	-	253 152
TOTAL FINANCIAL ASSETS		88 701	351 000	3 008 201	2 549 151	4 023	6 001 076
Financial liabilities:							
Deposits held	-	-	-	-	-	273	273
Trade and other payables	-	-	-	-	-	51 385	51 385
Borrowings							
Fixed interest securities	3.89	-	31 854	1 947 622	3 616 118	-	5 595 594
Promissory notes	1.73	-	99 525	-	-	-	99 525
Credit foncier loans	4.64	-	-	1 187	199 769	-	200 956
TOTAL FINANCIAL LIABILITIES		-	131 379	1 948 809	3 815 887	51 658	5 947 733

(b) Foreign exchange risk

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

(c) Credit risk

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

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

Notes to the financial statements

For the financial year ended 30 June 2020

Note 21 continued

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

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

(d) Liquidity risk

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

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

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

In addition, NTTC at all times maintains:

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

(e) Funding risk

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

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

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

Notes to the financial statements

For the financial year ended 30 June 2020

Note 21 continued

NTTC's current funding sources are as follows:

Wholesale market

Fixed interest securities

Floating rate notes

Promissory notes

Retail market

Territory Bonds

Migration Linked Bonds

Wholesale market issues account for about \$7.38 billion (2019: \$5.54 billion) or 98 per cent (2019: 98 per cent) of all outstanding issued debt as at 30 June 2020. 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.

Territory Bonds as at 30 June	2020	2019
Number of investors	1 941	2 214
Bonds on issue	\$182 000	\$118 600
Average investment size	\$93 547	\$53 588

Notes to the financial statements

For the financial year ended 30 June 2020

Note 21 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 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 2020

Note 21 continued

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

Notes to the financial statements

For the financial year ended 30 June 2020

22. Fair values of financial instruments

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

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

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

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

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

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

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

Notes to the financial statements

For the financial year ended 30 June 2020

Note 22 continued

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

30 June 2020	Total carrying amount	Net fair value total	Net fair value level 1	Net fair value level 2	Net fair value level 3
	\$000	\$000	\$000	\$000	\$000
Financial assets:					
Loans:					
Fixed rate loans	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	-

30 June 2019	Total carrying amount	Net fair value total	Net fair value level 1	Net fair value level 2	Net fair value level 3
	\$000	\$000	\$000	\$000	\$000
Financial assets:					
Loans:					
Fixed rate loans	5 185 200	5 785 425	-	5 785 425	-
Floating rate loans	514 000	524 431	-	524 431	-
Credit foncier loans	253 152	340 016	-	340 016	-
TOTAL FINANCIAL ASSETS	5 952 352	6 649 872	-	6 649 872	-

Financial liabilities:

Borrowings and advances:

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

Notes to the financial statements

For the financial year ended 30 June 2020

23. Related parties

(i) Related parties

NTTC is a government administrative entity and is wholly owned and controlled by the Territory Government. Under section 5 of the NTTC Act, NTTC is subject to the direction of the Treasurer. NTTC is a government business division and an administrative unit of the Department of Treasury and Finance (DTF). 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.

(ii) Key management personnel

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

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

(iii) Remuneration of key management personnel

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

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

	2020	2019
	\$000	\$000
Short-term benefits ¹	214	214
Long-term benefits	-	-
Post-employee benefits ²	27	26
Termination benefits	-	-
TOTAL	241	240

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

2 Includes superannuation contributions paid by NTTC.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 23 continued

(iv) Related-party transactions:

Transactions with Territory Government-controlled entities

Transactions with related parties during the year include:

- loans, loan repayments and associated interest from public sector entities (refer notes 4, 11 and 13)
- interest on investment of cash surpluses (refer notes 4 and 11)
- payment for services provided by government agencies (refer Note 7)
- management fees for services provided to government agencies (refer Note 5)
- tax payments made to DTF (refer Note 8)
- dividend payments made to CHA (refer Note 16).

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.

	2020	2019
	\$000	\$000
Receipts from related parties	548 740	484 835
Payments to related parties	1 409 138	989 945

24. Auditor and review services

	2020	2019
	\$000	\$000
External audit – Northern Territory Auditor-General's Office		
Audit and review of financial statements	76	80
Internal Audit – KPMG		
Internal audit	56	64
Review services	32	44
TOTAL	164	188

25. Fees and commissions

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

	2020	2019
	\$000	\$000
Link Market Services Pty Ltd	117	156
Sungard Systems Pty Ltd	189	111
Austraclear Ltd	131	97
Thomson Reuters Pty Ltd	27	25

Notes to the financial statements

For the financial year ended 30 June 2020

26. 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 2019-20 year was \$820 000 (2019: \$820 000). As at 30 June, CHA investment portfolio balances were:

	2020	2019
	\$000	\$000
Investment portfolio	725 000	610 000
Conditions of Service Reserve	991 633	1 016 408
TOTAL	1 716 633	1 626 408

27. 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 during the year ended 30 June 2020:

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

During the year ended 30 June 2020 only two members were entitled to receive Advisory Board sitting fees, amounting to \$39 644 (2019: \$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.

	2020	2019
	\$000	\$000
Sitting fees	40	40

28. 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.

29. Events subsequent to reporting date

There were no subsequent events.

Certification of financial statements

For the financial year ended 30 June 2020

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 2020 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

23 September 2020



Alex Pollon

General Manager

23 September 2020