

Northern Territory Treasury Corporation

Annual report

2021-22

Department of Treasury and Finance acknowledges the traditional custodians of the lands on which we work and gather. We pay respects to Elders past and present.

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The Honourable Eva Lawler MLA
Treasurer
GPO Box 3146
DARWIN NT 0801

Dear Treasurer

I am pleased to provide to you the 2021-22 Annual Report for the Northern Territory Treasury Corporation (NTTC), which has been prepared in accordance with section 31 of the *Northern Territory Treasury Corporation Act 1994*, section 28 of the *Public Sector Employment and Management Act 1993* (PSEMA) and section 12 of the *Financial Management Act 1995* (FMA).

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

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

I can also advise you that the Auditor-General has audited NTTC's financial statements for the year ended 30 June 2022 and her report is included.

Yours sincerely

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

Craig Graham
Under Treasurer
30 September 2022

List of acronyms

AASB	Australian Accounting Standards Board
AO	administrative officer
ASX	Australian Securities Exchange Ltd
BBSW	Bank Bill Swap Rate
CHA	Central Holding Authority
CFA	Central Financing Authority
CMC	Department of the Chief Minister and Cabinet
COSR	Conditions of Service Reserve
DTF	Department of Treasury and Finance
EAP	employee assistance program
ECL	expected credit loss
ECO	executive contract officer
FMA	<i>Financial Management Act 1995</i>
FOI	freedom of information
GST	goods and services tax
HR	human resources
ICT	information and communications technology
KMP	key management personnel
NTPS	Northern Territory Public Sector
NTTC	Northern Territory Treasury Corporation
NTTC Act	<i>Northern Territory Treasury Corporation Act 1994</i>
PSEMA	<i>Public Sector Employment and Management Act 1993</i>
SAO	senior administrative officer
SMG	Senior Management Group
TFS	Treasury Financial Services
WACoB	weighted average cost of borrowing
WHS	work health and safety

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Purpose of this report

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

Corporate profile

Mission

Assist the Territory by providing agencies with cost-effective funding, efficient financial management and reliable service, and advice on banking, finance and investment matters.

NTTC's mission is accomplished by pursuing the following programs:

- Financial Markets Program – the diversification of borrowing and investment activities across the maturity spectrum and utilising a variety of funding sources to meet the Territory's stated funding requirement.
- Client Services Program – the provision of loans to the Territory Government, government business divisions, government owned corporations, local authorities and other government organisations in accordance with commercially based guidelines and practices.
- Administration and Governance Program – the actions taken to ensure NTTC operates in a professional, prudent and cost-effective manner.

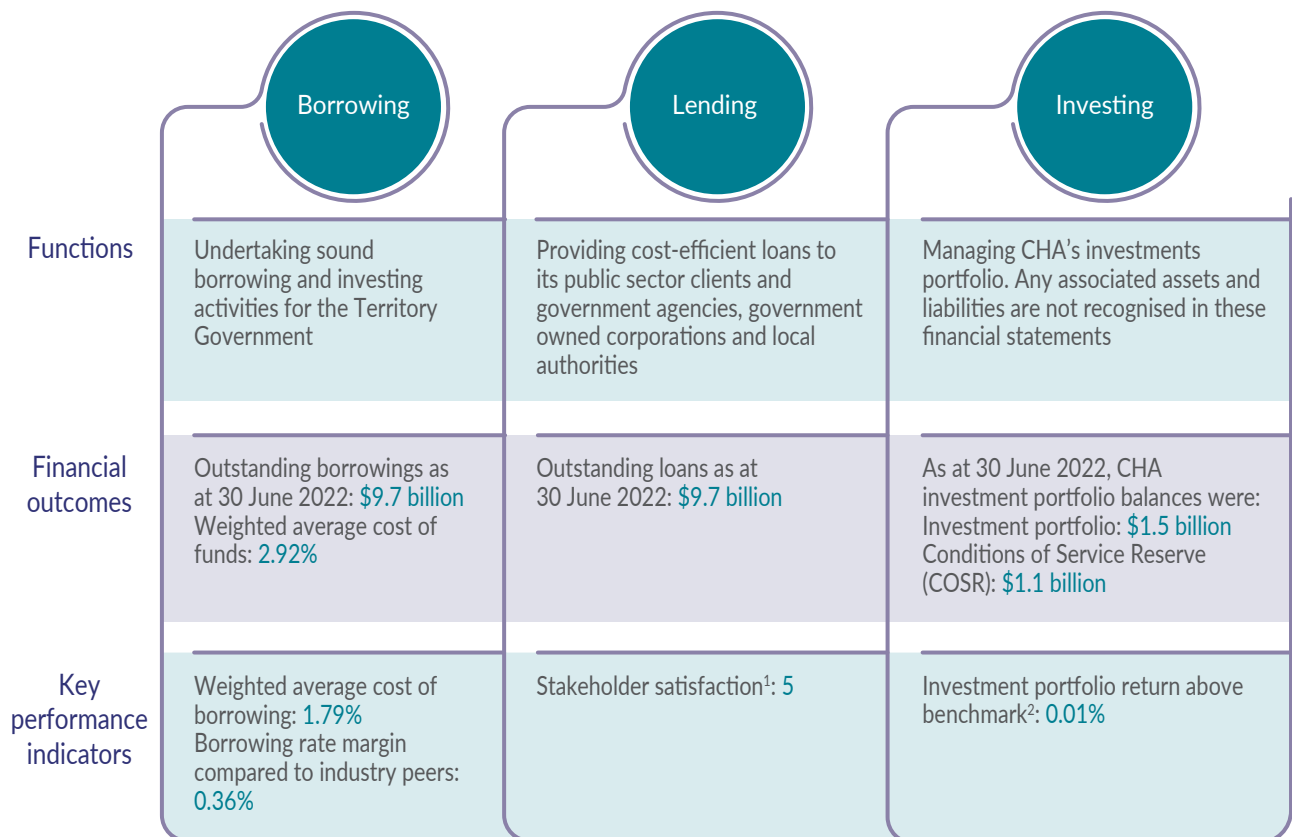
NTTC has a policy of risk neutral operation. Risk neutral means NTTC will generally manage financial risk inherent in the financial assets and liabilities of NTTC, avoiding unnecessary or speculative exposures.

Purpose and functions

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: Overview of NTTC functions



1 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.

2 The benchmark is the Bloomberg AUSBond Bank Bill Index (BBSW). The benchmark return for 2021-22 was 0.10% while NTTC achieved a return of 0.11%.

Values

Our values are:

- commitment to service
- ethical practice
- respect
- accountability
- impartiality
- diversity

In addition, our four key commitments to our customers are in line with Department of Treasury and Finance (DTF) as our parent agency and are that we will:

- provide trusted expertise
- act with accountability and integrity
- ensure we are engaging effectively
- be professional and respectful at all times.

Enabling Act

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 DTF for the purposes of the FMA and PSEMA.

Credit rating

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

Chairman's address

Global markets faced persistent uncertainty and volatility throughout the 2021-22 financial year, with the global economy continuing to navigate COVID-19 outbreaks and the Russia-Ukraine conflict, both of which have further contributed to global supply chain disruptions. The combined effects have caused energy and commodity prices to soar, further compounding rising inflation rates. NTTC was able to navigate through these market conditions, having already undertaken \$870 million of pre-funding for 2021-22 during the prior financial year, then completing the residual borrowing requirement by issuing \$250 million in two new ultra-long-dated bond series to institutional investors in the Australian financial markets and raising an additional \$390 million from retail investors in Territory Bonds.

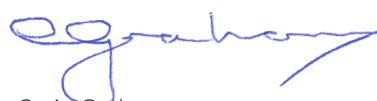
In Australia, the economy remained resilient, despite the ongoing challenges of COVID-19 with the Delta outbreak in the September quarter 2021 and the emergence of the Omicron variant in the December quarter, followed by flooding on the east coast in the March quarter 2022. The Reserve Bank of Australia's (RBA) monetary policies supporting the economy during the pandemic have now largely ended, with the Term Funding Facility closed to new drawdowns at the end of June 2021 and the weekly bond buying program ceasing further purchases from debt capital markets in February 2022. While the RBA maintained the cash rate at 0.10% for most of the year, it implemented increases in both May and June, topping out at 0.85% at the end of the 2021-22 financial year in an effort to counter increasing inflationary pressure.

In June 2022, Moody's affirmed NTTC's Aa3 rating with a stable outlook. Moody's assessment of the Territory's financial position incorporates ongoing support from the Commonwealth and reflects Moody's expectation that the Territory's debt burden will peak two years earlier than previously anticipated.

With global inflation rates having reached a 40-year high, major central banks are focused on bringing inflation to target levels by way of policy amendments and higher interest rates. While inflation in Australia is relatively lower than in most countries, it is higher than previously expected. Global factors account for much of the inflation increase in Australia, including COVID-19-related disruptions to supply chains and the Russia-Ukraine conflict. However domestic factors have also contributed, with the tight labour market and capacity constraints in some sectors and floods earlier in 2022 adding to the upward pressure on prices.

As the Territory economy continues its recovery from the pandemic, payroll tax and property transfer duty revenues have benefitted from strong housing activity and strong labour markets, with unemployment falling to 4.1% in June 2022. Despite the ongoing uncertainties related to COVID-19 in Australia, the states and territories have removed many COVID-19-related restrictions including domestic and international border closures, allowing the flow of goods and services, tourists, students and overseas workers, which are contributing to the economic recovery of the Territory and the broader Australian economy.

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 2021-22 financial year.



Craig Graham
Under Treasurer and Chair

Performance summary

Review of 2021-22

- Successful delivery of \$640 million borrowing program.
- Ongoing focus on issuing longer dated bonds to extend term/duration and reduced cost of borrowing.
- About \$8.2 billion on issue in major bond series in Australian debt capital markets.

Table 1 summarises the 2021-22 results and provides an assessment of actual performance compared to the estimate for 2021-22 and 2020-21 results. Key results include:

- total revenue of \$335.1 million, largely in line with the budget and \$17 million greater than 2020-21. The variation from 2020-21 relates to an increase in loans provided to counterparties

- total expenses of \$295.1 million close to budget and \$8.7 million greater than 2020-21. The variation from 2020-21 relates to the increase in borrowings to fund loans to counterparties
- net profit after tax of \$28 million slightly higher than budget and \$5.8 million greater than 2020-21, directly resulting from the revenue and expenses variations outlined above
- the cash position of \$112.6 million, \$53.3 million greater than budget. This is mainly due to higher Territory Bonds issued (\$10 million), a reduction in loans requested in June 2022 by the government owned corporations of \$38 million (Power and Water Corporation of \$18 million and Territory Generation for \$20 million) and loan repayments of \$5 million received from NTHO.

Table 1: Comprehensive operating statement and cash flow overview

	2021-22 Actual	2021-22 Estimate	2020-21 Actual	Variation from estimate	Variation from 2020-21 actual
	\$000	\$000	\$000	\$000	\$000
Statement of income					
Revenue	335 083	334 995	318 084	88	16 999
Expenses	295 090	295 734	286 424	(644)	8 666
Profit before tax	39 993	39 261	31 660	732	8 333
Tax expense	11 998	11 778	9 498	220	2 500
Net profit after tax	27 995	27 483	22 162	512	5 833
Statement of cash flows					
Cash flows from operating activities	3 626	3 522	10 720	104	(7 094)
Cash flows from (to) investing activities	(802 228)	(845 228)	(1 827 999)	43 000	1 025 771
Cash flows from (to) financing activities	(227 513)	(237 717)	2 053 464	10 204	2 280 977
Cash at beginning of financial year	1 138 680	1 138 680	902 495	-	236 185
Cash at end of financial year	112 565	59 257	1 138 680	53 308	(1 026 115)

Table 2 compares the net asset position for 2021-22 with the budget and 2020-21. Cash decreased from 2020-21 by \$1.0 billion to \$112.6 million in

2021-22 mainly for additional loans provided to the counterparties of \$802.2 million and reduction in borrowings (see Table 3).

Table 2: Financial position overview

	2021-22 Actual	2021-22 Estimate	2020-21 Actual	Variation from estimate	Variation from 2020-21 Actual
	\$000	\$000	\$000	\$000	\$000
Statement of financial position					
Cash and cash equivalents	112 565	59 257	1 138 680	53 308	(1 026 115)
Trade and other receivables	3 610	3 818	3 515	(208)	95
Loans	9 699 302	9 742 303	8 897 075	(43 001)	802 227
Property, plant and equipment (Leases)	28	29	4	(1)	24
Total assets	9 815 505	9 805 407	10 039 274	10 098	(223 769)
Deposits held	775	715	715	60	60
Trade and other payables	61 646	61 464	66 393	182	(4 747)
Provisions and tax liabilities	40 217	39 409	31 809	808	8 408
Borrowings	9 691 207	9 682 159	9 918 722	9 048	(227 515)
Leases	29	29	4	-	25
Total liabilities	9 793 874	9 783 776	10 017 643	10 098	(223 769)
Total equity	21 631	21 631	21 631	-	-

Table 3 reports the movement in borrowings with an overall reduction of \$227.5 million compared to 2020-21, with a net cash outflow of \$205.4 million. The variation is driven by reduced activity in the wholesale market

due to a significant pre-funding activity of \$870 million in 2020-21, that anticipated borrowing requirements for 2021-22. This is partially offset by an increase of the borrowings in the retail market.

Table 3: Borrowings movement

	2020-21	Cash flow		Non-cash	2021-22
		Drawdown	Repayment	Premiums and discounts	
	\$000	\$000	\$000	\$000	\$000
Wholesale market	8 916 869	252 199	(655 000)	(22 111)	8 491 957
Retail market	817 563	389 569	(183 340)	-	1 023 792
Commonwealth	184 290	-	(8 832)	-	175 458
Total	9 918 722	641 768	(847 172)	(22 111)	9 691 207

Table 4 reports the NTTC's performance against planned outcomes for 2021-22, as presented in

Budget Paper No. 3 and confirms all key performance indicators have been achieved.

Table 4: Key performance indicators

	2021-22 Budget	2021-22 Estimate	2021-22 Actual	KPI met/ not met
Weighted average cost of borrowings	2.50%	2.00%	1.79%	Met
Borrowing rate margin compared to industry peers	≤ 0.50%	≤ 0.50%	0.36%	Met
Investment portfolio return above benchmark ¹	≥ index	≥ index	0.01%	Met
Volatility of investment portfolio return against benchmark ¹	± 0.25%	± 0.25%	± 0.25%	Met

1 The benchmark is the Bloomberg AUSBond Bank Bill Index (BBSW). The benchmark return for 2021-22 was 0.10% while NTTC achieved a return of 0.11%.

NTTC's weighted average cost of borrowing target for 2021-22 was lowered to 2.00% (from 2.50%) in line with the low interest rate environment experienced throughout the first half of the financial year. The actual outcome achieved for the 2021-22 financial year was 1.79%. The weighted average cost of borrowing on outstanding issued debt at 30 June 2022 was 2.92%.

Consistent with previous years, the average recorded spread or borrowing margin achieved on wholesale bonds issued by NTTC during the financial year was about 36 basis points over similar bond maturities issued by NTTC's semi-government peers. NTTC-issued bonds were priced at fairly consistent margins to peers throughout the financial year (Figure 2).

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

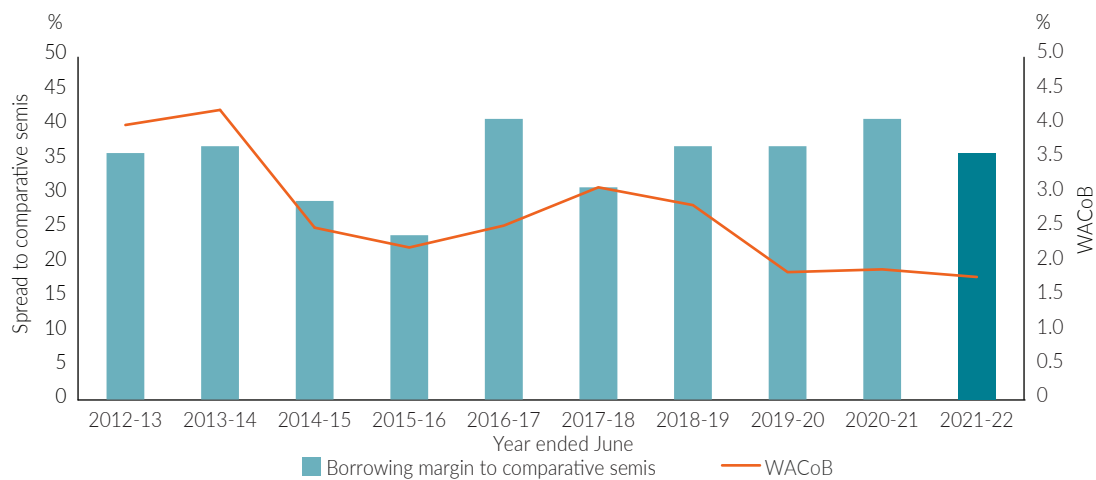


Table 5 reports that in 2021-22 NTTC achieved the lowest weighted average cost of borrowing in the five years to 2021-22, and also the lowest return above

benchmark of just 0.01%. The borrowing rate margin compared to peers has remained broadly stable over the five-year period.

Table 5: Five-year key performance indicators summary

	2021-22	2020-21	2019-20	2018-19	2017-18
Quantity					
Weighted average cost of borrowing	1.79%	1.90%	1.86%	2.84%	3.10%
Quality					
Borrowing rate margin compared to industry peers	0.36%	0.41%	0.37%	0.37%	0.31%
Investment portfolio return above benchmark ¹	+ 0.01%	+ 0.39%	+ 0.45%	+ 0.42%	+ 0.33%
Stakeholder satisfaction ²	5	5	5	5	5

1 The benchmark is the Bloomberg AusBond Bank Bill Index. The benchmark return for 2021-22 was 0.10% while NTTC achieved a return of 0.11%.

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

Table 6 is a summary of NTTC's financial performance over the past five years. Net profit margin is broadly stable and around 12% over the five-year period.

Assets and liabilities have increased in the five years to 2021-22 mainly in relation to loans and borrowings that increased 85.9% and 87.6%, respectively.

Table 6: Five-year financial overview

	2021-22	2020-21	2019-20	2018-19	2017-18
	\$000	\$000	\$000	\$000	\$000
Statement of income					
Revenue	335 083	318 084	288 828	258 322	232 972
Expenses	295 090	286 424	248 847	226 671	205 571
Profit before tax	39 993	31 660	39 981	31 651	27 401
Tax expense	11 998	9 498	11 994	9 495	8 220
Net profit after tax	27 995	22 162	27 987	22 156	19 181
Statement of financial position					
Total assets	9 815 505	10 039 274	7 976 070	6 001 146	5 268 961
Total liabilities	9 793 874	10 017 643	7 954 439	5 979 515	5 247 330
Total equity	21 631	21 631	21 631	21 631	21 631
Statement of cash flows					
Cash flows from operating activities	3 626	10 720	31 359	16 932	24 712
Cash flows from (to) investing activities	(802 228)	(1 827 999)	(1 116 723)	(735 824)	(1 235 010)
Cash flows from (to) financing activities	(227 513)	2 053 464	1 943 158	715 576	1 189 690

Outlook for 2022-23

- The Australian economy expected to face challenges with strained global supply chains from COVID-19 as well as higher global oil, gas and food prices as a result of the Russia-Ukraine conflict adding to inflationary pressures and risk, dampening consumer confidence and investor and business sentiment globally.
- Increased market volatility and uncertainty resulting in higher cost of borrowing assumptions in line with the rising domestic and global interest rate environment.
- Issuance of new institutional bond series in Australian debt capital markets.
- Utilising short-dated promissory note facility and select/existing long-dated bond series to meet borrowing requirements.

Strategic issues for 2022-23

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

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 7: Five-year borrowing composition

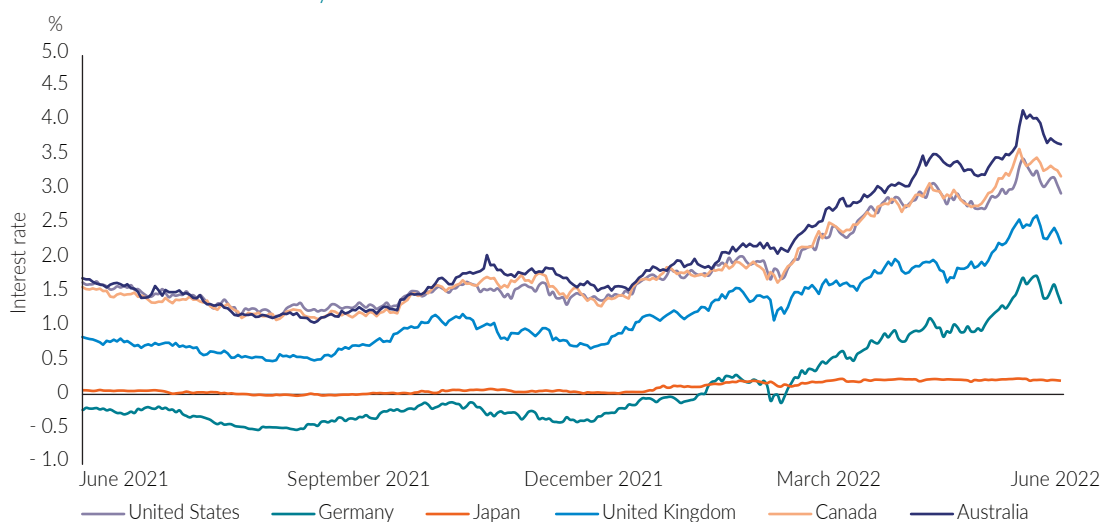
	2021-22	2020-21	2019-20	2018-19	2017-18
	\$M	\$M	\$M	\$M	\$M
Refinancing maturing Territory debt	838	98	132	508	528
New borrowings	629	1 790	1 215	1 021	950
Debt reduction	-	-	-	-	-
Pre-funding	- 870	- 708	- 21	- 291	-
Borrowing requirement	597	1 180	1 326	1 238	1 478
Pre-funding	43	870	708	21	291
Total borrowing program	640	2 050	2 034	1 259	1 769

Borrowing environment

The global economy has experienced high levels of uncertainty and is expected to face challenges ahead with strained supply chains from COVID-19 as well as higher global oil, gas and food prices as a result of the Russia-Ukraine conflict. These factors have combined to add to high inflationary pressures.

Accordingly, the environment in financial markets during the June quarter 2022 has seen a shift in market interest rates which will result in significantly higher borrowing cost for existing and new borrowers with Australia not being immune to the conditions. Figure 3 shows the trend of global interest rates from June 2021 to June 2022.

Figure 3: Global interest rates – 10-year bond



Borrowing activity

The Territory's borrowing requirement for 2021-22 was estimated at about \$1.5 billion, with \$838 million allocated to refinance maturing debt and \$657 million of new borrowings. In 2020-21, NTTC issued about \$2.05 billion, which completed the stated 2020-21 funding task and contributed \$870 million towards the Territory's anticipated borrowing requirement for 2021-22. Consequently and in order to meet the Territory's residual borrowing requirement for 2021-22,

NTTC issued a total of \$250 million to institutional investors in the Australian financial markets during the 2021-22 financial year at a weighted average interest rate of 2.85%, as shown in Table 5.

In terms of retail borrowings, Territory Bonds had an outstanding year, raising about \$390 million at a weighted average interest rate of 1.11% with a term to maturity of about three years. A full listing of NTTC's issued debt is provided in Appendix A on page 25.

Table 8: Institutional bond issues during 2021-22

Issue date		Amount issued	Maturity date	Coupon	Yield
		\$M		%	%
August 2021	New line	80	21 March 2051	3.00	2.92
September 2021	New line	100	21 March 2041	2.75	2.67
December 2021	Existing line	70	21 March 2051	3.00	3.02
Total		250			

As at 30 June 2022, NTTC had 14 institutional benchmark bond issues as detailed in Table 6.

Table 9: Institutional bond issues as at 30 June 2022

Maturity date	Coupon	Amount on issue	Maturity date	Coupon	Amount on issue
	%	\$M		%	\$M
21 November 2022	2.50	600	21 May 2030	3.50	750
15 March 2024	6.00	650	21 April 2031	2.00	750
21 October 2024	2.75	500	21 May 2032	2.50	650
15 March 2026	6.00	650	21 April 2033	3.75	750
21 April 2027	2.75	600	21 March 2041	2.75	100
21 April 2028	3.50	750	21 November 2042	4.10	650
21 May 2029	2.00	600	21 March 2051	3.00	150

Table 10: Borrowing performance as at 30 June

	2022	2021	2020	2019	2018
	%	%	%	%	%
Average borrowing margin					
Short-term – margin to BBSW rate	n/a	n/a	0.00	- 0.03	- 0.04
Long-term (fixed rate) – margin to comparative semi-government security	0.36	0.41	0.37	0.37	0.31
Cost of borrowing achieved during the year					
Weighted average cost of borrowing	1.79	1.90	1.86	2.84	3.10
Total cost of funds					
Weighted average cost of funds	2.92	3.06	3.35	3.85	4.17

n/a: not assessable

Portfolio duration and term to maturity

As at 30 June 2022, the weighted average duration of Territory debt on issue is 5.9 years compared with 6.1 years reported in June 2021. Similarly, the weighted average term to maturity decreased to 7.0 years, compared with the 7.1 years recorded in June 2021.

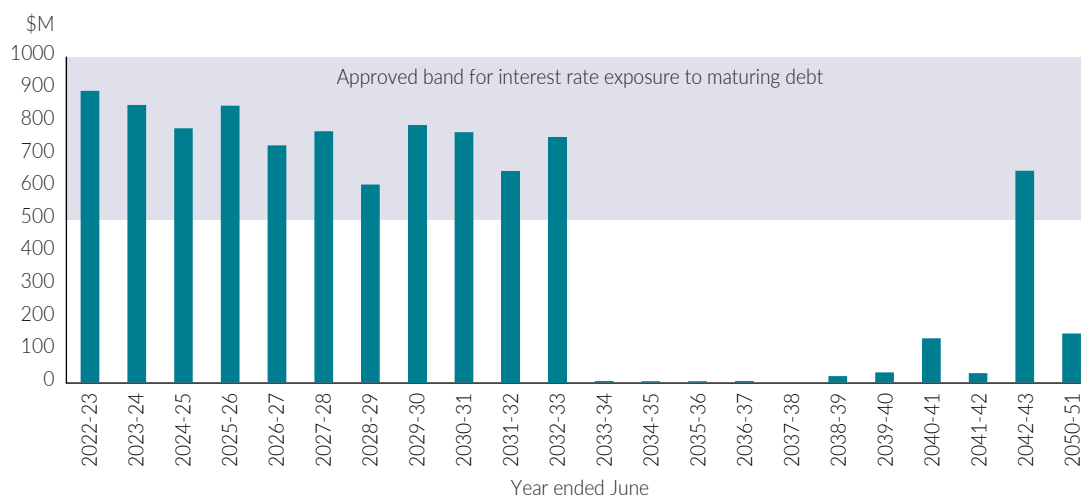
Interest rate risk management

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 4). NTTC may use interest rate swaps and forward start interest rate swaps to manage interest rate risk as required.

In March 2020, NTTC established a target level of interest rate exposure to maturing Territory debt in a financial year with a lower limit of \$500 million and an upper limit of \$1.0 billion. The limits were based on outstanding debt at the time, with the upper limit recognising the strategy of containing interest rate exposure in any one financial year to about 20% of total outstanding debt and the lower limit representing 10% of outstanding debt.

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

Figure 4: Interest rate exposure of maturing debt as at 30 June 2022



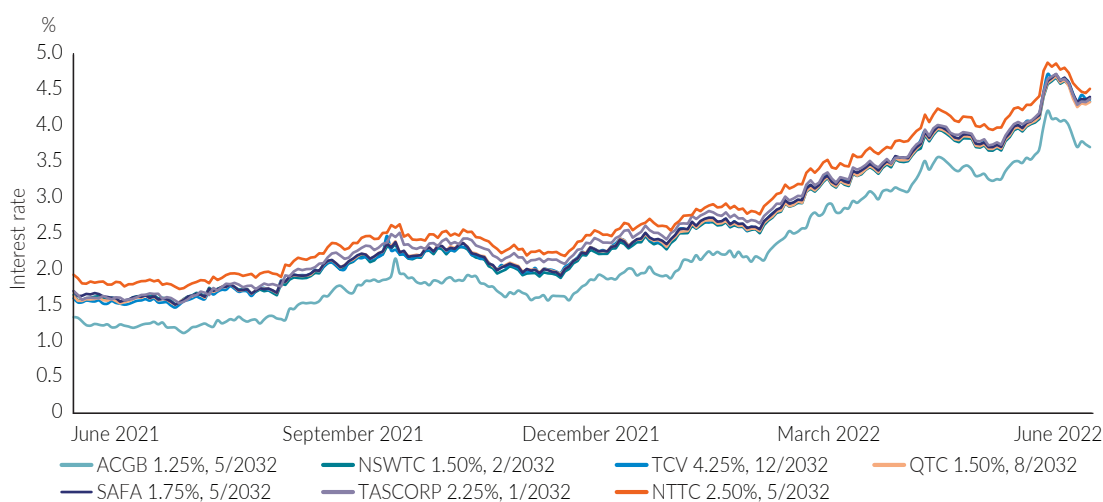
Trading margin

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 2021-22 was about 0.36% over similar bond maturities issued by the other AAA-rated CFAs.

Figure 5 shows the implied trading margin between NTTC's 2032 bond series and similar maturities issued by the Commonwealth and other CFAs. Relative to the Commonwealth bond, NTTC's 2032 bond series has been trading at a margin of between 50 and 70 basis points. NTTC's margin relative to comparative bonds issued by other CFAs has been between 25 and 40 basis points.

Figure 5: Trading margin



Promissory notes

NTTC's short-term funding requirement is met through its promissory note facility. These notes are issued by way of tender to key institutional counterparties. While NTTC had no promissory notes on issue as at 30 June 2022, the promissory note facility remains available to use during the year to meet short-term funding requirements.

Migration Linked Bonds

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

- Business Innovation and Investment program
- Investor Retirement Migration.

As at 30 June 2022, NTTC had no migration linked bonds on issue.

Territory Bonds

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

NTTC recorded another relatively strong year of activity from Territory Bonds, raising about \$390 million in the twelve months to June 2022 compared to a total of \$685 million raised in 2020-21. As at 30 June 2022, the total outstanding balance in Territory Bonds was about

\$1.0 billion with the number of registered investors increasing to 1996 compared with 1966 recorded in June 2021.

Figure 6 shows NTTC has raised just over \$1.0 billion from Territory Bonds as at 30 June 2022 with the average investment size recorded at about \$500,000.

In terms of maturity profile (Figure 7), NTTC has been actively monitoring the interest rates offered on Territory Bonds to ensure funds are allocated across all five terms available to investors.

Figure 6: Territory Bonds – outstanding balances and average investment as at 30 June

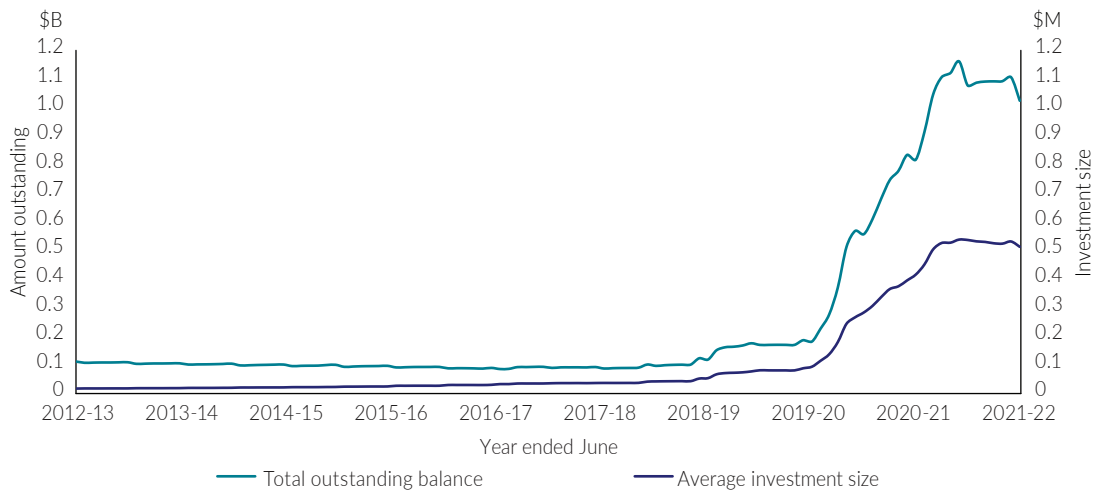
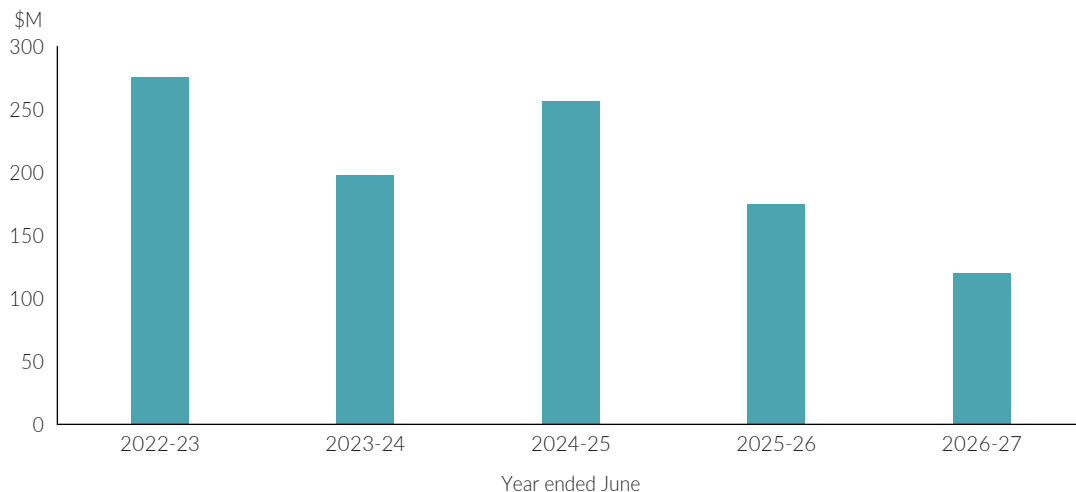


Figure 7: Territory Bonds maturity profile as at 30 June



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 2022, NTTC had a total outstanding loan portfolio of \$9.7 billion, about \$800 million higher than the balance reported at 30 June 2021. Table 8 (page 11) 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 Table 9 on page 11.

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 2022, loans to the general government sector totalled \$8.1 billion, an increase of about \$800 million from the previous financial year. This represents the additional loans allocated to CHA in order to finance the Territory Government's fiscal deficit.

Government business divisions

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

As at 30 June 2022, loans to this sector totalled about \$171 million, around \$22 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 2022, loans to this sector totalled about \$1.4 billion, an increase of about \$18 million from the previous financial year reflecting new loans issued to Power and Water Corporation during the 2021-22 financial year.

Local government councils

Loans to local government councils represent borrowings by municipal, regional and shire councils situated throughout the Territory. The funds are used to finance specific council infrastructure projects, working capital requirements, or to purchase or replace existing plant and equipment. Loans to local government councils are first assessed by the Local Government division in the Department of the Chief Minister and Cabinet (CMC), and must carry the support and recommendation of the minister prior to being submitted for approval to the Treasurer. As at 30 June 2022, 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 2022, NTTC had no outstanding loans to this sector.

Figure 8: Client loans as at 30 June 2022

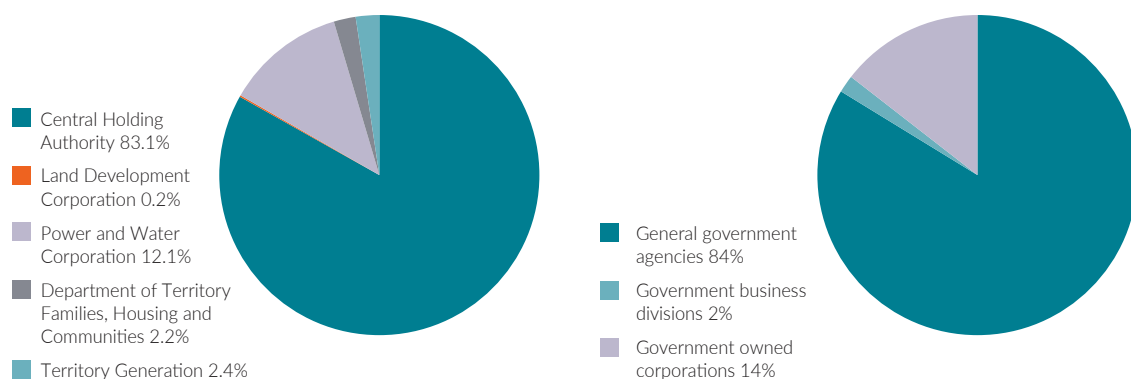


Table 11: Outstanding loans as at 30 June

	2022	2021	2020	2019	2018
	\$M	\$M	\$M	\$M	\$M
General government agencies	8 123.5	7 317.4	5 502.8	4 299.8	3 606.0
Government business divisions	170.8	192.6	204.2	210.5	226.5
Government owned corporations	1 405.0	1 387.0	1 362.0	1 442.0	1 384.0
TOTAL	9 699.3	8 897.0	7 069.0	5 952.3	5 216.5

Table 12: Outstanding loans by counterparty as at 30 June 2022

	2022	2021
	\$M	\$M
General government agencies		
Central Holding Authority	8 064.1	7 254.2
Department of Territory Families, Housing and Communities	59.4	63.2
Total general government agencies	8 123.5	7 317.4
Government business divisions		
Land Development Corporation	15.0	15.0
NT Home Ownership	155.8	177.6
Total government business divisions	170.8	192.6
Government owned corporations		
Power and Water Corporation	1 175.0	1 157.0
Territory Generation	230.0	230.0
Total government owned corporations	1 405.0	1 387.0
TOTAL	9 699.3	8 897.0

Administration and governance

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

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

Corporate objectives

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

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

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 of 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.

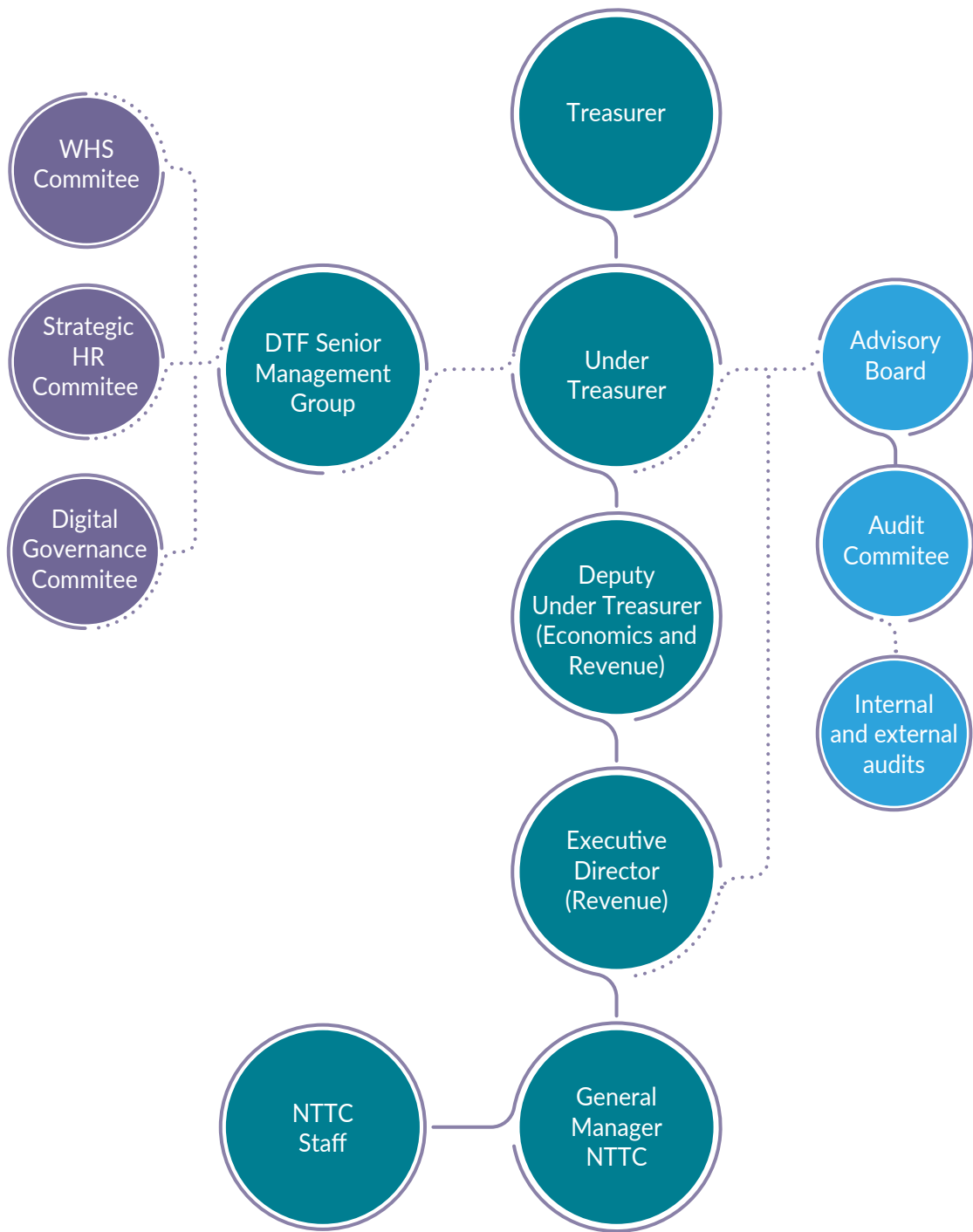
Department of Treasury and Finance

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

Three standing committees further support the Under Treasurer and SMG with oversight and advice in relation to risks and issues affecting the agency:

- Work Health and Safety (WHS) Committee, provides advice to the Under Treasurer and SMG on WHS issues to facilitate the health and safety of employees and clients in the workplace
- Strategic Human Resources Committee, monitors and oversees strategic (HR) planning and management for DTF in compliance with PSEMA and the NTPS human resources (HR) strategies
- Digital Governance Committee, provides effective governance and prioritises, monitors and controls DTF's program of digital works and ensures risks associated with the digital program are monitored and aligned with strategic priorities.

Figure 9: NTTC's reporting structure



Advisory Board

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

Advisory Board members



Mr Craig Graham, Chair
Department of Treasury
and Finance

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

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



**Dr Sarah Rummery, Executive
Director (Revenue)**
Department of Treasury
and Finance

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

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



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

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



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

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

Our people

Effective 1 January 2022, Treasury Financial Services (TFS) was merged with NTTC (to be referred as NTTC), and the Disaster Recovery Funding Arrangements (DRFA) administration function was transferred to the Finance unit of CMC.

The TFS business unit of DTF was formed in 2017 from the finance teams in NTTC, NT Superannuation Office and corporate support that included the DRFA administration. TFS provided financial services to NTTC under a service level agreement.

The amalgamation will address key person risk, ensure adequate resourcing is available to undertake key responsibilities, providing staff with greater diversity in the workplace and a better career path.

At 30 June 2022, NTTC has a total (headcount) of 10 staff, of whom five were previously TFS staff.

Management team

Mr Alex Pollon

General Manager

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

Ms Raffaella Carpine

Manager Financial Services

Raffaella joined DTF in January 2021 as the Manager Financial Services and is responsible for NTTC's financial reporting, budgeting, corporate governance and risk management functions. Her key areas of experience cover accounting, risk, corporate governance, mergers and acquisitions, strategy and transformation. Raffaella has 15 years' experience in finance roles, including 10 years in audit and assurance at PricewaterhouseCoopers Italy. Her expertise is in listed and proprietary multinationals and she has worked in various businesses, including the Italian Stock Exchange. She has a Masters of Business Economics and Bachelor of Business Management.

Mrs Tania Senga

Manager Financial Assets and Liabilities

Tania commenced with NTTC in February 2020 as the Manager Financial Assets and Liabilities and is responsible for the day-to-day activities and operational effectiveness of the treasury functions undertaken by NTTC. Tania has over 17 years' experience in the public accounting industry and has worked across a wide range of industries. She previously worked at Power and Water Corporation as Supervisor Financial Accounting for three years. Tania 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) and is currently a member of the institute.

Workforce

At 30 June 2022, NTTC has total of 10 employees (headcount).

NTTC's staff members are employed under PSEMA. Section 10 of the NTTC Act permits the Under Treasurer to assign staff to NTTC from DTF, on either a full or part-time basis. Employees are required to comply with PSEMA, the Northern Territory Government Code of Conduct and codes of ethics of all relevant professional associations.

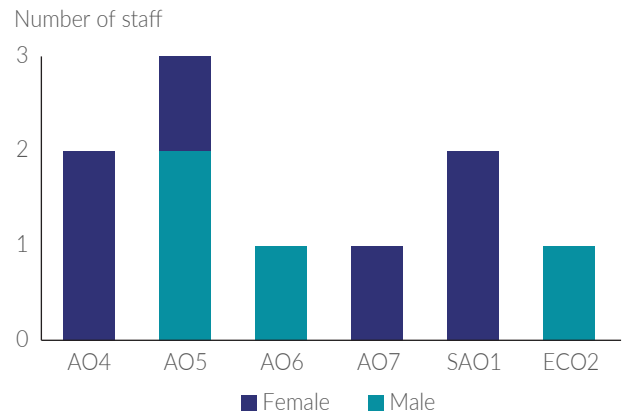
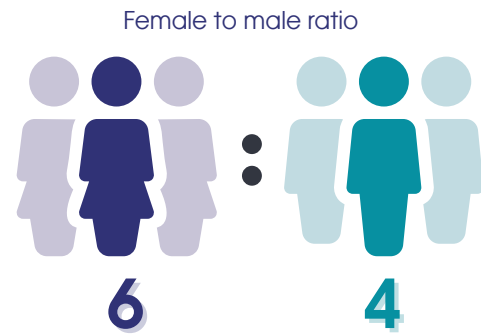
NTTC has a diverse workforce, recognising the value staff bring from different backgrounds, education and work experiences, and values each member's contribution to the workplace and its high performing culture. Of the 10 staff paid as at 30 June 2022, 60% were women and 40% were men. The graph (right) illustrates a comparison by gender for each classification level.

Flexible work arrangements

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

Graduate program

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



Training and professional memberships

Employees undertake training and professional development aligned with organisational requirements, generally identified through an employee development framework process. In addition to training, they are encouraged to undertake finance and accounting-related study through various professional bodies and institutions at the postgraduate 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.

In 2021-22, 40% of staff took advantage of DTF's study assistance scheme. Fields of study included Certified Practising Accountant and Chartered Financial Analyst.

Equal opportunity and merit

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.

Appointments are based on the principles of merit. Employees are capable and competent to perform their duties, having the knowledge, skills, experience and qualifications required to be successful in their role and having consideration of their potential for future development.

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.

As part of its annual wellbeing program, DTF offered free flu vaccinations in April 2022 to all staff. St John Ambulance first aid training was also made available to staff and was taken up by 1 person.

Other business relationships

The Department of Corporate and Digital Development provides other corporate services, which include HR, ICT, procurement and records management.

Registry services

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

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

Risk management

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

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 risk appetite statement and a comprehensive risk register, which provides a repository for recording each risk and its attributes, evaluation and treatments. Its key function is to provide significant information on the risks faced by NTTC and the mitigation controls in place to address those risks. The risk culture determines the manner in which NTTC manages risks. NTTC management culture embeds risk awareness, integrity, transparency and accountability. The Risk Management Framework is updated on an ongoing basis, at least annually, in response to changes in the NTTC's associated risks. The Risk Appetite statement is approved annually.

Risk appetite is the level of risk that NTTC will accept in pursuit of its strategic goals, and is determined in conjunction with NTTC's strategy and aligned to the strategic goals.

The management of risk is fundamental to the successful execution of NTTC strategy, and risks are classified into four broad categories:

- strategic risks – risks relating to NTTC strategy, including risks associated with reputation
- financial risks – the risk of financial failure, loss as a result of investment activity, lack of liquidity or funding, and or inappropriate recording, reporting and disclosure of financial results, taxation or regulatory information

- operational risks – the risk of direct or indirect loss, or other adverse consequences to the business, resulting from inadequate or failed internal processes, people and systems, or from external events
- fraud risks – the risk of unexpected financial, material or reputational loss as the result of fraudulent action of persons internal or external to NTTC.

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 providing mandatory fraud awareness training to all staff.

Proper records of incidents of suspected fraud are documented in a fraud register in accordance with the Treasurer's Direction – Fraud Control. The incidents are managed in accordance with DTF's Fraud Control Framework, including notification to the appropriate agencies.

Financial control

NTTC has a robust system of financial control, and an appropriate framework of delegated authorities is in place. Comprehensive financial planning, reporting and review procedures are in place, with an annual budget, mid-year report and estimates process. Financial and key performance indicators are reviewed against budget on a monthly basis and quarterly reports are reviewed and considered by the Advisory Board.

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.

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* 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 at least annually to ensure all critical functions are captured and contingency arrangements are documented.

Compliance self-assessment reviews

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

Delegations

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

Work health and safety

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

Compliance

NTTC has a high level of compliance and is subject to several audits and review processes during the year. Audits are undertaken by both internal and external auditors, and their focus reflects the importance of risk management and corporate governance. Findings of reviews and audits conducted during the year are reported in Table 10.

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 2022, the Audit Committee comprised the two external Advisory Board members and is chaired by Mr Montague.

External audit

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

Internal audit

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

Table 13: Audits undertaken during the year

Function	Type	Period ending	Internal/external	Outcomes
2020-21 financial statements	Audit	30/06/21	External	Unqualified audit opinion
Internal controls testing	Review	30/09/21	Internal	No significant matters identified
	Review	31/03/22	Internal	No significant matters identified
Interim period review	Audit	30/06/22	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. Activities and controls are designed to meet the requirements of legislative and regulatory frameworks, codes and practices, and in line with the Risk Management Framework.

Corporate planning and reporting process

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

Information Act 2002

NTTC is subject to the requirements of the *Information Act 2002*, which include records management, freedom of information (FOI) and privacy. DTF is responsible for managing all information requests on behalf of NTTC. In 2021-22, the Department of the Chief Minister and Cabinet managed FOIs and privacy on behalf of DTF.

From 1 July 2022, the Department of Corporate and Digital Development will commence management of FOIs for DTF and other Territory Government agencies under a centralised model. Details about how to apply for access to information, with links to relevant legislation and related agencies, can be found on DTF's website, treasury.nt.gov.au/InformationAct. Further assistance can be provided by contacting:

Freedom of Information Services
GPO Box 2391 DARWIN NT 0800

Telephone: 08 8999 1793

Email: FOI@nt.gov.au

Appendix A: Outstanding domestic borrowings

as at 30 June 2022

Maturity date	Coupon rate	Face value	Maturity date	Coupon rate	Face value
	%	\$000		%	\$000
2022-23			15-Jun-23	2.35	8
30-Sep-22	8.24	5 000	15-Jun-23	2.40	65
21-Nov-22	2.50	600 000	15-Jun-23	2.50	8 252
15-Dec-22	0.25	2 000	15-Jun-23	2.80	10
15-Dec-22	0.30	11 000	15-Jun-23	2.85	167
15-Dec-22	0.35	5 163	15-Jun-23	2.90	238
15-Dec-22	0.40	33 486	15-Jun-23	2.95	290
15-Dec-22	0.50	22 873	15-Jun-23	3.00	1 646
15-Dec-22	0.55	23	15-Jun-23	3.10	853
15-Dec-22	0.60	46			
15-Dec-22	0.70	62 496	TOTAL 2022-23	2.09	895 405
15-Dec-22	0.80	3 000			
15-Dec-22	0.90	16 450	2023-24		
15-Dec-22	1.00	335	15-Dec-23	0.45	5
15-Dec-22	1.10	9 760	15-Dec-23	0.50	9 000
15-Dec-22	1.35	11	15-Dec-23	0.55	42
15-Dec-22	1.40	95	15-Dec-23	0.60	46 648
15-Dec-22	1.50	2 846	15-Dec-23	0.65	7
15-Dec-22	1.80	5 000	15-Dec-23	0.70	1 750
15-Dec-22	1.90	50	15-Dec-23	0.80	29 977
15-Dec-22	2.00	5 100	15-Dec-23	0.90	556
15-Dec-22	2.75	372	15-Dec-23	1.00	23 034
15-Dec-22	2.80	1 193	15-Dec-23	1.20	7 710
15-Dec-22	2.85	275	15-Dec-23	1.50	20
15-Dec-22	2.90	12 327	15-Dec-23	1.60	2 547
15-Dec-22	3.00	1 776	15-Dec-23	1.90	2 500
15-Mar-23	6.00	10 000	15-Dec-23	2.00	10
20-May-23	5.00	5 000	15-Dec-23	2.10	5 065
15-Jun-23	0.40	6 390	15-Dec-23	2.95	340
15-Jun-23	0.50	39 000	15-Dec-23	3.00	584
15-Jun-23	0.55	64	15-Dec-23	3.10	3 711
15-Jun-23	0.60	360	15-Mar-24	6.00	650 000
15-Jun-23	0.70	11 638	20-May-24	5.00	5 000
15-Jun-23	1.05	410	15-Jun-24	0.60	6 500
15-Jun-23	1.10	460	15-Jun-24	0.70	35
15-Jun-23	1.20	5 374	15-Jun-24	0.75	75
15-Jun-23	1.35	135	15-Jun-24	0.80	41 835
15-Jun-23	1.40	1 558	15-Jun-24	0.90	3 245
15-Jun-23	1.50	2 811	15-Jun-24	1.15	11
			15-Jun-24	1.20	216

Maturity date	Coupon rate	Face value	Maturity date	Coupon rate	Face value
	%	\$000		%	\$000
15-Jun-24	1.30	217	15-Jun-25	1.25	450
15-Jun-24	1.60	260	15-Jun-25	1.30	321
15-Jun-24	2.00	8	15-Jun-25	1.35	10
15-Jun-24	2.10	250	15-Jun-25	1.40	2 228
15-Jun-24	2.35	428	15-Jun-25	1.50	2 634
15-Jun-24	2.40	364	15-Jun-25	1.55	86
15-Jun-24	2.45	189	15-Jun-25	1.60	122
15-Jun-24	2.50	2 157	15-Jun-25	1.65	10
15-Jun-24	2.60	5 228	15-Jun-25	1.70	430
15-Jun-24	2.95	253	15-Jun-25	1.80	269
15-Jun-24	3.00	225	15-Jun-25	2.60	3 138
15-Jun-24	3.10	2 424	15-Jun-25	2.85	152
TOTAL 2023-24	4.83	852 524	15-Jun-25	2.90	160
			15-Jun-25	3.00	829
2024-25			TOTAL 2024-25	2.33	780 559
21-Oct-24	2.75	500 000			
15-Dec-24	0.70	13 250	2025-26		
15-Dec-24	0.80	129	15-Sep-25	8.50	24 974
15-Dec-24	0.90	19 502	15-Dec-25	0.80	7 000
15-Dec-24	1.00	66 314	15-Dec-25	0.85	167
15-Dec-24	1.10	39 040	15-Dec-25	0.90	163
15-Dec-24	1.15	117	15-Dec-25	1.00	36 046
15-Dec-24	1.20	488	15-Dec-25	1.10	22 500
15-Dec-24	1.30	15 017	15-Dec-25	1.20	57 055
15-Dec-24	1.55	271	15-Dec-25	1.25	77
15-Dec-24	1.60	378	15-Dec-25	1.30	79
15-Dec-24	1.70	11 813	15-Dec-25	1.40	11 505
15-Dec-24	1.85	100	15-Mar-26	6.00	650 000
15-Dec-24	2.00	2 845	15-Jun-26	0.85	210
15-Dec-24	2.05	26	15-Jun-26	1.00	13 393
15-Dec-24	2.10	130	15-Jun-26	1.15	586
15-Dec-24	2.20	5 590	15-Jun-26	1.20	404
15-Mar-25	6.00	18 900	15-Jun-26	1.30	25 389
20-May-25	8.50	5 000	15-Jun-26	1.60	40
15-Jun-25	0.90	33 060	15-Jun-26	2.70	15
15-Jun-25	0.95	5	15-Jun-26	3.05	52
15-Jun-25	1.00	140	15-Jun-26	3.20	16
15-Jun-25	1.10	37 606	TOTAL 2025-26	5.07	849 672

Maturity date	Coupon rate	Face value
	%	\$000
2026-27		
15-Dec-26	1.35	1 762
15-Dec-26	1.40	34 150
15-Dec-26	1.50	62 546
15-Dec-26	1.65	109
15-Dec-26	1.70	462
15-Dec-26	1.80	2 610
15-Mar-27	6.00	8 400
21-Apr-27	2.75	600 000
15-Jun-27	1.75	92
15-Jun-27	1.90	4 470
15-Jun-27	2.10	56
15-Jun-27	2.20	673
15-Jun-27	2.95	50
15-Jun-27	3.00	18
15-Jun-27	3.10	10 325
15-Jun-27	3.35	35
15-Jun-27	3.40	372
15-Jun-27	3.50	1 875
TOTAL 2026-27	2.61	728 006
2027-28		
15-Mar-28	6.00	7 900
21-Apr-28	3.50	750 000
TOTAL 2027-28	3.53	757 900
2028-29		
15-Mar-29	6.00	7 500
21-May-29	2.00	600 000
TOTAL 2028-29	2.05	607 500

Maturity date	Coupon rate	Face value
	%	\$000
2029-30		
15-Mar-30	6.00	42 000
21-May-30	3.50	750 000
TOTAL 2029-30	3.63	792 000
2030-31		
21-Apr-31	2.00	750 000
TOTAL 2030-31	2.00	750 000
2031-32		
21-May-32	2.50	650 000
TOTAL 2031-32	2.50	650 000
2032-33		
21-Apr-33	3.75	750 000
TOTAL 2032-33	3.75	750 000
2040-41		
21-Mar-41	2.75	100 000
TOTAL 2040-41	2.75	100 000
2042-43		
21-Nov-42	4.10	650 000
TOTAL 2042-43	4.10	650 000
2050-51		
21-Mar-51	3.00	150 000
TOTAL 2050-51	3.00	150 000
TOTAL	3.24	9 313 466

Appendix B: Glossary of terms

Advisory Board

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

Agency

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

Bank bill swap rate (BBSW)

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

Bond

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

Central financing authorities

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

Credit foncier loan

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

Debt

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

Designated investments

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

Discount

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

Face value

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

Fixed interest

Interest on investments such as bonds and debentures, paid at a 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

Issue 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.

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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 2022, 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 2022 and the financial position at the end of the year;
- the financial report is presented in accordance with Australian Accounting Standards and the *Northern Territory Treasury Corporation Act 1994*; and
- the receipt and expenditure of money and the acquisition and disposal of property by the Corporation during the year have been in accordance with the *Northern Territory Treasury Corporation Act 1994*.

Basis for Opinion

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

Key Audit Matters

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



Auditor-General

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Key Audit Matter	Audit Response to the Key Audit Matter
<i>Economic volatility affecting recoverability of loans receivable and discharge of loans payable</i>	
<p>As disclosed in the financial statements, Northern Territory Treasury Corporation has loans receivable of \$9.699 billion (Note 12) and corresponding borrowings payable of \$9.691 billion (Note 16). The significant exposure to risks affecting the global financial market necessitates effective risk recognition and management by Northern Territory Treasury Corporation.</p>	<p>To address the identified risk, my audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> ▪ Identifying the controls in place to monitor and manage risks. ▪ Confirming that all arrangements are transacted in Australian currency to minimise foreign exchange risk. ▪ Determining the extent to which terms and conditions of borrowing transactions are matched to loan transactions to minimise liquidity risk and interest risk. ▪ Confirming that all loans counterparties are within the Northern Territory Public Sector. Assessing the process used by Northern Territory Treasury Corporation to assess the recoverability of loans receivable. ▪ Evaluating diversification of borrowing activities intended to minimise funding risk. ▪ Obtaining confirmation of outstanding borrowings as at 30 June 2022 and testing movements affecting borrowings throughout the financial year. ▪ Obtaining independent confirmation of outstanding loan balances as at 30 June 2022 and testing movements affecting loans throughout the financial year.
<i>Fair value of financial instruments</i>	
<p>At Note 21 to the financial statements, Northern Territory Treasury Corporation discloses the fair value of financial assets and liabilities that are recognised in the financial statements at amortised cost.</p> <p>The determination of the fair value of financial assets and liabilities by management is a key audit matter due to the complexity involved in calculating fair value.</p>	<p>My audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> ▪ Engaging treasury specialists to perform independent valuation testing for a sample of loans and borrowings and assessing the reasonableness of the methodology and assumptions used by Northern Territory Treasury Corporation in the fair value calculations. ▪ Assessing the market inputs used by Northern Territory Treasury Corporation in the valuation of the loans and borrowings and comparing them to independently sourced rates. ▪ Recalculating the fair value of a 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 2022, 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 Under Treasurer and Those Charged with Governance for the Financial Report

The Under Treasurer 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 Under Treasurer 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.

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

Julie Crisp
Auditor-General for the Northern Territory

Darwin, Northern Territory

28 September 2022

Statement of comprehensive income

For the year ended 30 June 2022

	Note	2022	2021
		\$000	\$000
REVENUE		335 083	318 084
Interest	4	334 261	317 262
Other revenue	5	822	822
EXPENSES		295 090	286 424
Interest	6	292 930	284 568
Administration	7	2 160	1 856
PROFIT BEFORE INCOME TAX		39 993	31 660
Income tax expense	8	11 998	9 498
NET PROFIT AFTER INCOME TAX	9	27 995	22 162
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		27 995	22 162
Total comprehensive income attributable to:			
Northern Territory Government		27 995	22 162
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		27 995	22 162

Notes to the financial statements are included on pages 40 to 67.

Statement of financial position

As at 30 June 2022

	Note	2022	2021
		\$000	\$000
TOTAL ASSETS		9 815 505	10 039 274
Cash and cash equivalents	10	112 565	1 138 680
Trade and other receivables	11	3 610	3 515
Loans	12	9 699 302	8 897 075
Property, plant and equipment	13	28	4
TOTAL LIABILITIES		9 793 874	10 017 643
Deposits held		775	715
Trade and other payables	14	61 646	66 393
Provisions	15	28 219	22 311
Tax liabilities	8	11 998	9 498
Borrowings	16	9 691 207	9 918 722
Leases	17	29	4
NET ASSETS		21 631	21 631
TOTAL EQUITY		21 631	21 631
Contributed capital	18	21 631	21 631

Notes to the financial statements are included on pages 40 to 67.

Statement of cash flows

For the year ended 30 June 2022

	Note	2022 Inflows (outflows) \$000	2021 Inflows (outflows) \$000
CASH FLOWS FROM OPERATING ACTIVITIES	19a	3 626	10 720
Interest received from operating activities		334 166	318 251
Interest and other costs of finance paid		(319 868)	(294 574)
Other receipts:			
Management fee		820	820
Other fees		2	2
Payments to suppliers and employees		(1 996)	(1 785)
Income tax paid		(9 498)	(11 994)
CASH FLOWS FROM INVESTING ACTIVITIES		(802 228)	(1 827 999)
Repayment of loans		35 772	303 501
Drawdown of loans		(838 000)	(2 131 500)
CASH FLOWS FROM FINANCING ACTIVITIES	19b	(227 513)	2 053 464
Repayment of borrowings		(847 171)	(107 646)
Finance Lease Payments		(8)	(7)
Drawdown of borrowings		641 768	2 188 722
Deposits received		60	382
Dividend paid		(22 162)	(27 987)
NET INCREASE/(DECREASE) IN CASH HELD		(1 026 115)	236 185
Cash and cash equivalents at the beginning of the financial year		1 138 680	902 495
Cash and cash equivalents at the end of period	10	112 565	1 138 680

Notes to the financial statements are included on pages 40 to 67.

Statement of changes in equity

For the year ended 30 June 2022

	Note	2022	2021
		\$000	\$000
CONTRIBUTED CAPITAL			
Balance at the beginning of the financial year		21 631	21 631
Movement for the year		-	-
Balance at the end of the financial year	18	21 631	21 631
RETAINED PROFITS			
Balance at the beginning of the financial year		-	-
Net profit	9	27 995	22 162
Dividends provided for	15	(27 995)	(22 162)
Balance at the end of the financial year		-	-
TOTAL EQUITY		21 631	21 631

Notes to the financial statements are included on pages 40 to 67.

Notes to the financial statements

For the financial year ended 30 June 2022

1. Objectives and associated guarantees

a) Objectives

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

b) Statutory guarantee

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

2. Statement of significant accounting policies

a) Statement of compliance

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

The financial statements were authorised for issue by the Under Treasurer on 27 September 2022.

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 2021-22 financial year has been reclassified to provide consistency with current year disclosures.

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.

Notes to the financial statements

For the financial year ended 30 June 2022

2. Statement of significant accounting policies (continued)

g) Changes in accounting policies

There have been no changes to accounting policies adopted in 2021-22 other than the adoption of the new accounting standards and interpretations, as described in Note 3.

h) Accounting judgements and estimates

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

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

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

i) Goods and services tax

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

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

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

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

j) Distributions to government

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

k) Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services is 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.

l) Expense recognition

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

Notes to the financial statements

For the financial year ended 30 June 2022

2. Statement of significant accounting policies (continued)

m) Employee benefits

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

n) Financial instruments

(i) Financial assets

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

(ii) Financial liabilities

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

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and 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).

Notes to the financial statements

For the financial year ended 30 June 2022

2. Statement of significant accounting policies (continued)

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

(vi) Derecognition

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

(vii) Gains and losses on extinguishment

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

o) Provisions

Provisions are recognised when NTTC has a present obligation as a result of a past event, it is probable that it will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flows.

p) Leases

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

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

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

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

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

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

Notes to the financial statements

For the financial year ended 30 June 2022

2. Statement of significant accounting policies (continued)

q) Impact of COVID-19

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

- there have been no write-offs, postponements or waivers, or expected credit or impairment losses due to COVID-19
- NTTC's borrowing program for 2022-23 is similar to the borrowing requirement set down by the Territory Government in prior years. This was established when the Territory Budget was finalised and tabled by the Treasurer of the Northern Territory on 10 May 2022
- Investor demand remains strong and the Commonwealth is expected to continue to support financial markets, ensuring the ability for semi-governments to raise funds in financial markets and maintain liquidity
- NTTC's clients are Territory Government agencies, business divisions and government owned corporations who continue to meet the contractual payments of their loans, which based on available information, are considered fully recoverable
- NTTC's financial instruments are recorded at amortised cost as they are generally held to maturity, not traded or redeemed early. Therefore, movements in fair value do not impact the statement of income but are disclosed in the fair value disclosures at Note 21
- under section 20 of the NTTC Act, all financial obligations incurred or assumed by NTTC are guaranteed by the Treasurer on behalf of the Territory Government.

3. New standards and interpretations

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

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

Standards and interpretations issued but not yet effective

No Australian accounting standards have been adopted early for 2021-22. 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 2022

4. Interest revenue

	2022	2021
	\$000	\$000
Interest from loans:		
General government agencies	273 062	254 108
Government owned corporations	52 299	53 252
Government business divisions	8 055	8 611
Gain on extinguishment	5	3
Interest from cash balances:		
General government agencies	840	1 288
TOTAL INTEREST REVENUE	334 261	317 262

	2022		2021	
	Average balance	Average rate	Average balance	Average rate
	\$000	%	\$000	%
Loans to:				
General government agencies	7 720 459	3.54	6 410 135	3.96
Government owned corporations	1 396 000	3.75	1 374 500	3.87
Government business divisions	181 730	4.43	198 440	4.34
TOTAL	9 298 189		7 983 075	

	2022	2021
	\$000	\$000
Gains on extinguishment:		
Gains on extinguishment of loans at amortised cost	5	3
TOTAL GAINS ON EXTINGUISHMENT	5	3

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

Notes to the financial statements

For the financial year ended 30 June 2022

5. Other revenue

	2022	2021
	\$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

	2022	2021
	\$000	\$000
Interest to:		
Wholesale borrowings	272 481	267 098
Debt to Commonwealth	8 528	8 933
Retail borrowings	11 918	8 474
Promissory notes	-	46
Losses on extinguishment	3	17
TOTAL INTEREST EXPENSE	292 930	284 568

	2022		2021	
	Average balance	Average rate	Average balance	Average rate
	\$000	%	\$000	%
Borrowings from:				
Wholesale market				
Fixed interest securities	8 704 412	3.13	8 173 673	3.27
Promissory notes	-	-	13 699	0.34
Debt to Commonwealth	179 874	4.74	188 551	4.74
Retail market	920 678	1.29	499 819	1.70
TOTAL	9 804 964		8 875 742	

	2022	2021
	\$000	\$000
Losses on extinguishment:		
Losses on extinguishment of borrowings at amortised cost	3	17
TOTAL LOSSES ON EXTINGUISHMENT	3	17

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 2022

7. Administration expenses

	2022	2021
	\$000	\$000
Salaries and related employee expenses	1 099	688
Agent service arrangements – external	349	351
Other service arrangements – internal	273	430
IT charges and communications	236	196
Subscriptions	114	130
General property management	36	35
Document production	22	17
Amortisation	8	7
Other operating expenses	23	2
TOTAL OTHER EXPENSES	2 160	1 856

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

The increase of salaries and related employee expenses is due to the amalgamation with Treasury Financial Services, and so to the increase of number of staff (refer to *Our people* on page 20).

8. Tax expense and liabilities

	2022	2021
	\$000	\$000
Notional income tax payable	11 998	9 498
TOTAL TAX LIABILITIES	11 998	9 498

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

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

Notes to the financial statements

For the financial year ended 30 June 2022

9. Retained profits

	2022	2021
	\$000	\$000
Balance at the beginning of the financial year	-	-
Net profit	27 995	22 162
Dividends provided for	(27 995)	(22 162)
BALANCE AT THE END OF THE FINANCIAL YEAR	-	-

10. Cash and cash equivalents

	2022	2021
	\$000	\$000
Cash at bank	112 565	1 138 680
TOTAL CASH AND CASH EQUIVALENTS	112 565	1 138 680

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

	2022	2021
	\$000	\$000
Accrued interest on loans	3 478	3 387
Prepayments	132	128
TOTAL TRADE AND OTHER RECEIVABLES	3 610	3 515

All receivables are current and deemed collectable. There are no known expected credit losses identified as at 30 June 2022.

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

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

Notes to the financial statements

For the financial year ended 30 June 2022

12. Loans

	2022	2021
	\$000	\$000
General government agencies		
Fixed rate loans	7 989 700	7 174 700
Credit foncier loans	133 786	142 731
Government owned corporations		
Fixed rate loans	1 405 000	1 228 000
Floating rate loans	-	159 000
Government business divisions		
Fixed rate loans	95 000	110 000
Credit foncier loans	75 816	82 644
TOTAL LOANS	9 699 302	8 897 075

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

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

13. Property, plant and equipment

	2022	2021
	\$000	\$000
Right-of-use asset – motor vehicles		
At capitalised cost	32	18
Less: accumulated amortisation	(4)	(14)
TOTAL PROPERTY, PLANT AND EQUIPMENT	28	4

As at 30 June 2022, NTTC leased assets relating to vehicles and are typically made for fixed periods of four years but may have extension options. These right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

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

	2022	2021
	\$000	\$000
Amortisation expense of right-of-use assets	8	7
Interest expense on lease liabilities	-	-
TOTAL AMOUNT RECOGNISED IN THE COMPREHENSIVE OPERATING STATEMENT	8	7

Notes to the financial statements

For the financial year ended 30 June 2022

14. Trade and other payables

	2022	2021
	\$000	\$000
Creditors and accruals	252	222
Accrued interest on borrowings	61 319	66 150
Accrued salaries	75	21
TOTAL TRADE AND OTHER PAYABLES	61 646	66 393

Liabilities for accounts payable and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the agency.

Accounts payable are normally settled within 20 days from receipt of valid invoices under \$1 million or 30 days for invoices over \$1 million.

15. Provisions and tax liabilities

	2022	2021
	\$000	\$000
Employee benefits		
Recreation leave:		
Opening balance	119	104
Recreation leave paid	(104)	(57)
Recreation leave provided for	166	72
Closing balance	181	119
Leave bonus:		
Opening balance	9	6
Leave bonus paid	(17)	(4)
Leave bonus provided for	27	7
Closing balance	19	9
Leave airfares:		
Opening balance	2	1
Leave airfares paid	(2)	-
Leave airfares provided for	-	1
Closing balance	-	2
Superannuation external on provisions:		
Opening balance	18	17
Superannuation paid	(12)	(6)
Superannuation provided for	17	7
Closing balance	23	18
Total employee benefits	223	148
Fringe benefit tax	1	1
Dividend payable	27 995	22 162
TOTAL PROVISIONS	28 219	22 311

Notes to the financial statements

For the financial year ended 30 June 2022

15. Provisions and tax liabilities (continued)

Annual leave

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

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

Superannuation

Employee superannuation entitlements are provided through the:

- Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS)
- Northern Territory Supplementary Superannuation Scheme (NTSSS)
- employee nominated 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 \$28.0 million, which is at the rate of 100% of its net profit for the 2021-22 year in accordance with the Treasurer's budget direction.

16. Borrowings

	2022	2021
	\$000	\$000
Wholesale market		
Fixed interest securities	8 491 957	8 916 869
Retail market		
Territory Bonds	1 023 792	817 563
Commonwealth		
Credit foncier loans	175 458	184 290
TOTAL BORROWINGS	9 691 207	9 918 722

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

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

Notes to the financial statements

For the financial year ended 30 June 2022

17. Leases

	2022	2021
	\$000	\$000
Lease liabilities	29	4
TOTAL LEASE LIABILITIES	29	4

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

The movement of the period is as follows:

	2022	2021
	\$000	\$000
Balance at 1 July	4	11
Additions/re-measurements	32	-
Interest expenses	-	-
Payments	(7)	(7)
BALANCE AT 30 JUNE	29	4

18. Contributed capital

	2022	2021
	\$000	\$000
Balance at the beginning of the financial year	21 631	21 631
Movement for the year	-	-
BALANCE AT THE END OF THE FINANCIAL YEAR	21 631	21 631

Notes to the financial statements

For the financial year ended 30 June 2022

19. Reconciliations of net profit from operating activities

	2022	2021
	\$000	\$000
a) Net profit	27 995	22 162
Reconciliation flows in net profit		
Add (gain)/loss on extinguishment	(2)	13
Add amortisation	8	7
Less (premium) and discount amortisation	(22 110)	(17 688)
Changes in assets and liabilities		
Less decrease/(increase) in interest receivable	(90)	992
Add decrease/(increase) in prepayments and other receivables	(4)	(19)
Add increase/(decrease) in employee benefits	75	20
Add increase/(decrease) in creditors and accruals	85	64
Add increase/(decrease) in tax liabilities	2 500	(2 496)
Add increase/(decrease) in interest payable	(4 831)	7 665
NET CASH INFLOW FROM OPERATING ACTIVITIES	3 626	10 720

b) Reconciliation of liabilities arising from financing activities

	2021	Cash flow	Non-cash			2022
			Provision	Premiums and discounts	Leases	
	\$000	\$000	\$000	\$000	\$000	\$000
Borrowings	9 918 722	(205 404)	-	(22 111)	-	9 691 207
Lease liabilities	4	(7)	-	-	32	29
Deposits held	715	60	-	-	-	775
Dividends	22 162	(22 162)	27 995	-	-	27 995
TOTAL LIABILITIES	9 941 603	(227 513)	27 995	(22 111)	32	9 720 006

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

Notes to the financial statements

For the financial year ended 30 June 2022

20. Financial instruments and risk management

Objectives and policies

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

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

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

Management of capital

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

Categories of financial instruments

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

	2022	2021
	\$000	\$000
Financial assets:		
Cash and cash equivalents	112 565	1 138 680
Loans and receivables at amortised cost:		
Trade and other receivables	3 478	3 387
Loans	9 699 302	8 897 075
TOTAL LOANS AND RECEIVABLES AT AMORTISED COST	9 702 780	8 900 462
Financial liabilities:		
Financial liabilities at amortised cost:		
Deposits held	775	715
Trade and other payables	61 646	66 393
Borrowings	9 691 207	9 918 722
Leases	29	4
TOTAL FINANCIAL LIABILITIES AT AMORTISED COST	9 753 657	9 985 834

Notes to the financial statements

For the financial year ended 30 June 2022

20. Financial instruments and risk management (continued)

Market risk

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

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

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

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

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

Market risks are discussed in more detail below.

a) Interest rate risk

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

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

NTTC's interest rate risk on its financial assets and liabilities is significantly reduced as a result of its relationship with CHA. As at 30 June 2022, about 83% (2021: 73%) 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 2022, NTTC did not hold any derivative transactions.

Notes to the financial statements

For the financial year ended 30 June 2022

20. Financial instruments and risk management (continued)

(i) Sensitivity analysis

Assuming the financial assets and liabilities at 30 June 2022 were to remain until maturity or settlement without any action by NTTC to alter the resulting interest rate risk exposure, an immediate and sustained increase or decrease of 1% in market interest rates across all maturities would have the impact on profit before tax for the financial year as outlined in the following table.

	Impact on profit before tax 2022		Impact on profit before tax 2021	
	Rates up by 1%	Rates down to 0%	Rates up by 1%	Rates down to 0%
	\$000	\$000	\$000	\$000
Financial assets:				
Cash at bank	1 126	(113)	11 387	(1 139)
NET SENSITIVITY	1 126	(113)	11 387	(1 139)

(ii) Interest rate risk exposures

NTTC's exposure to interest rate risk, re-pricing maturities and the effective interest rates at 30 June 2022 is:

30 June 2022	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	0.85	112 565	-	-	-	-	112 565
Trade and other receivables	-	-	-	-	-	3 478	3 478
Loans:							
Fixed rate loans	3.38	94 000	755 000	3 648 300	4 992 400	-	9 489 700
Floating rate loans	-	-	-	-	-	-	-
Credit foncier loans	9.49	-	282	16 988	192 332	-	209 602
TOTAL FINANCIAL ASSETS		206 565	755 282	3 665 288	5 184 732	3 478	9 815 345
Financial liabilities:							
Deposits held	-	-	-	-	-	775	775
Trade and other payables	-	-	-	-	-	61 646	61 646
Leases	0.77	2	6	21	-	-	29
Borrowings:							
Fixed interest securities	2.92	5 000	890 679	3 231 132	5 388 938	-	9 515 749
Credit foncier loans	4.62	-	278	-	175 180	-	175 458
TOTAL FINANCIAL LIABILITIES		5 002	890 963	3 231 153	5 564 118	62 437	9 753 657

Notes to the financial statements

For the financial year ended 30 June 2022

20. Financial instruments and risk management (continued)

For comparative purposes, NTTC's exposure to interest rate risk, repricing maturities and the effective interest rates at 30 June 2021 was as follows:

30 June 2021	Weighted average interest rate	Interest rate reset due in					Non-interest bearing	Total
		0 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years			
	%	\$000	\$000	\$000	\$000	\$000	\$000	
Financial assets:								
Cash	0.10	1 138 680	-	-	-	-	1 138 680	
Trade and other receivables	-	-	-	-	-	3 387	3 387	
Loans:								
Fixed rate loans	3.58	687 000	110 000	3 579 900	4 135 800	-	8 512 700	
Floating rate loans	4.51	-	159 000	-	-	-	159 000	
Credit foncier loans	9.47	-	-	548	224 827	-	225 375	
TOTAL FINANCIAL ASSETS		1 825 680	269 000	3 580 448	4 360 627	3 387	10 039 142	
Financial liabilities:								
Deposits held	-	-	-	-	-	715	715	
Trade and other payables	-	-	-	-	-	66 393	66 393	
Leases	1.31	-	4	-	-	-	4	
Borrowings:								
Fixed interest securities	3.06	649 806	187 830	3 146 609	5 750 187	-	9 734 432	
Credit foncier loans	4.63	-	-	541	183 749	-	184 290	
TOTAL FINANCIAL LIABILITIES		649 806	187 834	3 147 150	5 933 936	67 108	9 985 834	

b) Foreign exchange risk

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

c) Credit risk

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

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

Notes to the financial statements

For the financial year ended 30 June 2022

20. Financial instruments and risk management (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. The NTTC internal credit rating criteria is not applied to loan counterparties.

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

d) Liquidity risk

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

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

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

In addition, NTTC at all times maintains:

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

Notes to the financial statements

For the financial year ended 30 June 2022

20. Financial instruments and risk management (continued)

e) Funding risk

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

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

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

NTTC's current funding sources are as follows:

- wholesale market:
 - fixed interest securities
 - floating rate notes
 - promissory notes
- retail market:
 - Territory Bonds
 - Migration Linked Bonds.

Wholesale market issues account for about \$8.49 billion (2021: \$8.92 billion) or 88% (2021: 90%) of all outstanding issued debt as at 30 June 2022. 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.

	2022	2021
Territory Bonds as at 30 June		
Number of investors	1 996	1 966
Bonds on issue (\$000)	1 023 792	817 563
Average investment size (\$000)	513	416

Notes to the financial statements

For the financial year ended 30 June 2022

20. Financial instruments and risk management (continued)

Maturity analysis

The following tables detail the maturity analysis of NTTC's financial instruments including deposits held, loans and borrowings. The maturity analysis for loans is based on expected timing of receipts. The maturity analysis for domestic borrowings is based on the earliest possible date on which NTTC can be required to pay.

The tables 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 2022	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	-	81 186	702 413	3 254 273	5 750 715	9 788 587
Credit foncier loans	-	6 296	19 525	103 216	99 408	228 445
Government owned corporations						
Fixed rate loans	-	77 607	249 794	1 211 309	-	1 538 710
Floating rate loans	-	-	-	-	-	-
Government business divisions						
Fixed rate loans	-	16 009	27 076	58 727	-	101 812
Credit foncier loans	-	2 659	7 978	41 379	41 379	93 395
TOTAL LOANS	-	183 757	1 006 786	4 668 904	5 891 502	11 750 949
Deposits held	775	-	-	-	-	775
Borrowings due to other financial institutions:						
Wholesale market						
Fixed interest securities	-	51 734	850 727	3 360 466	6 214 909	10 477 836
Retail market						
Territory Bonds	-	39	286 602	769 591	-	1 056 232
Commonwealth						
Credit foncier loans	-	-	17 354	68 167	179 509	265 030
TOTAL BORROWINGS	775	51 773	1 154 683	4 198 224	6 394 418	11 799 873

Notes to the financial statements

For the financial year ended 30 June 2022

20. Financial instruments and risk management (continued)

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

Notes to the financial statements

For the financial year ended 30 June 2022

21. Fair values of financial instruments

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

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

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

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

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

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

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

Notes to the financial statements

For the financial year ended 30 June 2022

21. Fair values of financial instruments (continued)

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

	Total carrying amount	Net fair value total	Net fair value level 1	Net fair value level 2	Net fair value level 3
	\$000	\$000	\$000	\$000	\$000
30 June 2022					
Financial assets					
Loans:					
Fixed rate loans	9 489 700	9 021 102	-	9 021 102	-
Floating rate loans	-	-	-	-	-
Credit foncier loans	209 602	239 289	-	239 289	-
TOTAL FINANCIAL ASSETS	9 699 302	9 260 391	-	9 260 391	-
Financial liabilities					
Borrowings and advances:					
Wholesale	8 491 957	8 069 139	-	8 069 139	-
Retail	1 023 792	988 359	-	988 359	-
Commonwealth	175 458	182 122	-	182 122	-
TOTAL FINANCIAL LIABILITIES	9 691 207	9 239 620	-	9 239 620	-
30 June 2021					
Financial assets					
Loans:					
Fixed rate loans	8 512 700	9 193 984	-	9 193 984	-
Floating rate loans	159 000	161 414	-	161 414	-
Credit foncier loans	225 375	289 871	-	289 871	-
TOTAL FINANCIAL ASSETS	8 897 075	9 645 269	-	9 645 269	-
Financial liabilities					
Borrowings and advances:					
Wholesale	8 916 869	9 654 390	-	9 654 390	-
Retail	817 563	830 334	-	830 334	-
Commonwealth	184 290	226 098	-	226 098	-
TOTAL FINANCIAL LIABILITIES	9 918 722	10 710 822	-	10 710 822	-

Notes to the financial statements

For the financial year ended 30 June 2022

22. Related parties

a) Related parties

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

Related parties of NTTC include:

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

b) Key management personnel

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

- the Treasurer
- the Under Treasurer
- the two Deputy Under Treasurers
- the Executive Director (Revenue)
- the NTTC General Manager.

c) Remuneration of key management personnel

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

The aggregate compensation of KMP of NTTC is as follows:

	2022	2021
	\$000	\$000
Short-term benefits ¹	209	212
Long-term benefits	-	-
Post-employee benefits ²	32	27
Termination benefits	-	-
TOTAL	241	239

1 Includes salary, paid leave, motor vehicle benefits.

2 Includes superannuation contributions paid by NTTC.

Notes to the financial statements

For the financial year ended 30 June 2022

22. Related parties (continued)

d) Related-party transactions – Territory Government-controlled entities

Transactions with related parties during the year include:

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

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

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

	2022	2021
	\$000	\$000
Receipts from related parties	370 760	622 574
Payments to related parties	869 942	2 171 989

23. Auditor and review services

	2022	2021
	\$000	\$000
External audit – Northern Territory Auditor-General's Office		
Audit and review of financial statements	89	73
Internal audit – KPMG		
Internal audit	60	76
Review services	30	32
TOTAL	179	181

24. Fees and commissions

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

	2022	2021
	\$000	\$000
Link Market Services Pty Ltd	117	113
FIS Asia Pacific Inc	133	125
Austraclear Ltd	134	134
Thomson Reuters Pty Ltd	32	29

Notes to the financial statements

For the financial year ended 30 June 2022

25. Fiduciary activities

NTTC acts as manager of CHA's investments portfolio. Any associated assets and liabilities are not recognised in these financial statements. Management fees generated in carrying out these activities are included in the statement of comprehensive income. The aggregate income from fiduciary activities for the 2021-22 year was \$820,000 (2021: \$820,000).

As at 30 June, CHA investment portfolio balances were:

	2022	2021
	\$000	\$000
Investment portfolio	1 500 000	295 000
Conditions of Service Reserve	1 080 331	1 177 393
TOTAL	2 580 331	1 472 393

26. Advisory Board

The NTTC Advisory Board was established in October 1994. The Under Treasurer of the DTF, Mr Craig Graham, is the Chair of the Board and the following people held the position of member as at 30 June 2022:

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

During the year ended 30 June 2022 four advisory board meetings were held and only two members were entitled to receive Advisory Board sitting fees, amounting to \$39,644 (2021: \$32,720). Members who are employed under the *Public Sector Employment and Management Act 1993*, or on similar terms, are not entitled to fees.

	2022	2021
	\$000	\$000
Sitting fees	40	33

27. Segment information

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

28. Events subsequent to reporting date

There were no subsequent events.

Certification of financial statements

For the financial year ended 30 June 2022

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 2022 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

27 September 2022



Alex Pollon

General Manager

27 September 2022

