



Northern  
Territory  
Government

# Northern Territory Treasury Corporation



Annual Report  
2011

The Northern Territory Treasury Corporation is the central financing authority for the Government of the Northern Territory of Australia.

The Corporation was established in June 1994 and is constituted under the *Northern Territory Treasury Corporation Act*. The Under Treasurer, Northern Territory, is designated as the Corporation sole under the Act, and is subject to the direction of the Treasurer of the Northern Territory.

All obligations incurred or assumed by the Corporation are guaranteed by the Treasurer on behalf of the Northern Territory under section 20 of the *Northern Territory Treasury Corporation Act*.

Cover photographs supplied by Power and Water Corporation, Darwin Port Corporation and Legislative Assembly.



**Northern  
Territory  
Government**

The Hon Delia Lawrie MLA  
Treasurer  
Parliament House  
DARWIN NT 0800

Dear Treasurer

I have pleasure in presenting to you the Annual Report of the Northern Territory Treasury Corporation. The report details the activities and operations of Treasury Corporation for the year ended 30 June 2011, in accordance with the provisions of section 31 of the *Northern Territory Treasury Corporation Act* and section 28 of the *Public Sector Employment and Management Act*.

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

- (a) proper records of all transactions affecting Treasury Corporation are kept and that employees under my control observe the provisions of that Act, the Financial Management Regulations and the Treasurer's Directions;
- (b) procedures within Treasury Corporation afford proper internal control, and all procedures and policies are documented;
- (c) no indication of fraud, malpractice, major breach of legislation or delegation, major error in or omission from the accounts and records exists;
- (d) in accordance with the requirements of section 15 of the Act, the internal audit capacity available to Treasury Corporation is adequate and the results of internal audits have been reported to me;
- (e) the financial statements included in the Annual Report have been prepared from proper accounts and records, and are in accordance with Treasurer's Directions; and
- (f) pursuant to section 131 of the *Information Act*, I advise that to the best of my knowledge and belief, Treasury Corporation has implemented processes to achieve compliance with the archives and records management provisions as prescribed in Part 9 of the *Information Act*.

I can also advise you that the Auditor-General has audited Treasury Corporation's financial statements for the year ended 30 June 2011 and his report is included.

Yours sincerely

Jennifer Prince  
Under Treasurer and Chair  
30 September 2011

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## Mission

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

## Values

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

## Enabling Act

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

## Statutory Guarantee

All obligations incurred or assumed by the Corporation are guaranteed by the Treasurer on behalf of the Northern Territory under section 20 of the *Northern Territory Treasury Corporation Act*.

## Status

The Corporation is a government business division and part of the Northern Territory Treasury for the purposes of the *Public Sector Employment and Management Act*.

## Credit Rating

Moody's Investor Service has assigned the Corporation a long-term issuer rating of Aa1 with a stable outlook.

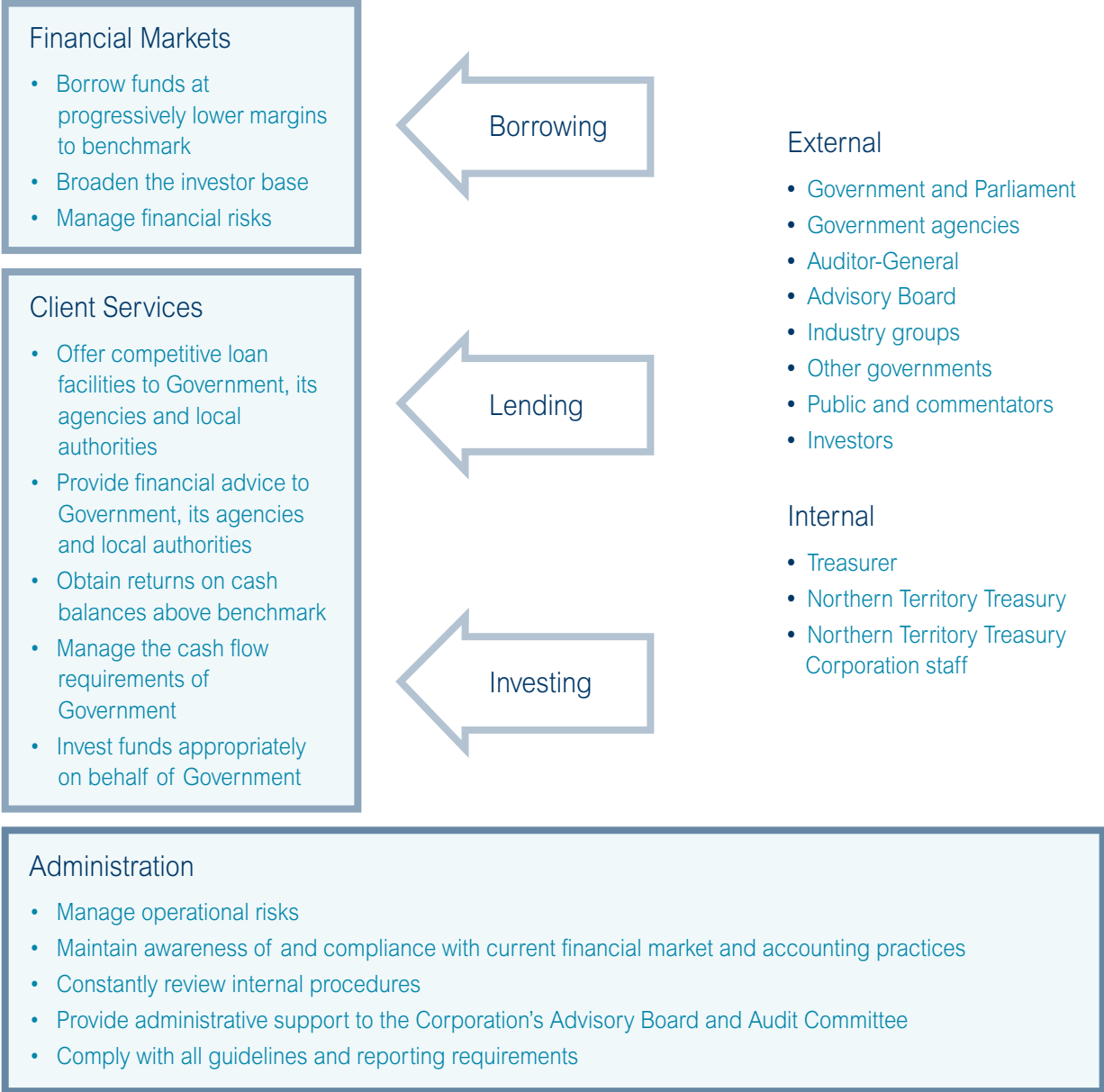
# Treasury Corporation Profile

## Purpose

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

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

Figure 1: Corporation Programs, Functions and Stakeholders



# Chair's Address

## Review of 2010-11

- Recovering market conditions
- Successful borrowing program of \$570 million
- Over \$2.3 billion on issue in major bond series
- Transition to new provider for transactional banking services
- Appointment of KPMG as our new internal auditors
- Return on surplus cash balances of 5.27 per cent

## Outlook for 2011-12

- New major bond series to be created
- Borrowing program of \$728 million including \$359 million of 'new money'
- Continued/progressive implementation of the new A\$ Domestic Note Programme
- Continued market volatility



The past few years have witnessed significant volatility in financial markets with the global and domestic economic environments mainly driven by events in Europe and the United States. The co-ordinated action taken to stem the global financial crisis and stimulate a sustainable global economic recovery has had mixed success. In addition to these concerns regarding the strength of economic recovery and elevated levels of government debt, there was a series of other events that affected the markets, with natural disasters in Australia, New Zealand and Japan and political uncertainty and social unrest across the Middle East and North Africa.

In Australia, economic performance has been uneven with a relatively strong mining and resource sector counterbalanced by a weak retail sector, which has struggled to deal with low levels of consumer confidence. However, investor confidence has risen, the ability to borrow has improved and Australia's economic performance and condition have been amongst the best in the world. This environment has been a major influence on the Corporation over the period in its interaction with clients and financial markets. The prospect for 2011-12 is still likely to be challenging, with continuing elevated levels of volatility.

Locally, the Territory economy has weathered the global financial crisis and economic downturn well. In June 2011, the trend unemployment rate was 3.7 per cent, compared to 4.9 per cent nationally, with resident employment estimated to increase by 1.7 per cent in 2010-11. Deloitte Access Economics June quarter 2011 Business Outlook

forecast average annual Territory gross state product (GSP) growth of 4.2 per cent for the five years to 2015-16.

The 2010-11 borrowing requirement was composed of \$363 million of refinancing and \$207 million of new money. The Corporation raised these funds primarily from additions to existing bond series and the establishment of a new bond series maturing in 2016. As in recent years, the focus of borrowing activity has been on domestic issuance but the Corporation will also consider offshore funding opportunities if and when they are appropriate.

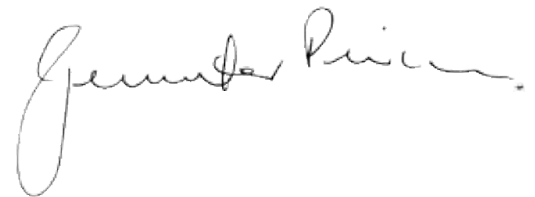
The Corporation's investment and cash management activities have adjusted to the challenging environment, with a higher level of liquidity maintained throughout the period. The Corporation achieved a return of 5.27 per cent on the Government's investment portfolio of surplus cash balances. This was ahead of the benchmark return of 4.96 per cent and is considered to be a good result given the environment.

The investment portfolio represents approximately 50 per cent of total funds under management. Its weighting towards high-quality short-term investments has helped to provide consistency and protection to the volatility experienced in longer term investments, which are held to partially meet superannuation-related liabilities.

The long-term investments held in the Conditions of Service Reserve returned 10.72 per cent. This represents an outperformance of 2.28 per cent relative to benchmark and was due to its growth-orientated asset allocation. While this short-term performance is pleasing, the fund has also managed to outperform its benchmark over a 3, 5, 7 and 10 year-time frame, which more closely reflects the investment term for these funds.

Administratively, during the year the Corporation was engaged with the tender of its internal audit service, which was awarded to KPMG, a review of its treasury management system and assisted in the coordination and implementation of the transaction banking service across government. These requirements, in addition to normal duties and the unusual market and economic conditions, have tested the Corporation but have been dealt with appropriately and successfully.

I conclude by again expressing my gratitude to the members of the Advisory Board and staff for their valuable advice, assistance and commitment during the year.



Jennifer Prince  
Under Treasurer and Chair  
30 September 2011

# Performance Summary

Table 1: Performance Measurement

Performance Measures	2009-10 Actual	2010-11 Estimate	2010-11 Actual	2011-12 Estimate
<b>Quantity</b>				
Weighted average cost of borrowing during the year	5.70%	6.00%	5.29%	6.50%
<b>Quality</b>				
Borrowing rate margin compared to industry peers <sup>1</sup>	+0.24%	≤0.20% variance	+0.22%	≤0.20% variance
Investment portfolio:				
Investment portfolio return above benchmark <sup>2</sup>	+0.48%	>indices	+0.31%	>indices
Volatility of investment portfolio return against benchmark <sup>2</sup>	+0.48%	±0.25%	+0.31%	+0.25%
Stakeholder satisfaction <sup>3</sup>	5	≥5	6	≥5

1 State and territory governments' central financing authorities.

2 The benchmark is the weighted relevant UBS Warburg Performance indices. The composite benchmark return for 2010-11 was 4.96% while the Corporation achieved a return of 5.27%.

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

## Performance Measure Analysis

The Corporation achieved its performance targets in most areas. Despite continued volatility experienced in the financial market during the year, the Corporation's cost of borrowing target was lowered to 6 per cent. The actual outcome achieved was 5.29 per cent. The weighted average cost of borrowing (including short-term promissory notes) on outstanding debt at 30 June 2011 was 6.10 per cent.

The borrowing margin has reduced slightly during the financial year, primarily due to the new Basel III regulations requiring banks to hold

Commonwealth and semi-government securities as liquid assets. The increased demand has resulted in a slight compression in borrowing margins.

Government's investment portfolio returned 0.31 per cent above target. The portfolio was mostly invested in short-term securities within the existing credit limits approved by the Treasurer.

The Corporation rated highly in all categories from all respondents to the stakeholder survey.

Table 2: Financial Summary of Statement of Comprehensive Income

	2010-11	2009-10	2008-09	2007-08	2006-07
	\$000	\$000	\$000	\$000	\$000
Revenue	197 262	172 750	160 175	174 063	162 296
Expenses	173 751	150 175	141 102	149 084	138 648
Profit before tax	23 511	22 575	19 073	24 979	23 648
Tax expense	7 053	6 773	5 722	7 494	7 094
Net profit after tax	16 458	15 802	13 351	17 485	16 554

# Financial Markets

Table 3: Borrowing Composition

	2010-11	2009-10	2008-09	2007-08	2006-07
	\$M	\$M	\$M	\$M	\$M
Refinance maturing territory debt	363	376	295	441	338
New borrowings	207	515	-	46	-
Total borrowing program	570	891	295	487	338

## Borrowing

The 2010-11 borrowing requirement was significantly lower than last year, with approximately \$570 million raised to refinance maturing debt and additional borrowings to fund capital and operating expenditure for Northern Territory Government agencies, business divisions and corporations. This follows \$891 million raised in 2009-10 and \$295 million in 2008-09, as shown in Table 3.

As in recent years, the Corporation's entire borrowing requirement was met from domestic financial and retail markets. The bulk of the funds were raised through a number of medium to long-term fixed interest securities, issued to institutional investors via private placement and public issue. The Corporation's funding requirements in 2010-11 resulted in the establishment of a new benchmark line of bonds to November 2016. As at 30 June 2011, the Corporation had six institutional bond issues, as detailed in Table 4.

Table 4: Institutional Bond Issues as at 30 June 2011

Maturity Date	Coupon	Amount on Issue
	%	\$M
15 November 2011	6.00	325.0
15 September 2012	6.25	300.0
15 October 2013	6.75	400.0
14 July 2014	5.75	500.0
20 October 2015	6.25	500.0
20 November 2016	5.75	300.0

The Corporation's retail funding sources continued to contribute towards the Territory's funding requirement, raising approximately \$41 million in total from both Territory Bonds and Migration Linked Bonds.

Table 5: Borrowing Performance as at 30 June

	2010-11	2009-10	2008-09	2007-08	2006-07
	%	%	%	%	%
<b>Average Borrowing Margin</b>					
Short-term – margin to bank bill swap (BBSW) rate	-0.04	- 0.05	- 0.21	- 0.14	- 0.10
Long-term (floating rate) – margin to swap	-	-	-	- 0.10	-
Long-term (fixed rate) – margin to AAA rated semi-government security	0.22	0.24	0.13	0.11	0.10
<b>Cost of Borrowing Achieved During the Year</b>					
Weighted average cost of borrowing	5.29	5.70	5.96	6.67	6.14
<b>Total Cost of Funds</b>					
Weighted average cost of funds	6.10	6.15	6.10	6.34	6.14

### Portfolio Duration and Term to Maturity

As at 30 June 2011, the weighted average duration of the Northern Territory debt on issue was 3.0 years, a slight decrease from the 3.3 years reported in 2010. Similarly, weighted average term to maturity was slightly lower at 3.6 years compared to 4.1 years recorded in 2010.

### Interest Rate Risk Management

The Corporation's interest rate risk arises from cash flow mismatches in the maturity profiles and repricing dates of its financial assets and liabilities. The Corporation manages its exposure to interest rate risk so as to avoid creating abnormally high refinancing requirements during periods of high interest rates, or unusually low refinancing requirements in periods of low interest rates. The Corporation may use interest rate swaps and forward start interest rate swaps to manage interest rate risk as required.

The target level of interest rate exposure to maturing debt in any financial year is \$500 million, with a lower limit of \$350 million and an upper limit of \$600 million.

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

Figure 2 shows the Corporation's interest rate exposure of maturing debt as at 30 June 2011.

Figure 2: Interest Rate Exposure of Maturing Debt as at 30 June 2011

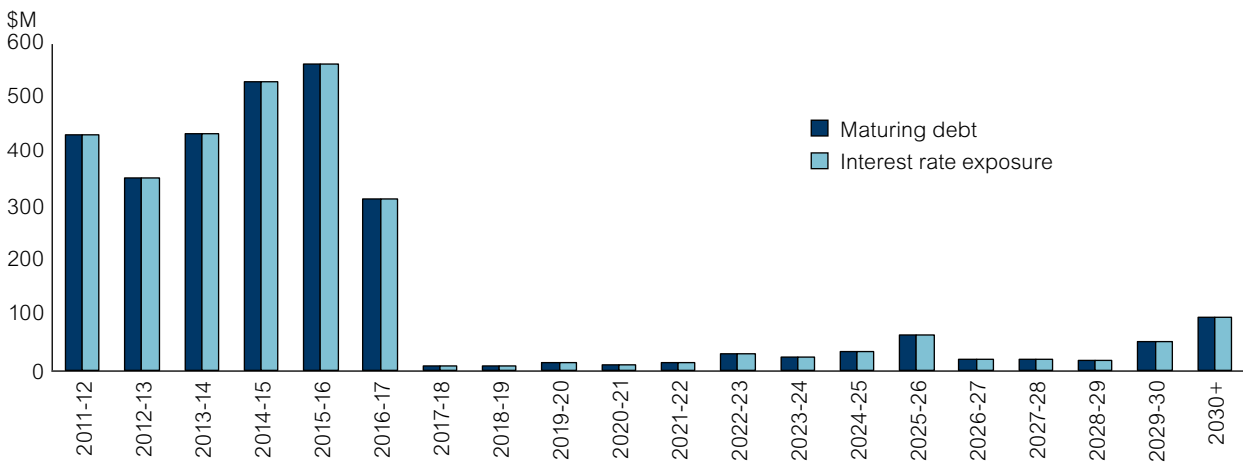
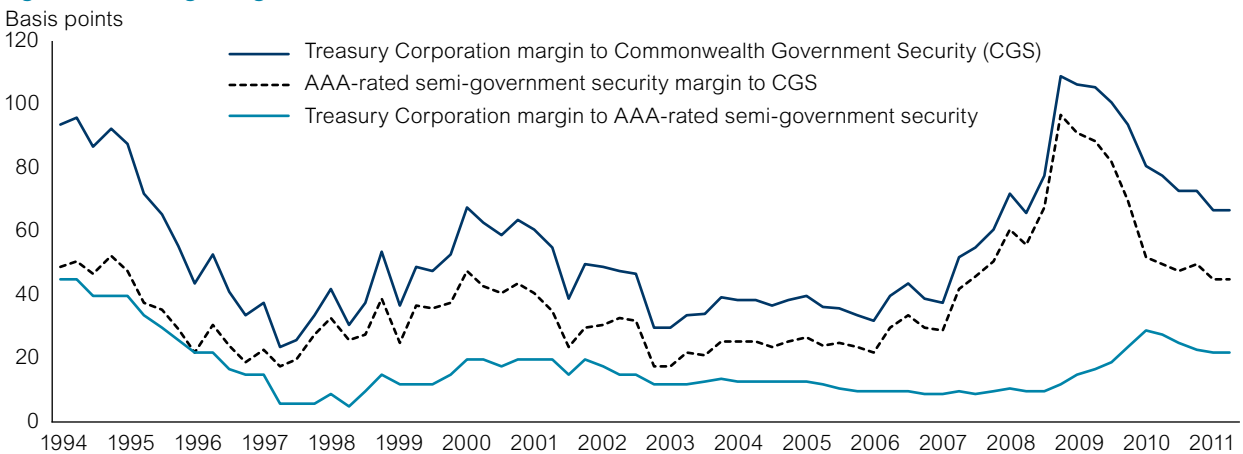


Figure 3: Trading Margin



## Funding

The Corporation manages the Northern Territory Government's exposure to funding risk by ensuring it is not exposed to a significant refinancing risk in any financial year. The Corporation'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 the Corporation's requirements. The Corporation's funding sources are as follows:

### Wholesale Market

#### » Private Placements and Public Issues

- Fixed Interest Securities
- Floating Rate Notes

#### » Promissory Notes

### Retail Market

#### » Territory Bonds

#### » Migration Linked Bonds

## 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 and, as such, the borrowing margin is more of a reflection of the liquidity premium demanded by institutional investors for supporting the Corporation's bond issuances.

The implied trading margin between a Northern Territory Government-issued bond and an interpolated AAA-rated state government fixed interest security has improved throughout the course of the year, declining by around 0.06 per cent.

Figure 3 on page 8 shows the Corporation's borrowing margin relative to the Commonwealth and AAA-rated central financing authorities.

## Private Placements and Public Issues

Private placements have been used by the Corporation for a number of years to satisfy specific funding needs. These placements are an alternative to the main semi-government bond market, which is made up of large issues of homogenous debt that have been issued by the central financing authorities of each jurisdiction. Private placements are attractive because of the ease of issuance, which makes them suitable for small parcels of debt, and the ability to tailor terms of issuance to satisfy investor demand.

In recent years, the Corporation has developed a series of select bond issues across a number of years that have between \$300 million and \$500 million on issue. These issues have been established to meet investor demand for greater liquidity and promote market awareness. The Corporation anticipates having approximately \$2.7 billion outstanding in these select lines at the end of next financial year.

## Promissory Notes

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

The Corporation had \$50 million of promissory notes outstanding as at 30 June 2011. The promissory note facility was used throughout the year to meet short-term funding requirements.

The weighted average yield achieved for the financial year was 4.87 per cent, with an average margin to Bank Bill Swap (BBSW) reference rate of -0.04 per cent. The issuing margins to BBSW in 2010-11 ranged from -0.03 per cent to -0.06 per cent.

### Territory Bonds

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

In 2010-11, a total of \$39.9 million was raised from 1965 applications, slightly down on the previous year's result of \$43.8 million from 2592 applications. As at 30 June 2011, total outstanding Territory Bonds on issue stood at about \$136 million, down from the \$152 million recorded at the end of fiscal year 2010.

Territory Bonds has become a more cost-effective borrowing source over the last ten years, due to the increase in the average investment size per bond holding. This trend continued in 2010-11 and as Figure 4 below shows the average investment size has more than doubled since June 2001.

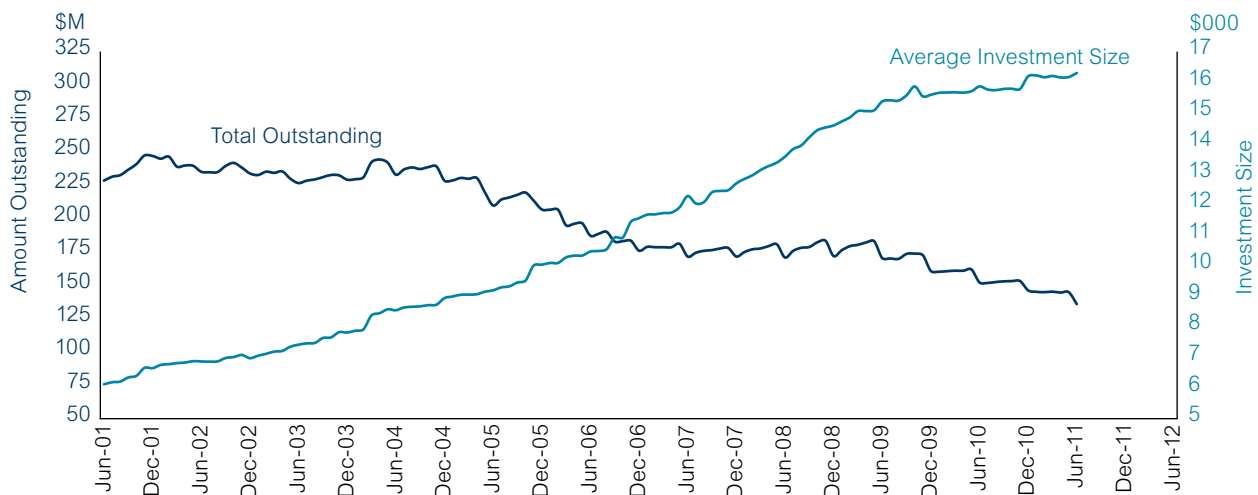
### Migration Linked Bonds

The bonds offered by the Corporation satisfy the criteria of a Designated Investment under the following programs administered by the Department of Immigration and Citizenship (DIAC):

- Business Skills Migration
- Investor Retirement Migration

In 2010-11, the Corporation raised \$1.25 million from two applications. One bond was issued under the Business Skills Migration program and the other under the Investor Retirement Program.

Figure 4: Territory Bonds Outstanding and Average Holding Size



# Client Services

## Loans

The Corporation lends funds to the Northern Territory Government, GBDs, the GOC, local authorities and other government organisations. Loans are issued in accordance with commercially-based guidelines and practices. All loans are approved by the Treasurer of the Northern Territory in accordance with section 13(2)(b) of the *Northern Territory Treasury Corporation Act* and section 31(1) of the *Financial Management Act*.

As at 30 June 2011, the Corporation had a total outstanding loan portfolio of \$3079 million, an increase of \$393 million from the previous financial year. Table 6 shows the comparative analysis of total outstanding loans provided by the Corporation over the past five years.

### General Government Agencies

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

As at 30 June 2011, loans to the general government sector totalled about \$1790 million, an increase of about \$210 million from the previous financial year. The net movement is a result of new loans for \$212 million less scheduled loan repayments.

## Government Business Divisions

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

As at 30 June 2011, loans to this sector totalled about \$206 million, an increase of approximately \$5 million from the previous financial year. The net movement is due to new loans of \$10 million to NT Home Ownership and \$2.5 million to Darwin Port Corporation, that were partially offset by scheduled loan repayments during the year.

### Government Owned Corporations

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

The Power and Water Corporation is the only entity established as a GOC as at 30 June 2011. Loans to this sector totalled about \$1082 million, an increase of \$178 million from the previous financial year. This is the net movement resulting from \$293 million lent throughout the course of the financial year, less debt-for-equity swaps with CHA totalling \$112 million, and less scheduled loan repayments throughout the year.

Table 6: Outstanding Loans as at 30 June

	2011	2010	2009	2008	2007
	\$M	\$M	\$M	\$M	\$M
General government agencies	1 789.5	1 579.9	1 581.9	1 598.1	1 599.1
Government business division	206.4	201.6	209.9	321.6	375.2
Government owned corporation	1 082.5	904.5	565.3	426.8	346.3
Local authorities	0.4	0.4	0.5	0.8	0.9
Other government organisations	-	-	-	0.1	0.6
Total	3 078.8	2 686.4	2 357.6	2 347.4	2 322.1

### Local Authorities

Loans to local authorities represent borrowings by local governing bodies situated throughout the Northern 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 authorities are first assessed by the Department of Housing, Local Government and Regional Services and must carry the support and recommendation of the Minister for Local Government prior to being submitted for approval to the Treasurer of the Northern Territory.

As at 30 June 2011, the Corporation only has one outstanding loan to this sector of \$0.4 million.

### Other Government Organisations

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

Charles Darwin University (CDU) is the only entity established under this classification and as at 30 June 2011 the Corporation had no outstanding loans to CDU.

A full listing of the Corporation's loans is provided in Appendix B on page 35.

Figure 5: Client Loans as at 30 June 2011

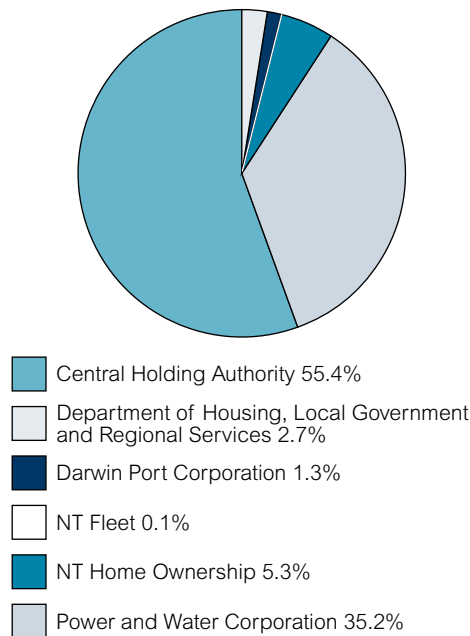
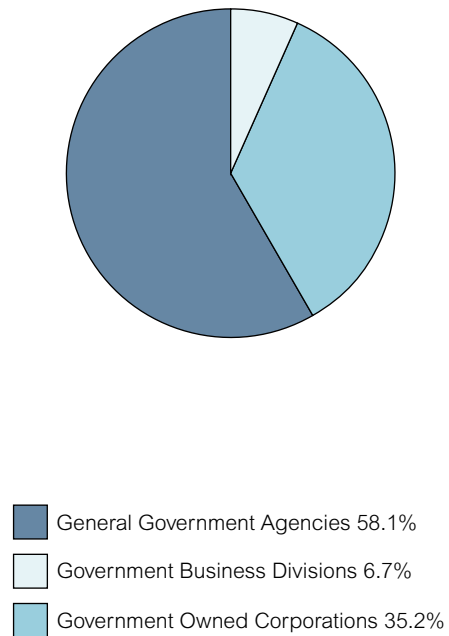


Figure 6: Client Loans by Sector as at 30 June 2011



## Central Holding Authority (CHA) Investments

- » The Northern Territory Government's investment portfolio is formed by pooling the surplus cash balances held in the name of CHA and investing in a variety of secure short, medium and long-term debt securities issued in the Australian financial markets.
- » The broad objectives of the Corporation in managing CHA's investment portfolio are:

- to ensure sufficient liquidity is maintained in the Government's cash balances to meet all financial obligations as they fall due; and
- to obtain a return on the Government's cash balances in line with the benchmark, while adhering to the investment guidelines approved by the Treasurer.

Details of the investment guidelines approved by the Treasurer of the Northern Territory are outlined in Appendix C on page 36.

## Central Holding Authority Investments

### Investment Portfolio

The investment portfolio is composed of a range of secure investments, of which a significant proportion are in short-term instruments such as 11am cash, bank accepted bills, promissory notes and negotiable certificates of deposit. A core amount of the investment portfolio is available for investment in longer term instruments such as floating rate notes and fixed interest securities.

The Corporation aims to achieve the maximum return on investments within defined risk parameters, while ensuring the Government has sufficient cash balances to meet cash flow requirements in anticipation of increased government expenditure and a rising interest rate

environment. In the period ahead, the Corporation has increased the allocation to cash and short-term securities.

As at 30 June 2011, the total investment portfolio was about \$452 million, compared to \$912 million at 30 June 2010 (see Table 7).

Total investment income for 2010-11 was \$40.5 million compared to \$36.3 million in 2009-10. All interest revenue on the investment portfolio is paid directly to the CHA. The weighted average return on the investment portfolio in 2010-11 was 5.27 per cent compared to 4.39 per cent in 2009-10 (see Table 8). The portfolio outperformed the benchmark in 2010-11, with a higher nominal return due to higher short-term interest rates during the year.

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

	2011		2010		2009		2008		2007	
	%	\$M	%	\$M	%	\$M	%	\$M	%	\$M
Cash and short-term securities	96.7	436.5	89.0	812.0	67.8	421.4	67.3	442.9	85.1	398.9
Floating rate notes	3.3	15.0	2.2	20.0	4.0	25.0	4.6	30.0	3.2	15.0
Fixed interest securities	0.0	0.0	8.8	80.0	28.2	175.0	28.1	185.0	11.7	55.0
Total		451.5		912.0		621.4		657.9		468.9

Table 8: Investment Performance Against Objective/Comparison to Benchmark

	2010-11	2009-10	2008-09	2007-08	2006-07
	%	%	%	%	%
Weighted average return (mark to market)	5.27	4.39	6.71	7.08	6.34
Weighted UBS Performance Indices	4.96	3.91	6.73	7.10	6.31

### Conditions of Service Reserve

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

The Corporation is responsible for monitoring and reporting on the performance of the fund and managing the relationship with the investment managers.

The investment performance of the fund is benchmarked against performance results for the 'growth' product category as published in the monthly Morningstar Investor Choice Performance Survey. This is consistent with the asset allocation mix applied to COSR.

As at 30 June 2011, the market valuations of the COSR fund totalled \$436.6 million, an increase of \$43.2 million from the \$393.4 million recorded on 30 June 2010. There were no additional contributions to the fund during 2010-11.

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

### Medium-Term Investment Fund

The Medium-Term Investment Fund (MTIF) is a segregated pool of investments held within the CHA. It primarily represents surplus funds that have accumulated and have not yet been expended by Territory Government agencies. The MTIF fund is a tailored solution provided by MLC Investments Limited. The MTIF has a relatively conservative investment style, with a small allocation (about 15 per cent) to growth assets in order to achieve its stated objective of producing a superior return over the medium term (two to three years).

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

The MTIF commenced on 27 November 2007 with an initial investment of \$50 million. As at 30 June 2011, the market valuation of the MTIF totalled \$58.5 million.

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

Fund Manager	Fund	Market Valuation 30 June			Performance Returns %				
	Allocation %	(\$M)			1 Year	3 Years	5 Years	7 Years	10 Years
	30 June 11	2011	2010						
AMP Capital Investors Limited	28.7	125.2	112.3	11.46	2.30	2.36	7.33	5.63	
Colonial First State Global Asset Management	43.7	190.6	171.0	11.50	3.44	3.77	7.97	5.64	
MLC Implemented Consulting	27.6	120.8	110.1	9.73	1.77	2.24	5.79	4.85	
<b>Total</b>	<b>100.0</b>	<b>436.6</b>	<b>393.4</b>						
Weighted average fund return				11.00	2.68	3.04	7.26	5.51	
Benchmark – Morningstar Growth Portfolio				8.44	1.56	1.65	5.00	4.24	
Performance of COSR relative to benchmark				+2.56	+1.12	+1.39	+2.26	+1.27	

## Investment Environment

### July – September 2010

- Global equity markets rally during the September quarter despite the uncertain prospects for economic growth in Europe and the United States (US). In Europe, the sovereign debt concerns eased while the prospect of another round of quantitative easing by the US Federal Reserve reduced the probability for a double-dip recession.
- Domestic data released was generally positive with the Australian GDP figure for the second quarter higher than expectations and a fall in the unemployment rate from 5.30% to 5.10%.
- The Reserve Bank of Australia (RBA) leaves the cash rate unchanged at 4.50% during the quarter citing interest rates at historic average levels, inflation and growth close to trend and continuing global uncertainty.
- The Australian dollar appreciates 8.50% for the quarter in trade weighted terms as commodity prices rise and risk aversion abates.

### October – December 2010

- Global sovereign bonds rose sharply after the US Federal Reserve announced further quantitative easing lifting inflation expectations and encouraging investor appetite for riskier assets. Consequently, global equity markets rallied during the December quarter with many of the major indices finishing the calendar year at two year highs.
- The RBA lifts the cash rate from 4.50% to 4.75% citing concerns about the potential for inflation to rise in the medium term given the expansionary impact of a rising terms of trade and the lack of spare capacity in the economy.
- Australian banks came under political and social pressure for raising interest rates in excess of the increase in the official RBA cash rate.
- The Australian dollar (AUD) hovers near post-float highs of US\$1.0256 amid firming commodity prices and higher domestic interest rates.

- European sovereign debt and budget deficits resurface with Ireland seeking emergency funds from the International Monetary Fund (IMF) and the European Union (EU).
- Queensland floods result in significant disruption to coal and agricultural production, which will affect Australia's near term growth outlook.

### January – March 2011

- Natural disasters, political unrest and concerns about European peripheral debt burden all impact global stock markets and sovereign bonds during the March quarter. The political unrest in the Middle East and North Africa in combination with strong economic data sees commodity prices post solid gains with oil prices up 17% for the quarter.
- Economic data out of the US indicated the recovery was back on track. The unemployment rate dropped from 9.10% to 8.90%, consumer confidence, industrial manufacturing and retail sales all meet expectations.
- The Australian government announces its intention to introduce a carbon tax without clarifying the details of any compensation further adding to market uncertainty.
- The RBA leaves the cash rate unchanged at 4.75%. With the mining boom set to push unemployment below 5% and households expected to become less cautious, the RBA indicated they may act quickly on any signs of inflation. The Australian dollar continues to appreciate, up 4% for the quarter in trade weighted terms.
- The devastating effect of the Japanese earthquake and tsunami leads ratings agency Standard and Poor's to downgrade Japan's sovereign debt rating to AA-.
- The central bank in China continues to raise interest rates and Reserve Requirement Ratio's (RRR) in an effort to cap inflationary pressures.

## April – June 2011

- Economic data disappoints during the June quarter leading to a substantial revision in global growth expectations. Fears over European sovereign debt default, global supply chain disruptions caused by the Japanese earthquake and tsunami and mixed US economic data lead to widespread risk aversion. Global equity markets return -3.10% for the quarter (on an unhedged basis).
- Ratings agency Standard and Poor's places the US's AAA credit rating on negative watch citing concerns over the country's fiscal position. The government debt reaches the debt ceiling and any increases in this borrowing cap will require congressional approval.
- The RBA keeps the cash rate steady at 4.75%, however it reiterates the likelihood of further rate rises at some point. Australia's strong resource sector in contrast to a weak retail sector reinforces the view that Australia is currently a 'two-speed' economy. The quarterly GDP figure of -1.10% is as anticipated given the large fall in coal exports caused by the Queensland floods. The unemployment rate remains steady at 4.90%.
- The AUD reaches a post-float high of US\$1.10 before closing at US\$1.0722. For the quarter the AUD gains 3.52% against the US dollar, 1.33% against the Euro, and 0.88% against the Japanese Yen.
- Global risk aversion and a flight to safe haven assets forces the price of gold 5% higher, while oil and base metal prices fall 11% and 5%, respectively. Global sovereign bonds rally during the June quarter as the benchmark 10-year US treasuries fall 31 basis points (bps) to finish at 3.16%. German 10-year bond yields fall 33 bps and the Australian 10-year Commonwealth Treasury bond rallies 28 bps to end the quarter at 5.21%.
- Greece's capacity to repay debt re-emerges as a concern when the IMF states it has not met the key criteria to qualify for the next instalment of bailout funds. The IMF, EU and Greece agree to implement a new set of austerity measures, which successfully pass through the Greek parliament in late June. In addition, German and French banks agree to continue to hold Greek bonds, a key component of the deal.



# Administration

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

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

## Major Projects

### Provision of Internal Audit Services

The Corporation's internal audit services were put out to tender in November 2010 and in January 2011 provision of the services was awarded to KPMG Darwin office for a period of three years. KPMG have offices in all Australian states and has extensive audit experience in financial services and central financing authorities. Internal audit undertakes an audit of the Corporation's financial statements as at

30 June each year, provides assurance around the Corporation's control environment in relation to the management of the CHA's investments and undertakes a semi-annual review of the Corporation's control self-assessment process.

### Control Self-Assessment Review

In December 2010, the Corporation undertook a review of its control self-assessment process, which has been in place since 2005. Management engaged Ernst and Young to undertake the review to ensure independence from the internal audit processes. The objectives of the review were to ensure that all key risks were identified and to assess the adequacy of the current format and associated documentation. The review found that all risks were identified in the current process, although several areas for improvement in questionnaires and reporting formats were recommended. Changes to the process were implemented from 1 January 2011.

### Provision of Transactional Banking Services

The Northern Territory Government signed a transactional banking services agreement with the National Australia Bank (NAB) in December 2010. A Banking Transition Project Team was established to plan and coordinate the transition of banking services. The Corporation's bank accounts and associated products and services were successfully migrated from the current provider, Westpac Banking Corporation, to NAB in May 2011.

### Review of Inscribed Stock Register

The Corporation continues to work with its registry service provider, Link Market Services (Link), to reduce registry maintenance costs for its retail bond product. During 2010-11, average monthly registry maintenance costs were reduced by consolidating investor holdings where appropriate. The Corporation will continually review its retail product offering with the aim of reducing administrative costs further.

## Business Relationships

### Registry Services

The Corporation has a key relationship with Link, which maintains the Corporation's retail inscribed stock register, recording details of all inscribed stock and holders in accordance with the Registry Services Agreement and the Northern Territory Treasury Corporation's Inscribed Stock Regulations. Link has offices in Melbourne, Sydney, Brisbane and Perth, which provide convenient access for most bondholders.

The Corporation utilises ASX Austraclear Services Limited for the registration of its wholesale domestic borrowings. ASX Austraclear provides the Corporation 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 Austraclear Services register, making payments, transferring ownership of the security between seller and buyer and effecting payments at maturity of securities.

## Human Resource Management

### Staffing

The Corporation's staff are employed under the *Public Sector Employment and Management Act* (PSEMA). Section 10 of the *Northern Territory Treasury Corporation Act* permits the Under Treasurer to assign employees to the Corporation from Northern Territory Treasury, on either a full-time or part-time basis.

As at 30 June 2011, the Corporation had eight full-time employees: four females and four males. Staff are required to comply with the PSEMA Code of Conduct and the code of ethics of all relevant professional associations.

### Employee Performance Management

The Corporation, in conjunction with Northern Territory Treasury, operates an Employee Development Framework (EDF), which provides a two-way feedback structure between managers and staff. The framework is designed to identify

and develop the work performance of employees so that the Corporation's and employees' objectives and goals are achieved. Staff and management undertake two performance reviews each year. Development requirements are recorded and followed up using the Northern Territory Treasury EDF database.

### Training and Professional Memberships

In addition to training sessions, staff is encouraged to undertake finance and accounting related study through various professional bodies and institutions. Staff attended various training throughout the year including:

- risk management;
- report writing;
- taxation;
- fraud awareness and prevention;
- whistleblower legislation; and
- government-related systems.

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

- Australian Financial Markets Association;
- Australian Society of Certified Practising Accountants;
- Australian Institute of Company Directors; and
- Financial Services Institute of Australasia.

### Equal Opportunity and Workplace Harassment

The Corporation is an equal opportunity employer and is committed to providing a workplace that is free from discrimination and harassment.

All employees are required to take sessions on anti-discrimination, cross-cultural and harassment awareness to promote an understanding of such issues and inform staff of policies in place to address any incidents. In addition, Northern Territory Treasury has formal and informal complaints processes as well as a grievance resolution procedure in place that staff can access.

### Employee Wellness

Corporation staff has access to Northern Territory Treasury's employee assistance program (EAP). This program provides an important service to the agency's employees and forms part of our occupational health and safety (OHS) commitments. The Corporation recognises that staff may be affected by personal, family or work-related issues and EAP is one way that the Corporation supports staff. The EAP offers up to five free confidential counselling sessions for employees and their family members, with either of Northern Territory Treasury's EAP providers.

Also, flu vaccinations are available to Northern Territory Treasury employees on an annual basis.

### Flexible Work Arrangements

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

### Finance Officer in Training (FOIT) Scheme

Throughout the year, graduates employed through the Northern Territory Treasury FOIT Scheme are provided with placement opportunities in the Corporation. The FOIT program consists of graduates engaged on a 12-month contract who undertake work experience in several work areas in Northern Territory Treasury over the year. This is coupled with regular training through a comprehensive series of workshops and seminars outlining Northern Territory Treasury's functions and government processes and structures.

### Employment Opportunities

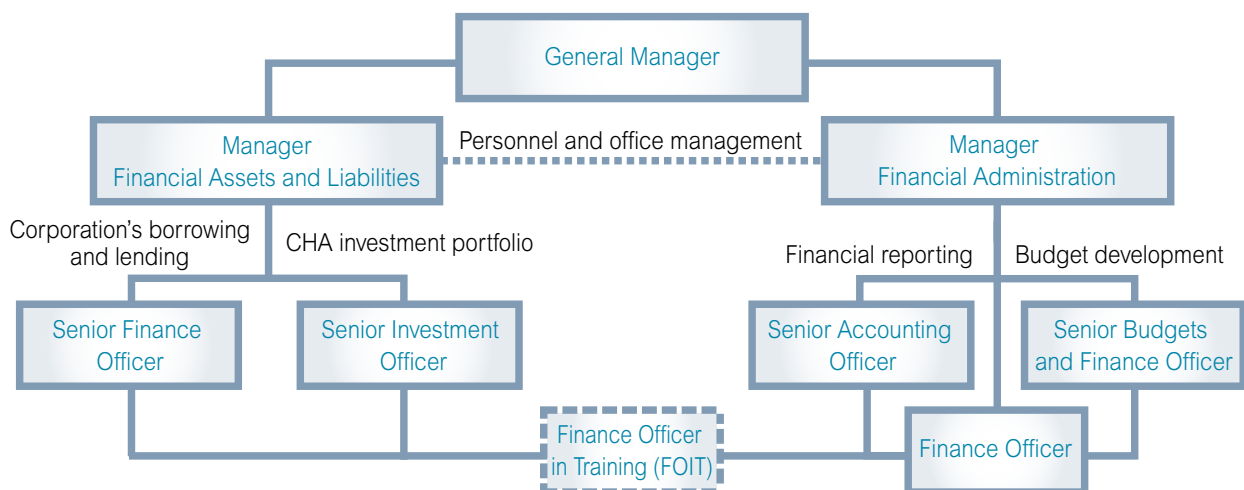
Information on employment opportunities within the Corporation can be found on the Northern Territory Government's website at [www.nt.gov.au/jobs](http://www.nt.gov.au/jobs) and Northern Territory Treasury's website at [www.nt.gov.au/ntt/careers](http://www.nt.gov.au/ntt/careers) or by contacting:

Mr Alex Pollon  
General Manager  
(08) 8999 6318

Ms Vicky Coleman  
Manager Financial Administration  
(08) 8999 5599

Mr Jamie Wilson  
Manager Financial Assets and Liabilities  
(08) 8999 6767

Figure 7: Northern Territory Treasury Corporation's Organisational Structure



# Treasury Corporation People

## Total Staff Numbers by Gender and Level

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

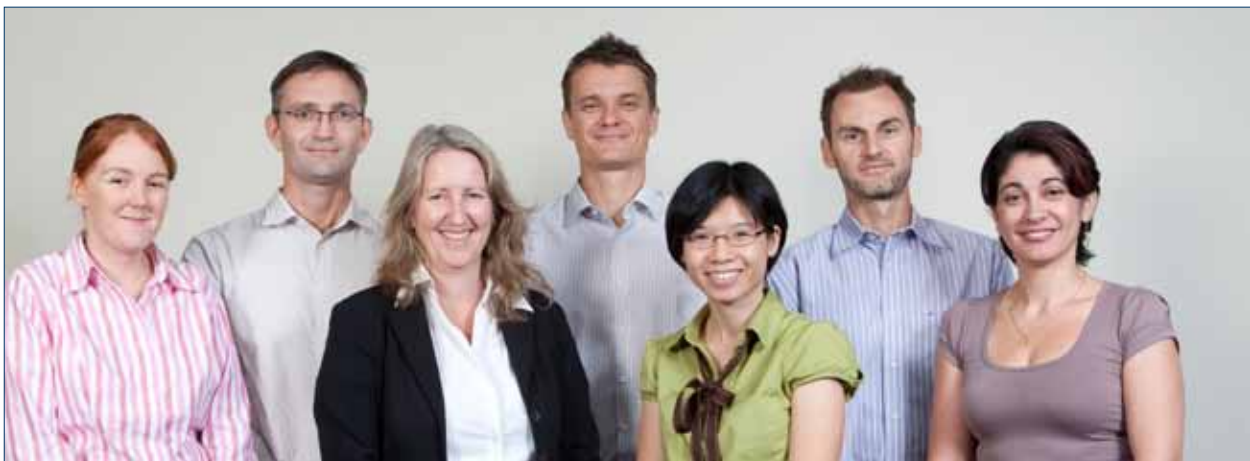
Table 10: Staff Demographics (FTE) as at 30 June 2011

Designation	Male		Female		Total	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
AO4	2	1	1		3	1
AO5		1	4	3	4	4
SAO1		1	1	1	1	2
ECO1	1	1			1	1
Total	3	4	6	4	9	8

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

Table 11: EEO Profile as at 30 June 2011

Aboriginal and Torres Strait Islanders	–
Non-English speaking background	4
People with a disability	1



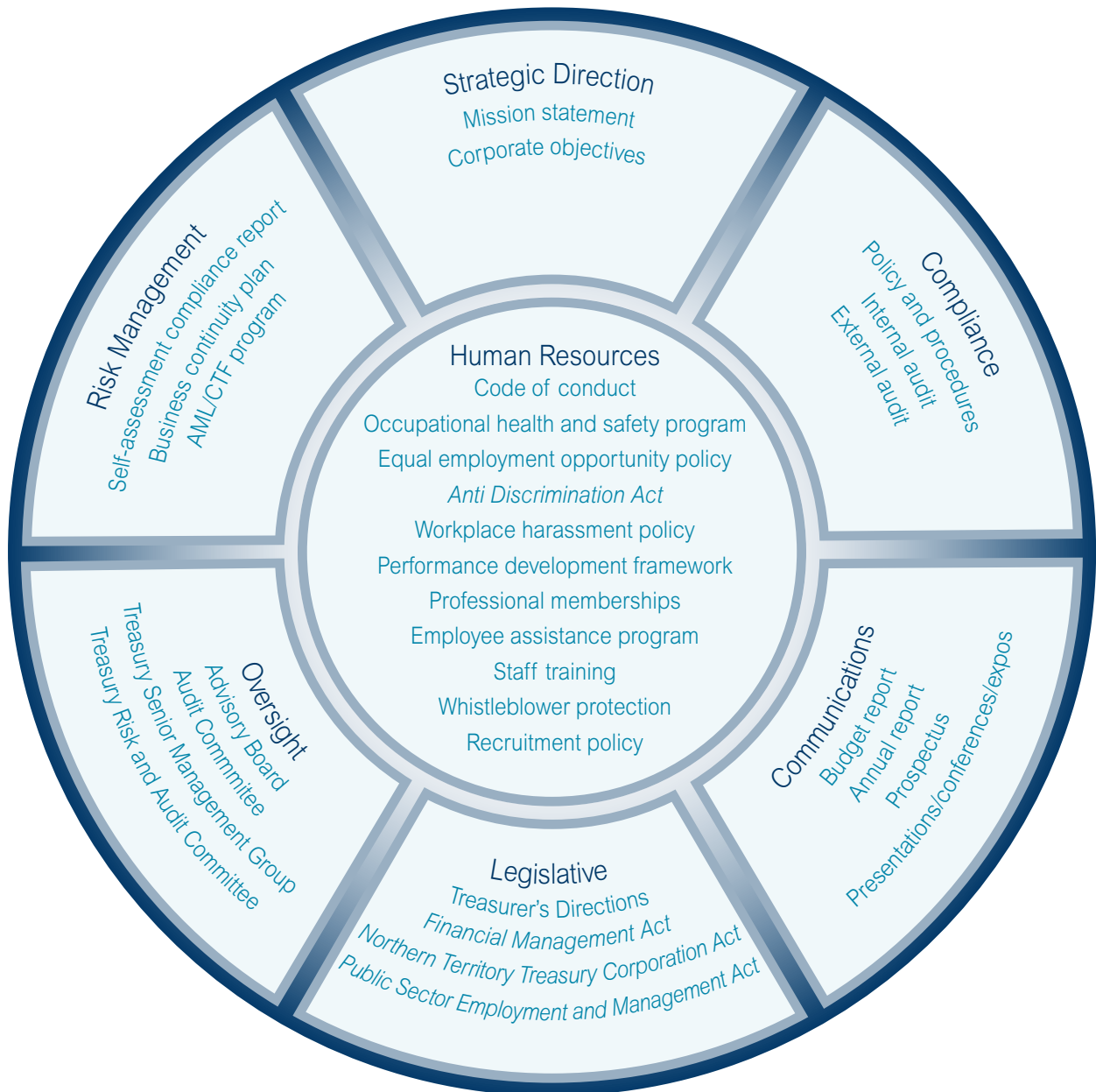
Back row: Alex Pollon, George Dubrava, Jamie Wilson  
 Front row: Anna Beavon, Vicky Coleman, Christina Chau, Maria Musemeci

Absent: Gloria Lui



# Corporate Governance

Figure 8: Northern Territory Treasury Corporation's Corporate Governance Framework

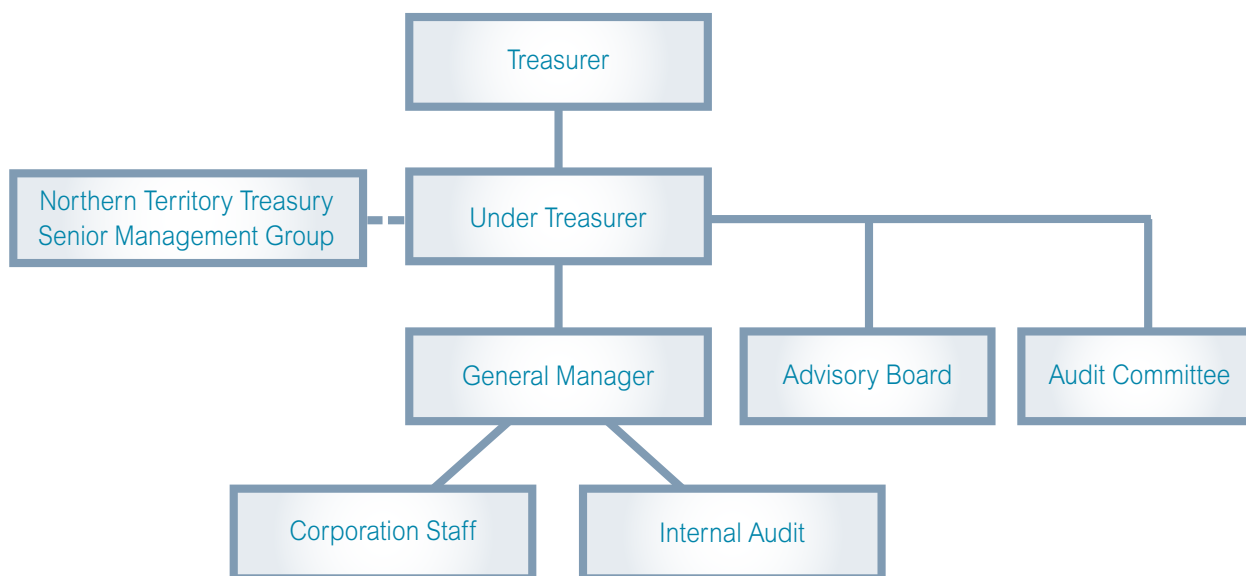


## Corporate Governance

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

The Corporation was established in June 1994 and is constituted under the *Northern Territory Treasury Corporation Act*. The Under Treasurer, Northern Territory Treasury, is designated as the Corporation sole under the Act and as such represents the Crown in right of the Territory. Under section 5 of the *Northern Territory Treasury Corporation Act*, the Corporation is subject to the direction of the Treasurer of the Northern Territory.

Figure 9: Northern Territory Treasury Corporation's Reporting Structure



### Strategic Direction Corporate Objectives

The Corporation's objectives are to:

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

### Northern Territory Treasury's Senior Management Group

The Corporation reports to Northern Territory Treasury's Senior Management Group (SMG), which is responsible for the strategic policy direction of Northern Territory Treasury and its business units. This includes managing performance and improving management and business practices. The main role of SMG is corporate governance and developing corporate capabilities, such as people, systems and environment in Northern Territory Treasury.

### Northern Territory Treasury's Risk and Audit Committee

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

## Advisory Board

Under section 8 of the *Northern Territory Treasury Corporation Act*, the Corporation has established an Advisory Board to assist the Under Treasurer with issues relating to the Corporation's operations. The Advisory Board is constituted to be the Under Treasurer and no more than five other persons appointed by the Treasurer of the Northern Territory. The Advisory Board meets quarterly to review and monitor the performance of the Corporation, its business risks and its 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.

### Matters Considered by the Advisory Board

The Advisory Board receives specific papers and management reports that cover financial statements and budget position, performance and progress reports on the investment portfolio and the Corporation's borrowing and lending programs, and financial and operational risk exposure reports covering interest rates, counterparties and derivatives. Monthly management reports are provided to Northern Territory Treasury Senior Executive.

The members of the Advisory Board as at 30 June 2011 were:

#### Mrs Jennifer Prince

##### Under Treasurer and Chair Northern Territory Treasury

Mrs Prince has been a member of the Board since June 2000 and Chair since her appointment as Under Treasurer of the Northern Territory Treasury in June 2002. Mrs Prince is a member of the Northern Territory Government's Major Project Task Force and the Gas Task Force, Chair of the Capital Works Review Sub Committee, Director of FCD Health Limited (a joint company of Flinders and Charles Darwin universities), a member of the Charles Darwin University Council and an honorary Fellow of the Certified Practising Accountants.

#### Mr Anthony Cole AO

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

Mr Cole was appointed to the Board in June 1995 and is Global Chief Strategist for Mercer Investment Consulting, a Senior Partner of Mercer and a member of the Global Board for Investment Consulting. Mr Cole and his team advise institutional investors, including superannuation funds, on the development of their investment programs. Mr Cole's experience includes nearly 30 years in senior Commonwealth Government economic posts. These included Principal Adviser to the then Treasurer, the Hon. Paul Keating MP, Deputy Secretary (Economic) to the Department of the Prime Minister and Cabinet, and Secretary to the Treasury.

#### Mr Richard Ryan AO

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

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

#### Mr John Montague

##### Assistant Under Treasurer (Funds Management) Northern Territory Treasury

Mr Montague began his career with Westpac Banking Corporation in 1986 holding various trading and management positions in Sydney and Melbourne within the bank's Treasury Fixed Interest division. He was seconded to Northern Territory Treasury Corporation as Manager Financial Assets and Liabilities in 1994 and was appointed General Manager in November 1996. Mr Montague has also been the Acting

Commissioner of Superannuation since April 2009 and was appointed Northern Territory Treasury's Assistant Under Treasurer (Funds Management) in 2011. Mr Montague was appointed to the Advisory Board in March 2010. The Corporation reports through Mr Montague and he represents the Corporation on the Senior Management Group of Northern Territory Treasury.

#### Mr David Braines-Mead

#### Assistant Under Treasurer (Budgets and Finance) Northern Territory Treasury

Mr Braines-Mead is the Assistant Under Treasurer (Budgets and Finance) in Northern Territory Treasury and has held various positions at the director level within the Financial Management Group since joining Northern Territory Treasury in 2004. He represents Treasury on both intergovernmental and whole of government committees. Prior to this, Mr Braines-Mead had over 15 years experience within the accounting profession both in Darwin as a Senior Audit Manager with Ernst and Young and before that in the United Kingdom with various chartered

accountancy firms. Mr Braines-Mead is a fellow of the United Kingdom-based Association of Chartered Certified Accountants and is a member of the Australia Institute of Company Directors.

#### Northern Territory Treasury Corporation Audit Committee

The Audit Committee is a sub-committee of the Advisory Board. It provides advice to the Chair on operational issues and in relation to internal and external audits and meets prior to all Advisory Board meetings, or as necessary. As at 30 June 2011, the Audit Committee comprises the two external directors and is chaired by Mr Ryan.

KPMG undertakes the internal audit review of the Corporation's business while the Auditor-General for the Northern Territory carries out the external audit of the Corporation's activities.

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



Left to right: Richard Ryan, Vicky Coleman (Corporate Secretary), Alex Pollon, Jennifer Prince, David Braines-Mead, John Montague and Anthony Cole

## Treasury Corporation Management

Mr Alex Pollon

General Manager

Mr Pollon joined the Corporation in September 1998 as Manager Financial Assets and Liabilities. In December 2004, he was elevated to Assistant Director and was appointed General Manager of the Corporation in May 2010. He is responsible for the overall management of the Corporation's staff and resources, ensuring the efficient, effective and appropriate control of the borrowing, lending and investing activities on behalf of government. Prior to joining Northern Territory Treasury, Mr Pollon was the Manager Treasury Services for the Territory Insurance Office. Mr Pollon is a member of the Australian Institute of Company Directors and holds Australian Financial Markets Association dealer accreditation.

Ms Vicky Coleman

Manager Financial Administration and Corporate Secretary

Ms Coleman joined Northern Territory Treasury in April 2000 and was appointed Manager Financial Administration in February 2002. Ms Coleman is responsible for the Corporation's financial reporting, budgeting, corporate governance and risk management functions. Prior to joining Northern Territory Treasury, Ms Coleman held various management positions in the private sector mainly in the finance sector. She is a Certified Practising Accountant, a member of the Australian Institute of Company Directors and the Finance and Treasury Association.

Mr Jamie Wilson

Manager Financial Assets and Liabilities

Mr Wilson joined the Corporation in September 2010 as Manager Financial Assets and Liabilities. He is responsible for the day to day activities and operational effectiveness of the treasury functions undertaken by the Corporation. Mr Wilson is a corporate treasury specialist with over 15 years experience gained from various

roles across a range of industry sectors including banking, real estate, energy, transport and construction. He holds a Bachelor of Economics degree from Adelaide University and a Graduate Diploma from the Securities Institute of Australia.

## Risk Management

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

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

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

## Business Continuity Management

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

## Compliance Self-Assessment Reviews

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

## Insurance Arrangements

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

In line with Northern Territory Government policy, the Corporation self insures. As a GBD, the

Corporation can and has elected to pay a premium to Northern Territory Treasury as its host agency for workers compensation insurance, in lieu of purchasing commercial insurance. In 2010-11 there were no self-insurance claims. This is consistent with 2009-10.

### Occupational Health and Safety

OHS services are provided to the Corporation as part of Northern Territory Treasury's OHS program. Northern Territory Treasury's OHS committee meets quarterly and regularly reports to Northern Territory Treasury's Senior Management Group. The committee reports and advises on workplace safety and systems of work, developing, implementing and monitoring OHS measures, advocating acceptable and responsible practices by employees and others, and promoting a health and safety ethos.

All managers and supervisors are required to undertake a training session facilitated by the Department of Business and Employment to ensure appropriate awareness of the OHS requirements within the Northern Territory Public Service.

## Compliance

As part of its corporate governance framework, the Corporation undergoes several audits and review processes during the year. These are undertaken by both internal and external auditors.

### Policy and Procedures

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

### Internal Audit

The Corporation has an internal audit function reporting directly to the Corporation's Advisory Board, Audit Committee and Northern Territory Treasury's Senior Executive. The internal auditor, KPMG, audits the Corporation's financial statements and reviews its risk and operational environments.

### External Audit

The Auditor-General of the Northern Territory reviews the Corporation's financial statements and operating environment and reports these findings annually to the Under Treasurer and Northern Territory Parliament. The Auditor-General also attends the Corporation's Audit Committee meetings as requested.

Table 12: Audits Undertaken During the Year

Function	Type	Period	Internal/External	Outcomes
2009-10 financial statements	Audit	30/06/10	Internal	Unqualified audit opinion
			External	Unqualified audit opinion
Compliance self-assessment	Review	30/09/10 31/03/11	Internal	No significant matters identified
Information technology controls	Audit	30/06/11	Internal	No significant matters identified
Interim period review	Audit	30/06/11	Internal/external	No significant matters identified

# Territory Economy

The following section provides an overview of the Territory economy, including the overall performance of the economy in 2010-11 and the outlook for 2011-12. Updates of key economic indicators are published regularly and can be downloaded at [www.nt.gov.au/ntt/economics](http://www.nt.gov.au/ntt/economics).

## Structure of the Economy

The Territory accounts for 19 per cent of Australia's total land mass and just over 1 per cent of Australia's total population, with approximately one-third of the Territory's population being Indigenous. The Territory has an abundance of natural resources and an economy dominated by mining and energy production. The Territory is also characterised by a large public sector and a significant Australian Defence Force (ADF) presence.

The small size of the Territory economy means that large, typically resource-based projects can have a substantial impact on investment and production, resulting in volatile growth patterns. Additionally, the significance of the mining and tourism industries makes the Territory economy particularly reliant on exports and as a result it is susceptible to developments in key export markets and the world economy generally.

## Gross State Product

Economic growth in the Territory is estimated to have strengthened to 2.2 per cent in 2010-11, due to increased public sector investment and consumption, which are expected to have more than offset a decline in private investment and a smaller trade surplus.

Consumption in the Territory is expected to grow by 2.0 per cent, driven primarily by a modest 1.2 per cent increase in household consumption and a 3.2 per cent increase in public sector spending reflecting increased Commonwealth consumption, associated with higher benefits payments.

Investment in the Territory is estimated to have increased by 5.8 per cent, driven by the Territory Government's record capital works program, including Commonwealth stimulus funding, and increased Commonwealth investment (mainly defence purchases), offset by an estimated decrease in private sector investment of 3.4 per cent reflecting lower resource-based investment, particularly in machinery, equipment and exploration. Higher engineering construction investment from the development of the Montara and Kitan oil fields in the second half of 2010-11 and a slight increase in residential construction activity are expected to partially offset this decrease.

In 2011-12, economic growth is forecast to strengthen to 3.2 per cent, due to strong growth in the Territory's trade surplus, strengthening household consumption and private sector investment. Private sector investment is expected to be driven by the Kitan and Montara oilfield development and increased residential housing activity as a result of land releases in Palmerston East. The Territory's trade surplus is forecast to increase by 13.2 per cent reflecting increased uranium, manganese, oil and natural gas production.

## External Economic Environment

The Territory's commodity-based economy depends on strong interstate and international demand to maintain solid growth. Overseas exports constitute about 45 per cent of Territory GSP. Major Territory exports include liquefied natural gas (LNG), crude oil, mineral ores and tourism-related services.

In 2010, the recovery from the global financial crisis (GFC) consolidated, with the IMF estimating global output to have grown by 5.0 per cent. This increase was led by emerging economies, particularly China and India. However growth in Europe and the US remains weak, reflecting the ongoing impact of the GFC and the rising amount of government debts.

This is likely to increase demand from developing economies for Australian and Territory goods while developed economies demand will remain weak, which is expected to continue to drive strong growth in Territory commodity exports. In addition, the strength of the Australian dollar will likely result in more Australians travelling abroad and fewer Europeans entering Australia, which effectively raises imports, lowers exports and lowers economic growth.

Despite weakness in many developed nations, the strength of demand from Asian nations is forecast to result in the Australian economy outperforming most other advanced economies in 2012, with the IMF forecasting economic growth for Australia of 3.5 per cent and the Territory well positioned to capitalise on this growth.

### International Trade

An abundance of rich mineral and energy resources and a limited local market mean that the Territory is a net exporter, and international trade forms an integral part of the Territory economy.

In nominal terms, growth in the Territory's trade surplus is expected to have moderated by 7.5 per cent to \$3.8 billion in 2010-11 as imports, particularly of feedstock gas and petroleum rose, which more than offset a 4.7 per cent increase in exports.

In 2011-12, the Territory's nominal trade surplus is forecast to climb by 13.2 per cent to \$4.3 billion, mainly due to production from the Kitan and Montara oilfields, a return to higher levels of production at the Ranger Uranium Mine and increased manganese production from GEMCO and Bootu Creek mines.

The strong increase in imports in 2010-11 is expected to decline, reflecting lower levels of machinery and transport equipment imports following the completion of the Kitan and Montara oilfields development and subdued growth in feedstock gas imports.

### Population

In line with slowing economic activity, moderating jobs growth, lower net overseas migration and relocation of the 1st Brigade Royal Australian Regiment to South Australia, Territory population growth is estimated to slow to 1.0 per cent for 2010. This is lower than the expected national average of 1.7 per cent.

Population is expected to be stable at 1.0 per cent in 2011 before strengthening to 1.8 per cent in 2012. The increased growth in 2012 reflects stronger employment growth, a major contributor to population growth in the Territory. This is primarily driven by increased private sector development, particularly in the residential construction industry, which is a major employer, and an increased ADF presence.

### Labour Force

Resident employment growth in the Territory moderated to an estimated 2.2 per cent in 2010-11, mainly due to the completion of a number of major projects, driven mainly by a slowing of full-time employment growth and a decline in part-time employment growth.

In 2011-12, employment growth is forecast to increase to 2.8 per cent underpinned by engineering construction associated with the Kitan and Montara oilfield developments, as well as stronger residential construction growth due to increased land releases in Palmerston East.

In 2010-11, the unemployment rate is estimated to have fallen to 2.7 per cent reflecting employment growth, albeit at a slower rate than in previous years. The unemployment rate is expected to moderate to 3.0 per cent in 2011-12 reflecting an increase in the number of people looking for jobs, as employment prospects improve.

### Prices

Darwin's inflation rate remained steady at 2.8 per cent in 2010 as growth in housing prices slowed, although this was largely offset by a significant rise in the prices of tobacco and alcohol.

Inflation is forecast to moderate to 2.3 per cent in 2011 reflecting subdued aggregate demand and moderating employment and population growth.

In 2012, inflation is forecast to increase to 2.6 per cent as aggregate demand increases, strengthening employment and wages growth.

### Mining and Energy

Mining is the most significant industry in the Territory, accounting for 25.0 per cent of GSP in 2009-10, compared to 9.4 per cent nationally.

In real terms, the value of minerals and energy production in the Territory is estimated to have decreased by 0.9 per cent to \$5.8 billion in 2010-11, reflecting the cessation of production from the Challis/Cassini and Jabiru oilfields.

In 2011-12, the value of mineral and energy production is expected to increase by 11.8 per cent to \$6.5 billion in 2011-12. This increase is driven by the energy sector with higher levels of oil production, reflective of the commencement of production from the Kitan and Montara oilfields and higher uranium expenditure.

### Construction

The construction industry accounted for 8.6 per cent of Territory GSP in 2009-10 and was the third largest industry in the Territory, employing more than 10 000 people, or 9.9 per cent of the resident labour force.

After reaching record levels in 2008-09, construction activity in the Territory declined in 2009-10 before recovering in 2010-11. This reflects the completion of major projects in 2008-09, a lack of major projects in 2009-10 and the development of new projects, notably the Kitan and Montara oilfields, in 2010-11.

Public sector construction also grew, driven by the Territory Government's record capital works program including land releases in Palmerston East as well as ongoing Commonwealth stimulus measures, and ADF infrastructure projects.

### Tourism

Tourism is an important part of the Territory economy, creating demand and generating employment in a range of industries, including hospitality, retail trade and transport. In 2009-10, economic weakness in developed economies negatively affected household disposable income levels in many of the Territory's key international tourism markets.

The stronger AUD in 2009 and 2010 also negatively affected Territory tourism. This increased the attractiveness of overseas destinations for Australians, while simultaneously reducing the attractiveness of Australia for overseas tourists through increased cost. This led to a 6.0 per cent decline in the number of visitors over the year.

In 2010-11, the strength of the AUD and continued weakness in developed economies are expected to result in fewer tourists visiting the Territory. Despite the unfavourable conditions, tourism in the Northern Territory expects long-term benefits arising from recent expenditure on tourism infrastructure, along with increased air and accommodation capacity.

### Longer Term Economic Outlook

2009-10 and 2010-11 were relatively slow years for the Territory economy following exceptional activity in the five years to 2008-09. However, the prospects for the Territory over the long run remain strong, reflecting the Territory's abundant resource base and close proximity to Asia, which places it in a strong position to capitalise on what is likely to continue to be one of the fastest growing areas in both population and economic terms. It is important to note that these projections do not include the Inpex Ichthys project, which is expected to announce its final investment decision in the fourth quarter of 2011.

# Appendix A: Outstanding Domestic Borrowings

As at 30 June 2011

Page	Maturity Date	Coupon Rate %	Face Value \$000
30 Appendix A: Outstanding Domestic Borrowings	2011-12		
	9-Sep-11	4.95	50 000
	15-Sep-11	6.25	23
35 Appendix B: Outstanding Loans	15-Sep-11	6.30	327
	15-Sep-11	6.40	272
36 Appendix C: Investment Guidelines	15-Nov-11	6.00	325 000
	15-Dec-11	4.45	70
	15-Dec-11	4.50	134
37 Appendix D: Glossary of Terms	15-Dec-11	4.55	5
	15-Dec-11	4.60	154
	15-Dec-11	4.65	205
	15-Dec-11	4.70	78
	15-Dec-11	4.80	142
	15-Dec-11	4.95	524
	15-Dec-11	5.00	1 807
	15-Dec-11	5.10	2 676
	15-Dec-11	5.15	4 514
	15-Dec-11	5.20	4 301
	15-Dec-11	5.30	5 542
	15-Dec-11	5.35	3
	15-Dec-11	5.40	198
	15-Dec-11	5.50	130
	15-Dec-11	5.55	47
	15-Dec-11	5.60	294
	15-Dec-11	5.65	72
	15-Dec-11	5.70	848
	15-Dec-11	5.75	1
	15-Dec-11	5.80	533
	15-Dec-11	5.85	67
	15-Dec-11	5.90	369
	15-Dec-11	5.95	44
	15-Dec-11	6.00	1 501
	15-Dec-11	6.10	331
	15-Dec-11	6.15	1
	15-Dec-11	6.20	2
	15-Dec-11	6.25	5
	15-Dec-11	6.30	13
	15-Dec-11	6.40	301
	15-Dec-11	6.55	190
	15-Dec-11	6.60	249
	15-Dec-11	6.70	250
	15-Dec-11	6.85	28
	15-Dec-11	6.90	141
	15-Dec-11	6.95	1 000
	15-Dec-11	7.00	358
	15-Jun-12	3.95	46
	15-Jun-12	4.00	141
	15-Jun-12	4.10	965

## Outstanding Domestic Borrowings (continued)

Maturity Date	Coupon Rate %	Face Value \$000
15-Jun-12	4.15	1 734
15-Jun-12	4.20	1 623
15-Jun-12	4.30	3 222
15-Jun-12	4.45	60
15-Jun-12	4.50	433
15-Jun-12	4.60	299
15-Jun-12	4.95	83
15-Jun-12	5.00	56
15-Jun-12	5.10	100
15-Jun-12	5.25	2 660
15-Jun-12	5.30	3 938
15-Jun-12	5.35	35
15-Jun-12	5.40	4 751
15-Jun-12	5.45	186
15-Jun-12	5.50	91
15-Jun-12	5.60	578
15-Jun-12	5.70	21
15-Jun-12	5.80	113
15-Jun-12	5.85	22
15-Jun-12	5.90	23
15-Jun-12	5.95	69
15-Jun-12	6.00	348
15-Jun-12	6.05	63
15-Jun-12	6.10	637
15-Jun-12	6.15	376
15-Jun-12	6.20	721
15-Jun-12	6.30	332
15-Jun-12	6.45	249
15-Jun-12	6.50	117
15-Jun-12	6.55	3
15-Jun-12	6.60	166
15-Jun-12	6.70	13
<b>Total 2011-12</b>	<b>5.79</b>	<b>427 024</b>
<b>2012-13</b>		
15-Sep-12	6.25	300 000
15-Dec-12	4.75	8
15-Dec-12	4.80	3
15-Dec-12	4.90	224
15-Dec-12	4.95	2
15-Dec-12	5.00	227
15-Dec-12	5.10	768
15-Dec-12	5.20	63
15-Dec-12	5.25	830
15-Dec-12	5.30	1 207
15-Dec-12	5.35	78
15-Dec-12	5.40	1 275

Maturity Date	Coupon Rate %	Face Value \$000
15-Dec-12	5.45	824
15-Dec-12	5.50	1 726
15-Dec-12	5.60	1 537
15-Dec-12	5.85	60
15-Dec-12	5.90	173
15-Dec-12	5.95	75
15-Dec-12	6.00	1 579
15-Dec-12	6.10	482
15-Dec-12	6.35	17
15-Dec-12	6.40	180
15-Dec-12	6.45	312
15-Dec-12	6.50	489
15-Dec-12	6.60	111
15-Dec-12	6.75	16
15-Dec-12	6.80	128
15-Dec-12	6.90	240
20-Apr-13	5.50	25 000
12-May-13	4.50	750
15-Jun-13	5.05	354
15-Jun-13	5.10	93
15-Jun-13	5.15	75
15-Jun-13	5.20	203
15-Jun-13	5.25	91
15-Jun-13	5.30	46
15-Jun-13	5.35	326
15-Jun-13	5.40	894
15-Jun-13	5.45	476
15-Jun-13	5.50	3 343
15-Jun-13	5.55	40
15-Jun-13	5.60	1 096
15-Jun-13	5.65	10
15-Jun-13	5.70	146
15-Jun-13	5.75	10
15-Jun-13	5.80	17
15-Jun-13	5.90	86
15-Jun-13	6.70	490
15-Jun-13	6.75	119
15-Jun-13	6.80	22
15-Jun-13	6.85	668
15-Jun-13	6.95	226
<b>Total 2012-13</b>	<b>6.16</b>	<b>347 215</b>
<b>2013-14</b>		
15-Sep-13	5.15	31
15-Sep-13	5.20	101
15-Sep-13	5.30	451
18-Sep-13	5.25	500

## Outstanding Domestic Borrowings (continued)

Maturity Date	Coupon Rate %	Face Value \$000	Maturity Date	Coupon Rate %	Face Value \$000
1-Oct-13	5.00	5 000	15-Jun-14	6.00	476
15-Oct-13	6.75	400 000	15-Jun-14	6.05	140
15-Dec-13	4.85	2	15-Jun-14	6.10	831
15-Dec-13	4.90	65	15-Jun-14	6.15	61
15-Dec-13	5.00	110	15-Jun-14	6.20	489
15-Dec-13	5.10	7	15-Jun-14	6.30	27
15-Dec-13	5.15	10			
15-Dec-13	5.20	202	<b>Total 2013-14</b>	<b>6.69</b>	<b>428 227</b>
15-Dec-13	5.25	96			
15-Dec-13	5.30	902	<b>2014-15</b>		
15-Dec-13	5.35	290	14-Jul-14	5.75	500 000
15-Dec-13	5.40	1 471	1-Oct-14	5.00	5 000
15-Dec-13	5.45	68	15-Dec-14	4.95	7
15-Dec-13	5.50	987	15-Dec-14	5.00	260
15-Dec-13	5.55	2	15-Dec-14	5.10	16
15-Dec-13	5.60	721	15-Dec-14	5.25	3
15-Dec-13	5.70	362	15-Dec-14	5.30	30
15-Dec-13	5.75	2	15-Dec-14	5.40	46
15-Dec-13	5.80	153	15-Dec-14	5.45	162
15-Dec-13	5.85	87	15-Dec-14	5.50	1 022
15-Dec-13	5.90	408	15-Dec-14	5.60	674
15-Dec-13	5.95	153	15-Dec-14	5.95	605
15-Dec-13	6.00	407	15-Dec-14	6.00	2 284
15-Dec-13	6.05	258	15-Dec-14	6.10	1 929
15-Dec-13	6.10	614	15-Dec-14	6.45	210
15-Dec-13	6.20	216	15-Dec-14	6.50	475
15-Dec-13	6.25	20	15-Dec-14	6.60	801
15-Dec-13	6.40	14	15-Dec-14	6.85	43
15-Dec-13	6.55	19	15-Dec-14	6.90	74
15-Dec-13	6.60	395	15-Dec-14	7.00	700
15-Dec-13	6.70	109	18-Mar-15	5.50	500
15-Dec-13	6.85	1	23-Mar-15	5.50	750
15-Dec-13	6.95	110	15-Jun-15	5.45	2
1-May-14	8.00	5 000	15-Jun-15	5.50	111
15-Jun-14	4.35	2	15-Jun-15	5.55	45
15-Jun-14	4.40	103	15-Jun-15	5.60	142
15-Jun-14	4.50	650	15-Jun-15	5.70	247
15-Jun-14	4.65	10	15-Jun-15	5.75	222
15-Jun-14	4.70	109	15-Jun-15	5.80	1 226
15-Jun-14	4.80	456	15-Jun-15	5.90	2 734
15-Jun-14	4.85	141	15-Jun-15	5.95	140
15-Jun-14	4.90	427	15-Jun-15	6.00	323
15-Jun-14	5.00	2 202	15-Jun-15	6.10	540
15-Jun-14	5.60	16	15-Jun-15	6.65	223
15-Jun-14	5.65	296	15-Jun-15	6.70	744
15-Jun-14	5.70	1 348	15-Jun-15	6.80	463
15-Jun-14	5.80	1 014	15-Jun-15	6.85	22
15-Jun-14	5.95	85	15-Jun-15	6.90	39

## Outstanding Domestic Borrowings (continued)

Maturity Date	Coupon Rate %	Face Value \$000
15-Jun-15	7.00	255
<b>Total 2014-15</b>	<b>5.75</b>	<b>523 069</b>

### 2015-16

20-Oct-15	6.25	500 000
20-Oct-15	6.50	20 000
15-Dec-15	5.05	91
15-Dec-15	5.10	42
15-Dec-15	5.20	166
15-Dec-15	5.35	257
15-Dec-15	5.40	555
15-Dec-15	5.45	35
15-Dec-15	5.50	2 014
15-Dec-15	5.55	174
15-Dec-15	5.60	2 468
15-Dec-15	5.70	1 326
15-Dec-15	5.90	1
15-Dec-15	5.95	299
15-Dec-15	6.00	12
15-Dec-15	6.25	35
15-Dec-15	6.30	116
15-Dec-15	6.40	145
15-Dec-15	6.55	172
15-Dec-15	6.60	180
15-Dec-15	6.70	364
15-Dec-15	6.75	21
15-Dec-15	6.80	60
15-Dec-15	6.90	56
20-May-16	5.00	5 000
1-Jun-16	6.47	8 880
15-Jun-16	4.65	110
15-Jun-16	4.70	436
15-Jun-16	4.80	357
15-Jun-16	4.95	112
15-Jun-16	5.00	892
15-Jun-16	5.10	606
15-Jun-16	5.15	419
15-Jun-16	5.20	569
15-Jun-16	5.30	414
15-Jun-16	5.35	437
15-Jun-16	5.40	675
15-Jun-16	5.50	961
15-Jun-16	5.55	21
15-Jun-16	5.60	369
15-Jun-16	5.70	836
15-Jun-16	5.75	31
15-Jun-16	5.80	249

Maturity Date	Coupon Rate %	Face Value \$000
15-Jun-16	5.85	821
15-Jun-16	5.90	1 988
15-Jun-16	6.00	2 285
<b>Total 2015-16</b>	<b>6.23</b>	<b>555 057</b>

### 2016-17

20-Nov-16	5.75	300 000
15-Dec-16	5.95	91
15-Dec-16	6.00	950
15-Dec-16	6.05	29
15-Dec-16	6.10	1 262
15-Dec-16	6.20	98
15-Jun-17	5.95	253
15-Jun-17	6.00	1 382
15-Jun-17	6.05	2
15-Jun-17	6.10	1 288
15-Jun-17	6.15	370
15-Jun-17	6.20	436
15-Jun-17	6.30	194

<b>Total 2016-17</b>	<b>5.76</b>	<b>306 355</b>
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### 2019-20

8-Oct-19	8.14	5 000
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<b>Total 2019-20</b>	<b>8.14</b>	<b>5 000</b>
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### 2021-22

15-Mar-22	6.06	5 000
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<b>Total 2021-22</b>	<b>6.06</b>	<b>5 000</b>
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### 2022-23

30-Sep-22	8.24	5 000
15-Mar-23	6.00	10 000
20-May-23	5.00	5 000

<b>Total 2022-23</b>	<b>6.31</b>	<b>20 000</b>
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### 2023-24

15-Mar-24	6.00	9 700
20-May-24	5.00	5 000

<b>Total 2023-24</b>	<b>5.66</b>	<b>14 700</b>
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### 2024-25

15-Mar-25	6.00	18 900
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## Outstanding Domestic Borrowings (continued)

Maturity Date	Coupon Rate %	Face Value \$000
20-May-25	8.50	5 000
<b>Total 2024-25</b>	<b>6.52</b>	<b>23 900</b>
<b>2025-26</b>		
15-Sep-25	8.50	24 974
15-Mar-26	6.00	29 700
<b>Total 2025-26</b>	<b>7.14</b>	<b>54 674</b>
<b>2026-27</b>		
15-Mar-27	6.00	8 400
<b>Total 2026-27</b>	<b>6.00</b>	<b>8 400</b>
<b>2027-28</b>		
15-Mar-28	6.00	7 900
<b>Total 2027-28</b>	<b>6.00</b>	<b>7 900</b>
<b>2028-29</b>		
15-Mar-29	6.00	7 500
<b>Total 2028-29</b>	<b>6.00</b>	<b>7 500</b>
<b>2029-30</b>		
15-Mar-30	6.00	42 000
<b>Total 2029-30</b>	<b>6.00</b>	<b>42 000</b>
<b>TOTAL</b>	<b>6.11</b>	<b>2 776 021</b>

# Appendix B: Outstanding Loans

As at 30 June 2011

	Face Value \$000
<b>General Government Agencies</b>	
Central Holding Authority	1 706 220
Department of Housing, Local Government and Regional Services	83 281
<b>Total</b>	<b>1 789 501</b>
<b>Government Business Divisions</b>	
Darwin Port Corporation	40 225
NT Fleet	3 000
NT Home Ownership	163 142
<b>Total</b>	<b>206 367</b>
<b>Government Owned Corporations</b>	
Power and Water Corporation	1 082 478
<b>Total</b>	<b>1 082 478</b>
<b>Local Authorities</b>	
Roper Gulf Shire Council	399
<b>Total</b>	<b>399</b>
<b>TOTAL</b>	<b>3 078 745</b>

# Appendix C: Investment Guidelines

As at 30 June 2011

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

# Appendix D: Glossary of Terms

<a href="#">Aa1/AAA</a>	The highest credit rating assigned by credit rating agencies such as Moody's Investors Service and Standard and Poor's.
<a href="#">Advisory Board</a>	The board established under section 8 of the <i>Northern Territory Treasury Corporation Act</i> to exercise such powers and perform such functions as determined by the Treasurer.
<a href="#">Agency</a>	A unit of government administration, or office or statutory corporation, nominated in an Administrative Arrangements Order as an agency for the purpose of the <i>Financial Management Act</i> .
<a href="#">Bank Bill Swap (BBSW) Rate</a>	Australian Financial Markets Association (AFMA) bank-bill reference rates published daily on AFMAdata Bloomberg page "AFRS".
<a href="#">Designated Investments</a>	Northern Territory Treasury Corporation provides Territory Bonds as Designated Investments under the Australian Department of Immigration and Citizenship's (DIAC's) Business Skills class of migration (Investor and State/Territory Sponsored Investor) and Investor/Retirement (Sub-class 405) visa program.
<a href="#">Central Financing Authorities (CFA)</a>	Central Financing Authorities (CFAs) are institutions established by the 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.
<a href="#">Credit Foncier Loan</a>	A loan that is repaid in instalments comprising both principal and interest components.
<a href="#">Discount</a>	The amount by which the value of a security is less than its face value.
<a href="#">Face Value</a>	The amount of money indicated on a security, or inscribed in relation to a security, as being due to be paid on maturity.
<a href="#">Fixed Interest</a>	Interest on investments such as bonds and debentures, paid at a predetermined and unchanging rate for a specified period, the life of the bond or debenture.

Floating Rate Note (FRN)	Medium to long-term debt securities carrying a variable interest rate adjusted periodically by a margin against a benchmark rate.
Government Business Division (GBD)	An entity that operates on a commercial basis and has a significant proportion of its operating cost recovered through charges on goods and services provided to users.
Government Owned Corporation (GOC)	An entity that operates on a commercial basis, its operations are not guaranteed by the Crown and it does not make the Territory liable for its debts, liabilities or obligations.
Inscribed Stock	Securities for which the ownership is recorded in a registry. The owner is issued with a certificate, which is not itself transferable. The stock can only be transferred by use of the appropriate documents.
Interest Rate Risk	Exposure to loss resulting from a change in interest rates. Hedging strategies are designed to minimise, possibly eliminate, interest rate risk.
Local Authorities	Town, municipal and shire councils within the Northern Territory.
Margin	The difference between a benchmark interest rate and the rate charged to an individual borrower. It is sometimes called the spread.
Maturity Date	The date on which the final bond payment is to be made.
Operational Risk	The risk of loss, whether direct or indirect, arising from inadequate or failed internal processes, people or systems, or from external events. It encompasses risks inherent in the agency's operating activities such as fraud risk, settlement risk, legal risk, accounting risk, personnel risk and reputation risk.
Premium	The amount by which the value of a security is greater than its face value.
Private Placement	Issue of Northern Territory Treasury Corporation inscribed stock to institutional investors.
Promissory Note (PN)	Issue of a debt security by the Northern Territory Treasury Corporation with the undertaking to pay the stated amount to the note holder on a specified date.
Territory Bonds	Issues of Northern Territory Treasury Corporation inscribed stock to retail investors.

# Financial Statements

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# Certification of Financial Statements

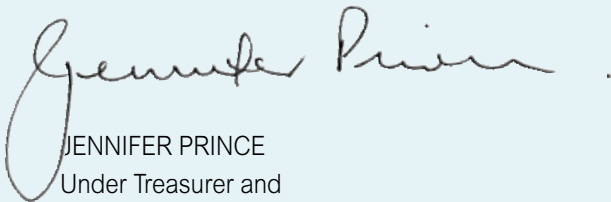
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

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

- a. the accompanying financial statements and notes are in agreement with the accounts and records of the Northern Territory Treasury Corporation; and
- b. in our opinion:
  - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the accompanying annual financial statements have been drawn up in accordance with Australian Accounting Standards, and present a true and fair view of the transactions of the Northern Territory Treasury Corporation for the year ended 30 June 2011 and of the financial position as at 30 June 2011.

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

Signed in Darwin on the 29th day of September 2011.



JENNIFER PRINCE  
Under Treasurer and  
Chair of the Advisory Board



ALEX POLLON  
General Manager



## Auditor-General

### Independent Auditor's Report to the Treasurer Northern Territory Treasury Corporation Year Ended 30 June 2011

#### Page 1 of 2

I have audited the accompanying financial report of the Northern Territory Treasury Corporation (the Corporation), which comprises the Statement of Financial Position as at 30 June 2011, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the Certification by the Under Treasurer and General Manager.

#### **The General Manager's responsibility for the Financial Report**

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

#### **Auditor's Responsibility**

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

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

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



## Auditor-General

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### Opinion

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

- is based on proper accounts and is in agreement with the accounts and has been properly drawn up so as to present a true and fair view of the transactions for the financial year ended 30 June 2011 of the Corporation and the financial position at the end of the year;
- the financial report is presented in accordance with Australian Accounting Standards and the requirements of *the Northern Territory Treasury Corporation Act*;
- the receipt and expenditure of money and the acquisition and disposal of property by the Corporation during the year have been in accordance with the *Northern Territory Treasury Corporation Act*.

A handwritten signature in blue ink, appearing to read 'F. McGuinness'.

F. McGuinness

Auditor-General for the Northern Territory

30 September 2011

# Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		\$000	\$000
<b>REVENUE</b>		<b>197 262</b>	<b>172 750</b>
Interest	4	196 791	172 279
Other revenue	5	471	471
<b>EXPENSES</b>		<b>173 751</b>	<b>150 175</b>
Interest	6	171 465	148 001
Administration	7	2 286	2 174
<b>PROFIT BEFORE INCOME TAX</b>		<b>23 511</b>	<b>22 575</b>
Income tax expense		7 053	6 773
<b>NET PROFIT AFTER INCOME TAX</b>	8	<b>16 458</b>	<b>15 802</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>16 458</b>	<b>15 802</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Northern Territory Government		16 458	15 802
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>16 458</b>	<b>15 802</b>

Notes to the financial statements are included on pages 47 to 70.

# Statement of Financial Position

AS AT 30 JUNE 2011

	Note	2011	2010
		\$000	\$000
<b>TOTAL ASSETS</b>		<b>3 113 897</b>	<b>2 907 334</b>
Cash and cash equivalents		26 587	214 026
Trade and other receivables	10	8 507	6 855
Prepayments		58	101
Loans	11	3 078 745	2 686 352
<b>TOTAL LIABILITIES</b>		<b>3 092 267</b>	<b>2 885 704</b>
Deposits held		786	1 180
Trade and other payables	12	40 878	40 029
Provisions	13	16 587	15 919
Tax liabilities	13	7 053	6 772
Borrowings	14	3 026 963	2 821 804
<b>NET ASSETS</b>		<b>21 630</b>	<b>21 630</b>
<b>TOTAL EQUITY</b>		<b>21 630</b>	<b>21 630</b>
Contributed capital	9	21 630	21 630
Retained profits	8	-	-
Reserves	17	-	-

Notes to the financial statements are included on pages 47 to 70.

# Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		\$000	\$000
		inflows	inflows
		(outflows)	(outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>18</b>	<b>16 762</b>	<b>22 000</b>
Interest received from investments		194 749	170 374
Interest and other costs of finance paid		(169 486)	(140 894)
Other receipts:			
Management fee		471	471
Payments to suppliers and employees		(2 199)	(2 229)
Income tax paid		(6 773)	(5 722)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(392 392)</b>	<b>(328 745)</b>
Repayment of loans		14 185	16 255
Drawdown of loans		(406 577)	(345 000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>188 191</b>	<b>490 499</b>
Repayment of borrowings		(889 420)	(635 125)
Drawdown of borrowings		1 093 807	1 138 944
Deposits received		(394)	31
Dividend paid		(15 802)	(13 351)
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>		<b>(187 439)</b>	<b>183 754</b>
Cash and cash equivalents at the beginning of the financial year		214 026	30 272
Cash and cash equivalents at the end of the financial year		26 587	214 026

Notes to the financial statements are included on pages 47 to 70.

# Statement of Changes in Equity

AS AT 30 JUNE 2011

	Note	2011	2010
		\$000	\$000
<b>CONTRIBUTED CAPITAL</b>			
Balance at the beginning of the financial year		21 630	18 714
Movement for the year		-	2 916
Balance at the end of the financial year	9	21 630	21 630
<b>GENERAL RESERVES</b>			
Balance at the beginning of the financial year		-	2 916
Movement for the year		-	(2 916)
Balance at the end of the financial year	17	-	-
<b>RETAINED PROFITS</b>			
Balance at the beginning of the financial year		-	-
Net profit		16 458	15 802
Dividends provided for		(16 458)	(15 802)
Dividends paid		-	-
Balance at the end of the financial year	8	-	-
<b>TOTAL EQUITY</b>		<b>21 630</b>	<b>21 630</b>

Notes to the financial statements are included on pages 47 to 70.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

## 1. LEGAL STATUS AND ASSOCIATED GUARANTEES

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

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

### (b) Statutory Guarantee

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

## 2. SUMMARY OF ACCOUNTING POLICIES

### Statement of Compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the *Northern Territory Treasury Corporation Act*, Australian Accounting Standards (AASBs) as issued by the Australian Accounting Standards Board, and the requirements of the *Financial Management Act* and Treasurer's Directions.

The financial statements were authorised for issue by the Under Treasurer on 29 September 2011.

### Basis of Preparation

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

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

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

Use of estimates and judgements in preparing these financial statements has been limited. Information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 16.

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

## *Note 2 continued*

The significant accounting policies which have been adopted in the preparation of these financial statements are:

### **(a) Cash and Cash Equivalents**

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

### **(b) Employee Benefits**

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

Provisions made in respect of employee benefits such as wages, salaries and annual leave, expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Corporation in respect of services provided by employees up to reporting date.

The Corporation's long service leave liabilities are recorded by the Central Holding Authority. This is in accordance with the Territory Government's current policy whereby all government agencies' long service leave liabilities are assumed by the Central Holding Authority.

### **(c) Expense Recognition**

Expense is recognised to the extent that it is probable that a future sacrifice will flow from the Corporation and the expense can be reliably measured. Specific expenses are recognised as follows:

(i) Interest Expense:

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

(ii) Other Expense:

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

### **(d) Financial Instruments**

(i) Financial Assets:

Financial assets include trade and other (mainly interest and swap receivables) and loans receivables. Loans and receivables are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method (less impairment) with any difference between the initial recognised amount and the amortised cost (less impairment) amount being recognised in the Statement of Comprehensive Income over the period of the financial asset.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

*Note 2 continued*

(ii) Financial Liabilities:

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

(iii) Effective Interest Method:

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

(iv) Financial Instruments Issued by the Corporation:

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual agreement. All the Corporation's compounding products are debt instruments.

(v) Impairment of Financial Assets:

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

(vi) Gains and Losses on Extinguishment:

Gains and losses on extinguishment occur when a 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 bond at amortised cost. These gains and losses are recognised in the period in which the debt is extinguished.

(vii) Derecognition:

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

*Note 2 continued*

## **(e) Goods and Services Tax**

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

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of the acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which 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 which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## **(f) Provisions**

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

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

## **(g) Revenue Recognition**

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

- (i) Interest Revenue:

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

- (ii) Other Revenue:

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

*Note 2 continued*

## **(h) Superannuation**

Employee superannuation entitlements are provided through the:

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

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

## **(i) Taxation**

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

### **3. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Corporation, except for AASB 9 Financial Instruments, which becomes mandatory for the Corporation's financial statements for the year ending 30 June 2014 and could change the classification and measurement of financial assets. The Corporation does not plan to adopt this standard early.

#### **(a) Standards and Interpretations adopted during the year ended 30 June 2011**

The table below summarises the Standards and Interpretations that have become applicable during the year ended 30 June 2011 and have been adopted by the Corporation.

AASBs and Interpretations	Applicable from reporting period date
AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2010
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	1 January 2010

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Note 3 continued

## (b) Standards and Interpretations on issue but not yet adopted

The table below summarises the Standards and Interpretations that have already been issued but are not applicable until a later date. However, some Standards and Interpretations are available for voluntary early adoption. The Corporation has not opted to adopt any Standards and Interpretations early.

AASBs and Interpretations	Applicable from reporting period date
The items below are mandatory for years ending on or after 30 June 2014:	
AASB 1053 Application of Tiers of Australian Accounting Standards	1 July 2013
AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Discloser Requirements	1 July 2013
The items below are mandatory for years ending on or after 31 December 2013:	
AASB 9 Financial Instruments (December 2010) (includes financial assets and financial liability requirements)	1 July 2013
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 July 2013
AASB 9 Financial Instruments (December 2009) (Financial asset requirements only)	1 July 2013
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 July 2013
The items below are mandatory for years ending on or after 30 June 2012:	
AASB 1054 Australian Additional Disclosures	1 July 2011
AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project	1 July 2011
AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements	1 July 2011
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfer of Financial Assets	1 July 2011
The items below are mandatory for years ending on or after 31 December 2011:	
AASB 124 Related Party Disclosures	1 January 2011
AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2011

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

## 4. INTEREST REVENUE

	2011	2010
	\$000	\$000
Interest from:		
Northern Territory of Australia	123 194	125 065
Government owned corporation	62 672	43 964
Government business divisions	10 518	3 181
Local government authorities	29	32
Gain on extinguishment	378	37
<b>TOTAL INTEREST REVENUE</b>	<b>196 791</b>	<b>172 279</b>

	2011	2011	2010	2010
	Average balance	Average rate	Average balance	Average rate
	\$000	%	\$000	%
Loans to:				
Northern Territory of Australia	1 684 686	7.31	1 743 632	7.17
Government owned corporation	993 481	6.31	734 886	5.98
Government business divisions	203 965	5.16	43 010	7.40
Local government authorities	416	7.01	451	7.01
<b>TOTAL</b>	<b>2 882 548</b>		<b>2 521 979</b>	

	2011	2010
	\$000	\$000
Gains on extinguishment:		
Gains on extinguishment of borrowings at amortised cost	378	37
<b>TOTAL GAINS ON EXTINGUISHMENT</b>	<b>378</b>	<b>37</b>

## 5. OTHER REVENUE

	2011	2010
	\$000	\$000
Other revenue		
Management fees	471	471
<b>TOTAL OTHER REVENUE</b>	<b>471</b>	<b>471</b>

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

## 6. INTEREST EXPENSE

	2011	2010
	\$000	\$000
Interest to:		
Wholesale borrowings	145 706	123 430
Debt to Australian Government	12 110	12 356
Retail borrowings	8 177	9 126
Promissory notes	4 144	3 061
Losses on extinguishment	1 328	28
<b>TOTAL INTEREST EXPENSE</b>	<b>171 465</b>	<b>148 001</b>

	2011	2011	2010	2010
	Average balance	Average rate	Average balance	Average rate
	\$000	%	\$000	%
Borrowings from:				
Wholesale market				
Fixed interest securities	2 496 773	5.84	2 120 502	5.82
Promissory notes	85 616	4.87	73 425	4.19
Debt to Australian Government	257 044	4.72	262 339	4.71
Retail market	145 800	5.60	162 407	5.62
<b>TOTAL</b>	<b>2 985 233</b>		<b>2 618 673</b>	

	2011	2010
	\$000	\$000
Losses on extinguishment:		
Losses on extinguishment of borrowings at amortised cost	1 328	28
<b>TOTAL LOSSES ON EXTINGUISHMENT</b>	<b>1 328</b>	<b>28</b>

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

## 7. OTHER EXPENSES

	2011	2010
	\$000	\$000
Administration:		
Salaries and related employee expenses	834	685
Agent service arrangements	743	807
Other service arrangements	495	446
Consultants	6	20
Marketing and promotion	18	-
Document production	35	40
Legal fees	7	40
General property management	57	41
Subscriptions	49	50
Training and study	18	5
Official duty fares	4	8
Travelling allowance	1	1
Other operating expenses	19	31
<b>TOTAL OTHER EXPENSES</b>	<b>2 286</b>	<b>2 174</b>

## 8. RETAINED PROFITS

	2011	2010
	\$000	\$000
Balance at the beginning of the financial year	-	-
Net profit	16 458	15 802
Dividends provided for	(16 458)	(15 802)
Dividends paid	-	-
Balance at the end of the financial year	-	-

## 9. CONTRIBUTED CAPITAL

	2011	2010
	\$000	\$000
Balance at the beginning of the financial year	21 630	18 714
Transferred from general reserve	-	2 916
Balance at the end of the financial year	21 630	21 630

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

## 10. TRADE AND OTHER RECEIVABLES

	2011	2010
	\$000	\$000
Accrued interest on loans	8 507	6 843
Debtors	-	12
<b>TOTAL RECEIVABLES</b>	<b>8 507</b>	<b>6 855</b>
Due from external bodies	-	12
Due from Northern Territory Government agencies	8 507	6 843
<b>TOTAL RECEIVABLES</b>	<b>8 507</b>	<b>6 855</b>

## 11. LOANS

	2011	2010
	\$000	\$000
Northern Territory of Australia		
Fixed rate loans	1 598 200	1 386 200
Credit foncier loans	191 301	353 289
Government owned corporation		
Fixed rate loans	77 000	77 000
Floating rate loans	994 465	791 983
Credit foncier loans	11 013	35 501
Government business divisions		
Floating rate loans	28 381	15 881
Credit foncier loans	177 986	26 064
Local government authorities		
Credit foncier loans	399	434
<b>TOTAL LOANS</b>	<b>3 078 745</b>	<b>2 686 352</b>

## 12. TRADE AND OTHER PAYABLES

	2011	2010
	\$000	\$000
Creditors and accruals	241	226
Accrued interest on borrowings	40 622	39 792
Accrued salaries	15	11
<b>TOTAL PAYABLES</b>	<b>40 878</b>	<b>40 029</b>
Due to external bodies	40 864	39 972
Due to Northern Territory Government agencies	14	57
<b>TOTAL PAYABLES</b>	<b>40 878</b>	<b>40 029</b>

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

## 13. PROVISIONS AND TAX LIABILITIES

	2011	2010
	\$000	\$000
a) Provisions		
Employee benefits		
Recreation leave		
Opening balance	89	97
Recreation leave paid	(82)	(8)
Recreation leave provided for	98	-
Closing balance	105	89
Leave bonus		
Opening balance	10	10
Leave bonus paid	(12)	-
Leave bonus provided for	8	-
Closing balance	6	10
Leave airfares		
Opening balance	2	6
Leave airfares paid	-	(4)
Leave airfares provided for	2	-
Closing balance	4	2
Purchased leave		
Opening balance	1	1
Purchased leave paid	(2)	-
Purchased leave provided for	2	-
Closing balance	1	1
Superannuation external		
Opening balance	13	3
Recreation leave paid	(13)	-
Recreation leave provided for	13	10
Closing balance	13	13
Total employee benefits	129	115
Fringe benefits tax	-	2
Dividend payable		
Opening balance	15 802	13 351
Dividends paid	(15 802)	(13 351)
Dividends provided for	16 458	15 802
Closing balance	16 458	15 802
<b>TOTAL PROVISIONS</b>	<b>16 587</b>	<b>15 919</b>
b) Tax liabilities		
Notional income tax payable	7 053	6 773
<b>TOTAL TAX LIABILITIES</b>	<b>7 053</b>	<b>6 773</b>

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

## 14. BORROWINGS

	2011	2010
	\$000	\$000
Wholesale market		
Fixed interest securities	2 585 026	2 408 520
Promissory notes	49 531	-
Retail market		
Territory Bonds	135 568	151 783
Migration linked bonds	2 500	1 750
Australian Government		
Credit foncier loans	254 338	259 751
<b>TOTAL BORROWINGS</b>	<b>3 026 963</b>	<b>2 821 804</b>

## 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Objectives and Policies

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

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

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

### Management of Capital

The Corporation is not subject to any legislative requirement to maintain a minimum level of equity, however the Corporation'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 in the Corporation's business.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Note 15 continued

## Categories of Financial Instruments

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

	30 June 2011	30 June 2010
	\$000	\$000
<b>Financial assets</b>		
Cash and cash equivalents	26 587	214 026
Loans and receivables at amortised cost:		
Trade and other receivables	8 507	6 855
Loans	3 078 745	2 686 352
Total loans and receivables at amortised cost	3 087 252	2 693 207
<b>Financial liabilities</b>		
Financial liabilities at amortised cost:		
Deposits held	786	1 180
Trade and other payables	40 878	40 029
Borrowings	3 026 963	2 821 804
Total financial liabilities at amortised cost	3 068 627	2 863 013

## Market Risk

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

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

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

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

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

Market risks are discussed in more detail below.

### (a) Interest Rate Risk

Interest rate risk is the risk of financial loss and/or increased costs due to adverse movements in the values of financial assets and liabilities as a result of changes in interest rates. The Corporation's

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

## Note 15 continued

interest rate risk arises from cash flow mismatches in the maturity profiles and repricing dates of its financial assets and liabilities.

The Corporation 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.

The Corporation's interest rate risk on its financial assets and liabilities is significantly extinguished as a result of its relationship with the Northern Territory of Australia. As at 30 June 2011, approximately 64 per cent of the Corporation's issued debt is on-lent to the Northern Territory of Australia. The interest rates and maturity dates set on these loans are closely matched to the debt issued by the Corporation to external counterparties. The Corporation's loans to the Northern Territory of Australia 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, the Corporation agrees to exchange the difference between fixed and floating interest rate amounts calculated by reference to agreed notional principal, thereby enabling the Corporation to reduce the risk of rising interest rates now or at a future date.

The Corporation enters into interest rate swaps that entitle it to receive interest at floating rates and oblige it to pay interest at fixed rates on the same amount. The interest rate swaps allow the Corporation 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.

### (i) Sensitivity analysis

Assuming the financial assets and liabilities at 30 June 2011 were to remain until maturity or settlement without any action by the Corporation to alter the resulting interest rate risk exposure, an immediate and sustained increase of 1 per cent in market interest rates across all maturities would have the following impact on profit before tax for the financial year:

	Forecast effect on profit before tax 2011-12		Forecast effect on profit before tax 2010-11	
	Rates up by 1%	Rates down by 1%	Rates up by 1%	Rates down by 1%
<b>Financial assets</b>	\$000	\$000	\$000	\$000
Cash at bank	266	(266)	2 140	(2 140)
Floating rate loans	213	(213)	460	(460)
<b>NET SENSITIVITY</b>	<b>479</b>	<b>(479)</b>	<b>2 600</b>	<b>(2 600)</b>

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Note 15 continued

## Interest Rate Risk Exposures

The Corporation's exposure to interest rate risk, re-pricing maturities and the effective interest rates on financial instruments at 30 June 2011 is:

### (ii) Re-pricing Maturities

	Weighted average int. rate %	Interest Rate Reset Due In					Non- interest bearing \$000	Total \$000
		0 to 3 months \$000	3 mths to 1 year \$000	1 to 5 years \$000	More than 5 years \$000			
<b>Financial assets</b>								
Cash	4.50	26 587	-	-	-	-	26 587	
Trade and other receivables		-	-	-	-	8 507	8 507	
Loans								
Fixed rate loans	6.33	-	325 000	1 115 900	234 300	-	1 675 200	
Floating rate loans	6.81	4 000	36 068	982 778	-	-	1 022 846	
Credit foncier loans	8.79	-	-	35 857	344 842	-	380 699	
<b>TOTAL FINANCIAL ASSETS</b>		<b>30 587</b>	<b>361 068</b>	<b>2 134 535</b>	<b>579 142</b>	<b>8 507</b>	<b>3 113 839</b>	
<b>Financial liabilities</b>								
Deposits held	-	-	-	-	-	786	786	
Trade and other payables	-	-	-	-	-	40 878	40 878	
Borrowings								
Wholesale market								
Fixed interest securities	6.12	1 001	377 344	1 854 349	490 399	-	2 723 093	
Promissory notes	4.95	49 531	-	-	-	-	49 531	
Australian Government								
Credit foncier loans	4.66	-	-	-	254 339	-	254 339	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>50 532</b>	<b>377 344</b>	<b>1 854 349</b>	<b>744 738</b>	<b>41 664</b>	<b>3 068 627</b>	

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Note 15 continued

For comparative purposes, the Corporation's exposure to interest rate risk, re-pricing maturities and the effective interest rates on financial instruments at 30 June 2010 was as follows:

	Interest Rate Reset Due In						Total
	Weighted average int. rate %	0 to 3 months \$000	3 mths to 1 year \$000	1 to 5 years \$000	More than 5 years \$000	Non-interest bearing \$000	
<b>Financial assets</b>							
Cash	4.25	214 026	-	-	-	-	214 026
Trade and other receivables		-	-	-	-	6 855	6 855
Loans							
Fixed rate loans	6.41	305 000	-	878 900	279 300	-	1 463 200
Floating rate loans	6.74	15 000	40 092	752 772	-	-	807 864
Credit foncier loans	8.59	22 126	608	26 064	366 490	-	415 288
<b>TOTAL FINANCIAL ASSETS</b>		<b>556 152</b>	<b>40 700</b>	<b>1 657 736</b>	<b>645 790</b>	<b>6 855</b>	<b>2 907 233</b>
<b>Financial liabilities</b>							
Deposits held	-	-	-	-	-	1 180	1 180
Trade and other payables	-	-	-	-	-	40 029	40 029
Borrowings							
Wholesale market							
Fixed interest securities	6.15	310 848	52 229	1 402 096	796 880	-	2 562 053
Promissory notes		-	-	-	-	-	-
Australian Government							
Credit foncier loans	4.66	-	-	-	259 751	-	259 751
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>310 848</b>	<b>52 229</b>	<b>1 402 096</b>	<b>1 056 631</b>	<b>41 209</b>	<b>2 863 013</b>

## (b) Foreign Exchange Risk

Foreign exchange risk is the risk of financial loss due to adverse movements in foreign exchange rates. The Corporation'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. The Corporation does not currently issue any foreign currency debt, however should it do so in the future, foreign exchange exposures will be neutralised using cross-currency interest rate swaps.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

*Note 15 continued*

## **(c) Credit Risk**

Credit risk is the risk of financial loss and/or increased costs due to the failure of a counterparty to meet its financial obligations. The Corporation'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 Northern Territory Government entities and its wholly-owned corporations and that derivative transactions may only be entered into with counterparties rated A- or better by Standard and Poor's rating group.

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

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

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

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

## **(d) Liquidity Risk**

Liquidity risk is the risk of financial loss and/or increased costs due to unanticipated events or errors in cash flow forecasts which result in additional borrowing costs, reduced investment income, or an inability to meet financial or operational commitments as they fall due. The Corporation'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 the Corporation to liquidate investments and/or utilise backup funding facilities at higher costs.

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

The Corporation'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 the Corporation's requirements.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

*Note 15 continued*

In addition, the Corporation at all times maintains:

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

## **(e) Funding Risk**

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

The Corporation'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 the Corporation's requirements.

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

The Corporation's current funding sources are as follows:

Wholesale Market

Private Placements and Public Issues

Fixed Interest Securities

Floating Rate Notes

Promissory Notes

Retail Market

Territory Bonds

Migration Linked Bonds

Wholesale market issues account for approximately \$2.59 billion (2010: \$2.42 billion) or 93 per cent (2010: 94 per cent) of all outstanding debt as at 30 June 2011 and generally, there has been a strong support by these investors for reinvesting with the Corporation at maturity. Borrowing from the retail market is primarily sourced via the Territory Bonds program. As at 30 June 2011, \$135.6 million (2010: \$151.78 million) of Territory Bonds were issued and spread across a large number of investors (approximately 8 300 (2010: 9 500) at an average loan balance of \$16 308 (2010: \$15 800).

The Corporation constantly monitors credit markets and maintains key investor relationships to ensure there is sufficient diversification of available funding sources.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Note 15 continued

## Maturity Analysis

The following tables detail the maturity analysis of the Corporation'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 the Corporation can be required to pay. The tables have been drawn up based on undiscounted cash flows, and hence include both interest and principal cash flows. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected cash flows as illustrated by the yield curves existing at balance date.

30 June 2011	At Call	0 to 3 Months	3 mths to 1 year	1 to 5 Years	More than 5 years	Total
		\$000	\$000	\$000	\$000	\$000
<b>LOANS</b>						
Northern Territory of Australia						
Fixed rate loans		25 451	388 850	1 198 110	351 477	1 963 888
Credit foncier loans		6 296	19 600	103 516	383 515	512 927
Government owned corporation						
Fixed rate loans		1 261	3 781	73 951	15 747	94 740
Floating rate loans		17 114	50 835	321 577	1 167 021	1 556 547
Credit foncier loans		661	1 983	10 577	-	13 221
Government business divisions						
Floating rate loans		469	4 399	16 657	22 982	44 507
Credit foncier loans		5 094	12 065	68 635	183 390	269 184
Local government authorities						
Credit foncier loans		17	48	259	199	523
<b>TOTAL LOANS</b>		<b>56 363</b>	<b>481 561</b>	<b>1 793 282</b>	<b>2 124 331</b>	<b>4 455 537</b>
<b>DEPOSITS HELD</b>	786	-	-	-	-	786
<b>BORROWINGS</b>						
Due to other financial institutions						
Wholesale market						
Fixed interest securities	-	79 715	446 168	2 131 084	620 605	3 277 572
Retail market						
Territory Bonds	-	998	58 113	89 151	6 707	154 969
Migration linked bonds	-	48	81	2 779	-	2 908
Australian Government						
Credit foncier loans	-	-	17 518	70 002	369 741	457 261
<b>TOTAL BORROWINGS</b>	<b>786</b>	<b>80 761</b>	<b>521 880</b>	<b>2 293 016</b>	<b>997 053</b>	<b>3 893 496</b>

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Note 15 continued

30 June 2010	At Call	0 to 3 Months	3 mths to 1 year	1 to 5 Years	More than 5 years	Total
		\$000	\$000	\$000	\$000	\$000
<b>LOANS</b>						
Northern Territory of Australia						
Fixed rate loans	-	327 363	53 445	953 385	412 829	1 747 022
Credit foncier loans	-	9 781	30 063	159 309	584 194	783 347
Government owned corporation						
Fixed rate loans	-	1 271	3 771	77 994	16 746	99 782
Floating rate loans	-	11 924	41 377	213 652	973 218	1 240 171
Credit foncier loans	-	3 219	4 858	29 776	5 044	42 897
Government business divisions						
Floating rate loans	-	267	798	6 676	20 515	28 256
Credit foncier loans	-	1 609	1 608	12 869	25 738	41 824
Local government authorities						
Credit foncier loans	-	16	49	259	264	588
<b>TOTAL LOANS</b>	-	<b>355 450</b>	<b>135 969</b>	<b>1 453 920</b>	<b>2 038 548</b>	<b>3 983 887</b>
<b>DEPOSITS HELD</b>	1 180	-	-	-	-	1 180
<b>BORROWINGS</b>						
Due to other financial institutions						
Wholesale market						
Fixed interest securities		345 666	105 373	1 690 105	945 413	3 086 557
Retail market						
Territory Bonds		668	58 910	91 895	21 591	173 064
Migration linked bonds		527	47	1 383	-	1 957
Australian Government						
Credit foncier loans		-	17 524	70 030	387 231	474 785
<b>TOTAL BORROWINGS</b>	<b>1 180</b>	<b>346 861</b>	<b>181 854</b>	<b>1 853 413</b>	<b>1 354 235</b>	<b>3 737 543</b>

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

## 16. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

- the fair value of cash and non-interest bearing monetary financial assets and liabilities approximate their carrying value, which is defined as their amortised cost;
- the fair value of other monetary financial assets and liabilities is based on discounting the expected future cash flows by applying current market interest rates for assets and liabilities with similar risk profiles. Current market interest rates are determined with reference to the Australian Financial Markets Association Swap Reference Rates plus a margin. The market rates are then used to discount the expected future cash flows arising from the financial assets and liabilities to their present value. The margins applied to the current market interest rates on the Corporation's loans and domestic borrowings take into account credit quality and liquidity considerations; and
- the fair value of derivative financial instruments are derived using current market yields and exchange rates appropriate to the instrument.

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Note 16 continued

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

FAIR VALUES	30 Jun 2011	30 Jun 2011	30 Jun 2010	30 Jun 2010
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$000	\$000	\$000	\$000
Financial Assets – Loans				
Northern Territory of Australia				
Fixed rate loans	1 675 200	1 719 314	1 463 200	1 519 398
Floating rate loans	1 022 846	1 038 213	807 864	820 201
Credit foncier loans	380 300	440 607	414 854	485 897
Local government authorities				
Credit foncier loans	399	405	434	443
<b>TOTAL LOANS</b>	<b>3 078 745</b>	<b>3 198 539</b>	<b>2 686 352</b>	<b>2 825 939</b>
Financial Liabilities – Borrowings				
Wholesale market				
Fixed interest securities	2 585 026	2 685 749	2 408 520	2 531 797
Promissory notes	49 531	49 533	-	-
Retail market				
Territory Bonds	135 567	137 899	151 783	154 744
Migration linked bonds	2 500	2 534	1 750	1 770
Australian Government				
Credit foncier loans	254 339	224 397	259 751	234 978
<b>TOTAL BORROWINGS</b>	<b>3 026 963</b>	<b>3 100 112</b>	<b>2 821 804</b>	<b>2 923 289</b>

## 17. RESERVES

	2011	2010
	\$000	\$000
General Reserve (a)		
Balance at the beginning of the financial year	-	2 916
Transfer from retained earnings	-	(2 916)
Balance at the end of the financial year	-	-
<b>TOTAL RESERVE AT THE END OF THE FINANCIAL YEAR</b>	<b>-</b>	<b>-</b>

(a) General Reserve represents adjustments on adoption of Australian equivalents to International Financial Reporting Standards that has been transferred to the Central Holding Authority's contributed capital.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

## 18. RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2011	2010
	\$000	\$000
<b>Net profit</b>	<b>16 458</b>	<b>15 802</b>
<b>Reconciliation flows in net profit</b>		
Add (gain)/loss on extinguishment	949	(8)
Less (premium) and discount amortisation	(193)	(53)
Add unrealised interest expense	15	43
<b>Changes in assets and liabilities</b>		
Less decrease/(increase) in interest receivable	(1 664)	(1 869)
Less decrease/(increase) in debtors	12	(11)
Add decrease/(increase) in prepayments	43	(44)
Add increase/(decrease) in employee benefits	12	(2)
Add increase/(decrease) in trade creditors	19	2
Add increase/(decrease) in tax liabilities	281	1 051
Add increase/(decrease) in interest payable	830	7 089
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>16 762</b>	<b>22 000</b>

## 19. AUDITOR'S REMUNERATION

External audit services are provided by the Auditor-General for the Northern Territory. The Auditor-General's Office has advised that the estimated cost of this service for 2010-11 is \$57 100 (2010: \$54 000)

## 20. FIDUCIARY ACTIVITIES

The Corporation acts as manager for the Investments Portfolio of the Central Holding Authority and the Northern Territory Government Conditions of Service Reserve. Any associated assets and liabilities are not recognised in these financial statements. As at 30 June 2011 the size of the Investment Portfolio was \$452 million (2010: \$765 million) and the Northern Territory Government Conditions of Service Reserve was \$436 million (2010: \$393 million). Management fees generated in carrying out these activities are included in the Statement of Comprehensive Income. The aggregate income from fiduciary activities for the year was:

	2011	2010
	\$000	\$000
Management fees	471	471

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

## 21. DIVIDENDS

The Corporation has provided for a dividend of \$16 458 million which is at the rate of 100 per cent of its net profit for the 2010-11 year in accordance with the Northern Territory Treasurer's budget direction.

## 22. ADVISORY BOARD

The Northern Territory Treasury Corporation Advisory Board was established in October 1994. The Under Treasurer of the Northern Territory Treasury, Mrs Jennifer Prince, is Chair of the board, and the following persons held the position of member during the year ended 30 June 2011:

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

During the year ended 30 June 2011 only two members were entitled to receive Advisory Board sitting fees, amounting to \$37 400 (2010: \$37 400). Members who are permanently employed under the *Public Sector Employment and Management Act*, or on similar terms, are not entitled to fees.

	2011	2010
	\$ 000	\$ 000
Sitting fees	37	37

## 23. FEES AND COMMISSIONS

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

	2011	2010
Provider:	\$ 000	\$ 000
Link Market Services Pty Ltd	378	361
Computershare Investor Service	-	52
Sungard Systems Pty Ltd	71	100
Bloomberg Finance L.P.	41	43
Austraclear Ltd	47	42

## 24. SEGMENT INFORMATION

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



## Executive

Under Treasurer/Chair



Jennifer Prince  
(08) 8999 6033  
jennifer.prince@nt.gov.au

Assistant Under Treasurer  
Funds Management



John Montague  
(08) 8999 7975  
john.montague@nt.gov.au

General Manager



Alex Pollon  
(08) 8999 6318  
alex.pollon@nt.gov.au

## Financial Administration

Manager Financial  
Administration



Vicky Coleman  
(08) 8999 5599  
vicky.coleman@nt.gov.au

Senior  
Accounting Officer



Anna Beavon  
(08) 8999 6833  
anna.beavon@nt.gov.au

Senior Budgets and  
Finance Officer



Christina Chau  
(08) 8999 7678  
christina.chau@nt.gov.au

Finance  
Officer Administration



Maria Musumeci  
(08) 8999 5534  
maria.musumeci@nt.gov.au

## Financial Assets and Liabilities

Manager Financial  
Assets and Liabilities



Jamie Wilson  
(08) 8999 6767  
jamie.wilson@nt.gov.au

Senior  
Finance Officer



Gloria Lui  
(08) 8999 7650  
gloria.lui@nt.gov.au

Senior  
Investment Officer



George Dubrava  
(08) 8999 5596  
george.dubrava@nt.gov.au

### Registry – Link Market Services Limited

Free Call 1800 111 441

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Locked Bag A14

Sydney South NSW 1235

Email: [nttcorp@linkmarketservices.com.au](mailto:nttcorp@linkmarketservices.com.au)

### Territory Bonds

Phone 08 8999 7650

Email: [territory.bonds@nt.gov.au](mailto:territory.bonds@nt.gov.au)

### Website

[www.nttcorp.nt.gov.au](http://www.nttcorp.nt.gov.au)

## Northern Territory Treasury Corporation

Level 1, 38 Cavenagh Street Darwin NT 0800

GPO Box 2035 Darwin NT 0801

Telephone: 08 8999 6615

Facsimile: 08 8999 7449

Email: [nttcorp@nt.gov.au](mailto:nttcorp@nt.gov.au)

Website: [www.nttcorp.nt.gov.au](http://www.nttcorp.nt.gov.au)



**Territory Bonds**

Phone: 08 8999 7745

Email: [territory.bonds@nt.gov.au](mailto:territory.bonds@nt.gov.au)

Website: [www.territorybonds.nt.gov.au](http://www.territorybonds.nt.gov.au)