

Northern Territory Treasury Corporation

EXPENSE AND REVENUE SUMMARY

Business Line	2003-04 Estimate	2004-05 Budget
	\$000	\$000
Operating Revenue	187 535	175 718
Government Loans and Investments	187 535	175 718
Operating Expenses	167 056	156 439
Government Loans and Investments	167 056	156 439
Operating Result	20 479	19 279

Total 2004-05 Staffing: 9

Profile

Overview

The Northern Territory Treasury Corporation is the central financing authority for the Northern Territory Government. The Corporation undertakes borrowing and investment activities on behalf of the Territory Government and provides cost efficient loans to its clients.

Strategic Issues

- Borrow funds in the most efficient manner for Government.
- Impact on the Territory Government's borrowing margin of the declining debt levels of Australian governments.
- Manage investments efficiently while maintaining a borrowing program.

Budget Highlights

A borrowing program of approximately \$350 million.

Performance

External influences, particularly interest rates, affect Treasury Corporation's performance. The cost of borrowing increased during 2003-04 to an estimated 5.9 per cent, following two short-term interest rate rises and variations in long-term Government Bond rates, approximately 0.6 per cent above the estimated level at the time of the 2003-04 Budget. This higher cost of borrowing is likely to continue in 2004-05 with refinancing costs forecast to increase to 6 per cent.

The borrowing rate margin compared to industry peers is currently steady at 0.07 per cent but there is pressure for this margin to increase. The impact of this is most likely to be felt from 2004-05 onwards, with the larger States with highly liquid debt issues able to achieve even lower borrowing costs than at present, relative to the smaller States and Territories.

In 2003-04, refinancing requirements were reduced from \$300 million to \$245 million as part of an overall reduction in gross borrowings. The 2004-05 borrowing program is approximately \$350 million, reflecting a higher level of net maturations. A significant proportion will be raised from retail sources including the migration-linked bonds and Territory Bonds.

Government Loans and Investments

Funding of loans to Government, using appropriate borrowing strategies and risk management principles. Investment of the Government's funds to optimise returns within approved guidelines and cash flow requirements.

Outcome

Optimised investment revenue generation and loan funding for the Territory.

Performance Measures	2003-04 Estimate	2004-05 Estimate
<i>Quantity</i>		
Weighted average cost of borrowing during year	5.90%	6.00%
Capacity to provide services	\$2.14M	\$2.14M
<i>Quality</i>		
Borrowing rate margin compared to industry peers	0.07%	≤ 0.2%
Investment portfolio return above benchmark ¹	> indices	> indices
Volatility of investment portfolio return against benchmark ¹	+ 0.05%	± 0.25%
Stakeholder satisfaction ²	≥5	≥5
<i>Timeliness</i>		
Quotes issued within three days	100%	100%
Funding available within five working days	100%	100%

¹ The benchmark is measured against weighted relevant UBS Warburg Indices.

² Stakeholders are the Treasurer, Government owned corporations and Government agencies. Stakeholder satisfaction ratings are: 1: Extremely Dissatisfied, 2: Dissatisfied, 3: Somewhat Dissatisfied, 4: Somewhat Satisfied, 5: Satisfied, 6: Extremely Satisfied.

Statement of Financial Performance

	2003-04 Estimate	2004-05 Budget
	\$000	\$000
OPERATING REVENUE		
<i>Grants and Subsidies</i>		
Current		
Capital		
Community Service Obligations		
Sales of Goods and Services	262	262
Interest Revenue	187 273	175 456
Rent and Dividends		
Miscellaneous Revenue		
Profit/Loss on Disposal of Assets		
TOTAL OPERATING REVENUE	187 535	175 718
OPERATING EXPENSES		
Employee Expenses	730	732
<i>Administrative Expenses</i>		
Purchases of Goods and Services	1 391	1 404
Repairs and Maintenance		
Depreciation and Amortisation	22	
Other Administrative Expenses	1 200	1 200
<i>Grants and Subsidies</i>		
Current		
Capital		
Interest Expense	163 713	153 103
TOTAL OPERATING EXPENSES	167 056	156 439
OPERATING SURPLUS BEFORE INCOME TAX	20 479	19 279
Income Tax Expense	6 144	5 784
NET OPERATING SURPLUS	14 335	13 495

Statement of Financial Position

	2003-04 Estimate	2004-05 Budget
	\$000	\$000
ASSETS		
Cash and Deposits	45 916	51 462
Receivables	24 486	24 533
Prepayments	1	1
Inventories		
Advances and Investments	2 265 681	2 285 868
Land and Improvements		
Plant and Equipment		
Other Assets		
TOTAL ASSETS	2 336 084	2 361 864
LIABILITIES		
Deposits Held	1	1
Creditors and Accruals	79 622	81 306
Borrowings and Advances	2 217 157	2 242 454
Provisions	20 590	19 389
Other Liabilities		
TOTAL LIABILITIES	2 317 370	2 343 150
NET ASSETS	18 714	18 714
EQUITY		
<i>Capital</i>		
Opening Balance	33 714	18 714
Equity Injections/Withdrawals	- 15 000	
Reserves		
<i>Accumulated Funds</i>		
Opening Balance		
Current Year Surplus/Deficit	14 335	13 495
Dividends Paid/Payable	- 14 335	- 13 495
TOTAL EQUITY	18 714	18 714

Statement of Cash Flows

	2003-04 Estimate	2004-05 Budget
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Receipts		
<i>Grants and Subsidies Received</i>		
Current		
Capital		
Community Service Obligations		
Receipts from Sales of Goods and Services	262	262
Interest Received	180 892	175 209
Total Operating Receipts	181 154	175 471
Operating Payments		
Payments to Employees	649	651
Payments for Goods and Services	1 391	1 404
<i>Grants and Subsidies Paid</i>		
Current		
Capital		
Interest Paid	147 797	151 501
Income Tax Paid	7 071	6 144
Total Operating Payments	156 908	159 700
NET CASH FROM OPERATING ACTIVITIES	24 246	15 771
CASH FLOWS FROM INVESTING ACTIVITIES		
Investing Receipts		
Proceeds from Asset Sales		
Repayment of Advances	101 181	29 813
Sales of Investments		
Total Investing Receipts	101 181	29 813
Investing Payments		
Purchases of Assets		
Advances and Investing Payments		50 000
Total Investing Payments		50 000
NET CASH FROM INVESTING ACTIVITIES	101 181	- 20 187
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing Receipts		
Proceeds of Borrowings	220 678	346 841
Deposits Received	- 1 827	
Equity Injections		
Total Financing Receipts	218 851	346 841
Financing Payments		
Repayment of Borrowings	296 543	322 544
Finance Lease Payments		
Dividends Paid	25 645	14 335
Equity Withdrawals	15 000	
Total Financing Payments	337 188	336 879
NET CASH FROM FINANCING ACTIVITIES	- 118 337	9 962
Net Increase in Cash Held	7 090	5 546
Cash at Beginning of Financial Year	38 826	45 916
CASH AT END OF FINANCIAL YEAR	45 916	51 462