

Treasury Corporation

Business Line	2004-05 Estimate	2005-06 Budget
	\$000	\$000
Operating Revenue	174 623	166 553
Government Loans and Investments	174 623	166 553
Operating Expenses	150 784	143 308
Government Loans and Investments	150 784	143 308
Operating Result	23 839	23 245

2005-06 Staffing: 9

Profile

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 Government and provides cost-efficient loans to its clients.

Strategic issues facing the corporation in 2005-06 include:

- borrowing funds in the most efficient manner for the Territory Government;
- refinancing to meet high levels of maturing debt;
- managing investments efficiently while maintaining a borrowing program; and
- adopting necessary elements of International Financial Reporting Standards.

Budget Highlights

A borrowing program for re-financing purposes of approximately \$530 million in 2005-06.

Performance

External influences, particularly interest rates, affect Treasury Corporation's financial performance. The official cash rate was unchanged in 2004 but was increased to 5.5 per cent in March 2005. This has kept the cost of borrowing in 2004-05 to an estimated 5.8 per cent, which is close to the original estimate of 6 per cent. Higher and potentially rising interest rates across all maturities have led to an increase in the estimated borrowing cost to 6.5 per cent in 2005-06.

The borrowing rate margin compared to industry peers has been firm at around 0.13 per cent throughout 2004-05, reflecting good demand from investors and steady rating conditions. The large amount of Australian, state and territory government debt maturing in early 2005-06 and the subsequent refinancing requirement should also be well received by investors. Due to the lesser liquidity of the corporation's debt compared to the debt issued by the larger states, it is unlikely that there will be a significant reduction in the borrowing margin to industry peers.

The corporation's borrowing requirement in 2004-05 was only to refinance maturing debt, which totalled \$372 million. The 2005-06 borrowing program is the largest to date for debt refinancing, with an estimated \$530 million due to mature during the year. The corporation will continue to seek to borrow from various domestic sources, including retail and wholesale, and will consider offshore borrowing opportunities.

Business Line: 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.

The outcome is optimised investment revenue generation and loan funding for the Territory.

Performance Measures		2004-05 Estimate	2005-06 Estimate
<i>Quantity</i>	Weighted average cost of borrowing during year	5.80%	6.50%
	Capacity to provide services	\$2.15M	\$2.17M
<i>Quality</i>	Borrowing rate margin compared to industry peers	0.13%	≤ 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 ³	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.

³ A quote is the response to a request for financial information relating to a loan by a government business division or a government owned corporation.

Statement of Financial Performance

	2004-05 Estimate	2005-06 Budget
	\$000	\$000
OPERATING REVENUE		
Grants and subsidies		
Current		
Capital		
Community service obligations		
Sales of goods and services	262	262
Interest revenue	174 361	166 291
Rent and dividends		
Miscellaneous revenue		
Profit/loss on disposal of assets		
TOTAL OPERATING REVENUE	174 623	166 553
OPERATING EXPENSES		
Employee expenses	746	753
Administrative expenses		
Purchases of goods and services	1 404	1 418
Repairs and maintenance		
Depreciation and amortisation	1	
Other administrative expenses	1 200	1 200
Grants and subsidies		
Current		
Capital		
Interest expense	147 433	139 937
TOTAL OPERATING EXPENSES	150 784	143 308
OPERATING SURPLUS BEFORE INCOME TAX	23 839	23 245
Income tax expense	7 152	6 974
NET OPERATING SURPLUS	16 687	16 271

Statement of Financial Position

	2004-05 Estimate	2005-06 Budget
	\$000	\$000
ASSETS		
Cash and deposits	30 867	37 297
Receivables	15 033	14 927
Prepayments	84	84
Inventories		
Advances and investments	2 271 851	2 278 865
Land and improvements		
Plant and equipment		
Other assets		
TOTAL ASSETS	2 317 835	2 331 173
LIABILITIES		
Deposits held	2 616	2 616
Creditors and accruals	51 534	50 380
Borrowings and advances	2 217 884	2 232 970
Provisions	23 961	23 367
Other liabilities		
TOTAL LIABILITIES	2 295 995	2 309 333
NET ASSETS	21 840	21 840
EQUITY		
Capital		
Opening balance	18 714	18 714
Equity injections/withdrawals		
Reserves		
Accumulated funds		
Opening balance	3 126	3 126
Current year surplus(+)/deficit(-)	16 687	16 271
Dividends paid/payable	-16 687	-16 271
TOTAL EQUITY	21 840	21 840

Statement of Cash Flows

	2004-05 Estimate	2005-06 Budget
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating receipts		
Grants and subsidies received		
Current		
Capital		
Community service obligations		
Receipts from sales of goods and services	262	262
Interest received	174 381	166 197
Total operating receipts	174 643	166 459
Operating payments		
Payments to employees	747	752
Payments for goods and services	1 404	1 418
Grants and subsidies paid		
Current		
Capital		
Interest paid	149 176	141 091
Income tax paid	7 492	7 152
Total operating payments	158 819	150 413
NET CASH FROM OPERATING ACTIVITIES	15 824	16 046
CASH FLOWS FROM INVESTING ACTIVITIES		
Investing receipts		
Proceeds from asset sales		
Repayment of advances	34 334	34 486
Sales of investments		
Total investing receipts	34 334	34 486
Investing payments		
Purchases of assets		
Advances and investing payments	40 600	41 500
Total investing payments	40 600	41 500
NET CASH FROM INVESTING ACTIVITIES	-6 266	-7 014
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing receipts		
Proceeds of borrowings	484 008	558 393
Deposits received		
Equity injections		
Total financing receipts	484 008	558 393
Financing payments		
Repayment of borrowings	489 711	544 307
Finance lease payments		
Dividends paid	14 355	16 688
Equity withdrawals		
Total financing payments	504 066	560 995
NET CASH FROM FINANCING ACTIVITIES	-20 058	-2 602
Net increase in cash held	-10 500	6 430
Cash at beginning of financial year	41 367	30 867
CASH AT END OF FINANCIAL YEAR	30 867	37 297