

Treasury Corporation

Business Line	2005-06 Estimate	2006-07 Budget
	\$000	\$000
Revenue	166 545	164 919
Government Loans and Investments	166 545	164 919
Expenses	142 435	141 126
Government Loans and Investments	142 435	141 126
SURPLUS/DEFICIT BEFORE INCOME TAX	24 110	23 793

2006-07 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 2006-07 include:

- borrowing funds in the most efficient manner for the Territory Government;
- refinancing to meet maturing debt; and
- managing investments efficiently while maintaining a borrowing program.

Budget Highlights

A borrowing program of approximately \$400 million in 2006-07.

Performance

External influences, particularly interest rates, affect Treasury Corporation's financial performance. The official cash rate was last increased in March 2005 to 5.5 per cent. This has kept the cost of borrowing in 2005-06 at an estimated 5.8 per cent, which is similar to the previous year and below the original budget estimate of 6.5 per cent. In the last quarter of 2005-06, financial markets have built into their pricing an increase in the official cash rate to 5.75 per cent, which has subsequently lifted interest rates across all maturities.

The corporation's borrowing margin compared to industry peers improved from 0.13 per cent in 2004-05 to 0.10 per cent in 2005-06, mainly reflecting strong demand for government securities. This improvement was timely as the corporation undertook its largest program to date in 2005-06, borrowing \$580 million, of which \$540 million was used to refinance maturing debt. This large program allowed the corporation to consolidate its borrowings into three large bond issues maturing in 2007, 2009 and 2010.

The borrowing program in 2006-07 will be approximately \$400 million, again predominantly made up of refinancing maturing debt. The corporation will continue to focus on borrowing from various domestic sources, including retail and institutional investors. Opportunities for offshore borrowings will continue to be monitored.

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		2005-06 Estimate	2006-07 Estimate
<i>Quantity</i>	Weighted average cost of borrowing during year ¹	6.00%	6.50%
	Capacity to provide services ²	\$2.21M	\$2.21M
<i>Quality</i>	Borrowing rate margin compared to industry peers	≤ 0.2%	≤ 0.2%
	Investment portfolio return above benchmark ³	> indices	> indices
	Volatility of investment portfolio return against benchmark ³	± 0.25%	± 0.25%
	Stakeholder satisfaction ⁴	≥ 5	≥ 5
<i>Timeliness</i>	Quotes issued within three days ⁵	100%	100%
	Funding available within five working days	100%	100%

1 Borrowing cost forecasts are based on prevailing financial market expectations for interest rates. Variance between forecast and actual borrowing cost in 2005-06 reflects the longer than anticipated period of no change in the Reserve Bank of Australia official cash rate.

2 The original estimate for 2005-06 was \$2.17 million and this has increased to \$2.21 million due to revised management fees and adjustments for price increases.

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

4 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, and 6: extremely satisfied.

5 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.

Operating Statement

	2005-06 Estimate	2006-07 Budget
	\$000	\$000
INCOME		
Grants and subsidies revenue		
Current		
Capital		
Community service obligations		
Sales of goods and services	348	348
Interest revenue	166 197	164 571
Rent and dividends		
Gain(+)/loss(-) on disposal of assets		
Other revenue		
TOTAL INCOME	166 545	164 919
EXPENSES		
Employee expenses	753	754
Administrative expenses		
Purchases of goods and services	1 458	1 458
Repairs and maintenance		
Depreciation and amortisation		
Other administrative expenses	1 200	1 200
Grants and subsidies expenses		
Current		
Capital		
Interest expense	139 024	137 714
TOTAL EXPENSES	142 435	141 126
SURPLUS(+)/DEFICIT(-) BEFORE INCOME TAX	24 110	23 793
Income tax expense	7 233	7 138
NET SURPLUS(+)/DEFICIT(-)	16 877	16 655

Balance Sheet

	2005-06 Estimate	2006-07 Budget
	\$000	\$000
ASSETS		
Cash and deposits	23 453	32 153
Receivables	13 804	11 255
Prepayments	65	65
Inventories		
Advances and investments	2 326 319	2 369 816
Property, plant and equipment	31	31
Other assets		
TOTAL ASSETS	2 363 672	2 413 320
LIABILITIES		
Deposits held	2 003	2 003
Creditors and accruals	66 566	64 476
Borrowings and advances	2 260 029	2 312 083
Provisions	24 263	23 947
Other liabilities		
TOTAL LIABILITIES	2 352 861	2 402 509
NET ASSETS	10 811	10 811
EQUITY		
Capital		
Opening balance	18 714	18 714
Equity injections/withdrawals		
Reserves	- 7 903	- 7 903
Accumulated funds		
Opening balance		
Current year surplus(+)/deficit(-)	16 877	16 655
Dividends paid/payable	- 16 877	- 16 655
Accounting policy changes and corrections		
TOTAL EQUITY	10 811	10 811

Cash Flow Statement

	2005-06 Estimate	2006-07 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	348	348
Interest received	160 129	166 920
Total operating receipts	160 477	167 268
Operating payments		
Payments to employees	752	753
Payments for goods and services	1 458	1 458
Grants and subsidies paid		
Current		
Capital		
Interest paid	136 076	139 804
Income tax paid	7 519	7 233
Total operating payments	145 805	149 248
NET CASH FROM OPERATING ACTIVITIES	14 672	18 020
CASH FLOWS FROM INVESTING ACTIVITIES		
Investing receipts		
Proceeds from asset sales		
Repayment of advances	32 280	31 503
Sales of investments		
Total investing receipts	32 280	31 503
Investing payments		
Purchases of assets	31	
Advances and investing payments	86 750	75 000
Total investing payments	86 781	75 000
NET CASH FROM INVESTING ACTIVITIES	- 54 501	- 43 497
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing receipts		
Proceeds of borrowings	738 206	404 230
Deposits received		
Equity injections		
Total financing receipts	738 206	404 230
Financing payments		
Repayment of borrowings	696 257	353 176
Finance lease payments		
Dividends paid	17 543	16 877
Equity withdrawals		
Total financing payments	713 800	370 053
NET CASH FROM FINANCING ACTIVITIES	24 406	34 177
Net increase(+)/decrease(-) in cash held	- 15 423	8 700
Cash at beginning of financial year	38 876	23 453
CASH AT END OF FINANCIAL YEAR	23 453	32 153