

Northern Territory Treasury Corporation

Business Line	2006-07 Estimate	2007-08 Budget
	\$000	\$000
Income	162 475	165 207
Government Loans and Investments	162 060	164 724
Expenses	140 625	145 529
Government Loans and Investments	137 144	141 959
SURPLUS/DEFICIT BEFORE INCOME TAX	21 850	19 678

2007-08 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 Government and provides cost-efficient loans to its clients.

Strategic issues in 2007-08 include:

- managing the Territory Government's investments efficiently;
- cost-effective refinancing to meet high levels of maturing debt; and
- compliance with anti-money laundering and counter-terrorism financing legislation.

Budget Highlights

A borrowing program for refinancing purposes of approximately \$510 million in 2007-08.

Performance

External influences, particularly interest rates, affect Treasury Corporation's financial performance. The official cash rate was increased on three occasions in 2006, each time by 0.25 per cent, subsequently lifting the rate to 6.25 per cent. These increases have lifted the cost of borrowing in 2006-07 to an estimated 6.15 per cent which, however, remains below the original budget estimate of 6.5 per cent. In the last quarter of 2006-07, financial markets have built into their pricing an increase in the official cash rate to 6.5 per cent, which has subsequently lifted interest rates across all maturities.

The corporation's borrowing margin compared to industry peers has contracted slightly from 0.10 per cent to 0.09 per cent, mainly reflecting strong demand for government securities. Liquidity has been improved by establishing larger series of bonds, each with \$200 million to \$300 million on issue. The corporation now has four such bond series, with a combined value greater than \$1 billion.

The borrowing program in 2007-08 will be approximately \$510 million, again predominantly made up of refinancing maturing debt. Borrowing will continue to focus on domestic sources, including retail and institutional investors. Other borrowing opportunities 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		2006-07 Estimate	2007-08 Estimate
<i>Quantity</i>	Weighted average cost of borrowing during year ¹	6.15%	6.50%
	Capacity to provide services	\$2.21M	\$2.21M
<i>Quality</i>	Borrowing rate margin compared to industry peers	+ 0.09%	≤ 0.2%
	Investment portfolio return above benchmark ²	> indices	> indices
	Volatility of investment portfolio return against benchmark ²	± 0.25%	± 0.25%
	Stakeholder satisfaction	≥ 5	≥ 5
<i>Timeliness</i>	Quotes issued within three days ³	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 2006-07 reflects strong demand for longer dated bonds and market expectation that the cash rate is near its peak.

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

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.

Operating Statement

	2006-07 Estimate	2007-08 Budget
	\$000	\$000
INCOME		
Grants and subsidies revenue		
Current		
Capital		
Community service obligations		
Sales of goods and services	415	483
Interest revenue	162 060	164 724
Rent and dividends		
Gain(+)/loss(-) on disposal of assets		
Other revenue		
TOTAL INCOME	162 475	165 207
EXPENSES		
Employee expenses	754	754
Administrative expenses		
Purchases of goods and services	1 527	1 616
Repairs and maintenance		
Depreciation and amortisation		
Other administrative expenses	1 200	1 200
Grants and subsidies expenses		
Current		
Capital		
Interest expense	137 144	141 959
TOTAL EXPENSES	140 625	145 529
SURPLUS(+)/DEFICIT(-) BEFORE INCOME TAX	21 850	19 678
Income tax expense	6 555	5 903
NET SURPLUS(+)/DEFICIT(-)	15 295	13 775

Balance Sheet

	2006-07 Estimate	2007-08 Budget
	\$000	\$000
ASSETS		
Cash and deposits	30 977	26 328
Receivables	8 608	8 822
Prepayments	37	37
Inventories		
Advances and investments	2 333 660	2 415 295
Property, plant and equipment	21	21
Other assets		
TOTAL ASSETS	2 373 303	2 450 503
LIABILITIES		
Deposits held	1 609	1 609
Creditors and accruals	36 107	38 209
Borrowings and advances	2 293 380	2 370 650
Provisions	22 009	19 837
Other liabilities		
TOTAL LIABILITIES	2 353 105	2 430 305
NET ASSETS	20 198	20 198
EQUITY		
Capital		
Opening balance	18 714	18 714
Equity injections/withdrawals		
Reserves	1 484	1 484
Accumulated funds		
Opening balance		
Current year surplus(+)/deficit(-)	15 295	13 775
Dividends paid/payable	- 15 295	- 13 775
Accounting policy changes and corrections		
TOTAL EQUITY	20 198	20 198

Cash Flow Statement

	2006-07 Estimate	2007-08 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	415	483
Interest received	161 902	164 310
Total operating receipts	162 317	164 793
Operating payments		
Payments to employees	753	754
Payments for goods and services	1 527	1 616
Grants and subsidies paid		
Current		
Capital		
Interest paid	140 298	139 857
Income tax paid	7 834	6 555
Total operating payments	150 412	148 782
NET CASH FROM OPERATING ACTIVITIES	11 905	16 011
CASH FLOWS FROM INVESTING ACTIVITIES		
Investing receipts		
Proceeds from asset sales		
Repayment of advances	46 686	16 365
Sales of investments		
Total investing receipts	46 686	16 365
Investing payments		
Purchases of assets		
Advances and investing payments	60 228	98 000
Total investing payments	60 228	98 000
NET CASH FROM INVESTING ACTIVITIES	- 13 542	- 81 635
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing receipts		
Proceeds of borrowings	579 198	545 537
Deposits received		
Equity injections		
Total financing receipts	579 198	545 537
Financing payments		
Repayment of borrowings	567 720	469 267
Finance lease payments		
Dividends paid	18 278	15 295
Equity withdrawals		
Total financing payments	585 998	484 562
NET CASH FROM FINANCING ACTIVITIES	- 6 800	60 975
Net increase(+)/decrease(-) in cash held	- 8 437	- 4 649
Cash at beginning of financial year	39 414	30 977
CASH AT END OF FINANCIAL YEAR	30 977	26 328