

# Northern Territory Treasury Corporation

<b>Business Line</b>	2008-09 Estimate	2009-10 Budget
	\$000	\$000
<b>Income</b>	<b>160 476</b>	<b>168 065</b>
Government Loans and Investments	160 476	168 065
<b>Expenses</b>	<b>144 133</b>	<b>147 632</b>
Government Loans and Investments	144 133	147 632
<b>SURPLUS/DEFICIT BEFORE INCOME TAX</b>	<b>16 343</b>	<b>20 433</b>

2009-10 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 2009-10 include:

- managing the Territory Government's investments efficiently;
- securing cost-effective refinancing of maturing debt and financing of new debt in the context of the global financial crisis and its effect on borrowing margins and the level of investor demand;
- managing the impact of the Commonwealth guarantee facility being extended to the states and territories; and
- continuous development of the corporation's business continuity planning and corporate governance framework.

## Budget Highlights

- A borrowing program for financing purposes of approximately \$561 million for 2009-10.

## Performance

External influences, particularly interest rates, affect Treasury Corporation's financial performance. Since 1 July 2008, the official cash rate has fallen by 4.25 per cent to 3.00 per cent. While this has reduced the corporation's cost of borrowing, it has occurred within a difficult financial environment arising as a result of the global financial crisis.

Investing and borrowing conditions have been challenging and are expected to continue to favour highly liquid, very low-risk securities. Due to the smaller scale operations of the corporation, its borrowing margin relative to peers has increased slightly from 0.10 per cent to 0.13 per cent over the past year.

The corporation has maintained five major bond series throughout the year with a combined value greater than \$1 billion. This includes a new bond series maturing in October 2013.

The borrowing program in 2009-10 will be approximately \$561 million, predominantly refinancing maturing debt. Borrowing will continue to focus on domestic sources, including retail and institutional investors.

The corporation's surplus is budgeted to increase by \$4.1 million in 2009-10 as a result of new loans provided in 2008-09 and forecast in 2009-10.

## Business Line: Government Loans and Investments

Funding loans to Government using appropriate borrowing strategies and risk management principles.

Investment of the Government's surplus cash balances on behalf of the Central Holding Authority with the aim of optimising returns within approved guidelines and cash flow requirements.

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

Performance Measures		2008-09 Estimate	2009-10 Estimate
<i>Quantity</i>	Weighted average cost of borrowing during year <sup>1</sup>	5.50%	6.00%
	Capacity to provide services	\$2.21M	\$2.21M
<i>Quality</i>	Borrowing rate margin compared to industry peers	0.15%	≤ 0.20%
	Investment portfolio return above benchmark <sup>2</sup>	> indices	> indices
	Volatility of investment portfolio return against benchmark <sup>2</sup>	± 0.25%	± 0.25%
	Stakeholder satisfaction	≥ 5	≥ 5
<i>Timeliness</i>	Quotes issued within three days <sup>3</sup>	100%	100%
	Funding available within five working days	100%	100%

1 Borrowing cost forecasts are based on prevailing financial market expectations for interest rates.

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

	2008-09 Estimate	2009-10 Budget
	\$000	\$000
<b>INCOME</b>		
Grants and subsidies revenue		
Current		
Capital		
Community service obligations		
Sales of goods and services	471	471
Interest revenue	160 005	167 594
Rent and dividends		
Gain(+)/loss(-) on disposal of assets		
Other revenue		
<b>TOTAL INCOME</b>	<b>160 476</b>	<b>168 065</b>
<b>EXPENSES</b>		
Employee expenses	754	754
Administrative expenses		
Purchases of goods and services	1 619	1 622
Repairs and maintenance		
Depreciation and amortisation		
Other administrative expenses		
Grants and subsidies expenses		
Current		
Capital		
Interest expense	141 760	145 256
<b>TOTAL EXPENSES</b>	<b>144 133</b>	<b>147 632</b>
<b>SURPLUS(+)/DEFICIT(-) BEFORE INCOME TAX</b>	<b>16 343</b>	<b>20 433</b>
Income tax expense	4 903	6 130
<b>NET SURPLUS(+)/DEFICIT(-)</b>	<b>11 440</b>	<b>14 303</b>

## Balance Sheet

	2008-09 Estimate	2009-10 Budget
	\$000	\$000
<b>ASSETS</b>		
Cash and deposits	31 904	25 431
Receivables	6 448	7 414
Prepayments	92	92
Inventories		
Advances and investments	2 357 608	2 556 853
Property, plant and equipment		
Other assets		
<b>TOTAL ASSETS</b>	<b>2 396 052</b>	<b>2 589 790</b>
<b>LIABILITIES</b>		
Deposits held	1 758	1 758
Creditors and accruals	36 239	36 681
Borrowings and advances	2 319 463	2 508 669
Provisions	16 502	20 592
Other liabilities		
<b>TOTAL LIABILITIES</b>	<b>2 373 962</b>	<b>2 567 700</b>
<b>NET ASSETS</b>	<b>22 090</b>	<b>22 090</b>
<b>EQUITY</b>		
Capital		
Opening balance	18 714	18 714
Equity injections/withdrawals		
Reserves	3 376	3 376
Accumulated funds		
Opening balance		
Current year surplus(+)/deficit(-)	11 440	14 303
Dividends paid/payable	- 11 440	- 14 303
Accounting policy changes and corrections		
<b>TOTAL EQUITY</b>	<b>22 090</b>	<b>22 090</b>

## Cash Flow Statement

	2008-09 Estimate	2009-10 Budget
	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Operating receipts</b>		
Grants and subsidies received		
Current		
Capital		
Community service obligations		
Receipts from sales of goods and services	471	471
Interest received	159 742	166 428
<b>Total operating receipts</b>	<b>160 213</b>	<b>166 899</b>
<b>Operating payments</b>		
Payments to employees	754	754
Payments for goods and services	1 619	1 622
Grants and subsidies paid		
Current		
Capital		
Interest paid	141 663	143 614
Income tax paid	7 494	4 903
<b>Total operating payments</b>	<b>151 530</b>	<b>150 893</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>8 683</b>	<b>16 006</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Investing receipts</b>		
Proceeds from asset sales		
Repayment of advances	137 338	15 255
Sales of investments		
<b>Total investing receipts</b>	<b>137 338</b>	<b>15 255</b>
<b>Investing payments</b>		
Purchases of assets		
Advances and investing payments	147 537	214 500
<b>Total investing payments</b>	<b>147 537</b>	<b>214 500</b>
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>- 10 199</b>	<b>- 199 245</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Financing receipts</b>		
Proceeds of borrowings	551 180	560 926
Deposits received		
Equity injections		
<b>Total financing receipts</b>	<b>551 180</b>	<b>560 926</b>
<b>Financing payments</b>		
Repayment of borrowings	538 411	372 720
Finance lease payments		
Dividends paid	17 485	11 440
Equity withdrawals		
<b>Total financing payments</b>	<b>555 896</b>	<b>384 160</b>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>- 4 716</b>	<b>176 766</b>
Net increase(+)/decrease(-) in cash held	- 6 232	- 6 473
Cash at beginning of financial year	38 136	31 904
<b>CASH AT END OF FINANCIAL YEAR</b>	<b>31 904</b>	<b>25 431</b>