Treasury Corporation of Victoria

ENHANCING FINANCIAL
OUTCOMES FOR VICTORIA

ANNUAL REPORT

2015/16

Treasury Corporation of Victoria

ABN: 97 552 308 966

Table of Contents

Reference to Credit Ratings

All references to credit ratings in this document are provided for information purposes only. A credit rating is not a recommendation to buy, sell or hold any financial product. Such ratings are subject to revision or withdrawal at any time by the relevant rating agency.

Statement of Corporate Intent

Our Vision

Treasury Corporation of Victoria's (TCV or the Corporation) vision is to be a respected central funding authority and financing adviser, optimising the benefits for, and protecting the interests of, the State of Victoria and our clients.

Our Mission

Our mission is to serve the State of Victoria and its component businesses, working to fill their need for financing, investment and advisory services. Our employees are united in their commitment to deliver the best and most appropriate products and services, and are supported by a culture that motivates them to act with integrity and professionalism.

Our Values and Behaviours

Our behavioural framework supports our performance through commercial acumen, communication, relationship management, management effectiveness, proactivity, problem solving, empathy and technical skills.

In addition, TCV promotes the public sector values contained in Part 2 of the *Public Administration Act* 2004, which include responsiveness, integrity, impartiality, accountability, respect, leadership and the promotion of human rights.

Our People

TCV understands that our employees are central to the success of our business. Our people related policies support our commitment to the long-term development of our employees. We also recognise the importance of a healthy and balanced life.

In return, we expect our people to engage with TCV's behavioural framework and to demonstrate the values and behaviours required of participants in Financial Markets, and employees in the public sector, as set out in the relevant Codes of Conduct.

Our relationship with the Treasurer of Victoria

The Treasurer of Victoria (Treasurer) is responsible for the administration of the *Treasury Corporation of Victoria Act* 1992 (TCV Act).

In the exercise of its powers and performance of its functions under the TCV Act, TCV is subject to the general direction, control and specific approvals, requests, and determinations of the Treasurer.

Each year, TCV must pay from its surpluses to the Consolidated Fund of the Government of Victoria a dividend in such amount as the Treasurer determines.

The Treasurer's interests are monitored by the Department of Treasury and Finance. Our Chairman, on behalf of the Board of Directors, reports to the Treasurer.

Our Clients

We provide treasury services to those State and Public Authorities that have been accepted as Participating Authorities by the Corporation under the TCV Act and, at the request of the Treasurer, to other Victorian entities.

At 30 June 2016, there were 101 participating authorities (2015: 98) in addition to the budget sector.

Our Objectives

TCV has the following objectives:

- to act as a financial institution for the benefit of the State and participating authorities
- to enhance the financial position of the State, the Corporation and participating authorities
- to provide our services in an effective, efficient and competitive manner
- to give advice to the Treasurer in respect to the State's liabilities or financial assets.

Our Guarantee

Our payment obligations in relation to borrowings and derivative transactions are guaranteed by the State of Victoria (section 32 of the TCV Act). Our loans to participating authorities are also guaranteed by the State of Victoria.

Our Business Operations

Our business operations assist the State in the prudent management of Victoria's financing risks by centralising financing, short-term investment and advisory activities through the:

- provision of a single interface to financial markets
- maintenance and enhancement of the State's profile and reputation in financial markets
- assumption and management of financing and short-term investment risk that would otherwise reside with the State or its authorities
- attraction and retention of expert employees who have the experience, skills and knowledge to meet our obligations and customer support needs
- provision of expert advice to the State and its authorities to their financing and investment arrangements
- management of Whole of State liquidity arrangements
- adoption of prudent risk management policies and processes in relation to interest rate, refinancing, credit, liquidity, foreign currency, commodity and enterprise risks.

Our Borrowing Programs

Our borrowing programs provide financing liquidity for the State and its authorities.

We maintain a range of borrowing programs that facilitate access to long and short-term funding in domestic and international debt capital markets, and allow us to maintain a diverse investor base.

We are active managers of those programs, which assists us to provide sufficient funding at acceptable and competitive pricing in all market conditions.

Report of the Chairman and Managing Director

We are proud to once again report a year where TCV has delivered, and in most cases exceeded, our corporate objectives and performance targets.

While TCV has a specific set of KPIs, we can broadly review the Corporation's contribution by answering just five questions – have we:

- met our customers' requirements by supplying funds to their volume, timing and maturity expectations, and done so at a competitive price?
- managed our market, credit, liquidity and enterprise risks within appropriate risk frameworks?
- found opportunities to enhance our contribution to the State and our broader stakeholder group's objectives?
- represented Victoria and the corporation in a way that enhances our reputation across domestic and international financial markets?
- delivered the financial KPIs of the corporation?

At each point, the answer to these questions is a resounding 'yes'.

Our fund raising requirements through the year have been met, and our funding programs remain competitively priced to our peers. Our forecast long-term funding requirement was around $2.0 billion, and to achieve this we issued a new 20 October 2028 benchmark line late in 2015, and issued the balance progressively through the year.

We continued to reshape the front end of our portfolio to assist the State to effectively manage the receipt of the Port of Melbourne lease proceeds, and apply these funds without disruption to our investors.

We have managed our portfolio of risks within agreed guidelines, and appropriately developed those guidelines to meet ongoing enhancements to our Prudential Standard.

We have worked extensively with our clients, engaging across their organisations to improve access to our products and services and add layers of additional assistance and value. Our most recent client survey indicates that we continue to exceed expectations.

Through the year we have maintained strong relationships with Australian and International Financial Markets. These relationships allow us to promote both Victoria and TCV, and through the current period facilitated discussion around the changes to our debt profile and the likely short-term reduction of our outstandings. Our experience suggests our investors, both domestic and international, remain impressed with the State's fiscal outlook and TCVs professional management approach to our capital market activities.

Finally, we have significantly exceeded the financial KPI's contained within our Corporate Plan.

The positive answer to these five questions highlights the value of TCV's core operating model. The State's funding requirement and the support it needs for other activities will vary from year to year, and TCV's model ensures we remain ready to meet such requirements. To do this, we must maintain a core capacity in our employees, processes and systems, and be ready to leverage that capacity as need arises.

TCV continues to pursue efficiency initiatives and, over the last decade, operational cost increases has been kept, on average, below the annual CPI. We achieve this through our ongoing Business Effectiveness program which identifies productivity improvement opportunities across our processes and technology platforms.

This success however is not possible without having the right skills, competencies and commitment across the entire team. We would like to thank all of our people for their contribution and dedication - the Corporation could not add the value it does without them.

We would also like to thank our clients for their continued engagement and support. Our clients continually find reasons to engage with TCV, and this only serves to increase our capacity to provide both relevant services and to assist them to achieve their individual financial goals.

We would like to thank the Board who bring important experience to the governance and effectiveness of the corporation. Our Directors have provided unconditional support and contribution to TCV and the State and we thank them for their dedication and commitment.

We would also like to thank the staff at the Department of Treasury and Finance for their ongoing support and assistance. The strong relationship and engagement we have enjoyed through the year makes us more effective, and collectively we believe we produce better outcomes for our State.

Finally, our thanks to Treasurer Tim Pallas and his staff for their ongoing support. Their trust and proactive engagement enhances our ability to assist the Government pursue their vision for the State.

We remain committed to working together with our employees, clients and stakeholders in the year ahead to once again deliver the Corporation's expertise on behalf of the State of Victoria.

Rob Hunt Chairman	William (Bill) Whitford Managing Director

Performance

TCV has a number of key objectives and performance indicators. These are both financial and non-financial in nature, and are agreed with the Victorian Treasurer as part of the yearly corporate planning process.

The table below summarises TCV's performance for the reporting period.

Objective/Indicator	Outcome 2015-16
Delivery of the State's financing requirements	A key part of TCV's business model is to provide financing to participating authorities in the volume and maturity which they require to support their businesses. TCV once again achieved this objective through the year.
Management of market risk within approved parameters	TCV employs a number of risk measures to manage its market risk. Principal amongst these is a Value at Risk (VaR) parameter, determined by the Board and approved by the Victorian Treasurer through the TCV Corporate Plan. Over the 2015-16 financial year, TCV managed market risk within approved limits.
Financial Performance	TCV seek to generate a positive return, representing the financial value added of our risk management activities, and the adherence to our approved operating budgets. This is measured through a 'Return from at risk revenue on adjusted Equity' calculation (ROE). For 2015-16, TCV delivered a ROE of 22.8%, significantly in excess of budget.
Victoria's AAA rating	TCV ensures that its interactions and activities assist the Government to maintain a AAA rating. TCV's actions through the year supported the maintenance of this rating. On 7 July 2016 S&P assigned an Outlook Negative to Australia's AAA rating. The Outlook Negative was cascaded to entities that benefit from the Sovereign AAA rating, being Victoria (and TCV), New South Wales (and NSW TCorp), the ACT Government and the four major banks.
Client satisfaction	TCV measures client satisfaction bi-annually through an independent Client Survey. This survey was last undertaken late in 2014-15 and produced a client satisfaction rating of 84%.
Capacity	The Corporation's ability to perform our critical tasks is measured through the Business Unit Balanced Scorecards. The Scorecards measure our performance against the primary drivers of each Business Unit, identifying areas where delivery break down may compromise the ability of the Corporation to deliver against its objectives. Through the year, TCV has maintained the core operating capacity to deliver our planned objectives.
People	The combined knowledge of TCV's employees represents a considerable corporate investment. TCV measures its ability to maintain that investment through training and succession planning. Through the year, TCV successfully maintained its employee capability. TCV also measures employee engagement, as one indicator of a healthy organisational culture, through data gathered in our bi-annual Staff Survey. The most recent survey indicated a solid level of employee engagement and alignment.

Treasury Corporation of Victoria

Financial Summary 2015-16

Income Summary	2015-16 $ million	2014-15 $ million	2013-14 $ million	2012-13 $ million	2011-12 $ million
Income					
Net gain on financial assets and liabilities at fair value through profit and loss	53.9	41.1	60.7	67.1	67.0
Other fees and income	8.8	8.7	9.0	8.0	6.5
Total Income	**62.7**	**49.8**	**69.7**	**75.1**	**73.5**
Expenses					
Borrowing related expenses	3.4	1.2	1.8	1.9	0.9
Other operational expenses	17.6	16.9	17.3	16.9	17.9
Total Expenses	**21.0**	**18.1**	**19.1**	**18.8**	**18.8**
Net Profit	**41.7**	**31.7**	**50.6**	**56.3**	**54.7**
Dividends Paid	31.7	50.6	56.3	54.7	52.6

Statement of Financial Position	2016 $ million	2015 $ million	2014 $ million	2013 $ million	2012 $ million
Loans to clients	40,888.6	40,980.3	40,838.3	38,874.1	34,568.2
Cash and cash equivalents	4,416.2	3,469.6	3,476.6	2,502.9	3,453.8
Investments	4,731.9	4,694.4	3,897.2	2,693.5	4,684.4
Derivatives	630.1	416.6	471.8	73.8	1,554.1
Other assets	517.9	296.1	39.0	1,056.2	280.4
Total Assets	**51,184.7**	**49,857.0**	**48,722.9**	**45,860.5**	**44,540.9**
Financed by:					
Domestic Inscribed Stock	38,374.9	35,264.6	34,570.5	32,928.2	28,593.7
Domestic other	4,597.3	6,773.8	7,114.0	4,056.0	5,301.3
Offshore	372.5	274.9	448.0	745.4	1,602.0
	43,344.7	42,313.3	42,132.5	37,729.6	35,497.0
Deposits from public sector	6,521.0	6,667.7	5,711.9	5,809.7	6,566.8
Derivatives	955.4	596.2	494.9	739.3	1,625.8
Other liabilities	181.3	107.5	192.5	1,385.0	656.0
Total Liabilities	**51,002.4**	**49,684.7**	**48,531.8**	**45,663.6**	**44,345.6**
Equity	182.3	172.3	191.1	196.9	195.3

Treasury Client Services

A core part of our business model is the provision of services to the State's various business enterprises, which assist them to manage their financing risks. This year these services included the following activities:

Water Corporations

The Essential Services Commission (ESC) sets prices for the water and sewerage services provided by Victoria's water corporations.

During the year, TCV worked with our water clients and the ESC to investigate an alternative methodology for the calculation of the benchmark cost of debt to be used in determining the Weighted Average Cost of Capital (WACC) for future pricing determinations.

Department of Treasury & Finance

Through the year, TCV has maintained a very strong relationship with the Department of Treasury and Finance (DTF). We continue to:

- provide advice and support to DTF's Balance Sheet Management Committee regarding financial risk management
- work closely with the Financial Assets and Liabilities group, the team responsible for managing the State's budget sector debt requirements and treasury management framework
- manage the daily funding of the State's Public Account on behalf of DTF. This involves TCV liaising directly with each of the portfolio departments and agencies needing funding and managing the net requirement as part of TCV's daily call on markets
- provide treasury advice and assistance on the policies relevant to the treasury operations of government business enterprises and departments
- support DTF's policy and processes by facilitating our clients understanding and awareness of the State's treasury risk management philosophy.

These activities, together with our management of the budget sector debt portfolio assist to reduce whole of state financing risks.

Foreign Exchange Risk Management

The Department of Treasury and Finance has a foreign exchange risk management policy that requires agencies and authorities to hedge any material foreign exchange exposures with TCV. TCV actively communicates the parameters of this policy in its financial risk management discussions with clients.

During 2015-16, TCV provided foreign exchange advice and services to clients in the following government sectors:

- the arts
- sports and recreation
- emergency services
- protective services
- transportation
- health services.

We worked closely with these government agencies and business enterprises to understand their foreign denominated business cash flows and risk parameters, and identified which foreign exchange risk management tools best achieved their objectives.

Treasury Advisory Appointments

During 2015-16, TCV provided a range of treasury advisory services to our clients, including Barwon Region Water Corporation, Central Highlands Water, City West Water, Coliban Water, DTF, Melbourne Water Corporation, South East Water Limited, Goulburn-Murray Rural Water, Western Water and Yarra Valley Water.

Commodity Risk Management

The Department of Treasury and Finance has a commodity risk management policy, which requires consideration of hedging commodity risk with TCV where it is considered this risk could have a material impact on the business. During the period, TCV worked with a client in developing a business case and hedging strategy to assist in the management of their exposure to diesel fuel prices. The hedging strategy was approved and successfully executed during the period.

Project Advisory Services

TCV's Project Advisory Services team (PAS) provides support for clients in the development of infrastructure financing proposals. The team provides analysis and advice on financing options for publicly funded projects and assists clients to evaluate and select infrastructure proposals submitted by the private sector. Our services focus on financial evaluation and risk management. This year these services included the following activities:

Department of Treasury and Finance

TCV continued to provide DTF with treasury advice and assistance on the policies relevant to the treasury operations of government business enterprises and departments.

Contract Management of Partnerships Victoria Projects

TCV offers assistance to departments and agencies in Public Private Partnership (PPP), invoicing and contract management of Partnerships Victoria projects. Key services include undertaking financial audits of PPP invoicing models and regular verification of monthly/quarterly invoices as received, amendments for modifications and contractual adjustments, abatements and refinancing provisions.

In 2015-16 TCV offered these services to a number of clients including the:

- Department of Health and Human Services (Casey, Royal Women's, Royal Children's Hospital Projects)
- Department of Justice and Regulation (Victorian County Court and Victorian Correctional Facilities Projects)
- Department of Economic Development, Jobs, Transport and Resources (Melbourne Convention Centre, Biosciences Research Centre)
- Department of Education and Training (Partnerships Victoria in Schools Project).

A number of new engagements were confirmed and are underway. These include Contract Modelling and Quarterly Service Payment (QSP) invoice checking for the Victorian Comprehensive Cancer Centre (VCCC), Contract Modelling and QSP invoice checking for the Royal Melbourne Showgrounds Redevelopment and Abatement Modelling for the Emergency Alerting System Project.

Partnerships Victoria Projects New Schools Project

PAS assisted to the Department of Education and Training on the New Schools PPP Project as specialist financing advisor working in conjunction with the State's commercial advisor, KPMG.

Work completed included assessment of financial proposals received, liaison on the financial close processes, and successfully benchmarking the financial close.

Looking forward, PAS has confirmed an engagement with Public Transport Victoria for the High Capacity Metro Trains PPP project, as well as seeking an engagement for Melbourne Metro Rail PPP project.

Melbourne Exhibition Centre Expansion

During 2015-16 TCV completed its engagement with the Department of Economic Development, Jobs, Transport and Resources as a specialist financial advisor for the Melbourne Exhibition Centre Expansion project. Specifically, TCV provided assistance with development of the project's business case and negotiations with key stakeholders including DTF, the Melbourne Convention and Exhibition Trust and Plenary Group.

Victorian Desalination Project

TCV assisted the Department of Environment, Land, Water and Planning with benchmarking a $A750m forward starting swap as part of a refinancing for the Victorian Desalination project.

Business Case Development

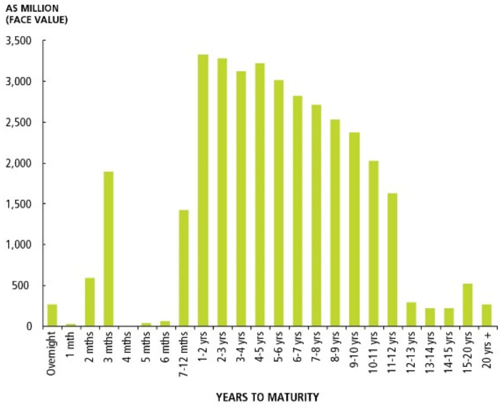
TCV offers financial modelling and business case development services to departments and agencies. In addition, TCV supports DTF's Gateway Review Process.

In 2015-16 TCV completed a Business Case engagement for Peter Mac in relation to the VCCC Car Park, and continued to support the government Gateway program through participation in a number of Gateway evaluations.

Funding and Markets

TCV provides tailored loans to clients, which are available on demand and provided at wholesale rates. Client loan facilities can extend from short-term at call facilities to long-term commitments of 20 years or more.

At 30 June 2016, the maturity profile of these client loans is shown in the chart below:



To finance this lending activity, TCV maintains four key funding programs:

- Australian Dollar Domestic Debt Issuance program, the cornerstone of the Corporation's funding strategy, which incorporates seven or more lines of stock with a targeted minimum of $A4-5 billion issued per line
- $US3 billion Euro Medium Term Note (EMTN) program
- $A5 billion Euro Commercial Paper (ECP) program
- $A5 billion Commercial Paper program (Domestic Promissory Note).

This suite of programs helps us maintain continual access to financial markets, and allows us to meet one of the Corporation primary objectives, to 'meet client funding requirements in volume and duration at a competitive price'.

Our activity in each program is facilitated through our dealer panels. The dealer panels distribute TCV's debt and support our access to financial market instruments used in our risk management activities. TCV's dealer panel members, at 30 June 2016, were:

Australian Dollar Domestic Debt Issuance Program

Australia and New Zealand Banking Group Limited
Citigroup Global Markets Australia Pty Ltd
Commonwealth Bank of Australia
Deutsche Bank AG, Sydney Branch
J.P. Morgan Australia Limited
Merrill Lynch International (Australia) Ltd
National Australia Bank Limited
Nomura International plc
Royal Bank of Canada
The Toronto-Dominion Bank
UBS AG, Australia Branch
Westpac Banking Corporation

$A5 billion Domestic Commercial Paper

Australia and New Zealand Banking Group Limited
Commonwealth Bank of Australia
Deutsche Bank AG
Macquarie Bank Limited
National Australia Bank Limited
Westpac Banking Corporation

$US3 billion Euro Medium Term Note

Nomura International plc
UBS Limited

$A5 billion Euro Commercial Paper (Hong Kong)

Bank of America Securities Limited
Barclays Capital
Citibank International plc
Commonwealth Bank of Australia
Credit Suisse
National Australia Bank Limited, Hong Kong Branch
Royal Bank of Canada
The Royal Bank of Scotland
UBS Investment Bank.

2015-16 Funding Activity

Long-term funding programs

Activities in our long-term benchmark bond program concentrated on lengthening into longer term maturities.

As at 30 June 2016, Domestic Benchmark Bond Outstandings were as follows:

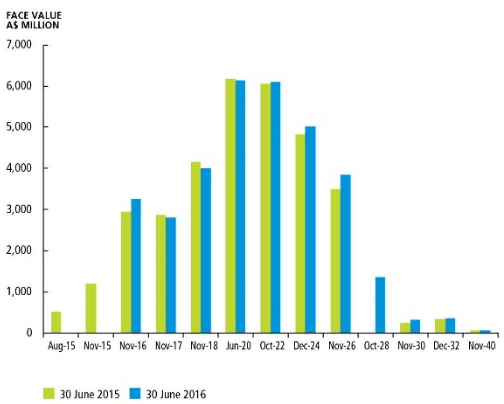
Maturity	Face Value Outstandings ($A million)	Face Value Change ($A million)
5.75% 15/11/2016	3,266.4	+306.9
3.50% 17/11/2017	2,825.6	-50.8
5.50% 15/11/2018	4,023.3	-152.9
6.00% 15/06/2020	6,158.4	-42.6
6.00% 17/10/2022	6,135.7	+56.4
5.50% 17/12/2024	5,054.3	+201.2
5.50% 17/11/2026	3,862.4	+356.4
3.00% 20/10/2028	1,359.6	+1,359.6
Total	32,685.7	+2,034.1

In 2015-16 our benchmark yield curve was extended with the issuance of a 3% 20 October 2028 benchmark bond.

In addition to our benchmark lines, TCV has $A,734.4 million (face value) in non-benchmark lines:

- $320.4 million 4.75% 20 November 2030 Fixed Rate
- $344 million 4.25% 20 December 2032 Fixed Rate
- $70 million 5.00% 20 November 2040 Fixed Rate.

The following chart depicts the year on year changes.



Short term funding programs

Outstandings within the Domestic Commercial Paper program decreased by $A1.05 billion to $A1.6 billion as at year end, while outstandings within the ECP program increased by $A58 million to $A83 million.

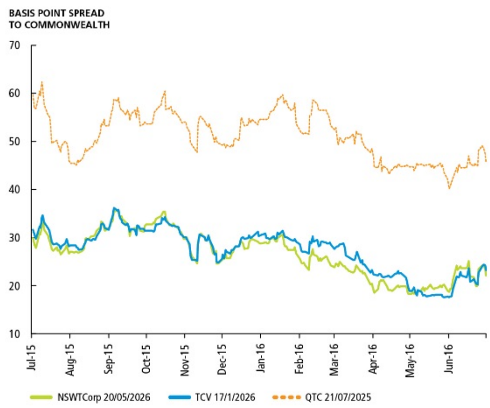
Green Bonds

Consistent with the Victorian Government's commitment to climate change mitigation, TCV has established a Green Bond framework to facilitate the future issuance of Green Bonds. TCV Green Bonds will be used for financing, and re-financing, of projects and assets across Victoria, which are consistent with delivering a low carbon and climate resilient economy. The TCV Green Bond framework has been established with reference to the *Climate Bond Standards and Certification Scheme* developed by the Climate Bonds Initiative (CBI). TCV successfully issued $300 million of a 1.75% 27 July 2021 Green Bond on 19 July 2016.

Cost of Funds

Through the year, Victoria's cost of funds relative to the Commonwealth Government improved.

This is evident in the following chart, showing TCV's margin to Commonwealth Government Bond.



Future Funding Strategy

For the financial year ending 30 June 2017, TCV's total funding requirement is a net repayment of $A1.5 billion.

TCV will be undertaking a debt repayment for the General Government sector in 2016-17 of approximately $A3.6 billion.

New money and refinancing activity for the Participating Authorities will total around $A2.1 billion.

Consistent with our 2015-16 funding strategy TCV has built a level of short-term debt in preparation for the Port of Melbourne lease receipts.

It is our intention to utilise the lease receipts to reduce the level of short-term debt outstandings and then to invest any excess funds against future maturing TCV liabilities.

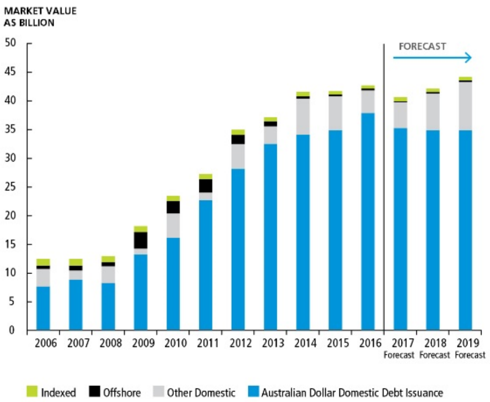
The TCV balance sheet will then be allowed to reduce through maturities.

The 2016-17 long-term funding requirement of $A2.0 billion will be predominately funded through the Domestic Benchmark Bond program.

TCV has no plans to issue inflation linked debt or non-AUD maturities.

Total Outstanding Debt

The forecast path for debt levels is shown in the chart below. What is evident is a slowing in the pace of debt growth, and the net reduction in 2016-17 as a result of the aforementioned lease proceeds.



Corporate Governance

Board of Directors

Rob Hunt, AM, FAICD

Chairman

First appointed: 1 January 2010
Current appointment expires: 30 June 2018

Mr Hunt retired as Managing Director of the Bendigo and Adelaide Bank (BEN) on 3 July 2009 after 21 years as Chief Executive Officer. During his 36 years with the organisation, Mr Hunt guided BEN through many challenges, and – as CEO – oversaw significant growth.

Mr Hunt is the architect of the Community Bank® model and has been instrumental in the development of a range of Community Enterprise and Engagement models now used by communities across Australia to provide key infrastructure and essential services through local commercial structures. These Community Enterprises provide communities with a framework and the cash flow, capacity and flexibility to address new economic opportunities and to enhance their own Community Balance Sheets.

Mr Hunt continues his involvement in a number of community organisations and and is passionate about the capacity of local Australian communities to contribute to improved local, state and national economic outcomes.

During the year Mr Hunt held the following BEN associated appointments:

- Director, Bendigo Community Telco Limited
- Director, Apollo Bay & District Community Enterprises Limited
- Director, Beut Property Pty Ltd.

Cassandra Kelly, BEc (Hons)

Deputy Chairperson

First appointed: 11 August 2015
Current appointment expires: 10 August 2018

Ms Kelly has extensive experience in advising on finance, risk, strategy and policy. She is currently chair for Pottinger, a corporate advisory company she co-founded in 2003, and is an expert advisor to the G20/B20 on matters of infrastructure.

Ms Kelly is an experienced director, and is a member of the leadership council for MS Research Australia as well as a member of the Australian Federal Government's Treasury Inclusive Workplace Committee focusing on improving diversity and outcomes.

Ms Kelly has previously held executive roles at GMAC Commercial Mortgage and Deutsche Bank. Her experience spans agriculture, consumer products, energy and resources, financial services, infrastructure, medical technologies, tourism, technology, digital media and professional services.

During the year, Ms Kelly held the following appointments:

- Chair, Allpress International
- Director, Flight Centre Travel Group
- Director, UNSW Foundation
- Director, The Resolution Project (US based).

William (Bill) Whitford, MBA, FAICD

Managing Director

First appointed: 28 July 2003
Current appointment expires: 27 July 2017

Mr Whitford is responsible for the successful leadership and management of the Corporation according to the strategic direction set by the Board of Directors and the Treasurer of Victoria.

He has experience in financial markets through roles with Banque National de Paris and the State Bank of South Australia, and in the financing of public infrastructure with the South Australian Government.

He holds an MBA from Adelaide University Graduate School of Management and is a Fellow of the Australian Institute of Company Directors.

Mr Whitford has also held the following appointments during the year:

- Deputy Chairman, Market Governance Committee, Australian Financial Markets Association
- Director, Australian Financial Markets Association
- Director, BigSky Building Society
- Director, Rural Finance Corporation of Victoria.

Suzanne Ewart, BEc, CPA, FAICD

First appointed: 1 February 2008
Current appointment expires: 31 January 2017

Ms Ewart is a non-executive Director and Chairman of the Audit Committee. She is principal of her own consulting company, providing specialist consulting services to the corporate and government sectors, specialising in financial and strategic solutions.

Ms Ewart has extensive senior operational and financial experience having previously held positions including Vice President Group Treasury with Fosters Group Limited, Chief Financial Officer of the O2-e Group at National Australia Bank, and General Manager - Mergers & Acquisitions at Telstra Corporation Limited.

Ms Ewart held the following appointments during the year:

- Chair, Box Hill Institute
- Chair, Cell Therapies Pty Ltd
- Director, Peter MacCallum Cancer Institute
- Director, Peter MacCallum Cancer Foundation
- Director, TT- Line Company Pty Ltd.

David Martine BEc (Hons) MBA

First appointed: 13 May 2014
Current appointment expires: 12 May 2017

Mr Martine is Secretary of the Victorian Department of Treasury & Finance. He leads the Department providing economic, policy and service delivery advice to the Victorian Government.

Prior to this, Mr Martine worked as a senior executive in the Commonwealth public sector providing strategic advice to governments on a range of complex economic and other policy issues. He has extensive budget, finance, policy and organisational leadership experience, and has been involved in wide ranging strategic policy reform.

Mr Martine was educated in Melbourne and has an honours degree in economics from Monash University. He completed his Master of Business Administration in 2005.

Mr Martine held the following appointment during the year:

- Director, Victorian Funds Management Corporation
- Director, Infrastructure Victoria Board
- Member, Advisory Board of the Melbourne Institute of Applied Economic and Social Research.

John Pearce, BEc, MAppFin

First appointed: 14 April 2015.
Current appointment expires: 13 April 2018.

Mr Pearce has over 25 years experience in the financial services industry both in Australia and Asia. He is Chief Investment Officer of UniSuper, having joined in July 2009.

Mr Pearce has held several senior positions including Chief Executive Officer and General Manager, Investments of Australia's largest asset management company, Colonial First State, from 2000 to 2006. From 2006 to 2008 Mr Pearce was the Head of Global Asset Management for Ping An, which is China's second largest insurance company.

Paul Coughlin, BEc, MBA

First appointed: 14 April 2015
Current appointment expires: 13 April 2018.

Mr Coughlin returned to Melbourne in 2015 after a 26 year career with Standard & Poors Ratings Services, including roles in Hong Kong, Singapore and New York. In his final posting he became global head of S&P's credit rating operations.

Prior to his credit ratings career Paul spent five years as an investment banker, as well as several years working in a number of policy and administrative roles in the Federal Government including a role on the parliament house staff of the Hon. John Howard during his term as Treasurer.

Previous board experience includes appointments to the boards of the Alfred Group of Hospitals and to Taiwan Ratings Corporation.

Mr Coughlin also held the following appointment during the year:

- Audit and Risk Committee of Ambulance Victoria.

John Blight, FCA, FFIN, BBus

First appointed: 6 March 2012
Current appointment expires: 17 August 2018

Mr Blight is Partner of Grant Thornton Australia. He was formerly the Head of Financial Advisory for the Melbourne Office as well as its National Head of the Major Projects and Infrastructure group.

During the year, Mr Blight held the following appointments:

- Partner, Grant Thornton Australia Limited
- Director, Grant Thornton Corporate Finance Pty Ltd
- Director, Moonee Valley Racing Club Inc.

Appointment of Directors

The TCV Act provides for a Board of Directors consisting of the Chief Executive Officer (the Managing Director) and between five and seven other Directors appointed by Victoria's Governor in Council on the recommendation of the Treasurer of Victoria.

The Managing Director of the Corporation cannot be appointed Chairperson or Deputy Chairperson of the Board. Officers of the Corporation, other than the Managing Director, are not eligible to be directors.

Under the TCV Act, the Managing Director is appointed by the Board with the approval of the Treasurer of Victoria for a term not exceeding five years, but is eligible for reappointment. Directors are appointed for a maximum period of three years, but are also eligible for reappointment.

The Governor in Council determines Directors' remuneration, other than that of the Managing Director or a Director who is also an officer of the public service. Details regarding the remuneration of Directors and senior management are given in Note 25 of the financial statements.

During the year the Board comprised the Managing Director William Whitford, the Secretary of the Victorian Department of Treasury and Finance, David Martine, and the following independent Directors:

- Rob Hunt
- Suzanne Ewart
- Paul Coughlin
- John Pearce
- John Blight
- Cassandra Kelly.

Responsibilities of Directors

Under the TCV Act, the Board is responsible for the management of the affairs of the Corporation. The Board reviews and approves strategic plans annually, monitors the performance of the Corporation and of the Managing Director throughout the year, assesses and monitors business risks and the achievement of financial objectives and provides overall policy guidance.

The Board also approves key policies in relation to risk management activities and monitors the management of the Corporation's business within the prudential framework established by the Treasurer of Victoria. The Board meets regularly and Directors may meet with senior management between Board meetings to review specific issues or matters of concern.

The TCV Act requires a director who has a pecuniary interest in a matter being considered by the Board to declare the nature of the interest at a meeting, as soon as practicable after the relevant facts have come to their knowledge. It is required that such a declaration is recorded in the minutes. The TCV Act also provides that, unless the Board (excluding the Director) resolves otherwise, the Director must not be present during any deliberations with respect to the matter. The Director is not entitled to vote on the matter and, if the Director does vote on the matter, the TCV Act requires the vote to be disallowed.

TCV Directors are also bound by the *Victorian Public Entity Directors' Code of Conduct* 2016 (the Code) issued by the Victorian Public Sector Standards Commissioner to promote adherence to public sector values by Directors of Victorian public entities.

The Code requires Directors to act with honesty and integrity, be open and transparent, to use power responsibly, not to place themselves in a position of conflict of interest and to strive to earn and sustain public trust at a high level. The Code also requires Directors to act in good faith, in the best interests of the public entity, fairly and impartially, to use information or their position as Directors appropriately, to act in a financially responsible manner, to exercise due care, diligence and skill, to comply with establishing legislation and to demonstrate leadership and stewardship.

Charters have been established for the Board and each of its Committees. The charters are statements of the purpose and objectives, roles and responsibilities, authority and performance requirements of the Board and its Committees. The charters are reviewed annually. An annual review of board performance is also conducted consistent with the *Financial Management Act* 1994. That review was completed in May 2016.

Board Committees

Audit Committee

All of the Corporation's Directors are members of the Audit Committee with the exception of the Managing Director, who is invited to attend committee meetings. The Audit Committee is chaired by Ms Suzanne Ewart.

Meetings of the committee are held quarterly, or as required. The purpose of the committee, as defined by the Audit Committee Charter, is 'to assist the TCV Board to discharge its responsibility to exercise due care, diligence and skill in relation to the oversight of TCV's governance, accountability and financial reporting obligations'.

Remuneration Committee

All of the Corporation's Directors are members of the Remuneration Committee, with the exception of the Managing Director, who is invited to attend committee meetings. The Remuneration Committee is chaired by Mr Rob Hunt and meets bi-annually, or as required. The primary objectives are to ensure that TCV has appropriate processes to determine remuneration, to review remuneration strategy and budgetary costs, to approve remuneration terms for senior management and to set the terms and conditions of the Managing Director's appointment.

Occupational Health and Safety Committee

All of the Corporation's Directors are members of the Occupational Health & Safety Committee, which is chaired by Mr Rob Hunt and meets bi-annually, or as required. The primary objectives are to oversee TCV's occupational health and safety policies and procedures, ensuring compliance with the *Occupational Health and Safety Act* 2004 (Victoria) and fostering and maintaining a safe working environment throughout the Corporation.

Attendance by Directors at Directors' Meetings 1 July 15 - 30 June 16

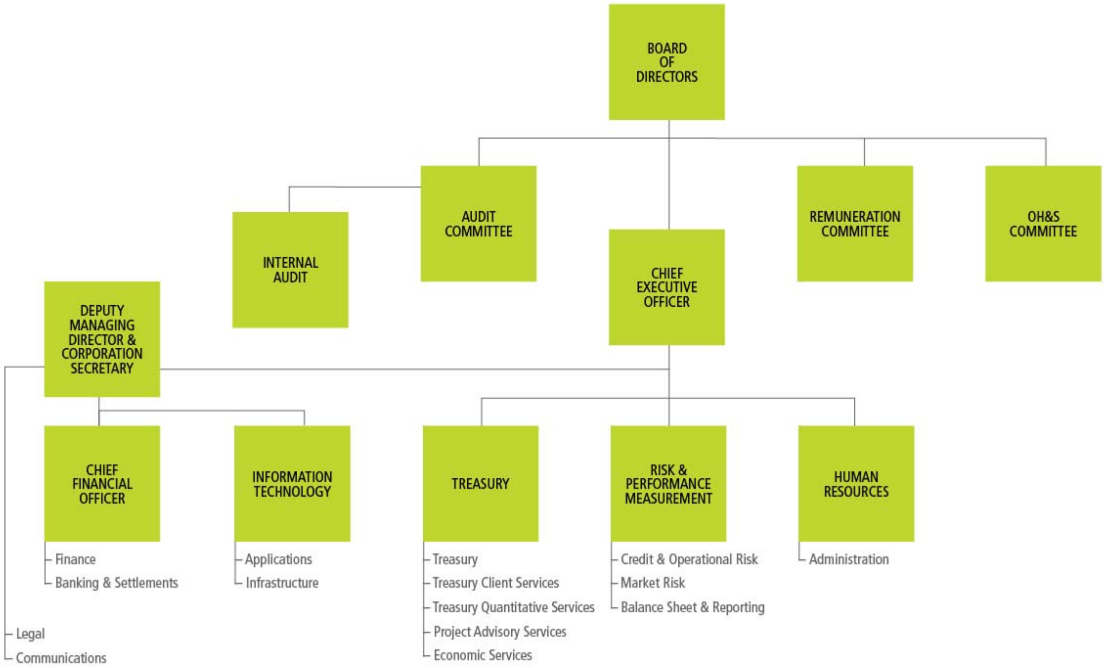
	Board		**Audit**		**Remuneration**		**Occupational Health & Safety**	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
R Hunt	9	9	4	4	4	4	2	2
W Whitford	9	9	4	4	4	4	2	2
S Ewart	9	9	4	4	4	4	2	2
D Martine	9	7	4	2	4	4	2	1
P Coughlin	9	9	4	4	4	4	2	2
J Pearce	9	9	4	4	4	4	2	2
J Blight[2]	8[2]	8	3[2]	3	3[2]	3	2	2
C Kelly[1]	8	8	4	3	3	2	2	2

Notes:

1. Ms Kelly was appointed to the Board 11 August 2015
2. Mr Blight was not a Director from 16 June 2015 to 18 August 2015.

Management

Organisation Structure



Management Team

The TCV Management Team comprises the Managing Director and six senior managers:

William (Bill) Whitford
Managing Director

As Managing Director, Bill is responsible for the successful leadership and management of the Corporation according to the strategic direction set by the Board of Directors and the Treasurer of Victoria.

Bill was appointed as Managing Director in July 2003, and has experience in financial markets through roles with Banque National de Paris and the State Bank of South Australia, and in the financing of public infrastructure with the South Australian Government.

He holds an MBA from Adelaide University Graduate School of Management, is a Fellow of the Australian Institute of Company Directors (FAICD), and a Director of the Australian Financial Markets Association, the Rural Finance Corporation Victoria and BigSky Building Society.

Mark W Engeman
Deputy Managing Director and Corporation Secretary

Mark is responsible for the technology, legal, accounting, settlements, communications and audit operations at TCV.

Prior to joining TCV in 2001, Mark had a range of market and technology roles with CRA Limited, State Bank Victoria, Australian Wheat Board and SunGard data systems.

Mark holds a Bachelor of Economics from Monash University and an MBA from Melbourne Business School. He is a member of the Australian Institute of Company Directors (GAICD), FINSIA and is a CPA.

Mark is also the Chair of the Finance Audit Risk and Remuneration Committee for the Electrical Trades Union (Victoria Branch).

Mike van de Graaf
General Manager, Risk & Performance Measurement

Mike is responsible for market risk, credit risk, liquidity risk, operational risk and balance sheet management. He develops and maintains appropriate risk management policies and controls and provides independent risk assurance to the Board, the Prudential Supervisor and the Department of Treasury and Finance.

Prior to joining TCV in 2012, Mike held executive and senior roles in Balance Sheet & Capital Management, Market Risk and Credit Risk at ANZ, and at the Financial Services practices of Deloitte in Amsterdam, Chicago and Melbourne.

Mike holds a Master of Science, a Financial Risk Manager (FRM) qualification from the Global Association of Risk Professionals (GARP), an International Treasury Management Certification from the Association of Corporate Treasurers and is a Graduate of the Australian Institute of Corporate Directors (GAICD). In 2015, Mike completed the Advances Management Program at INSEAD. Mike is a Director of the Melbourne Chapter for GARP and a member of the AFMA Risk Management Committee.

Justin Lofting
General Manager, Treasury

Justin is responsible for managing our treasury and dealing room functions, including balance sheet management, debt capital markets program management, client and project advisory services and economic services.

Justin joined TCV in February 1995 and before moving into his current role, Justin held senior risk management roles within the Corporation.

He holds a Bachelor of Business, Banking and Finance, is a member of the Australian Institute of Company Directors (GAICD) and is currently completing a Senior Executive Master of Business Administration at Melbourne Business School.

Judy Utley
General Manager, Human Resources

Judy is responsible for the design, development and implementation of our HR strategies and processes which support and augment the delivery of TCV's business objectives. Judy also manages remuneration, administration and OHS for TCV.

Prior to joining TCV in 2001, Judy held senior dealing roles in the financial markets with ABN Amro, BZW and ANZ Treasury.

Judy holds a Master of Commerce and is involved with Leadership Victoria.

Peter Wyatt
Chief Financial Officer

Peter has responsibility for TCV's finance and reporting and settlements functions.

Prior to joining TCV in 2006, Peter was the Chief Financial Officer of the State Superannuation Fund, having formerly held senior management roles in life insurance and financial services organisations.

Peter has a Bachelor of Business and a Graduate Diploma of Applied Finance, is a Certified Practicing Accountant, a Senior Associate of the Financial Services Institute of Australasia and a Graduate Member of the Australian Institute of Company Directors.

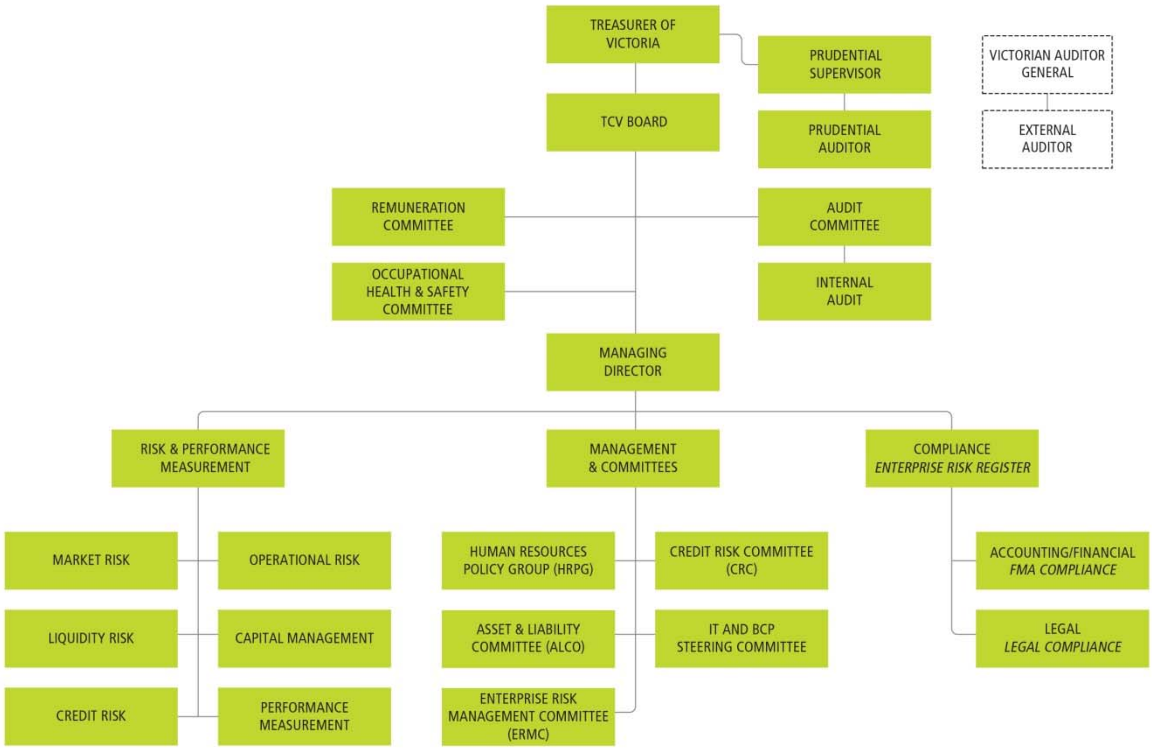
Warren Murray
General Manager, Information Technology

Warren is responsible for the delivery of all information technology to the corporation, including hardware, infrastructure and applications. Warren also acts as the Business Continuity Facilitator and is the Chief Information Security Officer.

Prior to joining TCV in 1999, Warren held software development and implementation roles at the treasury system vendor Misys.

Warren holds a Bachelor of Applied Science and is a senior member of the Australian Computer Society.

Risk and Control



Prudential Supervision

The Victorian Government has significant financial assets and liabilities that need to be managed in a professional and efficient manner. The Victorian Government actively promotes prudent behavior by managers of the State's public financial corporations. Consistent with these aims, the Treasurer has implemented a Prudential Supervision standard, which aims to protect the solvency and viability of TCV, thereby protecting its investors and other stakeholders.

Prudential Supervision at TCV integrates with and builds on existing government wide (financial) risk policies. A Prudential Supervisor (assigned to KPMG) has been appointed by the Treasurer to independently assess the fitness for purpose of requirements as set down by the Australian Prudential Regulation Authority (APRA) in its application to TCV. This assessment is reflected in TCV's Prudential Standard.

TCV Management and The Department of Treasury and Finance meet with the Prudential Supervisor regularly during the year to review compliance of TCV against the Prudential Standard and to assess impacts of changes that emerge from updates to global and domestic financial regulation.

Internal Risk Management and Control

TCV's operations expose the Corporation to financial and operational risks. Management of these risks is therefore a core element of organisational objectives. In this respect, TCV's principal objective is to provide a robust and consistent risk management, performance measurement and capital management framework commensurate with TCV's business mandate, corporate objectives, business strategies and its risk appetite.

TCV's risk appetite is articulated by a formal Risk Appetite Statement approved by the Board.

This risk management framework is consistent with the Prudential Standard requirements and is monitored by the Board and the Prudential Supervisor. The risk management framework of TCV includes a dedicated and independent Risk & Performance Measurement business unit. The General Manager, Risk & Performance Measurement reports directly to the Managing Director. The Business Unit has established internal risk management policies and controls set by the Board and senior management. In addition, TCV maintains an Internal Audit function (an activity outsourced to PricewaterhouseCoopers) to, amongst other things, monitor compliance with TCV's risk management requirements.

Interest Rate Risk

Interest rate risk is the risk of a loss due to adverse movements in market prices or interest rates of financial instruments and their derivatives. TCV has a comprehensive measurement and limits framework to manage and control interest rate risk.

Interest rate risk is quantified daily using both Value at Risk and other portfolio level risk measures. These assess the potential loss that TCV might incur under various market scenarios and stress tests. Risk is managed within an approved limit and control structure and monitored daily, with breaches or excesses being reported to the Managing Director and the Board.

Liquidity Risk

Funding Liquidity risk is the risk that TCV may not be able to raise funds to meet its financial obligations as and when they fall due.

TCV has a comprehensive internal policy on liquidity risk management, the key elements of which follow:

- a Whole of Victorian Government Liquidity Ratio measures the 12-month debt obligations and interest costs against liquid assets, and requires TCV to maintain a minimum liquidity ratio of 80%
- strong operational controls are implemented, including limits against daily net and cumulative cash flows, balance sheet mismatches, sources of funding, investment risk, stress tests
- a liquidity crisis action plan is reviewed and updated periodically.

Credit Risk

At TCV, credit risk arising from loans to participating authorities is offset, in all instances, by a guarantee from the Treasurer of Victoria. Exposure to credit risk arises mainly through investment in financial assets and through derivative transactions with market counterparties. TCV's credit risk management framework covers management of credit risk and, based on external credit ratings and in-house credit analysis, requires long-term ratings of at least A-/A3/A- by Standard & Poor's/Moody's/Fitch for exposures up to 12 months and progressively higher minimum ratings for longer term exposures. Credit limits are approved by the Board or the Managing Director (under powers delegated by the Board). Management actively monitors credit exposures.

TCV has implemented Credit Support Annexes (CSAs) with derivative counterparties consistent with leading market practice. The following table shows the distribution, by counterparty credit rating, of TCV's total credit risk exposures due to its loans, derivative and investment portfolios at 30 June 2016.

Standard & Poor's Rating	Derivatives % of Portfolio	Investments & Loans % of Portfolio	Moody's Investors Service Rating	Derivatives % of Portfolio	Investments & Loans % of Portfolio
Victorian Public Authorities	68	82	Victorian Public Authorities	68	82
AAA		1	Aaa		1
AA+		2	Aa1		2
AA		1	Aa2	28	12
AA-	28	12	Aa3		
A+		1	A1	3	1
A	3	1	A2		1
A-			A3	1	
BBB+	1				
Not rated by S&P			Not rated by Moody's but rated at least AA- by S&P		1
Total	100	100	Total	100	100

Enterprise Risk Management & Operational Risk

The generally accepted definition of operational risk is 'the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events'.

TCV has an enterprise Wide Risk Management approach, integrating risk identification (risk register), risk measurement (risk self-assessments) and risk mitigation and reporting (operational/incident reporting). A Risk Management Policy embeds the Enterprise Risk Framework into TCV's operations.

The Enterprise Risk Management Committee meets at least quarterly to address operational risk management issues and reviews actual operational risk incidents as well as guide the Enterprise Risk activities across TCV.

A report on operational risk management continues to be presented to the Board quarterly, while any significant operational risk or near-miss events are reported to the Board monthly. Details on such events are captured in an internal operational risk database.

In addition, Anti Money Laundering and Counter-Terrorism Financing (AML/CTF) policies and processes are implemented by TCV. These policies and processes aim to ensure that TCV takes a risk-based approach to AML/CTF risks, consistent with the Board's risk-appetite. Current and emerging AML/CTF risks are identified, measured, mitigated and reported.

Capital Adequacy

TCV's risk management framework incorporates a risk-based capital adequacy approach as specified in its Prudential Standard and generally follows APRA's standards on Capital Management. Under this standard, the Corporation is required to hold a minimum capital adequacy ratio of 8% of risk-weighted assets. The Corporation aims to maintain a capital ratio of at least 10% of risk weighted assets.

Business Continuity

Business continuity is critical to TCV's ability to achieve its objectives. TCV has in place detailed business continuity and information technology disaster recovery plans to ensure that:

- the safety of TCV's staff is prioritised above all else
- all aspects of the business are addressed, with particular emphasis on information technology and the front and back office operations
- all critical TCV business operations are safeguarded in all situations
- key resources are available and effectively managed.

These plans are reviewed quarterly and tested annually.

In addition, TCV conducts a range of activities around cyber security to ensure the ongoing integrity of these information systems.

Occupational Health & Safety (OH&S)

TCV manages the potential risks to the health and safety of our staff and visitors through a comprehensive OHS risk management program. The TCV Board OHS Committee oversees this program.

Internally, the OHS (Staff) Committee lead, manage and administer the program and co-ordinate training and awareness sessions including inductions. This committee consists of two employee appointed and two staff elected representatives.

The committee reports to the TCV Board Committee on a semi-annual basis.

External Controls and Compliance

TCV is subject to an extensive compliance monitoring regime consistent with the State's financial management principles and financial risk management framework. Several external entities are responsible for monitoring, supervising and reporting on TCV's activities including:

- Treasurer of Victoria - Member of Parliament and TCV's sole stakeholder
- Prudential Supervisor - reports to the Treasurer. Oversees TCV's risk framework and provides independent advice to the Treasurer on the financial health, risks and risk management policies of TCV's operations. The Treasurer has currently appointed KPMG as TCV's Prudential Supervisor
- Department of Treasury and Finance - reports to the Treasurer. Maintains a stakeholder monitoring role and manages the prudential supervision relationship with TCV
- Auditor-General - reports to Parliament. Provides an independent audit of TCV's financial report and expresses an opinion on it to the Members of the Parliament of Victoria, the responsible Ministers and TCV's Board, as required by the *Audit Act* 1994. The Victorian Auditor-General's Office has currently appointed Ernst & Young as its agent for 2015-16
- Minister for Finance - Member of Parliament. Monitors TCV's compliance with the State's financial and tax reporting and accountability framework via DTF's annual compliance certification process.

Risk Attestation Statement

The Board of Directors of the Treasury Corporation of Victoria certify that for the year ended 30 June 2016:

The Treasury Corporation of Victoria has established and maintained appropriate prudential policies and procedures consistent with the Victorian Government's TCV Prudential Standard and that the Treasury Corporation of Victoria has complied with its policies and procedures and the TCV Prudential Standard. The Board verifies this assurance and that compliance with the standard has been subject to critical review within the last twelve months.

Signed for and on behalf of the Board:

Robert Hunt	William (Bill) Whitford
Chairman	**Managing Director**

10 August 2016

Regulatory Compliance and Disclosures

Treasury Corporation of Victoria Act 1992 (Victoria)

The TCV Act establishes TCV and sets out its objectives, functions and powers.

Borrowing and Investment Powers Act 1987 (Victoria)

TCV's power to borrow, invest and undertake financial arrangements is conferred under this Act and the TCV Act.

Financial Management Act 1994 (Victoria) and Financial Reporting Directions

This annual report has been prepared in accordance with this Act.

Information in respect of Financial Reporting Direction 22G *Standard Disclosures in the Report of Operations* (FRD22G) of the Minister for Finance under the Act which is not contained in this annual report has been prepared and is available to the Treasurer, Members of Parliament and the public on request, subject to the provisions of the *Freedom of Information Act* 1982.

In terms of FRD22G, there have been no significant events subsequent to balance date.

Public Administration Act 2004 (Victoria)

The Corporation is a 'public entity' as defined in the *Public Administration Act* 2004. As a public entity, TCV is required to observe the public sector values and employment principles contained in the Act and to comply with codes of conduct and certain Whole of Government policies established by the Act. TCV must also keep and make readily available to its Directors documents required to be kept by standard entities under the Act.

Freedom of Information Act 1982 (Victoria)

Pursuant to section 40 of the TCV Act, TCV is not and is not eligible to be declared to be, an agency or prescribed authority within the meaning of the *Freedom of Information Act* 1982.

Equal Opportunity and Anti-Discrimination Legislation

TCV is subject to Commonwealth and State legislation prohibiting unlawful discrimination and harassment. TCV is a proponent of equal opportunity in the workplace and staff selection is based on skills, competence and experience. Equal opportunity policies are regularly updated and an employee awareness program is in place. All employees and potential employees are entitled to be treated with dignity, free from discrimination of any kind.

TCV considers sexual harassment, harassment, bullying and discrimination unacceptable forms of behaviour that will not be tolerated under any circumstances. TCV believes that all people have the right to work in an environment that is free of harassment and discrimination.

Occupational Health and Safety and Accident Compensation Legislation

TCV is subject to the obligations contained in the *Occupational Health and Safety Act* 2004 *(Victoria)*.

TCV has in place occupational health and safety policies and procedures to ensure it complies with its obligations under the Act. TCV has an active Occupational Health and Safety Committee, comprising management and employee representatives, which facilitates consultation on health and safety matters.

TCV is committed to providing a safe and healthy workplace. As part of this commitment, TCV provides a health and fitness program with a focus on education, prevention and participation. The program is available to all employees and addresses issues of interest and relevance to the working environment.

TCV is also required to comply with the *Workplace Injury Rehabilitation and Compensation Act* 2013 and the *Accident Compensation Act* 1985. TCV has in place a current WorkCover policy and maintains a register of injuries.

TCV has a Risk Management and Occupational Rehabilitation program, developed in consultation with employees. In the event of a work related injury, TCV will endeavour to ensure the injury does not recur. Should an employee incur a work related injury that means they are unable to continue their normal work, TCV will provide the necessary assistance for them to remain at work, or return to work as soon as it is safely possible.

During 2015-16 (and in the previous two years), TCV received no workers' compensation claims and there were no managed cases relating to risk management and occupational rehabilitation.

Privacy and Data Protection Act 2014 (Victoria) and Health Records Act 2001 (Victoria)

TCV is subject to the *Privacy and Data Protection Act* 2014 which aims to protect personal information and promote the transparent handling of personal information in the public sector. TCV is also subject to the *Health Records Act* 2001 which aims to protect personal information contained in health records.

All TCV employees receive training to ensure compliance with the *Privacy and Data Protection Act* 2014.

Victorian Industry Participation Policy Act 2003 (Victoria)

TCV is subject to the *Victorian Industry Participation Policy* (VIPP) which aims to provide opportunities for participation by local industry in projects, developments, procurements and other initiatives undertaken or funded, whether wholly or partially, by the State. Public bodies are required to apply VIPP in all tenders over $A3 million in metropolitan Melbourne and $A1 million in regional Victoria. In 2015-16, TCV did not tender any projects that met these value thresholds.

Competition Policies and Taxation

The *Competition and Consumer Act* 2010 (formerly known as the *Trade Practices Act* 1974) *(Commonwealth)*, *Australian Consumer Law and Fair Trading Act* 2012 (Victoria) (formerly the *Fair Trading Act* 1999) and regulations thereunder apply to TCV. The Competitive Neutrality Policy of Victoria is also applicable to the Corporation. The Corporation is, however, excluded from the National Tax Equivalent Regime.

With the exception of income and certain withholding tax exemptions, the Corporation is subject to the usual Commonwealth and State taxes, charges and fees (e.g. Goods and Services Tax, Payroll Tax, Fringe Benefits Tax, Transport Accident Corporation registration fees, TAC levy and Stamp duty).

Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Commonwealth)

TCV is subject to the suspicious matters reporting requirement of the *Anti-Money Laundering and Counter-Terrorism Financing Act* 2006. TCV has designated an Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) compliance officer and implemented an AML/CTF program which is subject to oversight by the Board. The program is risk-based and sets out TCV's approach to activities including training of employees, employee due diligence, reporting of suspicious matters and ongoing customer/transaction monitoring and customer identification processes and procedures.

Code of Conduct

TCV has in place codes of conduct for all employees. These codes are based on the code of ethics and code of conduct developed by the Australian Financial Markets Association, the financial code of practice required under the *Financial Management Act* 1994, and the *Code of Conduct for Victorian Public Sector Employees*. Compliance with these codes is a condition of each employee's employment and all employees are encouraged to use the codes as a frame of reference in their daily activities.

Employee Numbers

At 30 June 2016, TCV employed 45.09 full-time equivalent (FTE) employees (2015: 46.66 FTE). Employees have been correctly classified in workforce data collections.

Consultants

Pursuant to FRD 22G *Standard Disclosures in the Report of Operations*, TCV is required to provide various disclosures in respect of consultancy engagements. During 2015-16, two consultancies were undertaken with fees totalling $50,423 (ex GST) and $8,550 (ex GST) respectively.

Information and Communications Technology Expenditure

FRD22G *Standard Disclosures in the Report of Operations*, requires that TCV disclose its Information and Communications Technology (ICT) expenditure.

ICT expenditure includes:

- operating and capital expenditure (including depreciation)
- ICT services internally and externally sourced
- cost of providing ICT services (including personnel and facilities).

Non-Business as Usual ICT expenditure is expenditure that relates to extending or enhancing current ICT capabilities, usually incurred in respect of the project.

Business as Usual ICT expenditure is all other ICT expenditure (operational and capital).

Expenditure	$000
Business as Usual ICT	
Operational	5,105
Capital	1,101
Total Business as Usual ICT	6,206
Total Non- Business as Usual ICT	-

Operational expenditure includes $217,000 of amortisation and/or depreciation expense associated with items included in the capital expenditure disclosure above.

Environmental Performance

TCV is committed to improving our environmental awareness and the sustainability of our operations and business model. During the year, we have continued to explore areas of environmental performance where TCV can improve its operations.

Over the past 12 months, TCV has:

- continued our involvement with the City of Melbourne's Cityswitch program

- reduced our electricity consumption by 13% (measured by Total KWh/FTE) over 2010 levels including significantly improving the energy efficiency of our computer server room (which accounts for approximately 80% of TCV electricity usage)
- obtained a (self-rated) NABERS rating of 5.5 stars for the TCV tenancy and 4.5 stars for the computer server room
- undertaken a waste audit which showed that enhanced recycling programs have resulted in a 30% landfill reduction and a 16% increase in recycling rates since March 2009
- completed our computer server virtualisation program and upgraded our lighting efficiency with the replacement of halogen downlights to LED models
- continued our green purchasing and disposal policies including recycling all surplus electronic equipment, and environmental considerations in purchasing decisions
- commenced a Green Bond issuance program to support ongoing investment by the Victorian Government in low carbon infrastructure projects and energy efficiency initiatives.

Protected Disclosure Act 2012

The Corporation is subject to the *Protected Disclosure Act* 2012 (PD Act).

There are three main purposes of the PD Act:

1. to encourage and assist people to make a disclosure of improper conduct and detrimental action by public officers and public bodies
2. to provide certain protections for people who make a disclosure, or those who may suffer detrimental action in reprisal for a disclosure
3. to ensure that certain information about a disclosure is kept confidential – the identity of the person making the disclosure, and the content of that disclosure.

TCV is committed to the aims and objectives of the PD Act.

TCV does not tolerate improper conduct by its employees, officers or Directors, nor the taking of reprisals against those who come forward to disclose such conduct. TCV recognises the value of transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

TCV will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure.

TCV is not able to receive disclosures regarding improper conduct by TCV its employees, officers, or Directors under the PD Act. Any such disclosures are required to be made to the Independent Broad-based Anti-corruption Commission (IBAC) or investigating entities if the discloser wishes the disclosure to be protected under the PD Act.

TCV has established procedures to:

- make TCV employees and other persons aware that they can make disclosures under the PD Act directly to IBAC
- protect people against detrimental action that might be taken against them in reprisal for the making of protected disclosures or for cooperating with an investigation of a protected disclosure
- to provide processes for looking after the welfare of persons who have made protected disclosures, those who are subject of protected disclosures and those who might be witnesses in the investigation of protected disclosures
- to ensure as far as reasonably possible confidentiality of any such protected disclosures
- to ensure TCV's nominated officers and TCV employees are aware of the criminal offences created by the PD Act and other legal action that may be taken against them for any breach of them.

TCV's Protected Disclosures Procedures are accessible on TCV's website at www.tcv.vic.gov.au under the reference to *Protected Disclosure Act* 2012.

Financial Statements 2016

Table of Contents

Treasury Corporation of Victoria

Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 $000s	2015 $000s
Net gain on financial assets and liabilities at fair value through profit and loss	2	53,929	41,167
Other fees and income		8,782	8,658
		62,711	**49,825**
Borrowing related expenses	3	3,398	1,242
Other operational expenses	3	17,574	16,852
		20,972	**18,094**
Net profit		**41,739**	**31,731**
Total comprehensive income		**41,739**	**31,731**

This statement should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2016

	Note	2016 $000s	2015 $000s
Assets			
Cash and cash equivalents	4	4,416,152	3,469,564
Receivables and other assets	5	514,661	293,010
Investments	6	4,731,943	4,694,409
Derivative financial instruments	7	630,084	416,560
Loans to the State of Victoria and Participating Authorities	8	40,888,605	40,980,310
Property, plant and equipment	9	1,781	2,204
Intangible assets	10	1,471	904
Total assets		**51,184,697**	**49,856,961**
Liabilities			
Payables and other liabilities	11	178,556	104,919
Deposits	12	6,520,951	6,667,682
Derivative financial instruments	7	955,420	596,186
Interest bearing liabilities – domestic	13	42,972,247	42,038,465
Interest bearing liabilities – offshore	14	372,491	274,880
Provisions	15	2,734	2,539
Total liabilities		**51,002,399**	**49,684,671**
Net assets		**182,298**	**172,290**
Equity			
Contributed equity		30,000	30,000
Reserves	16	2,059	2,059
Retained earnings		150,239	140,231
Total equity		**182,298**	**172,290**

This statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2016

	Note	Contributed Equity $000s	Revaluation Reserve $000s	Retained Earnings $000s	Total $000s
As at 1 July 2015		30,000	2,059	140,231	172,290
Net profit for the period		-	-	41,739	41,739
Dividend paid	16	-	-	(31,731)	(31,731)
As at 30 June 2016		**30,000**	**2,059**	**150,239**	**182,298**

	Note	Contributed Equity $000s	Revaluation Reserve $000s	Retained Earnings $000s	Total $000s
As at 1 July 2014		30,000	2,059	159,054	191,113
Net profit for the period		-	-	31,731	31,731
Dividend paid	16	-	-	(50,554)	(50,554)
As at 30 June 2015		**30,000**	**2,059**	**140,231**	**172,290**

This statement should be read in conjunction with the accompanying notes.

Treasury Corporation of Victoria

Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 $000s	2015 $000s
Cash flows from operating activities			
Interest received from the State of Victoria and Participating Authorities		1,791,297	1,845,115
Interest received on investments and cash		137,233	145,019
Interest paid on borrowings and deposits		(1,982,806)	(2,069,493)
Net interest received on derivatives		4,150	7,022
Fees received		8,769	8,685
Cash paid to suppliers and employees		(19,714)	(17,210)
Decrease/(increase) in loans to the State of Victoria (Department of Treasury and Finance)		1,367,190	(1,101,803)
(Increase)/decrease in loans to Participating Authorities		(75,208)	1,588,807
Decrease/(increase) in investments		109,996	(677,581)
Increase/(decrease) in derivatives		81,764	(63,604)
(Decrease) in borrowings		(292,470)	(575,744)
(Decrease)/increase in deposits from the State of Victoria (Department of Treasury and Finance)		(500,820)	45,026
Increase in deposits from other entities		350,052	910,434
Net cash inflow from operating activities	23	**979,433**	**44,673**
Cash flows from investing activities			
Payments for property, plant and equipment		(110)	(582)
Payments for intangible assets		(1,004)	(570)
Net cash outflow from investing activities		**(1,114)**	**(1,152)**
Cash flows from financing activities			
Dividend paid		(31,731)	(50,554)
Net cash outflow from financing activities		**(31,731)**	**(50,554)**
Net increase/(decrease) in cash and cash equivalents		**946,588**	**(7,033)**
Cash and cash equivalents at beginning of year		3,469,564	3,476,597
Cash and cash equivalents at end of year	4	**4,416,152**	**3,469,564**

This statement should be read in conjunction with the accompanying notes.

Notes to and Forming Part of the Financial Statements

Note 1 Summary of Significant Accounting Policies

This audited financial report of Treasury Corporation of Victoria (TCV or the Corporation) was authorised for issue in accordance with a resolution of the Board on 10 August 2016. The Board has the power to amend and reissue the financial statements.

Significant accounting policies adopted in the preparation of these financial statements are presented below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of accounting

TCV, a Victorian Government entity, is a for-profit entity for the purposes of preparing the financial statements.

This report is a general-purpose financial report, prepared in accordance with Standing Direction 4.2 of the *Financial Management Act* 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements.

The financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared in accordance with the historical cost convention, except for financial assets and liabilities which are reported at fair value, certain provisions (Refer Note 1(s)) and fixed assets (Refer Note 1(p)).

The presentation currency is Australian dollars which is the Corporation's functional currency.

All values are rounded to the nearest thousand dollars, unless otherwise indicated.

(b) Foreign currency

Assets and liabilities denominated in foreign currencies are initially converted at the rate of exchange at the date of the transaction and, at the end of the financial year, are translated using the applicable rates of exchange. Net unrealised gains and losses arising from translation of foreign currency assets and liabilities are brought to account in the Statement of Comprehensive Income.

(c) Critical estimates and assumptions

In preparing the financial statements, a number of estimates and assumptions are made that affect the amounts reported.

The fair value of financial instruments that cannot be sourced from active markets is determined using industry standard valuation techniques that involve significant estimates and assumptions. Valuation techniques include the use of indicative quotes for prices directly from, or interpolated or extrapolated from, prices for like instruments in active markets, and the use of quotes from market makers and established brokers.

Where the valuation technique requires adjustments that cannot be sourced directly from active markets, they are determined from inputs from market makers/brokers and internally developed models were necessary. The level of subjectivity and degree of management judgment required varies depending on the sophistication of the models and proportion of unobservable inputs.

(d) Adoption of accounting standards

TCV did not adopt any new standards or amendments for the annual reporting period commencing 1 July 2015.

(e) New and amended accounting standards issued but not yet effective

Australian Accounting Standards relevant to TCV that have recently been issued or amended, but are not mandatory for the year ended 30 June 2016 and have not been adopted for these financial statements, are summarised in the paragraphs below:

AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model. The Standard is not applicable until periods beginning on or after 1 January 2018 but is available for early adoption.

The adoption of the standard is not expected to impact materially on the presentation of the financial statements or on the measurement of the amounts disclosed, unless TCV decides to adopt hedge accounting using the new rules which are set to align hedge accounting more closely with risk management practices by introducing a more principle-based approach. Management are currently assessing the impact of the adoption of the new standard.

Note 1 Summary of Significant Accounting Policies (cont.)

AASB 15 *Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts*. The new standard is based on a principle that revenue is recognised when control of a good or service transfers to a customer, the notion of control replacing the existing notion of risk and rewards. The Standard is not applicable until periods beginning on or after 1 January 2018 but is available for early adoption. It is not expected to materially impact on the presentation of the financial statements or on the measurement of the amounts disclosed.

AASB 16 *Leases*

AASB 16 *Leases* is a new standard that will primarily affect the accounting by lessees and will result in recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset and a financial liability to pay rentals for almost all lease contracts. Under the standard, TCV will reflect in the Statement of Financial Position a right-of-use asset and liability in respect of its tenancy lease agreement. The Standard is not applicable until the period beginning on or after 1 January 2019 and will not materially impact on the presentation of the financial statements or on the measurement of the amounts disclosed.

There are no other standards that are not yet effective that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(f) Income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Fee income and recoveries include fees charged for advisory and administrative services to the Department of Treasury and Finance and Participating Authorities.

(g) Borrowing related expenses

Borrowing related expenses are recognised as an expense when incurred. Borrowing costs include costs associated with syndicating Domestic Benchmark Bond or other issuances, rating agency fees, clearing fees, registry fees and bank charges.

(h) Operating leases

Payments made under the lease relating to TCV's premises (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(i) Taxation

Income tax

TCV is not a tax payer under the *Income Tax Assessment Act* 1936 and is not subject to Victorian taxation under the *State Owned Enterprises Act* 1992. Income tax expense is therefore not reflected in the Statement of Comprehensive Income.

Goods and services tax

TCV predominantly provides input taxed supplies and as such the majority of Goods and Services Tax incurred on the acquisition of goods and services cannot be claimed. Expenditure is inclusive of non-recoverable GST.

Note 1 Summary of Significant Accounting Policies (cont.)

(j) Financial assets and liabilities

Date of recognition

Financial asset and liability transactions are recognised at trade date. Amounts receivable for transactions executed but not yet settled, including unsettled borrowings, are included in the Statement of Financial Position under 'Receivables and other assets'. Amounts payable for transactions executed but not yet settled, including unsettled loans, are included in the Statement of Financial Position under 'Payables and other liabilities'.

Financial assets and liabilities at fair value through profit and loss

All financial assets and liabilities, on recognition, are designated at fair value through profit and loss. The designation is determined on the basis that TCV manages and evaluates the performance of its financial assets and liabilities on a fair value basis in accordance with documented risk management strategies. Refer to Note 17 for the valuation techniques used to determine the fair value of financial instruments.

In the Statement of Comprehensive Income, 'Net gain on financial assets and liabilities at fair value through profit and loss' reflects changes in the fair value of financial assets and liabilities inclusive of interest earned on assets or paid on liabilities (refer Note 2).

Where the fair value of a financial asset purchased or liability issued cannot be determined from observable data, the difference between the transaction price and the fair value determined (the 'day one' profit or loss) is not immediately recognised in the Statement of Comprehensive Income. The day one profit or loss is brought to account in the Statement of Comprehensive Income over the life of the relevant financial asset or liability until such time as the valuation data becomes observable or the financial instrument is sold or repurchased. At that time the remaining 'day one' profit or loss is recognised in the Statement of Comprehensive Income.

Derivative financial instruments

TCV enters into derivative financial instruments to manage the market risks inherent in its borrowing and asset management activities (refer Note 7).

Derivative instruments are initially recognised at fair value with changes to their fair value recognised in the Statement of Comprehensive Income.

(k) Offsetting of financial instruments

Financial assets and liabilities are offset, with the net amount reported in the Statement of Financial Position, only where there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The majority of the offsetting applied by TCV relates to derivatives and collateral arrangements, as well as repurchase and reverse repurchase agreements.

(l) Debt and loans reconstruction

TCV debt securities may be repurchased from the market and cancelled. Similarly, loans to authorities may be repaid before maturity. Gains and losses associated with these repurchases/repayments are recognised immediately in the Statement of Comprehensive Income.

(m) Repurchase agreements

Financial assets sold under repurchase agreements continue to be recognised as financial assets as TCV retains the contractual right to receive the cash flows of the financial assets sold and substantially retains the risks and rewards of ownership.

Market securities purchased under repurchase agreements are not recognised as financial assets as TCV does not receive the contractual right to receive cash flows or carries the risk or reward of ownership. However, the repurchase agreement is recognised as a financial asset (refer Note 4).

Interest on the counterparty loan/deposit is recognised in the Statement of Comprehensive Income.

(n) Cash and cash equivalents

Cash and cash equivalents include 11am deposits with financial institutions and liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 1 Summary of Significant Accounting Policies (cont.)

(o) Receivables, payables and other assets and liabilities

Receivables reflect amounts receivable in respect of transactions executed but not yet settled, prepayments and fees due from clients.

Payables reflect amounts due in respect of transactions executed but not yet settled, accounts payable for goods and services provided to the TCV prior to the end of the financial year and statutory payables such as goods and services tax and fringe benefits tax.

(p) Property, plant and equipment

Leasehold improvements, office equipment, furniture and fittings are measured initially at cost and subsequently stated at fair value less accumulated depreciation and impairment. Computer equipment and motor vehicles are stated at fair value, which is taken to be cost less accumulated depreciation and impairment.

Depreciation of property, plant and equipment is calculated on a straight line basis using rates designed to allocate the cost over the expected useful life of the asset. Property, plant and equipment are depreciated over five to eight years (2015: five to eight years) except for computer hardware which is depreciated over the estimated useful life of three to five years (2015: three years to five years). The depreciation expense on property, plant and equipment is recognised in the Statement of Comprehensive Income in the 'Other operational expenses' item.

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses are recognised in the Statement of Comprehensive Income in the 'Other operational expenses' item.

(q) Intangible assets

Intangible assets represent purchased software and are shown at historical cost. Subsequent to initial recognition, they are stated at cost less accumulated amortisation and impairment losses.

Amortisation of intangible assets is calculated on a straight line basis using rates designed to allocate the cost over the expected useful life of the asset. Software costs are amortised over the estimated useful life of three to four years (2015: three years). Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets is recognised in the Statement of Comprehensive Income in the 'Other operational expenses' item.

The carrying values of intangible assets are reviewed for impairment at each reporting date, with recoverable amounts being estimated when events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses are recognised in the Statement of Comprehensive Income in the 'Other operational expenses' line item.

(r) Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event and are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(s) Employee benefits

Salaries

The liabilities for salaries, including non-monetary benefits, are recognised in other payables in respect of employees' services up to the reporting date. The liabilities are measured at the amount expected to be paid when they are settled.

Long service leave, annual leave and sick leave

Long service leave is payable, pro-rata, to employees with more than seven completed years of recognised service. The liability arising is measured based on contractual requirements and assessments having regard to employee departures, leave utilisation, future salary increases and appropriate discount factors. The liability is measured at net present value.

The liability for annual leave is measured on contractual requirements and assessments having regard to leave utilisation, future salary increases and appropriate discount factors. The liability is measured at net present value and is classified as a long-term liability for measurement purposes. However, as TCV does not have an unconditional right to defer settlement, the provision is classified as current.

Liabilities for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Note 2 Net Gain on Financial Assets and Liabilities

	2016 $000s	2015 $000s
Financial assets designated at fair value through profit and loss		
Interest income on cash assets and investments	207,701	238,733
Interest income on loans to the Victorian Government and Participating Authorities	1,785,944	1,833,184
	1,993,645	**2,071,917**
Realised and unrealised market movements of financial assets	1,226,548	780,668
Net gain on financial assets designated at fair value through profit and loss	**3,220,193**	**2,852,585**
Financial liabilities designated at fair value through profit and loss		
Interest expense on borrowings	(1,938,074)	(1,997,381)
Realised and unrealised market movements of financial liabilities	(1,225,913)	(809,320)
Net loss on financial liabilities designated at fair value through profit and loss	**(3,163,987)**	**(2,806,701)**
Net (loss)/gain on derivatives	(2,277)	(4,717)
Net gain on financial assets and liabilities at fair value through profit and loss	**53,929**	**41,167**

Note 3 Expense Items

	2016 $000s	2015 $000s
Borrowing related expenses		
Syndication fees	2,112	-
Rating agency fees	571	499
Clearing fees	443	473
Other fees and charges	272	270
	3,398	**1,242**
Other operational expenses		
Salaries and other direct employee expenses		
- Salaries, wages and entitlements	8,817	8,528
- Defined contribution superannuation contributions	652	629
- Employee related taxes	441	434
Software maintenance, disaster recovery, network and other IT expenditure	1,878	1,893
Professional services		
- Victorian Auditor-General's fees in relation to the audit of the TCV financial statements for the year ended 30 June[1]	332	324
- Prudential supervision fee	105	112
- Other professional service fees	783	740
Market information services	1,363	1,190
Depreciation of property, plant and equipment	534	570
Amortisation of intangible assets	437	456
Premises		
- Operating lease rental expense	707	695
- Other occupancy costs	186	199
Advertising, promotion and related travel	527	321
Insurance	286	288
Other operating expenses	526	473
	17,574	**16,852**

(1) No other amounts have been paid or are payable to the Victorian Auditor-General.

Note 4 Cash and Cash Equivalents

	2016	2015
	$000s	$000s
Current:		
Cash at bank and on hand	58,304	52,799
Deposits with futures clearing house	34,153	23,735
Deposits with financial institutions	1,249,932	1,162,467
Short term discounted securities	2,465,053	2,230,563
Secured cash lending[1]	608,710	-
Total cash and cash equivalents	**4,416,152**	**3,469,564**

(1) The fair value of securities purchased under reverse repurchase agreements was $611 million (2015: nil). These securities were not recognised in the Statement of Financial Position (refer Note 1(m)).

Note 5 Receivables and Other Assets

	2016	2015
	$000s	$000s
Current:		
Unsettled trades - receivable (refer Note 1(j))	239,161	73,794
Right of demand pursuant to a Deed of Indemnity (refer Note 24(b))	273,532	217,363
Other financial assets	837	821
Prepayments	1,131	1,032
Total receivables and other assets	**514,661**	**293,010**

Note 6 Investments

	2016	2015
	$000s	$000s
Floating rate securities	927,323	929,626
Short term discounted securities	1,972,421	1,964,888
Fixed interest securities	1,571,860	1,507,521
Treasurer guaranteed investments[1]		
- Melbourne Cricket Club	232,107	258,235
- St. Vincent's Hospital (Melbourne) Limited	10,023	16,585
- The Australian Ballet	11,176	10,627
- School co-operatives	7,033	6,927
Total investments	**4,731,943**	**4,694,409**
Maturity in 12 months or less	2,279,421	2,285,701
Maturity in more than 12 months	2,452,522	2,408,708
Total investments	**4,731,943**	**4,694,409**

(1) TCV's investment powers, approved by the Governor in Council provide, inter alia, that an approved manner of investment is 'the making or acquisition of a loan or advance to any Corporation where such loan or advance is at all times guaranteed as to both principal and interest by the Treasurer of the State of Victoria or the government of either the Commonwealth, a state or territory'. The balances reported are at fair value. Depending on their accounting basis, this disclosure may differ from the disclosure by the entities identified.

Note 7 Derivative Financial Instruments

TCV enters into derivative instruments to manage the interest rate and currency risk inherent in the borrowing and asset management activities of the Corporation and the risk inherent in the activities of the State and Participating Authorities.

The fair value of the Corporation's transactions in derivative financial instruments outstanding at the year-end is as follows:

	2016 $000s	2015 $000s
Derivative financial instrument assets		
Interest rate swaps	343,057	238,721
Cross currency swaps	142,649	115,157
Forward foreign exchange contracts	46,514	39,653
Exchange traded futures[1]	12,676	8,350
FX swap position receivable	83,192	14,570
Fuel swaps	1,996	-
Aluminium OTC options	-	109
Total derivative asset	**630,084**	**416,560**
Maturity in 12 months or less	112,926	32,155
Maturity in more than 12 months	517,158	384,405
Total derivative asset	**630,084**	**416,560**
Derivative financial instrument liabilities		
Interest rate swaps[1]	683,966	402,754
Cross currency swaps	136,226	138,553
Forward foreign exchange contracts	46,585	39,653
Forward rate agreements	11	-
Exchange traded futures	2,611	638
FX swap position payable	84,025	14,479
Fuel swaps	1,996	-
Aluminium OTC options	-	109
Total derivative liability	**955,420**	**596,186**
Maturity in 12 months or less	105,340	28,297
Maturity in more than 12 months	850,080	567,889
Total derivative liability	**955,420**	**596,186**

[1] Includes derivatives subject to a Deed of Indemnity with Department of Treasury and Finance (refer Note 24(b))

Note 8 Loans to the State of Victoria and Participating Authorities

Section 8(1) of the TCV Act states that one of the functions of the Corporation is to provide financial accommodation to a Participating Authority or the State of Victoria. Loans to Participating Authorities (a public authority that is accepted, for the purpose of providing financial accommodation, by the Corporation under the TCV Act) are guaranteed as to both principal and interest by the State of Victoria. All the loans and advances are conducted in the ordinary course of TCV's business and are entered into upon commercial terms and conditions. Outstanding loans at balance date are categorised as follows:

	2016	2015
	$000s	$000s
Overnight and short term cash	265,067	633,036
Floating rate loans	794,584	797,079
Fixed interest loans	39,479,249	39,183,609
Index linked loans	349,705	366,586
Total loans to the State of Victoria and Participating Authorities	**40,888,605**	**40,980,310**
Maturity in 12 months or less	4,338,025	4,960,794
Maturity in more than 12 months	36,550,580	36,019,516
Total loans to the State of Victoria and Participating Authorities	**40,888,605**	**40,980,310**
State of Victoria (Department of Treasury and Finance)	28,352,121	28,823,222
Participating Authorities	12,536,484	12,157,088
Total loans to the State of Victoria and Participating Authorities	**40,888,605**	**40,980,310**

The above loans are shown at fair value inclusive of unsettled loans. Depending on their accounting basis, this disclosure may differ from that of the State of Victoria and individual Participating Authorities.

Note 9 Property, Plant and Equipment

	2016	2015
	$000s	$000s
Opening balance	4,065	4,414
Accumulated depreciation	(2,284)	(2,210)
Closing balance	**1,781**	**2,204**

Reconciliation

	2016	2015
Opening balance	2,204	2,192
Acquisitions	204	646
Disposals	(93)	(64)
Depreciation expense	(534)	(570)
Closing balance	**1,781**	**2,204**

The gross balance of property, plant and equipment includes an amount of $2.059 million arising from an independent valuation of leasehold improvements and furniture and fittings provided by Valuer General Victoria as at 30 June 2012. The valuation was determined based on the depreciated replacement cost of the assets.

All plant and equipment is categorised within Level 3 of the fair value hierarchy as unobservable inputs are used to determine their fair value.

Note 10 Intangible Assets

	2016	2015
	$000s	$000s
Computer software at cost	8,662	7,862
Accumulated amortisation	(7,191)	(6,958)
Closing balance	**1,471**	**904**

Reconciliation

	2016	2015
Opening balance	904	790
Acquisitions	1,004	570
Amortisation expense	(437)	(456)
Closing balance	**1,471**	**904**

Note 11 Payables and Other Liabilities

	2016	2015
	$000s	$000s
Unsettled trades - payable (refer Note 1(j))	157,792	88,340
Other financial liabilities	14,788	11,298
Net deferred 'day one' profit	2,904	2,260
Other	3,072	3,021
Total payables and other liabilities	**178,556**	**104,919**

The table below presents the year-to-year movement in the net 'day one' profit or loss deferred to the balance sheet.

	2016	2015
	$000s	$000s
Opening balance	2,260	1,988
Net 'day one' profit derived during the financial year	1,629	387
Subsequent move to observability[(1)]	(845)	-
Amortisation of the deferred profit or loss during the period	(140)	(115)
Net deferred 'day one' profit	**2,904**	**2,260**

[(1)] For certain financial instruments, the valuation data became observable and the remaining value of the associated deferred 'day one' profit or loss has been recognised as income.

Note 12 Deposits

Deposits consist of short term deposit takings primarily from Victorian State Government departments and agencies.

	2016	2015
	$000s	$000s
Cash deposits	4,688,311	4,284,829
Term deposits	1,832,640	2,382,853
Total deposits	**6,520,951**	**6,667,682**
Maturity in 12 months or less	6,513,179	6,653,881
Maturity in more than 12 months	7,772	13,801
Total deposits	**6,520,951**	**6,667,682**
State of Victoria (Department of Treasury and Finance)	1,451,691	1,953,175
Participating Authorities	2,063,286	2,080,313
Public sector entities	3,005,974	2,634,194
Total deposits	**6,520,951**	**6,667,682**

Note 13 Interest Bearing Liabilities – Domestic

The amounts detailed below at fair value have the benefit of the guarantee of the Government of Victoria pursuant to Section 32 of the TCV Act.

	2016	2015
	$000s	$000s
Benchmark programs		
Domestic Benchmark Bonds[1]	38,374,890	35,264,567
TCV Promissory Notes[2]	1,594,145	2,630,292
Total benchmark programs	**39,969,035**	**37,894,859**
Domestic borrowings – other		
TCV fixed interest	2,152,732	3,372,877
Indexed linked securities	632,978	698,036
Payables to market participants	217,444	72,643
Commonwealth Government loans	58	50
Total domestic borrowings - other	**3,003,212**	**4,143,606**
Total domestic borrowings	**42,972,247**	**42,038,465**
Maturity in 12 months or less	5,199,305	4,493,805
Maturity in more than 12 months	37,772,942	37,544,660
Total domestic borrowings	**42,972,247**	**42,038,465**

[1] Domestic Benchmark Bonds (fixed interest securities that form the cornerstone of the Corporation's funding strategy) pay a fixed interest coupon with varying maturities.

[2] TCV Promissory Notes are promissory notes issued under the $5 billion Commercial Paper Program with maturities up to one year.

Note 14 Interest Bearing Liabilities – Offshore

The amounts detailed below at fair value have the benefit of the guarantee of the Government of Victoria pursuant to Section 32 of the TCV Act. Foreign exchange rate risk is not material as the daily net currency exposure is limited (refer Note 20).

	2016	2015
	$000s	$000s
Euro Commercial Paper	82,518	24,453
Euro Medium Term Notes	289,973	250,427
Total offshore borrowings	**372,491**	**274,880**
Maturity in 12 months or less	82,518	24,453
Maturity in more than 12 months	289,973	250,427
Total offshore borrowings	**372,491**	**274,880**

Under the AUD 5 billion multi-currency Euro Commercial Paper Program, TCV has issued Euro Commercial Paper. The 2016 liability balance includes face value of USD 50 million and SGD 15 million (2015: SGD 15 million and AUD 10 million).

Under the USD 3 billion Euro Medium Term Note Program, TCV has issued Medium Term Notes. The 2016 liability balance comprises face value of AUD 166 million (2015: AUD 207 million) and JPY 7.5 billion (2015: JPY 7.5 billion).

Note 15 Provisions

	2016	2015
	$000s	$000s
Employee long service leave entitlements		
Current: Unconditional entitlements expected to be settled within 12 months	205	192
Current: Unconditional entitlements expected to be settled after 12 months	1,843	1,725
Non-current conditional entitlements	192	180
Employee annual leave entitlements		
Current: Unconditional entitlements expected to be settled within 12 months	417	370
Current: Unconditional entitlements expected to be settled after 12 months	77	72
Total provisions	**2,734**	**2,539**

Note 16 Dividends and Reserves

Dividend

Under Section 31 of the TCV Act, TCV is required to pay to the Government of Victoria, from its surplus for the preceding financial year, such dividend as the Treasurer shall determine after consultation with the Corporation. At 30 June 2016, no dividend in respect of the year ended 30 June 2016 (2015: $nil) has been provided for in the accounts of TCV. In respect of the prior year's surplus, a dividend of $31.7 million (2015: $50.6 million) was declared and paid after the relevant reporting date.

Reserves

	2016	2015
	$000s	$000s
Asset revaluation reserve	2,059	2,059

Nature and purpose of the asset revaluation reserve

The Asset Revaluation Reserve is used to record increments and decrements on the revaluation of property, plant and equipment. In the event of a disposal of a revalued asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

Note 17 Financial Instruments Carried at Fair Value

(a) Fair value determination

All financial assets and liabilities, on recognition, are designated at fair value through profit and loss. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is assumed that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. All financial instruments are measured at fair value on a recurring basis.

The fair values of financial instruments are determined by the Risk & Performance Measurement business unit independent of Treasury employees.

The fair value of financial assets and liabilities that are traded in an active market are determined with reference to appropriate market sourced rates.

The fair value of financial instruments that cannot be sourced from active markets is determined using industry standard valuation techniques. Valuation techniques include the use of indicative quotes for prices directly from, or interpolated or extrapolated from, prices for like instruments in active markets, and the use of quotes from market makers and established brokers.

Where assets and liabilities have offsetting market risks, mid market prices are utilised for establishing their fair values. Where risks are not offset, bid-offer spreads are applied to the net open positions.

(b) Valuation techniques

The following paragraphs summarise the Corporation's valuation techniques used to determine the fair value of financial instruments.

Cash and cash equivalents

With the exception of short term discounted securities, reverse repurchase agreements and term deposits, the fair value of cash and cash equivalents reflects the sum of interest accrued and their nominal value. Short term discounted securities are valued by discounting the full face value of the securities using yields interpolated off curves derived from market data. The fair value of term deposits and reverse repurchase agreements reflects the discounted value of their cash flows.

Receivables and other assets

The fair value of unsettled trades reflects the discounted value of their cash flows.

The right of demand pursuant to the Deed of Indemnity is payable when specified by TCV, but not less than seven days from receipt of the demand by the Treasurer. The amount outstanding is not discounted as the fair value is assumed to equate to the amount that could be demanded at 30 June 2016.

Amounts due from clients are payable within 14 days and their fair value is assumed to equate to the amount receivable.

Investments

Floating rate securities are valued using standard market conventions with data that includes quoted trading margin and quoted weighted average life data for mortgage backed securities.

Short term discounted securities are valued by discounting the full face value of the securities using yields interpolated off curves derived from market data.

The fair value of fixed interest securities is determined utilising market quotes. Two exceptions are a Victorian State Government guaranteed structured bond, where the fair value is determined utilising yields derived from the TCV yield curve[1], and a structured bond the fair value of which reflects a yield determined from the AUD swap curve adjusted for credit risk and pricing evidence.

Treasurer guaranteed investments, other than indexed linked instruments, are valued by discounting instrument cash flows utilising rates derived from the TCV yield curve. Indexed investments are valued either using yields provided by a market participant for TCV indexed bonds with like maturity dates or are valued off a curve extrapolated from the yields.

[1] The TCV yield curve is primarily derived from market quotes for TCV's Domestic Benchmark Bonds with maturities greater than one year, until 20 October 2028 (2015: until 17 November 2026). For subsequent periods the curve is extrapolated using a spread to swap based on quotations provided by market makers.

Note 17 Financial Instruments Carried at Fair Value (cont.)

Derivatives

Over the counter derivatives such as interest rate swaps, forward rate agreements and foreign currency swaps are valued on a cash flow basis off the appropriate swap curves.

The nominal leg of indexed swaps is valued on a cashflow basis using the relevant swap curve, with the CPI leg valued using the Zero Coupon Inflation Swap methodology.

The cross currency swap is valued in accordance with market conventions utilising relevant swap curves adjusted where applicable for cross currency and single currency basis risk.

A Credit Value Adjustment (a provision for counterparty default) and Debit Valuation Adjustment (a provision for TCV's own risk) have been provided for in the determination of TCV's derivative positions. The Credit Value Adjustment is calculated with reference to TCV's net credit exposure to individual counterparties and their applicable Credit Default Swap spread. The Debit Valuation Adjustment is calculated with reference to individual counterparties net credit exposure to TCV and the TCV yield curve spread to swap.

Loans to the State of Victoria and Participating Authorities

The fair value of short term cash loans reflects the sum of interest accrued and the nominal value.

Floating rate loans are valued using standard market conventions, with future cash flows derived from the AUD swap curve with discounting yields derived from the TCV yield curve.

Fixed interest loans are valued by using standard market conventions utilising yields derived from the TCV yield curve.

Indexed linked loans are valued off a curve derived from market quotes for indexed linked securities.

Payables and other liabilities

The fair value of unsettled trades reflects the discounted value of their cash flows. Amounts due to creditors are short term in nature and their fair value is assumed to equate to the amount payable.

Deposits from public sector

Deposits at call are valued at account balance. Maturities to six months are determined from the Bank Accepted Bill market, with longer maturities to one year valued by discounting the instruments cash flows utilising interpolated rates between six month bills and the one year swap rate and beyond one year, yields derived from the swap curve.

Interest bearing liabilities – domestic

Domestic Benchmark Bonds, other than those maturing within 12 months, are valued using quoted yields. If maturity is within 12 months, fair value is determined using standard market conventions utilising yields derived from the TCV yield curve.

With the exception of index linked securities, other instruments are valued by discounting the instrument cash flows utilising rates derived from the TCV yield curve.

Index linked securities are valued using standard market conventions and yields provided by a market participant.

Interest bearing liabilities – offshore

Euro Commercial Paper is valued through the discounting of the cash flows using the relevant currency's swap curve. AUD-denominated Euro Medium Term Notes (EMTNs) are valued through the discounting of the cash flows using the TCV yield curve. The JPY-denominated EMTN is valued through the discounting of cash flows using the JPY sovereign curve.

c) Fair value hierarchy

The nature of the inputs used to determine the fair value determines the hierarchical level into which they fall:

- Level 1 instruments are valued utilising unadjusted prices quoted in active markets for identical assets or liabilities
- Level 2 instruments are valued utilising valuation techniques that utilise prices for like instruments in active markets without significant adjustment
- Level 3 instruments are valued utilising inputs that are not based on observable market data.

The following tables summarise the fair value of the financial instruments and the appropriate fair value hierarchy into which they fall as at 30 June. TCV's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the start of the reporting period There was one transfer between fair value hierarchy categories. The 2016 maturing Domestic Benchmark Bond ($3.1 billion) was transferred from Level 1 to Level 2 as quoted prices for Domestic Benchmark Bonds close to maturity have historically been considered less reliable. The 2016 maturing Domestic Benchmark Bond was valued off the TCV curve at 30 June 2016.

Note 17 Financial Instruments Carried at Fair Value (cont.)

	Level 1 (quoted prices in active markets)	Level 2 (inputs other than quoted prices)	Level 3 (unobservable inputs)	Total
	$000s	$000s	$000s	$000s
2016				
Assets				
Cash and cash equivalents	1,951,099	2,465,053	-	4,416,152
Receivables and other financial assets [(1)]	-	513,530	-	513,530
Investments				
Floating rate securities	828,261	99,062	-	927,323
Short term discounted securities	-	1,972,421	-	1,972,421
Fixed interest securities	1,252,846	118,048	200,966	1,571,860
Treasurer guaranteed investments	-	246,271	14,068	260,339
Derivative financial instruments [(2)]	59,190	570,894	-	630,084
Loans to the State of Victoria and Participating Authorities [(3)]	265,069	40,623,536	-	40,888,605
	4,356,465	**46,608,815**	**215,034**	**51,180,314**
Liabilities				
Payables and other financial liabilities [(1)]	-	172,580	-	172,580
Deposits from public sector	4,688,310	1,832,641	-	6,520,951
Derivative financial instruments [(2)]	49,196	906,224	-	955,420
Interest bearing liabilities – domestic	35,240,631	7,731,616	-	42,972,247
Interest bearing liabilities – offshore	-	372,491	-	372,491
	39,978,137	**11,015,552**	**-**	**50,993,689**
2015				
Assets				
Cash and cash equivalents	1,239,001	2,230,563	-	3,469,564
Receivables and other financial assets [(1)]	-	291,978	-	291,978
Investments				
Floating rate securities	764,365	165,261	-	929,626
Short term discounted securities	-	1,964,888	-	1,964,888
Fixed interest securities	1,175,012	130,806	201,703	1,507,521
Treasurer guaranteed investments	-	266,446	25,928	292,374
Derivative financial instruments [(2)]	48,002	368,449	109	416,560
Loans to the State of Victoria and Participating Authorities [(3)]	633,036	40,347,274	-	40,980,310
	3,859,416	**45,765,665**	**227,740**	**49,852,821**
Liabilities				
Payables and other financial liabilities [(1)]	-	99,638	-	99,638
Deposits from public sector	4,284,829	2,382,853	-	6,667,682
Derivative financial instruments [(2)]	40,291	555,786	109	596,186
Interest bearing liabilities – domestic	35,433,499	6,604,966	-	42,038,465
Interest bearing liabilities – offshore	-	274,880	-	274,880
	39,758,619	**9,918,123**	**109**	**49,676,851**

[(1)] Excludes non-financial assets and liabilities respectively.

[(2)] Refer Note 7.

[(3)] Refer Note 8.

Note 17 Financial Instruments Carried at Fair Value (cont.)

(d) Level 3 financial instruments - fair value determined from valuation techniques utilising significant unobservable inputs

The table below summarises Level 3 financial instruments:

	2016	2015
	$000s	**$000s**
Assets		
Fixed interest securities	200,966	201,703
Treasurer guaranteed investments	14,068	25,928
Derivative financial instruments	-	109
	215,034	**227,740**
Liabilities		
Derivative financial instruments	-	109
	-	**109**

The fixed interest securities are structured securities with fair value determined from a yield reflecting swap rates, credit spreads and past pricing evidence.

The Treasurer guaranteed investments are indexed investments valued off a curve extrapolated from yields for TCV indexed bonds provided by a market participant.

Note 17 Financial Instruments Carried at Fair Value (cont.)

(e) Level 3 financial instruments – reconciliation

The table below summarises the reconciliation of change in exposure in the Statement of Financial Position to financial instruments categorised as Level 3 as at 30 June:

	Opening balance	Total gains or (losses)[1]	Purchases/ (Sales)	Settlements[2]	Closing balance
2016	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Assets					
Investments					
- Fixed interest securities	201,703	958	-	(1,695)	200,966
- Treasurer guaranteed investments	25,928	(946)	-	(10,914)	14,068
Derivative financial instruments					
- Aluminium OTC options	109	(109)	-	-	-
	227,740	**(97)**	**-**	**(12,609)**	**215,034**
Liabilities					
Derivative financial instruments					
- Aluminium OTC options	109	(109)	-	-	-
	109	**(109)**	**-**	**-**	**-**

	Opening balance	Total gains or (losses)[1]	Purchases/ (Sales)	Settlements[2]	Closing balance
2015	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Assets					
Investments					
- Fixed interest securities	206,751	(266)	45,000	(49,782)	201,703
- Treasurer guaranteed investments	37,191	(1,075)	-	(10,188)	25,928
Derivative financial instruments					
- Aluminium OTC options	1,791	(1,682)	-	-	109
	245,733	**(3,023)**	**45,000**	**(59,970)**	**227,740**
Liabilities					
Derivative financial instruments					
- Aluminium OTC options	1,791	(1,682)	-	-	109
	1,791	**(1,682)**	**-**	**-**	**109**

(1) Total net gains (or losses) only include unrealised fair value movements which are reflected in 'Net gain on financial assets and liabilities at fair value through profit and loss' in the Statement of Comprehensive Income. There were no realised gains (or losses) arising in relation to these instruments during the year.

(2) For investments, 'Settlements' includes principal on maturity, principal/discount amortisation and principal repayments. For derivatives, all cashflows are presented in 'Settlements' including payments/receipts of option premium paid/received upfront.

Transfers to/from level 3 category

There were no transfers occurring during the period.

Note 17 Financial Instruments Carried at Fair Value (cont.)

(f) Level 3 financial instruments – sensitivity analysis

Where the fair value of instruments is determined utilising inputs that are not based on observable market data, a range of reasonably possible alternative assumptions could be used to determine the fair value. For those instruments classified as Level 3 financial instruments, the following paragraphs provide possible alternative valuations.

The alternative valuations for fixed interest securities were determined by applying a 20 basis point adjustment to the curve used to value these instruments. Use of these alternative inputs would increase their fair value by an amount of $1.32 million (2015: $0.82 million when applying a 10 basis point adjustment) or reduce it by $1.33 million (2015: $0.81 million when applying a 10 basis point adjustment). This range is not significant to the value of assets at the reporting date.

Alternative valuations for the Treasury guaranteed investments had no significant impact on the value of assets at the reporting date.

(g) Change in the fair value attributable to credit risk

AASB 7 *Financial Instruments: Disclosures* requires the disclosure of the amount of change in the fair value of:

- a loan or receivable (or group of loans or receivables) that is attributable to changes in the credit risk and
- the financial liability that is attributable to changes in the credit risk.

The change in fair value attributable to changes in credit risk, for the current year, of loans to the State of Victoria, loans to Participating Authorities and Treasurer guaranteed investments amounts to a gain of $101 million (2015: loss of $6 million) and cumulatively a gain of $987 million (2015: gain of $886 million).

The change in fair value attributable to changes in credit risk, for the current year, of interest bearing liabilities amounts to a loss of $105 million (2015: gain of $10 million) and cumulatively a loss of $1,024 million (2015: loss of $919 million).

The current year change in fair values attributable to changes in credit risk was estimated by determining the change in the difference in the net present value of the relevant contracted cash flows at the end of the period between using the Commonwealth Bonds market yield curve and the market yield curve for similar maturities of securities issued by TCV (the TCV yield curve). The cumulative gain/loss reflects the sum of the annual changes in fair values since 2008-09.

TCV and the State of Victoria remained AAA rated by Standard and Poor's and Aaa by Moody's during 2015-16. TCV yield curve spread to Commonwealth Bonds narrowed during the year, ranging from 6 basis point (for the 2020 maturity) to 10 basis points (for the 2017 maturity). The change in spreads reflect a number of factors in addition to markets' assessment of credit risk. The values disclosed above, therefore, do not only represent the change in fair value of the relevant assets or liabilities due to changes in credit risk.

Note 18 Contractual Obligations and Financial Liabilities at Fair Value

The difference between financial liabilities carrying amount (fair value) and the amount contractually required to be paid at maturity is detailed below.

	2016 Fair Value(1)	2016 Principal Owing at Maturity(2)	2016 Variance	2015 Fair Value(1)	2015 Principal Owing at Maturity(2)	2015 Variance
	$000s	$000s	$000s	$000s	$000s	$000s
Deposits from public sector	6,520,951	6,498,589	22,362	6,667,682	6,649,359	18,323
Interest bearing liabilities – domestic(3)	42,972,247	37,093,167	5,879,080	42,038,465	37,299,854	4,738,611
Interest bearing liabilities – offshore	372,491	347,641	24,850	274,880	311,392	(36,512)

(1) Fair value is inclusive of interest due at financial year-end.

(2) Principal owing at maturity is the amount TCV is contractually required to pay at maturity, to the holder of the obligation, exclusive of interest due.

(3) Interest bearing liabilities – domestic includes indexed linked securities. For the purposes of this note, the principal owing for indexed linked securities is assumed to equal the principal owing at financial year-end.

Treasury Corporation of Victoria

Note 19 Offsetting Financial Assets and Financial Liabilities

Certain financial assets and financial liabilities are presented on a net basis in the Statement of Financial Position (refer Note 1(k)).

The following tables provide information on the impact of offsetting on the Statement of Financial Position, as well as the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement, as well as available cash and financial instrument collateral.

In line with general market practice, TCV has entered into arrangements that do not meet criteria for offsetting in a normal course of business, but allow for the relevant amounts to be set off in certain circumstances, such as bankruptcy, default or insolvency. The effect of these agreements is reflected in the column 'Impact of master netting arrangements'.

The 'Cash and financial instrument collateral' column discloses collateral amounts received or pledged in relation to the total amounts of assets and liabilities, including those that were not offset. The rights to set off relating to the cash and financial instruments collateral are conditional upon the default of the counterparty.

The column 'Net amount' shows the impact on TCV's Statement of Financial Position if all existing rights of offset were exercised.

	Effects of offsetting on the Statement of Financial Position			Related amounts not offset		
	Gross amounts	**Gross amounts set off in the Statement of Financial Position**	**Net amounts presented in the Statement of Financial Position**	**Impact of master netting arrangements**	**Cash and financial instrument collateral**	**Net amount**
	$000s	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
2016						
Assets						
Reverse repurchase agreements[1]	608,710	-	608,710	(108,469)	-	500,241
Derivative financial instruments[2]	2,276,369	(1,646,285)	630,084	(389,913)	(101,190)	138,981
	2,885,079	**(1,646,285)**	**1,238,794**	**(498,382)**	**(101,190)**	**639,222**
Liabilities						
Repurchase agreements[3]	110,220	-	110,220	(110,220)	-	-
Derivative financial instruments[2]	2,587,216	(1,631,796)	955,420	(389,913)	(461,960)	103,547
	2,697,436	**(1,631,796)**	**1,065,640**	**(500,133)**	**(461,960)**	**103,547**
2015						
Assets						
Derivative financial instruments[2]	2,526,870	(2,110,310)	416,560	(289,852)	(68,310)	58,398
	2,526,870	**(2,110,310)**	**416,560**	**(289,852)**	**(68,310)**	**58,398**
Liabilities						
Derivative financial instruments[2]	2,706,496	(2,110,310)	596,186	(289,852)	(211,390)	94,944
	2,706,496	**(2,110,310)**	**596,186**	**(289,852)**	**(211,390)**	**94,944**

(1) Reverse repurchase agreements are recognised within 'Cash and Cash Equivalents' if the maturity date is within 3 months.

(2) Cash collateral received, and cash collateral pledged are presented within cash and cash equivalents and interest bearing liabilities – domestic respectively.

(3) Repurchase agreements are recognised within 'Interest Bearing Liabilities – Domestic'.

Note 20 Risk Management

The principal activities of TCV involve raising funds in capital/money markets to fund the Corporation's requirements as lender to the State and Participating Authorities and the investment of deposits, liquid assets and surplus funds with market counterparties. TCV also enters into derivative instruments to manage the interest rate and currency risk inherent in the borrowing and asset management activities of the Corporation and the risk inherent in the activities of the State and Participating Authorities.

The primary risks that result from these and related activities are:

a) market risk

b) liquidity risk

c) credit risk

d) operational risk.

Foreign exchange rate risk is not material as the daily net currency exposure is limited to AUD250,000.

Management of these risks is carried out in accordance with TCV's risk management framework. The framework is consistent with Victorian Government Prudential Standard for the Treasury Corporation of Victoria (the Prudential Standard) established by the Treasurer of the State of Victoria and adopted from the standards of the Australian Prudential Regulatory Authority (APRA) for financial institutions in Australia. Compliance with the Prudential Standard requirements is monitored by an independent Prudential Supervisor appointed by the Treasurer.

The risk management framework comprises the following key components:

- the TCV Board is responsible for ensuring that TCV's risk management framework is sound and for approving TCV's Risk Appetite Statement and key risk policies consistent with the Prudential Standard's requirements
- the Managing Director is responsible for the set up and maintenance of the risk management framework and the risk management policies, ensuring that the risks are controlled and within Board approved levels
- the TCV Audit Committee assists the TCV Board in discharging its responsibility for oversight, implementation and operation of the risk management framework
- Internal Audit provides an independent objective risk assurance and advisory service to assist the TCV Board, through its Audit Committee, to evaluate the effectiveness of TCV's risk control and governance framework
- the Treasury business unit is responsible for day-to-day management of the Corporation's assets and liabilities, funding and liquidity risks in accordance with established risk policies
- the Asset and Liability Committee, an executive committee comprising the Managing Director, members of the executive management team and other managers, is responsible for ensuring the Corporation's financial assets and liabilities are managed prudently and efficiently
- the Risk & Performance Measurement business unit is responsible for developing and maintaining appropriate risk policies consistent with the Prudential Standard and the guidelines of the Board, relating to risk identification, measurement, control, reporting and implementation.

The Managing Director and TCV executives are required to promptly advise the Board, Prudential Supervisor and the Treasurer, via the Department of Treasury and Finance (DTF), and relevant stakeholders of any breach by the Corporation of the Prudential Standard.

(a) Market risk

Market risk is the risk of a loss due to adverse movements in market prices, yields or rates of financial instruments and their derivatives.

The Prudential Standard requires the Corporation to maintain sufficient capital to cover, in addition to credit risk, its exposure to market risk. More specifically, it requires "the methodology used by TCV to determine its capital requirement to support market risk is consistent with the APRA's Prudential Statement C3 / Prudential Standard APS 116 *Capital Adequacy: Market Risk* for banks".

Note 20 Risk Management (cont.)

Value at Risk

VaR is a measure of the potential loss - within a certain level of confidence - faced by TCV on its risk positions over a given holding period. TCV bases VaR limits on historical movement of prices, yields and spreads that could contribute to a potential loss.

The Prudential Standard requires the Corporation to maintain sufficient capital to cover, in addition to credit risk, its exposure to market risk. VaR is calculated daily on the following basis:

- historic simulation based VaR
- 1,000 days of immediate past historical data on rates
- one-day holding period, expanded to 10 days for capital calculation purposes
- 99% confidence level
- measurement includes capture of significant issuer-specific or idiosyncratic risks within the portfolios.

The total aggregate VaR exposure that TCV can undertake at any point in time across all its portfolios is set by TCV's Board. The Managing Director is responsible for recommending a total aggregate VaR limit for consideration by the Board. Board approved changes to the aggregate VaR limit must be approved by the Treasurer.

Within the Board set total aggregate VaR limit, the Managing Director has discretion to allocate sub limits to individual portfolios or sets of portfolios, as well as to allocate a lower level of limit to the General Manager, Treasury for day-to-day portfolio management purposes. VaR is measured, controlled and reported to management daily.

The VaR estimates are checked via back-testing against actual daily Treasury Operations Revenue results for reasonableness and the continued accuracy of the model assumptions and implementation. Any exceptions are tested against APS116 Capital Adequacy: Market Risk suggested back-testing levels of accuracy and results are reported to the Prudential Supervisor monthly.

The Corporation's VaR measure for the financial year was as follows:

	2016	2015
	$000s	**$000s**
30 June	2,520	2,769
Average daily value during the year	2,738	2,970
Highest	3,047	3,806
Lowest	2,329	2,578

All VaR measures were within limits during the respective financial years.

As TCV's VaR model relies on historical data and assumes recent historic market conditions, it may not always accurately predict the size of potential losses.

VaR excludes a JPY 7.5 billion Euro Medium Term Note (JPY Bond), related cross currency swap and AUD loan to the Department of Treasury and Finance (DTF) as the cross currency swap fully hedges the JPY Bond's cash flows and the resulting AUD cash flows match the loan's cash flows. However, despite being cash flow matched, prior to their maturity, differences in the fair value of the instruments will impact on net profit.

As the fair value of the JPY Bond and the JPY leg of the related cross currency swap are valued off different curves (refer Note 17(b)) the present value in AUD of the cashflows of each instrument will also vary, despite being cash flow matched. Prior to maturity, this creates a AUD/JPY sensitivity. In addition, because all three instruments are valued off different curves, prior to maturity there is also interest rate sensitivity.

These risk sensitivities, outlined below, reflect the impact of the 'reasonably possible' movements in these factors on the portfolio at 30 June.

Note 20 Risk Management (cont.)

	2016 $000s	2015 $000s
Risk Factor		
AUD depreciates 5% against JPY	862	524
AUD appreciates 5% against JPY	(780)	(474)
JPY Bond and cross currency market interest rates 20 basis points up	(71)	(141)
JPY Bond and cross currency market interest rates 20 basis points down	75	146

The use of VaR is complemented by a range of scenarios for stress testing its exposure to market risk and by using Contingent Loss Risk (CLR) interest rate shocks to provide additional information about potential outcomes that lie outside of the chosen confidence interval in the VaR measurement.

Contingent Loss Risk

TCV utilises CLR reports to analyse portfolio exposures to a number of key interest rate scenarios together with reporting of the basis risk inherent in the core portfolios. The interest rate scenario model quantifies the exposure of TCV's core portfolios against plausible interest rate scenarios. The Managing Director approves the CLR total aggregate, sector and scenario limits.

The market interest rate risk factor and sensitivity is measured and controlled daily as part of the CLR report.

(b) Liquidity risk

Liquidity risk is the risk of a loss due to an inability to meet financial obligations when they fall due and/or the need to raise funds when markets are unable to offer the required volume or price. TCV is subject to the specific liquidity requirements of the Prudential Supervisor and DTF.

DTF's Whole of Victorian Government (WOVG) Liquidity Strategy requires TCV to:

- operate as the State's interface with wholesale financial markets and be the primary facilitator of liquidity
- maintain an appropriate profile in the wholesale markets to permit ready access to funding at appropriate prices and maturities to meet the expected and contingent funding needs of its clients
- maintain liquidity crisis action plans
- maintain appropriate diversification of funding
- hold acceptable minimum levels of surplus liquid assets for the State to maintain the WOVG Liquidity Ratio (refer to *Short-term Liquidity Management* below)
- monitor market conditions constantly and advise the State and its Participating Authorities when accessing funds at particular maturities becomes difficult or expensive so that their respective funding plans can be modified as appropriate.

The Prudential Standard requires that TCV has appropriate policies and procedures that:

- reflect the principles of APS210 *Liquidity*
- ensure that TCV has sufficient liquidity to meet its obligations as they fall due
- ensure TCV adheres to its liquidity management strategy at all times and that TCV review this strategy at least annually to take account of changing operating and regulatory circumstances where appropriate
- ensure TCV provides the Prudential Supervisor with monthly liquidity reports as detailed in the Prudential Standard.

Treasury Corporation of Victoria

Note 20 Risk Management (cont.)

Short-term Liquidity Management

DTF requires TCV to maintain the WOVG Liquidity Ratio, the ratio of liquid assets (free cash assets, liquid assets and committed bank lines) to twelve month's debt service obligations, at or above 80%. In certain circumstances the ratio is permitted to fall below 80% where there is an expectation that projected cash flows will restore the ratio.

The ratio during the period ending 30 June was:

	2016	2015
	%	%
30 June	114	125
Average during the year	106	134
Highest	145	193
Lowest	78	107

TCV also monitors liquidity stress cash flows to ensure TCV has sufficient liquid assets to manage abnormal cash outflows at a time when funding markets are severely restricted or closed.

Long-term Liquidity Management

Long-term management of liquidity within TCV primarily focuses on the diversification of funding sources and maturities. The table below summarises the maturity profile of the Corporation's liabilities based on contracted undiscounted repayment obligations.

Maturity in:	At call	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Greater than 5 years	Total
	$000s	$000s	$000s	$000s	$000s	$000s	$000s
2016							
Deposits	2,832,277	3,174,342	620,034	2,042	5,986	-	6,634,681
Interest bearing liabilities – domestic	-	1,738,840	5,093,563	4,764,470	14,824,877	21,008,533	47,430,283
Interest bearing liabilities – offshore	-	15,109	71,092	3,517	10,550	319,589	419,857
	2,832,277	**4,928,291**	**5,784,689**	**4,770,029**	**14,841,413**	**21,328,122**	**54,484,821**
2015							
Deposits	2,255,386	4,103,203	398,390	8,253	5,986	-	6,771,218
Interest bearing liabilities – domestic	-	1,857,404	4,345,348	4,737,722	18,311,857	19,276,467	48,528,798
Interest bearing liabilities – offshore	-	24,728	2,998	3,203	9,610	335,733	376,272
	2,255,386	**5,985,335**	**4,746,736**	**4,749,178**	**18,327,453**	**19,612,200**	**55,676,288**

Liquidity Crisis Management

TCV uses liquidity crisis action plans, in the nature of a "checklist", to manage liquidity conditions during a liquidity crisis. A liquidity crisis would be typified by TCV not being able to access funding at a reasonable price to manage operating liquidity requirements.

Note 20 Risk Management (cont.)

(c) Credit risk

Credit Risk refers to the possibility that TCV may suffer financial loss due to the inability of its counterparties to honour their financial obligations as and when they fall due.

The types of counterparties with which TCV may invest and the type of securities TCV may hold are set out in TCV's Investment Powers. These powers are approved by the Governor in Council on the recommendation of the Treasurer of Victoria and are based on external ratings. TCV's powers to enter into derivative transactions are subject to the approval of the Treasurer of Victoria. These approvals do not prescribe the individual counterparties with which TCV may transact.

With respect to derivative transactions, the Treasurer's Approval of Financial Accommodation under the *Borrowing and Investment Powers Act* 1987 lists the types of derivative transactions that TCV can transact.

The Board delegates to the Managing Director the authority to approve new or varied credit limits in accordance with the Board approved maximum exposures. The Board delegates to the Managing Director the authority to approve new or varied limits for settlement risk arising from cross currency swap and FX forward transactions. The Managing Director has the authority to immediately suspend, reduce or withdraw a counterparty credit limit originally approved by the Board to ensure credit quality standards are not diminished by an actual or prospective downgrading of the counterparty.

In respect of loans to the State of Victoria and repayment of loans by Participating Authorities (which are fully guaranteed by the State provided the conditions incorporated in the Treasurer's approval of the borrowing are complied with) the ultimate credit exposure is to the State. The principal focus of TCV's credit risk analysis and monitoring is therefore the risk that arises through investment of funds in financial assets and through derivative transactions with market counterparties. Under TCV's risk management framework, this credit risk is controlled by:

- external credit ratings based maximum exposure limits consistent with the Investment Powers
- internal risk assessment based individual exposure limits to counterparties and investments approved by the Board or the Managing Director (under powers delegated by the Board)
- periodic credit reviews and on-going monitoring of the credit quality of investments and exposures to market counterparties to ensure that any diminution of credit quality of a counterparty or investment occurring subsequent to the establishment of a limit is addressed promptly.

TCV Treasury Corporation of Victoria

Note 20 Risk Management (cont.)

Concentration of Credit Risk - by credit rating (Standard & Poor's)

The credit quality of financial assets that are neither past due or impaired are assessed by reference to external ratings. The following table details the credit ratings of the Corporation's primary financial assets. The amounts shown are recorded at fair value.

	AAA $000s	AA+/AA/AA- $000s	A+/A/A- $000s	BBB+ $000s	Other $000s	Total $000s
2016						
Cash and cash equivalents	-	3,576,045	790,224	49,883	-	4,416,152
Receivables and other assets	274,317	85,405	121,160	32,595	53	513,530
Investments	697,768	3,524,040	498,014	-	12,121	4,731,943
Derivative financial instrument assets [(1)]	140,967	189,121	28,199	40,102	-	398,389
Loans to the State of Victoria and Participating Authorities[(2)]	40,888,605	-	-	-	-	40,888,605
Total credit risk exposure	**42,001,657**	**7,374,611**	**1,437,597**	**122,580**	**12,174**	**50,948,619**

	AAA $000s	AA+/AA/AA- $000s	A+/A/A- $000s	BBB+ $000s	Other $000s	Total $000s
2015						
Cash and cash equivalents	-	2,322,635	1,097,067	49,862	-	3,469,564
Receivables and other assets	218,171	43,708	30,086	-	14	291,979
Investments	560,020	3,702,038	428,047	-	4,304	4,694,409
Derivative financial instrument assets[(1)]	51,716	165,086	25,914	35,860	-	278,576
Loans to the State of Victoria and Participating Authorities[(2)]	40,980,310	-	-	-	-	40,980,310
Total credit risk exposure	**41,810,217**	**6,233,467**	**1,581,114**	**85,722**	**4,318**	**49,714,838**

(1) Reflects the credit exposure of derivative assets. This exposure is mitigated by derivative portfolio netting pursuant to Master Netting Agreements and collateral deposits. At 30 June 2016, TCV held $101.2 million (2015: $68.3 million) in cash deposits pursuant to Credit Support Annexures which provide for the provision of collateral to cover the credit risk arising from net derivative exposures to market counterparties.

(2) Rating reflects the State of Victoria's rating as guarantor.

Ageing analysis of past due but not impaired loans

At 30 June 2016 there were no amounts past due (30 June 2015: nil).

(d) Operational risk

Operational risk is defined as the risk of indirect or direct loss resulting from inadequate or failed internal processes, people and systems or from external events (as adopted by the Basel Committee on Banking Supervision). This definition includes legal risk but excludes strategic and reputational risks.

Operational risk is monitored with incidents documented in a risk and breach register. Significant operational risk incidents are required to be reported to the Board, Prudential Supervisor and DTF.

Note 21 Capital Adequacy

TCV's risk management framework incorporates a risk-based capital adequacy approach as specified in the Prudential Standard. This requirement is based on the principles of the Basel Accord as adopted by APRA for the prudential supervision of the Australian banking sector. Under this requirement, the Corporation is required to hold a minimum capital adequacy ratio of 8% of risk weighted assets. The Corporation aims to maintain a capital ratio of at least 10% of risk weighted assets.

The capital of the Corporation consists of the capital contributed by the State and any residual retained earnings.

	Actual 2016	**Required 2016**	**Actual 2015**	**Required 2015**
	$000	**$000**	**$000**	**$000**
Total capital [(1)]	180,239	68,468	170,231	78,267
Risk weighted assets	855,850	855,850	978,338	978,338
Capital ratio	21.1%	8.0%	17.4%	8.0%

(1) Total capital excludes reserves.

Note 22 Segment Information

TCV is Victoria's central financing authority and operates mainly within the domestic financial markets apart from a portion of funds raised in the international markets. It has a single reportable operating segment. TCV's major customer is the Government of Victoria, its Participating Authorities and other government entities which are considered under common control. All relevant financial information is presented in the notes to the financial statements.

Note 23 Notes Supporting Statement of Cash Flows

(i) Cash flows presented on a net basis

Cash flows arising from operating activities are presented on a net basis in the Statement of Cash Flows.

(ii) Reconciliation of net cash from operating activities to net profit

	2016	**2015**
	$000s	**$000s**
Net profit	41,739	31,731
Depreciation of property, plant and equipment	534	570
Amortisation of intangible assets	437	456
Increase in payables and other liabilities	4,184	8,432
(Increase)/decrease in other financial assets	(113)	51
Increase in provisions	195	266
Decrease in accrued interest receivable	3,960	16,966
Increase/(decrease) in accrued interest payable	1,610	(27,890)
Net unrealised (loss) from financial assets and liabilities	(113,617)	(111,444)
Decrease/(increase) in loans to the State of Victoria (Department of Treasury and Finance)	1,367,190	(1,101,803)
(Increase)/decrease in loans to the Participating Authorities	(75,208)	1,588,807
Decrease/(increase) in investments	109,996	(677,581)
Increase/(decrease) in derivatives	81,764	(63,604)
(Decrease) in borrowings	(292,470)	(575,744)
(Decrease)/increase in deposits from State of Victoria (Department of Treasury and Finance)	(500,820)	45,026
Increase in deposits from other entities	350,052	910,434
Net cash inflow from operating activities	**979,433**	**44,673**

Note 24 Related Party Information

(a) Responsible persons

The following Directors together with the Treasurer, the Honourable Tim Pallas MP, are or have been the responsible persons of TCV during the year:

Rob Hunt AM, Chairman

Cassandra Kelly, Deputy Chairperson (appointed 11 August 2015)

William Whitford, Managing Director

Suzanne Ewart

John Blight

David Martine

Paul Coughlin

John Pearce

TCV Directors have the benefit of indemnities given by the Treasurer of Victoria pursuant to the *Financial Management Act* 1994 and by Victorian Managed Insurance Authority pursuant to the *Victorian Managed Insurance Authority Act* 1996.

(b) Related party transactions

TCV is the central financing authority and financial markets adviser for the State of Victoria. TCV provides treasury services to the State and Participating Authorities. TCV also provides financial advice and analytical services to Participating Authorities, government departments and agencies and other parties at the direction of the Treasurer. Specific disclosures related to the Department of Treasury and Finance (DTF), Victorian Funds Management Corporation (VFMC) and Rural Finance Corporation of Victoria (RFC) are as follows.

David Martine is the Secretary of DTF. Other fees and income includes $8.6 million received from DTF (2015: $8.4 million) for the provision of treasury services. Refer to notes 8 and 12 for loan and deposit balances as at 30 June. All loan and deposit transactions with DTF are priced in accordance with TCV's policies.

In February 2015, TCV entered into a Deed of Indemnity (the Deed) with DTF to indemnify TCV in respect of any expenses, losses, damage, cost or liability incurred in hedging and/or unwinding the State's financial exposures to interest rate swaps subsequently assumed by TCV (the Swaps). The Swaps are due to mature in October 2021 and were associated with the East West Link Project. Under the Deed, TCV agreed to reimburse DTF for any net gain or benefit it receives from managing the swaps on the State's behalf. As instructed by DTF, TCV commenced transacting interest rate futures in February 2015 to hedge the State’s exposure to the Swaps and in June 2015 the Swaps were novated to TCV. The fair value of the Swaps, net profits and costs associated with the related futures and interest charges covered by the State indemnity as at 30 June 2016 totalled $274 million (2015: $217m).

David Martine is also a director of VFMC. VFMC deposits funds with TCV on its own behalf and on behalf of its clients. At 30 June 2016 VFMC had on deposit with TCV $1 million (2015: $1million) on its own behalf and $1,154 million (2015: $1,031 million) on behalf of its clients. All transactions with VFMC are priced in accordance with TCV's policies.

William Whitford was a Director of RFC until 30 June 2016 when, under the *Rural Assistance Schemes Act* 2016, RFC was wound up and its property and rights vested in the Rural Assistance Commissioner. During the year TCV accepted deposits from RFC with all transactions priced in accordance with TCV's policies.

The Australian Accounting Standards Board has made amendments to AASB 124 *Related Party Disclosures* that apply from 1 July 2016. The amendments made to AASB 124 provided clarification of key management personnel (KMP) in the public sector context and this has resulted in the identification of portfolio minister(s) as a KMP and the remaining Cabinet ministers as related parties in respect of for-profit public sector entities. This is a change from previous disclosures.

In relation to the Treasurer and his related parties, based on reasonable enquiries made by management and the information available to the organisation, there were no related party transactions. TCV will fully adopt the revised Standard and any applicable Financial Reporting Directions from 2016-17.

Note 25 Key Management Personnel

Directors

The total compensation paid or payable to Directors for the year is $992,537 (2015: $892,485). These amounts include salary and payments made to superannuation funds on behalf of Directors. In respect of the Managing Director, total compensation is also inclusive of any bonus payment. Amounts relating to ministers are reported in the financial statements of the Department of Premier and Cabinet.

Total compensation	**2016**	**2015**
Income band	**No. of Directors**	**No. of Directors**
$600,000 to $609,999	1	-
$580,000 to $589,999	-	1
$100,000 to $109,999	1	1
$50,000 to $59,999	5	3
$10,000 to $19,999	-	2
$1 to $9,999	-	2
$0 (1)	1	1

(1) David Martine, as an employee of DTF, was not compensated by TCV.

Executive Officers

The following analysis of compensation received or receivable by Executive Officers (excluding the Managing Director) is provided. Executive Officers are those with the delegated authority to manage the Corporation's business activities. Total compensation includes salary, performance bonuses, superannuation, fringe benefits (cars and car parking) and FBT paid by TCV in relation to those benefits. Base compensation is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

	Total compensation		**Base compensation**	
	2016	**2015**	**2016**	**2015**
Income paid	**No. of Executive Officers**	**No. of Executive Officers**	**No. of Executive Officers**	**No. of Executive Officers**
$510,000 to $519,999	-	1	-	-
$450,000 to $459,999	1	-	-	-
$440,000 to $449,999	1	1	-	-
$380,000 to $389,000	-	-	1	-
$370,000 to $379,000	-	-	1	1
$360,000 to $369,999	-	-	-	1
$320,000 to $329,999	2	-	-	-
$310,000 to $319,999	-	2	-	-
$270,000 to $279,999	1	-	1	-
$260,000 to $269,999	-	1	1	2
$230,000 to $239,999	-	-	1	-
$220,000 to $229,999	-	-	-	1
$190,000 to $199,999	1	1	-	-
$160,000 to $169,999	-	-	1	1
Total number of executives	**6**	**6**	**6**	**6**
Total AEE (1)	5.6	5.6	5.6	5.6
Total amount (2)	**$2,017,472**	**$2,052,588**	**$1,700,522**	**$1,669,420**

(1) The total annualised employee equivalent (AEE) provides a measure of full-time equivalent executive officers over the reporting period based on working 38 ordinary hours per week.

(2) Total compensation includes $10,558 of long term benefits, being long service leave (2015: nil).

Note 26 Contingencies

From time to time TCV incurs contingent liabilities as part of its general function to engage in activities relating to the finances of the Victorian public sector, as is prescribed by its enabling legislation and approved by the Treasurer.

State Electricity Commission of Victoria

In order for the State Electricity Commission of Victoria (SECV) to participate in the national electricity market administered by Australian Energy Market Operator Limited (AEMO), a guarantee must be provided to AEMO by an acceptable financial institution. TCV has provided the guarantee expiring on 31 December 2016. TCV undertakes to pay to AEMO on demand any and all amounts to an aggregate amount not exceeding $50 million as at 30 June 2016 ($50 million as at 30 June 2015) as security for the obligations of SECV to AEMO. The guarantee is issued pursuant to section 9(1) of the TCV Act and is approved by the Treasurer. The guarantee is fully supported by an indemnity from the Treasurer of Victoria.

Note 27 Commitments

Lease commitments

Future commitments under non-cancellable operating leases are due:

	2016	2015
	$000s	$000s
Not later than 1 year	516	760
Later than 1 year but not more than 5 years	-	506
	516	**1,266**

Operating lease commitments relate to the Corporation's tenancy at 1 Collins Street Melbourne. The lease expires in 2017 and has an option to extend for a further 4 years. The lease provides for capped Consumer Price Index rental increases.

Other

Capital expenditure commitments as at 30 June 2016 were nil (2015: $0.7 million in respect of computer software).

Note 28 Subsequent Events

On 7 July 2016 Standard & Poor's (S&P) revised the rating outlook on Australia to AAA/Negative from AAA/Stable. S&P do not consider that any state in Australia has the ability to maintain stronger credit characteristics than the sovereign in a stress scenario. As a result, the State of Victoria's and TCV's S&P long term issuer rating is now also AAA/Negative.

Moody's rating for the State of Victoria and TCV remains AAA/stable.

The S&P revised rating outlook has had no material financial effect on TCV.

The Corporation had no other material or significant events occurring after the reporting date.

Certification of Financial Statements

The attached financial statements for Treasury Corporation of Victoria have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act* 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2016 and financial position of Treasury Corporation of Victoria as at 30 June 2016.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 10 August 2016.

Robert Hunt **Chairman** Melbourne Date: 10 August 2016	William Whitford **Managing Director** Melbourne Date: 10 August 2016	Peter Wyatt **Chief Financial Officer** Melbourne Date: 10 August 2016

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000

Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010

Website ww w.audit.vic.go v.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Treasury Corporation of Victoria

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the Treasury Corporation of Victoria which comprises the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, notes comprising a summary of significant accounting policies and other explanatory information, and the certification of financial statements.

The Board Members' Responsibility for the Financial Report

The Board Members of the Treasury Corporation of Victoria are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the Board Members also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditing in the Public Interest

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion:

1. the financial report presents fairly, in all material respects, the financial position of the Treasury Corporation of Victoria as at 30 June 2016 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

MELBOURNE
18 August 2016

Dr Peter Frost
Acting Auditor-General

Auditing in the Public Interest

Appendix 1 – Disclosure Index

The Annual Report of Treasury Corporation of Victoria (TCV) is prepared in accordance with all relevant Victorian legislation and statutory disclosure requirements. This index has been prepared to facilitate identification of TCV's compliance with statutory disclosure requirements.

Victorian Legislation and Pronouncements	Requirement	Page Reference
Financial Reporting Directions		
FRD10A	Disclosure index	62
FRD11A	Disclosure of ex-gratia payments	n/a
FRD21B	Responsible person and executive officer disclosures	56-57
FRD22G	Occupational health and safety	20,22
FRD22G	Manner of establishment and the relevant Ministers	2
FRD22G	Purpose, functions, powers and duties	2
FRD22G	Nature and range of services provided	2-7
FRD22G	Organisational charts	15,18
FRD22G	Key initiatives and projects	3-10
FRD22G	Workforce data	23
FRD22G	Employment and conduct principals	2, 22-24
FRD22G	Occupational health and safety experience	22
FRD22G	Summary of the financial results	5
FRD22G	Significant changes in financial position	n/a
FRD22G	Operational and budgetary objectives	4
FRD22G	Subsequent events	58
FRD22G	Expenditure on consultancies	23
FRD22G	Expenditure on government advertising	n/a
FRD22G	Information and Communications Technology expenditure	23
FRD22G	Application of *Freedom of Information Act* 1982	22
FRD22G	Application and operation of the *Protected Disclosure Act* 2012	24
FRD22G	Statement on National Competition Policy	23
FRD22G	Summary of environmental performance	23-24
FRD25B	Victorian Industry Participation Policy disclosures	23
FRD103F	Non-current physical assets	33
FRD106A	Impairment of assets	33
FRD109A	Intangible assets	33
FRD110A	Cash flow statements	29
2003 Standing Directions		
SD4.2 (a) and (b)	Financial statements	26-29
SD4.2(c)	Accountable officer's declaration	59
SD4.2(d)	Rounding of amounts	30
SD4.2(g)	General information requirements	2-24
SD4.2(j)	Sign off requirements	3
SD4.5.5	Risk attestation	21
Legislation		
Financial Management Act 2004		22

Contact Details

Address	Level 12, 1 Collins Street, Melbourne, Victoria, 3000	
Internet	www.tcv.vic.gov.au	
Email	tcv@tcv.vic.gov.au	
Telephone	+61 3 9651 4800	General
	+61 3 9911 3636	Dealing room
	+61 3 9651 4843	Settlements
Facsimile	+61 3 9651 4880	General
	+61 3 9651 4880	Dealing room
	+61 3 9651 4899	Settlements
Registry of Inscribed Stock	Inscribed stock registries are operated by Computershare Investor Services Pty Ltd, located at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067 Telephone: +61 3 9415 5000 Facsimile: +61 3 9473 2535.	
Government Bonds of Victoria	Freecall number 1800 628 008	
Designated Investment Bonds	For information on Designated Investment Bonds issued under the Australian Department of Immigration and Border Protection, please email tcv@tcv.vic.gov.au or telephone +61 3 9911 3636.	