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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 overall need for financing 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 2015, there were 98 participating authorities (2014: 95) in addition to the budget sector. The services we provide include:

- debt portfolio management
- cash management and deposit products
- interest rate, foreign exchange and commodity risk management
- economic services
- financing policy advice
- a dedicated financing service
- general treasury and financing advice
- analytical services.

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 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 risk that would otherwise reside with the State or its authorities
- retention of expert skills and knowledge to manage these financing risks
- provision of financing advice to the State and its authorities in all their financing arrangements
- adoption of prudent risk management policies and processes in relation to interest rate, refinancing, credit, liquidity, foreign currency, commodity and operational 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 pleased to report that over the 2014-15 Financial Year, TCV has once again met, and in many cases exceeded, our agreed performance targets. Of equal importance however, we believe TCV has been able to continue to add value across our stakeholder base - government, our customers and our community through the proactive provision of expert advice and services.

We achieved these results in an environment where movements in domestic and international monetary policy were, at face value, quite benign. For example, year on year Australia cut its official base rate by only 50 basis points, the US Federal Reserve's rate target was unchanged and the ECB cut its rate by 10 basis points.

These headline movements however didn't reflect the underlying market volatility – outright rates, the shape of the yield curves and basis risks changed frequently throughout the year. Primarily, this was brought about by changing perceptions on the timing of the end of the interest rate cycle and the cessation of Quantitative Easing in the US. This, together with the failure of Australia to quickly make the transition from mining led growth resulted in domestic market volatility.

TCV's own market activity through the year, also at face value, appeared benign. Our budgeted funding requirement at \$5.6 billion was moderate, and the strong fiscal performance of the State meant that our actual funding requirement was considerably less. But again, these headline figures don't reflect the underlying activity required to manage our portfolios.

With portions of our debt portfolio requiring significant reshaping to provide for the State's management of the Port of Melbourne lease proceeds, and the previously discussed volatility in underlying markets, our risk management team were active and able to add value.

The implementation of the State's centralised investment framework was a priority for the Corporation and for the Treasurer. By 30 June we had established new investment relationships with 41 regional and metropolitan based health clients, and received \$323 million in new deposits. This centralising strategy is important, as every dollar of recycled deposit investment is a dollar reduction in the State's gross debt, which in turn supports the State's strong balance sheet and credit rating.

We were also active in assisting the State to manage its exposure to the cancelled East West Link project and the ultimate re-purposing of the project's financing arrangements. At the close of the year, TCV's portfolios contained the hedging transactions to achieve this goal, and TCV was party to the repurposed funding arrangement.

These activities serve to reinforce 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. Regardless of the size of the financing, liquidity management and advisory tasks, TCV must maintain a core capacity in employees, processes and systems, and be ready to leverage that capacity as need arises.

Central to our business model is our ability to do this in a contained cost environment. TCV continues to pursue efficiency initiatives and, over the last 10 years, operational cost increases has been kept, on average, below the CPI. We achieve this through our ongoing Business Effectiveness program which identifies, implements and banks productivity improvements.

In considering our performance, we look at the achievement of our Corporate KPIs, delivery of our business plans, our profitability and dividend, and the non-financial value that we add across the broader TCV community as measures of our contribution to the State. In each of these cases in the 2014-15 year we have at a minimum met, and in many cases exceeded, our forecast deliverables.

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

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

We would also like to thank our clients for their continued and enthusiastic 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 of Directors, a group that has experienced significant transition through the year. In keeping with the State's preference for ongoing Board renewal, we have farewelled three long serving Directors, Ms Sue Carter, Mr Mike Hirst, and Mr Peter Hawkins. Through the years, each of these Directors have provided unconditional support and commitment to TCV and the State and we thank them for their dedication and loyalty.

In their place, we have currently welcomed two new Directors to the Board, Mr Paul Coughlin and Mr John Pearce. Both of these Directors bring with them valuable skills and experience, and we look forward to their contribution and guidance.

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

Finally, our thanks to former Treasurer Michael O'Brien for his support through to the 29 November State election, and Treasurer Tim Pallas and his staff as the newly elected Government for their immediate involvement and support for the Corporation. The pressures on a newly elected Government are immense, yet the Treasurer and his staff took the opportunity to understand and support our business, and this trust and proactive engagement enhances our ability to provide value.

We remain committed to working together with our employees, clients and other 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 2014-15
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 2014-15 financial year, TCV managed market risk within approved limits.
Comply with the Whole of Government Liquidity Policy	Liquidity risk relates to the possibility of financial distress due to the inability to raise funds to meet financial obligations as and when they fall due. TCV's primary measurement of liquidity is that at all times liquid assets cover at least 80% of debt principal and interest obligations for the next twelve months. TCV met this primary measurement consistently during the financial year.
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.
Financial performance targets	TCV's Corporate Plan sets a number of financial performance targets, including: <ul style="list-style-type: none"> • <i>return on Capital and Financial Institution Value Add</i>. TCV recorded a net profit for the financial year of \$A31.731 million, in excess of these targets • <i>to maintain a minimum risk weighted capital ratio of at least 8% and, where practicable, greater than 10%</i>. Through the financial year TCV complied with this requirement, with a minimum recorded ratio of 14.9%
Client satisfaction	TCV measures client satisfaction bi-annually through an independent Client Survey. This survey was undertaken in 2014-15 and produced a client satisfaction rating of 84%.
Employee capability and engagement	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.
OH&S	TCV's Board, Management and Staff Committee maintain a strong focus on the health & safety of our employees. Through the year there were no reportable accidents or incidents at TCV.

Financial Summary 2014-15

Income Summary	2014-15	2013-14	2012-13	2011-12	2010-11
	\$ million	\$ million	\$ million	\$ million	\$ million
Income					
Net gain on financial assets and liabilities designated at fair value through profit and loss	41.2	60.7	67.1	67.0	61.7
Fees and other income	8.6	9.0	8.0	6.5	10.7
Total Income	49.8	69.7	75.1	73.5	72.4
Expenses					
Borrowing related expenses	1.2	1.8	1.9	0.9	1.5
Other operational expenses	16.9	17.3	16.9	17.9	18.3
Total Expenses	18.1	19.1	18.8	18.8	19.8
Net Profit	31.7	50.6	56.3	54.7	52.6
Dividends paid	50.6	56.3	54.7	52.6	36.2
Statement of Financial Position					
	2015	2014	2013	2012	2011
	\$ million	\$ million	\$ million	\$ million	\$ million
Loans to clients	40,980.3	40,838.3	38,874.1	34,568.2	27,462.7
Cash and cash equivalents	3,469.6	3,476.6	2,502.9	3,453.8	4,118.4
Investments	4,694.4	3,897.2	2,693.5	4,684.4	2,815.6
Derivatives	416.6	471.8	733.8	1,554.1	2,176.1
Other assets	296.1	39.0	1,056.2	280.4	370.5
Total Assets	49,857.0	48,722.9	45,860.5	44,540.9	36,943.3
Financed by:					
Domestic Inscribed Stock	35,264.6	34,570.5	32,928.2	28,593.7	23,036.9
Domestic other	6,773.8	7,114.0	4,056.0	5,301.3	2,355.4
Offshore	274.9	448.0	745.4	1,602.0	2,352.8
	42,313.3	42,132.5	37,729.6	35,497.0	27,745.1
Deposits	6,667.7	5,711.9	5,809.7	6,566.8	5,858.5
Derivatives	596.2	494.9	739.3	1,625.8	2,217.3
Other liabilities	107.5	192.5	1,385.0	656.0	931.3
Total Liabilities	49,684.7	48,531.8	45,663.6	44,345.6	36,752.2
Equity	172.3	191.1	196.9	195.3	191.1

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:

TCV Client Website

TCV developed a client website portal 'TCV Online'. This portal provides our clients with individual access to information such as statements, portfolio details, transaction confirmations and advisory pieces, and is a central repository for a rates database, TCV's economic publications, Client Information Booklets and templates.

The portal was rolled out to clients during the year. By streamlining the way we provide services to our clients, the portal improves our business effectiveness.

Water Corporations

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

To assist the water corporations manage the business impact of price setting for their regulatory period, TCV developed benchmarking information that enabled them to assess the performance of their debt portfolio against the ESC debt provisions.

This allows the corporations to better understand and manage the refinancing and interest rate/pricing risks associated with the regulatory framework.

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 2014-15, 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 2014-15, TCV provided a range of treasury advisory services to clients, including Barwon Region Water Corporation, City West Water, Coliban Water, the Department of Treasury and Finance, Melbourne Water Corporation, South East Water Limited, Goulburn-Murray Rural Water, Western Water and Yarra Valley Water Limited.

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. Accordingly, TCV continued to assist the State Electricity Commission of Victoria (SECV) with the requirement to hedge an ongoing exposure to the aluminium price.

In addition, TCV worked with a client in developing a business case and hedging strategy to assist in the management of exposure to diesel fuel prices. It is expected that the hedging strategy will be enacted in 2015-16.

Complying Investments for the Significant Investor Visa

TCV issue Government Bonds of Victoria as Complying Investments under the Department of Immigration and Citizenship's (DIAC) Significant Investor visa stream. The Significant Investor Visa commenced in November 2012. TCV issued a bond to the first successful Significant Investor in April 2013, to an applicant seeking to migrate to Victoria from China.

TCV works closely with the Department of State Development, Business and Innovation on the Significant Investor program, attending forums promoting Victoria to visa applicants seeking to migrate to Australia.

In May 2015 the Commonwealth government announced a change in the eligibility criteria for complying investments from the 1st of July 2015. TCV bonds are no longer considered complying investments. Up until this date TCV had completed 75 SIV investments totalling \$344 million in the 2014-15 year and a total of 127 and \$604 million since the inception of the program.

Project Advisory Services

TCV's Project Advisory Services team 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. This included:

- provision of financial analysis relating to infrastructure projects such as the East West Link, Melbourne Markets Relocation project, Melbourne Exhibition Centre Expansion, and the Victorian Desalination project refinancing
- liaison with DTF Partnerships Victoria group on the Public Private Partnership (PPP) procurement transactions for the Ravenhall Prison and New Schools PPP project
- advice on PPP interest rate risk management in relation to whole of government interest rate risk management policies and frameworks.

Contract Management of Partnerships Victoria Projects

TCV offers assistance to departments and agencies in the 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 2014-15 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).

In addition, TCV provided analyses on the Victorian Comprehensive Cancer Centre project which is due to open in 2016, the Hopkins Correctional Centre Project (formerly Ararat Prison) and a contract extension to the Mobile Data Network for the Emergency Services Telecommunications Authority.

East West Link Project

TCV provided financial advice to DTF in relation to the unwind of the financing arrangements of the East West Link Project including the debt repurposing and hedging/novation of the State's swap positions.

TCV was involved in the negotiation and provision of a debt re-purposing solution and facilitated the novation and termination of the project co interest rate swap transactions.

Ravenhall Prison Project

In May 2012, the State announced the procurement of the Ravenhall Prison project was to be delivered under the Partnerships Victoria framework and TCV was engaged by the Department of Justice and Regulation as a specialist financing advisor for the project.

In 2014-15, TCV completed our engagement including providing DTF and the Department of Justice and Regulation with assistance in the final evaluation of the financing arrangements as well as assisting with the Financial Close processes (interest rate swap and option price benchmarking).

Melbourne Exhibition Centre Expansion

During 2014-15 TCV was engaged by the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) 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, Melbourne Convention and Exhibition Trust and Plenary Group.

TCV provided financial modelling support to the project team and their commercial advisors in developing the financial model and Public Sector Comparator for the project. In addition TCV attended a range of meetings with key stakeholders throughout the business case financial model development.

Victorian Desalination Project

TCV assisted the Department of Environment, Land, Water and Planning (DELWP) with tracking credit margins and fees on Australian issues of US Private Placements, Australian Medium Term Notes and bank debt in the lead up to a refinancing of a 3-year tranche of the Project's financing structure.

Business Case Development

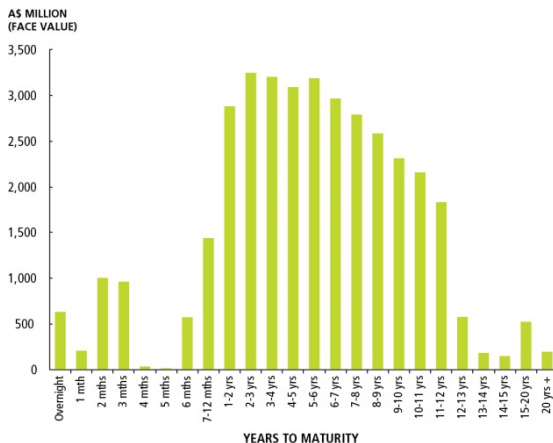
TCV offers financial modelling and business case development services to departments and agencies. In addition TCV supports DTF's Gateway Review Process.

In 2014-15, TCV provided financial modelling services for the Department of Economic Development, Jobs, Transport and Resources (Melbourne Exhibition Centre Expansion) as well as providing support for Gateway Reviews on County Court (Gate 2 Business Case – ICT Case Management System and Judicial Resources) and provided a secondment to Queensland Treasury for Queens Wharf Brisbane (Gate 4 – Investment Decision).

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 2015, 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 2015, 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.

2014-15 Funding Activity

Long term funding programs

Activities in our long term benchmark bond program concentrated on lengthening into longer term maturities, while reducing shorter term bond maturities.

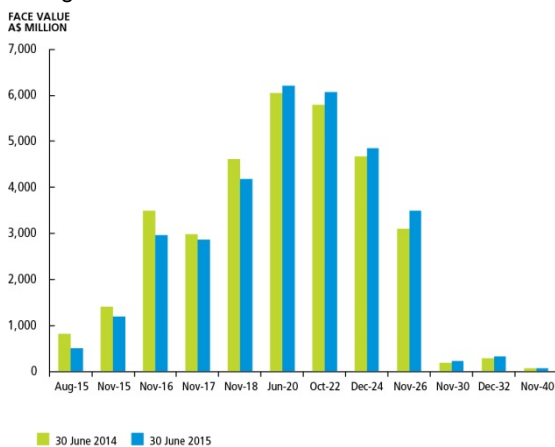
As at 30 June 2015, Domestic Benchmark Bond Outstandings were as follows:

Maturity	Face Value Outstandings (\$A million)	Face Value Change (\$A million)
5.75% 15/11/2016	2,959.6	-542.5
3.50% 17/11/2017	2,876.4	-109.4
5.50% 15/11/2018	4,176.2	-447.0
6.00% 15/06/2020	6,201.0	+154.1
6.00% 17/10/2022	6,079.3	+276.5
5.50% 17/12/2024	4,853.1	+174.6
5.50% 17/11/2026	3,506.0	+405.0
Total	30,651.6	-88.9

In addition to our benchmark lines, TCV has \$A2,560 million (face value) in non-benchmark lines:

- \$509 million 8.00% 17 August 2015 Fixed Rate
- \$1,204 million 2.75% 10 November 2015 Fixed Rate
- \$239 million 4.75% 20 November 2030 Fixed Rate
- \$333 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

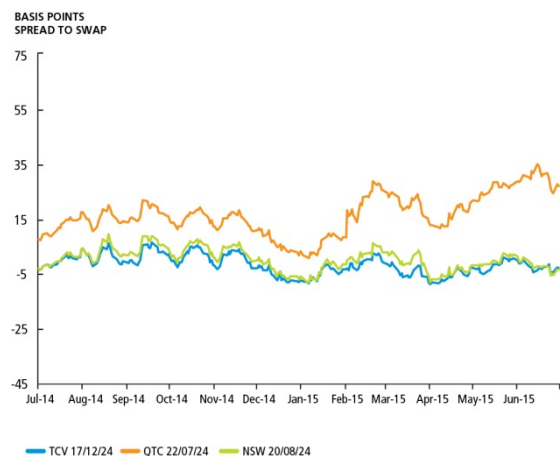
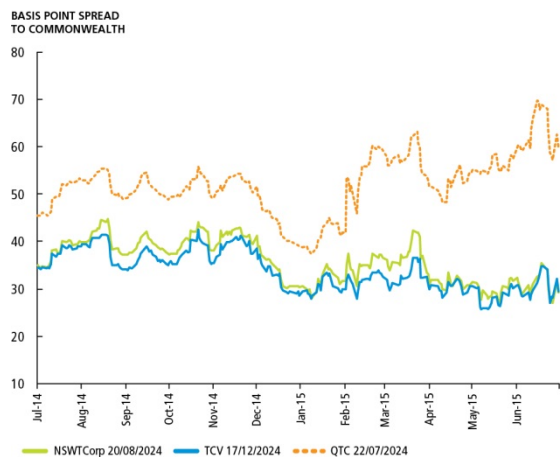
In 2014-15, the majority of our new money fund raising activities were concentrated in our short term programs, consistent with our announced funding strategy for the 2014-15 year.

Outstandings within the Domestic Commercial Paper program increased by \$A1,433 million to \$A2,644 million as at year end, while outstandings within the ECP program decreased by \$A144 million to \$A25 million.

Cost of Funds

Through the year, Victoria's relative cost of funds remained the lowest cost of funds of all of the Australian States.

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



Future Funding Strategy

The expected completion of the medium term lease of the Port of Melbourne operations in 2015-16 will significantly influence the funding strategy for the year.

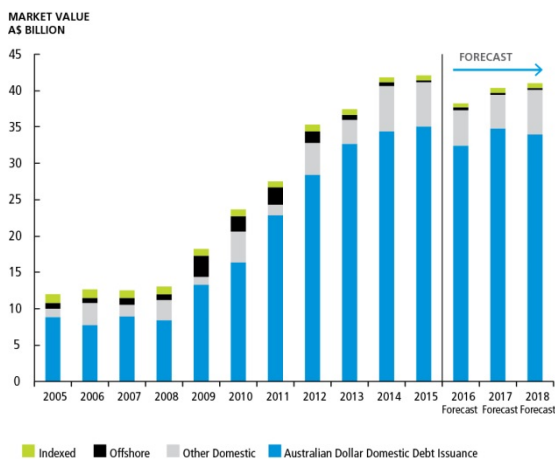
As a result of the Port of Melbourne lease, net debt levels in the General Government sector will reduce by approximately \$5.5 billion in 2015-16. New money and refinancing activity for the Participating Authorities will total around \$1.9 billion.

The 2015-16 long term funding requirement of \$1.9 billion will be predominantly funded through the Domestic Benchmark Bond program. While TCV has traditionally sought opportunities to extend the duration of our debt maturity profile, it is unlikely that a new benchmark bond line will be issued in 2015-16.

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 2015-16 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: 31 December 2015

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 enterprises on behalf of BEN and is passionate about the capacity of local Australian communities to contribute to improved local, state and national economic outcomes. He is also Director of Beut Property Pty Ltd..

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

- Director (Chairman) - Bendigo Community Telco Limited
- Director - Community Sector Enterprises Pty Ltd
- Director - Community Sector Banking Pty Ltd
- Director - Apollo Bay & District Community Enterprises Limited
- Director - Beut Property Pty Ltd.

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, 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 also held the following appointments during the year:

- Director, Peter MacCallum Cancer Institute
- Chair, Box Hill Institute
- 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.

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:

- Chair of the Audit Committee of Ambulance Victoria.

Susan Carter, BA (Hons), Grad Dip (App Fin & Invest), MAppSci, ACA, FAICD

First appointed: 1 February 2005
Retired: 10 August 2014

Ms Carter retired from the Board on 10 August 2014 on completion of her third term as a TCV Director.

Ms Carter held the following appointments during the year:

- Compliance Committee Chairman, BlackRock Investment Management (Australia)
- Director, ANZ Staff Superannuation (Australia) Pty Limited
- Director, Horticulture Australia Limited
- Director, Australian Psychological Society Limited
- Director, Health Super Financial Services
- Director, First State Super Trustee.

Michael Hirst, BCom

First appointed: 4 September 2002
Retired: 3 September 2014

Mr Hirst retired from the Board on 3 September 2014 on completion of his third term as a TCV Director.

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

- Director, Rural Bank Limited
- Councillor of Australian Bankers Association
- Member of Business Council of Australia
- Member of Financial Sector Advisory Council.

John Blight, FCA, FFIN, BBus

First appointed: 6 March 2012
Appointment expired: 16 June 2015

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

During the year, Mr Blight also held the following appointments:

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

Peter Hawkins, BCA (Hons), FAICD, SSFin, FAIM, ACA (NZ)

First appointed: 1 May 2006
Retired: 12 June 2015

Mr Hawkins retired from the Board on 12 June 2015 on completion of his third term as a TCV Director.

During the year, Mr Hawkins also held the following appointments:

- Director, Westpac Banking Corporation
- Director, Mirvac Limited Group
- Director, Liberty Financial Pty Limited
- Director, Clayton Utz
- Director, Murray Goulburn Co-Operative Co. Limited.

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
- Michael Hirst
- Susan Carter
- John Blight
- Peter Hawkins.

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* 2006 (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 2015.

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 was chaired by Ms Susan Carter and after her retirement, 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 14 - 30 June 15

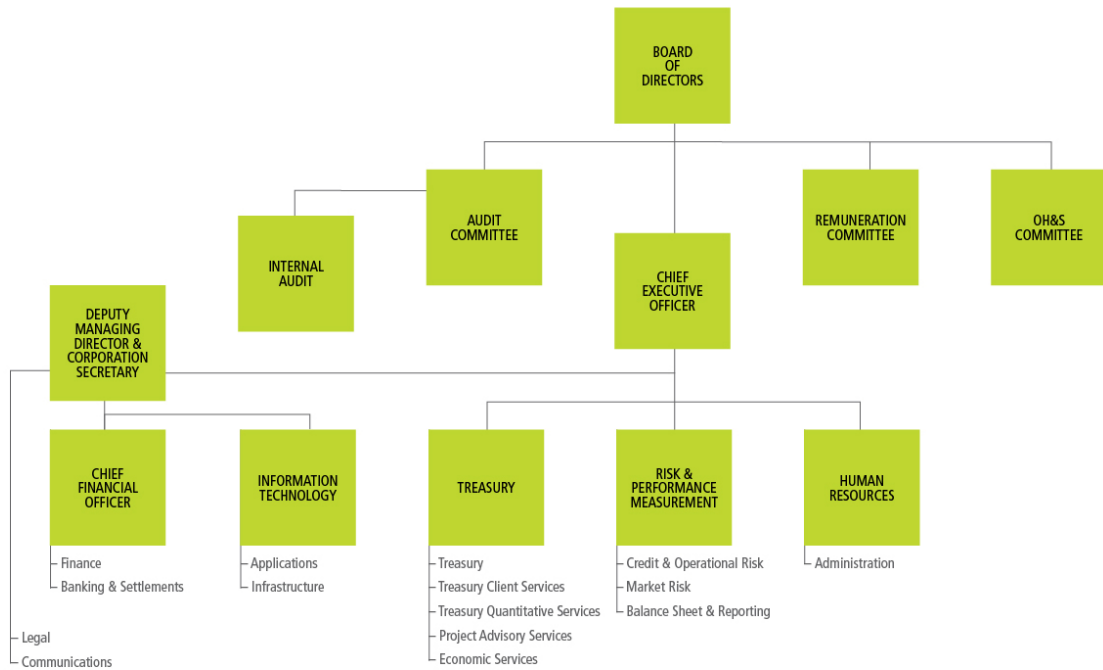
	Board		Audit		Remuneration		Occupational Health & Safety	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
R Hunt	9	9	4	4	3	3	2	2
W Whitford	9	9	4	4	3	3	2	2
S Ewart	9	9	4	4	3	3	2	2
D Martine	9	8	4	4	3	3	2	2
P Coughlin ⁵	2	2	1	1	1	1	1	1
J Pearce ⁶	2	1	1	1	1	1	1	1
P Hawkins ⁴	9	7	4	4	3	2	2	2
M Hirst ¹	2	2	1	0	2	2	0	0
S Carter ²	1	1	1	1	1	1	0	0
J Blight ³	9	8	4	3	3	3	2	1

Notes:

1. Mr Hirst retired from the Board 3 September 2014
2. Ms Carter retired from the Board 10 August 2014
3. Mr Blights term expired 16 June 2015
4. Mr Hawkins retired from the Board 12 June 2015
5. Mr Coughlin was appointed to the Board 14 April 2014
6. Mr Pearce was appointed to the Board 14 April 2014, and was unavailable for the meeting of 22 April due to commitments made prior to his appointment

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, the Deputy Chairman of the Market Governance Committee of the Australian Financial Markets Association, and a non-executive Director of the Rural Finance Corporation Victoria.

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.

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). 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, is involved with Leadership Victoria and until recently, was Deputy Chair of the Financial Markets Remunerations group (FIRG).

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 Practising Accountant, a Senior Associate of the Financial Services Institute of Australasia and a Graduate Member of the Australian Institute of Company Directors.

Warren Murray

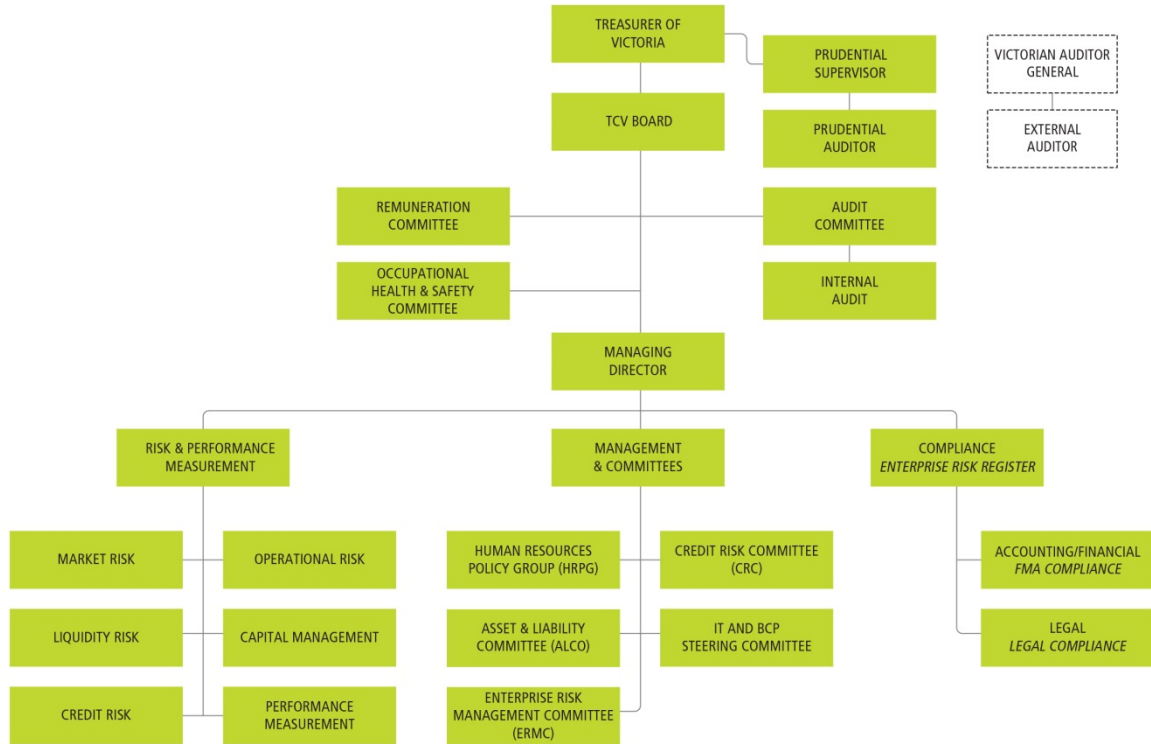
General Manager, Information Technology

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 has been developed 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. This is supported by a set of comprehensive interest rate risk management policies that clearly identify delegations, responsibilities and authorities.

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 on each day has to comply with the Whole of State Liquidity Policy, effectively exceeding 80% each day
- limits are set against daily net and cumulative cash flows to manage short-term liquidity exposures during normal operating liquidity conditions
- balance sheet mismatches and sources of funding are monitored to be within acceptable parameters to ensure diversification of sources and maturities
- a liquidity crisis action plan is reviewed and updated periodically.

In addition, liquidity is assessed periodically against liquidity stress test simulations.

Investment liquidity risk relates to the risk that TCV may not be able to dispose of an investment when required at fair value because of a lack of market liquidity. To manage this, TCV investments are of high quality and have to satisfy certain criteria about their market liquidity.

Credit Risk

At TCV, credit risk arising from loans to participating authorities (state entities) 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 comprehensive

credit risk management framework covers management of credit risk and has set conservative limits both in terms of the quality and amount of credit exposure TCV can hold, based on external credit ratings and in-house credit analysis. Generally, TCV 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 must be approved by the Board or the Managing Director (under powers delegated by the Board). Management actively monitors credit exposures both in terms of internally set limits as well as in terms of credit quality changes.

TCV has implemented bilateral Credit Support Annexes (CSAs) with derivative counterparties consistent with leading market practice. TCV Management follows developments of centralised clearing requirements of OTC Derivatives in order to maintain access to markets at commercial levels whilst delivering interest risk management outcomes in support of the core borrowing requirements of the State.

The table over the page 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 2015.

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	16	84	Victorian Public Authorities	16	84
AAA		1	Aaa		
AA+		2	Aa1		3
AA		1	Aa2	68	9
AA-	68	10	Aa3		1
A+		2	A1	7	2
A	7		A2		
A-			A3	9	
BBB+	9				
Not rated by S&P but rated at least Aaa by Moody's			Not rated by Moody's but rated at least AAA 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'.

During the year, TCV updated its approach to Enterprise Wide Risk Management, which resulted in a more integrated approach to risk identification (risk register), risk measurement (risk self-assessments) and risk mitigation and reporting (operational/incident reporting). A new Risk Management Policy was also developed to embed the Enterprise Risk Framework into TCV's operations.

As a consequence, Operational Risk Committee mandate was integrated with a newly formed Enterprise Risk Management Committee. This Committee meets at least quarterly to address operational risk management issues and to review 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 commissions an annual penetration test of its internet and firewall arrangements, ensuring 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 2014-15
- 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 2015:

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
Chairman



William (Bill) Whitford
Managing Director

12 August 2015

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 22F (FRD22F) 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 FRD22F, 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 2014-15, 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 2014-15, 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* (AML/CTF Act). TCV has designated an 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 2015, TCV employed 46.66 full-time equivalent (FTE) employees (2014: 48.65 FTE).

Consultants

Pursuant to FRD 22F *Standard Disclosures in the Report of Operations*, TCV is required to provide various disclosures in respect of consultancy engagements. During 2014-15 however, no consultants were employed.

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 7% (measured by Total KWh/FTE) over 2010 levels
- obtained a (self-rated) NABERS rating of 5 stars for the TCV tenancy and 5.5 stars for the computer server room
- undertaken a waste audit which showed that enhanced recycling programs have resulted in a 52% landfill reduction and a 20% increase in recycling rates since March 2009
- completed our upgrade of computer equipment to more energy efficient models, continued our computer server virtualisation program and investigated improving our lighting efficiency to be undertaken over the next 12 months
- continued our green purchasing and disposal policies including recycling all surplus electronic equipment, and environmental considerations in purchasing decisions.

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.

Treasury Corporation of Victoria (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 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 2015

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Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	2015 \$000s	2014 \$000s
Net gain on financial assets and liabilities at fair value through profit and loss	2	41,167	60,677
Other fees and income		8,658	9,010
		49,825	69,687
Borrowing related expenses	3	1,242	1,809
Other operational expenses	3	16,852	17,324
		18,094	19,133
Net Profit		31,731	50,554
Total Comprehensive Income		31,731	50,554

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

Statement of Financial Position

As at 30 June 2015

	Note	2015 \$000s	2014 \$000s
Assets			
Cash and cash equivalents	4	3,469,564	3,476,597
Receivables and other assets	5	293,010	36,119
Investments	6	4,694,409	3,897,177
Derivative financial instruments	7	416,560	471,763
Loans to the State of Victoria and Participating Authorities	8	40,980,310	40,838,301
Property, plant and equipment	9	2,204	2,192
Intangible assets	10	904	790
Total assets		49,856,961	48,722,939
Liabilities			
Payables and other liabilities	11	104,919	190,218
Deposits	12	6,667,682	5,711,910
Derivative financial instruments	7	596,186	494,860
Interest bearing liabilities – domestic	13	42,038,465	41,684,497
Interest bearing liabilities – offshore	14	274,880	448,068
Provisions	15	2,539	2,273
Total liabilities		49,684,671	48,531,826
Net assets		172,290	191,113
Equity			
Contributed equity		30,000	30,000
Reserves	16	2,059	2,059
Retained earnings		140,231	159,054
Total equity		172,290	191,113

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

Statement of Changes in Equity

For the year ended 30 June 2015

	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

	Note	Contributed Equity \$000s	Revaluation Reserve \$000s	Retained Earnings \$000s	Total \$000s
As at 1 July 2013		30,000	2,059	164,792	196,851
Net profit for the period		-	-	50,554	50,554
Dividend paid	16	-	-	(56,292)	(56,292)
As at 30 June 2014		30,000	2,059	159,054	191,113

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

Statement of Cash Flows

For the year ended 30 June 2015

	Note	2015 \$000s	2014 \$000s
Cash flows from operating activities			
Interest received from the State of Victoria and Participating Authorities		1,845,115	1,886,358
Interest received on investments and cash		145,019	169,010
Interest paid on borrowings and deposits		(2,069,493)	(2,117,259)
Interest received/(paid) on derivatives		7,022	(4,452)
Fees received		8,685	8,952
Cash paid to suppliers and employees		(17,210)	(17,293)
Increase in loans to the State of Victoria (Department of Treasury and Finance)		(1,101,803)	(1,558,899)
Decrease/(increase) in loans to Participating Authorities		1,588,807	(217,039)
Purchase of investments		(677,581)	(968,732)
(Decrease)/increase in derivatives		(63,604)	44,280
(Decrease)/increase in borrowings		(575,744)	3,901,073
Increase in deposits from the State of Victoria (Department of Treasury and Finance)		45,026	20,794
Increase/(decrease) in deposits from other entities		910,434	(116,245)
Net cash inflow from operating activities	23	44,673	1,030,548
Cash flows from investing activities			
Payments for property, plant and equipment		(582)	(208)
Payments for intangible assets		(570)	(304)
Net cash (outflow) from investing activities		(1,152)	(512)
Cash flows from financing activities			
Dividend paid		(50,554)	(56,292)
Net cash outflow from financing activities		(50,554)	(56,292)
Net (decrease)/increase in cash and cash equivalents		(7,033)	973,744
Cash and cash equivalents at beginning of year		3,476,597	2,502,853
Cash and cash equivalents at end of year	4	3,469,564	3,476,597

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 12 August 2015. 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

This report is a general-purpose financial report, prepared in accordance with Australian Accounting Standards including Interpretations, the requirements of the *Financial Management Act 1994*, including Standing Direction 4.2 and applicable Financial Reporting Directions, 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 and fixed assets, which have been revalued.

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

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

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 determination of fair value for financial instruments that cannot be sourced from active markets are 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 has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2014:

- AASB 2013-9 *Amendments to Australian Accounting Standards (Parts A and B)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Parts A to C)*

The adoption of the above mentioned standards did not result in any changes to accounting policies or adjustments to the amounts recognised in the financial statements.

Note 1 Summary of Significant Accounting Policies (cont.)

(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 2015 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 determines to adopt hedge accounting using the new rules which are set to align hedge accounting more closely with risk management practices by introducing more principle-based approach. Management has not yet assessed the impact of the adoption of the new standard.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers 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 - so the notion of control replaces the existing notion of risk and rewards. The Standard is not applicable until periods beginning on or after 1 January 2017 and is not expected to 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 Bonds or other issues, rating agency fees, clearing fees, registry fees and bank charges.

(h) Operating Leases

The minimum lease payments relating to TCV's premises, an operating lease, are recognised as an expense on a straight line basis. An incentive received in respect of the lease renewal is recorded as a liability and amortised as a reduction in rental expense on a straight-line basis over the term 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 and 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 (the 'day one' profit or loss) determined 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 which time the remaining amount is brought to account.

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, 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, in general, depreciated over five to eight years (2014: five to eight years), except for computer hardware which is depreciated over the estimated useful life of three to five years (2014: three 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 stated at fair value, which is taken to be cost less accumulated amortisation and impairment.

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 years (2014: 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, when it is probable that an expense will be incurred and a reliable estimate can be made of the amount of the expenditure.

(s) Employee benefits

Salaries

The liability for salaries, including non-monetary benefits, is 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

	2015	2014
	\$000s	\$000s
Financial assets designated at fair value through profit and loss		
Interest income on cash assets and investments	238,733	207,834
Interest income on loans to the Victorian Government and Participating Authorities	1,833,184	1,905,420
	2,071,917	2,113,254
Realised and unrealised market movements of financial assets	780,668	980,676
Net gain on financial assets designated at fair value through profit and loss	2,852,585	3,093,930
Financial liabilities designated at fair value through profit and loss		
Interest expense on borrowings	(1,997,381)	(2,102,727)
Realised and unrealised market movements of financial liabilities	(809,320)	(945,960)
Net loss on financial liabilities designated at fair value through profit and loss	(2,806,701)	(3,048,687)
Net (loss)/gain on derivatives	(4,717)	15,434
Net gain on financial assets and liabilities at fair value through profit and loss	41,167	60,677

Note 3 Expense Items

	2015	2014
	\$000s	\$000s
Borrowing related expenses		
Syndication fees	-	654
Rating agency fees	499	486
Clearing fees	473	453
Other fees and charges	270	216
	1,242	1,809
Other operational expenses		
Salaries and other direct employee expenses		
- Salaries, wages and entitlements	8,528	8,430
- Defined contribution superannuation contributions	629	603
- Employee related taxes	434	432
Information technology	1,893	1,722
Professional services		
- Victorian Auditor-General's fees in relation to the audit of the TCV financial statements for the year ended 30 June ⁽¹⁾	324	316
- Prudential supervision fee	112	107
- Other professional service fees	740	795
Market information services	1,190	1,117
Depreciation of property, plant and equipment	570	629
Amortisation of intangible assets	456	1,072
Premises		
- Operating lease rental payments	695	678
- Other occupancy costs	199	208
Advertising, promotion and related travel	321	402
Insurance	288	292
Other operating expenses	473	521
	16,852	17,324

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

Note 4 Cash and Cash Equivalents

	2015	2014
	\$000s	\$000s
Current:		
Cash at bank and on hand	52,799	23,963
Deposits with futures clearing house	23,735	941
Deposits with financial institutions	1,162,467	1,039,739
Short term discounted securities	2,230,563	1,321,984
Secured cash lending ⁽¹⁾	-	1,089,970
Total Cash and Cash Equivalents	3,469,564	3,476,597

⁽¹⁾ The fair value of securities purchased under reverse repurchase agreements was \$nil (2014: \$1.1 billion). These securities were not recognised in the Statement of Financial Position (refer Note 1(m)).

Note 5 Receivables and Other Assets

	2015	2014
	\$000s	\$000s
Current:		
Unsettled trades - receivable (refer Note 1(j))	73,794	34,213
Right of demand pursuant to a Deed of Indemnity (refer Note 24(b))	217,363	-
Other financial assets	821	854
Prepayments	1,032	1,052
Total Receivables and Other Assets	293,010	36,119

Note 6 Investments

	2015	2014
	\$000s	\$000s
Floating rate securities	929,626	794,843
Short term discounted securities	1,964,888	1,131,819
Fixed interest securities	1,507,521	1,661,106
Treasurer guaranteed investments ⁽¹⁾		
- Melbourne Cricket Club	258,235	269,739
- St. Vincent's Hospital (Melbourne) Limited	16,585	22,784
- The Australian Ballet	10,627	10,159
- School co-operatives	6,927	6,727
Total Investments	4,694,409	3,897,177
Maturity in 12 months or less	2,285,701	1,367,457
Maturity in more than 12 months	2,408,708	2,529,720
Total Investments	4,694,409	3,897,177

⁽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 financial instruments such as exchange traded futures and options, forward rate agreements, swaps and forward foreign exchange contracts to manage the interest rate and currency risk inherent in the borrowing and asset management activities of the Corporation.

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

	2015 \$000s	2014 \$000s
Derivative Financial Instrument Assets		
Interest rate swaps	238,721	183,436
Cross currency swaps	115,157	108,764
Forward foreign exchange contracts	39,653	7,178
Exchange traded futures ⁽¹⁾	8,350	543
FX swap position receivable	14,570	170,051
Aluminium OTC options	109	1,791
Total Derivative Asset	416,560	471,763
Maturity in 12 months or less	32,155	180,210
Maturity in more than 12 months	384,405	291,553
Total Derivative Asset	416,560	471,763
Derivative Financial Instrument Liabilities		
Interest rate swaps ⁽¹⁾	402,754	188,050
Cross currency swaps	138,553	125,385
Forward foreign exchange contracts	39,653	7,128
Forward rate agreements	-	-
Exchange traded futures	638	86
FX swap position payable	14,479	172,420
Aluminium OTC options	109	1,791
Total Derivative Liability	596,186	494,860
Maturity in 12 months or less	28,297	185,619
Maturity in more than 12 months	567,889	309,241
Total Derivative Liability	596,186	494,860

⁽¹⁾ 2015 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 Treasurer of 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:

	2015	2014
	\$000s	\$000s
Overnight and short term cash	633,036	1,110,662
Short term discounted loans	-	25,434
Floating rate loans	797,079	970,720
Fixed interest loans	39,183,609	38,364,036
Index linked loans	366,586	367,449
Total Loans to the State of Victoria and Participating Authorities	40,980,310	40,838,301
Maturity in 12 months or less	4,960,794	3,991,130
Maturity in more than 12 months	36,019,516	36,847,171
Total Loans to the State of Victoria and Participating Authorities	40,980,310	40,838,301
State of Victoria (Department of Treasury and Finance)	28,823,222	27,234,216
Participating Authorities	12,157,088	13,604,085
Total Loans to the State of Victoria and Participating Authorities	40,980,310	40,838,301

The above loans are shown at fair value inclusive of unsettled loans. This disclosure may differ from the disclosure by State of Victoria and individual Participating Authorities depending on their accounting basis.

Note 9 Property, Plant and Equipment

	2015	2014
	\$000s	\$000s
Opening balance	4,414	4,007
Accumulated depreciation	(2,210)	(1,815)
Closing balance	2,204	2,192
Reconciliation		
Opening balance	2,192	2,613
Acquisitions	646	364
Disposals	(64)	(156)
Depreciation expense	(570)	(629)
Closing balance	2,204	2,192

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

	2015	2014
	\$000s	\$000s
Computer software at cost	7,862	7,292
Accumulated amortisation	(6,958)	(6,502)
Closing balance	904	790
Reconciliation		
Opening balance	790	1,502
Acquisitions	570	360
Amortisation expense	(456)	(1,072)
Closing balance	904	790

Note 11 Payables and Other Liabilities

	2015	2014
	\$000s	\$000s
Unsettled trades - payable (refer Note 1(j))	88,340	182,071
Other financial liabilities	11,298	2,818
Net deferred 'day one' profit	2,260	1,988
Other	3,021	3,341
Total payables and other liabilities	104,919	190,218

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

	2015	2014
	\$000s	\$000s
Opening balance	1,988	1,938
Net 'day one' profit derived during the financial year	387	121
Amortisation of the deferred profit or loss during the period	(115)	(71)
Net deferred 'day one' profit	2,260	1,988

Note 12 Deposits

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

	2015	2014
	\$000s	\$000s
Cash deposits	4,284,829	3,506,135
Term deposits	2,382,853	2,205,775
Total Deposits	6,667,682	5,711,910
Maturity in 12 months or less	6,653,881	5,693,810
Maturity in more than 12 months	13,801	18,100
Total Deposits	6,667,682	5,711,910
State of Victoria (Department of Treasury and Finance)	2,080,313	1,871,119
Participating Authorities	2,633,733	1,777,285
Public sector entities	1,953,175	2,063,064
Other	461	442
Total Deposits	6,667,682	5,711,910

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.

	2015	2014
	\$000s	\$000s
Benchmark Programs		
Domestic Benchmark Bonds ⁽¹⁾	35,264,567	34,570,450
TCV Promissory Notes ⁽²⁾	2,630,292	1,198,266
Total Benchmark Programs	37,894,859	35,768,716
Domestic Borrowings – Other		
TCV fixed interest	3,372,877	4,847,102
Indexed linked securities	698,036	755,461
Payables to market participants	72,643	41,935
Commonwealth Government loans	50	61
TCV floating interest	-	271,222
Total Domestic Borrowings - Other	4,143,606	5,915,781
Total Domestic Borrowings	42,038,465	41,684,497
Maturity in 12 months or less	4,493,805	2,947,455
Maturity in more than 12 months	37,544,660	38,737,042
Total Domestic Borrowings	42,038,465	41,684,497

⁽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(a)).

	2015	2014
	\$000s	\$000s
Euro Commercial Paper	24,453	168,427
Euro Medium Term Notes	250,427	279,641
Total Offshore Borrowings	274,880	448,068
Maturity in 12 months or less	24,453	168,427
Maturity in more than 12 months	250,427	279,641
Total Offshore Borrowings	274,880	448,068

Under the AUD5 billion multi-currency Euro Commercial Paper Program, TCV has issued Euro Commercial Paper. The 2015 liability balance includes face value of SGD15 million and AUD10 million (2014: USD145 million and CHF12 million).

Under the USD 3 billion Euro Medium Term Note Program, TCV has issued Medium Term Notes. The 2015 liability balance comprises face value of AUD207 million (2014: AUD269 million) and JPY7.5 billion (2014: JPY7.5 billion).

Note 15 Provisions

	2015	2014
	\$000s	\$000s
Employee Long Service Leave Entitlements		
Current: Unconditional entitlements expected to be settled within 12 months	192	170
Current: Unconditional entitlements expected to be settled after 12 months	1,725	1,528
Non-current conditional entitlements	180	158
Employee Annual Leave Entitlements		
Current: Unconditional entitlements expected to be settled within 12 months	370	342
Current: Unconditional entitlements expected to be settled after 12 months	72	75
Total Provisions	2,539	2,273

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 2015, no dividend in respect of the year ended 30 June 2015 (2014: \$nil) has been provided for in the accounts of TCV. In respect of the prior year's surplus, a dividend of \$50.6 million (2014: \$56.3 million) was declared and paid after the relevant reporting date.

Reserves

	2015	2014
	\$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 determination of fair value for financial instruments that cannot be sourced from active markets are 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 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 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, and fair value is assumed to equate to the amount demanded. 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 curve¹, and a similar instrument the fair value of which reflects a yield reflecting the AUD swap curve adjusted for credit risk and recent pricing evidence. The later instrument was previously valued using an average yield supported by multiple quotes from market participants. However the number of providers significantly diminished and movements in the average yield became unjustifiably volatile. Had the previous methodology be used at 30 June 2015, the value of the asset would have been \$0.7 million higher.

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, until 17 November 2026 (2014: 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 using standard market conventions utilising relevant swap curves and reflects cross currency and single currency basis adjustments.

The fair value of aluminium over-the-counter options is determined by reference to the average valuation provided by counterparties who are London Metal Exchange brokers Category 1 and 2.

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 are valued using quoted yields.

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. All the financial instruments are measured on a recurring basis.

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

	Level 1 (quoted prices in active markets) \$000s	Level 2 (inputs other than quoted prices) \$000s	Level 3 (unobservable inputs) \$000s	Total \$000s
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
Derivative financial instruments ⁽²⁾	40,291	555,786	109	596,186
Deposits from public sector	4,284,829	2,382,853	-	6,667,682
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
2014				
Assets				
Cash and cash equivalents	2,154,613	1,321,984	-	3,476,597
Receivables and other financial assets ⁽¹⁾	-	35,067	-	35,067
Investments				
Floating rate securities	650,874	143,969	-	794,843
Short term discounted securities	-	1,131,819	-	1,131,819
Fixed interest securities	1,304,221	150,134	206,751	1,661,106
Treasurer guaranteed investments	-	272,218	37,191	309,409
Derivative financial instruments ⁽²⁾	7,721	462,251	1,791	471,763
Loans to the State of Victoria and Participating Authorities ⁽³⁾	1,110,662	39,727,639	-	40,838,301
	5,228,091	43,245,081	245,733	48,718,905
Liabilities				
Payables and other financial liabilities ⁽¹⁾	-	184,889	-	184,889
Derivative financial instruments ⁽²⁾	7,214	485,855	1,791	494,860
Deposits from public sector	3,506,135	2,205,775	-	5,711,910
Interest bearing liabilities – domestic	34,716,111	6,968,386	-	41,684,497
Interest bearing liabilities – offshore	-	448,068	-	448,068
	38,229,460	10,292,973	1,791	48,524,224

⁽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:

	2015	2014
	\$000s	\$000s
Assets		
Fixed interest securities	201,703	206,751
Treasurer guaranteed investments	25,928	37,191
Derivative financial instruments	109	1,791
	227,740	245,733
Liabilities		
Derivative financial instruments	109	1,791
	109	1,791

The fixed interest securities are structured securities with fair value determined from a yield reflecting swap rates, credit spreads and recent pricing evidence. In the prior year, yield quotes from market makers were utilised.

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

The derivative financial instruments are aluminium over-the-counter options with fair value determined by reference to the average valuation provided by counterparties who are London Metal Exchange brokers Category 1 and 2.

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	Transfers to Level 3	Total gains or (losses) ⁽¹⁾	Purchases/ (Sales)	Settlements ⁽²⁾	Closing balance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
2015						
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)
	Opening balance	Transfers to Level 3	Total gains or (losses) ⁽¹⁾	Purchases/ (Sales)	Settlements ⁽²⁾	Closing balance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
2014						
Assets						
Investments						
- Fixed interest securities	-	202,738	2,352	2,000	(339)	206,751
- Treasurer guaranteed investments	46,611	-	(710)	-	(8,710)	37,191
Derivative financial instruments						
- Aluminium OTC options	4,723	-	(2,932)	-	-	1,791
	51,334	202,738	(1,290)	2,000	(9,049)	245,733
Liabilities						
Derivative financial instruments						
- Aluminium OTC options	(4,723)	-	2,932	-	-	(1,791)
	(4,723)	-	2,932	-	-	(1,791)

(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

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 were no transfers occurring during 2015.

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.

Alternative valuations for the Treasury guaranteed investments were determined by applying a +50/-20 basis point (2014:+10/-10 basis point) adjustment to the curve used to value the instruments. Had the Corporation utilised alternative valuation assumptions, the total fair value of all these indexed investments could increase by \$0.06 million (2014: \$0.06 million) or reduce by \$0.15 million (2014: \$0.06 million). This range is not significant to the value of assets and liabilities at the reporting date.

The alternative valuations for fixed interest securities were determined by applying a 10 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 \$0.82 million (2014: \$0.75 million) or reduce it by \$0.81 million (2014: \$0.74 million). This range is not significant to the value of assets and liabilities at the reporting date.

The aluminium OTC options are 'back-to-back' as the Corporation acts as a financial intermediary and the market risks are offset. Based on the valuations provided by counterparties who are London Metal Exchange brokers Category 1 and 2, the range of valuations received could increase gross asset and liability positions by an amount of \$0.01 million (2014: \$0.01 million) or reduce by an amount of \$0.01 million (2014: \$0.01 million). This range is not significant to the value of assets and liabilities 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 loss of \$6 million (2014: gain of \$656 million) and cumulatively a gain of \$886 million (2014: gain of \$892 million).

The change in fair value attributable to changes in credit risk, for the current year, of interest bearing liabilities amounts to a gain of \$10 million (2014: loss of \$654 million) and cumulatively a loss of \$919 million (2014: loss of \$929 million).

The current year change in fair values attributable to changes in credit risk were calculated 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).

TCV and the State of Victoria remained AAA rated by Standard and Poor's and Aaa by Moody's during 2014-15. The TCV yield curve spread to Commonwealth Bonds remained stable over the year.

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.

	2015 Fair Value ⁽¹⁾	2015 Principal Owing at Maturity ⁽²⁾	2015 Variance	2014 Fair Value ⁽¹⁾	2014 Principal Owing at Maturity ⁽²⁾	2014 Variance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Deposits from public sector	6,667,682	6,649,359	18,323	5,711,910	5,693,900	18,010
Interest bearing liabilities – domestic ⁽³⁾	42,038,465	37,299,854	4,738,611	41,684,497	37,738,175	3,946,322
Interest bearing liabilities – offshore	274,880	311,392	(36,512)	448,068	516,152	(68,084)

(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.

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 agreements'.

The 'cash and financial instrument collateral' disclose 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 arrangeme nts	Cash and financial instrument collateral	Net amount
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
2015						
Derivative financial instruments ⁽¹⁾	2,526,870	(2,110,310)	416,560	(289,852)	(68,310)	58,398
Total financial assets	2,526,870	(2,110,310)	416,560	(289,852)	(68,310)	58,398
Derivative financial instruments ⁽¹⁾	2,706,496	(2,110,310)	596,186	(289,852)	(211,390)	94,944
Total financial liabilities	2,706,496	(2,110,310)	596,186	(289,852)	(211,390)	94,944
2014						
Reverse repurchase agreements ⁽²⁾	1,089,970	-	1,089,970	-	(1,089,970)	-
Derivative financial instruments ⁽¹⁾	2,246,711	(1,774,948)	471,763	(371,153)	(36,190)	64,420
Total financial assets	3,336,681	(1,774,948)	1,561,733	(371,153)	(1,126,160)	64,420
Derivative financial instruments ⁽¹⁾	2,269,808	(1,774,948)	494,860	(371,153)	(38,770)	84,937
Total financial liabilities	2,269,808	(1,774,948)	494,860	(371,153)	(38,770)	84,937

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

(2) Reverse repurchase agreements are recognised within cash and cash equivalents if the maturity date is within 3 months.

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 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 TCV Standard) established by the Treasurer of the State of Victoria and adopted from the standards of the Australian Prudential Regulatory Authority for financial institutions in Australia. Compliance with the TCV 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 TCV 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 well 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 TCV 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 TCV 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 TCV 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 TCV 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* 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:

	2015	2014
	\$000s	\$000s
30 June	2,769	3,263
Average daily during the year	2,970	2,209
Highest	3,806	3,377
Lowest	2,578	1,796

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 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.)

	2015	2014
	\$000s	\$000s
Risk Factor		
AUD depreciates 5% against JPY	524	435
AUD appreciates 5% against JPY	(474)	(394)
JPY Bond and cross currency market interest rates 20 basis points up	(141)	(242)
JPY Bond and cross currency market interest rates 20 basis points down	146	252

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 at or above 80% (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 TCV 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 TCV Standard.

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 months debt service obligations, at or above 80%.

The ratio during the period ending 30 June was:

	2015	2014
	%	%
30 June	125	143
Average during the year	134	116
Highest	193	171
Lowest	107	81

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
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)
2014							
Deposits	(1,753,879)	(3,864,120)	(122,364)	(5,127)	(14,238)	-	(5,759,728)
Interest bearing liabilities – domestic	-	(202,396)	(4,614,097)	(4,142,152)	(16,105,277)	(25,400,865)	(50,464,787)
Interest bearing liabilities – offshore	-	(168,857)	(3,120)	(3,480)	(10,441)	(400,180)	(586,078)
	(1,753,879)	(4,235,373)	(4,739,581)	(4,150,759)	(16,129,956)	(25,801,045)	(56,810,593)

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.

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
2015						
Cash and cash equivalents	-	2,322,635	1,097,067	49,862	-	3,469,564
Trade 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

	AAA \$000s	AA+/AA/AA- \$000s	A+/A/A- \$000s	BBB+ \$000s	Other \$000s	Total \$000s
2014						
Cash and cash equivalents	-	3,095,700	331,082	49,815	-	3,476,597
Trade receivables and other assets	836	34,213	-	-	18	35,067
Investments	595,616	3,047,672	248,202	-	5,687	3,897,177
Derivative financial instrument assets ⁽¹⁾	30,637	103,881	57,886	-	-	192,404
Loans to the State of Victoria and Participating Authorities ⁽²⁾	40,838,301	-	-	-	-	40,838,301
Total credit risk exposure	41,465,390	6,281,466	637,170	49,815	5,705	48,439,546

(1) Reflects the credit exposure of derivative assets. At 30 June 2015, TCV held \$68.3 million (2014: \$36.2 million) in cash deposits pursuant to Credit Support Annexures which provide for the provision of collateral to cover the credit risk arising from "in the money" derivative exposures.

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

Ageing analysis of past due but not impaired loans

At 30 June 2015 there were no amounts past due (30 June 2014: \$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.

The Prudential Supervision Policy requires TCV to maintain a 'best practice' standard in respect of operational risk. That is, procedures and practices in place should be of an uncompromisingly high standard and must deal with the following areas of operation:

- human resources environment
- relevant legal requirements
- transaction controls
- post transaction controls
- information technology controls
- management reporting.

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 on a quarterly basis.

Note 21 Capital Adequacy

TCV's risk management framework incorporates a risk-based capital adequacy approach as specified in the TCV 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 2015 \$000	Required 2015 \$000	Actual 2014 \$000	Required 2014 \$000
Total capital	170,231	78,267	189,054	74,518
Risk weighted assets	978,338	978,338	931,478	931,478
Capital ratio	17.4%	8.0%	20.3%	8.0%

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

	2015 \$000s	2014 \$000s
Net profit	31,731	50,554
Depreciation of property, plant and equipment	570	629
Amortisation of intangible assets	456	1,072
Increase in payables and other liabilities	8,432	1,021
Decrease/(increase) in other financial assets	51	(138)
Increase in provisions	266	105
Decrease/(increase) in accrued interest receivable	16,966	(18,859)
(Decrease)/increase in accrued interest payable	(27,890)	9,684
Net unrealised (loss) from financial assets and liabilities	(111,444)	(118,752)
(Decrease)/increase in borrowings	(575,744)	3,901,073
(Decrease)/increase in derivatives	(63,604)	44,280
Increase in deposits from State of Victoria (Department of Treasury and Finance)	45,026	20,794
Increase in investments	(677,581)	(968,732)
(Increase) in loans to the State of Victoria (Department of Treasury and Finance)	(1,101,803)	(1,558,899)
Decrease/(increase) in loans to the Participating Authorities	1,588,807	(217,039)
Increase/(decrease) in deposits from public sector	910,434	(116,245)
Net Cash From Operating Activities	44,673	1,030,548

Note 24 Related Party Information

(a) Responsible persons

The following Directors together with the Treasurer, the Honourable Michael O'Brien (to December 2014) and the Honourable Tim Pallas MP (from December 2014), are or have been the responsible persons of TCV during the year:

Rob Hunt AM, Chairman

William Whitford, Managing Director

Suzanne Ewart

David Martine

Paul Coughlin (appointed 14 April 2015)

John Pearce (appointed 14 April 2015)

John Blight (appointment expired 5 March 2015, reappointed from 17 March 2015 until his appointment expired 16 June 2015)

Peter Hawkins (Deputy Chairman from 4 November 2014 until his appointment expired 12 June 2015)

Michael Hirst, Deputy Chairman (appointment expired 3 September 2014)

Susan Carter (appointment expired 10 August 2014)

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.

David Martine is the Secretary of the DTF. Other fees and income includes \$8.4 million received from DTF (2014: \$8.7 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 losses and costs associated with the related futures and interest charges covered by the State indemnity as at 30 June 2015 totalled \$217 million.

David Martine is also a director of Victorian Funds Management Corporation (VFMC). VFMC deposits funds with TCV on its own behalf and on behalf of its clients. At 30 June 2015 VFMC had on deposit with TCV \$1 million (2014:\$1million) on its own behalf and \$1,031 million (2014:\$939 million) on behalf of its clients. All transactions with VFMC are priced in accordance with TCV's policies.

William Whitford is a Director of Rural Finance Corporation of Victoria (RFC). TCV accepts deposits from RFC and, until 1 July 2014, provided loans to RFC. All transactions with RFC are priced in accordance with TCV's policies. At 30 June 2015 RFC had on deposit with TCV \$66 million (2014: \$13 million) but had no borrowings from TCV (2014:\$1,310 million).

Michael Hirst, a director of TCV and Deputy Chairman until the expiry of his appointment on 3 September 2014, is the Managing Director and Chief Executive Officer of Bendigo and Adelaide Bank Limited (Bendigo). In the ordinary course of business, TCV may deposit funds with Bendigo or invest in their financial instruments. These transactions are conducted under commercial terms.

Note 25 Key Management Personnel

The total compensation paid or payable to Executive Officers for the year was \$2,641,573 (2014: \$2,585,179) including short-term benefits.

Directors

The total compensation paid or payable to Directors for the year is \$892,485 (2014: \$937,428). 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 Income Band	2015	2014
	No. of Directors	No. of Directors
\$580,000 to \$589,999	1	-
\$570,000 to \$579,999	-	1
\$100,000 to \$109,999	1	1
\$50,000 to \$59,999	3	5
\$10,000 to \$19,999	2	-
\$1 to \$9,999	2	-
\$0 ⁽¹⁾	1	2

⁽¹⁾ David Martine (appointed 13 May 2014) and Grant Hehir (resigned 25 October 2013), as employees of the DTF, were 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.

Income Paid	Total Compensation		Base Compensation	
	2015 No. of Executive Officers	2014 No. of Executive Officers	2015 No. of Executive Officers	2014 No. of Executive Officers
\$520,000 to \$529,999	-	1	-	-
\$510,000 to \$519,999	1	-	-	-
\$440,000 to \$449,999	1	-	-	-
\$430,000 to \$439,999	-	1	-	-
\$370,000 to \$379,000	-	-	1	-
\$360,000 to \$369,999	-	-	1	1
\$350,000 to \$359,999	-	-	-	1
\$310,000 to \$319,999	2	-	-	-
\$300,000 to \$309,999	-	2	-	-
\$260,000 to \$269,999	1	1	2	2
\$220,000 to \$229,999	-	-	1	1
\$190,000 to \$199,999	1	-	-	-
\$170,000 to \$179,999	-	1	-	-
\$160,000 to \$169,999	-	-	1	-
\$140,000 to \$150,999	-	-	-	1
Total number of executives	6	6	6	6
Total AEE ⁽¹⁾	5.6	5.6	5.6	5.6
Total amount	\$2,052,588	\$2,011,417	\$1,669,420	\$1,613,722

⁽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

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 such a guarantee expiring on 12 May 2016 whereby it undertakes to pay to AEMO on demand any and all amounts to an aggregate amount not exceeding \$50 million as at 30 June 2015 (\$100 million as at 30 June 2014) 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:

	2015	2014
	\$000s	\$000s
Not later than 1 year	760	749
Later than 1 year but not more than 5 years	506	1,248
	1,266	1,997

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 2015 were \$0.7 million (2014: \$nil) in respect of computer software.

Note 28 Subsequent Events

The Corporation had no 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 2015 and financial position of Treasury Corporation of Victoria as at 30 June 2015.

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 12 August 2015.



Robert Hunt
Chairman

Melbourne
Date: 12 August 2015



William Whitford
Managing Director

Melbourne
Date: 12 August 2015



Peter Wyatt
Chief Financial Officer

Melbourne
Date: 12 August 2015

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Treasury Corporation of Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2015 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 has been audited.

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 also state that the financial report complies 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, the Auditor-General, his 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 2015 and of its financial performance and its 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).



John Doyle
Auditor-General

MELBOURNE
27 August 2015

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		
FRD10	Disclosure index	65
FRD11A	Disclosure of ex-gratia payments	n/a
FRD21B	Responsible person and executive officer disclosures	59-60
FRD22F	Occupational health and safety	23, 25
FRD22F	Manner of establishment and the relevant Ministers	2
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FRD22F	Activities, programs and achievements	2-12
FRD22F	Summary of the financial results	6
FRD22F	Significant changes in financial position	n/a
FRD22F	Operational and budgetary objectives	5
FRD22F	Subsequent events	61
FRD22F	Expenditure on consultancies	26
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FRD22F	Application of <i>Freedom of Information Act 1982</i>	25
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FRD22F	Statement on National Competition Policy	26
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FRD103F	Non-current physical assets	36
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	+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.	