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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.

Our Purpose

Treasury Corporation of Victoria (TCV or the Corporation) supports the State of Victoria and its agencies and departments by assisting in the management of their financial risks.

We work together to understand each organisations' specific financing, investment and market risks, and provide the appropriate products, services and advice to manage these risks.

By centralising the financing, short-term investment and advisory expertise into one entity, the State ensures it has a single interface to financial markets to:

- centrally manage financing and short-term investment risk, and harvest the benefits of scale
- attract and retain expert employees who have the experience, skills and knowledge to meet our obligations, customer support and advisory needs
- manage liquidity at a Whole of State level
- promote the State's profile and reputation in domestic and international financial markets
- meet the growing market requirement for prudent risk management in relation to interest rate, refinancing, credit, liquidity, foreign currency, commodity and enterprise risks
- support the State's activities in regard to the Rating Agencies.

The *Treasury Corporation of Victoria Act 1992* (TCV Act) defines the potential recipients of our services as Participating Authorities (Agencies and Departments) and, at the request of the Treasurer, other Victorian entities.

At 30 June 2018, there were 105 Participating Authorities (2017: 104) in addition to the Budget Sector.

Our Borrowing Program

We maintain a range of borrowing programs to 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 assist us to provide sufficient funding at acceptable and competitive pricing in all market conditions.

Our Guarantee

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

Our relationship with the Treasurer of Victoria

The Treasurer of Victoria (Treasurer) is responsible for the administration of the 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 (DTF), with Prudential oversight provided by an independent Prudential Supervisor.

Our Chair, on behalf of the Board of Directors, reports to the Treasurer.

Our People

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 as employees in the public sector, as set out in the relevant Codes of Conduct.

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

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.

Report of the Chair and Managing Director

We are delighted to report that 2017-18 has been an active and successful year for the Corporation.

In considering our success, we focus both on quantitative and qualitative measures and whilst metrics such as our KPIs, our financial return and other measures of operational effectiveness are important, we also take seriously our responsibility to our customers, our financial markets community and to the priorities of Government.

Of equal importance however, we never lose sight of the one factor that help us to achieve our goals – the right people, in the right jobs with the necessary training and support to allow for high performance and collaboration.

We consider we have performed strongly in each of these areas this year – financial metrics have been met and exceeded, our customer feedback is uniformly positive and our community engagement is high.

Our culture is strong – staff surveys tell us we are top decile for employee engagement and alignment, and our risk culture is well established.

We have been extensively involved in significant state initiatives in affordable housing, management of Renewable Energy Certificates and the Whole of State Cash Management Project.

We have worked within the government community to help develop alternative funding models for Regional Councils and for Community Sporting facilities.

Internally, a significant focus for the year was the extension of functionality of a core system and the consequential decommissioning of a legacy system. The project was delivered on scope and underbudget, providing significant long-term cost saving.

Our fundraising requirements through the year have been met, and our funding programs remain competitively priced to our peers.

We have worked extensively with our clients, engaging across their organisations to better understand their requirements. This enables us to improve our products and services and enhance the value we provide to each organisation. Our most recent client survey indicates that we continue to exceed their expectations, and we thank our clients for their constructive engagement.

Through the year we have maintained strong relationships with Australian and International Financial Markets, and these relationships allow us to promote both Victoria and TCV. Our interactions indicate our investors remain impressed with the State's fiscal outlook and TCV's professional management approach to our capital market activities.

Our success demonstrates the value of the TCV business model and reflects the commitment and dedication of our team and the success of our employee proposition.

We are proud of the workplace culture and environment that we have developed and nurtured at TCV. Our offering of stimulating, rigorous and varied work, coupled with flexible work arrangements, a positive engaged culture, and an at-risk reward for outperformance, has created a workplace that is highly engaged and where employees perform at an optimal level. This is evident in our results, our low employee turnover and our reputation within financial markets.

We would like to thank all of our people for their contribution and dedication - the Corporation could not add the value it does without you.

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

This year we farewelled one of our Directors, Paul Coughlin, and Director John Blight will retire in August 2018. Both Paul and John have made outstanding contributions to TCV and we would like to take this opportunity to thank them for their support.

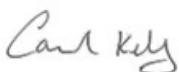
We have welcomed two new Directors. Helen Thornton joined us as Deputy Chair on 1 July 2017 and Sue O'Connor joined on 10 April 2018.

Both Helen and Sue have immediately made valuable contributions and we look forward to working with them through the term of their appointments.

In addition, Debra Hazelton has been appointed as a new Director, commencing on 18 August 2018 and we look forward to her future contribution.

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

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



Cassandra Kelly
Chair
16 August 2018



William (Bill) Whitford
Managing Director
16 August 2018

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 2017-18
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, and retains clear access to funding markets.
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 2017-18 financial year, TCV managed market risk within approved/agreed limits.
Financial performance	TCV seek to generate a positive return, representing the financial value added of our risk management activities, and the adherence to our approved operating budgets. This is measured through a 'Return from at risk revenue on adjusted Equity' calculation (ROE). For 2017-18, TCV delivered a ROE of 20.8%, in excess of budget.
Victoria's AAA rating	TCV ensures that its interactions and activities assist the Government to maintain a AAA rating. TCV's actions through the year supported the maintenance of this rating.
Client satisfaction	TCV measures client satisfaction bi-annually through an independent Client Survey. This survey was last undertaken in May 2017, and produced a client overall satisfaction rating of 83% favourable, and an advocacy score of +49 (NPS). Informal soundings taken through the year indicate our clients retain a positive view of the Corporation.
Capacity	The Corporation's ability to deliver our critical tasks is observable through a number of metrics including our Audit and Prudential supervision findings and our operational risk reporting. Through the year, these reports show that the corporation continues to perform at a high level and maintain a strong operating capacity.
People	The combined knowledge of TCV's employees represents a considerable corporate investment. TCV measures its ability to maintain that investment through training and succession planning. Through the year, TCV successfully maintained its employee capability. TCV also measures employee engagement, as one indicator of a healthy organisational culture, through data gathered in our bi-annual Staff Survey. The most recent survey, conducted late in 2016, indicated a top decile level of employee engagement and alignment.

Financial Summary

Income Summary	2017-18	2016-17	2015-16	2014-15	2013-14
	\$ million	\$ million	\$ million	\$ million	\$ million
Income					
Net gain on financial assets and liabilities designated at fair value through profit and loss	65.5	95.8	53.9	41.1	60.7
Other fees and income	7.3	7.1	8.8	8.7	9.0
Total Income	72.8	102.9	62.7	49.8	69.7
Expenses					
Borrowing related expenses	4.4	1.6	3.4	1.2	1.8
Other operational expenses	18.0	18.0	17.6	16.9	17.3
Net loss on non-financial assets	0.7	-	-	-	-
Total Expenses	23.1	19.6	21.0	18.1	19.1
Net Profit	49.7	83.3	41.7	31.7	50.6
Dividends Paid	83.3	0.0	31.7	50.6	56.3
Statement of Financial Position					
	2018	2017	2016	2015	2014
	\$ million	\$ million	\$ million	\$ million	\$ million
Loans to clients	39,072.7	34,144.1	40,888.6	40,980.3	40,838.3
Cash and cash equivalents	2,849.6	1,861.8	4,416.2	3,469.6	3,476.6
Investments	5,420.8	10,247.1	4,731.9	4,694.4	3,897.2
Derivatives	414.9	412.0	630.1	416.6	471.8
Other assets	71.7	240.7	517.9	296.1	39.0
Total Assets	47,829.7	46,905.7	51,184.7	49,857.0	48,722.9
Financed by:					
Domestic benchmark bonds	34,422.9	34,859.3	38,374.9	35,264.6	34,570.5
Domestic other	4,389.0	3,461.3	4,597.3	6,773.8	7,114.0
Offshore	246.8	244.0	372.5	274.9	448.0
	39,058.7	38,564.6	43,344.7	42,313.3	42,132.5
Deposits from public sector	7,585.8	7,288.9	6,521.0	6,667.7	5,711.9
Derivatives	388.3	399.9	955.4	596.2	494.9
Other liabilities	566.0	387.9	181.3	107.5	192.5
Total Liabilities	47,598.8	46,641.3	51,002.4	49,684.7	48,531.8
Equity	230.9	264.4	182.3	172.3	191.1

Treasury Client Services

A core part of our business model is the provision of services to the State's departments, agencies and various business enterprises to assist them manage their financing risks. This year these services included the activities detailed below.

Water Corporations

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

TCV worked with our water clients and the ESC to investigate the introduction of a trailing 10 year average cost of debt as an alternative methodology for the calculation of the benchmark cost of debt to be used in determining the Weighted Average Cost of Capital (WACC) for future pricing determinations.

The ESC subsequently adopted the trailing 10 year average cost of debt benchmark for Melbourne Water Corporation's 2016 pricing determination. The methodology will also be applied to pricing determinations due on 1 July 2018 for the remaining metropolitan and regional water corporations.

TCV has been advising our water clients about the management of the risk exposures relevant to the trailing average debt calculation, including detailing a debt management practice that is aligned to the trailing average approach.

Department of Treasury & Finance

TCV continues to maintain a very strong relationship with DTF.

TCV worked very closely with DTF's Working Capital project team assembled to investigate the alternatives for managing Whole of Government working capital. Our participation on the steering committee, and through a secondment of staff to the project team, allowed TCV to lend its expertise in the areas of liquidity, net debt management and agency engagement to the project. The steering committee make recommendations to the Government which will improve the management of the State's banking, working capital and liquidity. TCV will continue to work closely with DTF to implement the changes that are approved by Government.

We continue to:

- provide advice and support to DTF's Balance Sheet Management Committee
- work closely with the Balance Sheet Management 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 reduce Whole of State financing risks.

Housing Association Funding

The Government's social housing initiative 'Homes for Victoria' will provide a Social Housing Growth Fund which will be used to fund social housing requirements and government guarantees to help housing associations and providers access financing at affordable rates. TCV will participate in this initiative through the provision of low cost loans to the social housing sector.

Foreign Exchange

DTF has a foreign exchange risk management policy that requires agencies and authorities to hedge any material foreign exchange exposures with TCV. We actively communicate this policy in our financial risk management discussions with clients.

During 2017-18, TCV provided foreign exchange advice and services to clients in the following government sectors:

- | | |
|-------------------------|-----------------------|
| • the arts | • emergency services |
| • sports and recreation | • protective services |
| • utilities | • transport |
| • tourism | • education. |

We worked closely with the 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 2017-18, TCV provided a range of treasury advisory services to our clients, including Barwon Region Water Corporation, City West Water, DTF, Melbourne Water Corporation, Development Victoria, South East Water and Yarra Valley Water.

The treasury advice that TCV provides includes debt portfolio strategy reviews, treasury policy updates, debt structuring advice, interest cost scenario analysis and cash management strategies.

Large-Scale Generation Certificates

Large-scale generation certificates (LGCs) can be created by large-scale power stations. Various state agencies and Victorian water corporations, through their renewable energy generation schemes, manage holdings of LGCs. TCV is able to acquire, hold, sell or surrender certificates on behalf of our clients and provided this assistance to a number of government agencies and businesses in 2017-18. In addition, TCV also provides advice regarding LGC risk management and benchmarking.

Client Engagement

TCV is dedicated to managing the ongoing financial, investment and risk management needs of our clients and fostering strong relationships with their finance teams. The Treasury Client Services (TCS) team met with clients on more than 150 occasions in 2017-18.

A number of key client initiatives and programs also support TCV's client relationship management.

TCV undertakes a regional visitation program in order to meet our clients that reside outside the metropolitan area, and in 2017-18 we travelled to the various regions in Victoria on 12 occasions. In addition, we provided economic presentations to clients in the Goulburn Valley and Gippsland regions detailing current economic and market developments, and issues unique to their regions. These roadshows and presentations are an excellent opportunity for our TCS team to further develop regional client relationships and our knowledge of their local environments, business opportunities and challenges. These insights allow TCV to better service the unique financing, investment and risk management needs of regional Victoria.

TCS has developed relationships with client industry associations and support these organisations through sponsorships and the provision of conference presentations. This year we were the principal sponsor of the VicWater finance and governance conference, lending support to our largest client segment.

We also arrange several client events and in 2017-18 over 450 clients attended these events. These events are excellent networking opportunities for the variety of government authorities and businesses that attend.

Project Advisory Services

TCV's Project Advisory Services (PAS) team provides support for clients in the development and implementation 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, contract management and risk management advice, as well as assistance with transaction implementation where required. 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.

In addition, TCV provides advice to DTF on financing aspects of Public Private Partnership (PPP) including forecasting of the overall liabilities and exposures of its PPP program and advice on PPP refinancing and risk management aspects.

Contract Management of Partnerships Victoria Projects

TCV offers assistance to departments and agencies in 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 2017-18 TCV offered these services to a number of clients including the:

- Department of Health and Human Services (DHHS) (Casey, Royal Women's, Royal Children's, Victorian Comprehensive Cancer Centre and New Bendigo Hospitals)
- Court Services Victoria (Victorian County Court)
- Department of Justice and Regulation (Hopkins Correctional Centre and Victorian Correctional Facilities Projects, Metropolitan Remand Centre and Marnong Correctional Centre)
- Department of Economic Development, Jobs, Transport and Resources (Melbourne Convention Centre, Biosciences Research Centre and Royal Melbourne Showgrounds Redevelopment Projects)
- Department of Education and Training (Partnerships Victoria in Schools Project and New Schools PPP).

A number of new contract management engagements were undertaken in 2017-18 for the Melbourne Exhibition Centre Expansion and Ravenhall Correctional Centre projects.

Partnerships Victoria Projects - Outer Suburban Arterial Roads (OSARs Western Package) and Melbourne Metro Tunnels and Stations PPPs

TCV assisted VicRoads and the Melbourne Metro Rail Authority in relation to the OSARs Western Package and Melbourne Metro Tunnels and Stations PPP Projects respectively, as a specialist financing advisor working in conjunction with the State's advisors, the portfolio agency and DTF.

Work completed on each respective project included contributing to the assessment of the financing proposals received, proponent negotiations and evaluation working groups (OSARs Western Package), liaison on the financial close processes, and successfully benchmarking financial market parameters for financial close.

Looking forward, TCV is in the process of undertaking an engagement with the Director of Housing for the Public Housing Renewal Programme on evaluating financing and funding elements of the proposals received to date.

PPP Refinancing

TCV provides specialist financing advice to DTF (as central contract administrator) as well as Government departments and agencies on refinancing aspects of PPP's throughout their project lifecycles.

During 2017-18 TCV in conjunction with the State's legal advisor, Minter Ellison, completed an advisory engagement for DTF and DHHS in respect of the Royal Women's Hospital Partnership's refinance of its maturing nominal bond facilities.

In addition, TCV also provided input to DTF and the Department of Environment, Land, Water and Planning (DELWP) on the State's evaluation process in relation to the refinancing of a tranche of AquaSure's banking facilities for the Victorian Desalination Project and advice on long-term interest rate hedging aspects associated with the new debt facilities.

Looking forward, TCV is in the process of undertaking an engagement for DTF, for further refinancings proposed for the Victorian Desalination Project to be undertaken in 2018-19.

Business Case Development

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

In 2017-18 TCV confirmed an engagement to develop a business case and financial model for Alfred Health in relation to the Alfred Hospital multi-deck car park to be completed in 2018-19.

TCV also provided assistance to a number of health sector agencies with their business case approval process and loan structuring advice including Western Health (Sunshine Hospital Car Park), Peter MacCallum Cancer Centre (Victorian Comprehensive Cancer Centre) and Mercy Health (Werribee Mercy Hospital Car Park).

Transaction Development

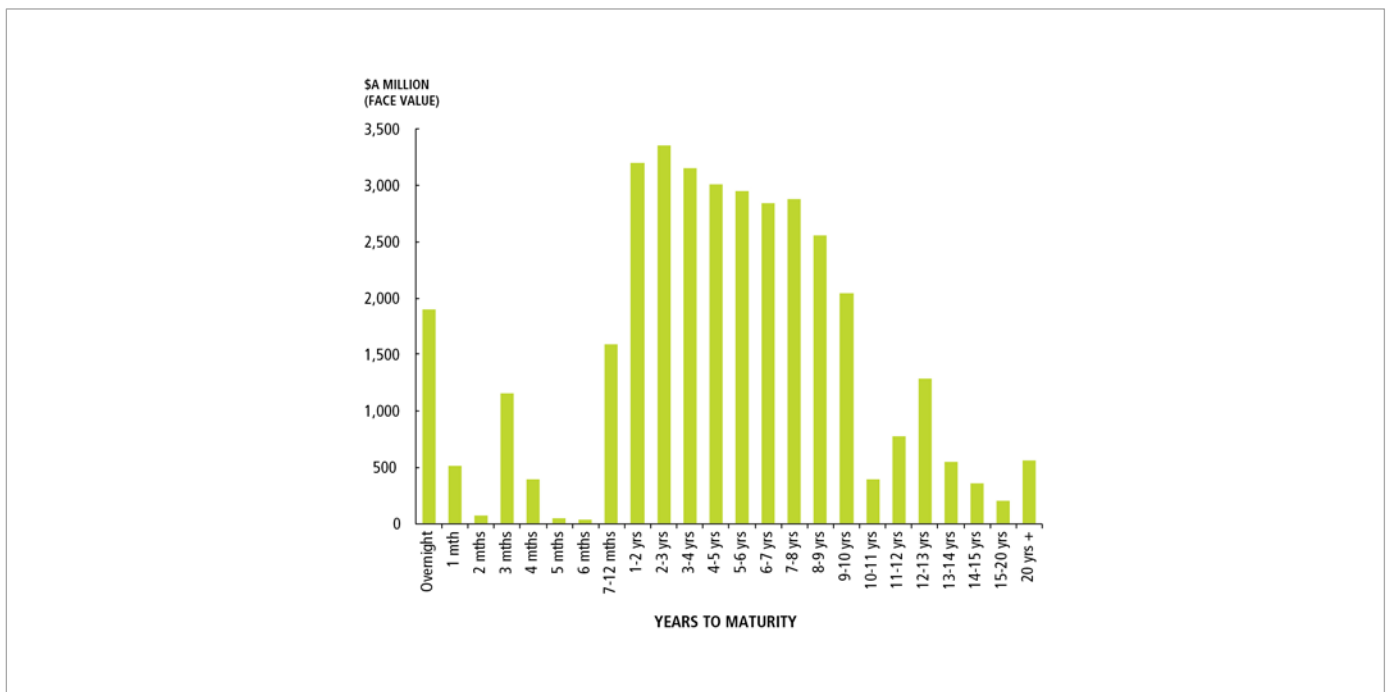
The Project Advisory Services team offers transaction development services to clients as required. Examples of transaction development activities in 2017-18 include providing assistance with:

- V/Line Corporation's fuel swap hedging strategy for its diesel powered Regional Train Fleet
- the implementation of TCV's transactional assistance with holding and transacting LGCs in relation to the Commonwealth Government's Renewable Energy Target on behalf of a number of State Government projects and programs.

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 2018, 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 Note 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 Domestic Promissory Note program.

This suite of programs helps us maintain continual access to financial markets, and allows us to meet one of the Corporation's 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 currently comprises:

Australian Dollar Note program

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

\$A5 billion Domestic Promissory Note

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

\$US3 billion Euro Medium Term Note

Nomura International plc	UBS Limited
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\$A5 billion Euro Commercial Paper

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

2017-18 Funding Activity

Long-term funding programs

Domestic Benchmark Bond outstandings increased by \$A2.884 billion during the year (excluding the matured Nov 2017 bond).

Maturity	30 June 2018 Face Value Outstandings (\$A million)	YOY Face Value Change (\$A million)
Nov 2017	0.00	-2,937.22
Nov 2018	3,145.72	-1,044.01
Jun 2020	6,212.96	273.40
Oct 2022	6,175.28	-133.60
Dec 2024	5,634.68	45.10
Nov 2026	4,836.38	702.78
Oct 2028	3,110.51	1,500.63
Dec 2032	1,539.34	1,539.34

In May 2017, TCV announced a maximum funding program of \$A8.3 billion for 2017-18, with the focus of the funding strategy being to build liquidity in our long-term benchmark maturities and where possible to extend the duration of the TCV yield curve.

This forecast was significantly downward through the year to \$A3.5 billion, as a result of an improved budget position due to a stronger Victorian economy and the Government's announced sale of its share of the Snowy Hydro Corporation.

Despite the lower than expected funding task, we successfully extended the TCV yield curve with a total of \$3.040 billion issued into the 3.00% 20 October 2028 and the 4.25% 20 December 2032 maturities.

In addition, we increased the non-benchmark 2040 maturity by \$A212 million, and completed our longest dated issue to date, \$A130.5 million of a new 2046 maturity.

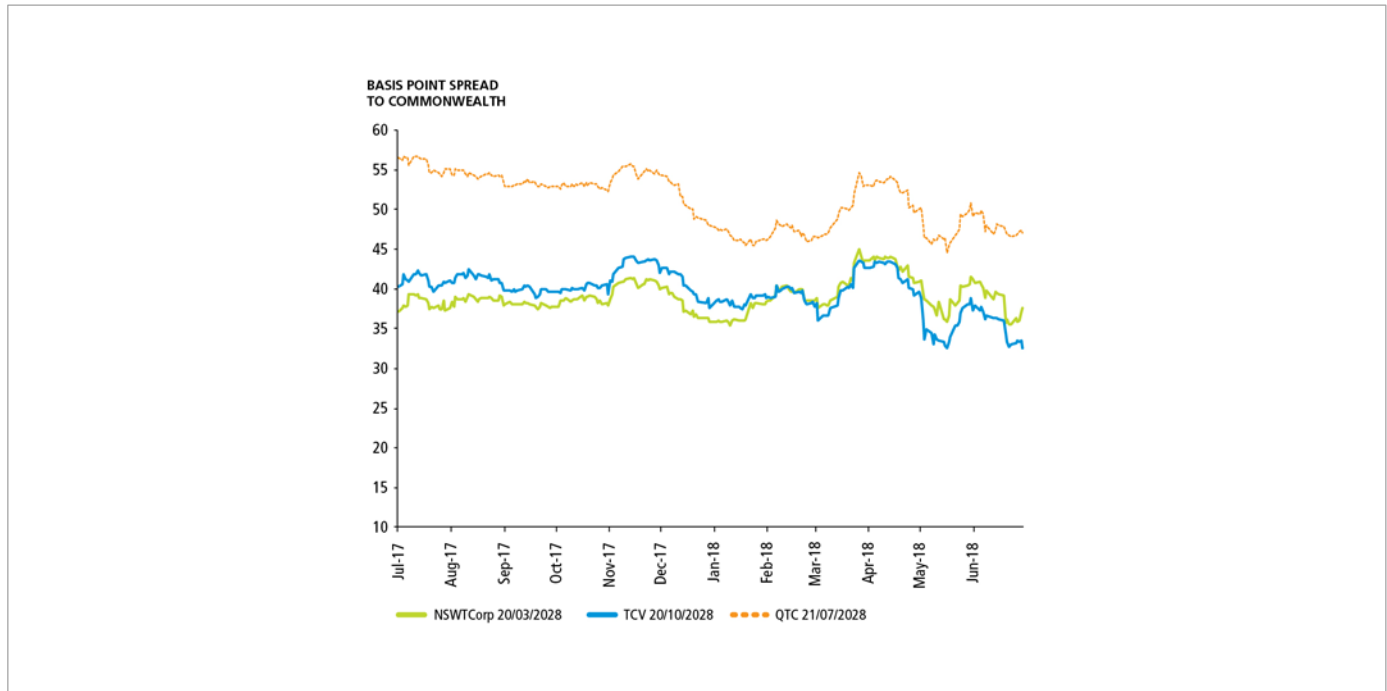
In preparation for the maturity of the 5.5% 15 November 2018, outstandings were reduced by \$A1,044 million during the year.

Outstandings within the Domestic Promissory Note program increased by \$A1,080 million to \$A1,313 million. Activity in our ECP program was minimal during the period and ended the year with no outstandings.

Cost of Funds

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

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



Future Funding Strategy

For the financial year ending 30 June 2019, TCV's total funding requirement is \$A2.1 billion.

The lower than previously forecast requirement is primarily due to the implementation of a more efficient working capital management strategy across the general government sector.

Throughout 2017-18, DTF and TCV have been working to improve the management of working capital across government. The strategy will result in financial assets held by the general government sector being available to meet the funding required by the general government sector in 2018-19.

The \$A2.1 billion long-term funding requirement reflects the borrowing needs of the Non-Financial Public Sector.

The TCV funding strategy will continue to focus on:

- building liquid benchmark bond lines
- maximising the diversity of our investor base.

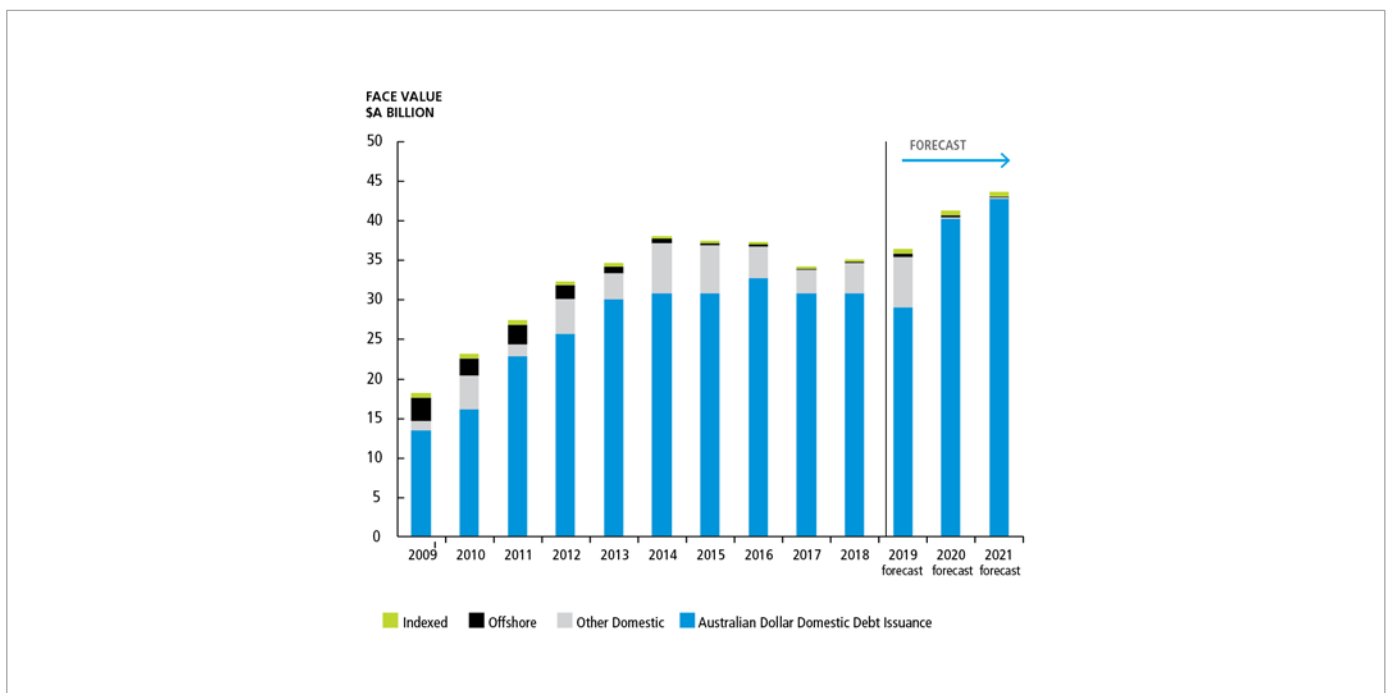
It is envisaged that the 2018-19 long-term funding requirement will be predominately funded through the Domestic Benchmark Bond program.

Our short-term borrowing activities will continue to be sourced from our Australian Dollar Domestic Promissory Note program and the Euro Commercial Paper program. The mix of issuance will be determined by relative pricing and demand conditions in each of these markets. However, outstandings are expected to remain low.

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:



Corporate Governance

Board of Directors

Cassandra Kelly, BEc (Hons)

Chair

First appointed: 11 August 2015

Current appointment expires: 10 August 2021

Ms Kelly has extensive experience in advising on finance, risk, strategy and policy. She remains an Advisor to Pottinger, a corporate advisory company she co-founded in 2003, is an Expert Advisor to the G20/B20 on matters of digitalisation and health (and previously infrastructure, finance and growth), and is a member of the European Union Global Tech Panel.

Ms Kelly has held executive roles at GMAC Commercial Mortgage and Deutsche Bank and was a consultant at McKinsey and Co. Her experience spans agriculture, consumer products, energy and resources, financial services, infrastructure, biotechnology, tourism, technology, digital media and professional services.

Ms Kelly is an experienced director with further details listed below. She was formerly chair of Pottinger and Allpress Espresso International, and previously a director of Flight Centre Travel Group, Children's Cancer Institute, Starlight Children's Foundation and UNSW Foundation.

Ms Kelly holds the following appointments:

- Chair, Atomli Inc
- Chair, Fulcrum Australia Pty Ltd
- Chair, LiveTiles
- Director, Pottinger Co Pty Limited
- Director, Her Heart Ltd
- Director, Pink Hope
- Director, The Resolution Project (US based)
- Member, Australian Federal Governments Treasury Inclusive Workplace Committee
- Member, European Union Global Tech Panel
- Member, Multiple Sclerosis Research Australia Leadership Council
- Expert Advisor, One Belt One Road Initiative
- Advisory Council Member, Centre for Universal Education, Brookings Institute.

Helen Thornton, BEc, ACA, GAICD

Deputy Chair

First appointed: 1 July 2017

Current appointment expires: 30 June 2020

Ms Thornton is a Chartered Accountant with over 30 years' experience across a wide range of industries including financial services.

Ms Thornton has extensive experience in governance, audit and risk management and she has held senior leadership roles at Deloitte, KPMG, BHP Ltd and Bluescope Steel Ltd, where she was responsible for the global risk management function.

Ms Thornton has over 16 years' experience as a non-executive director. During the year, Ms Thornton held the following appointments:

- Deputy Chair, Zoological Parks and Gardens Board (retired 30 June 2018)
- Director, Yarra Valley Water
- Director, Legal Practitioners Liability Committee
- Director, ISPT Pty Ltd
- Director, Austin Health
- Director, ANSVAR Insurance Pty Ltd
- Independent Member of Risk and Audit Committee, Department of Environment, Land, Water and Planning
- Independent Member of Risk and Audit Committee, Department of Health and Human Services
- Independent Member of Risk and Audit Committee, Department of Education and Training.

William (Bill) Whitford, MBA, FAICD, GAIST

Managing Director

First appointed: 28 July 2003

Current appointment expires: 27 July 2020

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. Bill has more than 30 years' experience in market risk, gained through financial markets roles with Banque National de Paris and the State Bank of South Australia, and the financing of government and infrastructure with the South Australian and Victorian Governments.

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

Mr Whitford holds the following appointments:

- Director and Chair, Audit and Risk Committee, Australian Financial Markets Association
- Director and Chair, Audit Risk and Compliance Committee, Zoological Parks and Gardens Board (commencement 1 July 2018)
- Member, Australian Unity Investment Committee.

John Blight, FCA, FFIN, BBus, MAICD

First appointed: 6 March 2012

Current appointment expires: 17 August 2018

Mr Blight is National Head of Corporate Finance at ShineWing Australia. He was formerly Partner of Grant Thornton Australia and Director of Grant Thornton Corporate Finance Pty Ltd. In those roles, he headed Financial Advisory for the Melbourne Office and was National Head of the Major Projects and Infrastructure group.

During the year, Mr Blight held the following appointments:

- Director, Moonee Valley Racing Club Inc.
- Partner and Director, ShineWing Australia Corporate Finance Pty Ltd
- Partner and Director, ShineWing Australia Securities Pty Ltd.

David Martine, BEc (Hons), MBA

First appointed: 13 May 2014

Current appointment expires: 12 May 2020

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 appointments during the year:

- Director, Victorian Funds Management Corporation
- Director, Infrastructure Victoria Board.

John Pearce, BEc, MAppFin

First appointed: 14 April 2015

Current appointment expires: 13 April 2021

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

Retired: 13 April 2018

Mr Coughlin returned to Melbourne in 2015 after a 26 year career with Standard & Poor's 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, Taiwan Ratings Corporation and he was previously Chair of Ambulance Victoria's Audit Committee.

Pamela Hauser, BA, LLB, MAICD

First appointed: 21 February 2017

Current appointment expires: 20 February 2020

Ms Hauser is a non-executive Director and Chair of the Audit Committee.

A regulatory lawyer by background, Ms Hauser has more than 30 years' experience in the financial services industry with roles in legal, risk and compliance.

Ms Hauser has previously held senior roles with Macquarie Group, National Australia Bank, KPMG, Norwich and Australian Unity. As a Partner at KPMG, she led the firm's Financial Services Regulatory Group within Risk Advisory Services. She has held legal roles with CRA (now Rio Tinto), Freehills, and Ellison Hewison & Whitehead (now Minter Ellison) and has also held a directorship with the Australasian Compliance Institute.

During the year, Ms Hauser held the following appointments:

- Director, SG Hiscock & Company Limited
- Director, Victorian Plantations Corporation.

Sue O'Connor, BAppSc, GradDipBM, FAICD

First appointed: 10 April 2018

Current appointment expires: 9 April 2021

Ms O'Connor has served as a Chairman, Director and senior business leader with ASX Top 10 and global unlisted companies and high profile statutory authorities. She brings to the Board her commercial acumen and deep expertise in digital, transformation, cyber resilience, audit, risk, utilities and financial services.

Ms O'Connor's board contributions ensure that regulated, customer facing, technology dependent companies successfully pivot and transform to achieve their growth goals.

She is currently Chair of Yarra Valley Water and a Director of Mercer Superannuation, State Trustees Victoria and Climate Works Australia and an Advisory Council Member of the Monash Sustainable Development Institute.

Her 25+ year executive leadership career in the technology sector included 13 years as a senior executive at Telstra Corporation.

She holds a Bachelor of Applied Science and a Graduate of Diploma Business Management. She is a Fellow of the Australian Institute of Company Directors.

During the year, Ms O'Connor held the following appointments:

- Chair, Yarra Valley Water
- Director, Mercer Superannuation
- Director, State Trustees Victoria
- Director, ClimateWorks Australia
- Advisory Council Member, Monash Sustainable Development Institute.

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 Chair or Deputy Chair 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, and 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 are given in Note 27 of the Financial Statements 2018.

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:

- Cassandra Kelly
- Helen Thornton
- Paul Coughlin (retired 13 April 2018)
- John Pearce
- John Blight
- Pamela Hauser
- Sue O'Connor.

Responsibility of Directors

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

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

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

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

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

Charters have been established for the Board and each of its Committees. The charters are statements of the purpose and objectives, roles and responsibilities, authority and performance requirements of the Board and its Committees. The charters are reviewed annually. An annual review of board performance is also conducted consistent with the *Standing Directions of the Minister for Finance 2016* issued under the *Financial Management Act 1994*. That review was completed in May 2018.

Board Committees

Audit Committee

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

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 Ms Cassandra Kelly 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 Ms Cassandra Kelly 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 (Victoria) and fostering and maintaining a safe working environment throughout the Corporation.

Attendance by Directors at Directors' Meetings 1 July 2017 – 30 June 2018

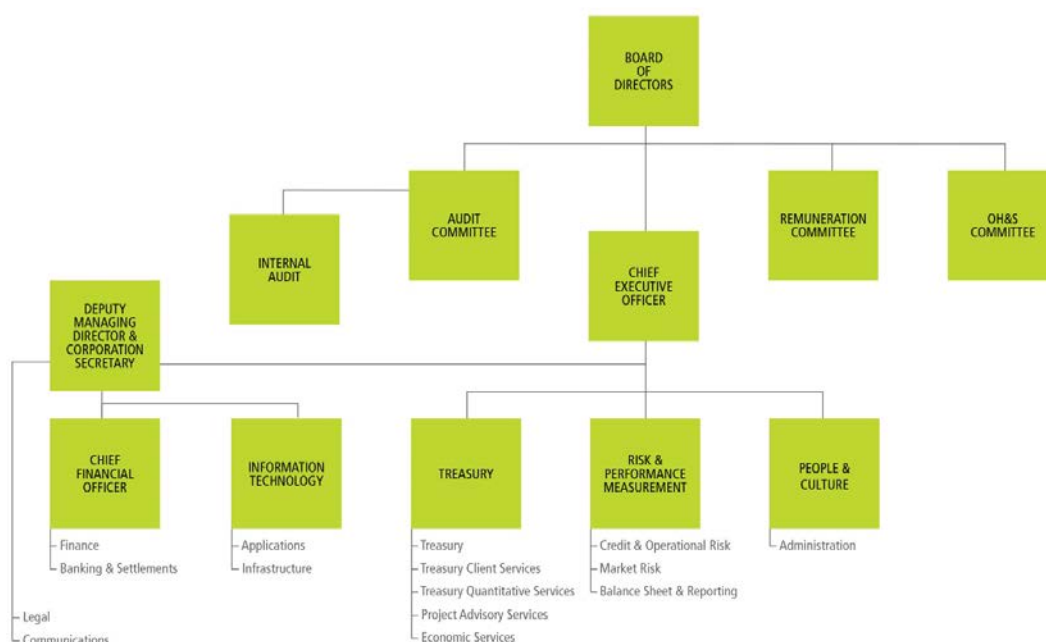
	Board		Audit		Remuneration		Occupational Health & Safety	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
C Kelly	9	8	4	4	3	3	2	2
W Whitford	9	9	4	4	3	3	2	2
D Martine	9	5	4	2	3	1	2	0
P Coughlin ¹	7	7	3	3	2	2	2	2
J Pearce	9	9	4	4	3	3	2	2
J Blight	9	8	4	3	3	2	2	1
P Hauser	9	9	4	4	3	3	2	2
H Thornton	9	9	4	3	3	3	2	2
S O'Connor ²	2	2	1	1	1	1	1	1

Notes:

1. Mr Coughlin retired from the Board on 13 April 2018
2. Ms O'Connor was appointed to the Board on 10 April 2018

Management

Organisation Structure



Management Team

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

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 a MBA from Melbourne Business School. He is a member of the Australian Institute of Company Directors (GAICD), a graduate of the Australian Institute for Superannuation Trustees (GAIST) and is a CPA.

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

Mike van de Graaf

General Manager, Risk & Performance Measurement

Mike is responsible for market risk, credit risk, liquidity risk, operational risk and balance sheet management. He develops and maintains appropriate risk management policies, controls and systems to provide 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 member of the Australian Institute of Company Directors (GAICD). In 2015, Mike completed the Advanced Management Program at INSEAD. Mike is a Director of the Melbourne Chapter for GARP and a member of the AFMA Risk Management Committee.

Justin Lofting

General Manager, Treasury

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

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

He holds a MBA from Melbourne Business School and a Bachelor of Business, Banking and Finance from Victoria University. Justin is a member of the Australian Financial Markets Association Market Governance Committee and a member of the Australian Institute of Company Directors (GAICD).

Judy Utley

General Manager, People and Culture

Judy is responsible for the development, implementation and continuity of TCV's people and culture strategies. These strategies and outcomes successfully support and augment the delivery of TCV's business objectives. Judy also manages remuneration, administration and OH&S 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 a presenter for the Leadership Victoria 'Igniting Leadership' programme and previously held the position of Deputy Chair for the Financial Institutions Remuneration Group (FIRG) Board. Judy is a member of the Australian Institute of Company Directors (GAICD).

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 member of the Australian Institute of Company Directors (GAICD).

Warren Murray

General Manager, Information Technology

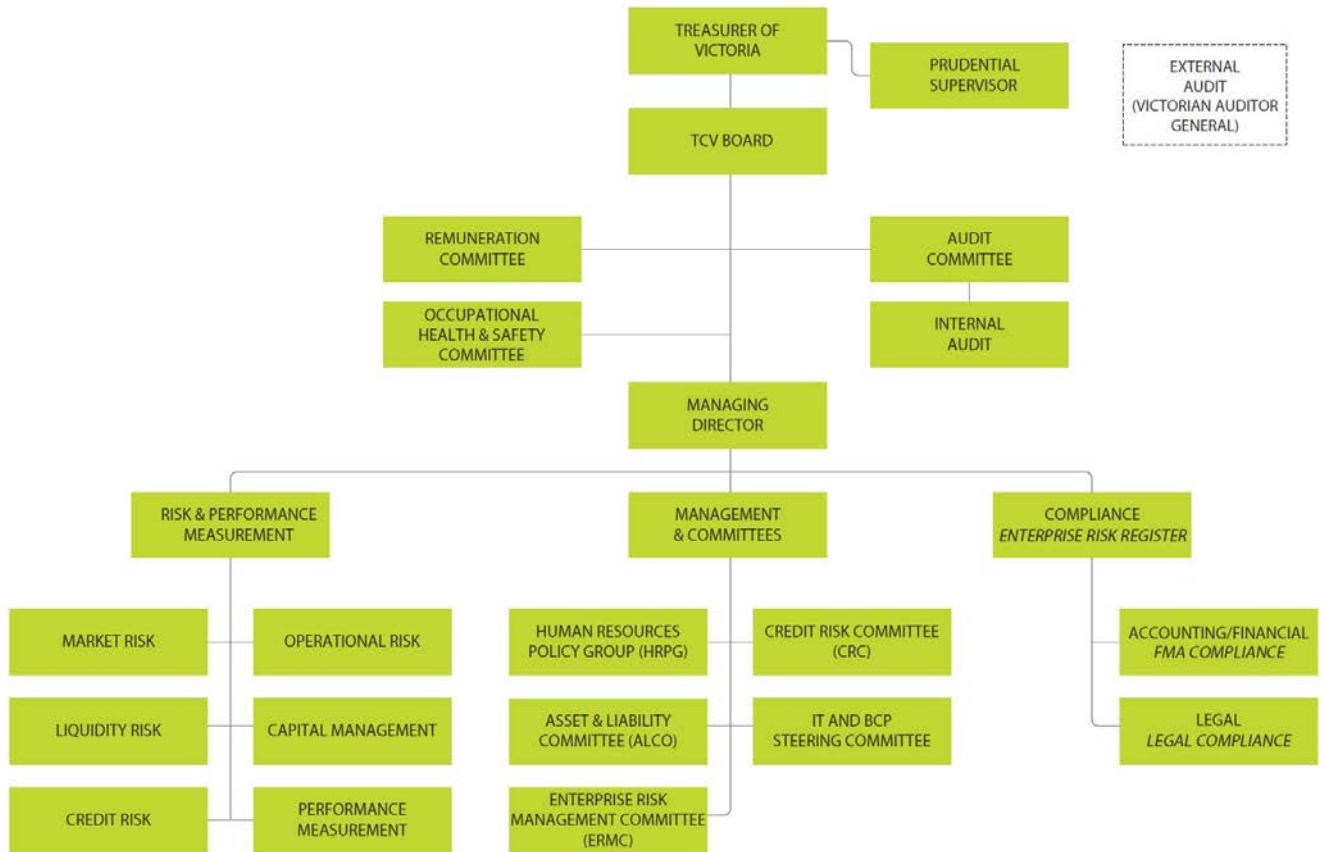
Warren is responsible for the delivery of all information technology to the corporation, including hardware, infrastructure and applications. Warren also acts as the Business Continuity Facilitator and is the Chief Information Security Officer.

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

The risk governance management and control framework is shown below:



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 behaviour by managers of the State's public financial corporations. Consistent with these aims, the Treasurer has implemented a Prudential Supervision standard, which aims to ensure that TCV is operating in a sound and prudent manner.

Prudential Supervision at TCV integrates with, and builds on, existing government wide (financial) risk policies. A Prudential Supervisor (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 in its application to TCV. This assessment is reflected in TCV's Prudential Standard.

TCV Management and DTF 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 global and domestic financial markets and regulation.

Internal Risk Management & 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.

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

Interest Rate Risk

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

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

Liquidity Risk

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

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

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

Credit Risk

At TCV, credit risk arising from loans to Participating Authorities is offset, in all instances, by a guarantee from the Treasurer of Victoria. Exposure to credit risk arises mainly through investment in financial assets and through derivative transactions with market counterparties. TCV's credit risk management for investments is principally based on external credit ratings by Standard & Poor's and Moody's Investors Service. TCV implements and actively monitors the quality of investment risk by requiring progressively higher minimum ratings for larger and longer-term exposures. Credit limits are approved by the Board and the Managing Director (under powers delegated by the Board). TCV has implemented Credit Support Annexes (CSAs) with derivative counterparties consistent with market practice. The table over page shows the resulting distribution, by counterparty credit rating, of TCV's total credit risk exposures due to its loans, derivatives and investments at 30 June 2018.

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	89	83	Victorian Public Authorities	89	83
AAA		1	Aaa		1
AA+		1	Aa1		1
AA		1	Aa2		1
AA-	9	13	Aa3	9	12
A+	2	1	A1	2	1
A			A2		
A-			A3		
BBB+					
Not rated by S&P			Not rated by Moody's but rated at least AA- by S&P		1
Total	100	100	Total	100	100

Enterprise Risk Management & Operational Risk

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

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

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

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

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

Capital Adequacy

TCV's risk management framework incorporates a risk-based capital adequacy approach as specified in its Prudential Standard and generally follows APRA's standards on Capital Management. Under this standard, the Corporation is required to hold a minimum capital adequacy ratio of 8% of risk-weighted assets. The Corporation targets to maintain a capital ratio of at least 10.5% 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 and cyber risk recovery plans to ensure that:

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

These plans are reviewed quarterly and tested annually.

In addition, TCV conducts a range of activities around cyber security to ensure the ongoing integrity of 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 OH&S risk management program. The TCV Board OH&S Committee oversees this program.

Internally, the OH&S (Staff) Committee lead, manage and administer the program and coordinate training and awareness sessions including inductions. This committee consists of two employer 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 2017-18
- Minister for Finance - Member of Parliament. Monitors TCV's compliance with the applicable requirements of the Financial Management Act.

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 22H *Standard Disclosures in the Report of Operations* (FRD 22H) 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 FRD 22H, 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. 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 .

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 (*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 is registered with WorkSafe Victoria to be covered by WorkCover insurance 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 2017-18 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.

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 2017-18, TCV did not tender any projects that met these value thresholds.

Competition Policies and Taxation

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

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

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

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

Code of Conduct

TCV has in place codes of conduct for all employees. These codes are based on the code of conduct developed by the Australian Financial Markets Association, the financial code of practice required under the Financial Management Act, 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.

TCV also has an agreed behavioural framework which forms part of every employees' performance plan and review.

Employee Numbers

At 30 June 2018, TCV employed 43.95 full-time equivalent (FTE) employees (2017: 45.09 FTE). This includes those on parental leave, other long-term leave and 'to be filled' vacancies.

Employees have been correctly classified in workforce data collections.

Consultants

Pursuant to FRD 22H *Standard Disclosures in the Report of Operations*, TCV is required to provide various disclosures in respect of consultancy engagements. During 2017-18, two consultancies were undertaken with fees of \$85,000 (ex GST) and \$19,853 (ex GST). Details of these consultancies are available at www.tcv.vic.gov.au. In addition, one other consultancy was undertaken for fees totalling \$4,950 (ex GST).

Information and Communications Technology Expenditure

FRD 22H *Standard Disclosures in the Report of Operations*, requires that TCV disclose its Information and Communications Technology (ICT) expenditure.

ICT expenditure includes:

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

Non-Business as Usual ICT expenditure is incurred to extend or enhance current ICT capabilities, activities usually run as projects.

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

Expenditure	\$000
Business as Usual ICT	6,733
Non-Business as Usual ICT	
Operational	0
Capital	0
Total Non-Business as Usual ICT	0

Environmental Performance

TCV is committed to improving our environmental awareness and the sustainability of our operations and business model. This has included progressing environmental projects as part of our core business activities. During the year, we have continued to explore areas of environmental performance where TCV can improve its operations.

As part of our office based activities TCV has:

- continued our commitment to reporting our activities with the City of Melbourne's Cityswitch program
- reduced our electricity consumption by more than 20% (measured by Total KWh/FTE) over 2010 levels including realising the benefits of significantly improving the energy efficiency of our computer server room (which accounts for approximately 80% of TCV electricity usage)
- obtained a (self-rated) NABERS rating of 5.5 stars for the TCV tenancy and 5.5 stars for the computer server room
- undertaken a waste audit which showed that enhanced recycling programs have resulted in a 30% landfill reduction and a 3% increase in recycling rates since March 2009
- continued our green purchasing and disposal policies including recycling all surplus electronic equipment, and environmental considerations in purchasing decisions including completing a roll out of more efficient desktop computers.

As part of an increased focus of environmental outcomes for our core business activities TCV has:

- continued with our reporting and monitoring obligations in respect of TCV's July 2016 issuance of a \$A300 million accredited Green Bond as the first tranche of an issuance program to support ongoing investment by the Victorian Government in low carbon infrastructure projects and energy efficiency initiatives
- implemented transactional support and advisory services to support the Government's investment in renewable energy projects in holding LGCs under the Commonwealth Government's Renewable Energy Target for the Renewable Certificates Purchasing Initiative, the Victorian Desalination Plant, the proposed Solar Trams initiative and other water sector clients.

Protected Disclosure Act 2012

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

There are three main purposes of the PD Act:

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

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

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

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

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

TCV has established procedures to:

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

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

Financial Management Compliance Attestation Statement

I Cassandra Kelly, on behalf of the Board, certify that Treasury Corporation of Victoria has complied with the applicable Standing Directions of the Minister for Finance under the Financial Management Act and Instructions.



Cassandra Kelly
Chair

16 August 2018

Financial Statements 2018

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Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018 \$000s	2017 \$000s
Net gain on financial assets and liabilities at fair value through profit and loss	2	65,546	95,760
Other fees and income		7,319	7,085
		72,865	102,845
Borrowing related expenses	3	4,395	1,600
Other operational expenses	3	17,986	17,991
Net loss on non-financial assets		726	-
		23,107	19,591
Net profit		49,758	83,254
Other comprehensive income			
Reversal of revaluation reserve		-	(2,059)
Total other comprehensive income		-	(2,059)
Total comprehensive income		49,758	81,195

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

Statement of Financial Position

As at 30 June 2018

	Note	2018 \$000s	2017 \$000s
Assets			
Cash and cash equivalents	6	2,849,602	1,861,828
Other receivables	7	59,444	237,928
Investments	8	5,420,776	10,247,094
Derivative financial instruments	9	414,875	411,971
Loans to the State of Victoria and Participating Authorities	10	39,072,666	34,144,127
Property, plant and equipment		562	524
Intangible assets		1,712	1,290
Other assets		10,069	997
Total assets		47,829,706	46,905,759
Liabilities			
Deposits	11	7,585,759	7,288,937
Other payables	12	555,543	378,875
Derivative financial instruments	9	388,350	399,945
Interest bearing liabilities – domestic	13	38,811,889	38,320,567
Interest bearing liabilities – offshore	14	246,757	243,945
Other liabilities		7,311	6,052
Provisions		3,150	2,995
Total liabilities		47,598,759	46,641,316
Net assets		230,947	264,443
Equity			
Contributed equity		30,000	30,000
Retained earnings		200,947	234,443
Total equity		230,947	264,443

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

Statement of Changes in Equity

For the year ended 30 June 2018

	Note	Contributed Equity \$000s	Revaluation Reserve \$000s	Retained Earnings \$000s	Total \$000s
As at 30 June 2017		30,000	-	234,443	264,443
Net profit for the period		-	-	49,758	49,758
Dividend paid	25	-	-	(83,254)	(83,254)
As at 30 June 2018		30,000	-	200,947	230,947
		Contributed Equity \$000s	Revaluation Reserve \$000s	Retained Earnings \$000s	Total \$000s
As at 1 July 2016		30,000	2,059	150,239	182,298
Net profit for the period		-	-	83,254	83,254
Change of accounting treatment		-	(2,059)	950	(1,109)
Dividend paid	25	-	-	-	-
As at 30 June 2017		30,000	-	234,443	264,443

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

Statement of Cash Flows

For the year ended 30 June 2018

	2018	2017
Note	\$000s	\$000s
Cash flows from operating activities		
Interest received from the State of Victoria and Participating Authorities	1,522,427	1,571,647
Interest received on investments and cash	152,869	182,062
Interest paid on borrowings and deposits	(1,877,613)	(1,931,525)
Net interest received on derivatives	12,480	1,631
Fees received	7,250	7,316
Operational expenses paid	(21,555)	(18,294)
Cashflows from operating activities before changes in operating assets and liabilities	(204,142)	(187,163)
(Increase)/decrease in loans to the State of Victoria (Department of Treasury and Finance)	(4,306,592)	5,770,564
Increase in loans to Participating Authorities	(733,005)	(277,130)
Decrease/(increase) in investments	4,964,671	(5,514,236)
Increase in non-financial assets	(9,610)	-
Decrease in derivatives	(23,398)	(372,317)
Increase/(decrease) in borrowings	1,086,551	(2,740,151)
(Decrease)/increase in deposits from the State of Victoria (Department of Treasury and Finance)	(40,000)	805,000
Increase/(decrease) in deposits from other entities	337,901	(38,443)
Cashflows from operating activities arising from cashflow movements	1,276,518	(2,366,713)
Net cash inflow/(outflow) from operating activities	1,072,376	(2,553,876)
	26	
Cash flows from investing activities		
Payments for property, plant and equipment	(308)	(106)
Payments for intangible assets	(1,040)	(342)
Net cash outflow from investing activities	(1,348)	(448)
Cash flows from financing activities		
Dividend paid	(83,254)	-
Net cash outflow from financing activities	(83,254)	-
	25	
Net increase/(decrease) in cash and cash equivalents	987,774	(2,554,324)
Cash and cash equivalents at beginning of year	1,861,828	4,416,152
Cash and cash equivalents at end of year	2,849,602	1,861,828
	6	

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

Notes to and Forming Part of the Financial Statements

Note 1 Basis of preparation

Treasury Corporation of Victoria (TCV or the Corporation) is Victoria's central financing authority and operates mainly within the domestic financial markets. It has a single reportable operating segment. TCV's primary customers are the Government of Victoria, its Participating Authorities and other government entities.

This audited financial report of TCV was authorised for issue in accordance with a resolution of the Board on 16 August 2018. The Board has the power to amend and reissue the financial statements.

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

(a) Basis of accounting

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

This report is a general-purpose financial report, prepared in accordance with Direction 5.2 *Annual Reporting* of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

The financial statements also comply with International Financial Reporting Standards 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 certain provisions.

Comparative information has been revised where appropriate to conform to changes in presentation in the current year.

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

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

(b) Foreign currency

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

(c) 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.

(d) Critical estimates and assumptions

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

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

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

(e) Adoption of accounting standards

TCV did not adopt any new standards or amendments for the annual reporting period commencing 1 July 2017.

Note 1 Basis of preparation (cont.)

(f) 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 2018 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. TCV will apply the new rules under the standard from 1 July 2018. Comparatives for 30 June 2017 will not be restated.

Management have reviewed the changes under the standard and, other than for the adoption of hedge accounting (discussed below), do not expect a material impact on the measurement of the amounts disclosed.

Hedge accounting for certain long term foreign currency funding transactions will be formally adopted on transition to AASB 9. As a result, the change to the accounting policy will require a change of accounting treatment of a JPY-denominated EMTN Bond and related AUD loan from the 'at fair value through profit and loss' category to 'at amortised cost'. An adjustment to increase retained earnings by \$6.4 million will be required on transition to reflect the reclassification. Going forward movements in the fair value of swaps designated into formal hedge relationships will be transferred to reserves and therefore not affect net profit other than for any potential ineffectiveness. Classification and measurement of financial assets and liabilities not in formal hedge relationships will remain unchanged. Similarly, no changes are expected regarding the recognition of impairment based on expected credit losses as the majority of assets will be held at fair value through profit and loss.

Additional disclosures in respect of financial instruments and changes in presentation will be required.

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts*. The new standard is based on a principle that revenue is recognised when control of a good or service transfers to a customer, the notion of control replacing the existing notion of risk and rewards. The standard will be adopted as of 1 July 2018 and no material impact on the presentation of the financial statements nor the measurement of the amounts disclosed is expected.

AASB 16 Leases

AASB 16 *Leases* is a new standard that will primarily affect lessees and will result in recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset and a financial liability for almost all lease contracts. Under the standard, TCV will reflect in the Statement of Financial Position a right-of-use asset and liability in respect of its tenancy lease agreement of approximately \$6 million. The standard is not applicable until the period beginning on or after 1 January 2019 and is not expected to be adopted early.

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

Revenue and Expenditure

Note 2 Net gain on financial assets and liabilities

The Corporation primarily generates revenue from its lending and deposit taking activities and the management of associated risks, subject to TCV's risk management framework (refer Notes 19 to 23). Revenue is primarily generated from the differential between the fair value movements of financial assets and financial liabilities, inclusive of interest earned on assets or paid on liabilities, being the 'Net gain on financial assets and liabilities at fair value through profit and loss'.

	2018	2017
	\$000s	\$000s
Financial assets designated at fair value through profit and loss		
Interest income on cash assets and investments	203,134	255,406
Interest income on loans to the Victorian Government and Participating Authorities	1,524,013	1,556,048
	1,727,147	1,811,454
Realised and unrealised market movements of financial assets	(371,237)	(1,661,851)
Net gain on financial assets designated at fair value through profit and loss	1,355,910	149,603
Financial liabilities designated at fair value through profit and loss		
Interest expense on borrowings	(1,713,508)	(1,790,244)
Realised and unrealised market movements of financial liabilities	425,117	1,743,886
Net loss on financial liabilities designated at fair value through profit and loss	(1,288,391)	(46,358)
Net loss on derivatives	(1,973)	(7,485)
Net gain on financial assets and liabilities at fair value through profit and loss	65,546	95,760

Note 3 Operational expenses

	2018	2017
	\$000s	\$000s
Borrowing related expenses		
Syndication fees	3,046	295
Rating Agency fees	617	582
Clearing fees	455	450
Other fees and charges	277	273
	4,395	1,600
Other operational expenses		
Salaries and other direct employee expenses		
- Salaries, wages and entitlements	9,217	9,253
- Defined contribution superannuation contributions	665	654
- Employee related taxes	469	443
Software maintenance, disaster recovery, network and other IT expenditure	2,033	2,166
Professional services		
- Victorian Auditor-General's fees in relation to the audit of the TCV financial statements for the year ended 30 June ⁽¹⁾	323	315
- Department of Treasury and Finance prudential supervision fee	90	121
- Other professional service fees	828	873
Market information services	1,292	1,316
Depreciation of property, plant and equipment	270	254
Amortisation of intangible assets	618	523
Premises		
- Operating lease rental expense	646	669
- Other occupancy costs	291	169
Other supplies and services	1,244	1,235
	17,986	17,991

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

Financial Instruments Carried at Fair Value

Note 4 Financial instruments accounting policy overview

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.

Subsequent measurement of financial assets and liabilities is at fair value.

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 'Other receivables'. Amounts payable for transactions executed but not yet settled, including unsettled loans, are included in the Statement of Financial Position under 'Other payables'.

Until maturity, 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.

Further information on accounting policy is provided in Notes 6 to 18 inclusive.

Note 5 Overview of fair value determination

The fair value of financial instruments is determined by the Risk and Performance Measurement business unit independent of Treasury employees.

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.

Fair values are initially determined exclusive of bid offer spreads. Where assets and liabilities do not have offsetting market risks, bid-offer spreads are applied to the net open positions.

Further information on the determination of fair value is also provided in Notes 6 to 15.

Note 6 Cash and cash equivalents

Cash and cash equivalents include 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.

Balances outstanding at the year-end are detailed as follows:

	2018	2017
	\$000s	\$000s
Current:		
Cash at bank and on hand	214,048	9,241
Deposits with futures clearing house	2,156	1,267
Deposits with financial institutions	411,199	427,263
Short term discounted securities	1,013,650	1,016,575
Reverse repurchase agreements	1,208,549	407,482
Total cash and cash equivalents	2,849,602	1,861,828

Market securities purchased under reverse repurchase agreements are not recognised as financial assets as TCV does not receive the contractual right to receive cash flows or carry the risk or reward of ownership. The fair value of securities purchased under reverse repurchase agreements was \$1,209 million (2017: \$403 million).

Fair value determination

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

Note 7 Other receivables

Other receivables include amounts receivable in respect of transactions executed but not yet settled, fees and other receivables due from clients.

	2018	2017
	\$000s	\$000s
Current:		
Unsettled trades - receivable	58,770	237,308
Fee and other receivables	674	620
Total other receivables	59,444	237,928

Fair value determination

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

Note 8 Investments

Investments include liquid securities and deposits with financial institutions with original maturities longer than three months and loans to entities that are not Participating Authorities but are guaranteed by the Treasurer.

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'.

Balances outstanding at the year-end are detailed as follows:

	2018	2017
	\$000s	\$000s
Floating rate securities	477,892	610,726
Short term discounted securities	2,521,554	2,246,528
Fixed interest securities	1,188,085	1,486,834
Term deposits with financial institutions	1,055,537	5,673,392
Treasurer guaranteed investments ⁽¹⁾		
- Melbourne Cricket Club	154,670	204,385
- St. Vincent's Hospital (Melbourne) Limited	-	3,449
- The Australian Ballet	10,679	10,780
- School co-operatives	6,452	7,287
- Mercy Hospitals Victoria Limited	5,907	3,713
Total investments	5,420,776	10,247,094
Maturity in 12 months or less	3,807,527	7,008,076
Maturity in more than 12 months	1,613,249	3,239,018
Total investments	5,420,776	10,247,094

⁽¹⁾ The balances reported are at fair value. Depending on their accounting basis, this disclosure may differ from that disclosed by the entities identified.

Fair value determination

Floating rate securities are valued using standard market conventions. Inputs include quoted trading margins and, for mortgage backed securities, quoted weighted average life data.

Short term discounted securities are valued by discounting the 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 structured bond for which the fair value is based on a yield reflecting the credit risk of the investment adjusted for pricing evidence when available.

The fair value of term deposits is determined from the interpolation of bank bill yields to two months and then quotes obtained from the relevant counterparty, with the pricing verified against quotes sourced from similar financial institutions on the same basis.

Treasurer guaranteed investments, other than indexed linked instruments, are valued by discounting instrument cash flows utilising rates derived from the TCV yield curve.

¹ The TCV yield curve is primarily derived from market quotes for TCV's Domestic Benchmark Bonds with maturities greater than one year, until 20 December 2032 (2017: until 20 October 2028). For subsequent periods the curve is extrapolated using a spread to swap based on quotations provided by market makers.

Note 9 Derivative financial instruments

TCV enters into derivative instruments to manage the interest rate and currency risk inherent in the borrowing and asset management activities of the Corporation and the risk inherent in the activities of the State of Victoria and Participating Authorities. Derivative instruments are initially recognised at fair value with changes to their fair value recognised in the Statement of Comprehensive Income.

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

	2018 \$000s	2017 \$000s
Derivative financial instrument assets		
Interest rate swaps	212,721	222,991
Cross currency swaps	159,032	146,475
Forward foreign exchange contracts	36,875	39,816
Exchange traded futures	-	97
Fuel swaps	5,484	2,592
Large-scale Generation Certificate forward contracts	763	-
Total derivative asset	414,875	411,971
Maturity in 12 months or less	18,470	10,079
Maturity in more than 12 months	396,405	401,892
Total derivative asset	414,875	411,971
Derivative financial instrument liabilities		
Interest rate swaps	184,734	203,395
Cross currency swaps	161,075	154,099
Forward foreign exchange contracts	36,865	39,787
Exchange traded futures	192	72
Fuel swaps	5,484	2,592
Total derivative liability	388,350	399,945
Maturity in 12 months or less	22,078	12,281
Maturity in more than 12 months	366,272	387,664
Total derivative liability	388,350	399,945

Fair value determination

Over the counter derivatives such as interest rate swaps are valued on a cash flow basis off the appropriate swap curves.

The nominal leg of indexed swaps is valued on a cashflow basis using the relevant swap curve, with the CPI leg valued using the zero coupon inflation swap methodology.

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

A credit valuation 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 the fair value of TCV's derivative positions.

Note 10 Loans to the State of Victoria and Participating Authorities

A function of the Corporation under Section 8(1) of the TCV Act is to provide financial accommodation to a Participating Authority or the State of Victoria. A Participating Authority is a public authority that is accepted, for the purpose of providing financial accommodation, by the Corporation under the TCV Act.

Balances outstanding at the year-end are detailed as follows:

	2018 \$000s	2017 \$000s
Overnight and short term cash	1,900,934	699,872
Floating rate loans	654,098	749,157
Fixed interest loans	36,192,585	32,359,194
Index linked loans	325,049	335,904
Total loans to the State of Victoria and Participating Authorities	39,072,666	34,144,127
Maturity in 12 months or less	5,782,210	2,154,909
Maturity in more than 12 months	33,290,456	31,989,218
Total loans to the State of Victoria and Participating Authorities	39,072,666	34,144,127
State of Victoria (Department of Treasury and Finance)	25,795,623	21,710,833
Participating Authorities	13,277,043	12,433,294
Total loans to the State of Victoria and Participating Authorities	39,072,666	34,144,127

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

Fair value determination

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.

Note 11 Deposits

Deposits consist of short term deposit takings. Balances outstanding at the year-end are detailed as follows:

	2018 \$000s	2017 \$000s
Cash deposits	4,334,377	3,370,380
Term deposits	3,251,382	3,918,557
Total deposits	7,585,759	7,288,937
Maturity in 12 months or less	7,585,759	7,283,092
Maturity in more than 12 months	-	5,845
Total deposits	7,585,759	7,288,937
State of Victoria (Department of Treasury and Finance)	2,211,041	2,231,360
Participating Authorities	2,800,271	2,727,411
Other public sector entities	2,574,447	2,330,166
Total deposits	7,585,759	7,288,937

Fair value determination

Cash deposits are reflected at their account balance inclusive of accrued interest. The fair value of term deposits is determined from a yield curve constructed from market rates.

Note 12 Other payables

Other payables reflect amounts payable in respect of transactions executed but not yet settled and other financial liabilities.

	2018 \$000s	2017 \$000s
Current:		
Unsettled trades		
- payable to Participating Authorities	438,232	201,042
- payable to market participants	85,396	161,602
Other financial liabilities	31,915	16,231
Total other payables	555,543	378,875

Fair value determination

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

Note 13 Interest bearing liabilities – domestic

All amounts issued by TCV have the benefit of the guarantee of the Government of Victoria pursuant to Section 32 of the TCV Act.

Domestic Benchmark Bonds are fixed interest securities that form the cornerstone of the Corporation's funding strategy. TCV aims to have sufficient volume on issue to support its lending activities across various maturities to 2032. TCV also issues fixed interest bonds with different maturities, in smaller volumes, to compliment the more liquid Domestic Benchmark Bond lines.

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

Balances outstanding at the year-end are detailed as follows:

	2018 \$000s	2017 \$000s
Benchmark programs		
Domestic Benchmark Bonds	34,422,870	34,859,308
TCV Promissory Notes	1,308,761	232,323
Total benchmark programs	35,731,631	35,091,631
Domestic borrowings - other		
TCV fixed interest bonds	2,527,480	2,625,259
Indexed linked securities	508,860	555,500
Payables to market participants	43,863	48,123
Commonwealth Government loans	55	54
Total domestic borrowings – other	3,080,258	3,228,936
Total domestic borrowings	38,811,889	38,320,567
Maturity in 12 months or less	4,967,734	3,523,165
Maturity in more than 12 months	33,844,155	34,797,402
Total domestic borrowings	38,811,889	38,320,567

Fair value determination

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

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.

Note 14 Interest bearing liabilities – offshore

From time to time TCV issues Euro Commercial Paper under the AUD 5 billion multi-currency Euro Commercial Paper Program. There was no Commercial Paper issued at 30 June 2018 (2017: \$nil).

TCV also issues Medium Term Notes (EMTNs) under the USD 3 billion Euro Medium Term Note Program. The 2018 liability balance comprises face value of AUD145 million (2017: AUD159 million) and JPY7.5 billion (2017: JPY7.5 billion).

Liabilities issued under these programmes have the benefit of the guarantee of the Government of Victoria pursuant to Section 32 of the TCV Act. All foreign currency risk associated with foreign currency issuances is fully hedged by the Corporation using derivatives.

Balances outstanding at the year-end are detailed as follows:

	2018 \$000s	2017 \$000s
Euro Medium Term Notes	246,757	243,945
Total offshore borrowings	246,757	234,945
Maturity in more than 12 months	246,757	243,945
Total offshore borrowings	246,757	243,945

Fair value determination

AUD-denominated EMTNs are valued through the discounting of cash flows using the TCV yield curve. The JPY-denominated EMTN is valued through the discounting of cash flows using the JPY sovereign curve.

Note 15 Fair Value Hierarchy

The Fair Value Hierarchy, by distinguishing between inputs that are observable in the marketplace, and therefore more objective, and those that are unobservable and therefore more subjective, is designed to indicate the relative subjectivity and estimation reliability of the fair value measurements. The nature of the inputs used to determine the fair value of instruments 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 table summarises the fair value of the financial instruments and the appropriate fair value hierarchy into which they fall as at year end. TCV's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

Note 15 Fair Value Hierarchy (cont.)

	Level 1 (quoted prices in active markets) \$000s	Level 2 (inputs other than quoted prices) \$000s	Level 3 (unobservable inputs) \$000s	Total \$000s
2018				
Assets				
Cash and cash equivalents	1,835,952	1,013,650	-	2,849,602
Other receivables	-	59,444	-	59,444
Investments				
- Floating rate securities	419,827	58,065	-	477,892
- Short term discounted securities	-	2,521,554	-	2,521,554
- Fixed interest securities	935,310	252,775	-	1,188,085
- Term deposits with financial institutions	-	1,055,537	-	1,055,537
- Treasurer guaranteed investments	-	177,708	-	177,708
Derivative financial instruments	37,638	377,237	-	414,875
Loans to the State of Victoria and Participating Authorities	1,900,934	37,171,732	-	39,072,666
	5,129,661	42,687,702	-	47,817,363
Liabilities				
Deposits	4,334,377	3,251,382	-	7,585,759
Other payables	-	555,543	-	555,543
Derivative financial instruments	37,056	351,294	-	388,350
Interest bearing liabilities – domestic	31,352,275	7,459,614	-	38,811,889
Interest bearing liabilities – offshore	-	246,757	-	246,757
	35,723,708	11,864,590	-	47,588,298
2017				
Assets				
Cash and cash equivalents	845,253	1,016,575	-	1,861,828
Other receivables	-	237,928	-	237,928
Investments				
- Floating rate securities	526,984	83,742	-	610,726
- Short term discounted securities	-	2,246,528	-	2,246,528
- Fixed interest securities	1,200,685	286,149	-	1,486,834
- Term deposits with financial institutions	-	5,673,392	-	5,673,392
- Treasurer guaranteed investments	-	226,165	3,449	229,614
Derivative financial instruments	39,912	372,059	-	411,971
Loans to the State of Victoria and Participating Authorities	699,872	33,444,255	-	34,144,127
	3,312,706	43,586,793	3,449	46,902,948
Liabilities				
Deposits	3,370,380	3,918,557	-	7,288,937
Other payables	-	378,875	-	378,875
Derivative financial instruments	39,858	360,087	-	399,945
Interest bearing liabilities – domestic	32,030,970	6,289,597	-	38,320,567
Interest bearing liabilities – offshore	-	243,945	-	243,945
	35,441,208	11,191,061	-	46,632,269

Note 15 Fair Value Hierarchy (cont.)

Transfers between level categories

During the year there were two transfers between the fair value hierarchy categories. The 2018 maturing Domestic Benchmark Bond balance with face value of \$4.2 billion was transferred from Level 1 to Level 2, as quoted prices for Domestic Benchmark Bonds close to maturity have historically been considered less reliable. The 2032 Domestic Benchmark Bond balance with face value of \$1.5 billion was transferred from Level 2 to Level 1 as the quotes for that bond became observable. At 30 June 2018, the 2018 Domestic Benchmark Bond was valued off the TCV curve, whilst the 2032 Domestic Benchmark Bond was valued using quoted yields.

There were no transfers to or from Level 3 category during the year. Level 3 Treasurer guaranteed investments held as at 30 June 2017 matured during the current year and no new Level 3 instruments were issued or acquired.

Note 16 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 and Participating Authorities and Treasurer guaranteed investments amounts to a gain of \$227 million (2017: loss of \$61 million) and cumulatively a gain of \$397 million (2017: gain of \$369 million).

The change in fair value attributable to changes in credit risk, for the current year, of interest bearing liabilities amounts to a loss of \$237 million (2017: gain of \$57 million) and cumulatively a loss of \$491 million (2017: loss of \$499 million).

The current year change in fair values attributable to changes in credit risk was estimated by applying the change in spreads to the basis point value of relevant positions at the end of the period. The appropriate change in spread is determined by linear interpolation of fixed tenor yield curves between TCV market yields and Commonwealth Bond market yields. The cumulative change applies spread changes between transaction date and period end.

TCV and the State of Victoria remained AAA rated by Standard and Poor's and Aaa by Moody's during 2017-18. The spreads between the TCV yield curve and the Commonwealth Bond yield curve narrowed across all maturities, ranging from 5 basis points to 11 basis points. The change in spreads reflects a number of factors in addition to markets' assessment of credit risk. The values disclosed above, therefore, do not only represent the change in fair value of the relevant assets or liabilities due to changes in credit risk.

Note 17 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.

	2018 Fair Value ⁽¹⁾	2018 Principal Owing at Maturity ⁽²⁾	2018 Variance	2017 Fair Value ⁽¹⁾	2017 Principal Owing at Maturity ⁽²⁾	2017 Variance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Deposits	7,585,759	7,569,110	16,649	7,288,937	7,271,127	17,810
Interest bearing liabilities – domestic ⁽³⁾	38,811,889	35,064,018	3,747,871	38,320,567	34,093,971	4,226,596
Interest bearing liabilities – offshore	246,757	236,789	9,968	243,945	246,232	(2,287)

(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 18 Offsetting financial assets and financial liabilities

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

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

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

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

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

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

	Effects of offsetting on the Statement of Financial Position			Related amounts not offset		
	Gross amounts	Gross amounts set off in the Statement of Financial Position	Net amounts presented in the Statement of Financial Position	Impact of master netting arrangements	Cash and financial instrument collateral	Net amount
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
2018						
Assets						
Reverse repurchase agreements ⁽¹⁾	1,208,549	-	1,208,549	-	(1,208,545)	4
Derivative financial Instruments ⁽²⁾	1,420,423	(1,005,548)	414,875	(266,629)	(34,406)	113,840
	2,628,972	(1,005,548)	1,623,424	(266,629)	(1,242,951)	113,844
Liabilities						
Derivative financial Instruments ⁽²⁾	1,393,706	(1,005,356)	388,350	(266,629)	(110,951)	10,770
	1,393,706	(1,005,356)	388,350	(266,629)	(110,951)	10,770
2017						
Assets						
Reverse repurchase agreements ⁽¹⁾	407,482	-	407,482	-	(402,563)	4,919
Derivative financial Instruments ⁽²⁾	1,447,395	(1,035,424)	411,971	(280,581)	(35,263)	96,127
	1,854,877	(1,035,424)	819,453	(280,581)	(437,826)	101,046
Liabilities						
Derivative financial Instruments ⁽²⁾	1,400,771	(1,000,826)	399,945	(280,581)	(119,364)	-
	1,400,771	(1,000,826)	399,945	(280,581)	(119,364)	-

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

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

Risk Management

Note 19 Risk management framework

Overview

TCV is the central financing authority and financial markets adviser for the State of Victoria. TCV provides treasury services to the State of Victoria and Participating Authorities and also provides financial advice and analytical services to Participating Authorities, government departments and agencies and other parties at the direction of the Treasurer. 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 of Victoria and Participating Authorities, TCV enters into derivative instruments.

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

- market risk
- liquidity risk
- credit risk
- operational risk.

TCV's exposure to foreign exchange rate risk is limited to AUD250,000.

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

The risk management framework comprises the following key components:

- the TCV Board is responsible for ensuring that TCV's risk management framework is sound, for approving TCV's Risk Appetite Statement and approving TCV's key risk policies
- the Managing Director is responsible for the set up and maintenance of the risk management framework and the risk management policies, ensuring that the risks are controlled and within Board approved levels
- the TCV Audit Committee assists the TCV Board in discharging its responsibility for oversight, implementation and operation of the risk management framework
- 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 Risk and Performance Measurement business unit is responsible for developing and maintaining appropriate risk policies consistent with the Prudential Standard and the guidelines of the Board, relating to risk identification, measurement, control, reporting and implementation
- 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
- executive committees such as the Asset and Liability Committee, the Credit Risk Committee and the Enterprise Risk Management Committee include the Managing Director and members of the executive management team and other managers who are responsible for ensuring the Corporation's financial assets and liabilities are managed prudently and efficiently.

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, and relevant stakeholders of any breach by the Corporation of the Prudential Standard.

Note 20 Market risk

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

The Prudential Standard requires the Corporation to maintain sufficient capital to cover, in addition to credit risk, its exposure to market risk. The Prudential Standard considers market risk in two categories: traded (APS 116 *Capital Adequacy: Market Risk*) and non-traded (APS 117 *Capital Adequacy: Interest Rate Risk in the Banking Book*). The principles of APS 116 and APS 117 inform the way in which TCV approaches the management and measurement of market risk.

Note 20 Market risk (cont.)

Value at risk

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.

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 Managing Director is responsible for recommending to the Board a total aggregate VaR limit that TCV can undertake at any point in time across all its portfolios. The Board consider this and approve a limit to be recommended to the Treasurer for approval.

Within the 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. Back-testing exceptions are monitored and reported consistent with APS116 classifications, as required under the Prudential Standard.

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

	2018	2017
	\$000s	\$000s
30 June	1,708	1,756
Average daily value during the year	1,890	2,342
Highest	2,174	2,944
Lowest	1,648	1,704

All VaR measures were within limits during the financial year.

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.

TCV's VaR measurement 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, 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 the present value in AUD of the cashflows of each instrument will also vary, despite being cash flow matched. Prior to maturity, this creates an AUD/JPY sensitivity. In addition, because all three instruments are valued off different curves, prior to maturity there is also interest rate sensitivity.

Note 20 Market risk (cont.)

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

	2018	2017
	\$000s	\$000s
Risk Factor		
AUD depreciates 5% against JPY	1,322	1,046
AUD appreciates 5% against JPY	(1,196)	(947)
JPY Bond and cross currency market interest rates 20 basis points up	(180)	(120)
JPY Bond and cross currency market interest rates 20 basis points down	187	125

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.

Note 21 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 the Department of Treasury and Finance (DTF) under the Whole of Victorian Government (WOVG) Liquidity Strategy.

DTF 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 of Victoria to maintain the WOVG Liquidity Ratio (refer to *Short-term liquidity management* below)
- monitor market conditions constantly and advise the State of Victoria and its Participating Authorities when accessing funds at particular maturities becomes difficult or expensive so that their respective funding plans can be modified as appropriate.

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

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

Note 21 Liquidity (cont.)

Short-term liquidity management

TCV measures and reports the WOVG Liquidity Ratio, which is the ratio of liquid assets (free cash assets, liquid assets and committed bank lines) to twelve month's debt service obligations. This ratio is required to remain at or above 80% for normal business conditions during the financial year. In certain circumstances the ratio is permitted to fall below 80% where there is an expectation that projected cash flows will restore the ratio. Due to large predicted cash flow movements during the year, this occurred, and was brought back above 80% within the required timeframe.

The ratio during the period ending 30 June was:

	2018	2017
	%	%
30 June	115	103
Average during the year	102	109
Highest	142	216
Lowest	57	76

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
2018							
Deposits	3,701,369	3,041,020	896,912	-	-	-	7,639,301
Interest bearing liabilities – domestic	-	1,027,551	5,528,441	8,112,834	10,510,275	19,219,857	44,398,958
Interest bearing liabilities – offshore	-	85	3,132	3,217	43,591	246,824	296,849
	3,701,369	4,068,656	6,428,485	8,116,051	10,553,866	19,466,681	52,335,108
2017							
Deposits	2,490,645	4,135,676	713,287	5,986	-	-	7,345,594
Interest bearing liabilities – domestic	-	294,933	4,875,053	6,160,173	10,391,354	21,582,800	43,304,313
Interest bearing liabilities – offshore	-	85	3,078	3,163	9,490	291,916	307,732
	2,490,645	4,430,694	5,591,418	6,169,322	10,400,844	21,874,716	50,957,639

Liquidity crisis management

TCV uses liquidity crisis action plans 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 22 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.

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, forward transactions and Large-scale Generation Certificates. 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 guaranteed by the State of Victoria provided the conditions incorporated in the Treasurer's approval of the borrowing are complied with) the ultimate credit exposure is to the State of Victoria.

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 22 Credit risk (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+/BBB \$000s	Other \$000s	Total \$000s
2018						
Cash and cash equivalents	-	2,593,156	176,580	79,866	-	2,849,602
Other receivables	659	35,028	23,742	-	15	59,444
Investments	731,020	4,169,261	433,228	64,716	22,551	5,420,776
Derivative financial instrument assets ⁽¹⁾	133,516	106,087	16,240	-	-	255,843
Loans to the State of Victoria and Participating Authorities ⁽²⁾	39,072,666	-	-	-	-	39,072,666
Total credit risk exposure	39,937,861	6,903,532	649,790	144,582	22,566	47,658,331

	AAA \$000s	AA+/AA/AA \$000s	A+/A/A- \$000s	BBB+/BBB \$000s	Other \$000s	Total \$000s
2017						
Cash and cash equivalents	-	794,503	992,571	74,754	-	1,861,828
Other receivables	536	126,764	110,543	-	85	237,928
Investments	607,296	8,988,723	442,397	169,667	39,011	10,247,094
Derivative financial instrument assets ⁽¹⁾	114,324	132,633	18,442	-	-	265,399
Loans to the State of Victoria and Participating Authorities ⁽²⁾	34,144,127	-	-	-	-	34,144,127
Total credit risk exposure	34,866,283	10,042,623	1,563,953	244,421	39,096	46,756,376

⁽¹⁾ Reflects the credit exposure of derivative assets. This exposure is mitigated by derivative portfolio netting pursuant to Master Netting Agreements and collateral deposits. At 30 June 2018, TCV held \$43.8 million (2017: \$48.1 million) in cash deposits pursuant to Credit Support Annexures which provide for the provision of collateral to cover the credit risk arising from net derivative exposures to market counterparties.

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

Ageing analysis of past due but not impaired loans

At 30 June 2018, there were no amounts past due (30 June 2017: nil).

Note 23 Operational risk

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

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

Capital and Dividends

Note 24 Capital adequacy

TCV's risk management framework incorporates a risk-based capital adequacy approach as specified in TCV's Prudential Standard. Under the Prudential Standard, the Corporation is required to hold a minimum capital adequacy ratio of 8% of risk weighted assets. The Corporation however, aims to maintain a capital ratio of at least 10.5% of risk weighted assets.

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

	Actual 2018 \$000	Required 2018 \$000	Actual 2017 \$000	Required 2017 \$000
Total capital ⁽¹⁾	230,947	68,162	264,443	145,189
Risk weighted assets ⁽²⁾	852,028	852,028	1,814,859	1,814,859
Capital ratio	27.1%	8.0%	14.6%	8.0%

(1) Total capital excludes reserves.

(2) Actual risk weighted assets fell between 2017 and 2018 largely due to a reduction in term deposits with financial institutions.

Note 25 Dividends

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 2018, no dividend in respect of the year ended 30 June 2018 (2017: \$nil) has been provided for in the accounts of TCV. In respect of the prior year's surplus, a dividend of \$83.3 million (2017: \$nil) was declared and paid after the relevant reporting date.

Other Information

Note 26 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

	2018 \$000s	2017 \$000s
Net profit	49,758	83,254
Depreciation of property, plant and equipment	270	254
Amortisation of intangible assets	618	523
Increase in other payables and liabilities	16,943	1,519
(Increase)/decrease in other receivables and assets	(240)	349
Increase in provisions	155	261
Decrease in accrued interest receivable	10,968	20,650
(Decrease)/increase in accrued interest payable	(5,692)	(37,393)
Net unrealised (loss) from financial assets and liabilities	(276,196)	(256,581)
Net unrealised (loss) from non-financial assets	(726)	-
Operating cashflow items not included in profit	1,276,518	(2,366,712)
Net cash inflow from operating activities	1,072,376	(2,553,876)

Note 27 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act, the following disclosures are made regarding responsible persons for the reporting period.

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

Cassandra Kelly, Chair

William Whitford, Managing Director

Helen Thornton, Deputy Chair (appointed on 1 July 2017)

John Blight

David Martine

Paul Coughlin (retired on 13 April 2018)

John Pearce

Pamela Hauser

Sue O'Connor (appointed on 10 April 2018)

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

Remuneration

The total remuneration paid or payable to Directors for the year is \$1,119,808 (2017: \$1,000,978). These amounts include all employee benefits which are all forms of consideration paid, payable or provided by the Corporation, or on behalf of the Corporation, in exchange for service rendered. In respect of the Managing Director, total remuneration is also inclusive of accrued bonus. Amounts relating to ministers are reported within the financial statements of the Department of Parliamentary Services.

Remuneration of Directors	2018	2017
Income band	No. of Directors	No. of Directors
\$680,000 to 689,999 ⁽¹⁾	1	-
\$600,000 to \$609,999 ⁽¹⁾	-	1
\$130,000 to \$139,999	1	-
\$100,000 to \$109,999	-	1
\$50,000 to \$59,999	4	4
\$40,000 to \$49,999	1	-
\$30,000 to \$39,999	-	1
\$20,000 to \$29,999	-	1
\$10,000 to \$19,999	1	-
\$0 ⁽²⁾	1	1

⁽¹⁾ The total remuneration reported for the Managing Director includes benefits accrued during the year, being recreational leave and long service leave. (Non-executive directors do not accrue these benefits). The increase in the Managing Director's remuneration between 2017 and 2018 largely reflects differences between the year in which the recreational leave was accrued and when it was taken.

⁽²⁾ David Martine, as an employee of the Department of Treasury and Finance, was not compensated by TCV.

Note 28 Remuneration of executives

The table below presents the total remuneration received or receivable by executives and the number of executives exclusive of the Managing Director (refer Note 27). Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the Corporation, or on behalf of the Corporation, in exchange for services rendered, and is disclosed in the following categories:

- short-term employee benefits including amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis
- post-employment benefits being benefits paid or payable on a discrete basis when employment has ceased
- other long-term benefits reflecting long service leave accrued
- termination benefits including termination of employment payments, such as severance packages.

Remuneration of executive officers	2018	2017
	\$000s	\$000s
Short-term benefits	2,199	2,235
Post-employment benefits	-	-
Other long-term benefits	70	78
Termination benefits	-	-
Total remuneration	2,269	2,313
Total number of executive officers	6	6
Total annualised employee equivalent (AEE) ⁽¹⁾	5.6	5.6

⁽¹⁾ The total annualised employee equivalent (AEE) provides a measure of full-time equivalent executive officers over the reporting period based on working 5 days per week.

Note 29 Related parties

TCV is the central financing authority and financial markets adviser for the State of Victoria. TCV provides treasury services to the State of Victoria 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.

Related parties of the TCV include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over)
- all cabinet ministers and their close family members
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

There were no significant transactions with government related entities.

Key management personnel

Key management personnel of the TCV include the Treasurer, Tim Pallas MP, TCV's Directors (refer Note 27) and the following members of the senior executive team:

Mark Engeman, Deputy Managing Director and Corporation Secretary

Mike van de Graaf, General Manager, Risk and Performance Management

Justin Lofting, General Manager, Treasury

Judy Utley, General Manager, People and Culture

Peter Wyatt, Chief Financial Officer

Warren Murray, General Manager, Information Technology

Note 29 Related parties (cont.)

The remuneration below excludes the salaries and benefits of the Treasurer. Amounts relating to ministers are reported within the financial statements of the Department of Parliamentary Services.

Remuneration of key management personnel	2018	2017
	\$000s	\$000s
Short-term benefits	3,296	3,214
Post-employment benefits	-	-
Other long-term benefits	92	100
Termination benefits	-	-
Total remuneration	3,388	3,314

Transactions and balances with key management personnel and other related parties

All transactions that involve the related parties listed below are dealt with on normal commercial terms and conditions and without reference to the key management personnel concerned. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Key management person	Related party	Key management person relationship with related party	Services provided by the related party
Helen Thornton, Deputy Chair	Yarra Valley Water	Director	Loan and deposit products and advisory services
	Zoological Parks and Gardens Board	Deputy Chair	Deposit products
	Austin Health	Director	Loan and deposit products
David Martine, Director	Department of Treasury and Finance	Secretary	Loan and deposit products and advisory services
	Victorian Funds Management Corporation	Director	Deposit products
Sue O'Connor	Yarra Valley Water	Chair	Loan and deposit products and advisory services

Note 30 Commitments

Operating lease commitments

Operating lease commitments relate to the Corporation's tenancy at 1 Collins Street Melbourne. In 2017 TCV entered into a lease agreement expiring in 2024 with an option to extend for a further 5 years. The lease provides for a rental increase at each anniversary date.

Future commitments under non-cancellable operating leases are due:

	2018	2017
	\$000s	\$000s
Not later than one year	435	405
Later than one year but not more than five years	2,738	2,278
Later than 5 years	5,742	6,637
	8,915	9,320

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

Note 31 Subsequent events

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

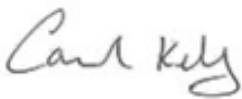
Certification of Financial Statements

The attached financial statements for Treasury Corporation of Victoria have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the Financial Management Act, 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 2018 and financial position of Treasury Corporation of Victoria as at 30 June 2018.

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 16 August 2018.



Cassandra Kelly
Chair

Melbourne
Date: 16 August 2018



William Whitford
Managing Director

Melbourne
Date: 16 August 2018



Peter Wyatt
Chief Financial Officer

Melbourne
Date: 16 August 2018

Independent Auditor's Report



Independent Auditor's Report

To the Board of the Treasury Corporation of Victoria

Opinion	<p>I have audited the financial report of the Treasury Corporation of Victoria (the Corporation) which comprises the:</p> <ul style="list-style-type: none"> • statement of financial position as at 30 June 2018 • statement of comprehensive income for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • notes to the financial statements, including significant accounting policies • certification of the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the Corporation as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's responsibilities for the audit of the financial report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Key audit matters	<p>Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.</p>

Key audit matter	How I addressed the matter
<p>Valuation of financial instruments carried at fair value and related net gain on financial assets and liabilities at fair value</p> <p>Refer to Note 4 of the financial report for the accounting policy associated with the valuation of financial instruments and the fair value determination section of the relevant financial instrument notes for the assumptions applied by management in valuing financial instruments.</p> <hr/> <p>Financial assets at fair value - \$45.0 billion Financial liabilities at fair value - \$47.6 billion Net gain on financial assets and liabilities at fair value - \$65.5 million.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> financial instruments carried at fair value and the related net gain on financial assets and liabilities at fair value are financially significant the underlying model used to value some of the Corporation's financial instruments with higher estimation uncertainty is complex a significant degree of management judgement is required in valuing these financial instruments a small adjustment to an assumption or valuation input may have a significant impact on the fair value of these financial instruments. 	<p>My key procedures included:</p> <ul style="list-style-type: none"> assessing the characteristics and valuation methodology for each type of financial instrument, and categorising them based on the level of estimation uncertainty in valuation evaluating the design and operating effectiveness of the key controls identified supporting the valuation of financial instruments and related net gain agreeing independent counterparty confirmations of financial instruments as at 30 June 2018 to the recorded balances engaging an appropriately qualified valuation specialist to: <ul style="list-style-type: none"> assess the sufficiency and appropriateness of methodologies, assumptions and valuation models across financial instrument classes perform independent testing of key valuation inputs for financial instruments with a higher level of estimation uncertainty assess manual fair value adjustments made to financial assets and liabilities against the requirements of Australian Accounting Standards. assessing the adequacy of financial statement disclosures against the requirements of Australian Accounting Standards.
<p>Board's responsibilities for the financial report</p>	<p>The board is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the board is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

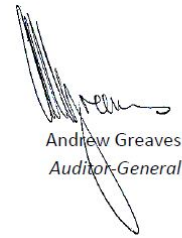
As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board.
- conclude on the appropriateness of the board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

<p>Auditor's responsibilities for the audit of the financial report (continued)</p>	<p>From the matters communicated with the board, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.</p>
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MELBOURNE
21 August 2018



Andrew Greaves
Auditor-General

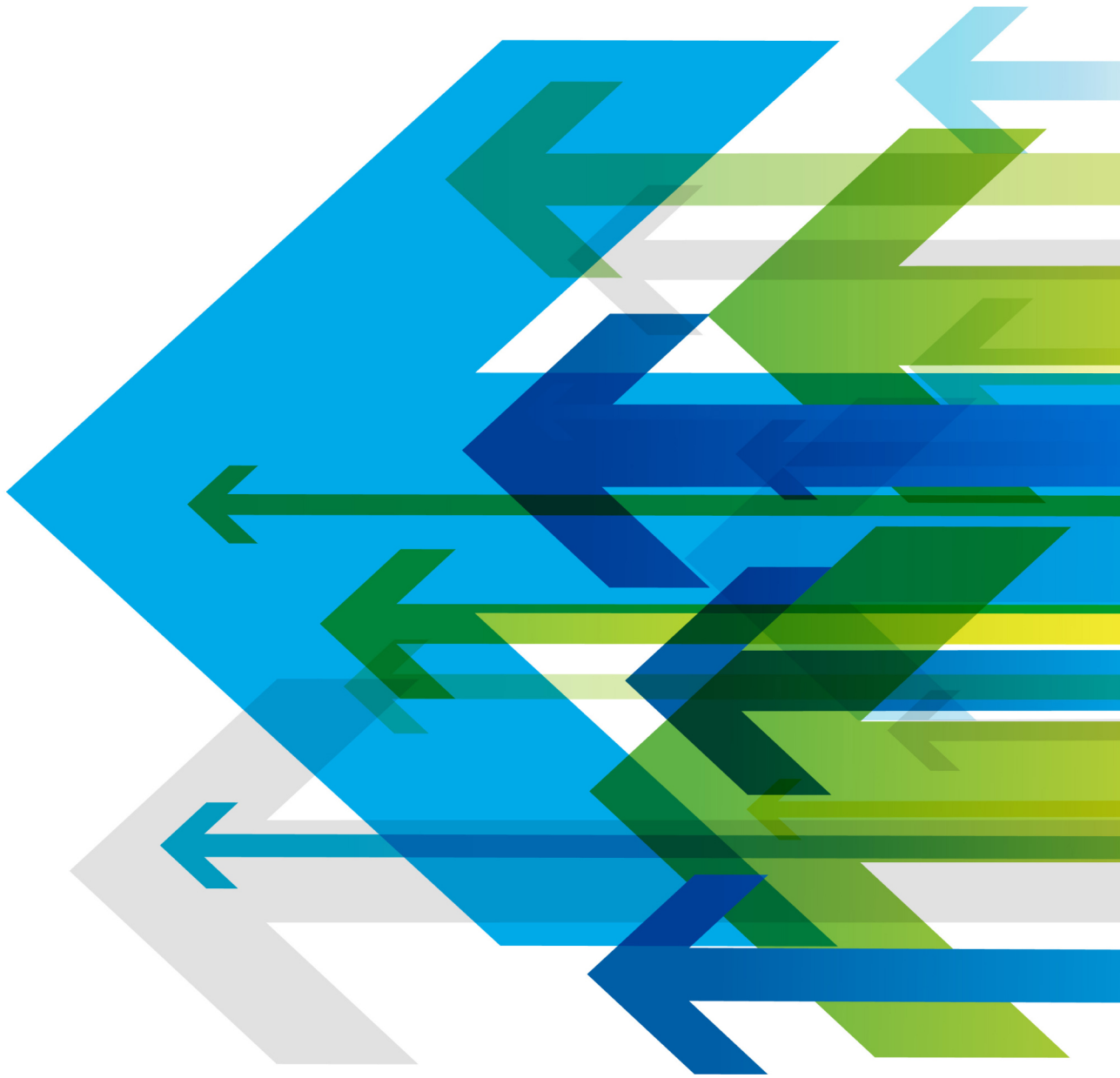
Appendix 1 – Disclosure Index

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

Victorian Legislation and Pronouncements	Requirement	Page Reference
Financial Reporting Directions		
FRD10A	Disclosure index	65
FRD11A	Disclosure of ex-gratia payments	n/a
FRD21C	Responsible person and executive officer disclosures	56-58
FRD22H	Occupational health and safety	25
FRD22H	Manner of establishment and the relevant Minister	2
FRD22H	Purpose, functions, powers and duties	2
FRD22H	Nature and range of services provided	2-9
FRD22H	Organisational charts	18, 21
FRD22H	Key initiatives and projects	3-13
FRD22H	Employment and conduct principals	25-28
FRD22H	Summary of the financial results	5
FRD22H	Significant changes in financial position	n/a
FRD22H	Subsequent events	59
FRD22H	Expenditure on consultancies	26
FRD22H	Expenditure on government advertising	n/a
FRD22H	Information and Communications Technology expenditure	26-27
FRD22H	Application of Freedom of Information Act 1982	25
FRD22H	Application and operation of the Protected Disclosure Act 2012	27-28
FRD22H	Statement on National Competition Policy	26
FRD22H	Summary of environmental performance	27
FRD22H	Statement of availability of other information	25
FRD25C	Victorian Industry Participation Policy disclosures	26
2016 Standing Directions		
SD 5.1.4	Financial Management Compliance Attestation	28
SD5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	60
SD 5.2.2	Declaration in financial statements	60
SD 5.2.3	Declaration in report of operations	3
Legislation		
Freedom of Information Act 1982		25
Protected Disclosure Act 2012		27-28
Victorian Industry Participation Policy Act 2003		26
Financial Management Act 1994		25

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



Treasury Corporation of Victoria