



Treasury Corporation of Victoria

ANNUAL REPORT

2018/19



ENHANCING FINANCIAL
OUTCOMES FOR VICTORIA

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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) enables TCV to provide services to Participating Authorities (public authorities accepted by TCV) and Departments of the State and, at the determination of the Treasurer, other Victorian entities.

At 30 June 2019, there were 109 Participating Authorities (2018: 105) 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 source funds 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 2018-19 has been another active and successful year for the Corporation.

In considering our success, we focus both on quantitative and qualitative measures and whilst we pay careful attention to and place importance on metrics including KPIs, our financial return and other measures of operational effectiveness, we also take seriously our commitment and responsibility to those we serve: our customers, the financial markets community and the Government and its priorities.

Although our customer-centric approach is core to TCV principles, we never lose sight of the need to deserve our employees, undoubtedly the most important ingredient to our success, past and future. We employ people with exceptional talents who are passionate about producing exceptional results for our customers and we reward them commensurate with their contribution, both financially and through non-financial means including career challenges and an enjoyable working environment. Our recent staff survey yielded a result putting us in the top few percent for employee engagement and alignment, with very high scoring for a healthy culture towards risk.

On review, we are proud of our achievements and we have performed strongly across all areas this year: financial metrics have been met and exceeded; our customer feedback is uniformly positive; our people are highly engaged, as evident in our low employee turnover; and our reputation remains very strong within financial markets.

We continue to respect the privilege we have in working with the State and have been extensively involved in important initiatives in affordable housing, the development of community sporting facilities and the successful implementation of the Centralised Banking System which has been a significant achievement.

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

We have worked collaboratively with our clients, engaging across their organisations to assist them with their financing requirements and add value to their business wherever possible. Our most recent client performance conversations indicate 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 investors remain positive on the State's fiscal management and outlook, and on 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.

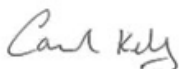
And now it is time to pause and take a moment from reporting outcomes and appreciation for stakeholders and turn our thanks to all our people for their contribution and dedication - the Corporation could not add the value it does without you.

Thank you to our Board of Directors whose dedication and professionalism, matched by their expertise, brings the governance and added valuable insight to make the Corporation even more effective at carrying out its responsibilities for the benefit of the State and who provide support and offer appreciation for work well done to management and staff.

This year we welcomed a new Director, Debra Hazelton who joined us on 18 August 2018, Debra brings us extensive experience in both financial markets and people and culture.

Finally, our thanks to Treasurer Tim Pallas, his staff and the team at the Department of Treasury and Finance for their ongoing guidance and support. Their trust and proactive engagement enhance 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
20 August 2019



William (Bill) Whitford
Managing Director
20 August 2019

Performance

TCV focuses on financial and non-financial objectives and performance indicators, which 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 against these objectives:

Objective/Indicator	Outcome 2018-19
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 this 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 2018-19 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 2018-19, TCV delivered a ROE of 19.2%, Net Profit \$50.3 million, \$28.0 million in excess of budget.
Client satisfaction	TCV measures client satisfaction bi-annually through an independent Client Survey. This formal survey was last undertaken in May 2017 and produced a client overall satisfaction rating of 83% favourable, and an advocacy score of +49 (NPS). This year a consultation process was undertaken with our most significant customers, which indicated our clients retain a positive view of the Corporation and our contribution to their businesses.
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 2018, once again indicated a top decile level of employee engagement and alignment.
OHS	We ensure the safety of our people through the oversight of both Employee and Board OHS committees, and through a thorough training and compliance processes. In 2018-19 there were no notifiable OHS incidents.

Financial Summary

Income Summary	2018-19	2017-18	2016-17	2015-16	2014-15
	\$ million	\$ million	\$ million	\$ million	\$ million
Income					
Net gain on financial assets and liabilities designated at fair value through profit and loss	70.1	65.5	95.8	53.9	41.1
Interest from financial assets at amortised cost	6.2				
Other fees and income	7.9	7.3	7.1	8.8	8.7
Total Income	84.2	72.8	102.9	62.7	49.8
Expenses					
Borrowing related expenses	7.1	4.4	1.6	3.4	1.2
Other operational expenses	18.7	18.0	18.0	17.6	16.9
Interest on financial liabilities at amortised cost	2.6				
Net loss on non-financial assets	4.9	0.7	-	-	-
Hedge ineffectiveness on cash flow hedge	0.6				
Total Expenses	33.9	23.1	19.6	21.0	18.1
Net Profit	50.3	49.7	83.3	41.7	31.7
Dividends Paid	49.7	83.3	0.0	31.7	50.6
Statement of Financial Position					
	2019	2018	2017	2016	2015
	\$ million	\$ million	\$ million	\$ million	\$ million
Loans to clients	42,886.4	39,072.7	34,144.1	40,888.6	40,980.3
Cash and cash equivalents	2,534.2	2,849.6	1,861.8	4,416.2	3,469.6
Investments	6,707.5	5,420.8	10,247.1	4,731.9	4,694.4
Derivatives	488.2	414.9	412.0	630.1	416.6
Other assets	267.2	71.7	240.7	517.9	296.1
Total Assets	52,883.5	47,829.7	46,905.7	51,184.7	49,857.0
Financed by:					
Domestic benchmark bonds	39,700.4	34,422.9	34,859.3	38,374.9	35,264.6
Domestic other	6,632.8	4,389.0	3,461.3	4,597.3	6,773.8
Offshore	232.9	246.8	244.0	372.5	274.9
	46,566.1	39,058.7	38,564.6	43,344.7	42,313.3
Deposits from public sector	2,086.9	7,585.8	7,288.9	6,521.0	6,667.7
Derivatives	465.2	388.3	399.9	955.4	596.2
Other liabilities	3,536.8	566.0	387.9	181.3	107.5
Total Liabilities	52,655.0	47,598.8	46,641.3	51,002.4	49,684.7
Total Equity	228.5	230.9	264.4	182.3	172.3

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

We continue to work closely with the water sector in the management of their debt portfolio.

The Essential Services Commission (ESC) sets prices for the water and sewerage services provided by Victoria's water corporations and provide a debt allowance based on the trailing 10-year average methodology. The trailing average approach involves setting the return on debt allowance at the start of the regulatory period using a given averaging period (ten-year average) for a given term to maturity (ten years) and credit rating (BBB). The return on debt allowance is then updated annually to include the latest interest rate (and to remove the oldest).

During the year Treasury Client Services (TCS) has been advising our water clients about the management of the risk exposures relevant to the trailing average debt calculation, and where required provided advice including detailing a debt management practice that is aligned to the trailing average approach. We have also engaged with the Intelligent Water Network (IWN) to provide TCV specific expertise.

Department of Treasury & Finance

TCV continues to maintain a very strong relationship with DTF, with particular focus this year (working with DTF's Working Capital project team) on implementation of the Central Banking System (CBS). The implementation of the CBS required TCV clients to establish a CBS bank account with Westpac and redeem their investment with TCV. TCV worked with our clients, DTF and Westpac to facilitate this transfer. By year end more than \$5.4 billion of deposits have been transferred to the CBS, with in excess of \$4.2 billion being utilised to finance the Public Account's cash requirements and repay Budget Sector debt, resulting in an ongoing significant interest rate saving for the state.

In addition, 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 client's 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.

Community Sports loan Infrastructure Scheme (CSIL)

A program of \$100 million of Community Sports Infrastructure loans were approved by the Treasurer and Minister for Sport, ranging from \$500,000 to \$10 million. The successful applicants included:

- 13 metropolitan and regional councils
- sports clubs and associations such as Ballarat Basketball, Waverley Gymnastics Centre, Williamstown Football Club and the YMCA
- Belgravia group, a privately-owned leisure management provider.

TCV has been working to establish appropriate loan documentation and security arrangements for both of these schemes.

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 and completed a number of individual meetings and presentations for the Department of Justice and Community Safety and the Department of Health and Human Services agencies.

During 2018-19, TCV provided foreign exchange advice and services to clients in the following government sectors:

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

Treasury Advisory Appointments

Over the year, 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.

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

Large-Scale Generation Certificates

Various state agencies and Victorian water corporations, through their renewable energy generation schemes, manage holdings of Large-scale Generation Certificates (LGC). 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 2018-19. In addition, TCV also provides advice regarding LGC risk management.

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 TCS team met with clients on more than 160 occasions in 2018-19, with a key focus on assisting investment clients transitioning across to the Central Banking System.

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

TCV formally surveys clients biennially to better understand client expectations and our performance against those expectations. In the intervening years, we have initiated a process to informally review our relationship with our largest clients. During the period, the Managing Director and General Manager, Treasury (GMT) met with the CEO's and CFO's Melbourne Water, South East Water, Yarra Valley Water, City West Water, Development Victoria, Western Water, DTF and Barwon Water, our largest clients. The feedback from these meetings was resoundingly positive, indicating that TCV maintains strong trusted partnerships with our clients.

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 2018-19 over 450 clients attended these events. These events are excellent networking opportunities for the variety of government authorities and businesses that attend, and deliver information on the TCV economic outlook, the State Budget, and TCV's borrowing activities.

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 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 2018-19 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 Community Safety (Hopkins Correctional Centre and Victorian Correctional Facilities Projects (Metropolitan Remand Centre and Marngoneet Correctional Centre) and Ravenhall Prison)
- Department of Jobs, Precincts and Regions (Melbourne Convention Centre, Melbourne Exhibition Centre Expansion, Biosciences Research Centre and Royal Melbourne Showgrounds Redevelopment Projects)
- Department of Education and Training (Partnerships Victoria in Schools Project and New Schools PPP).

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.

Specific PPP refinancing's that TCV provided advice during the year included:

- Partnerships Victoria in Schools PPP
- Biosciences Research Centre
- Peninsula Link
- East Link
- Victorian Desalination Plant
- New Schools PPP
- Ravenhall Prison
- Bendigo Hospital.

Looking forward, TCV is in the process of undertaking an engagement for DTF, for further refinancing's proposed for the Victorian Desalination Project to be undertaken in 2019-20.

Business Case Development

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

During the year TCV provided financial modelling advice on the Werribee Zoo, Victorian Port Authority and Federation Square Review, and completed a business case development for Alfred Hospital.

Transaction Development

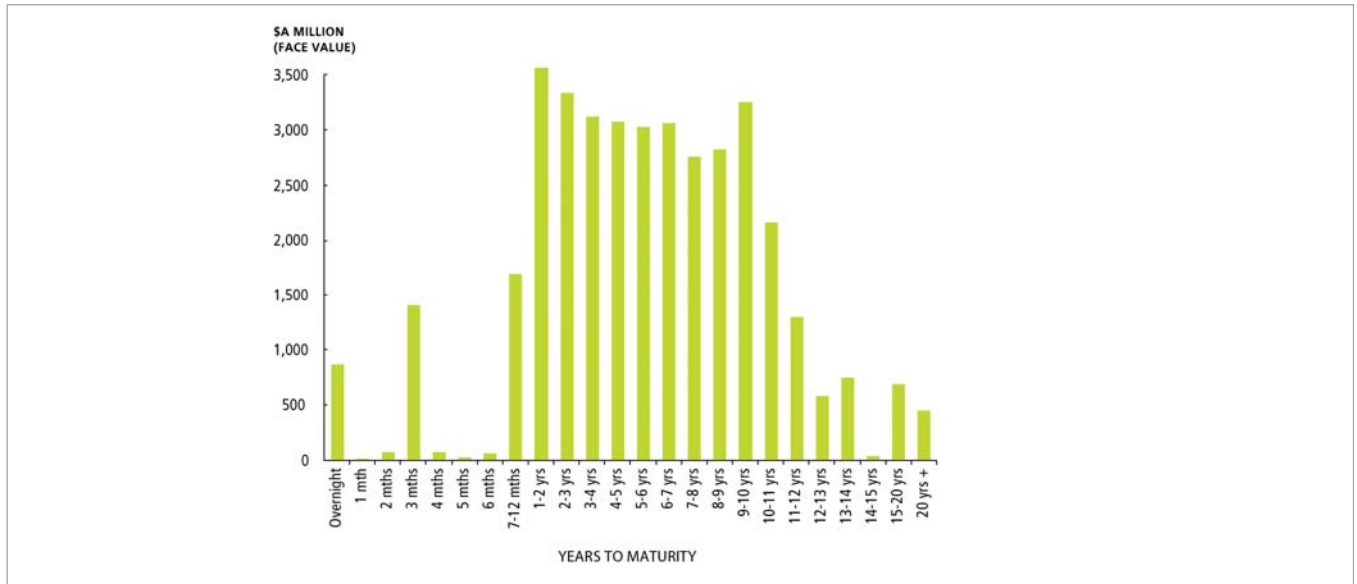
The Project Advisory Services team offers transaction development services to clients as required. Examples of transaction development activities in 2018-19 include providing assistance with:

- V/Line Corporation's rolling 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
- managing the State's long term interest rate exposure associated with an existing PPP project.

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 2019, 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 Securities Australia Limited	UBS AG, Australia Branch
Merrill Lynch (Australia) Futures Limited	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
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 Merrill Lynch Limited	National Australia Bank Limited, Hong Kong Branch
Barclays plc	RBC Europe Limited
Citibank International plc	The Royal Bank of Scotland plc
Commonwealth Bank of Australia	UBS AG, London Branch
Credit Suisse	

2018-19 Funding Activity

Long-term funding programs

Domestic Benchmark Bond outstandings increased by \$A6.9 billion during the year (excluding the matured Nov 2018 bond).

Maturity	30 June 2019 Face Value Outstandings (\$A million)	YOY Face Value Change (\$A million)
Nov 2018	0	-3,145.7
Jun 2020	5,222	-990
Oct 2021	3,234	+3,234
Oct 2022	4,924	-1,251
Dec 2024	5,981	+347
Nov 2026	5,327	-491
Oct 2028	4,615	+1,505
Oct 2029	3,326	+3,326
Dec 2032	1,806	+266

TCV successfully launched two new benchmark transactions through the year with the addition of a new October 2021 and October 2029 benchmark maturities. Each of these new benchmark lines were completed via a syndication process with TCV dealer panel intermediaries. Both transactions received over \$3 billion in bids, with the October 2029 representing the largest long-term standalone semi government bond issue.

In addition, we issued \$322 million of a non-benchmark November 2034 transaction on a reverse enquiry basis. We are hopeful that over time this issue will build into a benchmark bond line.

The issuance over the year was higher than originally anticipated, as we took the opportunity to forward finance around \$3 billion of the 2019/20 funding requirement to take advantage of falling bond yields and strong demand from the investor base for Victorian government debt.

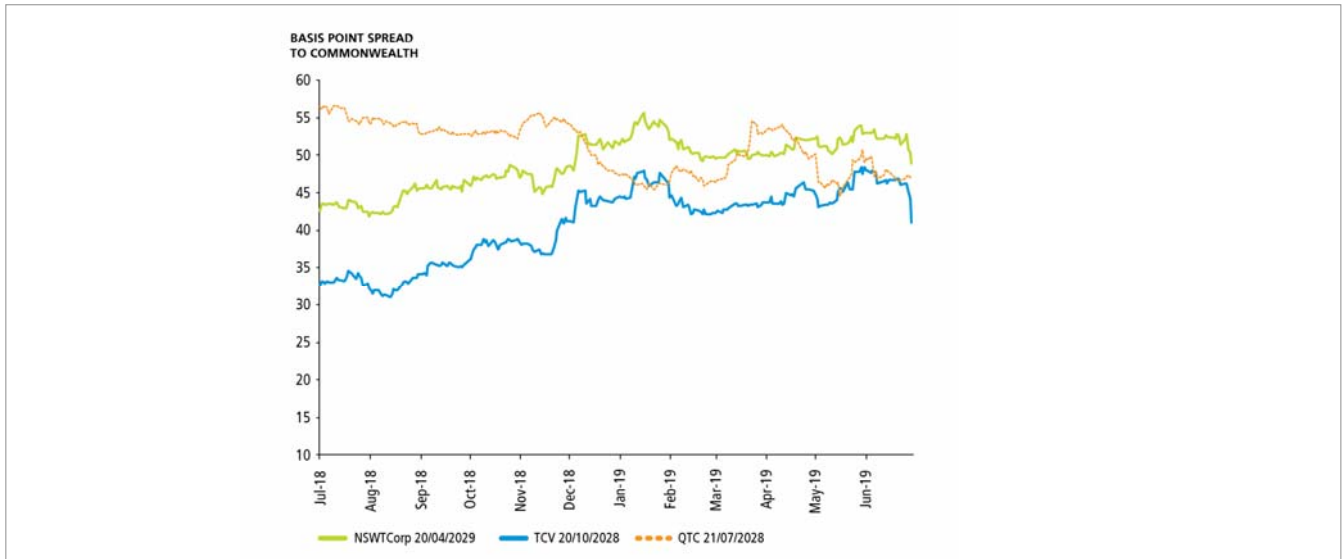
Looking forward TCV's funding requirement for the 2019/20 year is \$5.5 billion, increasing to \$10.2 billion in 2020/21. TCV will continue to seek to stay ahead of the funding requirements and will communicate our issuance activities through the TCV dealer panel and via direct investor engagement.

Outstandings within the Domestic Promissory Note program increased by \$A1,730 million to \$A3,043 million. Activity in our ECP program was minimal during the period and ended the year with minimal outstandings.

Cost of Funds

Through the year, Victoria's cost of funds relative to the Commonwealth Government increased as issuance activity by TCV and across the semi government sector combined with reduced Commonwealth government issuance pushed semi government spreads to Commonwealth bond wider.

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



Future Funding Strategy

For the financial year ending 30 June 2020, TCV’s total funding requirement is \$A5.5 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.

The TCV funding strategy will continue to focus on:

- building outstandings in our benchmark bond lines
- maximising the diversity of our investor base

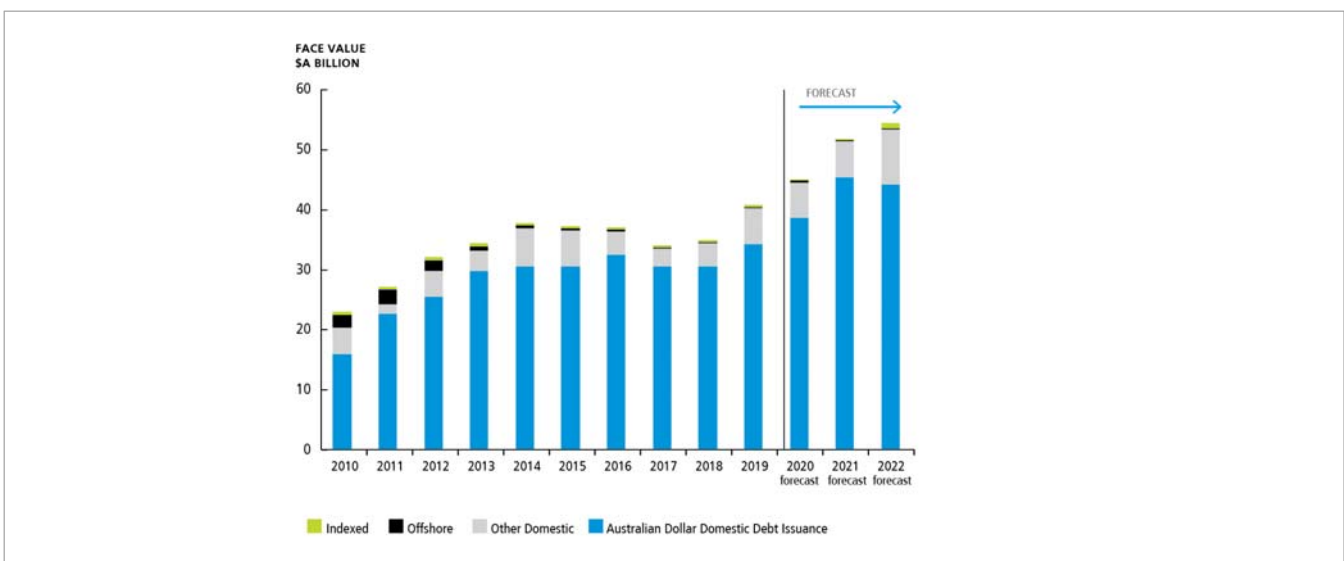
The 2019-20 long-term funding requirement will be predominately funded through the Domestic Benchmark Bond program. It is envisaged that TCV will be a more active issuer via public tenders and syndications, however tap issuance will continue to remain an important part of our overall funding activities.

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.

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

Total Outstanding Debt

The forecast path for debt levels is shown in the chart below:



Corporate Governance

Board of Directors

Cassandra Kelly, BEc (Hons) AM

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) a member of the European Union's Global Tech Panel and an Advisory Board member for the Block Chain Learning Group.

Ms Kelly is also an experienced director, currently serving as Chair of LiveTiles, Atomli and Her Heart. She is a director of Pottinger Co Pty Limited, Pink Hope, a member of the leadership council for MS Research Australia and on the advisory council of the Centre for Universal Education at The Brookings Institute based in Washington DC. She was previously chair of Allpress Espresso International and a director of Flight Centre Travel Group and UNSW Foundation.

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 was appointed a member in the General Division of the Order of Australia in June 2019 for significant service to business through executive roles, and as an advocate for gender equity.

Ms Kelly holds the following appointments:

- Chair, Atomli Inc
- Chair, LiveTiles
- Chair, Her Heart Ltd
- Director, Pottinger Co Pty Limited
- Director, Pink Hope
- Member, European Union Global Tech Panel
- Member, Multiple Sclerosis Research Australia Leadership Council
- Advisory Council Member, Centre for Universal Education, Brookings Institute
- Expert Advisor to the G20/B20 on matters of Digitalisation and Health
- Advisory Board member, Block Chain Learning Group.

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 and currently holds the following appointments:

- 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. He has more than 35 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
- Member, Australian Unity Investment Committee.

David Martine, BEc (Hons), MBA, PSM

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 was awarded the Public Service Medal (PSM) - Victoria in the Australia Day Honours 2019 for outstanding public service to social, microeconomic and public sector reform and innovation in Victoria.

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.

Pamela Hauser, BA, LLB, MAICD

First appointed: 21 February 2017

Current appointment expires: 20 February 2020

Ms Hauser is 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, a Director of Mercer Superannuation, Bush Heritage Australia, Kordia Group Limited 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, Kordia Group Limited
- Director, ClimateWorks Australia
- Director, Bush Heritage Australia
- Advisory Council Member, Monash Sustainable Development Institute.

Debra Hazelton, BA (Hons) MCom, GAICD

First appointed: 18 August 2018

Current appointment expires: 17 August 2021

Ms Hazelton has 30 years' experience in global financial services, with a particular focus on Australia and Japan. She has expertise across fixed interest, treasury, institutional banking, risk management and global financial markets as well as organisational culture.

Ms Hazelton's most recent executive role was leading corporate culture globalisation for Mizuho Financial Group, based in Tokyo. She has held national CEO positions in both Australia and Japan, namely Mizuho Bank and Commonwealth Bank of Australia respectively.

Ms Hazelton is a non-executive Director at AMP Limited, AMP Bank, AMP Capital Holdings and PERSOL Australia Pty Ltd (holding company for Programmed). Ms Hazelton has also been a Director of the Australia-Japan Foundation (DFAT) since 2015. Her previous board experience includes Australian Financial Markets Association (AFMA) Board, Asia Society and Women in Banking and Finance. She is also a member of the Japan Advisory Committee for the Australian Chamber Orchestra (ACO) and a Principal of Kokusai Business Advisory.

During the year Ms Hazelton held the following appointments:

- Director, AMP Limited
- Director, AMP Bank
- Director, AMP Capital Holdings
- Director, PERSOL Australia Pty. Ltd (holding company of Programmed)
- Director, Australia - Japan Foundation (DFAT)
- Member of Japan Advisory Committee for the Australian Chamber Orchestra (ACO)
- Principal of Kokusai Business Advisory.

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 2019.

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
- David Martine
- John Pearce
- Pamela Hauser
- Sue O'Connor
- Debra Hazelton
- John Blight (retired 17 August 2018)

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 Director's Code of Conduct* (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* issued under the *Financial Management Act 1994*.

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

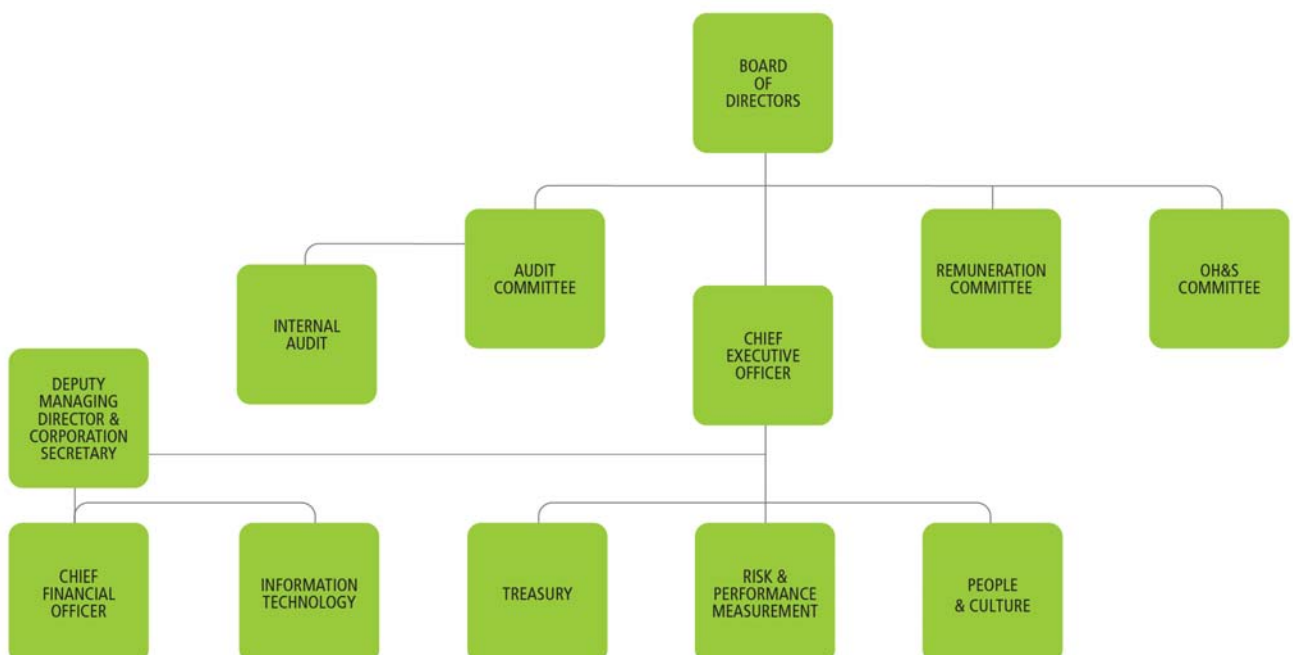
All of the Corporation's Directors are members of the Occupational Health & Safety Committee, which is chaired by Ms Cassandra Kelly and meets bi-annually, or as required. The primary objectives are to oversee TCV's occupational health and safety policies and procedures, ensuring compliance with the 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 2018 – 30 June 2019

	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	7	4	4	4	4	2	2
W Whitford	9	9	4	4	4	4	2	2
H Thornton	9	9	4	4	4	4	2	2
D Martine	9	6	4	2	4	2	2	0
J Pearce	9	9	4	4	4	4	2	2
P Hauser	9	8	4	4	4	3	2	2
S O'Connor	9	8	4	3	4	4	2	2
D Hazelton	8	8	3	3	3	3	2	2
J Blight (ret 17 Aug 2018)	1	1	1	1	1	1	0	0

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 a non-executive director of Protect, an industry severance scheme.

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: risk appetite, risk frameworks, policies, controls and technologies. He provides independent risk assessments to the Board, the Audit Committee, 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 an 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

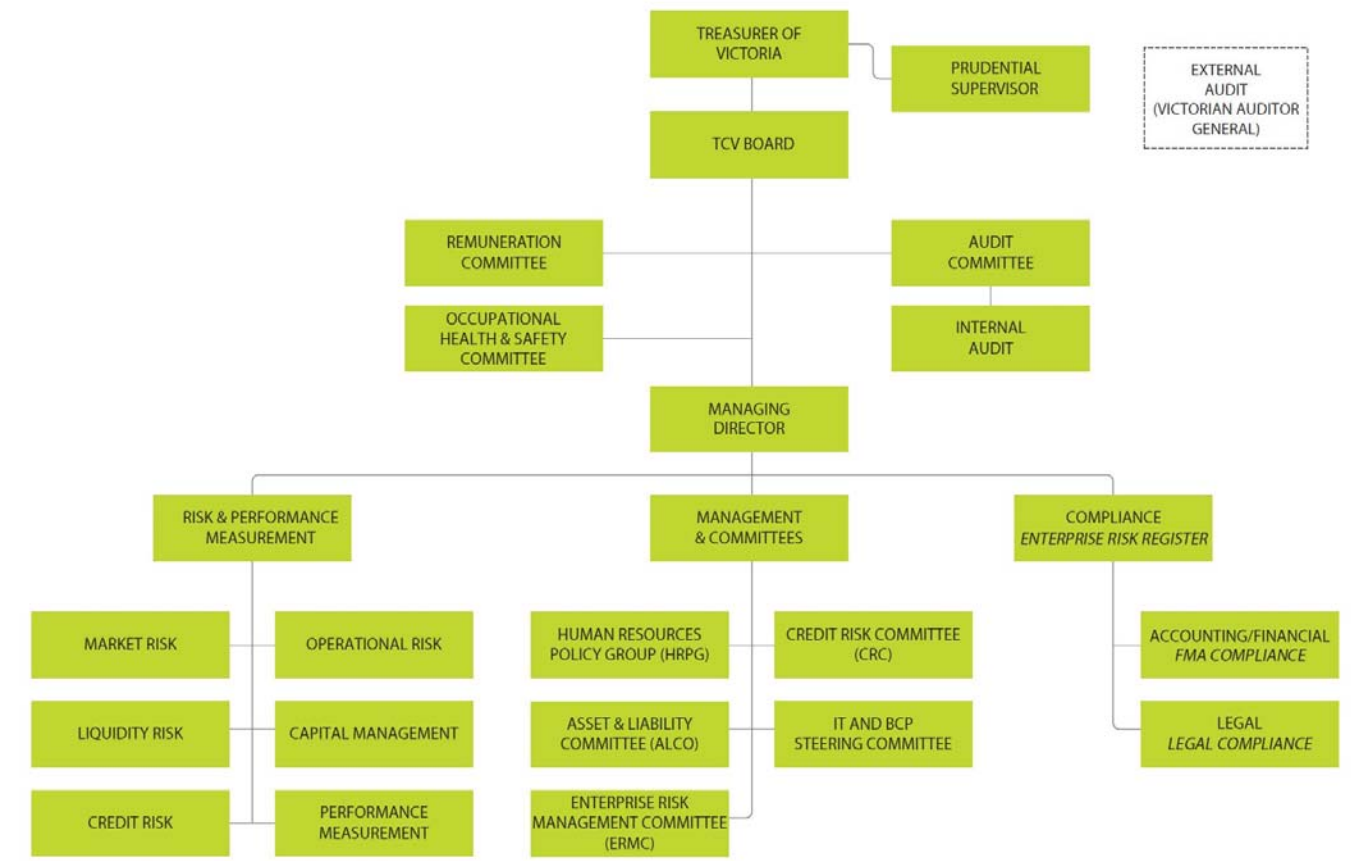
Warren is responsible for the delivery of all information technology to the corporation, including hardware, infrastructure and applications. Warren also acts as the Business Continuity Facilitator and is the Chief Information Security Officer.

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 (Ernst & Young) 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 2019.

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	94	83	Victorian Public Authorities	94	83
AAA		2	Aaa		2
AA+		1	Aa1		2
AA			Aa2		1
AA-	6	13	Aa3	6	12
A+		1	A1		
A			A2		
A-			A3		
BBB+			Baa1		
Not rated by S&P			Not rated by Moody's		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 (OHS)

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

Internally, the OHS (Staff) Committee lead, manage and administer the program and 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 Ernst & Young 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
- Assistance Treasurer - 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) 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 2004 (*Victoria*).

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

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

TCV is also required to comply with the *Workplace Injury Rehabilitation and Compensation Act 2013* and the *Accident Compensation Act 1985*. TCV 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 2018-19 (and 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.

Local Jobs First Act 2003 (Victoria)

TCV is subject to the Local Jobs First Act 2003 and Local Jobs First Policy (LJFP). The LJFP objectives are to promote employment and business growth by expanding market opportunities for local industry; provide contractors with increased access to, and raised awareness of, local industry capability; expose local industry to world's best practice in workplace innovation, e-commerce and use of new technologies and materials; and develop local industry's international competitiveness and flexibility in responding to changing global markets by giving local industry a fair opportunity to compete against foreign suppliers. Public bodies are required to apply the LJFP for all procurements and construction or grant or loan projects over \$A3 million in metropolitan Melbourne and \$A1 million in regional Victoria. In 2018-19, TCV did not conduct any procurements or 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, 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 2019, TCV employed 42.90 full-time equivalent (FTE) employees (2018: 43.95 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 2018 - 19, there no consultancy engagements.

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 2018-19	\$000
Business as Usual ICT	5,592
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 TCV in supporting Government policies and programs. 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 26% (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)
- undertaken our annual waste audit which showed that enhanced recycling programs have resulted in a 56% landfill reduction and a 4% increase in recycling rates since March 2009 and provided such feedback to staff on areas of success and/or improvements
- continued our green purchasing and disposal policies including recycling all surplus electronic equipment, and environmental considerations in purchasing decisions.

As part of an increased focus of environmental outcomes for our core business activities, since 2016 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
- since 2017 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 Solar Trams initiative and other water sector clients
- in 2019 confirmed an engagement to assist Zero Emissions Water, which has been set up to procure solar power on behalf of thirteen water authorities, to provide advisory services and transactional support.

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 made under the Financial Management Act (1994) and Instructions.



Cassandra Kelly
Chair

20 August 2019

Financial Statements 2019

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Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	2019 \$000s	2018 \$000s
Net gain on financial assets and liabilities at fair value through profit and loss	3	70,124	65,546
Interest from financial assets at amortised cost		6,177	-
Other fees and income		7,870	7,319
		84,171	72,865
Borrowing related expenses	4	7,115	4,395
Other operational expenses	4	18,720	17,986
Interest on financial liabilities at amortised cost		2,590	-
Net loss on non-financial assets		4,859	726
Hedge ineffectiveness on cash flow hedge		597	-
		33,881	23,107
Net profit		50,290	49,758
Other comprehensive income			
<i>Items that might be reclassified subsequently to profit and loss</i>			
Net fair value gain/(loss) on hedging instruments in a cashflow hedge		(9,368)	-
Total other comprehensive income		(9,368)	-
Total comprehensive income		40,922	49,758

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

Statement of Financial Position

As at 30 June 2019

	Note	2019 \$000s	2018 \$000s
Assets			
Cash and cash equivalents	7	2,534,269	2,849,602
Other receivables	8	264,742	59,444
Investments	9	6,707,507	5,420,776
Derivative financial instruments	10	488,183	414,875
Loans to the State of Victoria and Participating Authorities	11	42,886,392	39,072,666
Property, plant and equipment		299	562
Intangible assets		866	1,712
Other assets		1,288	10,069
Total assets		52,883,546	47,829,706
Liabilities			
Deposits	12	2,086,869	7,585,759
Other payables	13	3,524,220	555,543
Derivative financial instruments	10	465,221	388,350
Interest bearing liabilities – domestic	14	46,333,184	38,811,889
Interest bearing liabilities – offshore	15	232,947	246,757
Other liabilities		8,621	7,311
Provisions		3,957	3,150
Total liabilities		52,655,019	47,598,759
Net assets		228,527	230,947
Equity			
Contributed equity		30,000	30,000
Hedge reserves		(9,368)	-
Retained earnings		207,895	200,947
Total equity		228,527	230,947

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

Statement of Changes in Equity

For the year ended 30 June 2019

	Note	Contributed equity	Hedge reserves	Retained earnings	Total
		\$000s	\$000s	\$000s	\$000s
As at 30 June 2018		30,000	-	200,947	230,947
Adjustment on adoption of AASB 9	2(b)	-	-	6,416	6,416
As at 1 July 2018		30,000	-	207,363	237,363
Net profit for the period		-	-	50,290	50,290
Other comprehensive income		-	(9,368)	-	(9,368)
Dividend paid	24	-	-	(49,758)	(49,758)
As at 30 June 2019		30,000	(9,368)	207,895	228,527
		Contributed equity	Hedge reserves	Retained earnings	Total
		\$000s	\$000s	\$000s	\$000s
As at 1 July 2017		30,000	-	234,443	264,443
Net profit for the period		-	-	49,758	49,758
Dividend paid	24	-	-	(83,254)	(83,254)
As at 30 June 2018		30,000	-	200,947	230,947

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

Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 \$000s	2018 \$000s
Cash flows from operating activities			
Interest received from the State of Victoria and Participating Authorities		1,566,515	1,522,427
Interest received on investments and cash		130,091	152,869
Interest paid on borrowings and deposits		(1,825,510)	(1,877,613)
Net interest received on derivatives		16,824	12,480
Fees received		7,852	7,250
Operational expenses paid		(23,284)	(21,555)
Cashflows from operating activities before changes in operating assets and liabilities		(127,512)	(204,142)
Decrease/(increase) in loans to the State of Victoria (Department of Treasury and Finance)		1,479,718	(4,306,592)
Increase in loans to Participating Authorities		(630,106)	(733,005)
(Increase)/decrease in investments		(1,075,092)	4,964,671
Decrease/(increase) in non-financial assets		4,025	(9,610)
Decrease in derivatives		(12,757)	(23,398)
Increase in borrowings		5,582,622	1,086,551
Decrease in deposits from the State of Victoria (Department of Treasury and Finance)		(820,000)	(40,000)
(Decrease)/increase in deposits from other entities		(4,666,473)	337,901
Cashflows from operating activities arising from cashflow movements		(138,063)	1,276,518
Net cash (outflow)/inflow from operating activities	25	(265,575)	1,072,376
Cash flows from investing activities			
Payments for property, plant and equipment		-	(308)
Payments for intangible assets		-	(1,040)
Net cash outflow from investing activities		-	(1,348)
Cash flows from financing activities			
Dividend paid	24	(49,758)	(83,254)
Net cash outflow from financing activities		(49,758)	(83,254)
Net (decrease)/ increase in cash and cash equivalents		(315,333)	987,774
Cash and cash equivalents at beginning of year		2,849,602	1,861,828
Cash and cash equivalents at end of year	7	2,534,269	2,849,602

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 financial markets adviser and operates mainly within the domestic financial markets. It has a single reportable operating segment. TCV's primary customers are the Government of Victoria, 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 14 August 2019. 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* 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 those financial assets and liabilities which are reported at fair value and certain provisions.

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 new and revised accounting standards

Commencing 1 July 2018, TCV applied AASB 9 *Financial Instruments* (AASB 9) and AASB 15 *Revenue from Contracts with Customers* (AASB 15) and related consequential amendments to AASB 7 *Financial Instruments: Disclosures* (AASB 7) and other Australian Accounting Standards.

Adoption of AASB 15, which replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts*, had no impact on amounts recognised in prior periods and is not expected to materially affect current or future periods. Refer to Note 2 for details of the impact of adopting AASB 9.

Note 1 Basis of preparation (cont.)

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

Australian Accounting Standard AASB 16 *Leases* has recently been issued. The standard does not apply to TCV until the period beginning 1 July 2019 and was not adopted early.

AASB 16 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 most lease contracts of lessees. On 1 July 2019 TCV will reflect in the Statement of Financial Position a right-of-use asset in respect of its tenancy lease agreement of \$7.4 million and a lease liability of \$8.0 million. The impact on the Statement of Comprehensive Income has been assessed and will not be material.

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

Note 2 Adoption of AASB 9

TCV adopted AASB 9 as of 1 July 2018. In accordance with the transitional provisions of AASB 9, comparative figures have not been restated.

Certain accounting policies were changed to comply with AASB 9 which replaces the provisions of AASB 139 *Financial Instruments: Measurement and Recognition* (AASB 139) that relate to the recognition, classification and measurement of financial assets and liabilities, hedge accounting and impairment of financial assets.

The impact of adoption of AASB 9 to the Corporation's financial statements is summarised below.

(a) Classification and measurement of financial instruments

TCV reviewed and assessed its existing financial assets and liabilities as at 1 July 2018 and concluded that the initial application of AASB 9 and adoption of hedge accounting for certain transactions at the same date have the following impact on their classification and measurement:

- (i) financial liabilities will continue to be designated at fair value through profit and loss (FVTPL) on initial recognition where TCV manages and evaluates performance of its financial liabilities on a fair value basis
- (ii) other than for the financial assets specified in (iv) below, financial assets will continue to be designated at initial recognition, and measured, at FVTPL as it will significantly reduce the measurement inconsistency that would otherwise arise from measuring the assets and financial liabilities on a different basis
- (iii) financial liabilities that are evaluated on a basis other than their fair value, because they are formally designated as hedged items, will be carried at amortised cost from hedge accounting adoption date (refer Note 2 (b))
- (iv) financial assets which are funded by liabilities carried at amortised cost (refer (iii) above) will be carried at amortised cost and not cause an accounting mismatch. This will apply to those client loans funded by the debt designated as a hedged item in a cashflow hedge relationship. These assets are held with the objective of collecting contractual cashflows that are payments of principal and interest.

Note 2 Adoption of AASB 9 (cont.)

The impact of the assessment on the opening balance sheet is as follows:

	Carrying amount under AASB 139 as at 30 June 2018	Reclassification	Remeasurement	Carrying amount under AASB 9 as at 1 July 2018
	\$000s	\$000s	\$000s	\$000s
Financial assets:				
FVTPL - designated at initial recognition	47,817,363	(142,018)	-	47,675,345
Amortised cost ⁽¹⁾	-	142,018	(35,215)	106,803
Total financial assets	47,817,363	-	(35,215)	47,782,148
Financial liabilities:				
FVTPL - designated at initial recognition	47,588,298	(133,911)		47,454,387
Amortised cost ⁽¹⁾	-	133,911	(41,630)	92,281
Total financial liabilities	47,588,298	-	(41,630)	47,546,668

⁽¹⁾ Balances reported at amortised cost include accrued interest as at the end of the year and have been reclassified to the 'amortised cost' category due to adoption of hedge accounting as of 1 July 2018.

(b) Hedge accounting

AASB 9 aligned hedge accounting more closely with risk management practises and, among other changes, allowed for the application of a cost of hedging approach to the impact of foreign currency basis spreads. As a result of the revised provisions, effective 1 July 2018 TCV determined to adopt hedge accounting for certain instruments. TCV elected to adopt AASB 9 prospectively and no retrospective adjustments to the financial statements were required.

On 1 July 2018 a formal hedge accounting relationship was recognised in relation to a JPY 7.5 billion Euro Medium Term Note liability (JPY EMTN, refer Note 15), which is fully cash flow hedged by a JPY-AUD cross currency swap (hedging instrument). These instruments were transferred into a new portfolio (the hedge accounting portfolio) together with an AUD client loan funded by the JPY EMTN.

Adoption of the hedge accounting policy required reclassification of the JPY EMTN from FVTPL to amortised cost because its performance is evaluated on a basis other than fair value as it is hedged and designated as a hedged item. The AUD client loan funded by the JPY EMTN was also reclassified from FVTPL to amortised cost as it will be held to collect contractual cashflows.

Adjusting the carrying amounts of the JPY EMTN and AUD client loan from fair value to amortised cost resulted in a \$6.4 million increase to opening retained earnings on transition to AASB 9.

Going forward TCV will assess designation of financial assets and liabilities into hedging relationships on a transaction by transaction basis.

(c) Impairment of financial assets

AASB 9 introduced new financial asset impairment rules. The impact of changes is insignificant for TCV as the majority of financial assets are measured at FVTPL and as such are not subject to the impairment requirements.

Assets designated at amortised cost, due to them being part of the hedge accounting portfolio, are guaranteed by the State of Victoria provided the conditions incorporated in the Treasurer's approval of the borrowing are complied with. As the State is rated AAA/Aaa by Standard & Poor's and Moody's respectively, no impairment charge is necessary.

Revenue and Expenditure

Note 3 Net gain on financial assets and liabilities at FVTPL

The Corporation generates revenue from its lending and deposit taking activities and the management of associated risks. Revenue is primarily generated from the realised or unrealised 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'.

	2019 \$000s	2018 \$000s
Financial assets designated at fair value through profit and loss		
Interest income on cash assets and investments	201,747	203,134
Interest income on loans to the Victorian Government and Participating Authorities	1,550,246	1,524,013
	1,751,993	1,727,147
Realised and unrealised market movements of financial assets	1,862,509	(371,237)
Net gain on financial assets designated at fair value through profit and loss	3,614,502	1,355,910
Financial liabilities designated at fair value through profit and loss		
Interest expense on borrowings	(1,696,831)	(1,713,508)
Realised and unrealised market movements of financial liabilities	(1,850,561)	425,117
Net loss on financial liabilities designated at fair value through profit and loss	(3,547,392)	(1,288,391)
Net gains/(loss) on derivatives	3,014	(1,973)
Net gain on financial assets and liabilities at fair value through profit and loss	70,124	65,546

Note 4 Operational expenses

	2019	2018
	\$000s	\$000s
Borrowing related expenses		
Syndication fees	5,413	3,046
Rating Agency fees	927	617
Clearing fees	499	455
Other fees and charges	276	277
	7,115	4,395
Other operational expenses		
Salaries and other direct employee expenses		
- Salaries, wages and entitlements	9,139	9,233
- Net loss/(gain) arising from revaluation of long service leave liability	564	(16)
- Defined contribution superannuation contributions	650	665
- Employee related taxes	451	469
Software maintenance, disaster recovery, network and other IT expenditure	1,809	2,033
Professional services		
- Victorian Auditor-General's fees in relation to the audit of the TCV financial statements for the year ended 30 June ⁽¹⁾	330	323
- Department of Treasury and Finance prudential supervision fee	106	90
- Other professional service fees	919	828
Market information services	1,470	1,292
Depreciation of property, plant and equipment	278	270
Amortisation of intangible assets	846	618
Premises		
- Operating lease rental expense	676	646
- Other occupancy costs	258	291
Other supplies and services	1,224	1,244
	18,720	17,986

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

Financial Instruments

Note 5 Financial instruments accounting policy overview

All financial assets and liabilities, except for those in the hedge accounting portfolio, on recognition are designated at FVTPL. 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. Other than for those financial instruments transferred to the hedge accounting portfolio, adoption of AASB 9 did not require changes in accounting policy.

Financial assets and liabilities at FVTPL are initially recognised and subsequently measured at fair value. Financial assets and liabilities designated into the hedge accounting portfolio are initially recognised at fair value and are subsequently measured at amortised cost with interest recognised in the profit and loss using the effective interest method.

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 7 to 18.

Note 6 Overview of fair value determination

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

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, with the exception of those in the hedge accounting portfolio, 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 7 to 16.

Note 7 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:

	2019	2018
	\$000s	\$000s
Current:		
Cash at bank and on hand	11,782	214,048
Deposits with futures clearing house	2,160	2,156
Deposits with financial institutions	205,454	411,199
Short term discounted securities	1,114,447	1,013,650
Reverse repurchase agreements	1,200,426	1,208,549
Total cash and cash equivalents	2,534,269	2,849,602

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 \$1,200 million (2018: \$1,209 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 8 Other receivables

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

	2019	2018
	\$000s	\$000s
Current:		
Unsettled trades - receivable	264,052	58,770
Fee and other receivables	690	674
Total other receivables	264,742	59,444

Fair value determination

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

Note 9 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:

	2019	2018
	\$000s	\$000s
Floating rate securities	7,096	477,892
Short term discounted securities	2,653,518	2,521,554
Fixed interest securities	1,841,821	1,188,085
Term deposits with financial institutions	2,027,986	1,055,537
Treasurer guaranteed investments ⁽¹⁾		
/ Melbourne Cricket Club	141,843	154,670
/ The Australian Ballet	21,644	10,679
/ Mercy Hospitals Victoria Limited	5,841	5,907
/ School co-operatives	5,455	6,452
/ Wangaratta Turf Club	2,303	-
Total investments	6,707,507	5,420,776
Maturity in 12 months or less	4,901,224	3,807,527
Maturity in more than 12 months	1,806,283	1,613,249
Total investments	6,707,507	5,420,776

⁽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.

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 are valued by discounting instrument cash flows utilising rates derived from the TCV yield curve¹.

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 (2018: until 20 December 2032). For subsequent periods the curve is extrapolated using a spread to swap based on quotations provided by market makers.

Note 10 Derivative financial instruments

TCV enters into derivative instruments primarily to manage interest rate and currency risks inherent in the borrowing and asset management activities of the Corporation and the risk inherent in activities of the State of Victoria and Participating Authorities. TCV may also enter into commodity derivatives to manage risks associated with its clients' activities.

Derivative instruments are initially recognised at fair value with changes to their fair value recognised in the Statement of Comprehensive Income, unless the derivative is a hedging item within a formally designated hedge relationship. In that case, to the extent the hedge is effective, the changes in fair value of the derivative are recorded in Reserves. The ineffective portion of the hedging relationship is recognised immediately in the Statement of Comprehensive Income.

Effective 1 July 2018 hedge accounting, in respect of foreign currency risk and interest rate risk, was adopted for a JPY EMTN (hedged item) maturing in 2039 and a cross currency swap with a matching maturity (hedging item). The instruments are held within a hedge accounting portfolio. Despite the instruments being fully cashflow matched, an amount of ineffectiveness will be recorded in the Statement of Comprehensive Income over the life of the hedge as for accounting purposes, the hedge relationship was not established on trade date.

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

	2019	2018
	\$000s	\$000s
Derivative financial instrument assets		
Interest rate swaps	286,051	212,721
Cross currency swap ⁽¹⁾	176,112	159,032
Forward foreign exchange contracts	23,450	36,875
Exchange traded futures	8	-
Fuel swaps	1,854	5,484
Large-scale Generation Certificate forward contracts	708	763
Total derivative asset	488,183	414,875
Maturity in 12 months or less	20,035	18,470
Maturity in more than 12 months	468,148	396,405
Total derivative asset	488,183	414,875
Derivative financial instrument liabilities		
Interest rate swaps	258,440	184,734
Cross currency swap ⁽¹⁾	180,626	161,075
Forward foreign exchange contracts	23,439	36,865
Exchange traded futures	154	192
Fuel swaps	1,854	5,484
Large-scale Generation Certificate forward contracts	708	-
Total derivative liability	465,221	388,350
Maturity in 12 months or less	24,737	22,078
Maturity in more than 12 months	440,484	366,272
Total derivative liability	465,221	388,350

⁽¹⁾ The cross currency swap was designated as a hedging instrument in a cashflow hedge as of 1 July 2018.

Note 10 Derivative financial instruments (cont.)

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 11 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 below. Instruments are at fair value unless otherwise stated.

	2019 \$000s	2018 \$000s
Overnight and short term cash	855,250	1,900,934
Floating rate loans	613,309	654,098
Fixed interest loans	40,998,174	36,192,585
Fixed interest loan at amortised cost ⁽¹⁾	106,752	-
Index linked loans	312,907	325,049
Total loans to the State of Victoria and Participating Authorities	42,886,392	39,072,666
Maturity in 12 months or less	4,285,299	5,782,210
Maturity in more than 12 months	38,494,341	33,290,456
Maturity in more than 12 months - Fixed interest loan at amortised cost ⁽¹⁾	106,752	-
Total loans to the State of Victoria and Participating Authorities	42,886,392	39,072,666
State of Victoria (Department of Treasury and Finance)	28,747,263	25,795,623
State of Victoria (Department of Treasury and Finance) - Fixed interest loan at amortised cost (1)	106,752	-
Participating Authorities	14,032,377	13,277,043
Total loans to the State of Victoria and Participating Authorities	42,886,392	39,072,666

⁽¹⁾ The fixed interest loan carried at amortised cost was transferred to the hedge accounting portfolio effective 1 July 2018. The fair value of that loan as at 30 June 2019 was \$164.9 million (2018: \$ 142.0 million). A mark to market gain of \$22.9 million would have been recognised in profit and loss for the year if the financial asset had not been reclassified. This does not take into consideration the effect of the hedge accounting reflected in the Statement of Comprehensive Income.

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, except one which is carried at amortised cost, 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 12 Deposits

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

	2019 \$000s	2018 \$000s
Cash deposits	1,776,010	4,334,377
Term deposits	310,859	3,251,382
Total deposits	2,086,869	7,585,759
Maturity in 12 months or less	2,086,869	7,585,759
Maturity in more than 12 months	-	-
Total deposits	2,086,869	7,585,759
State of Victoria (Department of Treasury and Finance)	1,360,815	2,211,041
Participating Authorities	558,793	2,800,271
Other public sector entities	167,261	2,574,447
Total deposits	2,086,869	7,585,759

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 13 Other payables

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

	2019 \$000s	2018 \$000s
Current:		
Unsettled trades		
/ loans payable to State of Victoria and Participating Authorities	3,406,310	438,232
/ payable to market participants	103,518	85,396
Other financial liabilities	14,392	31,915
Total other payables	3,524,220	555,543

Fair value determination

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

Note 14 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. 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:

	2019 \$000s	2018 \$000s
Benchmark programs		
Domestic Benchmark Bonds	39,700,410	34,422,870
TCV Promissory Notes	3,035,329	1,308,761
Total benchmark programs	42,735,739	35,731,631
Domestic borrowings – other		
TCV fixed interest bonds	3,039,970	2,527,480
Indexed linked securities	458,617	508,860
Payables to market participants	98,796	43,863
Commonwealth Government loans	62	55
Total domestic borrowings - other	3,597,445	3,080,258
Total domestic borrowings	46,333,184	38,811,889
Maturity in 12 months or less	8,948,719	4,967,734
Maturity in more than 12 months	37,384,465	33,844,155
Total domestic borrowings	46,333,184	38,811,889

Fair value determination

Domestic Benchmark Bonds are valued using quoted yields.

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

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

Note 15 Interest bearing liabilities – offshore

From time to time TCV issues Euro Commercial Paper under the AUD 5 billion multi-currency Euro Commercial Paper (ECP) Program. Balance at 30 June 2019 includes an ECP with a face value of AUD 5 million (2018: nil).

TCV also issues Medium Term Notes (EMTNs) under the USD 3 billion Euro Medium Term Note Program. The 2019 liability balance comprises face value of AUD145 million (2018: AUD145 million) and JPY7.5 billion (2018: JPY7.5 billion).

Liabilities issued under these programs have the benefit of the guarantee of the State 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. Hedge accounting is applied to certain long term foreign currency debt structures from 1 July 2018 (refer Note (2b)).

Balances outstanding at the year-end are detailed below. Instruments are at fair value unless otherwise stated.

	2019	2018
	\$000s	\$000s
Euro Commercial Paper	4,997	-
Euro Medium Term Notes	128,174	246,757
Euro Medium Term Note at amortised cost	99,776	-
Total offshore borrowings	232,947	246,757
Maturity in 12 months or less	4,997	-
Maturity in more than 12 months	227,950	246,757
Total offshore borrowings	232,947	246,757

Fair value determination

AUD-denominated EMTNs are valued through the discounting of cash flows using the TCV yield curve. The JPY EMTN which is a hedged item within a cashflow hedge relationship (refer Note 2(b)) is carried at amortised cost. The fair value of the JPY EMTN at 30 June 2019 was AUD149.1 million (2018: AUD133.9million). Before the introduction of hedge accounting on 1 July 2018, the JPY EMTN was carried at fair value and was valued through the discounting of cash flows using the JPY sovereign curve. A mark to market loss of \$7.7 million would have been recognised in profit and loss for the year if the financial liability had not been reclassified. This does not take into consideration the effect of the hedge accounting reflected in the Statement of Comprehensive Income.

Note 16 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.

Transfers between level categories

During the year there were no transfers between fair value hierarchy categories.

Note 16 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
2019				
Assets				
Cash and cash equivalents	1,419,822	1,114,447	-	2,534,269
Other receivables	-	264,742	-	264,742
Investments			-	
/ Floating rate securities	-	7,096	-	7,096
/ Short term discounted securities	-	2,653,518	-	2,653,518
/ Fixed interest securities	1,621,576	220,245	-	1,841,821
/ Term deposits with financial institutions	-	2,027,986	-	2,027,986
/ Treasurer guaranteed investments	2,303	174,783	-	177,086
Derivative financial instruments	24,166	464,017	-	488,183
Loans to the State of Victoria and Participating Authorities (excludes loans at amortised cost)	855,250	41,924,390	-	42,779,640
	3,923,117	48,851,224	-	52,774,341
Liabilities				
Deposits	1,776,010	310,859	-	2,086,869
Other payables	-	3,524,220	-	3,524,220
Derivative financial instruments	24,301	440,920	-	465,221
Interest bearing liabilities – domestic	39,890,304	6,442,880	-	46,333,184
Interest bearing liabilities – offshore (excludes debt at amortised cost)	-	133,171	-	133,171
	41,690,615	10,852,050	-	52,542,665
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

Note 17 Contractual obligations and financial liabilities

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

	2019	2019	2019	2018	2018	2018
	Carrying amount ⁽¹⁾	Principal owing at maturity ⁽²⁾	Variance	Carrying amount ⁽¹⁾	Principal owing at maturity ⁽²⁾	Variance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Deposits	2,086,869	2,082,753	4,116	7,585,759	7,569,110	16,649
Interest bearing liabilities – domestic ⁽³⁾	46,333,184	40,883,595	5,449,589	38,811,889	35,064,018	3,747,871
Interest bearing liabilities – offshore	232,947	249,244	(16,297)	246,757	236,789	9,968

(1) carrying amount is fair value inclusive of interest due at financial year-end for liabilities at FVTPL and nominal value including interest due for liabilities in hedge accounting portfolio.

(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
2019						
Assets						
Reverse repurchase agreements ⁽¹⁾	1,200,426	-	1,200,426	-	(1,198,440)	1,986
Derivative financial instruments ⁽²⁾	957,170	(468,987)	488,183	(257,839)	(35,693)	194,651
	2,157,596	(468,987)	1,688,609	(257,839)	(1,234,133)	196,637
Liabilities						
Derivative financial instruments ⁽²⁾	933,500	(468,279)	465,221	(257,839)	(201,661)	5,721
	933,500	(468,279)	465,221	(257,839)	(201,661)	5,721
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

(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, financial advice and analytical services to the State of Victoria including government departments, agencies including Participating Authorities and other parties at the direction of the Treasurer.

The primary risks arising from financial instruments that result from these activities are:

- market risk
- liquidity risk
- credit risk.

TCV may also be exposed to foreign exchange rate risk, but the exposure is limited to AUD250,000.

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

The risk management framework comprises the following key components:

- the TCV Board is responsible for ensuring that TCV's risk management framework is sound, 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.

TCV's treasury management model involves not match-funding its loans but raising its funds in a market-efficient manner and actively managing the resultant interest rate risk, including the use of derivatives, to optimise the effective cost of funds raised. In a similar manner, TCV does not match-invest deposits and surplus funding but undertakes active management with a view to achieve improved returns within Value at risk (VaR) and contingent loss risk (CLR) limits.

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 considers this and approves a limit that is subsequently 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. Back-testing exceptions are monitored and reported consistent with APS116 *Capital Adequacy: Market Risk* classifications, as required under the Prudential Standard.

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

	2019	2018
	\$000s	\$000s
30 June	1,512	1,708
Average daily value during the year	1,839	1,890
Highest	2,466	2,174
Lowest	1,363	1,648

All VaR measures were within limits during the financial year.

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

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 are 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 continuously 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.

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.

The ratio during the period ending 30 June was:

	2019	2018
	%	%
30 June	118	115
Average during the year	141	102
Highest	241	142
Lowest	84	57

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.

Note 21 Liquidity risk (cont.)

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 to 12 months	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
2019							
Deposits	1,701,029	428,720	56,514	-	-	-	2,186,263
Interest bearing liabilities – domestic	-	2,047,026	8,287,831	1,769,242	12,517,142	25,691,622	50,312,863
Interest bearing liabilities – offshore	-	5,085	3,334	3,419	44,028	254,269	310,135
	1,701,029	2,480,831	8,347,679	1,772,661	12,561,170	25,945,891	52,809,261
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

Constrained liquidity management

TCV uses liquidity action plans to manage liquidity conditions during periods of liquidity constraints. A liquidity constraint 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 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, Participating Authorities (which are guaranteed by the State of Victoria) and Treasurer guaranteed loans, 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 managed 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.

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 unless otherwise stated.

	AAA \$000s	AA+/AA/AA- \$000s	A+/A/A- \$000s	BBB+/BBB \$000s	Other \$000s	Total \$000s
2019						
Cash and cash equivalents	-	2,047,263	407,020	79,986	-	2,534,269
Other receivables	676	180,686	35,695	47,672	13	264,742
Investments	1,114,347	5,518,526	24,959	-	49,675	6,707,507
Derivative financial instrument assets ⁽¹⁾	205,473	94,222	12,369	-	-	312,064
Loans to the State of Victoria and Participating Authorities ⁽²⁾	42,886,392	-	-	-	-	42,886,392
Total credit risk exposure	44,206,888	7,840,697	480,043	127,658	49,688	52,704,974

	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

(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 2019, TCV held \$48.7 million (2018: \$43.8 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. Balances as at 30 June 2019 include client loan that is held in hedge accounting portfolio at amortised cost. Prior to change in accounting policy that loan was held at FVTPL as at 30 June 2018.

Ageing analysis of past due but not impaired loans

At 30 June 2019, there were no amounts past due (30 June 2018: nil).

Capital and Dividends

Note 23 Capital adequacy

The Prudential Standard requires the Corporation to maintain sufficient capital to act as a buffer against the risks associated with its activities. The principles detailed in APS 110 *Capital Adequacy* and APS 111 *Capital Adequacy: Measurement of Capital* apply to TCV with modification.

The Corporation is required to hold a minimum capital adequacy ratio of 8% of risk weighted assets. The Corporation however, is required to target a capital ratio of at least 10.5% of risk weighted assets.

Total capital of the Corporation consists of the contributed equity and retained earnings, but is exclusive of hedge reserves.

	Actual 2019 \$000	Required 2019 \$000	Actual 2018 \$000	Required 2018 \$000
Total capital	237,895	77,789	230,947	68,162
Risk weighted assets ⁽¹⁾	972,366	972,366	852,028	852,028
Capital ratio	24.5%	8.0%	27.1%	8.0%

⁽¹⁾ Actual risk weighted assets increased between 2018 and 2019 largely due to an increase in term deposits with financial institutions.

Note 24 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 2019, no dividend in respect of the year ended 30 June 2019 (2018: \$nil) has been provided for in the accounts of TCV. In respect of the prior year's surplus, a dividend of \$49.8 million (2018: \$83.3 million) was declared and paid after the relevant reporting date.

Other Information

Note 25 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

	2019 \$000s	2018 \$000s
Net profit	50,290	49,758
Depreciation of property, plant and equipment	278	270
Amortisation of intangible assets	846	618
(Decrease)/Increase in other payables and liabilities	(16,213)	16,943
Increase in other receivables and assets	(119)	(240)
Increase in provisions	807	155
Decrease in accrued interest receivable	7,716	10,968
Decrease in accrued interest payable	(17,038)	(5,692)
Net gain from financial assets and liabilities	(159,535)	(277,648)
Net loss from non-financial assets	4,859	726
Hedge ineffectiveness	597	-
Operating cashflow items not included in profit	(138,063)	1,276,518
Net cash inflow from operating activities	(265,575)	1,072,376

Note 26 Responsible persons

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

John Blight (retired on 17 August 2018)

David Martine

John Pearce

Pamela Hauser

Sue O'Connor

Debra Hazelton (appointed on 18 August 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 \$1,083,086 (2018: \$1,119,808). 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 Income band	2019	2018
	No. of Directors	No. of Directors
\$680,000 to 689,999 ⁽¹⁾	-	1
\$630,000 to \$639,999	1	-
\$140,000 to \$149,999	1	-
\$130,000 to \$139,999	-	1
\$60,000 to \$69,999	4	-
\$50,000 to \$59,999	1	4
\$40,000 to \$49,999	-	1
\$10,000 to \$19,999	-	1
\$0 ⁽²⁾ to \$9,999	2	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). From year to year the Managing Director's reported remuneration will vary as a result of taking differing levels of leave.

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

Note 27 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. 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 being long service leave accrued
- termination benefits including termination of employment payments, such as severance packages.

Remuneration of executive officers	2019	2018
	\$000s	\$000s
Short-term benefits	2,287	2,199
Post-employment benefits	-	-
Other long-term benefits	80	70
Termination benefits	-	-
Total remuneration	2,367	2,269
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 28 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. There were no significant transactions with government related entities.

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.

Key management personnel

Key management personnel of the TCV include the Treasurer, Tim Pallas MP, TCV's Directors (refer Note 26) and the following members of the senior executive team:

Mark Engeman, Deputy Managing Director and Corporation Secretary

Mike van der 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 28 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	2019	2018
	\$000s	\$000s
Short-term benefits	3,347	3,296
Post-employment benefits	-	-
Other long-term benefits	102	92
Termination benefits	-	-
Total remuneration	3,449	3,388

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 to the related party
Helen Thornton, Deputy Chair	Yarra Valley Water	Director	Loan and deposit products and advisory services
	Austin Health	Director	Loan and deposit products
William Whitford, Managing Director	Zoological Parks and Gardens Board	Director	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, Director	Yarra Valley Water	Chair	Loan and deposit products and advisory services
	Mercer Superannuation (Australia) Limited (MSAL)	Director	MSAL is the Trustee of the Mercer Superannuation Trust which is the TCV employer nominated fund.

Note 29 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:

	2019	2018
	\$000s	\$000s
Not later than one year	465	435
Later than one year but not more than five years	3,375	2,738
Later than 5 years	4,812	5,742
	8,652	8,915

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 30 Subsequent events

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

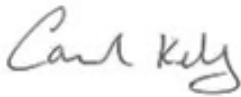
Certification of Financial Statements

The attached financial statements for Treasury Corporation of Victoria have been prepared in accordance with Direction 5.2 of the Standing Directions under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2019 and financial position of Treasury Corporation of Victoria as at 30 June 2019.

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 14 August 2019.



Cassandra Kelly
Chair

Melbourne
Date: 14 August 2019



William Whitford
Managing Director

Melbourne
Date: 14 August 2019



Peter Wyatt
Chief Financial Officer

Melbourne
Date: 14 August 2019

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 2019 • 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 2019 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

Valuation of financial instruments carried at fair value and related net gain on financial assets and liabilities at fair value

Refer to Note 5 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.

Financial assets at fair value - \$50.0 billion.

Financial liabilities at fair value - \$49.0 billion.

Net gain on financial assets and liabilities at fair value - \$70.1 million.

I considered this to be a key audit matter because:

- 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 by management to reliably fair value financial instruments with higher estimation uncertainty is complex
- a significant degree of management judgement is required in valuing these financial instruments
- the performance of financial markets fluctuated over the period impacting the value of financial assets
- manual valuation adjustments made outside of the system are complex and subject to management judgement
- a small adjustment to a valuation input may have a significant effect on the fair value of each financial instrument.

My key procedures included:

- gaining an understanding of the valuation processes and identifying key controls supporting the valuation of financial instruments, and the calculation and measurement of related net gains
- assessing the characteristics and valuation methodology for each type of financial instrument, and categorising them based on the level of estimation uncertainty in valuation
- assessing the design and operating effectiveness of key manual, IT-dependent manual and automated controls supporting the valuation processes
- obtaining independent counterparty confirmations of financial instruments at 30 June 2019 and agreeing these to the recorded balances
- engaging valuation specialists to perform independent testing of key valuation inputs, valuation methodology and assumptions for financial instruments with a higher level of estimation uncertainty
- assessing, in conjunction with our valuation specialists, any manual fair value adjustments made to financial assets and liabilities that impact the net gain, against the requirements of Australian accounting standards
- assessing the sufficiency and appropriateness of methodologies and valuation models across financial instrument classes against the requirements of applicable financial reporting frameworks
- assessing the completeness and adequacy of financial statement disclosures against the requirements of Australian accounting standards.

Board’s responsibilities for the financial report The Board of the Corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

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.

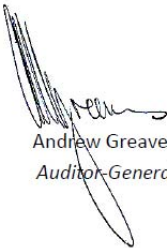
Auditor’s responsibilities for the audit of the financial report As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this 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.
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<p>Auditor’s responsibilities for the audit of the financial report (continued)</p>	<p>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> <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
19 August 2019



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 <i>Freedom of Information Act 1982</i>	25
FRD22H	Application and operation of the <i>Protected Disclosure Act 2012</i>	27-28
FRD22H	Statement on National Competition Policy	26
FRD22H	Summary of environmental performance	27
FRD22H	Statement of availability of other information	25
FRD25D	Local Job disclosures	26
2016 Standing Directions		
SD5.1.4	Financial Management Compliance Attestation	28
SD5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	60
SD5.2.2	Declaration in financial statements	60
SD5.2.3	Declaration in report of operations	3
Legislation		
<i>Freedom of Information Act 1982</i>		25
<i>Protected Disclosure Act 2012</i>		27-28
<i>Local Jobs First Act 2003</i>		26
<i>Financial Management Act 1994</i>		25

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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.