New South Wales
Treasury Corporation
Annual Report 2012

Meeting the challenge

Delivering value to NSW in a
constantly changing financial world

Charter

TCorp is the central financing authority for the New South Wales (NSW) public sector. The *Treasury Corporation Act* 1983 states that TCorp's principal objective is "to provide financial services for, or for the benefit of, the Government, public authorities and other public bodies".

In pursuing its objectives, TCorp has the same legal capacity, powers and authorities as a company under the *Corporations Act 2001* (Cth). Activities in which TCorp can engage include:

- provision of finance for the Government and NSW public authorities;
- management or advice on management of Government and public authority assets and liabilities;
- acceptance of funds for investment from the Government and public authorities;
- investment of funds; and
- management of TCorp's own assets and liabilities.

TCorp's powers to borrow, invest and undertake financial management transactions are regulated under the *Public Authorities (Financial Arrangements) Act 1987*.

Mission statement

TCorp exists to deliver for New South Wales the best that the financial markets can offer.

Corporate objectives

In line with the mission statement, the corporate objectives of TCorp are to:

- achieve cost-effective funding;
- effectively execute portfolio assignments;
- effectively execute risk management and structured finance assignments; and
- meet client and market needs through enhanced resource management and allocation.

Values

TCorp is the central financing authority for the State of NSW. TCorp provides financial services for the benefit of the NSW Government, public authorities and other public bodies.

TCorp manages the financial markets exposure of the NSW Government, our public sector clients and NSW Treasury.

TCorp is accountable to:

- The government of the day, who determines our mandate;
- Our public sector clients; and
- NSW Treasury.

TCorp has skilled professionals who deliver on a broad range of specialised financial services. We work as a team and focus on delivering the best outcome for NSW.

TCorp's Values framework builds on the existing culture that has evolved to reflect where we are now and what our role and strategy requires from our people in the future.

TCorp Values must be lived to be worthwhile. These Values provide a guide to our behaviour and decisions.

- Integrity: Our business is based on trust and integrity, being uncompromised in our delivery of the best possible outcomes for NSW. Integrity must underpin the foundation of all our business dealings; our relationships with our clients, fellow employees, and other stakeholders.
- Results: We exist to add value for NSW and our clients. We strive to achieve the best possible financial outcomes for our clients, TCorp and NSW.
- Partnership: We see the relationships between TCorp and its external and internal stakeholders as partnerships based on reciprocal obligations and mutual benefits. TCorp aims to create a workplace where people strive, learn, achieve and build sustainable careers.
- One TCorp: We encourage ownership and take pride in both individual and team success, but never lose sight of the fact that we are 'One TCorp' serving NSW.
- Talk Straight: The quality of our communication is key to building a healthy TCorp culture. We are committed to honest and constructive communication in all our external and internal dealings.

Sentiment in global financial markets over the past year was increasingly dominated by concerns over events in Europe. Such concerns overshadowed otherwise positive, albeit mixed, economic growth in Australia. As a result, as the year progressed, pricing in financial markets became increasingly disconnected from local economic fundamentals.

In this challenging environment, TCorp successfully provided its public sector clients with uninterrupted access to debt markets at historically low borrowing costs, while continuing to manage investment funds for clients in a prudent and conservative manner.

11 Debt Issuance

In addition to providing cost efficient funding to the NSW Government and its agencies and PTEs, TCorp performs a key role in managing clients' portfolios of outstanding debt.

14 Debt Management

At year end, TCorp was managing the debt portfolios of 22 clients with total portfolio volume of $45.5 billion.

17 Asset Management

Over the year, investment returns on all managed portfolios were considerably above benchmark.

21 Advisory and Other Services

TCorp advises client on matters such as treasury management policies, benchmarks, portfolio risk constraints and hedging of interest rate exposures.

New South Wales
Treasury Corporation

Contents

Year in Review

$77.1 million

A pre-tax operating profit of $77.1 million which was ahead of budget, though significantly down on last year's exceptional profit result.

Continued strength

Strong balance sheet growth, with total assets exceeding $70 billion by year end.

AAA

AAA credit rating for New South Wales reaffirmed by all major rating agencies following the NSW Budget

Value add advisory

Significant added value for clients in a range of advisory and risk analysis work.

$12 billion

Successfully sourced more than $12 billion in new debt financing from domestic and offshore investors, in a year when access to capital markets was often difficult.

Bonds in high investor demand

Launched three new Benchmark Bond lines during the year, with maturities of 2017, 2022 and 2024, each of which drew strong investor demand.

2017
2022
2024

Cash fixed income

Strong performance in cash and fixed income portfolios managed for clients.

Uninterrupted record of credit quality

Maintained exceptionally strong credit quality evidenced by uninterrupted record of no credit losses or expected write downs since the onset of the global financial crisis.

Performance Indicators

Five Year Summary

	2011/12 $m	2010/11 $m	2009/10 $m	2008/09 $m	2007/08 $m
Profitability					
Profit before income tax equivalent expense	**77**	151	66	167	32
Balance sheet					
Loans to Government clients	**58,407**	49,516	44,628	37,889	30,333
Other assets	**11,847**	10,859	12,768	11,131	6,720
Total assets	**70,254**	**60,375**	**57,396**	**49,020**	**37,053**
Domestic Benchmark Bonds	**49,623**	41,312	37,106	30,815	13,790
Global Echangeable Bonds	**2,136**	3,800	6,453	7,366	14,275
Due to NSW Government clients	**748**	1,100	1,005	889	539
Other borrowings and liabilities	**17,644**	14,063	12,747	9,875	8,406
Total liabilities	**70,151**	**60,275**	**57,311**	**48,945**	**37,010**
Difference represented by equity	**103**	**100**	**85**	**75**	**43**
Asset management for State authorities					
Funds under management					
- Investment Facilities	**11,951**	11,321	10,105	7,478	10,362
- Specific fund mandates	**6,597**	9,253	4,479	3,811	3,397
Liability portfolio management for State authorities					
Liability portfolio management	**45,519**	36,016	31,039	25,357	18,900

The past year saw continuing change in the operating environment and in the key drivers of TCorp's business activities. These changes included further financial sector regulatory reform, variable market liquidity, significant shifts in investor behaviour and breakdowns in traditional correlations between market instruments. In addition, the initiatives and policies of the incoming New South Wales Government brought increased activity for TCorp, as we assisted our public sector clients to implement these initiatives.

Chairman & Chief Executive's Review

Philip Gaetjens (Chairman) and Stephen Knight (Chief Executive)

In a challenging year, TCorp continued to ensure uninterrupted access to historically low cost debt funding for clients, and to maintain a conservative and prudent approach in the investment of funds for clients and for TCorp's own account. We worked closely with clients throughout the year on a range of assignments including capital reviews, analysis of underlying risks for regulated utilities and reviews of benchmarks for debt and asset clients.

Environment

Concerns over European economies dominated financial markets sentiment during the year. Sluggish recovery in the US and a slowing in Chinese growth added to negative sentiment.

In Australia, a significant disconnect emerged between solid (though patchy) indicators of real economic performance and levels of consumer and business confidence which fell to lows not seen since Australia was in recession 20 years ago. Variations in activity between the mining and non-mining sectors, together with high levels of saving and debt reduction by consumers and businesses, added to this uncertainty.

In this environment, the Reserve Bank of Australia (RBA) cut the official cash rate by a total of 1.25% over the year, taking the cash rate to 3.5% by year end. The fall in longer term interest rates was more dramatic, with the Commonwealth 10 year bond yield falling from 5.25% to 3%, well below any previous cyclical lows in the Australian bond market. These extremely low yields are at odds with the nation's economic performance: annual real growth in Gross Domestic Product close to 4%, and unemployment steady at around 5% for the year, evidenced a healthy (although inconsistent) local economy.

Ultra low bond yields can be attributed largely to "safe haven" buying by offshore investors such as central banks. The sovereign bond yields of highly rated "safe" countries are being driven down to extraordinarily low levels, compared with those in troubled European nations.

Negative investor sentiment was also evident in equity markets, with the ASX 200 falling from around 4,600 at the start of the year to finish below 4,100.

Funding

The year presented many challenges in debt markets, particularly as regulatory changes continued to squeeze banks' risk capital and their traditional capacity to provide secondary market liquidity. This trend, combined with heightened market nervousness over events in Europe, saw periods of significant volatility combined with severely reduced market liquidity. These conditions confronted issuers, investors and intermediaries at various times throughout the year.

TCorp nonetheless achieved excellent funding outcomes, raising more than $12 billion from domestic and offshore markets. Importantly, we were able to provide continuous access to debt funding at historically low interest rates, even through times of severe market dislocation and stress, enabling public sector clients to fund their operations at a very favourable cost.

Most of the debt was sourced from TCorp's Benchmark Bond programme, which issued three new lines with maturities of 2017, 2022 and 2024. With $9.7 billion raised in new issuance, outstandings in the Benchmark Bond programme increased to more than $46 billion by year end. We continued to consolidate Benchmark Bond lines carrying the Commonwealth Government guarantee, retiring a further $5.6 billion of Commonwealth Government guaranteed bonds. Outstandings in TCorp's Capital Indexed Bond programme rose modestly to $5.2 billion.

Notwithstanding the challenges to market liquidity throughout the year, turnover in TCorp bonds was equal to the highest on record. This evidences strong investor support for TCorp bonds in significant volume, and is an endorsement of TCorp's long held strategy of supporting market liquidity through good times and bad. Our reputation for professionalism in debt issuance was further underscored when TCorp was voted Australian Sovereign/Agency Issuer of the year in the annual KangaNews poll for 2011.

NSW's AAA credit rating was reaffirmed by rating agencies following the delivery of the State Budget, emphasising the Government's strong commitment to expense control and sound fiscal management.

Business trends and performance

TCorp's above budget profit before tax of $77.1 million is a very sound result, bettered only by the exceptionally high profit results of 2009 and 2011, both of which contained a significant revenue boost through factors not expected to be repeated. Our conservative approach to credit risk continues to be validated, and our record of not suffering any credit losses remains intact.

TCorp's performance in managing debt and asset

> "Our conservative approach to credit risk continues to be validated, and our record of not suffering any credit losses remains intact."

portfolios for clients generated mixed results. As bond yields fell during the year, TCorp lengthened the borrowing profiles for managed debt clients. The sharp rally in long bond yields towards year end resulted in an underperformance against benchmark. Notwithstanding, locking in historically low long term borrowing costs for managed debt clients should prove to be a sound strategy over the medium term.

Cash and fixed income portfolios managed for clients continued to provide healthy returns, with consistent outperformance against benchmarks for TCorp's cash and enhanced cash mandates. Outcomes for TCorp's Hour-Glass Investment Facilities were mixed. While the widely used Cash and Strategic Cash products generated healthy returns and above benchmark performance, the growth facilities were affected by negative returns from equity markets and a challenging environment for active managers in domestic and international equity markets.

During the year, TCorp's Risk Advisory and Client Services teams worked with clients on a range of assignments. This work included evolution of the debt management framework for regulated utilities, reviewing capital structures and providing advice on risk management issues. TCorp's Corporate Finance team also had a highly productive year, providing advice and assistance to NSW Treasury and agencies on financing and risk assessment projects. The team provided credit evaluations on a number of local council applications for subsidised infrastructure borrowings, in support of a key policy initiative of the new government.

Operating framework

During another extremely active year, we completed a strategically important relocation of our Data Centre, and continued to enhance our systems environment.

The Change Management function established in the previous year enabled TCorp to manage significant projects in a number of business areas.

The continued growth in TCorp's balance sheet, and business activities in general, resulted in a further modest increase in TCorp's capital base from $100 million to $103 million.

People

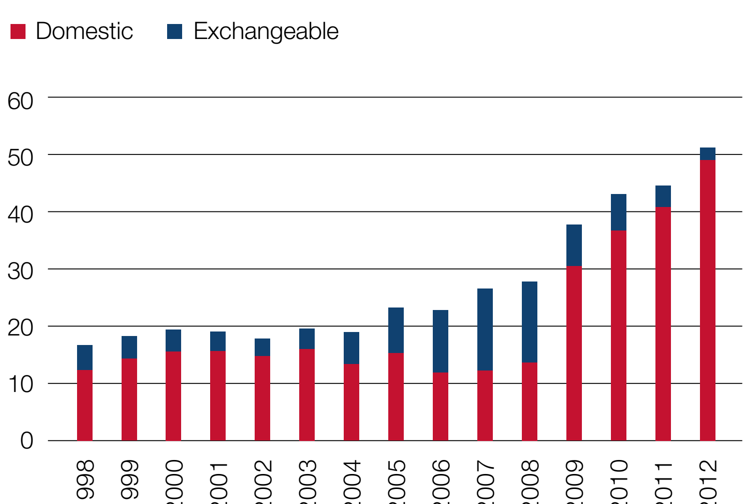
Continuous change in the market environment and the challenges that arise demand responses combining skills, experience, dedication and teamwork. The performance of TCorp over a number of years and the commitment of our teams, is testament to the quality of our people. We thank them for their dedication, efforts and achievements in a year when extraordinary circumstances tested all financial markets participants.

In August 2011, we welcomed Phil Gaetjens as Chair of TCorp's Board, commensurate with his appointment as NSW Treasury Secretary.

In January 2012, we farewelled two long standing directors: Cristina Cifuentes and Bruce Hogan. Cristina and Bruce each served on the TCorp Board for 15 years, holding roles on the Audit and Risk and Human Resources Board Committees. They made a significant contribution to TCorp's growth and development. We thank them both for their guidance and input over many years, and wish them all the best for the future. We welcomed two new directors in January, in Kerry Schott and Peter Warne. Both Kerry and Peter have held executive and board roles that enable them bring to TCorp's Board a wealth of relevant experience in the public and private sectors.

The year presented TCorp with many challenges, which we met head on as we continued to evolve and develop our businesses. The structural changes playing out in the global finance industry look set to continue over the period ahead, which will provide fresh challenges and opportunities for TCorp's businesses and for our people. We are confident that we can continue to meet the needs of our stakeholders and to serve NSW well into the future.

Growth of Benchmark Bonds
A$ billion



"The performance of TCorp over a number of years and the commitment of our teams, is testament to the quality of our people"

Objectives and Results

Objectives	Performance measures	Results for 2011/12
To achieve cost effective finance for clients through management of TCorp's funding programme and balance sheet activities.	To ensure a cost effective funding mix through diversification of sources of finance and efficient implementation of the annual funding programme.	TCorp issued $9.7 billion into the Benchmark Bond programme. Three new Benchmark Bond lines, February 2017, March 2022 and August 2024, were established. A number of significant offshore investors continued to be participants in this programme. TCorp was also active in the EMTN and Capital Indexed Bond programmes, adding almost $1.15 billion of non-benchmark term funding.
	To meet or exceed budgeted revenue from managing TCorp's balance sheet risk activities.	Management of the market risks inherent in TCorp's balance sheet produced results close to budget. TCorp's net profit of $77.1m was above budget, notwithstanding it was significantly down on the previous year's exceptional profit of $151.4m. The result in 2010/11 was substantially boosted by a number of factors (including the repurchase of significant volumes of previously issued offshore debt) which were not expected to be repeated.
To effectively execute portfolio assignments for clients through management of debt, asset management portfolios and Hour-Glass Investment Facilities.	To outperform neutral benchmarks for managed debt portfolios.	Long term bond yields fell sharply below historical fair value ranges. Debt portfolios were lengthened in line with pre-agreed client mandates. TCorp's management of debt portfolios resulted in a significant fall in debt costs. But as the European crisis drove yields to further record lows by year end, the portfolios underperformed the neutral benchmarks. Notwithstanding, locking in historically low long term borrowing costs should prove to be a sound strategy over the medium term.
	To achieve the debt interest cost forecast for the General Government sector.	The debt interest outcome was in line with the agreed target range.
	To generate strong returns for the Hour-Glass Investment Facilities and outperform industry benchmarks.	The Cash and Strategic Cash products posted solid absolute returns and outperformed their respective benchmarks, after deduction of all fees and expenses. The Medium Term and Long Term Growth funds underperformed their respective benchmarks after deduction of all fees and expenses. The Medium Term Growth Fund delivered solid absolute returns with the Long Term Growth fund absolute returns negatively impacted by poorly performing equity markets.
	To outperform neutral benchmarks for discretely managed fixed income asset portfolios.	Discretely managed cash and cash enhanced portfolios performed significantly in excess of their individual benchmarks. Highly liquid portfolios outperformed their benchmarks while still providing at call liquidity and processing significant cashflows. The fixed income asset portfolios also generated strong outright returns for clients, though performance against benchmarks was mixed.
To provide professional financial advisory services to TCorp's clients to ensure they achieve value for money from their strategic and commercial activities.	Service delivery, evidenced through: • demonstration of value-add to clients and the State; • formal client surveys and informal feedback; • retention and expansion of the client base; and • fees generated. Effective ongoing deal management and administration.	In addition to more traditional advisory and transaction management work, during the 2012 financial year TCorp undertook significant advisory work in the university sector, and commenced a major new area of work in the local government sector. Client feedback was highly positive, as evidenced through formal client surveys, repeat business and referrals. Services are provided based on a user pays model. Revenue was marginally above budget.
To meet client needs through enhanced product innovation and service delivery.	To provide and develop relevant and cost efficient products and services to TCorp's client base.	Cost effective lending, investment, portfolio management, reporting and risk management solutions were provided to some 180 public sector clients, with business continuing to grow during the year.
	To maintain and improve client satisfaction as measured by an annual survey.	The 2011/12 survey showed excellent results, confirming TCorp's strong reputation and high service standards with clients throughout our business activities.

Board of Directors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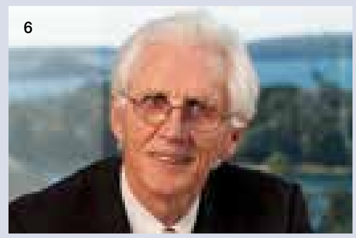
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1. Michael Lambert B.Ec (Hons), M.Ec
Chairman From 29/03/11 until 15/08/11

2. Philip Gaetjens BA (Hons) Grad Dip Prof Acc
Chairman From 15/08/11
Secretary, NSW Treasury. Board Member, NSW Commission of Audit, Board Member INSW Board. Over 30 years in Australian Commonwealth and State Government.

3. Kevin Cosgriff BSc (Hons), M.A
Deputy Chairman
Deputy Secretary, Fiscal and Economic NSW Treasury since 2001. Previously, NZ Treasury and UK Treasury – micro, macro policy.

4. Philip Chronican BCom (Hons), MBA (Dist)
Banking and finance industry for over 30 years. Chief Executive Officer Australia, Australia and New Zealand Banking Group Ltd. Former Group Executive Westpac Institutional Bank, and Chief Financial Officer, Westpac Banking Corporation.

5. Cristina Cifuentes BEc, LLB (Hons)
until 15/01/12

6. Michael Cole BEc, MEc, FFin
Banking and investment management for over 30 years. Chairman, Platinum Asset Management Ltd; Chairman, IMB Ltd; Chairman, Indemnified Loans Committee; Chairman, Ironbark Capital Ltd; Chairman, Challenger Listed Investments Ltd and Director, OneVue Ltd.

7. Bruce Hogan BEc (Hons), FAICD
until 15/01/12

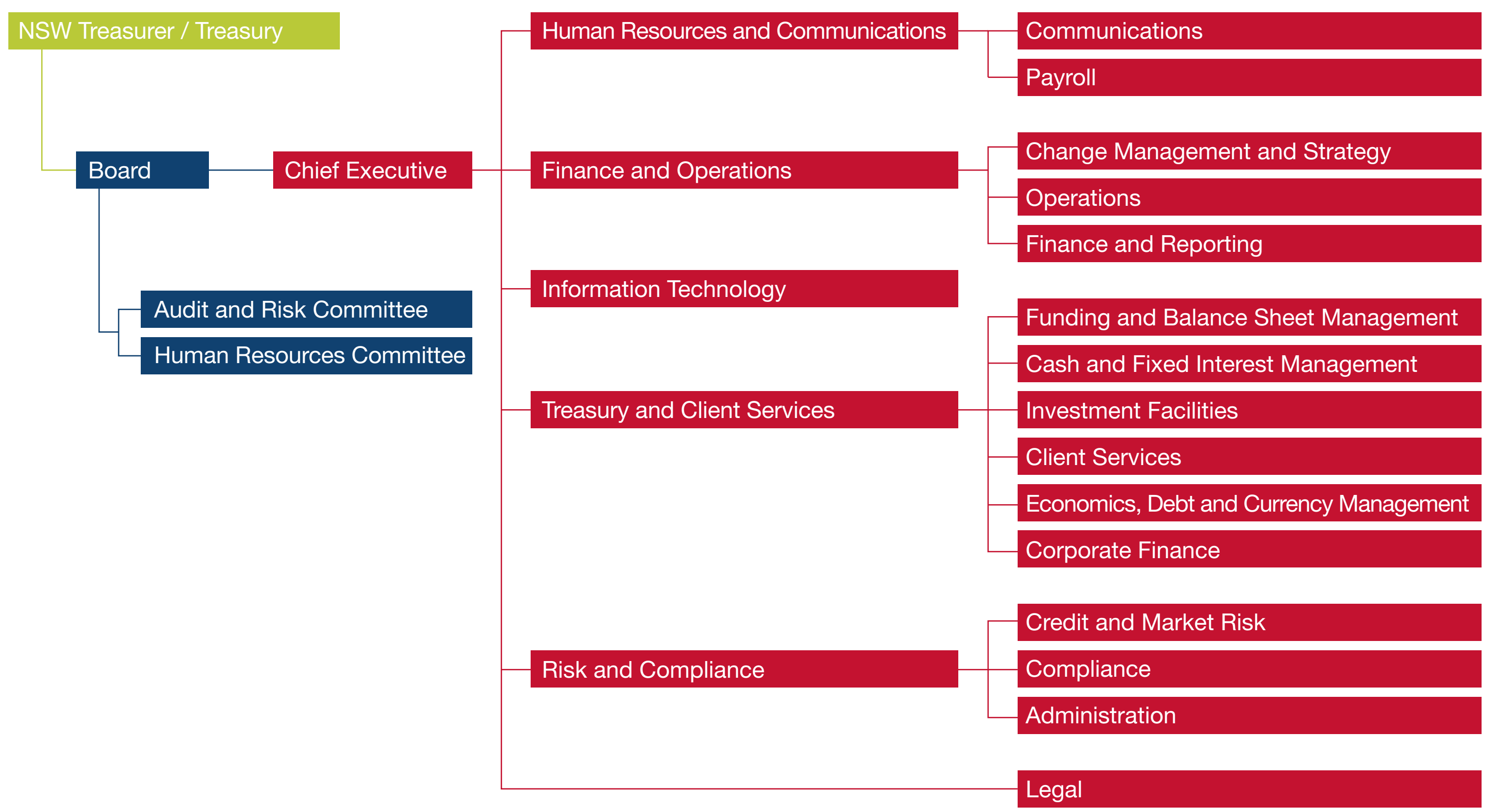
8. Stephen Knight BA, FAICD
Banking and public sector, financial management for over 30 years. Chief Executive, TCorp and Chairman, TCorp Nominees Pty Limited. Director, Australian Financial Markets Association Limited; Committee Member, Financial Services Council Investment Board; Member, CEDA NSW Advisory Council and Independent Member, Investment Committee of the Surf Life Saving Foundation.

9. Kerry Schott BA (Hons), MA, DPhil
From 16/01/12
Director and Chief Executive, NSW Commission of Audit. Director of Infrastructure Australia; Director, Whitlam Institute and Patron, National Advisory Board of Infrastructure Partnerships Australia. Former Managing Director and Chief Executive of Sydney Water; Former Deputy Secretary of NSW Treasury; Managing Director of Deutsche Bank Australia and Executive Vice President Bankers Trust Australia.

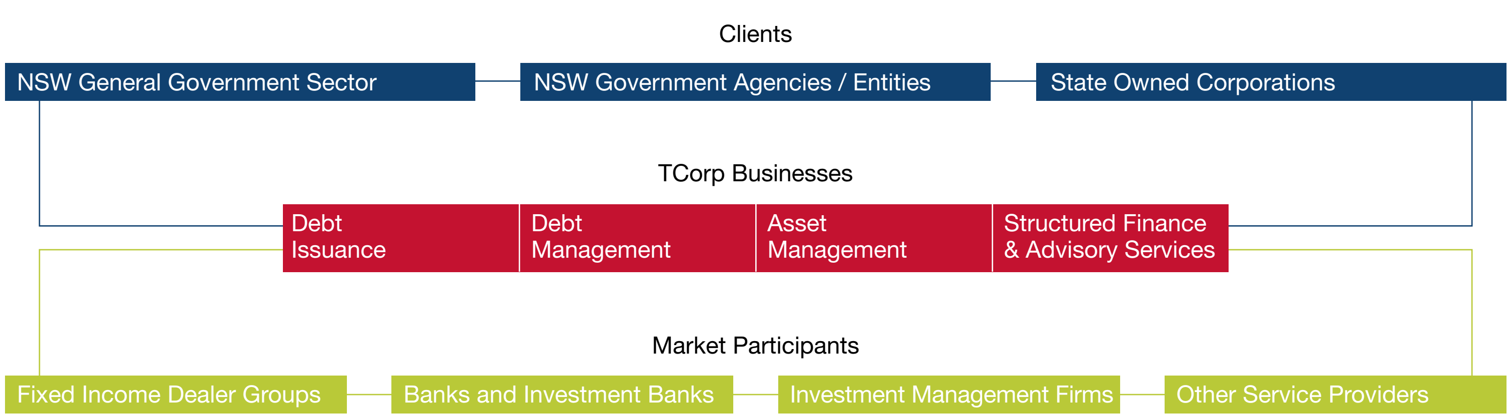
10. Hon. Alan Stockdale BA, LLB
Barrister for 12 years. Chairman, Medical Research Commercialisation Fund Pty Ltd; Federal President, Liberal Party of Australia; Chairman, Master Builders' Association of Victoria Foundation; Chairman, City West Water; Syndicate Chairman, CEO Institute; Member of the Advisory Board of Lazard Australia Pty Ltd; Consultant, Yarris Pty Ltd; Consultant Maddocks Lawyers; Strategic Adviser to the CEO, Metro Trains Melbourne Pty Ltd and Director EC Strategies Pty Ltd. Member of Victorian Parliament for 15 years. Former Treasurer of Victoria and Minister for Information Technology and Multimedia. Former Executive Director, Macquarie Bank Ltd.

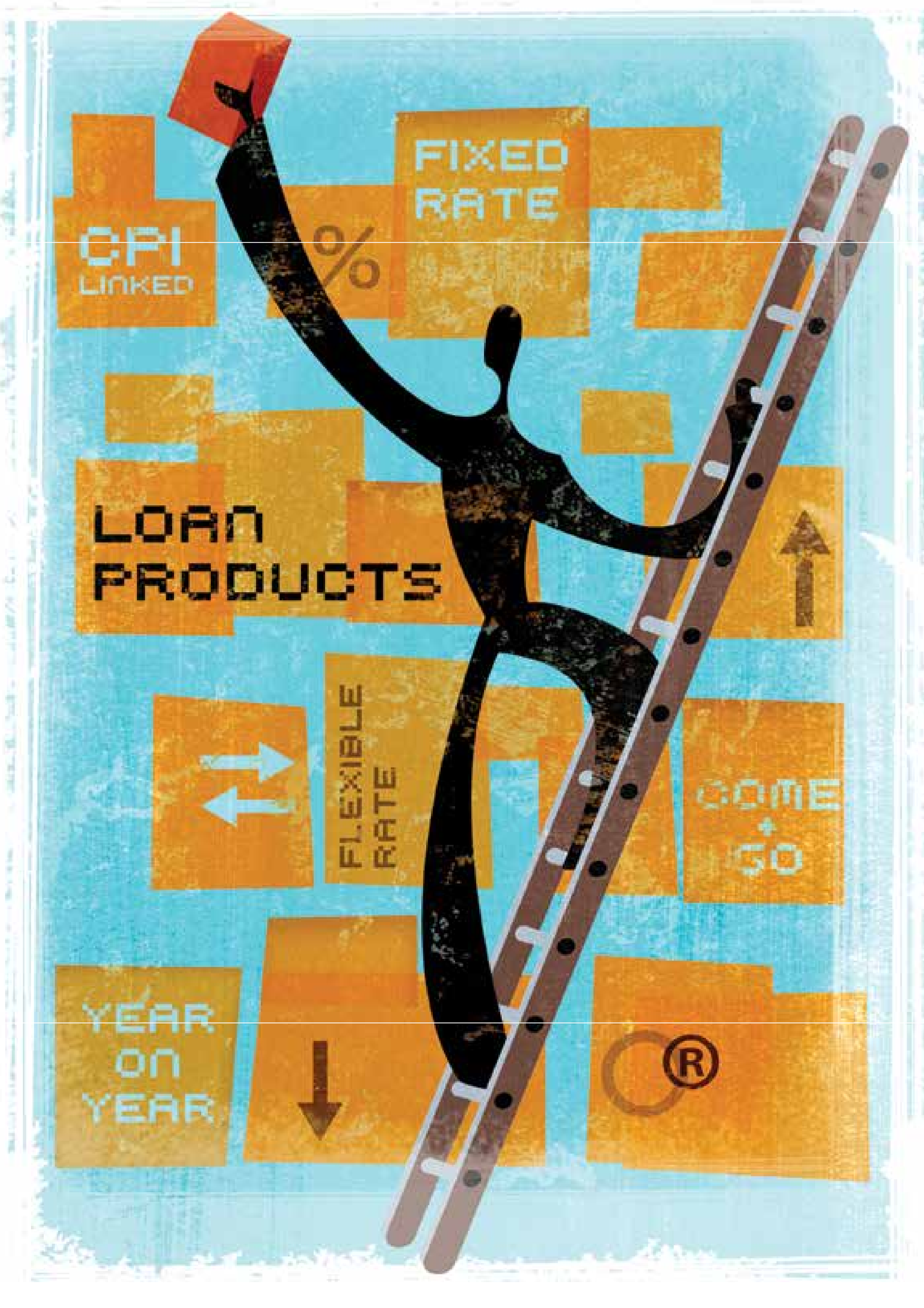
11. Peter Warne BA, FAICD
From 16/01/12
Director, Macquarie Group Ltd and Macquarie Bank Ltd. Director ASX Ltd, ASX Clearing Corporation Ltd, ASX Clear Pty Ltd, ASX Settlement Pty Ltd and Chairman, ASX Clear (Futures) Pty Ltd. Chairman, ALE Property Group; Deputy Chairman WHK Group Limited; Deputy Chairman, Capital Markets Cooperative Research Centre; Director, Capital Market Technologies Pty Ltd; Director, Securities Exchanges Guarantee Corporation Ltd; Director, Securities Research Centre of Asia Pacific; Director, Macquarie University Foundation; Member, Advisory Board of the Australian Office of Financial Management and Chairman, St. Andrew's Cathedral School Foundation. Former head of Bankers Trust Australia Ltd Financial Markets Group for 11 years.

Structure and Relationships



Our Business




FIXED
RATE
CPI
LINKED
%
LOAN
PRODUCTS
FLEXIBLE
RATE
COME
+
GO
YEAR
ON
YEAR
®

Debt Issuance

TCorp raised substantial new borrowings during the year to fund the infrastructure investment programmes of public sector clients. Most of the demand came from Crown and electricity supply industries. Aggregate market value of loans to clients showed a net increase of $8.9 billion over the year to $58.4 billion. About $4.0 billion comprised new borrowings, while the remainder represented an unrealised market value increase resulting from yields ending significantly lower than in the previous year.

A variety of loan products for clients

TCorp provides a range of efficient standard loan products for public sector clients:

- medium and long term fixed interest loans with semi-annual interest payments, repayable on a fixed maturity date. Interest coupons and maturity dates normally correspond with those of TCorp Benchmark Bonds issued in the wholesale market;
- floating rate loans with interest rates periodically adjusted in line with market rates on bank bills, again with a fixed maturity date;
- the Come-and-Go Facility, which provides ready access to short term finance. Clients can draw down or repay funds on same day notice, enabling them to rely on TCorp for short term liquidity, rather than hold substantial investments for liquidity purposes, with associated credit and market risks; and
- long term inflation linked (CPI) loans:
  - Capital indexed loans – with a fixed percentage interest coupon, but with the capital value adjusted periodically in line with the CPI; and
  - Year-on-year (YoY) loans – TCorp also launched a new YoY inflation loan product during the year with a constant face value and a variable coupon that includes the fixed real rate and latest adjusted CPI.

The products have been adopted in significant volume in the Government's Crown Finance Entity debt portfolio, and by the regulated utilities. They can be appropriate funding for public sector businesses subject to regulatory frameworks in which CPI movements are a major factor.

For clients whose funding requirements are not fully met by these standard products, TCorp can consider other structures, for example, loans with regularly reducing principal.

Rates on new fixed interest loans are based on the current TCorp Benchmark Bond yield curve in the Australian fixed interest market, plus a small margin representing TCorp's administration fee.

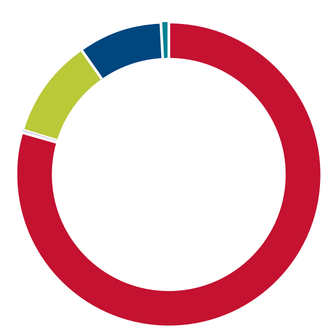
Infrastructure investment changes the pattern of borrowings

TCorp's volume of loans to the Crown and regulated utility sector (mainly electricity) remained strong throughout the year. Borrowings outstanding to the water sector fell after the repayment of debt following the sale of the Sydney desalination plant.

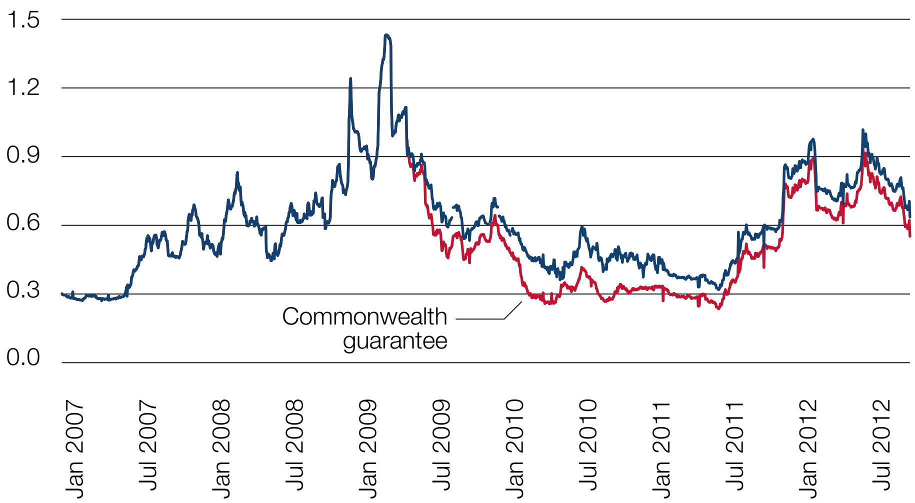
TCorp's largest borrowers at 30 June 2012 were the Crown Finance Entity ($25.5 billion), electricity generation and distribution ($21.6 billion), water catchment and supply ($7.8 billion) and transport ($1.3 billion). While funding for the NSW public sector constitutes most of TCorp's lending, we also act as the NSW Government's agent in providing funds for private sector cooperatives. These loans totalled $26.3 million at 30 June 2012.

Composition of Borrowings
Total $61.9 billion

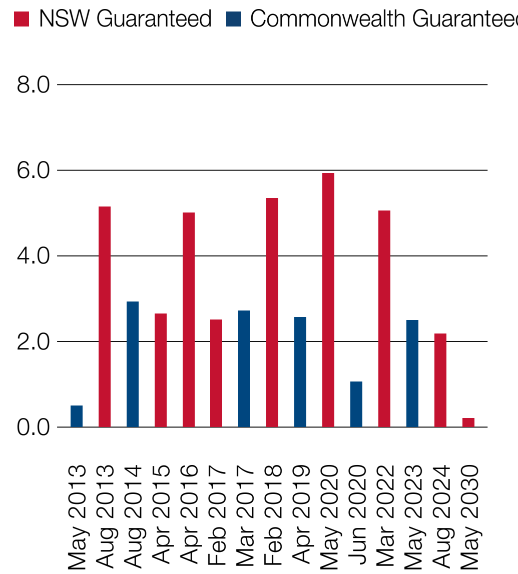
Total Domestic Bonds	$49.6bn
Retail	$-0.1bn
Capital Indexed Bonds	$6.5bn
Total Offshore	$5.6bn
Non-Benchmark Domestic	$0.3bn



2017 NSW TCorp vs 2017 Commonwealth Bond Spread
%



Benchmark Bonds on Issue 30 June 2012
A$ billion



Funding TCorp's loans to clients

TCorp funds its lending to the NSW General Government sector and PTEs through continuous issuance of debt into the domestic and offshore capital markets. We have developed a range of offerings that suit investor requirements and these, backed by the strength of the State's AAA credit rating, enable us to deliver cost effective funding for our clients.

TCorp recorded another successful year of funding activities. We were able to take advantage of limited opportunities in offshore markets while also responding to strong Australian dollar investor demand.

For the 2011/12 year, TCorp raised $12.1 billion from debt capital markets. This reflected the need to finance net client borrowing of $4.0 billion and to refinance existing liabilities of $9.2 billion. TCorp had pre-funded, in the previous financial year, $3.0 billion of the 2011/12 requirement.

The year's funding activities took place in an environment where Australian short term interest rates declined in response to economic conditions. The RBA lowered the official cash rate moderately during the financial year, from 4.75% to 3.5%. Longer term bond yields fell more substantially with longer term TCorp interest rates (based on the May 2020 maturity) falling from 5.68% to 3.89%.

Benchmark Bond issuance

TCorp's Benchmark Bond programme, as a provider of price transparency and liquidity to public sector borrowers and institutional investors in TCorp bonds, continues to be the cornerstone of our funding strategy.

Benchmark Bond issuance is concentrated in a small number of maturity dates (Benchmark Bond lines), generally over a 12 year period. The Benchmark Bond programme is supplemented by a more specifically directed issuance, particularly to offshore investors, under TCorp's Euro Medium Term Note (EMTN) programme.

Continuing its commitment to the Capital Indexed Bond (CIB) programme, TCorp issued a further $0.4 billion of CIBs. By year end, the market value of TCorp's CIB outstandings had reached $5.2 billion.

TCorp issued 3 new benchmark bonds in F12. In August 2011 TCorp issued a new March 2022 at a very challenging time in the market. In February, TCorp issued a new February 2017 and bought back over $1bn of the Commonwealth Government Guaranteed March 2017 benchmark line. In April TCorp were successful in issuing a new August 2024 benchmark, again in challenging market conditions.

Over the year, TCorp bought back over $5bn of Commonwealth Government Guaranteed Bonds.

Offshore issuance

TCorp operates in the international debt capital markets to achieve investor diversification, to provide cost savings to the Benchmark Bond curve and to smooth the maturity profile.

During the year, TCorp issued $0.55 billion into the Japanese market through the EMTN programme.

Attractive investment fundamentals, underpinned by NSW's AAA credit rating, drew support, notably from Japanese and European institutional investors. TCorp continued to use short term promissory note markets to meet cash flow volatility and short term requirements.

TCorp's funding strategy constantly evolves in response to market dynamics and investor requirements. Maintaining strong relationships with our borrowing clients, dealer panel members, financial markets institutions and investors has been crucial in accomplishing our funding needs.

Retail issuance

In August 2011 TCorp relaunched its retail bond programme as the NSW Waratah Bonds Programme offering both a 3 and a 10 year fixed rate bond. In March 2012 the Waratah Annuity Bond was added to the programme. The Waratah Annuity Bond is an annuity-style bond that offers investors a safe and secure income stream which is linked to inflation.

In line with NSW Government policy, a total of $19.1 million in funds raised through the NSW Waratah Bonds Programme were transferred into Restart NSW for 2011/12.

Debt and Currency Management

In addition to providing cost efficient funding to the NSW Government, its agencies and the PTEs, TCorp manages clients' portfolios of outstanding debt. TCorp works with each client to establish a neutral benchmark debt framework, then manages the debt portfolio to meet the client's risk needs while minimising the cost of debt.

At 30 June 2012, TCorp managed 22 clients' debt portfolios totalling $45.5 billion. Among these:

- the Crown Finance Entity represents the NSW General Government sector and is TCorp's largest managed debt client;
- TCorp manages the debt portfolios for several large electricity network and water regulated utilities. These businesses require a specialised risk management framework, including inflation protected loans; and
- other substantial borrowers include the port authorities and electricity generators.

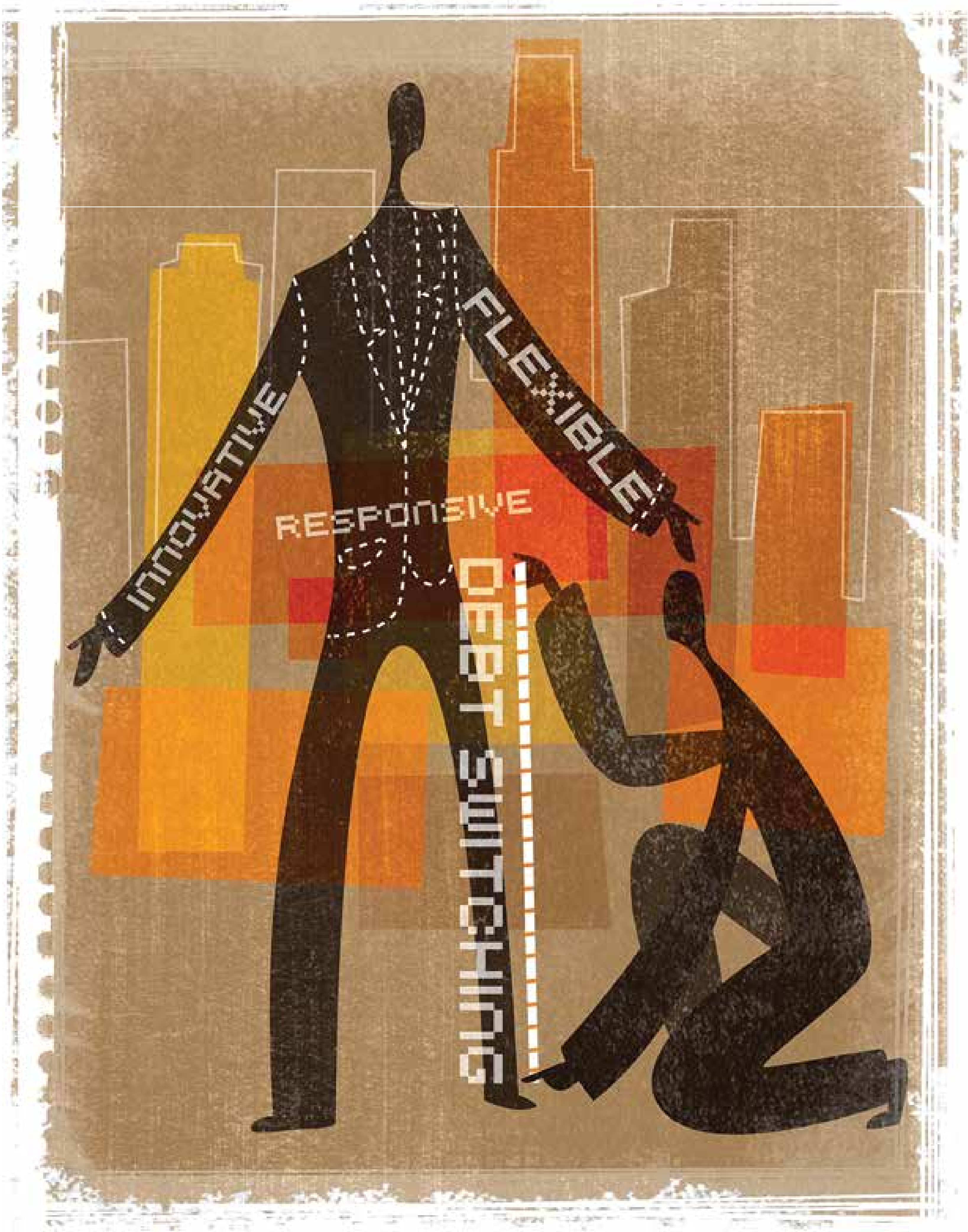
Over two decades, TCorp has continuously expanded its debt management framework and capabilities. The main driver of that expanded capability has been the core risk requirements of the PTE sector, particularly the regulated utilities.

Providing risk analysis and advice

In the year to June 2012, TCorp further developed its risk analytical capability and advice:

- two PTEs mandated TCorp to provide advice about reviewing their capital structure. TCorp provided a third analysis of a PTE debt portfolio review. These reviews were highly quantitative and included extensive credit modelling projections and scenario analysis;
- TCorp provided financial markets analysis of debt benchmarking frameworks to the electricity and water price regulators, the Australian Energy Market Commission and the NSW Independent Pricing and Regulatory Tribunal; and
- TCorp also provided extensive financial analysis for various project proposals, during the course of the year.

"At 30 June 2012, TCorp managed 22 clients' debt portfolios totalling $45.5 billion."


INNOVATIVE
FLEXIBLE
RESPONSIVE
DEBT SWITCHING

Innovation in debt management

TCorp continues to develop its debt products to assist NSW public sector borrowers to manage financial risks, improve liquidity and enhance flexibility in uncertain market conditions:

- inflation linked loans: inflation protected loans are now a key risk management tool for TCorp's clients, and make up 13.5% of all TCorp loans. TCorp began issuing inflation protected CIBs in late 2007. In the past year, TCorp introduced a new type of inflation linked loan, the YoY inflation loan. TCorp accesses inflation swap markets to deliver cheaper execution and greater flexibility. The YOY loans also provide a more precise risk match to regulated utilities' inflation risks;
- debt switching: existing loans can be converted from, say, fixed nominal loans to either floating rate or inflation protected loans. This enables the existing debt portfolio to be aligned more quickly to movements in real interest rates and inflation as the regulatory revenues adjust;
- enhanced decision frameworks: as TCorp's range of risk management products has expanded, the decision frameworks have been enhanced to ensure the debt costs and risks achieve the optimal balance; and
- risk reporting: TCorp has developed new performance reporting metrics to provide greater transparency and flexibility. Further risk and performance reporting developments are planned for 2012/13.

A priority for TCorp was to manage a significant financing requirement in the last quarter of the 2011/12 year. TCorp long term yields fell to historic lows, providing an opportunity to issue long dated funding. Although markets were significantly disrupted by the unfolding European crisis, TCorp succeeded in issuing around $4 billion in loans to clients, significantly lowering the long term debt costs for NSW public sector borrowers.

TCorp continued to lengthen client debt portfolios during the year, taking the average term of TCorp's Benchmark Bonds to seven years and placing client debt portfolios in the comfortable position of facing very low refinancing requirements in the coming year.

Debt management techniques and outcome

In addition to providing cost efficient physical funding to meet individual client requirements for funding and risk, TCorp uses futures markets to manage the interest rate risk of debt portfolios relative to their benchmark duration. The active management style adopted looks to take advantage of cyclical movements in market interest rates to achieve budgeted borrowing costs or lower for clients over the medium term.

Strategic portfolio positions are based on TCorp's modelling of the macroeconomic drivers and fundamental valuations for interest rates. These positions are intended to reduce borrowing costs over an interest rate cycle and are supplemented with tactical management strategies that take advantage of market volatility over shorter time frames. All active interest rate risk management uses products that are in line with individual clients' risk appetites and limits. Positions are implemented within a transparent, disciplined framework that is rigorously monitored and reported to clients.

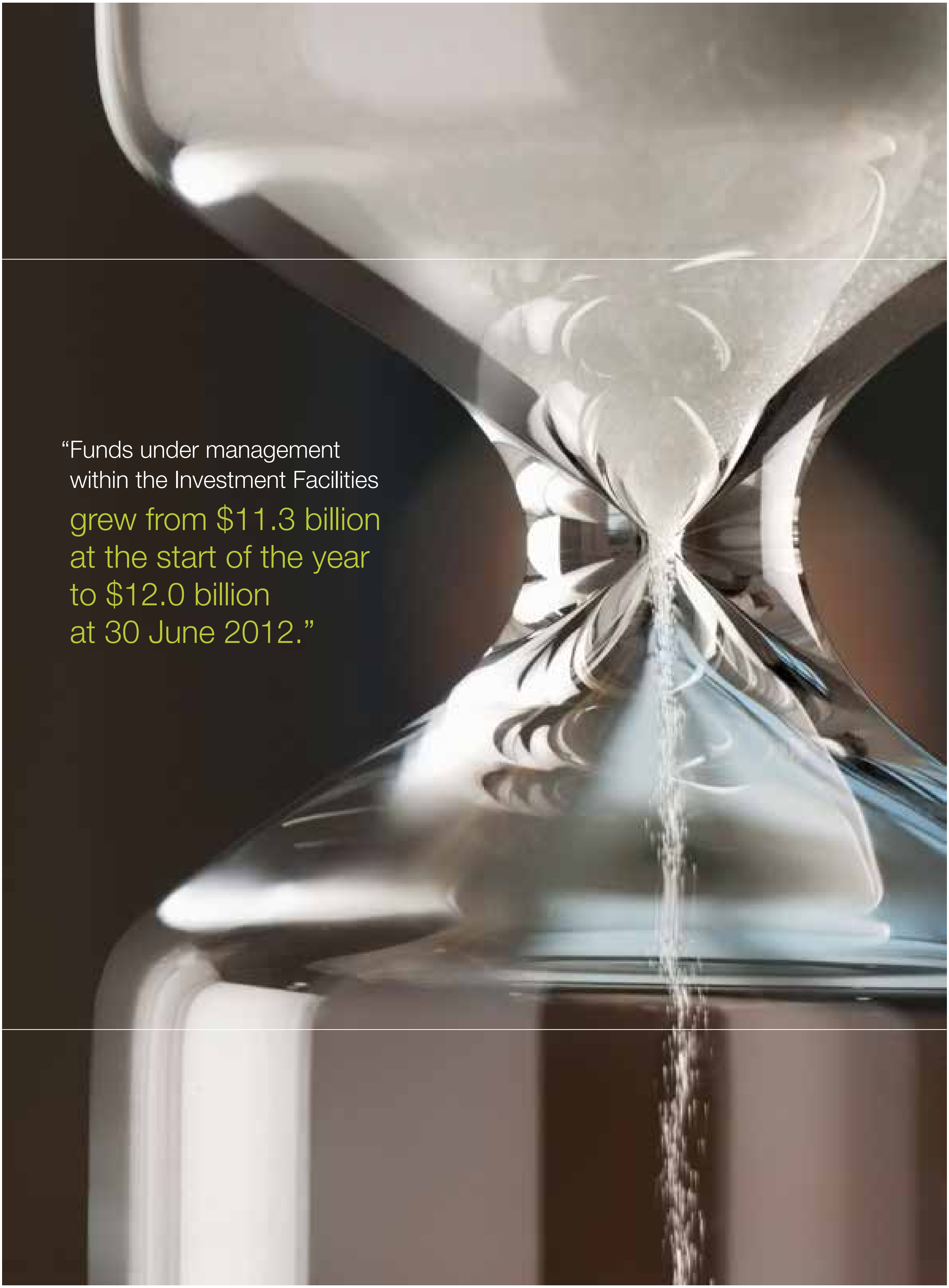
TCorp's model-based approach aims to position client debt portfolios to capitalise on market opportunities as they arise. Portfolio durations were lengthened during the course of the year as yields fell below previous cyclical lows, but as the European crisis drove yields to further record lows in the June quarter, the portfolios materially underperformed neutral benchmarks for the full year to June 2012.

Currency management techniques and outcome

Since 2007, TCorp has provided currency management services for the Hour-Glass funds. TCorp's currency management style adopts a model based, low risk approach that takes advantage of extreme opportunities in market pricing.

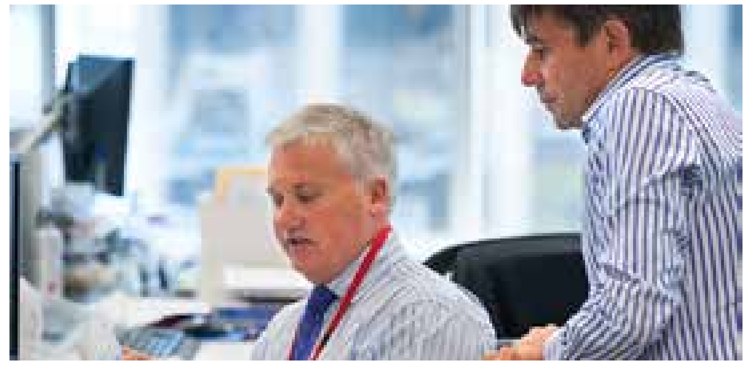
During the year, TCorp finalised the development of a passive currency overlay product for the Hour-Glass Listed Property Sector Trust. Funds under management in the Hour-Glass Listed Property Sector Trust total $200 million. TCorp hedges the currency exposures in the Trust to a target hedge ratio of 50%. TCorp expects to develop this new product further over the coming year.

TCorp provides other treasury risk management transactions, including foreign exchange and commodity hedging, on behalf of clients.



"Funds under management within the Investment Facilities grew from $11.3 billion at the start of the year to $12.0 billion at 30 June 2012."

Asset Management



Hour-Glass products

The Hour-Glass products finished the financial year against a backdrop of turbulent financial markets. Attention remained firmly on the Eurozone as authorities grappled with debt burdens and a low growth outlook. The economic growth outlook for the US and China was another concern.

The equity market declines that began in March 2011 continued for six consecutive months. The sharp falls in equity markets were triggered by fears of a Greek default and the impasse over the US debt ceiling. This was followed by concerns over a sharp slowdown of the Chinese economy.

Equity markets rebounded strongly in October following an agreement by European leaders on a plan to resolve the Eurozone debt crisis and improved company profits in the US. However, investors were once again in panic mode in November and sentiment remained depressed during most of the remainder of the year. The establishment of the Long Term Refinancing Operation by the European Central Bank (ECB) to provide cheap financing to banks brought some short term relief. For the year under review, Materials (-18.8%), Financials (-8.3%) and Energy (-7.5%) were the worst performing sectors in the MSCI World Index (excluding Australia but in local currency terms). The top performing sectors were Consumer Staples (+12.9%), Information Technology (+11.4%) and Healthcare (+10.1%), as investors sought defensive and higher yielding investments. The US was the best performing country in the global equity index, returning +9.1% in Australian dollars. In comparison, developed Europe and Emerging Markets returned -12.4% and -12.2% respectively in Australian dollars.

The RBA conceded to the global macroeconomic concerns and entered a rate easing phase in November 2011, cutting the official cash rate from 4.75% at the start of the financial year to 3.5% at 30 June 2012.

The Commonwealth Government Bond market has been the clear winner in prevailing market conditions. Global sovereign bond markets have been downgraded around the world, leaving Australia as one of the few sizeable AAA rated countries. In the risk averse environment, where the market has been seeking out “safe haven” investments and yield certainty, Australian Commonwealth Government Securities (CGS) have been keenly sought. This demand has taken Australian CGS yields to all time lows, with the 10 year bond yield hitting a trough of 2.77% in June 2012 after opening the year at 5.21%.

The Australian dollar has also been on a rollercoaster during the financial year, from an all time high of US$1.11 in July 2011 to a low of US$0.94 in early October 2011. The Australian dollar changed its character over the course of the year, shifting from a commodity proxy and high yielding “carry” play to a safe haven currency as global investors flocked to the Australian CGS markets.

Funds under management within the Investment Facilities grew from $11.3 billion at the start of the year to $12.0 billion at 30 June 2012. Part of this increase reflected new client flows.

TCorp’s Cash Facility and the Strategic Cash Facility returned 4.9% and 5.02% respectively for the year. Both outperformed their benchmark, the UBS Australian Bank Bill Index, by 0.2% and 0.32% respectively, after fees. The Strategic Cash Facility seeks value adding opportunities in high quality cash and short duration assets at attractive valuations.

> “TCorp’s Cash Facility and the Strategic Cash Facility returned 4.9% and 5.02% respectively for the year.”

The two facilities continue to have a higher running yield than the benchmark because of their holdings of high quality bank Floating Rate Notes. At the end of June 2012, the benchmark index had a running yield of 3.53% while the Strategic Cash Facility's running yield was 4.32% per annum and that of the Cash Facility 3.85%. The Strategic Cash Facility has also benefited from a contraction in credit spreads.

TCorp's Medium Term Growth Facility (MTGF) and Long Term Growth Facility (LTGF) returned +4.3% and -0.7% respectively for the year. The lower return for the LTGF reflected its higher allocation to equities. Both facilities underperformed their benchmarks over the year because of underperformance of the International and Australian Shares Sectors. The MTGF and LTGF outperformed their respective benchmarks in nine out of the past 12 financial years; the 2011/12 financial year is the first since 2006/07 during which these two facilities have underperformed their benchmarks.

The investment objectives for the MTGF and the LTGF are to outperform their benchmarks over three years and five years respectively, on an after fees basis. The MTGF performed in line with its benchmark after fees over the three years to 30 June 2012. The LTGF also performed in line with its benchmark after fees over the five years to 30 June 2012. The Hour-Glass Australian Equity Sector returned -7.9% for the financial year and -3.6% per annum for the five years to 30 June 2012. The sector has achieved its investment objective for the past five years, having outperformed the benchmark by 0.5% per annum after fees over that period.

The Hour-Glass International Equity Sector returned -4.7% for the financial year and -7.8% per annum for the five years. The sector failed to meet its investment objective, having underperformed the benchmark by 1.16% per annum after fees over the five years. The underperformance was driven by the sector's overweighting to Emerging Markets and underweighting to the US. For the financial year, the MSCI Emerging Markets Index underperformed the US equity market by 21.3% in Australian dollars.

The underlying managers in the International Shares Sector had an unusually difficult financial year. Global equity markets were choppy throughout the year as macroeconomic news emanating from Europe in particular drove investor sentiment, with markets influenced more by the risk-on and risk-off investment flows rather than by the long term fundamentals of companies.

The Hour-Glass Australian Bond Sector returned 12.5% for the financial year, and was the best performing sector within the multi-sector facilities. The negative sentiment in financial markets drove AAA rated government bond yields to record lows. The 10 year Commonwealth Government bond yield closed the year at 3.04%, down from 5.21% at 30 June 2011 and significantly lower than the 6.27% yield at 30 June 2007. Similarly, the 10 year US Government bond yield closed the year at 1.65%, down from 3.16% at 30 June 2011 and 5.03% at 30 June 2007.

The Hour-Glass Listed Property Sector was the second best performing sector, returning 9.8% for the financial year and outperforming its benchmark by 2.2% after fees. The sector has returned 21.0% per annum over the three years and -5.0% per annum over the five years to 30 June 2012. Global Real Estate Investment Trusts have rebounded from their sharp declines recorded during the depths of the global financial crisis in 2008 and early 2009, with their strong recovery reflecting investor enthusiasm for higher yielding investments.

The Hour-Glass Emerging Markets Equity Sector was the worst performing sector for the financial year, returning -9.3% after fees. However, the sector outperformed its benchmark by 2.9% over the year. Emerging market stocks fell sharply as investors shifted to assets perceived to be less risky. In December 2011, the Investment Facilities team appointed a third manager to the Emerging Markets Equity Sector, thereby significantly increasing the level of diversification in the sector.

The Hour-Glass Unlisted Property Sector achieved a net return of 8.1% for the financial year, relative to the benchmark return of 8.7%. While this modest underperformance was disappointing over the one year period, the sector's net return since inception (August 2010) of 10.6% per annum remains strong against the benchmark return of 9.9% per annum. The sector is invested in the Dexus Wholesale Property Fund, the AMP Wholesale Office Fund and the AMP Shopping Centre Fund. These funds invest in high quality, prime assets in regions with strong property fundamentals.

Cash and Fixed Interest portfolio management

TCorp contributes to the strength of the State balance sheet through internal management of cash and bond portfolios for NSW Treasury and other agencies. It is also one of the Hour-Glass fund managers, managing the Core Bond Fund, Liquidity Fund and Strategic Cash. In executing these assignments for the Hour-Glass Investment Facilities, TCorp draws on its long experience in cash and fixed interest markets and its understanding of managing public sector cash flows.

Major agencies whose portfolios have been managed by TCorp for a number of years include State Super, NSW Fair Trading, Lifetime Care & Support Authority and WorkCover Nominal Insurer. TCorp manages various strategies for these clients, including daily cash, enhanced cash, nominal bond, inflation linked and tail risk hedging.

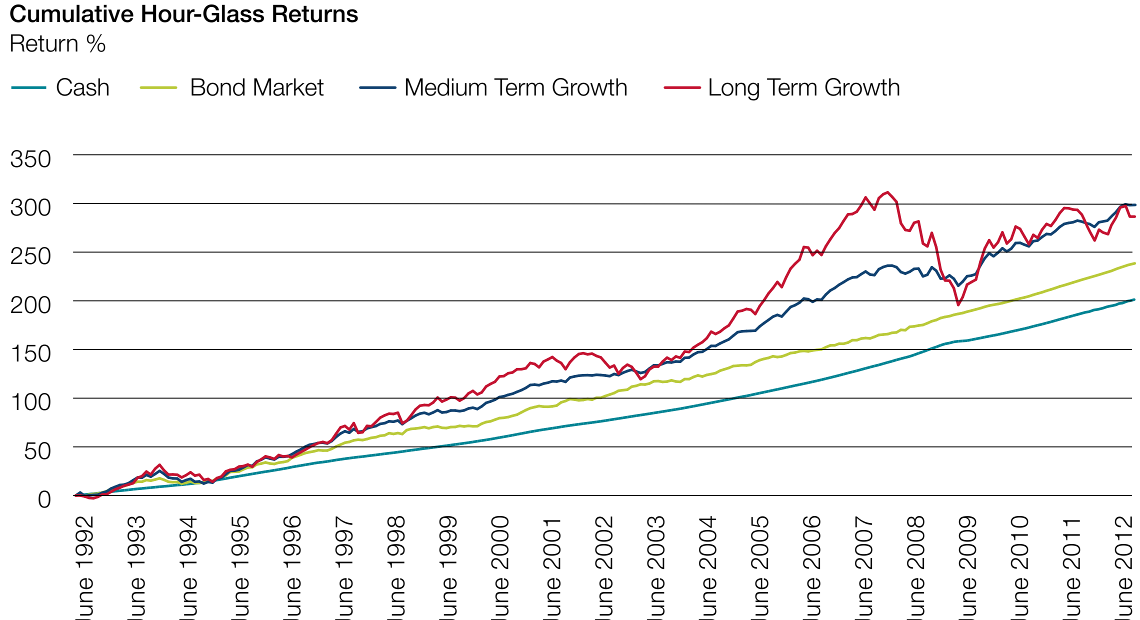
Investment funds managed internally by TCorp fell from $12.9 billion at 30 June 2011 to $10.8 billion at 30 June 2012, of which $4.2 billion was managed for the Hour-Glass Cash, Strategic Cash and Core Bond funds. The decrease in funds under management resulted from TCorp's repayment to NSW Treasury in 2011 of the proceeds of the previous sale of electricity assets.

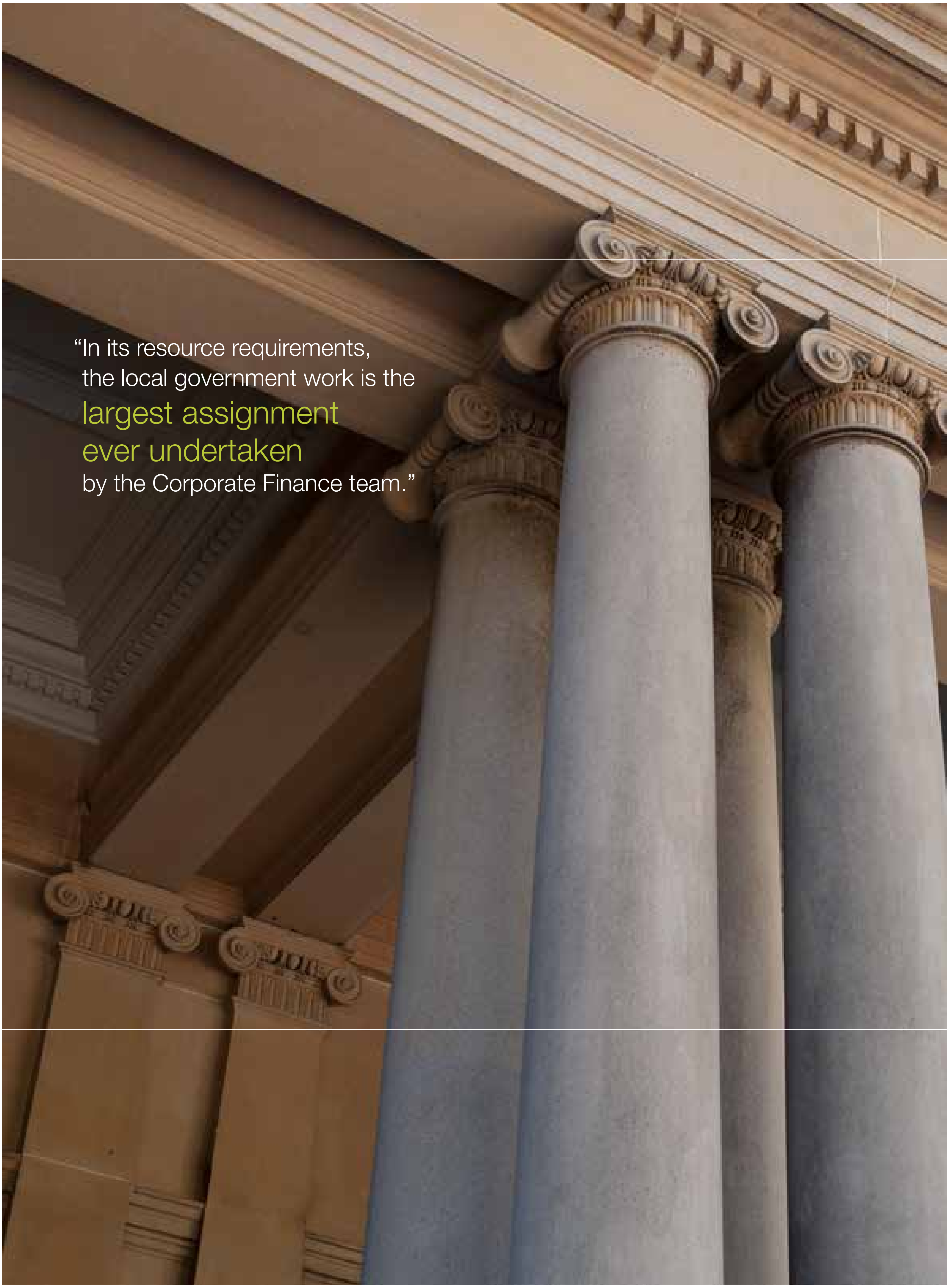
TCorp takes a conservative management approach for cash and fixed income portfolios, consistent with the risk profile of client mandates. A significant investment in IT, with a sophisticated risk management system, facilitates timely and accurate oversight of portfolio risks. This enables TCorp to add value through informed judgments about portfolio construction, the timing of investments and security selection. Daily forecasting and monitoring of large client cash flows and significant liquidity needs are key distinguishing features of TCorp's investment capabilities.

The investment process seeks to add value to client portfolios, using duration and yield curve management allocation among sovereign, semi-government and supranational sectors, with credit exposures limited to high quality banks. The ongoing borrowing requirement of the Commonwealth and State Governments and the corporate sector during 2012 has supported opportunities for TCorp's investment style and enhanced the risk and return profile of the internally managed fixed income portfolios.

Over the year, investment returns on most managed portfolios were above or broadly in line with benchmarks.

Cumulative Hour-Glass Returns





"In its resource requirements, the local government work is the largest assignment ever undertaken by the Corporate Finance team."

Advisory and Other Services

Corporate Finance

Complementing the activities of the broader Treasury, Client and Risk Services team, TCorp's Corporate Finance team provides analytical, commercial and financial advice to NSW Treasury and other public sector agencies. TCorp seeks to ensure that the client and the State achieve value for money and that risks are contained within acceptable limits.

Corporate Finance staff have considerable financial and commercial experience of public and private sector transactions, as well as highly developed quantitative and financial modelling skills. Traditionally, the team has focused on asset and infrastructure procurement and financing, covering the full spectrum of structures from leasing to complex public-private partnership (PPP) transactions. Advice is provided during various phases of procurement and during the subsequent management of transactions. Corporate Finance also liaises with private sector participants and intermediaries as part of TCorp's role as a bridge to the private sector financing community.

In addition to its traditional advisory and transaction management work, during the 2012 financial year TCorp undertook significant advisory work in the university sector and embarked on a major new area of work with local government.

In its resource requirements, the local government work is the largest assignment ever undertaken by the Corporate Finance team. Following initial advisory work with NSW Treasury, the Division of Local Government appointed TCorp to undertake financial assessment and benchmarking reviews of local councils that applied for an interest rate subsidy under the Local Infrastructure Renewal Scheme. The scheme was originally expected to involve about 50 councils but was expanded as 69 councils applied. The assignment was further extended to all 152 NSW councils, following the announcement by the NSW Government of an independent review into the sustainability of the NSW council sector. Most of the work is scheduled to be completed in the 2013 financial year.

In the university sector, Corporate Finance undertook five separate assignments. TCorp assisted universities approaching the financial markets for debt facilities, in the evaluation of tender responses and in obtaining the required NSW Government approvals.

Other activity included:

- NSW Treasury: infrastructure projects and infrastructure financing. TCorp worked with NSW Treasury on some proposed initiatives to reduce risk and increase the value for money in the PPP form of infrastructure funding. TCorp also provided assistance to Treasury in the Sydney Convention Centre precinct redevelopment PPP, and the Airds Bradbury social housing renewal PPP project;
- NSW Treasury: participated in four Gateway reviews;
- Transport for NSW: as a member of a commercial working group, advised on a proposal to redevelop property in the Wynyard precinct;
- NSW Treasury/Department of Finance and Services: assisted with the review and negotiation of commercial aspects of the Data Centres project, which reached financial close in May 2012;
- NSW Treasury/Department of Finance and Services: worked on the establishment of a proposed managed print services contract and overall consideration of managed services contracts;
- Department of Finance and Services: assisted the procurement area in the pre-registration scrutiny of tender respondents and credit assessments of shortlisted parties;
- NSW Treasury: continued funding and facility oversight (in conjunction with StateFleet) for the budget sector agencies' motor vehicle leasing arrangement, which covers around 23,500 vehicles valued at more than $500 million; and
- NSW Treasury/RailCorp: managed various cross-border leases over rolling stock. Work included attending to the scheduled termination of several leases and a review of the implications of new Australian securities laws.

Local Government

- Financial assessment and benchmarking reviews of 69 local councils that applied for an interest rate subsidy under the Local Infrastructure Renewal Scheme, extended to all 152 NSW councils as part of an independent review into the sustainability of the NSW council sector.

Education

- Assisted universities approaching the financial markets for debt facilities, in the evaluation of tender responses, and in obtaining the required NSW Government approvals.

Treasury

- Worked on proposed initiatives to reduce risk and increase the value for money in the PPP form of infrastructure funding.
- Participated in four Gateway reviews.
- Provided assistance in the Sydney Convention Centre precinct redevelopment PPP.
- Provided assistance in the Airds Bradbury social housing renewal PPP project.

"These guarantees, while a relatively minor activity, are an illustration of the breadth of TCorp's role in providing financial accommodation to its clients."

Advisory Services

TCorp continued to hone its capacity to provide financial risk management advice through a dedicated team of specialists in risk analytics. In many cases, this activity was undertaken as part of TCorp's role as discretionary debt or asset manager for the NSW General Government sector and PTEs. TCorp advised clients on a broad spectrum of risk management matters such as treasury management policies, benchmarks, capital structure reviews, regulatory determinations, portfolio risk constraints and hedging of interest rate exposures. TCorp can provide a tailored advisory service for clients who have chosen not to use the discretionary debt management service. This may entail regular advice, such as recommendations on refinancing of maturing loans, or single projects such as a review of policies.

TCorp has a highly experienced economics team which makes regular presentations to debt and asset management clients, as well as providing a weekly economics and markets brief and input to clients' monthly portfolio management reports.

Guarantees

Some agencies and PTEs require performance guarantees. TCorp can provide this back up, supported by NSW Treasury. A key guarantee is that provided by TCorp to the WorkCover Authority on behalf of State Owned Corporations that self insure their obligations under the *Workers Compensation Act 1987* (NSW). In addition, TCorp provides a small number of agencies with performance guarantees for other purposes.

These guarantees, while a relatively minor activity, are an illustration of the breadth of TCorp's role in providing financial accommodation to its clients.

Finance

- Worked on the establishment of a proposed managed print services contract, and overall consideration of managed services contracts.
- Assisted in the pre-registration scrutiny of tender respondents and credit assessments of shortlisted parties.

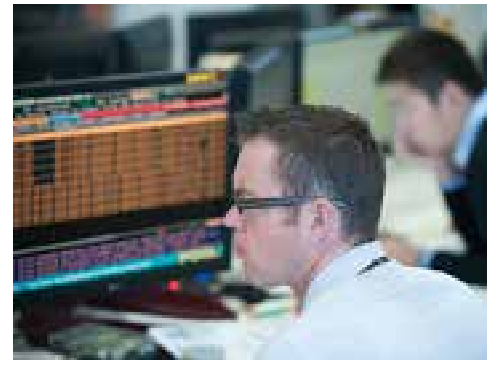
Transport

- As a member of a commercial working group, advised on a proposal to redevelop property in the Wynyard precinct.
- Continued funding and facility oversight (in conjunction with StateFleet) for the budget sector agencies' motor vehicle leasing arrangement.
- Managed various cross-border leases over rolling stock.

Technology

- Assisted with the review and negotiation of commercial aspects of the Data Centres project, which reached financial close in May 2012.

Economic Review



NSW domestic demand slowed and employment declined in the first half of 2011/12. Since then, domestic demand growth has improved and employment levels have stabilised. However, the current growth rate of economic activity in NSW remains below trend. Despite a low unemployment rate by historical standards, conditions in the labour market remain subdued, with employment declining in some industries and rising in others.

Several factors have led to lower forecasts of short term economic and employment growth in Australia and NSW.

Global factors

- Lower global growth. The US economic recovery has slowed, Europe and the UK have re-entered recession and emerging Asia, including China, has slowed.
- The European banking and sovereign debt crisis reintensified in 2012 despite large liquidity provisions from the European Central Bank (ECB). European authorities took decisive action to contain the crisis, but financial markets sentiment and global business and consumer confidence remain fragile.

These global shocks to markets and confidence have affected activity in the national and NSW economies, particularly in the non-mining sectors that were already under pressure from the high Australian dollar.

National factors

- The Australian dollar, boosted by global demand for Australia's AAA rated bonds, has proved resilient to global risk aversion. The strong currency has been a drag on tourism, education and manufacturing industries.
- Rising capital expenditure and jobs growth in the mining sector are clear evidence of the impact of the mining investment boom, but the benefits of the boom have not flowed through to the wider economy as rapidly as most had anticipated. Domestic consumers remain cautious, retail spending growth remains weak and the housing sector has softened.
- Australian households have faced a drain on wealth from falling asset prices. Australia's ASX 200 fell by 11% in the year to June 2012, while capital city house prices fell by 4.5% in the year to March 2012.
- The labour market weakened in 2011/12 after a strong 2010/11. Jobs growth fell as job gains in mining related sectors were partially offset by job losses outside that sector.

Factors specific to NSW

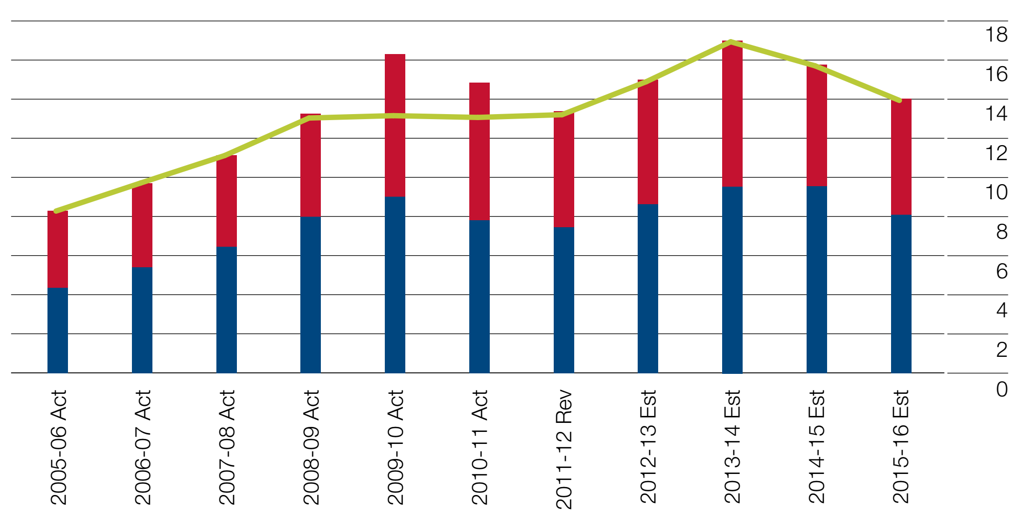
- Employment growth has fallen through 2011/12, with slower growth in household and business services (which had been the main drivers of employment growth in recent years).
- Retail sales growth was slow in NSW compared with that for the rest of Australia. Retail sales growth was dragged down by the increasing sensitivity of NSW households to declining wealth.
- NSW Government capital spending has been lower than expected, reflecting unanticipated weather delays and changes to the scope and timing of some State projects. Flooding in early 2012 resulted in localised damage and quality downgrades to the summer crop.

For 2011/12, NSW economic growth has been revised down by half of one percentage point to 1.75%, largely reflecting a weaker net export performance and lower than expected public demand. Private demand strengthened slightly in 2011/12, although the composition of growth is significantly different. Business investment (led by mining and mining related investment) and household consumption (led by services consumption) have been stronger than NSW Treasury expected, while housing and non-residential building investment have been weaker.

State Infrastructure Spending
$ billion

- General Government
- PTE Sector
- Total (adjusted for Commonwealth Fiscal Stimulus)

Source: NSW Treasury



The outlook for the national and NSW economies will continue to be impacted by global factors, but remains relatively sound, supported by:

- solid trading partner growth and an anticipated modest recovery in global activity;
- strong mining investment and commodity exports;
- the impact on incomes of the high level of the terms of trade; and
- lower interest rates.

Other factors specific to NSW include:

- dwelling investment will be supported by population growth, rising household incomes and the easing of monetary policy by the RBA. Although dwelling investment currently represents around only 4% of state final demand, it has large flow-on effects through the economy;
- a generally positive broader business investment outlook. Business surveys report that aggregate business conditions are around average levels and capacity utilisation is above average. Growth in commercial loan approvals has also improved compared with 2011, indicating that business deleveraging is moderating;
- a manufacturing industry mix that is closer to the national average and slightly more exposed to resource related manufacturing than that of Victoria, where traditional manufacturing is dominant;
- while fiscal consolidation by the Commonwealth Government is expected to weigh on overall activity, NSW public demand is expected to strengthen over the next two years in line with NSW Government capital spending;
- strong demand from resource intensive states for NSW services and manufactured goods. In 2010/11, NSW was a net exporter (international and interstate combined) while Victoria was a net importer. This is due to the relatively high concentration of business and financial services in NSW; and
- a strong outlook for farm production and exports, with summer rainfall providing improved soil moisture and water availability.

These factors and the gradual spreading of the effects of the mining boom to the broader economy should see NSW Gross State Product growth lift in 2012/13 and rise further to slightly above trend in 2013/14. Based on NSW Treasury forecasts, employment growth is expected to strengthen gradually, but the NSW unemployment rate is likely to rise to average around 5.5% over the next two years.

Domestic economic conditions outside the mining related economy are expected to be boosted by the global and national recovery and stimulatory monetary policy, but some constraints are likely to be structural. The Australian dollar, stronger than its long run average, will continue to affect activity as the Australian mining sector expands in response to the shift in global prices.

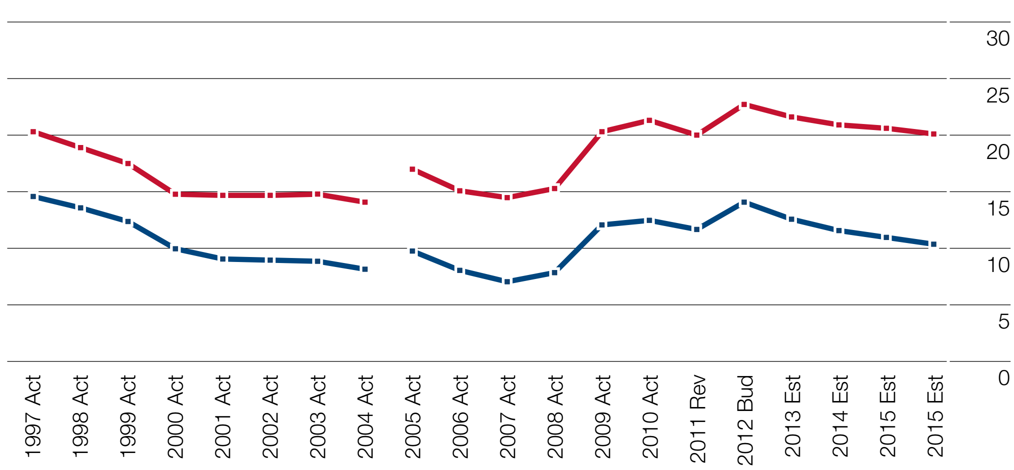
Much uncertainty still surrounds the national and NSW outlook. The risks are largely internationally driven. The European economic crisis could reintensify. Markets have priced a greater chance of a European break up. The US economic recovery has slowed. China's economy has weakened. While a move toward more stimulatory monetary policy could mitigate the risks, the fear of further downside risk is weighing heavily on markets and general sentiment indicators.

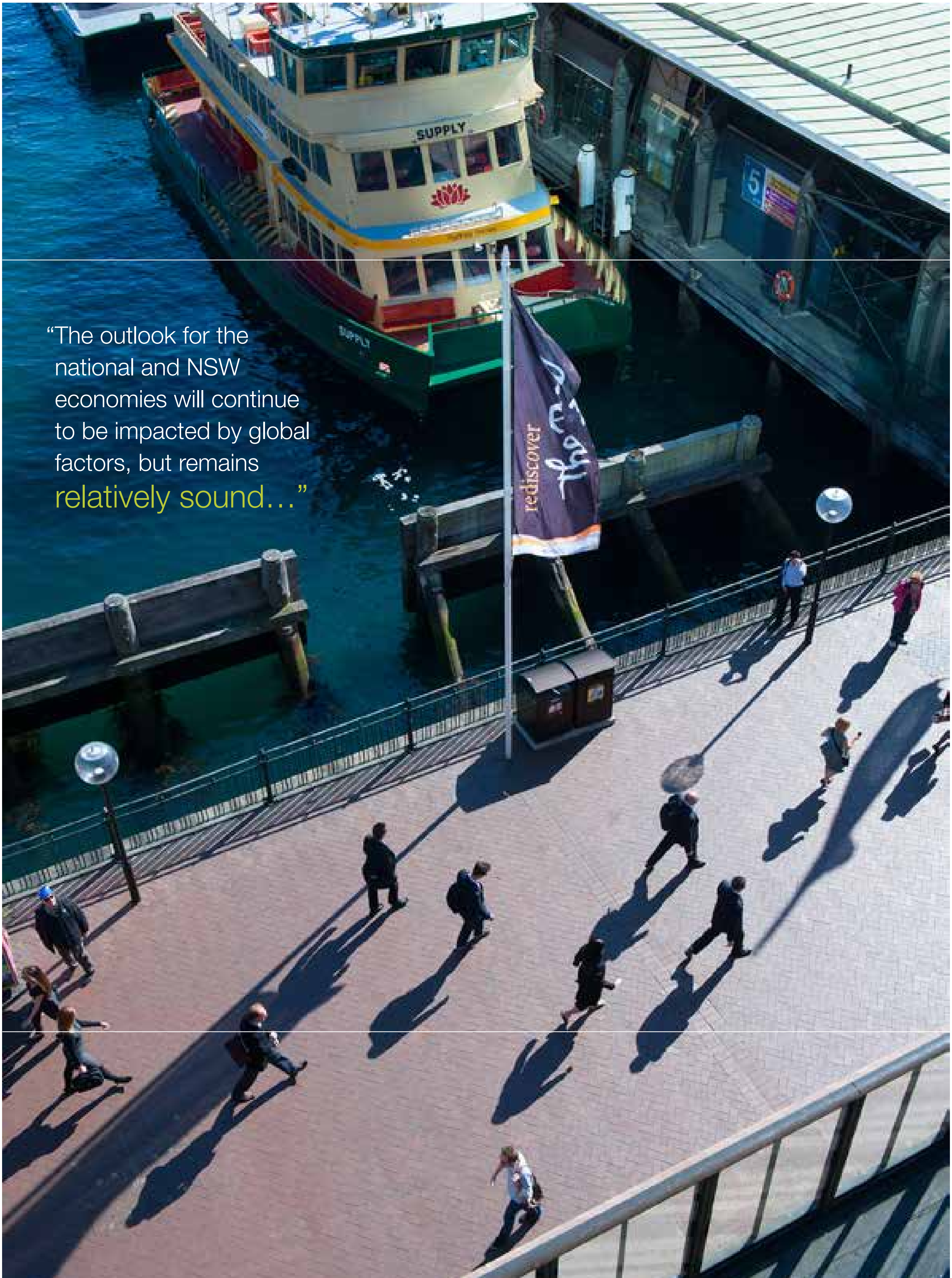
Net Financial Liabilities as at 30 June, 1997 to 2015*
% of Gross State Product

Total State
General Government

* Series break in 2004-05 as a result of the adoption of Australian Equivalents to International Financial Reporting Standards. This increases the reported level of net financial liabilities. Net Financial Liabilities include all liabilities such as debt, unfunded superannuation and insurance liabilities.

Source: NSW Treasury





"The outlook for the national and NSW economies will continue to be impacted by global factors, but remains relatively sound…"

Corporate Governance

The Board of TCorp is committed to high standards of performance, accountability, ethical behaviour and corporate governance.

Role of the Board

The Board's role, in accordance with the *Treasury Corporation Act 1983* (NSW), is to direct management in achieving the TCorp mission and to fulfil the annual agreement between the Board and the NSW Treasurer as set out in the Statement of Business Intent. The Board's primary responsibilities and corporate governance functions include:

- providing strategic direction and reviewing corporate strategy;
- identifying the principal risks of TCorp's business and, through rigorous inquiry, monitoring the risk management processes;
- determining an appropriate policy regime to control those risks within a risk spectrum acceptable to the NSW Government;
- regularly measuring financial performance against the Board approved annual budget;
- monitoring the conduct and the performance of TCorp and its senior management; and
- overseeing management's succession plans.

Role of management

The Board has established a policy that documents the roles of the Board and the Chief Executive.

The Chairman of the Board is independent of the role of the Chief Executive.

Board composition and appointments

The Board consists of:

- two ex-officio members from NSW Treasury;
- the Chief Executive, appointed by the NSW Governor on the recommendation of the NSW Treasurer; and
- five non-executive directors, appointed by the NSW Governor for a specified term on the recommendation of the NSW Treasurer.

The Chairman of the Board is the Secretary of NSW Treasury and the other member from NSW Treasury holds the position of Deputy Chairman.

Conduct of Board business

The Board normally holds up to 12 Board meetings each year and will meet whenever necessary to carry out its responsibilities.

The Board has established a policy and a Code of Conduct and Ethics covering its conduct of Board business. The Board aims not only to comply with the requirements set out in the *Treasury Corporation Act 1983* (NSW), but also to incorporate practices commonly required by entities regulated by the *Corporations Act 2001* (Cth). The Board recognises that corporate governance is not an aspect of business that can be put in place and then forgotten; rather, it involves continuing review and improvement, keeping track of industry trends and, after consideration and where appropriate, adopting them.

Board discussions, deliberations and decisions that are not required to be publicly disclosed are kept confidential by directors.

"The Board of TCorp is committed to high standards of performance, accountability, ethical behaviour and corporate governance."

Conflicts of interest

Directors must monitor and disclose any actual or potential conflicts of interest as these arise. The *Treasury Corporation Act 1983* (NSW) requires any director who has a pecuniary interest in a matter being considered, or to be considered, by the Board, to declare the nature of the interest. These declared interests are recorded in a publicly available register. Unless the NSW Treasurer determines otherwise, the director is required not to attend Board meetings about matters relating to declared pecuniary interests or to take part in decisions about these matters.

Committees

Two Board committees, the Audit and Risk Committee and the Human Resources (HR) Committee, assist in decision making, oversight and control. Their contributions enable the Board to focus on strategy, planning and performance enhancement.

Audit and Risk Committee

The Audit and Risk Committee acts as an advisory body to the Board on issues relating to internal and external audit, financial reporting, operational risk management and other accountabilities. The objectives of the Audit and Risk Committee are determined by the Board and codified in a charter. Consistent with best practice, all members of the Audit and Risk Committee are non-executive directors. The Audit and Risk Committee's primary responsibility is to provide independent assistance to the Board by overseeing, monitoring and reporting on:

- TCorp's governance, risk and controls frameworks (including internal and external audit functions), and its external accountability requirements; and
- TCorp's annual financial statements.

The Audit and Risk Committee meets a minimum of four times a year. The internal and external auditors have standing invitations to attend these meetings.

Human Resources Committee

The HR Committee acts as an advisory body to the Board on issues relating to TCorp's HR policies. The role of the HR Committee is to assure the Board that effective plans are in place to underpin continuous improvement in the return on TCorp's investment in people.

Attendance at Board and Board Committee meetings

1 July 2011 — 30 June 2012

	Board		Audit and Risk Committee		HR Committee	
Board Member	Held	Attended	Held	Attended	Held	Attended
Michael Lambert[1], Chairman	2	1				
Philip Gaetjens[2], Chairman	10	10				
Kevin Cosgriff[5], Deputy Chairman	12	10			3	3
Philip Chronican[6]	12	12	5	5		
Cristina Cifuentes[3,6]	7	6	3	3		
Michael Cole[5]	12	12			3	3
Bruce Hogan[3,5]	7	7			2	2
Stephen Knight[7]	12	12	5	5	3	3
Kerry Schott[4,5]	5	5			1	1
Hon Alan Stockdale[6]	12	10	5	4		
Peter Warne[4,6]	5	5	2	2		

1 Term as director finished effective 15 August 2011.
2 Appointed as a director effective 16 August 2011.
3 Term as director finished effective 15 January 2012.
4 Appointed as a director effective 16 January 2012.
5 Member of HR Committee.
6 Member of Audit and Risk Committee.
7 Observer at both Audit and Risk Committee and HR Committee meetings.

Risk Management and Compliance

Responsibility for risk management and compliance extends across the entire TCorp organisation.

The risk management framework and key financial parameters are established by the Board and documented in Board policies. This framework includes the establishment and regular monitoring of limits for market, credit and other risks.

In respect of risk management and compliance, the Audit and Risk Committee reports on whether management has in place a current and appropriate enterprise risk management process and a sound and effective internal control framework. To assist in this process, the Audit and Risk Committee receives regular reports from internal audit, external audit and TCorp management.

The Executive Risk and Compliance Committee (ERiCC) is a management committee reporting to the Chief Executive. It is charged with ensuring that Board policies are adequately embedded in business practice and that there are appropriate levels of supervision, controls, procedures, monitoring and training within the business units. ERiCC's activities are also subject to oversight by the Audit and Risk Committee. Risk management objectives are further supported by a range of management committees whose purpose is to oversee market and operational risk exposures and activities.

The Risk and Compliance department is the centralised function responsible for the day-to-day monitoring of Board policies, client mandates, management procedures and any other risk matters identified as potentially requiring attention. The department is responsible for daily reporting to management, monthly reporting to ERiCC and the Board, and quarterly reporting to the Audit and Risk Committee.

In conjunction with the Risk and Compliance department, the individual business units identify risks specific to their areas and develop controls to reduce those risks to acceptable levels. This decentralised approach ensures comprehensive identification of risks and entrenches management of them in the most appropriate areas.

This organisation-wide approach to risk management fosters a culture of risk awareness, with all levels of TCorp contributing to the framework and the detailed systems and processes that identify, control, monitor and report on risk.

Legal and regulatory compliance

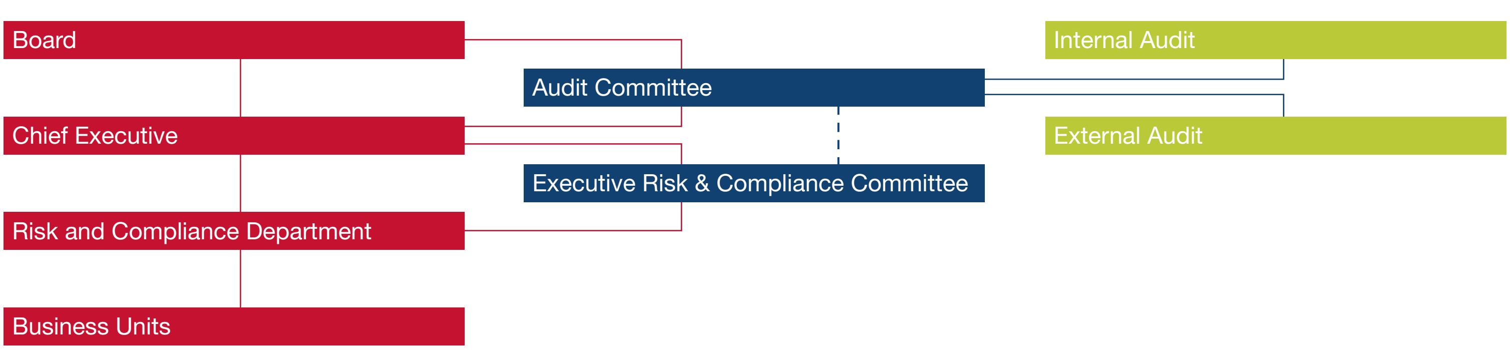
TCorp is regulated by several items of NSW legislation, including its own Act, the *Treasury Corporation Act 1983* (NSW), as well as the *Public Finance and Audit Act 1983* (NSW), the *Annual Reports (Statutory Bodies) Act 1984* (NSW) and the *Public Authorities (Financial Arrangements) Act 1987* (NSW). TCorp is ultimately accountable to the NSW Parliament, through the NSW Treasurer.

TCorp is not regulated by the Australian Prudential Regulation Authority (APRA) or the Australian Securities and Investments Commission, which govern most operators in the Australian financial markets. However, TCorp voluntarily adopts relevant industry practices which impose conventional market constraints.

TCorp's activities are subject to review and monitoring by a number of external parties, including:

- the NSW Treasurer, who is a Member of Parliament and the NSW Government shareholder representative;
- NSW Treasury, which maintains a shareholder monitoring role through quarterly and annual reporting requirements common to all NSW Government agencies and by representation on the TCorp Board; and
- the NSW Auditor-General, who reports to Parliament, provides an independent audit of TCorp's financial reports and expresses an opinion on those financial reports in line with the requirements of the *Public Finance and Audit Act 1983* (NSW).

Compliance is a key element of risk management and TCorp's compliance framework is structured to ensure adherence to applicable laws, regulations, contracts, industry standards and internal policies. Consistent with TCorp's risk management approach, compliance measures are subject to continuous monitoring and improvement. Any compliance issues are referred to the Chief Executive, ERiCC, the Audit and Risk Committee and/or the Board as appropriate.



Use of capital

TCorp does not hold subscribed share capital in the conventional commercial sense. In consultation with its shareholder, the NSW Government, TCorp has retained from past profits an amount of $103 million.

TCorp operates under self imposed capital requirements based on prudential statements published by APRA. Within these TCorp specific capital constraints, TCorp manages market, credit and operational risks to ensure that the level of capital is sufficient to cover the financial risks incurred in its daily business.

Capital usage is calculated daily and monitored against Board approved limits. Management reports are produced daily and summary reports are presented monthly to the Board.

Market risk

TCorp uses a Value-at-Risk model based on historical simulation to assess capital requirements arising from market risk. The model captures the potential for loss of earnings or changes in the value of TCorp's assets and liabilities arising from movements in interest rates and key credit spreads and from fluctuations in the prices of bonds or other financial instruments.

Credit risk

In conducting its business, TCorp invests in high grade financial assets issued by parties external to the whole of the NSW Government grouping. The return achieved on these financial assets must be sufficient to protect against loss in value caused by a decline in the counterparty's creditworthiness or ultimate default.

Credit exposures are monitored daily against Board approved limits.

Operational risk

Operational risk can arise from events such as settlement errors, system failures, procedure breakdowns and external factors. TCorp reviews all possible risks of this nature, assesses the mitigating factors and controls and evaluates the residual risks. TCorp uses Cura software to aid the identification and measurement of risk and implementation of associated internal controls. High risks are managed by improving procedures and process flows, ensuring appropriate segregation of duties, insurance cover and business continuity plans. TCorp allocates capital to cover operational risk.

Auditor independence

TCorp is audited annually by The Audit Office of NSW. The *Public Finance and Audit Act 1983* (NSW) further promotes independence of the Audit Office by ensuring that only Parliament, not the Executive Government, can remove the Auditor-General and by precluding the provision of non-audit services to all public sector agencies.

PricewaterhouseCoopers (PwC) is engaged to undertake internal audit projects as approved by the Audit and Risk Committee under TCorp's Audit and Risk Committee and Internal Audit charters and to report findings independently to the Audit and Risk Committee.

Code of Conduct and Ethics

All TCorp staff members sign the TCorp Code of Conduct and Ethics. The Code sets out what is expected of staff in their business affairs and in dealings with clients and other parties. It demands high standards of personal integrity and honesty in all dealings and a respect for the privacy of clients and others. By signing a copy of the Code, staff acknowledges that they have understood it and agree to act according to its requirements.

"Risk management objectives are further supported by a range of management committees whose purpose is to oversee market and operational risk exposures and activities."

Concise Consolidated Financial Statements

Concise Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	2012 $m	2011 $m
Income from changes in fair value	8,175.0	3,468.3
Less: Expenses from changes in fair value	(8,076.7)	(3,303.2)
Net income from changes in fair value	**98.3**	**165.1**
Fees and commissions	22.1	27.8
Total net income	**120.4**	**192.9**
Less: General administrative expenses		
Staff costs	(18.3)	(20.6)
Financial services costs	(1.7)	(1.7)
Information technology costs	(10.1)	(8.7)
Premises and administration costs	(6.3)	(5.7)
Total general administrative expenses	**(36.4)**	**(36.7)**
Transaction issuance fees	(4.5)	(2.7)
Other transaction costs	(2.4)	(2.1)
Total transaction costs	**(6.9)**	**(4.8)**
Total general administrative and transaction costs	**(43.3)**	**(41.5)**
Profit before income tax equivalent expense	**77.1**	**151.4**
Income tax equivalent expense	(23.0)	(45.4)
Profit for the year	**54.1**	**106.0**
Other comprehensive loss		
Actuarial loss on defined benefit plans	(0.5)	-
Total comprehensive income for the year	**53.6**	**106.0**

The accompanying discussion and analysis, and notes form part of these concise financial statements.

This concise report is derived from the full financial report for the year ended 30 June 2012.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of New South Wales Treasury Corporation (TCorp) and its controlled entities as the full financial report.

The full financial report will be sent on request free of charge. Requests can be made on TCorp's website at www.tcorp.nsw.gov.au or by telephone on 02 9325 9325.

Discussion and Analysis of the Concise Consolidated Statement of Comprehensive Income

TCorp's profit before tax of $77.1 million is considered to be a good outcome in what proved to be another challenging and volatile year in the financial markets. The profit for the previous financial year had been positively impacted by a number of factors that did not recur in this financial year, particularly opportunities for TCorp to both issue and repurchase long dated offshore debt at favourable rates. The results for this financial year are more in line with the results TCorp achieved in 2009/10.

TCorp's results were not impacted by any credit losses arising from its exposures to financial assets or derivative positions. Lending margins to clients remained unchanged over the year.

Income and expenses from changes in fair value
Gross income and expenses from changes in fair value include interest income and interest expense as well as market value movements. The gross fair value gains and losses increased significantly in this financial year compared to those for the previous financial year. Almost all of these increases relate to changes in the market value of TCorp's assets and liabilities. During this financial year, outright interest rates dropped across all maturities and therefore the (gross) revaluation impacts on both assets and liabilities were high. This is in contrast to the last financial year, when outright interest rates remained relatively stable.

Net income from changes in fair value
Net income from changes in fair value is a measure of the performance of TCorp's core balance sheet management activities. There are a number of different variables that influence this result, including the size and growth of the balance sheet, the amount and nature of lending activity, funding opportunities and market volatility.
The outcome for this financial year was less than the previous financial year due to a number of factors including:

- limited offshore funding opportunities. In the previous financial year, TCorp was able to both issue and repurchase long dated offshore debt at favourable rates; and
- lower outcomes in managing TCorp's balance sheet risks, particularly around managing the timing differences between meeting client borrowing requirements and the ability to raise funds in difficult markets.

Fees and commissions
Fee income fell primarily due to lower performance fees earned from managing both client asset and debt portfolios.

General administrative expenses
General administrative expenses were broadly in line with those for the previous financial year. Information technology and premises and administration costs increased to support the growth in TCorp's business activities. This included the establishment of an external data centre, and an upgrade to TCorp's existing infrastructure and premises. These increases were more than offset by a decrease in staff costs, due to a lower overall corporate outcome as measured by TCorp's balanced scorecard.

Transaction costs
TCorp continued to incur transaction issuance fees to improve access to the debt markets. The maturity of the large May 2012 benchmark debt line during the year resulted in higher activity than that for the previous financial year, and saw the establishment of new 2017, 2022 and 2024 benchmark debt lines.

Income tax equivalent expense
TCorp is subject to tax equivalent payments to the New South Wales Government at an amount equal to 30% of its accounting profits.

Concise Consolidated Balance Sheet

As at 30 June 2012

	2012 $m	2011 $m
Assets		
Cash and liquid assets	1,650.8	1,012.9
Outstanding settlements receivable	-	465.0
Due from financial institutions	3,353.2	3,240.2
Securities held	6,216.6	5,919.5
Derivative financial instruments receivable	594.1	176.8
Loans to government clients	58,406.5	49,515.9
Other assets	26.6	43.5
Plant and equipment	6.0	1.5
Total assets	**70,253.8**	**60,375.3**
Liabilities		
Due to financial institutions	6,639.7	4,753.2
Outstanding settlements payable	25.2	565.5
Due to government clients	748.1	1,099.6
Borrowings	61,968.9	53,300.9
Derivative financial instruments payable	693.9	432.3
Income tax equivalent payable	5.3	13.3
Other liabilities and provisions	69.3	110.2
Total liabilities	**70,150.4**	**60,275.0**
Net assets	**103.4**	**100.3**
Represented by:		
Equity		
Retained profits	103.4	100.3
Total equity	**103.4**	**100.3**

The accompanying discussion and analysis, and notes form part of these concise financial statements.

Discussion and Analysis of the Concise Consolidated Balance Sheet

The past year saw outright interest rates drop across all maturities. As TCorp's assets and liabilities are mostly measured at fair value, this resulted in valuation increases of approximately $4,500 million to both its assets and liabilities.

The principal asset of loans to NSW Government clients of $58,406.5 million represented over 80% of total assets. These comprised loans to:

New South Wales public sector clients	2012 $m	2011 $m
Crown Entity (New South Wales General Government)	25,480.8	18,968.7
Electricity sector	21,554.4	17,576.7
Transport sector	1,299.2	1,652.6
Water sector	7,851.2	8,850.5
Other sector	2,175.8	2,425.3
Universities	45.1	42.1
	58,406.5	**49,515.9**

Cash and liquid assets, amounts due from financial institutions and securities held are held for liquidity management purposes.

Borrowings, the principal liability, comprised:

Benchmark Bonds	2012 Fair Value $m	2011 Fair Value $m
Domestic	49,623.5	41,312.5
Global Exchangeable	2,135.6	3,800.2
Total benchmark bonds	**51,759.1**	**45,112.7**
Euro Medium Term Notes	3,502.9	2,803.2
Capital Indexed Bonds	6,505.4	5,168.8
Other borrowings	201.5	216.2
	61,968.9	**53,300.9**

The volumes on issue of both Domestic Benchmark and Global Exchangeable Bonds are:

Maturity	Coupon % p.a.	2012 Face Value $m	2012 Fair Value $m	2011 Face Value $m	2011 Fair Value $m
1 May 2012	6.00	-	-	6,905.1	7,038.7
1 May 2013[1]	5.25	497.0	510.3	640.9	650.6
1 August 2013	5.50	5,142.3	5,389.7	3,225.0	3,332.0
1 August 2014[1]	5.50	2,930.2	3,151.3	4,043.9	4,193.6
1 April 2015	6.00	2,651.3	2,883.9	1,991.9	2,077.1
1 April 2016	6.00	5,001.6	5,537.6	4,967.5	5,191.1
20 February 2017	4.00	2,502.7	2,590.6	-	-
1 March 2017[1]	5.50	2,717.4	3,022.0	4,980.6	5,129.6
1 February 2018	6.00	5,336.6	6,097.0	3,978.3	4,185.1
1 April 2019[1]	6.00	2,561.8	2,974.7	3,637.3	3,814.5
1 May 2020	6.00	5,931.8	6,828.3	4,396.9	4,536.2
1 June 2020[1]	6.00	1,057.0	1,237.7	1,069.8	1,110.8
1 March 2022	6.00	5,049.5	5,935.1	-	-
1 May 2023[1]	6.00	2,486.0	2,968.6	3,506.1	3,649.5
20 August 2024	5.00	2,175.0	2,373.4	-	-
1 May 2030	6.00	212.5	258.9	201.5	203.9
		46,252.7	51,759.1	43,544.8	45,112.7

[1] Commonwealth Government guaranteed borrowings at 30 June 2012 total $13,864.65 million, fair value (2011: $18,548.6 million, fair value).

Concise Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	2012 $m	2011 $m
Total equity at the beginning of the year	100.3	85.3
Profit for the year	54.1	106.0
Other comprehensive loss	(0.5)	-
Total comprehensive income for the year	**53.6**	**106.0**
Less: Dividend payable	(50.5)	(91.0)
Total equity at year end	**103.4**	**100.3**

The accompanying discussion and analysis, and notes form part of these concise financial statements.

Discussion and Analysis of the Concise Consolidated Statement of Changes in Equity

The New South Wales Government is not required under legislation to contribute equity to TCorp. Retained profits are held in lieu of contributed equity and provide a capital base commensurate with the risks inherent in TCorp's business.

Concise Consolidated Cash Flow Statement

For the year ended 30 June 2012

	2012 $m	2011 $m
Cash inflows/(outflows) from operating activities		
Interest and other costs of finance received	3,636.3	3,398.3
Interest and other costs of finance paid	(3,520.3)	(3,146.3)
Fees and commissions received	29.0	27.8
Payments of tax equivalents	(31.0)	(39.6)
Payments of Goods and Services Tax	(1.1)	(1.7)
Payments of general administrative expenses	(42.2)	(36.6)
Loans to Government clients made	(19,699.0)	(12,703.2)
Loans to Government clients repaid	15,330.3	7,872.3
Net cash used in operating activities	**(4,298.0)**	**(4,629.0)**
Cash inflows/(outflows) from investing activities		
Purchases of plant and equipment	(9.7)	(4.3)
Net cash (to)/from securities held	(447.6)	2,520.5
Net cash (used in)/provided by investing activities	**(457.3)**	**2,516.2**
Cash inflows/(outflows) from financing activities		
Proceeds from issuance of borrowings and short term securities	52,251.2	49,823.4
Repayment of borrowings and short term securities	(46,357.8)	(47,365.5)
Net cash (outflow)/proceeds from the purchase or repayment of other short term financial instruments	(409.1)	316.7
Dividend paid	(91.0)	(38.5)
Net cash provided by financing activities	**5,393.3**	**2,736.1**
Net increase in cash held	**638.0**	**623.3**
Cash and cash equivalents at the beginning of the year	1,012.8	389.5
Cash and cash equivalents at the end of the year	**1,650.8**	**1,012.8**

The accompanying discussion and analysis, and notes form part of these concise financial statements

Discussion and Analysis of the Concise Consolidated Cash Flow Statement

The cash flow statement showed an increase in cash and cash equivalents as defined by accounting standards.

Cash and cash equivalents at the end of the year comprised:

	2012 $m	2011 $m
Cash and liquid assets	1,650.8	1,012.9
Short term borrowings	-	(0.1)
Cash and cash equivalents	**1,650.8**	**1,012.8**

It is noted that most liquid assets held by TCorp do not meet the technical definition of cash and cash equivalents and hence are not presented as cash or cash equivalents as at balance date. TCorp's other liquid assets are included within the due from financial institutions and securities held asset categories disclosed in the concise consolidated balance sheet and are included within investing activities in the cash flow statement.

Net cash used in operating activities was $4,298.0 million, a decrease of $331.0 million on that for the previous year, reflecting a lower net funding requirement for government client loans.

Net cash used in investing activities was $457.3 million, compared to net cash provided by investing activities in 2010/11 of $2,516.2 million. During 2011/12, TCorp maintained higher liquidity levels.

Net cash provided by financing activities was $5,393.3 million, an increase of $2,657.2 million on the previous year, and arose from higher levels of issuance of borrowings and short term securities over the year. These inflows were used to fund the increase in liquidity and the net funding requirement for government client loans.

Notes to and Forming Part of the Concise Consolidated Financial Statements

For the year ended 30 June 2012

This concise financial report relates to the consolidated entity of NSW Treasury Corporation (TCorp) and its controlled entities at the end of, or during the year ended, 30 June 2012.

All amounts shown are in Australian dollars and are rounded to the nearest million dollars unless otherwise stated.

This concise financial report has been prepared in compliance with Accounting Standard AASB 1039 Concise Financial Reports although there is no statutory requirement for TCorp to prepare a concise financial report and it does not need to comply with this Standard.

1. Segment Information

TCorp has a single reportable operating segment. As the central financing authority for the NSW Government, the entity operates solely within the capital markets, banking and finance industry to provide financial services to the NSW public sector.

TCorp's major customer is the NSW Government and all its agencies, which are considered to be under common control. Revenues received from government clients were:

	2012 $m	**2011 $m**
Net income from changes in fair value includes:		
Interest income received – government clients	2,905.4	2,713.1
Interest expense paid – government clients	(14.7)	(17.4)
	2,890.7	**2,695.7**
Fees and commissions comprise:		
Specific client mandates – asset portfolios	6.8	6.8
Specific client mandates – debt portfolios	6.7	12.4
Hour-Glass Facility Trusts	6.8	6.8
Other fees and commissions from NSW Government clients	1.8	1.8
	22.1	**27.8**

Given the nature of its core functions and the legislative intent, TCorp operates within Australia, apart from a proportion of funding raised offshore. As such, no geographic location segment reporting is presented within these concise financial statements.

2. Dividends

TCorp is a statutory corporation established under the *Treasury Corporation Act* 1983. Prior financial year profits have been retained in lieu of subscribed capital. Any current financial year profit not required to maintain the NSW Government agreed appropriate level of equity is declared as dividends to the NSW Government.

	2012 $m	**2011 $m**
Dividends proposed and payable:		
1 August 2012	25.3	-
30 November 2012	25.2	-
Dividends paid for previous year:		
29 July 2011	-	45.5
1 December 2011	-	45.5
	50.5	**91.0**

Notes to and Forming Part of the Concise Consolidated Financial Statements

For the year ended 30 June 2012

3. Contingent Liabilities and Commitments

a. During the year, TCorp provided short term liquidity facilities to approved client authorities. These facilities are offered on a revolving basis. At year end, the total facilities were $6,173.5 million (2011: $6,198.5 million) and undrawn commitments were $5,982.0 million (2011: $5,909.7 million). Drawn commitments are recognised as loans to NSW Government clients on the balance sheet.

b. TCorp has issued unconditional payment undertakings on behalf of some NSW public sector clients to pay to the system operator, Australian Energy Market Operator, on demand in writing any amount up to an aggregate maximum agreed with individual participants. At balance date, the amounts of these undertakings were:

	2012 $m	**2011 $m**
Market participants		
National Electricity Market	14.2	45.6
Short Term Trading Market	1.1	8.2
	15.3	**53.8**

TCorp has also issued undertakings on behalf of other NSW public sector clients in respect of those clients' performance under contracts with third parties. At balance date, the amounts of these undertakings totalled $123.0 million (2011: $120.7 million).

Amounts paid under these undertakings are recoverable from the NSW public sector agency participants. This financial accommodation is NSW Government guaranteed.

c. TCorp has a commitment totalling $650.0 million (2011: $650.0 million) to provide motor vehicle finance to the NSW Government. As at year end, the undrawn commitment under this commitment is $93.3 million (2011: $103.8 million). Drawn commitment is recognised as loans to government clients on the balance sheet.

d. As at 30 June 2012, TCorp had no loans to the fixed interest market, under its stock lending facility. As at 30 June 2011, corporation bonds with a total market value of $12.5 million were loaned to the fixed interest market under this facility. These bonds are not recorded on TCorp's balance sheet.

In the unlikely event of default by the borrowers of bonds, TCorp would obtain ownership of any security pledges held as collateral against stock it has lent. There were no security pledges held at 30 June 2012 (2011: nil).

End of Audited Concise Financial Report

Director's Declaration

The directors declare that in their opinion, the concise consolidated financial report of New South Wales Treasury Corporation complies with Accounting Standard AASB 1039 *Concise Financial Reports.*

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2012.

This declaration is made in accordance with a resolution of the directors.

P. Gaetjens
Director

S W Knight
Director

Sydney, 31 August 2012

Independent Auditor’s Report

Concise Financial Statements of the New South Wales Treasury Corporation

GPO Box 12
Sydney NSW 2001

To Members of the New South Wales Parliament

I have audited the accompanying concise financial statements of the New South Wales Treasury Corporation (TCorp), which comprise the statement of comprehensive income, the balance sheet as at 30 June 2012, statement of changes in equity, cash flow statement for the year then ended, and related notes, derived from the audited financial statements of the consolidated entity for the year then ended 30 June 2012, and the discussion and analysis. The concise financial statements do not contain all the disclosures required by Australian Accounting Standards and accordingly, reading the concise financial statements is not a substitute for reading the audited financial statements. The consolidated entity comprises TCorp and the entities it controlled at the year’s end or from time to time during the financial year.

Opinion

In my opinion, the concise financial statements, including the discussion and analysis, of the consolidated entity for the year ended 30 June 2012, comply with Accounting Standard AASB 1039 ‘Concise Financial Reports’.

My opinion should be read in conjunction with the rest of this report.

Board’s Responsibility for the Financial Statements

The members of the Board are responsible for the preparation of the concise financial statements in accordance with Australian Accounting Standard AASB 1039 ‘Concise Financial Reports’, and for such internal control as the members of the Board determine is necessary to enable the preparation of the concise financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

My responsibility is to express an opinion on the concise financial statements based on my audit. I conducted my audit in accordance with Auditing Standard ASA 810 ‘Engagements to Report on Summary Financial Statements’. I have conducted an independent audit, in accordance with Australian Auditing Standards, of the full financial statements of TCorp for the year ended 30 June 2012. I expressed an unmodified audit opinion on those financial statements in our report dated 3 September 2012. The Australian Accounting Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the concise financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the concise financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

My procedures included testing that the information in the concise financial statements is derived from, and is consistent with, the financial statements for the year, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial statements for the year. These procedures were undertaken to form an opinion whether, in all material respects, the concise financial statements and the discussion and analysis comply with Accounting Standard AASB 1039 ‘Concise Financial Reports’.

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

My opinion does *not* provide assurance:

- about the future viability of TCorp or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of internal control
- about the security and controls over the electronic publication of the audited concise financial statements on any website where they may be presented
- about any other information, which may have been hyperlinked to/from the concise financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Peter Achterstraat
Auditor-General

Sydney,
3 September 2012

Investment Facilities Fund Managers and TCorp Dealer Panels

at 30 June 2012

Investment Facilities fund managers

AMP Capital Investors Ltd
Axiom International Investors LLC
BT Investment Management
Capital International Inc
Dexus Property Group
Dimensional Fund Advisors Australia Ltd
Franklin Templeton Investments Australia Ltd
Integrity Investment Management Australia Ltd
Macquarie Investment Management Ltd
MFS Institutional Advisors
Northcape Capital Pty Ltd
NSW Treasury Corporation
Perennial Investment Partners Ltd
Perpetual Investment Management Ltd
Schroder Investment Management (Aust) Ltd
Solaris Investment Management Ltd
State Street Global Advisors (Aust) Ltd
Tribeca Investment Partners Pty Ltd

Custodian

BNP Paribas Fund Services Australasia Pty Ltd, trading as BNP Paribas Securities Services

TCorp dealer panels

Domestic Bonds
Australia and New Zealand Banking Group Ltd
Barclays Bank plc
BNP Paribas, Sydney Branch
Citigroup Global Markets Australia Pty Ltd
Commonwealth Bank of Australia
Deutsche Bank AG, Sydney Branch
JP Morgan Australia Ltd
Merrill Lynch International (Australia) Ltd
National Australia Bank Ltd
Nomura International Plc
Royal Bank of Canada
The Toronto-Dominion Bank, London Branch
UBS AG, Australia Branch
Westpac Banking Corporation

Global Exchangeable Bonds
Australian and New Zealand Banking Group Ltd
BNP Paribas, Sydney Branch
Citigroup Global Markets Ltd
Commonwealth Bank of Australia
Deutsche Bank AG, London Branch
Merrill Lynch International (Australia) Ltd
National Australia Bank Ltd
Nomura International Plc
Royal Bank of Canada Europe Ltd
The Toronto-Dominion Bank
UBS Ltd
Westpac Banking Corporation

Capital Indexed Bond
Australia and New Zealand Banking Group Ltd
Barclays Bank Plc, Australia Branch
Citigroup Global Markets Australia Pty Ltd
Commonwealth Bank of Australia
Deutsche Bank AG, London Branch
J.P. Morgan Australia Ltd
Merrill Lynch International (Australia) Ltd
UBS AG, Australia Branch
Westpac Banking Corporation

Euro Medium Term Note
Citigroup Global Markets Limited
Commonwealth Bank of Australia
Daiwa Capital Markets Europe Limited
Deutsche Bank AG, London Branch
J.P. Morgan Securities plc
Merrill Lynch International
Mitsubishi UFJ Securities International plc
National Australia Bank Limited
Nomura International plc
Royal Bank of Canada Europe Ltd
The Toronto-Dominion Bank
The Royal Bank of Scotland Plc
UBS Limited

Euro Commercial Paper
Banc of America Securities Asia Ltd
Barclays Bank Plc
Citibank Internationals Plc
Commonwealth Bank of Australia
Deutsche Bank AG, London Branch
Goldman Sachs International
National Australia Bank Ltd
Nomura International Plc
Royal Bank of Canada
Royal Bank of Scotland Plc
The Hong Kong and Shanghai Banking Corporation Ltd
UBS Ltd
Westpac Banking Corporation

Contact Details

Postal address

Level 22
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

GPO Box 17
Sydney NSW 2001

Telephone 61 2 9325 9325
Facsimile 61 2 9325 9333
Email .... generalq@tcorp.nsw.gov.au
Website .... www.tcorp.nsw.gov.au

Dealing desk

Telephone
Bonds 61 2 9247 5211
Money market 61 2 9247 5633
Authority deposits 61 2 9247 5488
Stock lending 61 2 9247 5501
Client transaction line 61 2 9247 5501
Facsimile 61 2 9325 9344

Operations – settlements

Telephone 61 2 9325 9370
.... 61 2 9325 9380
Facsimile 61 2 9325 9355

Registry services

TCorp inscribed stock registries are operated by:

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Telephone 61 2 8280 7915
Email ....
waratahbonds@linkmarketservices.com.au

The reporting requirements of the *Annual Reports (Statutory Bodies) Act* 1984 and related regulations are dealt with in the separate document, the Thirtieth Annual Report of New South Wales Treasury Corporation, tabled in the NSW Parliament.

Online report

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