



ANNUAL REPORT

2016/2017



Australian Government



Northern Australia Infrastructure Facility

NAIF's vision is to contribute to transforming northern Australia through financing infrastructure development

NAIF is a Commonwealth Government \$5 billion lending facility to provide financial assistance to infrastructure projects via the governments of the Northern Territory, Queensland and Western Australia to encourage and complement private sector investment in the development of northern Australian infrastructure

“Northern Australia is central to the long-term prosperity and security of the nation, and a sustained, long-term focus by governments is required to provide certainty for future investment and growth”

Northern Australia Strategic Partnership, June 2017*

* (signatories: the then Commonwealth Minister for Resources and Northern Australia, Queensland Premier and Minister for the Arts, Northern Territory Chief Minister, Western Australia Premier and Minister for Public Sector Management, State Development, Jobs and Trade and Federal-State Relations)

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1. Chair and CEO Report

NAIF's platform for transformation

In this inaugural Annual Report of the Northern Australia Infrastructure Facility (NAIF) the Board and Chief Executive Officer (CEO) reflect on the year in which the \$5 billion NAIF lending facility was established.

NAIF supports the transformation of northern Australia, as a 'market gap' infrastructure debt financier to help meet current infrastructure challenges.

Since its inception on 1 July 2016¹, NAIF has been working to accelerate infrastructure development, which is an enabler of growth in northern Australia and a generator of public benefit.



Chair, Ms Sharon Warburton

NAIF has been extremely active in the identification, origination and advancement of a portfolio of unique financing opportunities, representing the most comprehensive exercise of its kind since the publication of the Australian Government's White Paper on Developing Northern Australia.

As at 30 June 2017, NAIF had received 124 enquiries (50 of which were active) relating to its potential participation in infrastructure projects. At the time of writing, nine projects (15 per cent of active enquiries) are in due diligence. The active projects span across port, airport, road, rail, energy, pipeline, telecommunication and water related infrastructure. They also include infrastructure components of broader projects. Projects are diversified across all northern Australia jurisdictions of the Northern Territory, Queensland and Western Australia. NAIF has worked constructively with those key stakeholders in pursuit of shared objectives.

It is important that there is robust feasibility and planning for every infrastructure project. NAIF's legislative model is a

proponent-led approach to project origination, development and financing. NAIF must also work alongside other debt providers. That means that NAIF largely works on timeframes that are driven by the proponent and its debt financiers.

During the reporting period NAIF did not reach financial close on its first loan, but made its first Investment Decision within the next quarter. That is significant, given that typically timeframes for infrastructure project delivery can be between two to three years or longer from project concept to financial close.

A generational opportunity

Through the establishment of NAIF, the Australian Government recognised the untapped potential of northern Australia for future economic and population growth, which would also benefit the rest of Australia.

Northern Australia is Australia's gateway to Asia, whose middle class is expected to grow from 500 million to 3 billion by 2030². Demand for food (particularly protein and grain), commodities and goods, as well as services for tourism, health and education, present generational opportunities for those able to satisfy the aspirations of the fastest growing market in the world.



Chief Executive Officer, Ms Laurie Walker

NAIF has engaged strongly in promoting northern Australia's natural advantages to investors, including agricultural lands, world-class tourist attractions, abundant water and solar and undeveloped mineral resources. NAIF has highlighted the attraction of northern Australia's close proximity to the emerging economies of Asia, combined with Australia's developed skills, legal system, sophisticated governance and regulatory regimes, environmental and social responsibility, excellence in research capability, product safety standards and traceability record. NAIF has worked with Commonwealth and State and Territory agencies including Austrade and the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and through foreign embassies and Australian consulates.

¹ NAIF's Independent Board was appointed on 19 July 2016. The Chair's appointment was made effective from 1 July 2016

² Austrade presentation to Investors September 2017

NAIF has also engaged the valued support of Indigenous stakeholders, the Regional Development Australia network, regional economic and business groups, local councils and industry bodies.

Collectively, NAIF's Board Members and employees met with more than 1,500 stakeholders and reached an additional 2,000 interested parties directly through presentations to business, financiers and industry forums during the reporting period.

NAIF has focused on engaging with partners who share its ambition to unlock northern Australia's potential. They include domestic and offshore equity investors and debt providers, from both private and public sources, such as superannuation and other funds, corporates and individuals, and lending organisations (domestic and international banks, bondholders and alternate financiers). NAIF has also networked strongly with financial and legal advisers, building and other contracting bodies, consultants and industry associations.

Closing the infrastructure gap through sustained change

NAIF's Board and Executive have identified ways to deploy NAIF's mandate to address infrastructure demand, service level, cost and opportunity gaps. This is to assist in overcoming diseconomies of scale, help create new, more resilient or reliable supply chains and reduce costs by encouraging multi user infrastructure. NAIF is here to help grow new businesses, enhance trade and investment opportunities and improve amenity for local communities. This report includes case study highlights of NAIF's current project pipeline, the potential benefits they can generate and the value NAIF can bring to them.

By participating in the development or material enhancement of economic or social infrastructure, NAIF aims to contribute to employment and investment opportunities whilst respecting the unique natural environment. This will make northern Australia more liveable, thereby attracting and retaining long term northern Australian residential communities. NAIF designed its Public Benefit Guidelines to capture broad economic and social benefit, to help bring amenity to northern Australia that is taken for granted in the rest of the nation. NAIF recognises, for example, the need for more reliable and affordable energy, communications and water infrastructure to improve productivity and support industry in the north. NAIF also appreciates the importance of those assets in creating better access to healthcare and education, keeping people connected and generating wellbeing for northern populations.

NAIF requires that its loan recipients develop and implement strategies for Indigenous participation, procurement and employment. Indigenous people are significant stakeholders in

the north, including through land ownership, their contribution to its unique cultural heritage and to business growth. NAIF has developed, after broad consultation, an Indigenous Engagement Strategy Guideline for potential proponents. NAIF's Board and Executive are conscious that effective strategies may be implemented over extended periods but will be looking to see identifiable leadership and change.

Creating value through risk management

NAIF's Board has approved a Risk Appetite Statement (RAS), which is being strategically leveraged to catalyse private sector interest in co-financing northern Australian infrastructure through complementing, not competing with, that sector. This will enable eligible projects to proceed, or proceed much earlier than they would otherwise, and so bring forward the associated public benefit, and economic and population growth.

Specific value that the Board has designed into the RAS includes:

- NAIF's product offering can be structured across the spectrum of finance from senior debt to 'quasi equity' using NAIF's concessional lending options to calibrate its risk to the particular circumstances of a project.
- NAIF can take a longer-term view and higher risk profile than other lenders – better matching its loan term and payment profile to the asset life, with the ability to adapt payments to the higher risk environment of financing in northern Australia and de-risking the overall capital structure from the private sector perspective.
- The Board has endorsed broad parameters for the Executive to optimise NAIF's ability to assist projects. For example, in addition to financing standalone infrastructure, NAIF is able to contribute to the development of other important assets such as agricultural and mineral processing plants which are available to multiple users.
- NAIF will meet its mandate by minimising its involvement and 'crowding in' private sector investment. Under its mandate, NAIF can only contribute the minimum amount of debt or concessions to overcome market gap failures to enable an eligible project to proceed. NAIF must partner for at least 50 per cent of the infrastructure debt with other lenders. Through effective risk strategies, NAIF aims over time to create greater private sector risk awareness and appetite for taking greater risk on developing the north, reducing the need for ongoing public sector support.
- In line with best practice, NAIF adopts a continuous improvement approach, and will assess and adapt its risk appetite for emerging trends and risks.

1. Chair and CEO Report continued

Board and Executive

A high calibre Board and Executive team and strong governance framework has been put in place during NAIF's first 12 months.

The Board and Executive have deep knowledge and experience and are committed to project delivery and the execution of NAIF's mandate.

Fit for purpose policies and procedures have been approved to ensure that NAIF, as a corporate Commonwealth entity, operates in the public interest by balancing its public sector accountabilities (particularly being disciplined with taxpayers' money), with its mandate to also meet commercial lending standards. This includes a core suite of governance charters and policies, which independent governance experts (private and public sector) have confirmed, in their view, meet Australian best practice government governance and corporate governance principles.

NAIF has also developed strategies to optimise its project pipeline. It works on a proponent-led origination model, (which is the primary model it was set up to operate under) but will also seek to facilitate origination, where feasible, if it can progress projects with early structuring.

Accounting and Budget

The Australian National Audit Office (ANAO), NAIF's external auditor, confirmed that NAIF's 2016-17 financial statements are compliant with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* and have issued an unmodified audit opinion.

Under section 41 of the *Northern Australia Infrastructure Facility Act 2016* (NAIF Act), the Consolidated Revenue Fund is appropriated to the extent of \$5 billion for NAIF financing facilities. This funding is accounted for in the Department of Industry, Innovation and Science (DIIS) financial statements. Interest and fees earned on NAIF facilities will also be reported in the DIIS financial statements.

NAIFs' operating expenditure during the reporting period was \$5.7 million. This is \$2.4 million less than the 2016-17 operating budget allocated.³ Expenditure includes expenses relating to origination and execution activity (approximately 36 per cent of expenditure, or \$2 million), establishment of NAIF's governance framework, policies and procedures including freedom of information responses (approximately 16 per cent of expenditure or \$0.9 million), as well as Board expenses, other administrative and corporate services, and overhead costs. Remuneration for the Board and Chief Executive Officer is set externally to NAIF, by the independent Remuneration Tribunal.

The year ahead

In 2017-18, NAIF will continue to work closely with proponents and other market participants to originate important eligible projects. NAIF will also transition from an establishment phase to a greater focus on assessment and execution, as more projects progress through the appraisal pipeline and we make further Investment Decisions over the year.

NAIF has made significant progress this year in setting up to deliver on its five-year horizon. Thank you to the Board for its effective oversight and guidance to NAIF's Executive during the year, and its support in driving stakeholder engagement and generating pipeline activity. We would like to thank Board Member Dr Sally Pitkin, who resigned effective 31 July, for her contribution over the first twelve months of NAIF's operation. Thanks must also go to all employees and the Export Finance and Insurance Corporation (Efic), as our service provider, for their endeavour and commitment.

The Board and Executive look forward to delivering on NAIF's vision and to making a difference to the people of northern Australia, and the nation.

Signed for and on behalf of the members of the Board in accordance with a resolution of the Board and in accordance with section 46 of the PGPA Act.



Ms Sharon Warburton
Chair

Northern Australia Infrastructure Facility
28 September 2017



Ms Laurie Walker
Chief Executive Officer

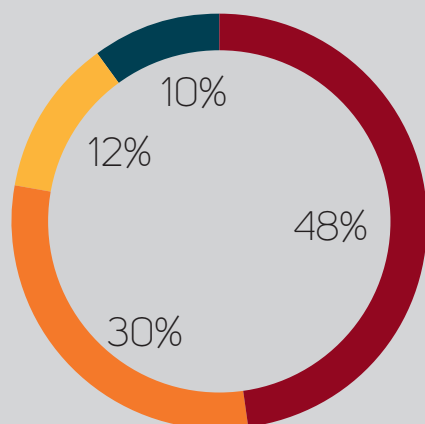
Northern Australia Infrastructure Facility
28 September 2017

³ Allocation via Industry, Innovation and Science Portfolio Budget Statement

Pipeline is diversified by Jurisdiction and Sector

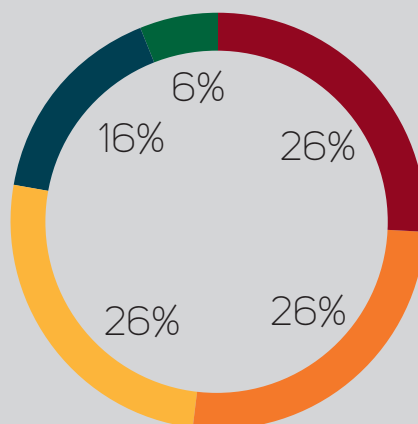
Active Project Proposals
by Jurisdiction

- Queensland
- Western Australia
- Northern Territory
- Cross jurisdictional



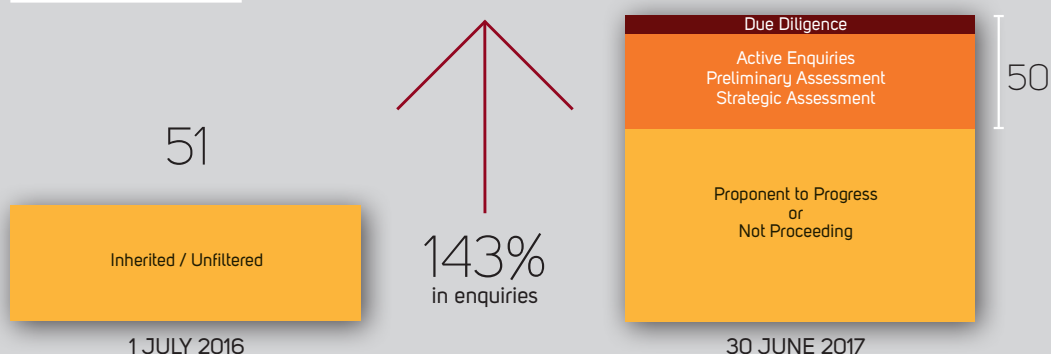
Active Project Proposals
by Sector

- Transport
(including Airport, Port, Rail and Road)
- Energy Generation
- Resources
- Agriculture/Water
- Other (including Telecommunications, Tourism)



Pipeline is increasing and maturing

Number of enquiries



During the reporting period

1,500

Stakeholder meetings

50

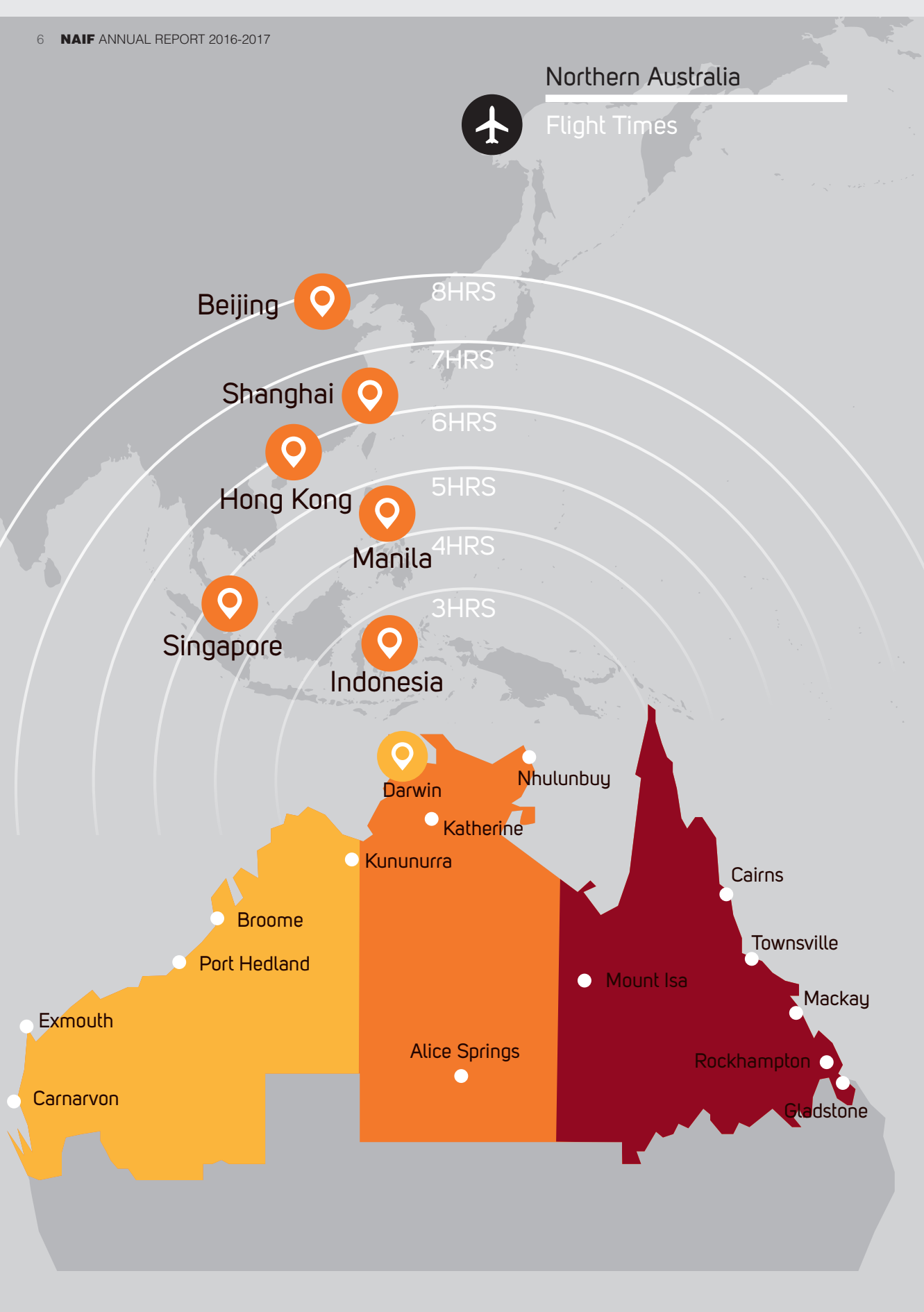
Unique proponents and
locations for active
projects

5

Projects in
Due Diligence

\$800m

Median project cost for those
in Due Diligence



Untapped Potential



11.7% of
Australia's
GDP¹



5.5% of
Australia's
Population¹



52.7% of
Australia's
Land mass¹



90% of
Australia's
Gas Reserves¹



70% of
Australia's
known
resources of
iron ore, lead
and zinc²



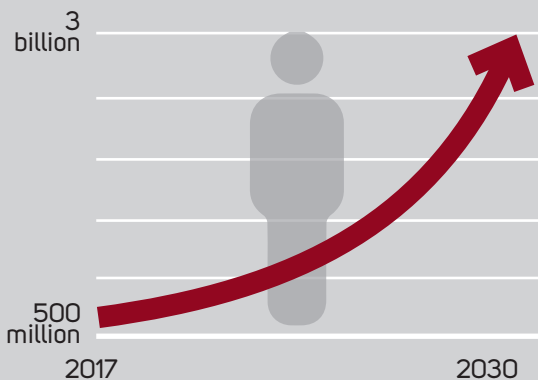
Large
Agricultural
and Tourism
opportunities



60% of
rainfall in
Australia²

- Developed economy within the tropics – benefits of similar time zones and weather, world class governance, regulatory and legal regimes
- Clean, green, safe and traceable
- 17 million hectares of arable soil
- 80% of Australia remains unexplored for minerals, most of this is in northern Australia²
- Renowned natural assets and tourist attractions

Asia's middle class projected to grow by
200 million per annum to 2030



This will drive demand for:



Agriculture



Aquaculture



Meat



Commodities



Health



Education



Tourism



Communications



Roads

Trade Gateway to Asia

- By **2030 two thirds** of the world's middle class and **50% of the world's GDP** will be in Asia
- China has **20% of the world's population** and is Australia's largest export destination
- **55% of all Australian exports** to China come from **northern Australia**
- By 2050 **50% of global growth** in demand for agriculture products will come from China
- **Australia** has captured this opportunity with key **Free Trade Agreements**

¹ Department of Industry, Innovation and Science - Chief Economist

² Austrade – Northern Australia, Emerging Opportunities in an Advanced Economy

2. About NAIF

About Us

The vision of the Northern Australia Infrastructure Facility (NAIF) is to contribute to transforming northern Australia through financing infrastructure development.

NAIF is a 'market gap' financier established to provide loans (which may be concessional) to infrastructure projects that are viable in the long term, but which, without NAIF, would be unlikely to proceed, or would only proceed at a much later date or with a more limited scope.

NAIF came into effect on 1 July 2016 as a corporate Commonwealth entity under the *NAIF Act*, which was passed with bipartisan support.

NAIF is part of the Australian Government's strategy to develop northern Australia, which was articulated in the *Our North, Our Future: White Paper on Developing Northern Australia*.

The Minister for Resources and Northern Australia is responsible for the development and delivery of NAIF's policy framework. The Department of Industry, Innovation and Science (DIIS) supports the Minister in this role.

NAIF has an independent commercially focused Board, which is responsible for making investment decisions in line with direction given by the responsible Minister in the *Northern Australia Infrastructure Investment Mandate Direction 2016* (Investment Mandate). NAIF implements the Investment Mandate in line with Commonwealth policy.

NAIF's head office is in Cairns, Queensland, where NAIF's CEO is based.

Purpose

NAIF's primary purpose is to contribute to transforming northern Australia by financing new, or materially enhancing existing, infrastructure. NAIF financed infrastructure may be standalone economic infrastructure, social infrastructure or infrastructure components embedded in other projects.

The right infrastructure will be a fundamental driver of economic change, liveability and amenity in the north. It can stimulate productivity and economic growth, encourage investment, increase accessibility to markets, especially for remote areas, and help attract and retain workers.

NAIF is seeking to accelerate infrastructure development that provides a basis for economic growth and stimulates the population growth of northern Australia.

Projects in which NAIF participates must be of public benefit. The extent of public benefit will be important in determining the financing concessions offered by NAIF. It is expected that projects that have the capacity to serve multiple users - and thus a broader segment of society - will generate greater public benefit.

Encouragement of greater private sector participation in the financing of northern Australia's infrastructure needs is a key NAIF objective. Under its Investment Mandate, NAIF's Board is to have regard to the necessity of its investment to encourage private sector financing of a project. NAIF will be seeking, and has already had initial success, to 'crowd in' the private sector, utilising each financier's risk appetite to work in partnership, not in competition with one another.

NAIF will require each proponent to provide an Indigenous participation, procurement and employment strategy reflecting the important role that Indigenous communities have in northern Australia from a historical, cultural, business engagement and growth perspective.

NAIF's focus on benefit and growth, and encouraging private sector and Indigenous involvement in northern Australia, are key differentiators from other lenders.

NAIF financing aims to assist northern Australia to use its natural advantage of being positioned at the gateway to Asia, with its rapidly growing middle class, and Australia's developed economy strengths, to move into new markets. NAIF will play an important role in supporting the creation of new or more reliable, safer supply chains, improving speed to market by removing constraints, and improving accessibility to land and infrastructure for longer periods during the year. NAIF, with its preference for co-sharing or multi user infrastructure, will help to overcome diseconomies of scale. Those factors will support improvements to productivity and reductions in the cost of doing business.

The infrastructure that NAIF can support includes airports, ports, roads and rail, as well as communication, energy, pipelines and water infrastructure. It also includes health, education and research facilities, and training facilities. These are the types of infrastructure that are needed to support growth in sectors like agribusiness, live cattle and meat export, tourism, resources, medical and other industries in northern Australia, and to deliver public benefit.

NAIF's Role

NAIF is a 'market gap' financier, and it must partner with other lenders for at least 50 per cent of a project's infrastructure debt.

To maximise NAIF funds, NAIF is mandated to only contribute the minimum amount of debt finance for a project to proceed. NAIF looks to finance projects that are viable in the long term but which, without NAIF, would be unlikely to proceed, or would only proceed at a much later date or with a more limited scope.

Under its Investment Mandate, NAIF has been provided with options to structure its financing terms and conditions very differently to other lenders, and to take different risks than those lenders, to achieve its objectives. In particular, this is to address factors unique to investing in northern Australia including but not limited to, distance, remoteness and climate. It is also important to 'crowd in' the private sector by assisting to de-risk projects from their perspective.

There is significant flexibility to shape the repayment profile of NAIF's finance to better match the long term life of infrastructure, and also to support investors and infrastructure users as they take risk in moving into new markets, and establish new distribution networks. NAIF may, where appropriate, provide finance on what are called 'concessional' terms. In offering concessions, the Board must have regard to the extent and mix of all concessions necessary for an investment proposal to proceed, and the extent of public benefit generated. Concessions offered are to be the minimum required for a project to proceed.

Relative to other lenders, NAIF's financing terms may:

- have longer tenors (currently up to 30 years, the longest term of Commonwealth borrowing);
- have lower interest rates (not below the Commonwealth bond rates);
- be more patient (e.g. interest only or extended period of interest capitalisation beyond construction);
- have different fee structures; and
- be subordinated in security or cash flow.

In addition, the NAIF Board must be satisfied that any return on NAIF's finance will cover at least NAIF's administrative costs and the Commonwealth cost of borrowing, and have an expectation that the NAIF loan will be repaid.

NAIF's arrangements require the relevant jurisdiction (Northern Territory, Queensland, Western Australia as appropriate) to be the lender of record. The loans are reflected in the accounts of DIIS, and the corresponding revenue earned by NAIF (including fees and interest) is also reported in those accounts.



PROJECT PIPELINE HIGHLIGHTS

Ports and Marine Services

Opportunities include:

- Development of new ports, terminals and marinas;
- Expansion of existing ports;
- Upgrades of, or significant enhancements to, aging port infrastructure; and
- Strategic marine services hubs and associated infrastructure.

Investment Challenge

- Port asset life can be between 50-100 years.
- Initial user demand is unlikely to underpin cost of the development, creating difficulties in sourcing sufficient debt funding from the traditional banking market.

NAIF's Value

- To help overcome diseconomies of scale and maximise use of taxpayers money NAIF's preference is to support projects that demonstrate public benefit, have the capacity to support multiple users and meet the future needs and expected growth of northern Australia. All future users are unlikely to be identified at the date of construction.
- Private investors typically limit their investment the less certainty there is around project revenue (and investment servicing) sources.

- NAIF's risk appetite may allow it to support overdevelopment of a project to allow for future growth and take into account future, less certain, revenue sources which may not be financeable by the private market. This helps encourage or 'crowd in' private sector investment, which can rely on the shorter term, more certain, revenue streams, whilst NAIF's debt is serviced by revenue from later stage growth.

Benefits

- Ports play an important role in transporting produce and goods from remote northern locations to market.
- In 2012-13, the value of international exports by sea via northern ports reached \$121 billion, or 55% of the Australian total.⁴
- Projects with multi-user enhancements, will provide additional public benefit and ensuring the asset has the capacity to accommodate future growth.
- Sectors supported include agricultural, live exports, oil and gas, and resources.

⁴ White Paper on Developing Northern Australia, 2015 pg140



PROJECT PIPELINE HIGHLIGHTS

Airports

- Airport expansions, access, facilities and redevelopments.
- Better use of associated land or assets for other infrastructure (for example renewable energy solar panels on roof structures).

Investment Challenge

- May incur significant upfront costs before associated project revenues are earned.
- Without NAIF assistance investment decisions may be deferred or opportunities underdeveloped.

NAIF's Value

- NAIF can accelerate growth by bringing forward investment decisions.
- NAIF can also support building to greater scope or scale than required at the time of construction saving on future escalation costs and optimising the 'sunk costs' of earlier investment compared to where construction is staged. This applies to many asset classes not only airports.
- NAIF can take a long term view of a project's economic life and provide longer tenor debt (currently up to 30 years) compared to commercial financiers (who typically only invest for 5-7 years). This is of benefit to airport owners and operators as it better aligns financing with an airport's usage, revenue and lifecycle. Again

this applies to all infrastructure asset classes.

- It allows investors to focus in the short term on their development requirements and have their loan repayments and debt servicing costs based on the longer term outlook, spread over longer periods when revenues have ramped up or passenger or freight market growth has been better established.

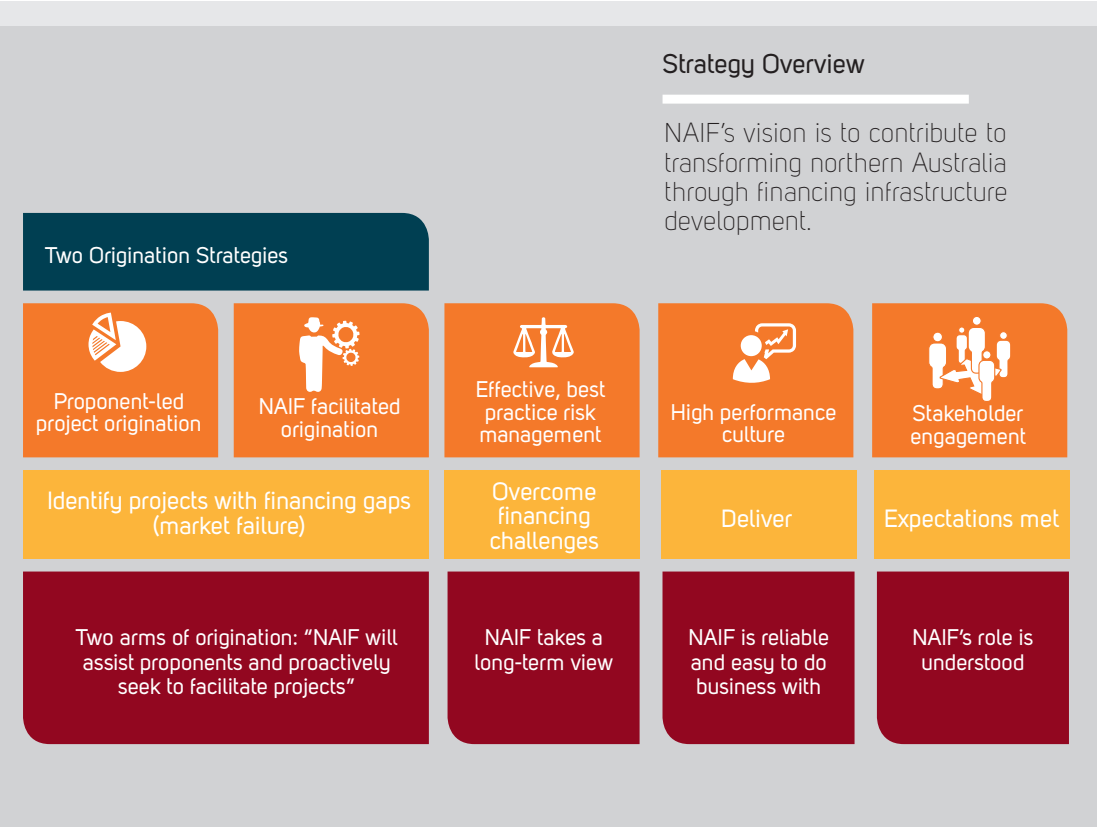
Benefits

- Enhanced freight facilities (chillers improving ability to air freight agricultural products).
- Improving storage capacity for produce in transit.
- Creating better operational performance by relocating services.
- Better utilisation of runways to service increased passenger numbers.
- Can facilitate exports.
- Improve connectedness to important services like education and health.
- Supports agricultural, tourism and service sector.

3. Strategy

NAIF has developed five key strategic priorities in order to meet its vision.

Figure 1: Clear strategy aligned to NAIF vision



For each strategic priority NAIF has developed a detailed vision (see Figure 2) and is progressed on plans to achieve it.

Figure 2: NAIFs Vision for each Strategic Priority Area

	Strategic Priority Area	NAIF's Vision
	Proponent-led project origination	<ul style="list-style-type: none"> • Support economic and social infrastructure projects that meet northern Australia's infrastructure needs including new developments or material enhancements. • Work with sponsors, proponents, contractors, suppliers, financiers, advisers and government agencies across northern Australia, throughout Australia and globally, to ensure projects that generate long term public benefit, and other eligibility criterion and conditions, can proceed.
	NAIF facilitated origination	<ul style="list-style-type: none"> • Help facilitate origination of projects that are unlikely to be brought forward solely through the existing proponent-led process. • Work with governments, industry and other stakeholders to identify infrastructure projects that may be suited to the Investment Mandate.
	Effective, best practice risk management	<ul style="list-style-type: none"> • Maintain a best practice Risk Management Framework (RMF), customised in line with the NAIF Act and Investment Mandate, to assist in overcoming financing challenges, attract investment and 'crowd in' the private sector. • Support proponents and producers who are taking risk (e.g. moving into new offshore markets) as they establish themselves with NAIF patient funds. • Be disciplined with taxpayers' money. Expectation must be that funds will be repaid. • Provide finance concessions, as appropriate, having regard to the project's estimated public benefit. • Use expertise to tailor deployment of NAIF's risk appetite for each project within RAS limits and tolerances.
	High performance culture	<ul style="list-style-type: none"> • Invest in people, processes and systems to achieve NAIF's vision. • Recruit experts with specialist origination, structuring and execution skills. They must have commercial acumen, be agile, flexible and able to engage seamlessly with multiple stakeholders. • Implement best practice governance frameworks, policies and procedures, which are independently benchmarked against best practice in the public and private sector on a regular basis.
	Stakeholder engagement	<ul style="list-style-type: none"> • Execute stakeholder engagement plans to ensure that NAIF's purpose, operations and value proposition are understood by key stakeholders, including equity investors, lenders, financial advisers, contractors, alternative financiers, consultants and government, industry associations and media.

4. Annual Performance Statement

Introductory Statement

I, Sharon Warburton, Chair of the accountable authority, the Board of the Northern Australia Infrastructure Facility (NAIF), present the 2016-17 Annual Performance Statement of NAIF, as required under paragraph 39(1)(a) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act). As NAIF was established on 1 July 2016, this Annual Performance Statement measures performance against the Performance Criteria for 2016-17, as outlined in NAIF's Budget Statement published in the Industry, Innovation and Science Portfolio Budget Statement on 9 May 2017. From 2017-18, NAIF will report against the Performance Metrics published in its 2017-18 Corporate Plan, which is available on its website.

Purpose

NAIF's primary purpose is to contribute to transforming northern Australia by financing infrastructure development that is forecast to generate:

- public benefit outside of what is captured by the project proponent;
- longer term growth in the population and economy of northern Australia;
- greater private sector participation in the financing of northern Australia's infrastructure needs; and

- greater Indigenous participation, procurement and employment.

NAIF's financing aims to assist in:

- opening new markets and the development of new, more resilient supply chains;
- reducing cost for business through improving productivity;
- making communities in the north more liveable and amenable;
- encouraging a larger population base by helping to attract and retain workers and residents;
- making better use of existing infrastructure (for example, by improving capacity, safety and usability to overcome seasonal and other supply chain constraints); and
- helping to overcome diseconomies of scale by facilitating co-sharing and multi user access to infrastructure.

Results

The progress made by NAIF over the 2016-17 financial year lays a strong foundation for meeting its targets.

Source of Performance Criterion: Industry, Innovation and Science Portfolio Budget Statements page 219, published on 9 May 2017.

Figure 3: NAIF Performance Summary

Performance Criterion	Target	Result against Performance Criterion
Establishment of sound governance framework	Governance framework established	<p>NAIF has established a governance framework to comply with the requirements of the NAIF Act, the PGPA Act, and its Investment Mandate and to enable it to meet its strategic objectives.</p> <p>Independent experts, the Australian Government Solicitor⁵ and Allens Linklaters⁶, confirmed that in their view NAIF's core governance framework and policies reflect current Australian best practice government governance principles, and current Australian best practice corporate governance for commercial financiers. Allens Linklaters also affirmed that NAIF's core suite of governance policies it reviewed is appropriate, given NAIF's size and function.</p>

⁵ Reviewed four of NAIF's key governance policies

⁶ Reviewed twelve of NAIF's key governance policies

Figure 3: NAIF Performance Summary continued

Performance Criterion	Target	Result against Performance Criterion
Development of potential investment proposal pipeline having regard to a preference for diversification including by industry and geographic spread	Development of potential investment proposal pipeline	<p>NAIF has been extremely active in the identification, origination and advancement of a portfolio of unique financing opportunities, representing the most comprehensive exercise of its kind since the Australian Government's White Paper on Developing Northern Australia.</p> <p>As at 30 June 2017, NAIF received 124 enquiries for possible infrastructure projects, of which 50 were active, and 5 have progressed to formal due diligence. These active projects were spread across a broad range of infrastructure types – ports and port related, airports, roads, rail, energy, pipelines, telecommunications and water – and located in all three northern Australia jurisdictions (the Northern Territory, Queensland and Western Australia).</p>

Performance Metrics 2017-18 onwards

The progress made during 2016-17 positions NAIF well to meet its targets over the next four years.

NAIF's Corporate Plan 2017-2018, which is available on its website, outlines the Performance Metrics that the Board has set for 2017-18 onwards. Future Annual Performance Statements will report against those Performance Metrics.

5. NAIF Project Approval Process

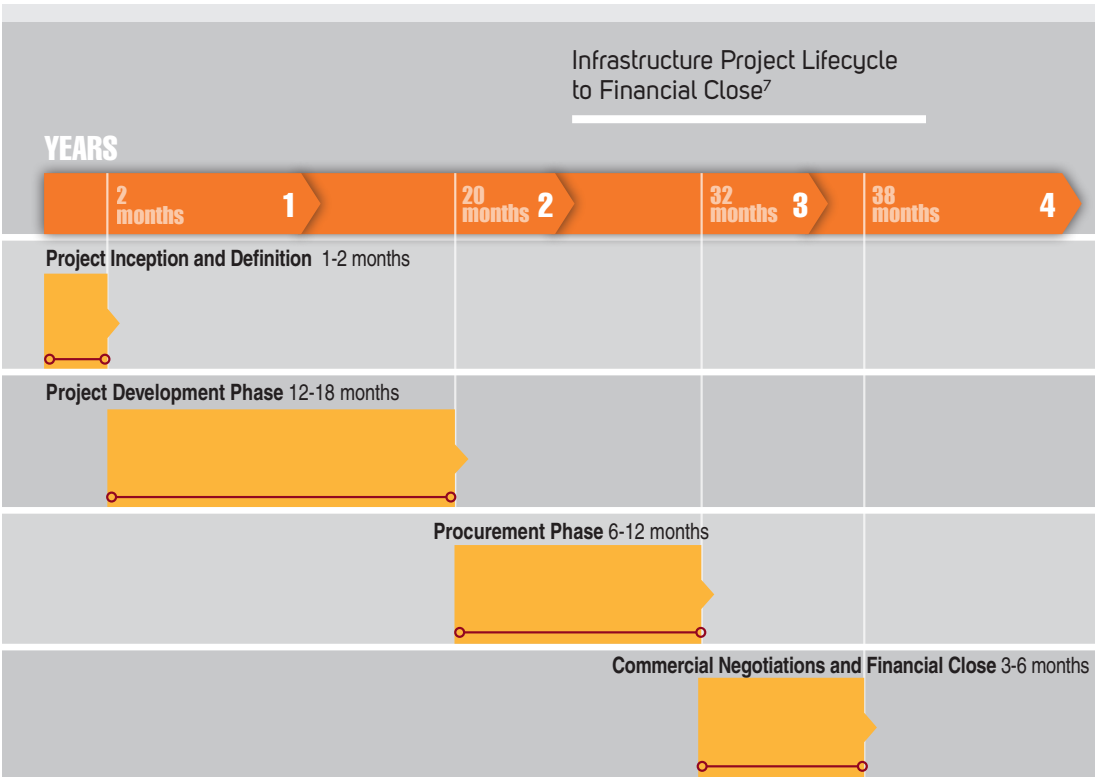
Infrastructure Project Lifecycle

It is important that any project in which NAIF participates has robust feasibility and planning. For infrastructure projects procured through a government tender process, independent market analysis⁷ indicates that it is typically between two to three years from project conception, through to when a project reaches financial close. Timelines can increase significantly for higher risk projects, or proponent-led and ‘gap financed’ projects, such as those in which NAIF is involved.

The success of an infrastructure project relies on ensuring the foundations for each project have been laid well. NAIF thoroughly analyses all eligible projects to ensure the best use of taxpayers’ money. Where required, it will draw on external experts to assist.

Detailed due diligence is essential best practice in the financing of infrastructure assets which, as long term assets, often require long term financing structures to be in place. The ability of a project to gain and finalise the required government approvals can also impact a project’s timeline. NAIF’s enabling legislation provides for a proponent-led approach to project origination, development and financing. NAIF must also work alongside other debt providers, meaning that NAIF works on timeframes that are driven by the proponent, and its other debt financiers.

Figure 4: Lifecycle of a typical infrastructure project to financial close



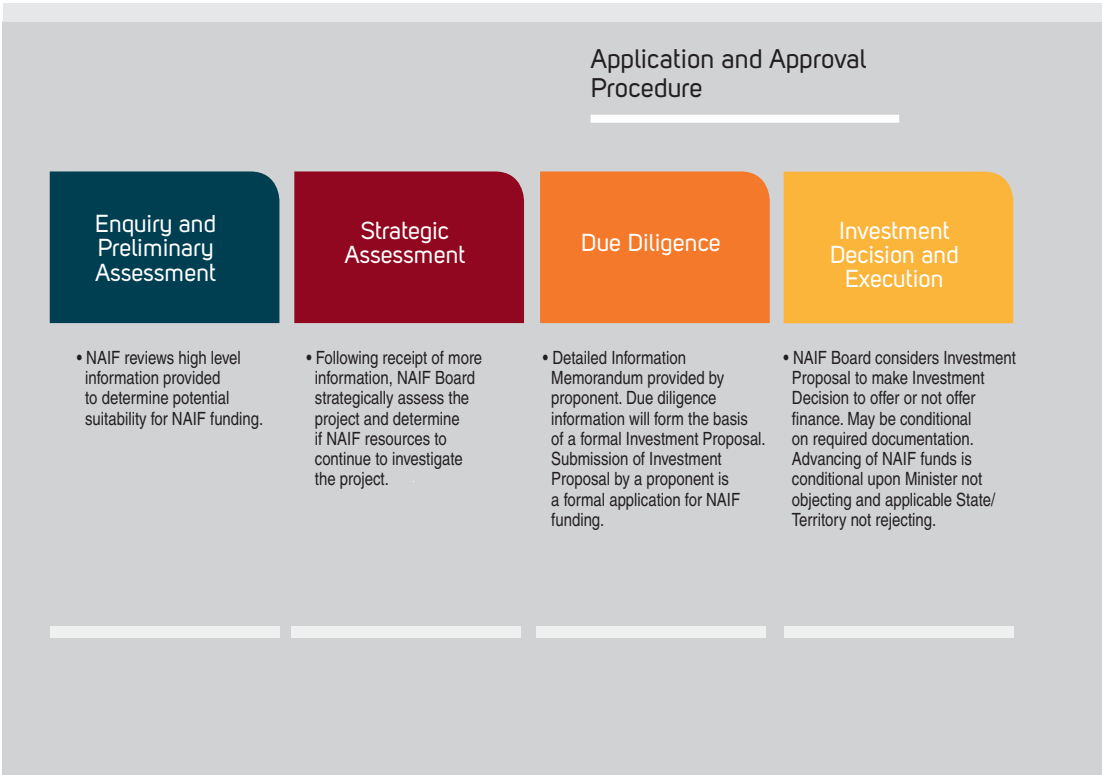
⁷ Ernst and Young 2017

NAIF's Application and Approval Procedure is aligned with an infrastructure project lifecycle (see Figure 4) becoming more rigorous as a project progresses to financial close:

- Typically, a proponent will make contact with NAIF at the Project Development phase, and this will broadly align with NAIF's Enquiry and Preliminary Assessment stage.
- As the proponent moves to the Procurement Phase, the project will move through NAIF's Strategic Assessment and then its Due Diligence stages.

- An Investment Decision will be made as the proponent reaches Commercial Negotiation and prior to Financial Close.
- More detail on NAIF's Application and Approval Procedure is available on its website.

Figure 5: NAIF's Application and Approval Procedure





PROJECT PIPELINE HIGHLIGHTS

Renewable Energy Projects

- Mix of solar, wind, pumped hydro and bio fuel projects across northern Australia.

Investment Challenge

Renewable energy projects may be exposed to elements of uncontracted revenue or merchant risk, making it difficult to attract sufficient private sector capital for a project to proceed without NAIF.

NAIF's Value

- Utilising its mandated risk appetite, NAIF is able to bring value to the financing of renewable energy projects by taking some elements of merchant risk, to assist in closing a gap in the financing and encourage or 'crowd in' the private sector.
- NAIF is able to take a long term view on energy markets. NAIF can provide 'patient capital' to ensure renewables projects with long term viability can proceed, even if they lack fully contracted revenue in the short term. NAIF is able to offer concessions. This includes: tenor, pricing, patient debt (principal and interest), potential cash flow or security subordination, to better match the overall financing with an asset's cashflows and lifecycle. Note these structuring options are available to other sectors as well.

- NAIF is partnering with commercial and public sector finance providers considering a range of innovative debt structuring options to support these projects.

Benefits

- Reduced reliance on fossil fuels.
- Growth in the renewable energy sector brings benefits for households, communities, businesses and visitors including those in more remote areas.
- Provision of long term reliable, affordable and low emission energy solutions for northern Australia.
- Reduces costs and inefficiency of transporting diesel fuel to remote areas.
- Sectors supported include: agricultural, resources, tourism.



PROJECT PIPELINE HIGHLIGHTS

Roads

- Remote road upgrade projects, with user pays components.
- New road builds required, for example, for new minerals extraction projects which can also be used by local communities.

Investment Challenge

Northern Australian roads are often not 'all weather' and have constraints e.g. bridges which limit vehicle weight or size or go through urban areas.

Risks unique to the north, for example: distance, remoteness, climate and limited population, impact the viability of remote road upgrade projects for private sector investors.

Not all roads are suitable for user pays element.

NAIF's Value

- NAIF is working with industry, investors, debt providers and government to structure potential funding solutions to finance the upgrade of critical remote road infrastructure. NAIF is investigating innovative solutions for partnering and user pay arrangements with heavy (business) road users who value and are prepared to pay for the significant benefits they derive from reliable road infrastructure. This effectively shares risk without charging all users who will gain benefit.

- To encourage investors to invest in projects that meet the future needs of northern Australia, NAIF's risk appetite allows it to take into account future, less certain, revenue sources and have higher risk tolerance for risks unique to financing in the north.
- NAIF's ability to take a different approach to infrastructure funding may incentivise investment and catalyse the development of transformational projects such as these, which align with infrastructure priorities outlined in the White Paper on Developing Northern Australia.

Benefits

- New or road upgrades can benefit all users, business, private and local communities.
- They will improve speed to market, maintenance costs and health and safety helping to enhance business productivity and profitability.
- Will facilitate growth in exports.
- Sectors supported include: agricultural, resources and tourism.

6. Corporate Governance

Accountability

The responsible Minister for the reporting period was Senator the Hon Matthew Canavan, the then Minister for Resources and Northern Australia. From 27 July 2017, the Hon Barnaby Joyce MP, Deputy Prime Minister, Minister for Agriculture and Water Resources, Minister for Resources and Northern Australia became the responsible Minister.

The duties of the responsible Minister in relation to NAIF are set out in the NAIF Act⁸. These include that the Minister appoints NAIF's Board and gives direction to NAIF about the performance of its functions through the Investment Mandate. NAIF is required to take all reasonable steps to comply with the Investment Mandate.

The NAIF Act provides that the Minister cannot direct, nor have the effect of directing, NAIF to provide financial assistance for the construction of particular infrastructure, or in relation to a particular person⁹.

As a corporate Commonwealth entity, NAIF is subject to the requirements of the PGPA Act in relation to corporate governance, reporting and accountability.

Corporate Governance Framework

NAIF has a comprehensive suite of governance policies that are fit for purpose and appropriate for its size and functions. It is a tailored governance framework that incorporates statutory responsibilities under the PGPA Act, the NAIF Act, Investment Mandate and other relevant legislation. Independent expert reviews¹⁰ concluded that, in their view, NAIF's policies reflect current Australian best practice government governance principles and current Australian best practice corporate governance for commercial financiers.

NAIF has utilised the ANAO Better Practice Guide (Public Sector Governance June 2014) and the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations¹¹ against which to benchmark its governance framework.

NAIF leveraged the experience of Efic, and other government lenders and private sector experts in the development of its governance framework to ensure it is fit for purpose given NAIF's maturity, size and function.

Figure 6: ANAO and ASX Governance Principles

ANAO: Public Sector Governance Fundamentals		ASX: Core Corporate Governance Principles	
Strong leadership	✓	Lay solid foundations for management and oversight	✓
Fit for purpose	✓	Structure the Board to add value	✓
Performance orientation	✓	Act ethically and responsibly	✓
Openness, transparency, and integrity	✓	Safeguard integrity in financial reporting	✓
Effective collaboration	✓	Make timely and balanced disclosures	✓
		Respect the rights of security holders	✓
		Recognise and manage risk	✓
		Remunerate fairly and responsibly	✓

⁸ NAIF Act sections 9,11,12,15,16

⁹ NAIF Act section 9(4)

¹⁰ Allens Linklaters (reviewed twelve policies) and Australian Government Solicitor (reviewed four policies)

¹¹ Where they are applicable given NAIF's size and unlisted nature

Board Charter

NAIF's Board first endorsed its Charter at the inaugural meeting in August 2016 that sets out its roles and responsibilities. This Charter builds off the Board's legislative accountable authority duties, and outlines key duties and responsibilities. This Charter is available on the NAIF website.

BARC Charter

The NAIF Board constituted the Board Audit and Risk Committee (BARC), which advises the Board in relation to financial and performance reporting, systems of risk management and oversight, and systems of internal control. The BARC consists of at least three Board members. All Board members are welcome to attend any BARC meeting, with outcomes from BARC meetings reported back to the Board as a standing agenda item. The BARC Charter was first endorsed at the Board's inaugural meeting in August 2016 and is available on the NAIF website.

Strategic and Corporate Planning

NAIF has developed strategic documents that align with its corporate governance framework and vision. The Strategic Plan sets out the shared vision of NAIF and provides guidance to the Board and Executive. The Corporate Plan, which outlines NAIF's plan for achievement of its key business strategies, is available on the NAIF website.

Code of Conduct

NAIF maintains a Code of Conduct that requires the observance of ethical guidelines by all Board members, Executives and employees. The Code of Conduct was first endorsed by the Board at its inaugural meeting in August 2016.

Conflicts of Interest

In addition to statutory requirements under the PGPA Act, NAIF manages conflicts of interest in accordance with its Conflicts of Interest Policy. The Conflict of Interest Policy was first endorsed at the Board's first meeting in August 2016 and is available on the NAIF website.

Commercial-in-Confidence

NAIF's confidentiality protocol (available on its website), which it applies in the public interest, is maintained across all projects. It allows NAIF to negotiate the highest level of benefit from its taxpayer investment.

NAIF is required to publish on its website, within 30 business days of an Investment Decision, information regarding all transactions, subject to commercial confidentiality, including the name of the Project Proponent, the goods/services involved, the location, the type of financing mechanism and the amount of the financing mechanism.

There was no information required to be published in relation to an Investment Decision during the reporting period.

Compliance

NAIF manages compliance risks through its Compliance Plan. No issues were identified in relation to non-compliance during the reporting period.

Induction Program

All NAIF Board Members underwent an induction program, which included detailed guidance around their obligations under the NAIF Act, Investment Mandate and the PGPA Act. This induction program is periodically reviewed and updated.

Annual Compliance Training

All NAIF employees participate in annual compliance training, which covers their obligations and duties under the PGPA Act, NAIF's governance framework, and other relevant workplace legislation and procedures.

Review and Continuous Improvement

NAIF approaches its operations on a continuous improvement basis to ensure that it has regard to and meets Australian best practice government governance principles, and Australian best practice governance for commercial financiers.

Legislative Reporting

Ministerial Directions

During the reporting period, NAIF did not receive any Ministerial Directions under the PGPA Act, and had no instances of non-compliance with Government Policy Orders.

Senate Inquiry into the Governance and Operation of NAIF

On 14 June 2017, the Senate referred an Inquiry into the Governance and Operation of NAIF to the Senate Economics Reference Committee. The Senate Committee is scheduled to report by 7 December 2017. NAIF's submission and the CEO's Opening Statement to the Senate Inquiry can be viewed on NAIF's website.

NAIF Act – Section 42 Reporting

NAIF must report annually on specific matters under section 42 of the NAIF Act. There were no changes to the Investment Mandate and no reporting in relation to matters in section 42 during the reporting period.

6. Corporate Governance continued

Insurance

During the year NAIF maintained and paid premiums for certain insurance to cover employees and Board members. This included directors and officers liability insurance and professional indemnity insurance. Premiums totalling \$107,000 were paid for the 2016-2017 financial year.

There were no insurance claims by Board Members or employees during the reporting period.

Environmental Reporting

Ecologically Sustainable Development (ESD) – s516A EPBC Act Reporting

NAIF has a statutory obligation under section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* to report activities that have ESD implications. There were no reportable activities during the reporting period.

Environmental and Social Review of Transactions Policy

NAIF has an Environmental and Social Review of Transactions Policy, available on the NAIF website, which is consistent with the Government's expectations outlined in the Investment Mandate around regulatory, environmental and social matters.

Environmental Footprint

NAIF operates from two key locations, a head office in Cairns, Queensland, where NAIF has a memorandum of understanding with the Department of Prime Minister and Cabinet, and in Sydney, New South Wales, where NAIF has a service level agreement (SLA) with Efic.

Figure 7: Environmental Performance Reporting

Theme	Steps taken to reduce effect	Measures to review and improve reducing the effect
Energy efficiency and emissions reduction	<ul style="list-style-type: none"> • Open plan offices and central air conditioning. • Central printing facilities, allowing for fewer devices (which have energy saving mode when not in use). • Use of technology for interstate meetings and training. • After hours lighting. • Approximately 30 per cent of Sydney office energy is from green sources such as wind power, solar, mini hydro. 	As NAIF continues to grow, it will continue to improve energy efficiency and reduce emissions.
Waste and water	<ul style="list-style-type: none"> • 100 per cent recycled paper sourced from sustainable product. • Employees have portable devices including phones and computers. • 'Follow me' printing system is installed to reduce paper consumption, with default printing set to double sided, black and white. • Recycling of waste paper and rubbish. • Electronic distribution of papers and briefings to Board directors. 	As NAIF continues to grow, it will continue to consider ways to reduce waste and minimise water usage.

Refer to the Efic 2016/2017 Annual Report for further details regarding Sydney office efficiencies.

7. Board

Board Skills

Board Members have relevant experience as required under section 15 of the NAIF Act. Additionally, NAIF's Board incorporates a broad range of financial, infrastructure, risk and investment skills and knowledge, combined with the extensive experience necessary to make Investment Decisions (to offer or not to offer finance). The Board members will also draw on the expertise of NAIF's Executive, or other independent experts as required, to aid in decision making.

Figure 8: Highly skilled, experienced Board with broad sector expertise

Skill Category	Board Experienced
Finance and Auditing ¹	✓
Professional Non-Executive Director with Board or Committee chairing experience	✓
Infrastructure Financing or Infrastructure Planning ²	✓
Business Development and Strategy	✓
Governance, Regulation and Public Policy ³	✓
Executive Leadership ⁴	✓
Northern Australia Engagement	✓
People and Culture ⁵	✓
Indigenous Engagement Experience ⁶	✓
Ethical and Responsible Decision Making ⁷	✓
Stakeholder Engagement and Affairs ⁸	✓
Environment and Social Management and Assessment ⁹	✓
Risk and Compliance ¹⁰	✓

¹ **Finance and Auditing** – Experience in a senior position within a financial services, banking or related area, or accounting qualifications and/or experience and can provide the Board with expertise in overseeing the integrity of financial reporting.

² **Infrastructure Financing or Infrastructure Planning** – Experience in infrastructure planning or senior role within an infrastructure asset owner organisation or contractor.

³ **Governance, Regulation and Public Policy** – Experience in the application of corporate governance principles, or qualification and/or professional experience working or interacting with government, government organisations or regulators.

⁴ **Executive Leadership** – Experience in a leadership role at a senior level in an organisation, other than Chair or Director.

⁵ **People and Culture** – Experience in people matters including workplace cultures, morale, training, talent management, mentoring, talent development and succession planning.

⁶ **Indigenous Engagement Experience** – Engagement with Indigenous communities, knowledge of Indigenous culture, regular engagement with Indigenous people and organisations.

⁷ **Ethical and Responsible Decision Making** – Experience in understanding the complex interaction of social, economic and environmental factors in making ethical decisions.

⁸ **Stakeholder Engagement and Affairs** – Experience in being accountable to, and managing engagement with, external stakeholders of an enterprise – government or regulatory bodies.

⁹ **Environment and Social Management and Assessment** – Experience in applying environmental and social principles and considerations into decision making processes.

¹⁰ **Risk and Compliance** – Experience in compliance matters and risk management, including environmental, social, technological (including digital disruption and cybersecurity risk) and governance risk.

Board Profiles

Ms Sharon Warburton
Chair
BBus, FCA, GAICD, FAIB



Appointed on 19 July 2016, effective 1 July 2016, for a period of three years.

Current roles

- Non-Executive Director - NEXTDC Limited
- Non-Executive Director - Gold Road Resources Limited
- Director - Western Power
- Deputy Chairman - Fortescue Metals Group Limited
- Part-time member of the Takeovers Panel

Expertise

Significant experience in construction, commercial investment analysis, financial management, corporate governance and audit and risk management

Previous roles

- Wellard Limited

Sector experience

- Communications - data infrastructure construction, transmission and distribution management
- Energy - electricity

- Economic and Social Infrastructure - feasibility analysis, development and construction
- Livestock - sale, export, supply chain
- Resources - mineral exploration and extraction

Northern Australia

Deep understanding of northern Australia, having lived and worked in all three jurisdictions

Awards

Winner of the 2014 Telstra Business Women's Award for Western Australia. Finalist in the 2015 Westpac AFR 100 Women of Influence Award

Memberships and affiliations

Graduate of the Australian Institute of Company Directors

Fellow of the Institute of Chartered Accountants Australia and New Zealand

Fellow of the Australian Institute of Building

Mr Bill Shannon
Director
BEc, CA, FGIA, FCIS



Appointed on 19 July 2016 for a period of three years.

Current roles

Deputy Chair of Regional Development Australia Far North Queensland and Torres Strait

Expertise

Extensive public sector experience in local government, as a former Mayor of the Cassowary Coast Regional Council. Many years' experience as an accountant, Company Secretary, business owner and farmer

Previous roles

- Far North Queensland Representative on the Local Government Association of Queensland Policy Executive
- Advance Cairns
- Tully Sugar Limited
- Wormald International Limited - Company Secretary

Sector experience

- Agriculture - sugar cane and livestock farmer
- Construction - roads, infrastructure
- Infrastructure - local government and regional policy and planning
- Tourism - regional development, advocacy, planning, policy development

Northern Australia

Many years advocating for northern Australia, as both an elected local government representative and business owner

Memberships and affiliations

Member of the Governance Institute of Australia

Member of the Institute of Chartered Accountants Australia and New Zealand

Mr Barry Coulter
Director
FAIM



Appointed on 19 July 2016 for a period of three years.

Current roles

- Director of Northern Territory Airports Pty Limited

Expertise

Extensive northern Australia and public sector experience, as a former member of the Northern Territory Legislative Assembly, and serving in senior positions of the Northern Territory government including Deputy Chief Minister and Treasurer. During this time, responsible for a number of portfolios including transport, infrastructure and Territory ports. Credited with spearheading the Alice Springs to Darwin Railway Project

Previous roles

- Chairman of the Darwin Port Authority
- Chairman of Airnorth
- Chairman of Sherwin Iron Ore Limited

Sector experience

- Agriculture - livestock
- Construction - mining infrastructure assets
- Infrastructure - road, rail, port, airports
- Resources - iron ore mineral extraction
- Tourism - airports
- Transport - roads, rail, ports and airports
- Water - management and asset oversight

Northern Australia

Spent more than 35 years advocating for northern Australia as an elected state government representative and business owner

Memberships and affiliations

Fellow of the Australian Institute of Management

Mr Justin Mannolini
Director
BComm, LLB, LLM, GAICD, SF Fin



Appointed on 19 July 2016 for a period of three years.

Current roles

- Partner, Gilbert + Tobin Solicitors, Corporate Advisory Group
- Chairman of Jindalee Resources Limited
- Founder and Managing Director of Captivate Venture Capital
- Chairman of the Board of Governors of the Western Australia Museum Foundation

Expertise

A lawyer with over 20 years experience in legal and financial sectors. Strong expertise in mergers and acquisitions, capital markets transactions and corporate governance

Previous roles

- Executive Director of Macquarie Group

Sector experience

- Agriculture - livestock, sale, export, supply chain
- Communications - data infrastructure
- Construction - feasibility and development
- Energy
- Resources - mineral extraction

Northern Australia

Experience engaging in northern Australia as a key advisor to significant projects

Memberships and affiliations

Member of the Law School Advisory Board at Curtin University
 Cambridge Australia Scholar
 Graduate of the Australian Institute of Company Directors
 Senior Fellow of the Financial Services Institute of Australasia

Ms Karla Way-McPhail
Director
DipEd, BEd, MEd, JP



Appointed on 19 July 2016 for a period of three years.

Current roles

- Co-founder and Chief Executive Officer of Undamine Industries
- Chief Executive Officer of Coal Train

Expertise

A business owner-operator who has extensive geographic, demographic and industry-based knowledge of the resources sector in northern Australia

A former teacher and educational psychologist, with extensive expertise in education, training and mentoring

Previous roles

- President of the Capricornia Chamber of Commerce
- Director of the Resources Industry Council Central Queensland

Sector experience

- Construction
- Education - tertiary vocational education and training
- Resources

Northern Australia

Lives in and operates a number of enterprises in North Queensland. A strong supporter of development in northern Australia and devotes considerable time to many north Queensland community organisations.

Awards

Recipient in 2012 of the Hudson Private and Corporate Award at the Telstra Queensland Business Women's Awards

Memberships and affiliations

Patron of the Mining Women's Support Group

Professor Khory McCormick
Director
DUniv, BA, MLaws



Appointed on 19 July 2016 for a period of three years.

Current roles

- Professor of Strategic Law, Griffith University
- Independent neutral (mediation/arbitration) and legal consultant to Bartley Cohen Litigation Lawyers, McCullough Robertson Lawyers and Holding Redlich Lawyers
- Vice President of the Australian Centre for International Arbitration
- Australian delegate, Working Group II of United Nations Commission on International Trade Law (UNCITRAL)
- Deputy Chair, Board of the Singapore International Dispute Resolution Academy

Expertise

Extensive national and international experience in strategy, negotiation, litigation, arbitration and mediation, in the areas of finance and insolvency, engineering and infrastructure projects, and resource commodities

Previous roles

- Chairman of Green Cross Australia
- Chairman of Energex Limited
- Partner at Minter Ellison for 35 years

Sector experience

- Community-sensitive issues advisory
- Education - globalisation and internationalisation of education services
- Energy - asset oversight and management
- Infrastructure - feasibility analysis, development and advice
- Resources - commodities, supply contract
- Trade, commerce, resources and energy-conflicts/dispute resolution and systems design

Northern Australia

Experience engaging in northern Australia as a key advisor to significant projects

Awards

Leading Lawyer award Chambers International in 2013

Dr Sally Pitkin
Director
(resigned effective 31 July 2017)
Ph.D, LL.M., LL.B.



Appointed on 19 July 2016 resigned effective 31 July 2017.

Current roles

- Non-Executive Director - Link Group
- Non-Executive Director - Star Entertainment Group
- Non-Executive Director - Super Retail Group
- Non-Executive Director - IPH Limited

Expertise

A company director and former corporate lawyer with over 20 years experience, across diverse sectors as a non-executive director of S&P/ASX 200 listed companies, federal and state government business enterprises, private companies and not-for-profit organisations

Previous roles

- Deputy Chairman of the Export Finance and Insurance Corporation (Efic)
- Partner in a major law firm

Memberships and affiliations

Adjunct Professor of the UQ Business School
 Fellow of Bond University
 Fellow of Institute of Company Directors
 President - Queensland Division of the Australian Institute of Company Directors
 Member of national Board - Australian Institute of Company Directors

Board Audit and Risk Committee

NAIF's BARC held four meetings during the reporting period, with Committee Chair Mr Bill Shannon supported by Directors Mr Justin Mannolini and Dr Sally Pitkin as BARC members. Dr Pitkin resigned effective 31 July 2017. Professor Khory McCormick joined the BARC effective 1 August 2017.

Board Meetings Attended

Under the NAIF Act the Board is required to meet a minimum of twice each financial year. The Board met six times during the reporting period.

Some meetings were held in northern Australia, including Cairns, Rockhampton and Darwin. In line with the BARC Charter, some Board members also attended BARC meetings during the reporting period.

The Board also participated in strategic planning and risk discussion workshops to determine NAIF's strategic direction and risk management framework, including its risk appetite.

Diversity

During the reporting period, NAIF's Board diversity was 57% male and 43% female.

Figure 9: Summary of Board Members meeting attendance

Board Member	Board Meeting Eligible	Attended	BARC Meeting Attended
Barry Coulter	6	6	3
Justin Mannolini	6	6	4 ^M
Khory McCormick	6	6	2
Sally Pitkin	6	6	3 ^M
Bill Shannon	6	6	4 ^M
Sharon Warburton	6	6	4
Karla Way-McPhail	6	6	2

^M BARC member, other Board Members attended as outlined although not official members of BARC



PROJECT PIPELINE HIGHLIGHTS

Communication Projects

- Innovative communications technology venture, looking to be the first of its kind in Australia.
- Communications infrastructure included in mixed projects.

Investment Challenge

Commercial financiers typically fund against contracted revenue streams, which may create funding gaps that can limit the ability of worthwhile projects to raise sufficient debt and/or equity finance to allow them to be developed due to issues relating to an extended revenue ramp-up period in the initial years of operation.

NAIF's Value

- NAIF's mandated risk appetite allows it to take a long term view of a project's economic life and the public benefit generated by a project to provide extended interest only periods and long tenor debt to supplement the commercial financiers who are typically limited to shorter repayment periods.
- NAIF projects must demonstrate public benefit for northern Australia but do not need to be entirely located there.
- NAIF is able to support enhancement of existing projects (for example which may not be being developed in northern Australia) but which could be supplemented to bring benefit to those living and working in the north.

Benefits

- Poor telecommunications is inhibiting business, tourism and liveability in northern Australia and a smaller population spread over a large land mass results in poorer coverage, capacity and lower levels of competition than in southern Australia.
- These projects can improve the work and liveability to attract investors, workers, families and communities to northern Australia and provide an incentive to business establishment and the ability to attract key tourist events.
- Improved connectedness to information and online services can improve quality of life, health and education outcomes and provide opportunities for individuals to work directly from remote locations.



PROJECT PIPELINE HIGHLIGHTS

Embedded Infrastructure

- Many projects required to develop northern Australia combine infrastructure elements such as roads, communication, water and power with non infrastructure components.
- Other instances exist where a single user asset can share infrastructure components with other users creating multi user infrastructure.

Investment Challenge

- Projects which are not standalone infrastructure but have infrastructure components in them ('mixed').
- Those types of assets may be higher risk than standalone projects, with a more limited private sector financing market for those projects.

NAIF's Value

- NAIF is able to contribute its finance to 'mixed' projects, and on a case by case basis decision by the Board, take repayment risk on the total revenues of the asset, rather than segregate revenues for use of only the infrastructure components.
- Projects NAIF supports may involve the infrastructure components which a proponent requires being made available to multiple users (for example training facilities).
- Other examples are where a proponent builds infrastructure which can be accessed by others, which would not be built but for the NAIF loan.
- In each case, NAIF's loan assists in creating opportunities for growth across a number of businesses in a region.

Benefits

- NAIF's purpose is to support economic and population growth and to help generate public benefit.
- Multi user facilities that help overcome the disadvantages associated with being the first mover in an area and encourage the sharing or co-operative use of assets.
- NAIF involvement could assist projects which are relatively new industries or are entering into new markets which are less well understood or supported by the private sector.
- Costs can be defrayed or scale developed through co-sharing arrangements.

8. Risk Management

Effective, best practice risk management is a core pillar of NAIF's strategic priorities and governance framework.

NAIF's Board, supported by the BARC, is ultimately responsible for overseeing all aspects of risk management and internal controls, including compliance, the audit program, the appropriateness of financial reporting and performance reporting, and the adequacy of accounting policies and procedures.

The Board's approach to risk management includes:

- establishing a governance structure (Board, BARC, executive responsibilities, and risk management and assurance functions);
- being ultimately responsible for NAIF's Risk Management Framework (RMF) and overseeing its operation by management;

- setting the risk appetite within which it expects NAIF's management to operate, and approving the RAS; and
- shaping the risk culture within NAIF and the extent to which that culture supports the ability of NAIF to operate consistently within its risk appetite.

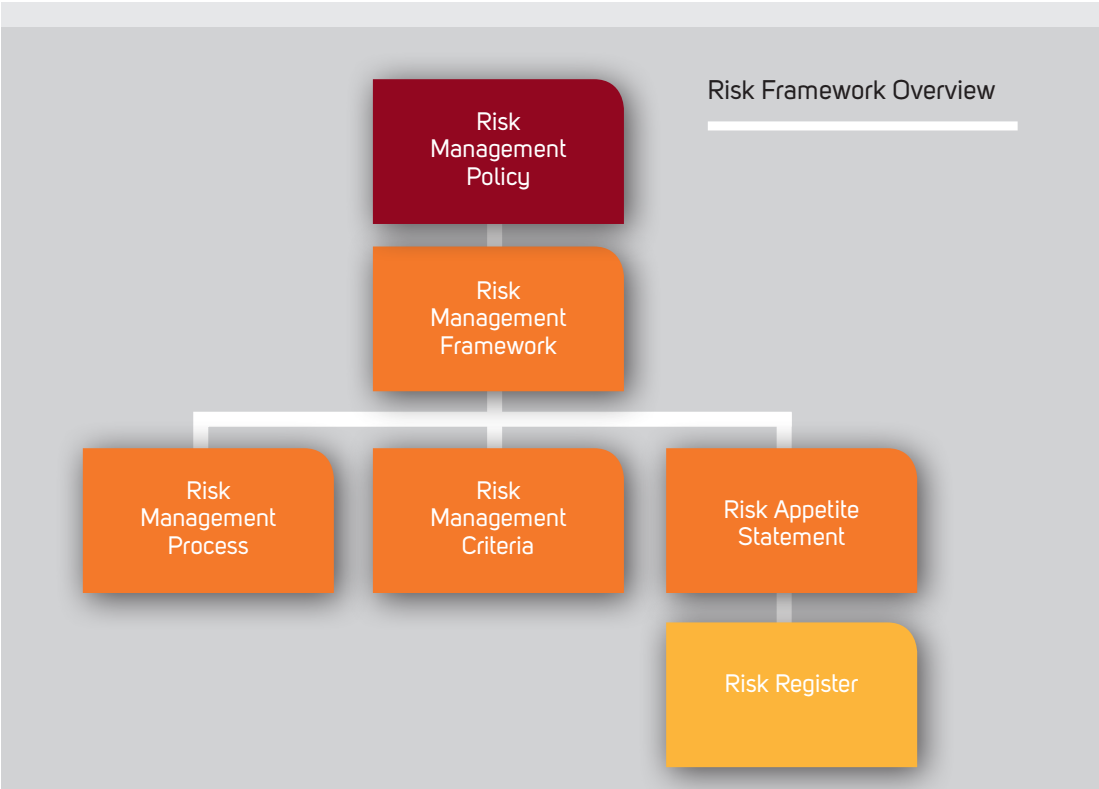
NAIF's Executive reports to the BARC on the effectiveness of this risk management framework, and the management of NAIF's material business risks.

Risk Management Framework

NAIF's RMF conforms to the PGPA Act, the Commonwealth Risk Management Policy and the International Standard for Risk Management (AS/NZS ISO31000)¹².

A summary can be found on NAIF's website.

Figure 10: Risk Framework Overview



¹² PwC supported NAIF in the development of its Risk Management Framework

NAIF's risk management structure is as follows:

1. **Risk Management Policy.** This sets the principles and objectives that govern NAIF's risk management activities, defines the roles, responsibilities and accountabilities for managing risk, and establishes the basis for the development of NAIF's risk framework, stakeholder communication and risk monitoring.
2. **Risk Management Framework.** This describes the tools and processes adopted by NAIF to operationalise its Risk Management Policy. This framework consists of:
 - **Risk Management Process:** a high-level overview of the key processes to manage risk;
 - **Risk Measurement Criteria:** this defines the likelihood and impact used to measure risk, and the effectiveness of risk controls; and
 - **Risk Appetite Statement:** this articulates the type and tolerance of risk the Board is willing to take.

3. **Risk Register.** The day-to-day tool for monitoring and reporting risk.

Three Lines of Defence

NAIF uses the Three Lines of Defence risk management and assurance model when managing risk, as illustrated in Figure 11 below.

Figure 11: NAIF's Three Lines of Defence



9. People

Organisation structure and location

NAIF's head office in Cairns allows the CEO and Executive to develop strong relationships across northern Australia. NAIF also has employees co-located with Efic at its head office in Sydney.

The NAIF has resources available to it of over 110 employees.

NAIF's Executive, which includes the CEO and a team of six direct reports, has experience as lenders, infrastructure financiers and advisors, to generate and convert investment opportunities. The team has extensive experience in the financing of economic and social infrastructure, and has advised both public and private sector counterparts. NAIF's specialist origination and execution team has the experience to complete rigorous due diligence and analysis of transactions.

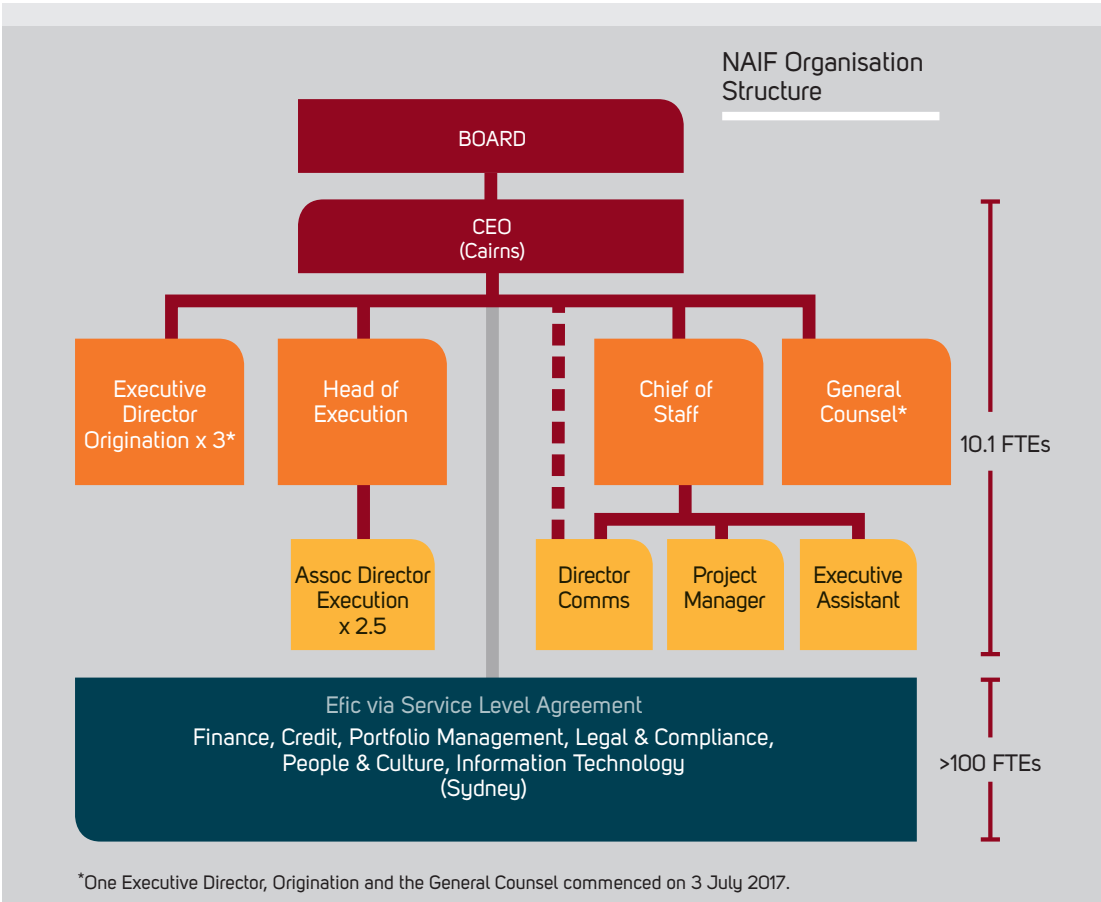
In addition, under the SLA, NAIF has utilised over half of Efic's approximately 100 employees in various capacities, during the reporting period, including the Chief Financial Officer, General Counsel, Board Secretary, Head of Policy Compliance, Head of Human Resources, Project Finance Environment and Technical Review, Credit and Portfolio Management.

Service Level Agreement with Efic

NAIF is supported in its day-to-day operations through an SLA with Efic. The SLA is for a term that extends until the last NAIF loan is expected to be repaid.

As an experienced 'market gap' financier, Efic has expertise in managing large and complex lending transactions, and is also a corporate Commonwealth entity under the PGPA Act.

Figure 12: NAIF Organisation Structure



The services provided by Efic under the SLA fall into two broad categories:

1. Assisting with transaction due diligence, environment and technical review, credit assessment and loan management; and
2. Corporate and administrative services, including secretariat and board secretary, legal, compliance, financial management and reporting, human resources, information technology and communication, and property management.

Under this SLA, NAIF can access resources from Efic on an 'as needs' basis. This allows NAIF to meet the needs of its business, proponents and other stakeholders efficiently and cost effectively. The SLA arrangement also ensures an efficient use of existing Commonwealth resources, reducing the duplication of resourcing requirements across government entities.

Efic employees providing services to NAIF under the SLA are considered NAIF employees when performing those services for the purposes of NAIF's general operations, and the provision of financial, audit and other statutory and non statutory sign-offs.

People

The ability of NAIF to meet its strategic vision is heavily dependent on the quality of its people. NAIF has secured a talented team with extensive experience as lenders and/or financial advisors in institutional and commercial banks. NAIF has also recruited people with government expertise.

NAIF is committed to providing a learning and performance culture where its people have the support to succeed and grow.

Workforce Demographics

As at 30 June 2017, NAIF had 10.1 dedicated Full Time Equivalent (FTE) employees. NAIF also had access to over 100 Efic employees through the SLA. NAIF used the expertise of over half of Efic's employees during the reporting period.

Figure 13: Number of FTE employees

	30 June 2017
Total FTE staff	10.1
Efic employees utilised (rates vary)	53.0

A further three dedicated NAIF FTEs commenced in July 2017, including a General Counsel and two experienced infrastructure lenders (they are not included in the 10.1 FTEs).

Employees are engaged on a common law contract basis. One Australian Government Average Staffing Level position, being the CEO, is reported in the Portfolio Budget Statements¹³.

Diversity and Inclusion

It is a strategic priority for NAIF to build and maintain a diverse workforce with the technical skills to fulfil its purpose. NAIF believes that diversity of thought helps to build employee engagement, drive innovation and results, and allow it to respond effectively to the diverse needs of all stakeholder groups.

NAIF champions a constructive and inclusive culture that embraces the different perspectives, identities and experiences of its people. NAIF provides equal opportunity in all aspects of employment, including employment conditions, recruitment selection, remuneration, learning and development, and promotion.

NAIF is committed to Indigenous diversity and achieving, a minimum 2.5 per cent Indigenous employee representation, in line with the Australian Government policy target. In August 2017, NAIF engaged an Indigenous student to work with the team in the head office in Cairns.

Figure 14: NAIF gender diversity profile at 30 June 2017

Classification	Female FTEs		Male FTEs		Total	
NAIF Employees	4.6	46%	5.5	54%	10.1	100%

Learning and Development

Under the SLA, Efic provides NAIF employees with access to a full learning and development curriculum. Employees receive initial induction through Efic People & Culture, and then progressive compliance and other specialist training.

As part of NAIF's performance and development program, employees have career discussions with their managers, and put in place a targeted development plan for the year ahead.

NAIF also encourages its employees to attend, participate and present at industry conferences, and to share what they have learnt. NAIF Executives presented at 15 industry events in 2016-17, with a selection of their speeches available on the NAIF website.

¹³ Department of Industry, Innovation and Science Portfolio Budget Statement, page 215, published 9 May 2017

9. People continued

Employee Benefits

Flexible working

NAIF offers an agile working environment to provide its employees with options to assist them in managing their work, travel and personal commitments. All employees have the technology to work remotely or from either NAIF office.

Wellbeing initiatives / Employee Assistance programs

NAIF's employees benefit from many of Efic's wellbeing programs, which promote improved health awareness, self management skills and healthy work practices.

Through Efic, NAIF's employees also have access to an employee assistance program, which provides support to them and their immediate families as needed, as well as access to a free confidential counselling service.

Work, Health and Safety

While NAIF's employees are predominantly located in NAIF's Cairns head office or in Efic's Sydney office, they travel frequently across northern Australia, to Canberra and other capitals, as well as using NAIF's technology options for remote working.

NAIF's office space is in secure buildings with restricted security pass access. Workstations and facilities have modern safety features, such as adjustable seats and computer monitors. Employees are also given information on ergonomic self-assessment and provided with additional equipment as required.

NAIF works closely with Efic around work, health and safety (WHS). NAIF engages with its employees on WHS matters, including the adequacy of its facilities, and takes steps to ensure a positive, productive and risk free working environment.

NAIF takes a pragmatic, risk based approach to WHS compliance framework and management practices. Workplace hazards are prioritised according to the risk that they pose to the health and safety of NAIF's employees, and are dealt with promptly.

NAIF records and monitors hazards and controls. Key risk areas that require specialised monitoring have been identified as domestic travel, often to remote areas of northern Australia, as well as the significant interest from media and community groups.

NAIF has a process for incident notification and investigation, which includes reporting of 'near misses'. Incidents and 'near misses' are managed, and proactive measures are put in place to reduce the potential risks identified.

NAIF had no workplace injuries among employees and contractors, and has not been investigated, received any notices or recorded any 'notifiable incidents' under the *Work, Health and Safety Act 2011* (WHS Act), during the reporting period.

10. Financial Statements

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Statement by Board Members, Chief Executive Officer and Chief Financial Officer

Statement by Board Members, Chief Executive Officer and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)*, and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Northern Australia Infrastructure Facility (NAIF or “the facility”) will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Board.



Ms Sharon Warburton
CHAIRMAN
23rd August 2017



Laurie Walker
CHIEF EXECUTIVE OFFICER
23rd August 2017



Stuart Neilson
CHIEF FINANCIAL OFFICER
23rd August 2017

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Minister for Resources and Northern Australia

Opinion

In my opinion, the financial statements of the Northern Australia Infrastructure Facility for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Northern Australia Infrastructure Facility as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Northern Australia Infrastructure Facility, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by Board Members, Chief Executive Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Northern Australia Infrastructure Facility in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Northern Australia Infrastructure Facility, the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Northern Australia Infrastructure Facility's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Board is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when

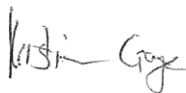
it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

Australian National Audit Office



Kristian Gage
Executive Director

Delegate of the Auditor-General

Canberra
24 August 2017

Statement of Comprehensive Income

for the period ended 30 June 2017

	Note	2017 \$'000	Original Budget \$'000
NET COST OF SERVICES			
Expenses			
Employee Benefits	1.1A	1,730	-
Suppliers	1.1B	3,983	8,111
Total expenses		5,713	8,111
Net cost of services		(5,713)	(8,111)
Revenue from Government	1.2A	8,111	8,111
Total comprehensive income attributable to the Australian Government		2,398	-

The above statement should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2017

	Note	2017 \$'000	Original Budget \$'000
ASSETS			
Financial assets			
Cash	2.1A	3,946	-
Total financial assets		3,946	-
Total Assets		3,946	
LIABILITIES			
Payables			
Suppliers	2.2A	1,200	-
Other Payables	2.2B	13	-
Total payables		1,213	-
Provisions			
Employee leave & other entitlements		335	-
Total provisions		335	-
Total liabilities		1,548	-
Net assets		2,398	-
Equity			
Retained surplus		2,398	-
Total Equity		2,398	-

The above statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the period ended 30 June 2017

	Retained Surplus		Total Equity	
	2017 \$'000	Original Budget \$'000	2017 \$'000	Original Budget \$'000
RETAINED SURPLUS				
Opening balance as at 1 July	-	-	-	-
Comprehensive income				
Surplus for the period	2,398	-	2,398	-
Total comprehensive income	2,398	-	2,398	-
Closing balance as at 30 June	2,398	-	2,398	-

The above statement should be read in conjunction with the accompanying notes.

Cash Flow Statement

for the period ended 30 June 2017

	2017 \$'000	Original Budget \$'000
OPERATING ACTIVITIES		
Cash received		
Receipts from Government	8,111	8,111
Total cash received	8,111	8,111
Cash used		
Employees	1,382	-
Suppliers	2,783	8,111
Total cash used	4,165	8,111
Net cash from operating activities	3,946	-
Net increase in cash held	3,946	-
Cash at the beginning of the reporting period	-	-
Cash at end of the reporting period	3,946	-

The above statement should be read in conjunction with the accompanying notes.

Overview

for the period ended 30 June 2017

Basis of preparation

The Financial Statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The Financial Statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- d) Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements are prepared in Australian dollars and rounded to the nearest thousand dollar (\$'000).

The Financial Statements have been prepared on an accrual basis and in accordance with the historical cost convention. No allowance is made for the effects of changing prices on the results or the financial position.

New accounting standards

No accounting standard has been adopted earlier than the application date as stated in the standard.

Accounting standards that were issued prior to the signing of these statements and are applicable to the current reporting period did not have a material impact on the financial statements.

Taxation

The facility is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

Asset recognition

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for:

- items of property with a project cost less than \$15,000 (which are expensed in the year of acquisition); and
- items of plant and equipment costing less than \$7,500 (which are expensed in the year of acquisition).

Overview continued

for the period ended 30 June 2017

Employee policies

Liabilities for short-term employee benefits expected within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured at the present value of the defined benefit obligation at the end of the reporting period.

The liability for employee benefits includes provision for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the entity's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the shorthand method, and with management assessments relating to salary growth rates. The estimate of the present value of the liability takes into account an estimate of attrition rates and pay increases through promotions and inflation.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future by NAIF employees is estimated to be less than the annual entitlement for sick leave.

The facility's staff are members of superannuation funds held outside the Australian Government. NAIF makes employer contributions to these funds as per the Superannuation Guarantee Contribution rate. The liability for superannuation recognised as at 30 June represents outstanding contributions.

Events after the reporting period

There were no significant events occurring after the reporting period that impact the facility's financial statements for the year ending 30 June 2017.

Budget variance commentary

The variance in this commentary is the difference between the financial statements and the original budget presented to Parliament in the 2016-17 Portfolio Additional Estimates.

Budget figures were determined prior to the establishment of NAIF. The exact structure of NAIF was unknown at the time. The budget figures inaccurately assumed that the permanent CEO and other key personnel would be engaged on 1 July 2016. The Board was only formally appointed on 19 July 2016 and executive searches were not able to commence until after that. The permanent CEO commenced on 24 October 2016.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2017

Financial Performance

2017
\$'000

NOTE 1.1 EXPENSES

1.1A Employee Benefits

Wages and salaries	1,278
Superannuation defined contribution plans	117
Leave and other entitlements	335
Total employee benefits	1,730

Accounting policies for employee related expenses is contained in the Overview section.

1.1B Suppliers

Services provided by Export, Finance and Insurance Corp.	1,364
Professional fees	913
Credit information	430
Travel	347
Advertising and promotional costs	200
Computer and communication costs	159
Property costs	153
Contractors	144
Insurance	103
Consultants	97
Other	73
Total suppliers	3,983

Leasing commitments

NAIF in its capacity as lessee of a property in Cairns has a lease agreement starting on the 1st September 2016 to the 30th June 2018 with a yearly option to extend for three years. The lease has a clause to terminate with 90 days notice.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the lease.

NOTE 1.2 REVENUE

1.2A Revenue from Government

Department of Industry, Innovation and Science	
Corporate Commonwealth entity payment	8,111
Total revenue from Government	8,111

Funding received or receivable from the Department of Industry, Innovation and Science (appropriated to NAIF as a Corporate Commonwealth Entity payment item) is recognised as Revenue from Government when NAIF gains control of the funding unless it is in the nature of an equity injection, such amounts are recognised directly in contributed equity in the year received.

Financial Position

for the period ended 30 June 2017

2017
\$'000

NOTE 2.1 FINANCIAL ASSETS

2.1A Cash

Cash At Bank	3,946
Total Cash	3,946

Cash is held on deposit and is available at call.

NOTE 2.2 PAYABLES

2.2A Suppliers

Trade creditors and accruals	1,200
Total suppliers	1,200

Suppliers Payables are recognised at cost to the extent that goods and services have been received irrespective of having been invoiced. Credit terms for goods and services is usually within 30 Days.

2.2B Other Payables

Salaries and wages	12
Superannuation	1
Total other payables	13

The liability for salaries and wages and superannuation recognised as at 30 June 2017 represents outstanding amounts for the final fortnight of the financial year.

Notes to and forming part of the Financial Statements continued

People and Relationships

for the period ended 30 June 2017

3.1 Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The entity has determined the key management personnel to be the Board members, the Chief Executive Officer, the Executive Directors of the organisation, the Minister for Northern Australia, and the Portfolio Minister. Key management personnel remuneration is:

	2017 \$
Short-term employee benefits	1,244,449
Post-employment benefits	99,078
Total key management personnel remuneration expenses	1,343,527

Total number of key management personnel that are included in the above table are: 10

The above key management personnel remuneration excludes the remuneration and other benefits of the Minister for Northern Australia and the Portfolio Minister. The Minister for Northern Australia and the Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by NAIF.

The Board and CEO remuneration and other benefits are set by the Remuneration Tribunal. The Board members are not paid performance awards.

3.2 Related party relationships

The entity is an Australian Government controlled entity. Related parties to the entity are the key management personnel as defined above and other Australian Government entities.

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens.

Significant transactions with related parties can include provision of corporate and administration services to NAIF, the provision of insurance, the provision of leases and the purchases of goods and services.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the entity, it has been determined that there are no material related party transactions to be separately disclosed.

11. Index of Statutory Reporting Requirements

The Board of NAIF is obligated under section 46 of PGPA Act to prepare an annual report and the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) sets out the mandatory content requirements.

Part A – Public Governance, Performance and Accountability Act 2013

Section	Subject	Location within Report	Page
<i>Public Governance, Performance and Accountability Act 2013</i>			
s 46	The NAIF Board must prepare and give an annual report to NAIF's responsible Minister, for presentation to the Parliament, on NAIF's activities during the period.	Report of operations, financial statements and Independent Auditors Report	1-46
<i>Public Governance, Performance and Accountability Rule 2014</i>			
s 17BB	<p>The NAIF Board must approve and sign the annual report which is to include:</p> <ul style="list-style-type: none"> • Details of how and when approval of the annual report was given; and • State that the NAIF Board is responsible for preparing and giving the annual report to NAIF's responsible Minister in accordance with s 46 of the Act. 	Chair and CEO Report	4
s.17BE(a) – (b)	The annual report must detail NAIF's enabling legislation, and summarise its objects and functions and its purposes as set out in its corporate plan for the period.	About NAIF	8
s.17BE(c) – (f)	<p>The annual report must provide details of:</p> <ul style="list-style-type: none"> • The name and title of the responsible Minister of NAIF; • Any directions given by the responsible Minister; • Any policy orders that applied to NAIF; and • Details of any non-compliance with the above. 	<p>Corporate Governance</p> <ul style="list-style-type: none"> - Accountability - Ministerial Directions - NAIF Act – Section 42 Reporting - NAIF Act – Section 42 Reporting 	<p>20</p> <p>21</p> <p>21</p> <p>21</p>
s.17BE(g)	The annual report must include NAIF's Annual Performance Statements.	Annual Performance Statement	14
s.17BE(h) – (i)	The annual report must detail any significant issues reported to the Minister.	<p>Corporate Governance</p> <ul style="list-style-type: none"> - Legislative Reporting 	21

11. Index of Statutory Reporting Requirements continued

Section	Subject	Location within Report	Page
<i>Public Governance, Performance and Accountability Rule 2014 continued</i>			
s.17BE(j)	The annual report must detail particulars of the Board.	Board	
		- Board Profiles and Photos	24
		- Board Skills	23
s.17BE(k) – (l)	The annual report must detail particulars of NAIF's organisational structure and outline the location of NAIF's major activities or facilities.	People - Organisation structure and location	32
s.17BE(m)	The annual report must outline the main corporate governance practices of NAIF.	Corporate Governance	20
s.17BE(q) – (s)	The annual report must detail any judicial and administrative decisions or reviews or reports having a significant effect on NAIF.	Corporate Governance - Legislative Reporting section	21
s.17BE(t)	The annual report must detail any indemnity applied during the financial year.	Corporate Governance - Legislative Reporting section	22
s.17BE(u)	The annual report must include an index of NAIF's statutory reporting requirements.	Index of Statutory Reporting Requirements	47

Part B – Other legislation

Section	Subject	Location within Report	Page
<i>Northern Australia Infrastructure Facility Act 2016</i>			
s. 42	<p>NAIF's annual report must include:</p> <ul style="list-style-type: none"> (a) Particulars of any changes to the Investment Mandate during the period and their impact on the operations of the Facility; (b) A summary of the proposal notices given by the Facility to the Minister during the period; (c) A summary of any rejection notices given by the Minister during the period and the Minister's reasons for giving the notices; (d) For financial assistance provided by the Facility during the period, a summary of: <ul style="list-style-type: none"> (i) The amounts of financial assistance and kinds of Northern Australia economic infrastructure concerned; and (ii) The kinds of loan contracts used, and their impact features; (iii) The risks and returns to the Commonwealth. (e) A summary of any adjustments or concessions made by the Facility during the period in relation to the Northern Australia economic infrastructure projects that have not progressed as planned. 	Corporate Governance - Legislative Reporting section	21
<i>Environment Protection and Biodiversity Conservation Act 1999</i>			
s.516A (3)(6)	Ecologically sustainable development and environmental performance	Corporate Governance - Environmental Reporting Section	22
<i>Work Health and Safety Act 2011</i>			
Sch 2, Pt 4, Clause 4(2)	Work health and safety initiatives, outcomes, statistics and investigations	People - Work, Health and Safety	34

12. Abbreviations and Acronyms

Figure 15: Abbreviations and Acronyms

Abbreviation / Acronyms	Description
ANAO	Australian National Audit Office
ASX	Australian Securities Exchange
BARC	Board Audit and Risk Committee
CEO	Chief Executive Officer
DIIS	Department of Industry, Innovation and Science
ESD	Ecologically Sustainable Development
Efic	Export Finance and Insurance Corporation
FTE	Full Time Equivalent
Investment Mandate	Northern Australia Infrastructure Facility Investment Mandate Direction 2016
NAIF	Northern Australia Infrastructure Facility
NAIF Act	Northern Australia Infrastructure Facility Act 2016
PBS	Portfolio Budget Statement
PGPA Act	Public Governance, Performance and Accountability Act 2013
RMF	Risk Management Framework
RAS	Risk Appetite Statement
SLA	Service Level Agreement
WHS Act	Work Health and Safety Act 2011
WHS	Work, Health and Safety


13. Contact Details

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This report is available electronically at www.naif.gov.au/reporting

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Australian Government



Northern Australia Infrastructure Facility