

Income Statement		2008	2007
For the year ended 30 June 2008	Note	\$000	\$000
Premium revenue		1,134,186	1,072,497
Reinsurance premium expense		(1,880)	(1,884)
Net premium revenue		1,132,306	1,070,613
Gross claims incurred	7	(1,119,432)	(811,831)
Claims recoveries revenue	7	16,127	12,823
Net claims incurred		(1,103,305)	(799,008)
Administration costs	5	(132,037)	(108,555)
Marketing and road safety expenditure		(36,816)	(30,059)
Safer road infrastructure expenditure		(91,635)	(89,717)
Trauma projects expenditure		(8,719)	(4,413)
Premium collection fees	11	(27,768)	(26,219)
Underwriting expenses		(296,975)	(258,963)
Underwriting profit/(loss)		(267,974)	12,642
Investment income/(loss)	6	(463,760)	980,164
Investment expenses	6	(22,060)	(23,105)
Profit/(loss) before income tax		(753,794)	969,701
Income tax benefit/(expense)	8(a)	236,673	(278,697)
Net profit/(loss)		(517,121)	691,004

The above income statement should be read in conjunction with the accompanying notes to the financial statements.

Balance Sheet		2008	2007
As at 30 June 2008	Note	\$000	\$000
Current assets			
Cash and cash equivalents	24	33,739	30,454
Receivables	9	59,043	51,993
Investments	10	1,094,603	882,595
Tax refund		45,840	-
Deferred acquisition costs	11	13,895	13,138
Other assets	12	3,594	3,949
Total current assets		1,250,714	982,129
Non-current assets			
Receivables	9	217,656	208,890
Investments	10	5,619,261	6,836,709
Plant and equipment	13	7,427	5,079
Intangibles	14	40,793	19,746
Deferred tax assets	8(c)	366,954	36,526
Total non-current assets		6,252,091	7,106,950
Total assets		7,502,805	8,089,079
Current liabilities			
Outstanding claims	16	796,178	731,008
Unearned premiums	17	567,613	535,824
Payables	15	88,048	72,471
Tax liabilities		-	168,768
Provisions	18	10,625	9,932
Lease liabilities	19(c)	1,138	1,114
Total current liabilities		1,463,602	1,519,117
Non-current liabilities			
Outstanding claims	16	5,262,890	5,143,082
Provisions	18	3,081	3,452
Lease liabilities	19(c)	1,084	1,159
Total non-current liabilities		5,267,055	5,147,693
Total liabilities		6,730,657	6,666,810
Net assets		772,148	1,422,269
Equity			
Reserves	1(r)	8,326	9,526
Accumulated surplus		763,822	1,412,743
Total equity		772,148	1,422,269

The above balance sheet should be read in conjunction with the accompanying notes to the financial statements.

Statement of Changes in Equity For the year ended 30 June 2008	Motorcycle Road Safety Reserve \$000	Accumulated surplus \$000	Total \$000
At 30 June 2006	8,214	1,025,051	1,033,265
Net profit for the year	-	691,004	691,004
Total recognised income and expense for the year	8,214	1,716,055	1,724,269
Transfer to Motorcycle Road Safety Reserve	-	(4,727)	(4,727)
Transfer from Motorcycle Road Safety Reserve	-	3,415	3,415
Transfer to accumulated surplus	(3,415)	-	(3,415)
Transfer from accumulated surplus	4,727	-	4,727
Dividend paid for 2005/06 year	-	(302,000)	(302,000)
At 30 June 2007	9,526	1,412,743	1,422,269
Net loss for the year	-	(517,121)	(517,121)
Total recognised income and expense for the year	9,526	895,622	905,148
Transfer to Motorcycle Road Safety Reserve	-	(4,856)	(4,856)
Transfer from Motorcycle Road Safety Reserve	-	6,056	6,056
Transfer to accumulated surplus	(6,056)	-	(6,056)
Transfer from accumulated surplus	4,856	-	4,856
Dividend paid for 2006/07 year	-	(133,000)	(133,000)
At 30 June 2008	8,326	763,822	772,148

The above statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

Cash Flow Statement For the year ended 30 June 2008	Note	2008 \$000	2007 \$000
Cash flows from operating activities			
Premiums received		1,280,645	1,198,970
Dividends received		203,147	228,768
Interest received		148,970	121,955
Claims paid		(999,115)	(718,785)
Claims recoveries received		9,010	9,424
Payments to suppliers and employees		(191,469)	(175,626)
Payments for marketing and road safety projects		(36,738)	(30,285)
Payments for trauma projects and safer road infrastructure expenditure		(99,621)	(90,156)
Goods and services tax paid		(32,245)	(49,342)
Income tax equivalent paid		(308,364)	(167,951)
Net cash inflow/(outflow) from operating activities	24 (b)	(25,780)	326,972
Cash flows from investing activities			
Purchase of investments		(10,762,211)	(7,178,694)
Sale of investments		11,154,364	7,321,467
Purchase of plant and equipment		(6,124)	(1,109)
Expenditure on intangibles		(21,372)	(13,200)
Net cash inflow from investing activities		364,657	128,464
Cash flows from financing activities			
Dividend paid		(133,000)	(302,000)
Farrow Group liquidation expense		(2)	(241)
Net cash outflow from financing activities		(133,002)	(302,241)
Net increase in cash and cash equivalents		205,875	153,195
Cash and cash equivalents at the beginning of the year		859,537	708,534
Effects of exchange rate changes on cash held in foreign currencies		(2,495)	(2,192)
Cash and cash equivalents at end of the year	24 (a)	1,062,917	859,537

The above cash flow statement should be read in conjunction with the accompanying notes to the financial statements.

The Transport Accident Commission (TAC) was established and is governed by the *Transport Accident Act 1986*. The TAC operates the transport accident compensation scheme for Victorians who are injured or die as a result of a transport accident. For the purposes of this financial report prepared under Australian Accounting Standards:

- insurance refers to the transport accident compensation scheme;
- premiums refer to transport accident charge for motor vehicles and charge for trains and trams; and
- policy refers to the cover provided under the *Transport Accident Act 1986*.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared on an accrual basis in accordance with the *Financial Management Act 1994*, Australian Accounting Standards and Interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRSs) and Interpretations.

The financial report was authorised for issue by the directors on 27 August 2008.

BASIS OF PREPARATION

This financial report has been prepared on the basis of historical cost, except for outstanding claims liabilities, recovery receivables, employee leave liabilities which are included at present value and investments which are included at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of A-IFRS that have significant effects on the financial report and estimates with a significant risk of material adjustments in the next year are disclosed in the relevant notes in the financial report.

AUSTRALIAN ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The AASB has issued the following amendments to Australian Accounting Standards which are applicable to the TAC.

	Title	Operative Date
2007-8	Amendments to Australian Accounting Standards arising from AASB 101 (revised standard)	1 January 2009
AASB 101	Presentation of financial statements (revised standard)	1 January 2009
AASB 8	Operating segments	1 January 2009

These amendments are not effective for the annual reporting period ended 30 June 2008 and have not been applied in preparing the TAC's financial report. The nature of the impact of the application of these standards is disclosure only. The TAC will apply these standards for the annual reporting periods beginning on or after the operative dates set out above.

THE FOLLOWING SIGNIFICANT ACCOUNTING POLICIES HAVE BEEN ADOPTED IN THE PREPARATION AND PRESENTATION OF THE FINANCIAL REPORT.

(A) PREMIUM REVENUE

Premium revenue is recognised in the income statement when it has been earned and is calculated from the attachment date over the period of the policy. The pattern of recognition over the policy period is based on time, which is considered to approximate closely the pattern of risks underwritten.

Premium revenue is net of refunds and excludes stamp duty and goods and services tax.

(B) INVESTMENT INCOME

Dividend income is recognised when the TAC's right to receive dividend has been established. Interest income is recognised on an accrual basis. Trust distribution income is recognised when the market prices are quoted ex-distribution for listed trusts. Unlisted property trust distribution income is recognised when the trustee declares a distribution.

Changes in fair values of investments at balance date, as compared with their fair values at the previous balance date or cost of acquisition if acquired during the financial year, are recognised as investment income. Realised gains or losses on the termination of derivative financial instruments and realised and unrealised gains or losses on changes in fair values of financial instruments are included in investment income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) UNEARNED PREMIUMS

Unearned premiums represent the proportion of premiums received or receivable not earned and relate to periods of insurance subsequent to balance date, computed on the basis that the risk attaches to all policies from the middle of the month in which they are written.

(D) UNEXPIRED RISK LIABILITY

At each reporting date the TAC performs a liability adequacy test to assess whether the unearned premium liability is sufficient to cover all expected future cash flows relating to future claims against current insurance contracts.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs then the unearned premium liability is deemed to be deficient. The TAC applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability, see note 1(e).

The entire deficiency is recognised immediately in the income statement. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability.

(E) OUTSTANDING CLAIMS LIABILITY

The liability for outstanding claims is measured on the basis of actuarially estimated costs of future claims payments, which include goods and services tax and the anticipated effects of inflation and other factors and are discounted to a present value at balance date. The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported and the anticipated direct and indirect costs of settling those claims. The expected future payments are discounted to present value using a risk free rate.

A risk margin (refer note 16) is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the claims liability is adequately provided for to a 75% (2007: 75%) probability of sufficiency.

(F) CLAIM RECOVERY RECEIVABLES

Recoveries on claims paid and outstanding claims are recognised as revenue. Recoveries receivable are assessed in a manner similar to the measurement of outstanding claims liability. Receivables are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims (note 1(e)). A provision for impairment is established when there is objective evidence that the TAC will not be able to collect all the claim recovery amounts.

(G) DEFERRED ACQUISITION COSTS

Acquisition costs represent fees incurred for the collection of transport accident charges for motor vehicles. Acquisition costs are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount and are expensed to correspond to the earning pattern of the premium revenue.

(H) ASSETS BACKING INSURANCE LIABILITIES

The TAC's investment portfolio is managed by the Victorian Funds Management Corporation (VFMC) through internal management and fund managers and a Master Custodian. The Master Custodian holds the investments and conducts settlements pursuant to instructions from internal management and fund managers.

The TAC has determined that all assets, except for plant and equipment and intangibles, are held to back insurance liabilities and are designated at fair value through income statement. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant unrealised profits and losses recognised in the income statement.

The following methods and assumptions are used to determine the fair value of investments:

- Financial instruments traded in an organised financial market (traded securities) – fair value based on current quoted market price for the instrument. Quoted market prices are used to value listed shares, options, debentures and other equity and debt securities.
- Financial instruments not readily traded in an organised financial market – fair value based on present value of contractual future cash flows. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows.

Details of fair value for the different types of investment assets are listed below:

- Cash assets, deposits held at call with banks and investments in money market instruments are carried at face value which approximate to their fair value
- Investments in discounted money market instruments are valued at their quoted mid price at the balance sheet date, as with fine trading spreads in this market, there is an ability to transact at mid price
- Shares, fixed interest securities, options and units in trusts listed on stock exchanges are initially recognised at cost (which is equal to fair value) and the subsequent fair value is taken as the quoted bid price of the instruments at the balance sheet date
- Futures contracts listed on recognised exchanges are valued using the quoted settlement price
- Units in unlisted unit trusts are recorded at fair value as determined by the fund manager. In determining fair value the manager uses observable market transactions of the units and underlying assets where available and applicable; some of the underlying assets of the trusts are valued using valuation models.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All purchases and sales of investments that require delivery of the asset within the time frame established by regulation or market convention "regular way" transactions are recognised at trade date, being the date on which the commitments are made to buy or sell the asset. In cases where the period between trade and settlement exceeds this time frame, the transaction is recognised at settlement date.

Investments are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the TAC has transferred substantially all the risks and rewards of ownership.

Investments that are due to mature, expire or be realised within twelve months of balance date are classified as current investments for the purposes of classification in the balance sheet. While this classification policy may result in a reported working capital deficit, the TAC is cash flow positive with premium and investment income exceeding claims and administrative cost payments.

(I) FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into Australian dollars at the exchange rates ruling at the dates of the transactions. Investments held at balance date that are denominated in foreign currencies are retranslated to Australian dollars at rates of exchange ruling at the balance sheet date. Exchange differences are recognised in profit or loss in the period in which they arise.

(J) DERIVATIVE FINANCIAL INSTRUMENTS

VFMC and fund managers use derivative financial instruments such as foreign exchange contracts, futures, swaps and options to more effectively manage the risks associated with investing in large institutional portfolios. Derivatives are originally recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date with gain or loss recognised in the income statement.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

(K) EMPLOYEE BENEFITS

Provision is made for benefits accruing to employees in respect of salaries, annual leave and long service leave. No provision is made for non-vesting sick leave as the TAC has no legal obligation to pay accumulated sick leave upon staff termination.

Provisions made in respect of employee benefits expected to be settled within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Those liabilities that are not expected to be settled within twelve months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Defined contribution superannuation plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit superannuation plans

The amount charged to the income statement in respect of defined benefit superannuation plans represents the contributions made to the superannuation plans in respect of the current services of employees. Superannuation contributions are made to the plans based on the relevant rules of each plan.

(L) PLANT, EQUIPMENT AND MOTOR VEHICLE

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Motor vehicles under finance leases are capitalised at the present value of the minimum lease payments.

Depreciation of plant and equipment is calculated on the straight line basis at rates which allocate their costs over the estimated useful lives of the assets to its estimated residual value. The costs of improvements to leasehold premises is amortised over the remaining period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Depreciation on motor vehicles is calculated on a straight line basis over the term of the lease.

The depreciation rates applied to each of the asset classes are as follows:

- Leasehold improvements, plant and equipment 10%–15%
- Motor vehicles under lease 33%

(M) INTANGIBLE ASSET

Intangible asset represents identifiable non-monetary asset without physical substance.

Costs associated with the acquisition or development of computer software are capitalised and amortised on a straight line basis over the expected useful life of the computer software. The amortisation period for an intangible asset is reviewed annually.

(N) IMPAIRMENT OF ASSETS

Assets are assessed annually for indications of impairment except for financial instrument assets and deferred tax assets. If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off by a charge to the income statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The recoverable amount for assets is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell, where applicable.

(O) LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases are capitalised at fair value or, if lower, at the present value of the minimum lease payments. A lease liability of equal value is also recognised. Lease payments are allocated between the principal component of the lease liability and the interest expense. Finance leases assets are amortised on a straight line basis over the term of the lease.

Operating lease payments are charged as an expense in the income statement on a straight-line basis over the lease term.

(P) DIVIDENDS

In accordance with section 29B of the *Transport Accident Act 1986*, the TAC is required to pay to the Victorian State Government, a dividend as determined by the Treasurer.

An obligation to pay a dividend only arises after a formal determination is made by the Treasurer following consultation between the TAC, the Minister for Finance, WorkCover and the Transport Accident Commission and the Treasurer.

(Q) INCOME TAX

In accordance with section 88 (3D) of the *State Owned Enterprises Act 1992* the TAC is required to pay income tax equivalent under the National Tax Equivalent Regime (NTER).

The income tax expense represents the tax payable on the current year's taxable income based on the prevailing income tax rate adjusted for changes in deferred tax assets and liabilities.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates that are expected to apply when the assets and liabilities are realised or settled, based on tax rates that have been enacted or substantially enacted by reporting date.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are offset as the TAC settles its current tax assets and liabilities on a net basis.

(R) MOTORCYCLE ROAD SAFETY RESERVE

The TAC premiums for certain motorcycle classes include an additional levy collected annually to fund special projects to improve motorcycle road safety in Victoria. These monies are set aside in the Motorcycle Road Safety Reserve specifically set up for this program. The program expenditure is developed by the Victorian Motorcycle Advisory Council (made up of representatives from the State's main road safety agencies, the RACV and motorcyclist interest groups) and administered by VicRoads which seeks reimbursement for expenditure from the TAC.

(S) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of expense. Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO are classified as operating cash flows.

(T) COMMITMENTS

Commitments include operating and capital expenditure commitments arising from non-cancellable contractual sources and are disclosed at their nominal value.

(U) ROUNDING

Amounts have been rounded to the nearest thousand dollars unless otherwise stated.

(V) COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(W) FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the TAC is the Australian dollar, which has also been identified as the presentation currency of the TAC.

2. ACTUARIAL ASSUMPTIONS AND METHODS

The TAC operates the Victorian transport accident compensation scheme which is long tail in nature, meaning that claims are typically settled more than one year after being reported.

Significant estimates and judgements are made by the TAC valuation actuary in respect of certain key asset and liability amounts disclosed in the financial statements. These estimates and judgements are continually being evaluated and are based on historical experience, as well as enhancements to actuarial modelling techniques. The key areas of significant estimates and judgements and the methodologies used to determine key assumptions are set out below.

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not reported to the TAC.

The estimation of outstanding claims liabilities is based largely on the assumption that past developments are an appropriate predictor of the future and involves a variety of actuarial techniques that analyse experience, trends and other relevant factors. The process commences with the actuarial projection of the future claims payments and claims handling costs incurred to reporting date. Each benefit type is usually examined separately.

Actuarial techniques used to analyse and project the various benefit types, include:

- Payments per claim incurred (PPCI)
- Payments per active claim (PPAC)
- Payments per claim settled (PPCS)
- Annuity based individual claim models (ICM)
- Inflation adjusted chain ladder method (CLM)
- Payment per historical settlement (PPHS).

Projected future claims payments and associated claims handling costs are discounted to a present value as required using appropriate risk-free discount rates (i.e. rates set with reference to Commonwealth Government Securities). A projection of future claims payments is undertaken separately of both gross claims payments and recoveries.

This projection is made without bias toward over or under estimation. As such, the resulting estimate is considered to be a net central estimate of outstanding claims liabilities that has an approximately equal chance of proving adequate or inadequate. Where possible and appropriate, multiple actuarial methods will be applied to project future claims payments. This assists in providing a greater understanding of the trends inherent in the past data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method, or even a combination of methods, is selected taking into account the characteristics of each benefit type and the extent of the development of each past accident period.

Large claims impacting each relevant benefit type are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

The final provision is then obtained by examining the results from the above methods and using judgement to combine them in varying proportions according to injury period.

The following assumptions have been made in determining the outstanding claims liabilities.

	30 June 2008	30 June 2007
Average claim frequency (claims per 1000 registrations)	4.04	4.11
Average claim size	\$45,912	\$46,081
Expense rate	13.98%	13.40%
Discount rate	6.20%	6.20%
Short-term inflation (AWE)	4.25%	4.00%
Short-term inflation (CPI)	3.00%	2.50%
Superimposed inflation	1.00%	1.00%
Long-term gap (Discount – AWE)	2.00%	2.50%
Long-term gap (Discount – CPI)	3.50%	3.50%
Average weighted term to settlement from injury date	13.1 years	12.7 years
Risk margin	7.5%	7.5%

PROCESS USED TO DETERMINE ASSUMPTIONS

A description of the processes used to determine these assumptions is provided below:

Average claim frequency

Claim frequency for the current accident year is estimated by projecting the number of claims incurred based on claims already reported and past patterns of claims reporting, and dividing this by the number of vehicle registrations. The claim frequency is not used explicitly in the valuation models but provides a high level indicator of claim experience.

2. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Average claim size

The average claim size takes into account the expected payments for each payment type (e.g. long term care, income, common law), as well as the proportion of total claims which receive each benefit.

Expense rate

Claims handling expenses were estimated by reference to past levels of claims handling costs relative to past payments. Separate assumptions were determined for each division as follows:

- 23.5% of benefits managed by Benefit Delivery
- 12.5% of benefits managed by Community Support
- 11.7% of benefits managed by Lump Sum Compensation.

Discount rate

Discount rates adopted are "risk-free" rates, set by reference to traded Commonwealth Government Securities.

Inflation

Short-term economic inflation assumptions are set by reference to current forecasts by bank and other economists. Long-term (beyond 5 years) economic inflation assumptions are set by assuming a fixed real return.

Superimposed inflation

Superimposed inflation relates to inflation in excess of ordinary economic inflation. It occurs due to non-economic effects such as increases in court settlements and the cost of certain health services increasing at a higher rate than AWE or CPI inflation. An allowance for superimposed inflation was made for various benefits, after considering both the superimposed inflation observed in the portfolio and industry superimposed inflation trends.

Average weighted term to settlement

The average weighted term to settlement is calculated separately by benefit type based on historic settlement patterns. It is an outworking of the models rather than an explicit assumption.

Risk margin

A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the claims liability is adequately provided up to a 75% probability of sufficiency.

SENSITIVITY ANALYSIS – INSURANCE CONTRACTS

The TAC's valuation actuary conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the TAC. The tables below describe how a change in each assumption will affect the scheme liabilities and show how changes in these assumptions impact on profit and equity.

Variable	Impact of movement in variable
Average claim frequency	Claims frequencies are used in determining the level of claims incurred but not reported (IBNR). An increase or decrease in the assumed average frequency levels would have a corresponding impact on claims expense.
Expense rate	An estimate of the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on total claims expense.
Inflation and superimposed inflation rates	Expected future payments are inflated to take account of inflationary increases. In addition to the general economic inflation rate an amount is superimposed to take account of non-economic inflationary factors, such as increases in court awards. An increase or decrease in the assumed levels of either economic or superimposed inflation would have a corresponding impact on claims expense, with particular reference to longer tail benefits.
Average weighted term to settlement	A decrease in the average term to settlement would lead to more claims being paid sooner than anticipated. Expected payment patterns are used in determining the outstanding claims liability. An increase or decrease in the average weighted term would have an opposing impact on claims expense.

2. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Impact of changes in key variables

Variable	Movement	Net profit \$000	Equity \$000
Recognised amounts per the financial statement		(517,121)	772,148
Average claim frequency	+ 1%	(523,304)	765,965
	- 1%	(510,938)	778,332
Expense rate	+ 1%	(550,231)	739,038
	- 1%	(484,010)	805,259
Short-term discount rate	+0.5%	(446,544)	842,725
	-0.5%	(589,561)	699,708
Short-term inflation rate	+0.5%	(591,361)	697,909
	-0.5%	(444,138)	845,131
Average weighted term to settlement	+ 1 year	(421,545)	867,724
	- 1 year	(612,696)	676,573

3. INSURANCE CONTRACTS—RISK MANAGEMENT POLICIES AND PROCEDURES

The financial condition and operation of the TAC is affected by a number of key risks including insurance risk, interest rate risk, credit risk, market risk, liquidity risk, financial risk and operational risk.

In regard to insurance risks, the TAC's policies and procedures in respect of managing these risks are set out in this note.

(A) RISKS ARISING FROM INSURANCE OPERATION AND POLICIES FOR MITIGATING THOSE RISKS

The TAC has an objective to manage insurance risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, performance from insurance operations is significantly affected by market factors external to the TAC as explained in note 4.

The TAC has developed, implemented and maintained a sound and prudent risk management strategy that encompasses all aspects of the TAC's operations including the reinsurance risk retention limits.

The strategy sets out the TAC's policies and procedures, processes and controls in respect of the management of both financial and non-financial risks likely to be faced by the organisation.

Key aspects of the processes established to mitigate risks include:

- The maintenance and use of sophisticated management information systems, which provide reliable and up to date data on the risks to which the business is exposed at any point in time
- Actuarial models, using information derived from the management information systems are used to monitor claims patterns. Past experience and statistical methods are used as part of the process
- Catastrophic accidents are modelled and the TAC's exposures are protected by arranging reinsurance to limit the losses arising from an individual event. The retention and limits are approved by the TAC's Board
- Only reinsurers with credit ratings equal to, or in excess of, a minimum level determined by management are accepted as participants in the TAC's reinsurance treaties
- The investment allocation strategy, established by VFMC in consultation with the TAC, is derived by the matching of assets to the underlying claims liabilities to optimise the returns within the risk management parameters.

(B) TERMS AND CONDITIONS

The terms and conditions of the compulsory accident compensation scheme administered by the TAC are established under the *Transport Accident Act 1986*. The period of indemnity is generally 12 months.

Reinsurance contracts are negotiated and entered into annually to protect the TAC against large losses.

(C) CONCENTRATION OF INSURANCE RISK

The TAC operates the Victorian transport accident compensation scheme. The TAC's exposure to concentration of insurance risks is motor vehicles, trains and trams in metropolitan Melbourne.

3. INSURANCE CONTRACTS—RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)

(D) INTEREST RATE RISK

None of the financial assets or liabilities arising from insurance or reinsurance contracts entered into by the TAC is directly exposed to interest rate risk.

(E) CREDIT RISK

The TAC has no significant concentrations of credit risk. Reinsurers with credit ratings equal to, or in excess of, a minimum level determined by management are accepted as participants in the TAC's reinsurance contracts.

4. EXPLANATION OF VOLATILITY OF FINANCIAL RESULTS

This note provides additional analysis of the loss before income tax of \$754 million (2007: profit \$970 million).

Given the long-term nature of the TAC scheme, the annual operating result for the TAC is significantly affected by market factors external to the organisation. External factors contribute to the difference between actual annual investment returns and the long-term average expected investment returns advised by VFMC and also include changes in claims economic assumptions and changes in legislation impacting the TAC. External factors can cause significant variations in reported results from year to year as illustrated below.

Accordingly for internal management reporting purposes, the TAC monitors and measures its financial performance based on performance from insurance operations excluding the impact of external factors. This approach is considered a more appropriate indicator for measuring financial performance of the TAC scheme and is adopted for reporting to the Victorian State Government.

The impact of external factors on the financial results is explained below.

	2008 \$M	2007 \$M
Performance from insurance operations	398	380
Impact on profit from external factors:		
- Difference between actual investment returns and long-term expected returns ¹	(1,046)	438
- Changes in inflation assumptions and discount rates (refer note 7)	(106)	152
Profit/(loss) before income tax	(754)	970

¹ The TAC investment portfolio recorded a negative return of 6.6% (2007: positive 13.8%) compared to the long-term expected return of 7.5%.

5. ADMINISTRATION COSTS

	2008 \$000	2007 \$000
Staff and related	82,881	65,556
Information technology	15,771	16,071
Occupancy and utilities	7,285	6,152
Other operating costs	26,100	20,776
Total¹	132,037	108,555
Total administration costs include the following:		
Doubtful debts written back (net)	(468)	(608)
Provision for employee entitlements	2,717	2,151
Depreciation and amortisation	4,408	2,826
Operating lease rentals	5,062	4,852
Auditor General's fees ²	191	165
Interest on finance lease	161	118

¹ Includes costs of \$25.69 million (2007: \$9.90 million) associated with the implementation of Geelong relocation program.

² Fees are for audit of the financial report.

6. INVESTMENT INCOME

	2008 \$000	2007 \$000
Dividends	178,164	229,399
Interests	142,546	122,808
Changes in fair values of investments ¹		
- realised income/(loss)	(107,748)	360,359
- unrealised income/(loss)	(676,722)	267,598
Gross investment income/(loss)	(463,760)	980,164
Investment expenses ²	(22,060)	(23,105)
Net investment income/(loss)	(485,820)	957,059

¹ This is the difference between the fair value of the investments as at 1 July or the cost of acquisition (for investments purchased during the period), and net sales proceeds (realised) or their fair value as at 30 June (unrealised).

² Fees paid to Victorian Funds Management Corporation under the Client Funds Management Service Agreement and other sundry professional fees incurred by the TAC in relation to the management of the investment portfolio.

The TAC investment portfolio recorded a negative return of 6.6% for 2007/08, compared to positive 13.8% in the previous year, due principally to unfavourable conditions experienced in the financial markets.

7. CLAIMS INCURRED

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the claims assumptions (e.g. changes in economic assumptions and claims experience) made in all previous financial years and include the effects of discounting caused by the natural reduction in discount, as the claims move one year closer to settlement.

	2008			2007		
	Current year \$000	Prior years \$000	Total \$000	Current year \$000	Prior years \$000	Total \$000
Gross claims incurred						
- Undiscounted	2,264,690	(752,830)	1,511,860	2,158,348	483,952	2,642,300
- Discount movement	(1,381,420)	988,992	(392,428)	(1,269,043)	(561,426)	(1,830,469)
	883,270	236,162	1,119,432	889,305	(77,474)	811,831
Claims recoveries						
- Undiscounted	(11,596)	(16,251)	(27,847)	(11,320)	(16,334)	(27,654)
- Discount movement	4,306	7,414	11,720	4,100	10,731	14,831
	(7,290)	(8,837)	(16,127)	(7,220)	(5,603)	(12,823)
Net claims incurred	875,980	227,325	1,103,305	882,085	(83,077)	799,008

The net claims incurred of \$1,103 million (2007: \$799 million) is impacted by both internal and external factors as noted below:

	2008 \$M	2007 \$M
Claims incurred – internal ¹	997	951
Claims incurred – external ²	106	(152)
Total claims incurred	1,103	799

¹ **Claims incurred** – internal for 2007/08 is \$997 million, which is marginally higher than the claims incurred for the previous year. In a maturing scheme like the TAC scheme, claims incurred – internal would normally be expected to increase by 6% to 7% annually.

² **Claims incurred** – external reflects the financial impact on changes in inflation assumptions and discount rates. In 2007/08, the claims economic impact results in an unfavourable impact of \$106 million on claims liabilities principally due to the negative impact of higher than expected CPI/AWE partially offset by a favourable impact of higher bond yields (discount rates).

8. INCOME TAX

(A) INCOME TAX RECOGNISED IN INCOME STATEMENT

	2008 \$000	2007 \$000
Income tax expense comprises:		
Current tax expense	79,139	281,716
Deferred tax adjustment	(314,501)	(3,408)
Adjustment in respect of prior years	(1,311)	389
Total tax expense/(benefit)	(236,673)	278,697
Deferred tax adjustment comprises:		
Increase in deferred tax assets	(163,627)	(6,664)
Increase/(decrease) in deferred tax liabilities	(150,874)	3,256
	(314,501)	(3,408)

(B) RECONCILIATION BETWEEN NET RESULT BEFORE TAX AND INCOME TAX EXPENSE/(BENEFIT)

	2008 \$000	2007 \$000
Net profit/(loss) before tax	(753,794)	969,701
Tax at the statutory rate of 30% (2007-30%)	(226,138)	290,910
Imputation gross-up on dividends received	4,541	6,317
Franking credits and withholding tax on dividends received	(15,138)	(21,056)
Farrow Group revenue	-	(22)
Sundry items	62	2,548
Income tax expense/(benefit)	(236,673)	278,697

(C) DEFERRED TAX BALANCES

	2008 \$000	2007 \$000
Deferred tax assets comprise:		
Claims handling expense included in outstanding claims	213,219	198,721
Unrealised loss on investments	148,493	-
Provisions and accrued employee entitlements not currently deductible	5,886	5,260
Accruals not currently deductible	43	34
	367,641	204,015
Deferred tax liabilities comprise:		
Unrealised gain on investments	-	166,417
Difference in depreciation of plant and equipment for accounting and income tax purposes	687	1,072
	687	167,489
Net deferred tax assets	366,954	36,526

9. RECEIVABLES

	2008 \$000	2007 \$000
Current		
Premiums receivable ¹	10,913	9,540
Claims GST receivable ²	37,480	33,451
Claims recoveries and other debtors ³	14,219	12,805
Less: Provision for impairment	(3,569)	(3,803)
	10,650	9,002
Total current	59,043	51,993
Non-current		
Claims GST receivable ²	177,743	174,445
Claims recoveries ³	40,035	34,800
Less: Provision for impairment	(122)	(355)
	39,913	34,445
Total non-current	217,656	208,890

¹ Premium receivables are computed based on the proportion of premium collections attributable to periods of insurance prior to the period when the premiums were collected.

² Amounts represent the GST credits which the TAC is entitled to claim on future claims payments. These amounts are actuarially estimated and discounted to present value at balance date.

³ Included within the claims recoveries and other debtors balance is \$48.227 million (2007: \$42.007 million) of actuarially determined recoveries with the remaining \$5.977 million (2007: \$5.598 million) relating to actual receivables from known counterparties which are past due as at the reporting date. The TAC has provided for impairment of these on the basis of past experience. The TAC does not hold any collateral over these balances.

10. INVESTMENTS

The TAC's investment activity is undertaken pursuant to the *Transport Accident Act 1986*, the *Borrowing and Investment Powers Act 1987* and the Treasurer's Prudential Statement.

Under the Centralised Model implemented by the Victorian Government in July 2006, the TAC is responsible for setting its investment objectives whilst the VFMC has responsibility to develop appropriate investment strategies that meet the TAC's investment objectives. The investment strategy that is determined by VFMC is documented in a detailed Investment Risk Management Plan (IRMP) which is approved by the Treasurer.

The administration of the TAC's investment portfolio is managed by VFMC through a Client Funds Management Service Agreement, which includes VFMC's responsibilities and duties as defined in the Treasurer's Prudential Statement. Under this agreement all investments are managed by VFMC through internal management, fund managers and a Master Custodian. The Master Custodian holds the investments and conducts settlements pursuant to instructions from internal management and fund managers. The Department of Treasury and Finance (DTF) ensures that appropriate structures exist to manage investment risk and undertakes the prudential supervision and monitoring of VFMC.

VFMC Board is required to certify to the DTF on a quarterly basis and on an annual basis to the TAC, that the TAC's investment portfolio has been managed in accordance with the accepted IRMP and with the TAC's investment objectives. In addition, VFMC provides monthly investment performance reports to the TAC to enable the TAC to review the actual investment performance against market benchmarks.

10. INVESTMENTS (CONTINUED)

	2008 \$000	2007 \$000
Asset category		
Cash and deposits	618,395	250,991
Debt securities	2,538,033	2,922,964
Australian listed equities	430,432	1,250,748
International listed equities	900,435	1,301,410
Unlisted equities	98,020	69,653
Listed trusts	57,223	435,416
Unlisted trusts	2,021,454	1,677,430
Financial derivatives ¹ – receivables	16,715	22,658
Financial derivatives ¹ – payables	(8,928)	(13,225)
Investment settlements outstanding	42,085	(198,741)
Total	6,713,864	7,719,304
Current	1,094,603	882,595
Non-current	5,619,261	6,836,709
Total	6,713,864	7,719,304

¹ Financial derivative instruments principally consist of foreign exchange contracts, futures, swaps and options. Derivatives are used to enable the TAC to protect the value of its assets against the financial risks inherent in the TAC's investment portfolio.

11. DEFERRED ACQUISITION COSTS

	2008 \$000	2007 \$000
Balance at 1 July	13,138	12,671
Acquisition costs incurred in the year	28,525	26,686
Amount charged to income statement	(27,768)	(26,219)
Balance at 30 June	13,895	13,138

12. OTHER ASSETS

	2008 \$000	2007 \$000
Current		
Prepayments and others	894	948
GST receivable	2,700	3,001
Total current	3,594	3,949

13. PLANT AND EQUIPMENT

	2008 \$000	2007 \$000
Plant and equipment		
At cost	20,020	14,053
Less: Accumulated depreciation	(14,805)	(11,228)
	5,215	2,825
Motor vehicles under lease		
At cost	2,959	2,801
Less: Accumulated depreciation	(747)	(547)
	2,212	2,254
Balance at 30 June	7,427	5,079

Movements in carrying amounts	Plant and equipment	Motor vehicles	Total
	\$000	\$000	\$000
Balance at 1 July 2007	4,223	1,789	6,012
Additions	414	1,113	1,527
Disposals	-	(287)	(287)
Depreciation expense	(1,812)	(361)	(2,173)
Balance at 30 June 2007	2,825	2,254	5,079
Additions	5,967	1,086	7,053
Disposals	-	(623)	(623)
Depreciation expense	(3,577)	(505)	(4,082)
Balance at 30 June 2008	5,215	2,212	7,427

14. INTANGIBLES

	2008 \$000	2007 \$000
Computer software		
At cost	51,995	30,623
Less: Accumulated amortisation	(11,202)	(10,877)
	40,793	19,746
Movements in carrying amounts		
Balance at 1 July	19,746	7,198
Additions	21,372	13,200
Current year amortisation	(325)	(652)
Balance at 30 June	40,793	19,746

15. PAYABLES

	2008 \$000	2007 \$000
Current		
Advance premiums ¹	20,488	18,862
Other creditors and accruals ²	67,560	53,609
Total current	88,048	72,471

¹ Advance premiums represent premiums received for policies commencing after balance date.

² Accruals and creditors represent liabilities for goods and services provided to the TAC, prior to the end of the financial year, which are unpaid. Amounts are normally settled within 30 days and are carried at nominal value which approximates fair value. The TAC has processes in place to ensure that all payables are paid within the credit timeframe.

16. OUTSTANDING CLAIMS

(A) OUTSTANDING CLAIMS LIABILITY

Outstanding claims liability as at 30 June 2008 has been determined by the Directors after appropriate consideration of the actuarial advice provided by an independent actuarial firm, PricewaterhouseCoopers Actuarial Ltd.

	2008 \$000	2007 \$000
Expected future claims payments (undiscounted)	17,249,848	16,783,252
Discount to present value	(12,256,267)	(11,917,736)
	4,993,581	4,865,516
Claims handling expenses	661,145	616,189
	5,654,726	5,481,705
Risk margin	404,342	392,385
Outstanding claims liability	6,059,068	5,874,090
Current	796,178	731,008
Non-current	5,262,890	5,143,082
Outstanding claims liability	6,059,068	5,874,090

(B) RISK MARGIN

The TAC has added a risk margin to the central (best) estimate of the discounted future claims payments to provide for a higher degree of certainty that the liability for outstanding claims, at balance date, will be adequate to cover possible adverse developments.

The overall risk margin was determined allowing for the relative uncertainty of the outstanding claims estimate. Uncertainty was analysed for each benefit type taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the insurance environment, and the impact of legislative reform.

The assumptions regarding uncertainty were applied to the central estimates in order to arrive at an overall provision that allows for a 75% probability of sufficiency in meeting the actual amount of liability to which it relates. The risk margin applied at balance date was 7.50% (2007: 7.50%).

(C) RECONCILIATION OF MOVEMENT IN DISCOUNTED OUTSTANDING CLAIMS LIABILITY

	2008			2007		
	Gross \$000	Recoveries \$000	Net \$000	Gross \$000	Recoveries \$000	Net \$000
Outstanding claims brought forward	5,874,090	(249,903)	5,624,187	5,726,944	(232,375)	5,494,569
Effect of changes in economic assumptions	95,199	(1,250)	93,949	(133,056)	539	(132,517)
Effect of claims experience and modelling	(64,300)	(3,329)	(67,629)	(120,331)	(2,537)	(122,868)
Cost of prior year claims moving one year closer to payment (unwind of discount)	203,414	(2,425)	200,989	183,141	(2,050)	181,091
Increase in claims incurred/recoveries anticipated over the year	885,119	(9,123)	875,996	882,077	(8,776)	873,301
Incurred claims recognised in the income statement	1,119,432	(16,127)	1,103,305	811,831	(12,823)	799,008
Claims payments and recoveries during the year	(941,781)	9,857	(931,924)	(679,260)	9,870	(669,390)
Increase in provision for GST credits	7,327	(7,327)	-	14,575	(14,575)	-
Outstanding claims carried forward	6,059,068	(263,500)	5,795,568	5,874,090	(249,903)	5,624,187

(D) CLAIMS DEVELOPMENT TABLE

The table shows the development of undiscounted outstanding claims relative to the ultimate expected claims for the seven most recent accident years.

Accident year	2002 \$000	2003 \$000	2004 \$000	2005 \$000	2006 \$000	2007 \$000	2008 \$000	Total \$000
Estimate of ultimate claims costs:								
At end of accident year	1,314,412	1,249,826	1,443,864	1,330,042	1,715,906	1,924,878	2,103,279	
One year later	1,178,482	1,310,766	1,198,363	1,605,442	1,674,284	1,896,843	-	
Two years later	1,230,610	1,277,465	1,572,798	1,558,131	1,436,193	-	-	
Three years later	1,131,304	1,351,246	1,777,775	1,499,894	-	-	-	
Four years later	1,154,756	1,546,250	1,787,082	-	-	-	-	
Five years later	1,303,435	1,613,970	-	-	-	-	-	
Six years later	1,305,043	-	-	-	-	-	-	
Current estimate of cumulative claims costs	1,305,043	1,613,970	1,787,082	1,499,894	1,436,193	1,896,843	2,103,279	11,642,304
Cumulative payments	(465,906)	(416,050)	(392,814)	(366,319)	(317,207)	(254,960)	(134,773)	(2,348,029)
Outstanding claims - undiscounted	839,137	1,197,920	1,394,268	1,133,575	1,118,986	1,641,883	1,968,506	9,294,275
Discount								(6,482,064)
2001 and prior claims								2,322,212
Claims handling expenses								661,145
Recoveries and GST credits								263,500
Outstanding claims per balance sheet								6,059,068

17. UNEARNED PREMIUMS

	2008 \$000	2007 \$000
Balance at 1 July	535,824	511,241
Deferral of premium written in the year	567,613	535,824
Earning of premium written in previous year	(535,824)	(511,241)
Balance at 30 June	567,613	535,824

18. PROVISIONS

	2008 \$000	2007 \$000
Current		
Employee benefits ¹	10,619	9,924
Farrow costs	6	8
Total current	10,625	9,932
Non-current		
Employee benefits	1,328	1,652
Leasehold restoration ²	1,753	1,800
Total non-current	3,081	3,452
¹ Annual leave and long service leave entitlements expected to be settled:		
- within 12 months of reporting date	7,520	4,801
- beyond 12 months of reporting date	3,099	5,123
Total	10,619	9,924

²The provision for restoration is for the dismantling, removal and restoration costs estimated to be paid upon vacation of leased premises. The obligation under the lease contract for the fitout to be returned to its original state existed at the time of acquisition.

Movement in provisions	Employee benefits	Leasehold restoration	Total
	\$000	\$000	\$000
Balance at 1 July 2007	11,576	1,800	13,376
Additional provision recognised	1,874	-	1,874
Reduction arising from payments	(2,431)	(47)	(2,478)
Unwind of discount and effect of changes in the discount rate	928	-	928
Balance at 30 June 2008	11,947	1,753	13,700

19. COMMITMENTS

	2008 \$000	2007 \$000
(A) ADMINISTRATIVE EXPENDITURE¹		
Estimated administrative expenditure contracted at balance date, but not provided for:		
- not later than one year	114,772	114,259
- later than one year but not later than five years	292,419	336,603
- later than five years	303,500	350,600
	710,691	801,462
(B) OPERATING LEASES²		
Minimum lease payments:		
- not later than one year	5,482	5,410
- later than one year but not later than five years	6,920	12,390
	12,402	17,800
(C) FINANCE LEASES³		
- not later than one year	1,246	1,224
- later than one year but not later than five years	1,135	1,231
Total minimum lease payments	2,381	2,455
- future finance charges	(159)	(182)
Lease liability	2,222	2,273
- current liability	1,138	1,114
- non-current liability	1,084	1,159
	2,222	2,273

¹ Included in the administrative expenditure is a total amount of about \$640 million (nominal) of commitments by the TAC to provide funding for major road safety infrastructure programs in Victoria over 2008/09 to 2016/17. The programs are aimed at reducing the incidence of serious casualty crashes and road trauma and are expected to result in lower TAC claims costs. In addition, it also includes a total amount of about \$45 million of commitment by the TAC to continue funding of the new Victorian Neurotrauma Initiative to 20011/12.

² Operating leases relate to various offices and storage premises expiring within one to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The TAC does not have an option to purchase the leased asset at the expiry of the lease period.

³ Finance leases relate to motor vehicles with lease terms of up to three years. The TAC does not have an option to purchase the motor vehicles at the expiry of the lease period.

At balance date, there are no material commitments made by the TAC associated with the implementation of the Geelong relocation program.

20. CONTROLLED ENTITIES

The Victorian Neurotrauma Initiative Pty Ltd (VNI) is a controlled entity of the TAC which is wholly owned by the TAC. The VNI is incorporated in Victoria, Australia, and its principal activity is to support and fund research into neurotrauma and its effects. The financial statements of the VNI have not been consolidated in the preparation of the financial report of the TAC as the financial impact of consolidation is considered not material.

In addition, a controlled entity of the TAC, the Victorian Trauma Foundation Pty Ltd, ceased operation during the financial year and was deregistered on 4 March 2008.

21. EMPLOYEE SUPERANNUATION

Superannuation is provided for employees via the following superannuation funds:

	2008 \$000	2007 \$000
Emergency Services Superannuation Scheme—Revised and New Scheme ¹	1,308	1,023
Victorian Superannuation Fund—VicSuper Scheme	4,393	3,625
Private sector complying funds	2,143	1,915
Total	7,844	6,563

¹These schemes are defined benefit superannuation plans.

The TAC does not recognise any defined benefit liability in respect of the Revised and New Scheme under the Emergency Services Superannuation Scheme, as the TAC has no legal or constructive obligation to pay future benefits relating to its employees. The TAC's only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance administers and discloses the State's defined benefit liabilities in its financial report.

The basis of superannuation contributions is based on the relevant rules of each plan. At 30 June 2008, contributions outstanding were \$0.11 million (2007: \$0.08 million).

Employees have the option of contributing exclusively to private sector complying funds or contributing to the Victorian Superannuation Fund or both.

22. KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration of the directors and executive officers, being the key management personnel of the TAC is set out below:

	2008 \$000	2007 \$000
Short-term employee benefits	3,006	2,641
Post-employment benefits	152	124
Other long-term employee benefits	30	44
Termination benefits	157	178
Total	3,345	2,987

(A) REMUNERATION OF RESPONSIBLE PERSONS

	2008 \$000	2007 \$000
Total remuneration received or receivable by responsible persons	822	803
The number of responsible persons of the TAC whose remuneration falls within the following bands:	No.	No.
\$10,000–\$19,999	-	2
\$20,000–\$29,999	-	1
\$30,000–\$39,999	1	-
\$40,000–\$49,999	7	3
\$50,000–\$59,999	-	1
\$80,000–\$89,999	1	1
\$90,000–\$99,999	-	1
\$380,000–\$389,999	-	1
\$390,000–\$399,999	1	-

(B) REMUNERATION OF EXECUTIVE OFFICERS

	2008	2007
	\$000	\$000
Total remuneration received or receivable by all executive officers	2,522	2,184

The number of executive officers of the TAC, excluding the Chief Executive Officer, is shown in the table below. Base remuneration is exclusive of bonus, long service leave and redundancy payments. Executive numbers vary from year to year due to the timing of appointments, resignations, and the composition of the executive officers.

Income band	Base remuneration		Total remuneration	
	2008	2007	2008	2007
	No.	No.	No.	No.
less than \$100,000	1	1	-	-
\$120,000-\$129,999	-	1	-	-
\$130,000-\$139,999	1	-	1	-
\$140,000-\$149,999	-	1	-	-
\$150,000-\$159,999	-	1	-	-
\$170,000-\$179,999	-	-	-	1
\$180,000-\$189,999	1	-	-	1
\$190,000-\$199,999	2	-	-	-
\$200,000-\$209,999	-	-	-	1
\$210,000-\$219,999	-	1	2	1
\$220,000-\$229,999	2	1	-	-
\$230,000-\$239,999	-	-	3	-
\$240,000-\$249,999	-	1	1	-
\$250,000-\$259,999	-	1	-	-
\$260,000-\$269,999	1	-	-	1
\$270,000-\$279,999	1	1	-	2
\$280,000-\$289,999	-	-	-	1
\$290,000-\$299,999	1	-	-	-
\$300,000-\$309,999	-	-	-	1
\$320,000-\$329,999	-	-	1	-
\$330,000-\$339,999	-	-	1	-
\$350,000-\$359,999	-	-	1	-

23. RESPONSIBLE PERSON-RELATED DISCLOSURES

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the responsible persons who held office during the financial year were The Honourable Tim Holding MP, Minister for Finance, WorkCover and the Transport Accident Commission and the following responsible persons:

Mr Paul Barker (Chairman effective 1 September 2007)

Dr Julie Caldecott

Mr Geoff Hilton

Mr James MacKenzie (Chairman up to 31 August 2007)

Mr Paul O'Connor (Chief Executive Officer)

Prof Robert Officer

Mr Victor Pertou

Ms Sonia Petering

Ms Elana Rubin

Ms Maria Wilton

RELATED PARTY TRANSACTIONS

There are no transactions with responsible persons and responsible person-related parties requiring disclosure under the Directions of the Minister for Finance.

OTHER PAYMENTS

The following payments are also noted, although they are not considered to be responsible person related party transactions for the purpose of Ministerial Directions under the *Financial Management Act 1994*.

Mr James MacKenzie was a consultant to Deloitte; entities of the Deloitte Group have provided services to the TAC during the year on normal commercial terms and conditions.

Dr Julie Caldecott is a director of the Royal Children's Hospital which received project funding from the TAC (on behalf of its controlled entities, the Victorian Neurotrauma Initiative and the Victorian Trauma Foundation) during the year on normal commercial terms and conditions.

Prof Robert Officer is a director of the Personal Injury Education Foundation (PIEF), which has provided services to the TAC during the year on normal commercial terms and conditions. In addition, the TAC is a member of PIEF and has paid membership fees to PIEF during the year.

Mr Paul Barker, Mr Geoff Hilton, Mr James MacKenzie and Ms Elana Rubin are directors of the Victorian WorkCover Authority (WorkSafe Victoria), which is entitled to recover from the TAC under the *Accident Compensation Act 1985*, all compensation payable under the WorkCover scheme for injury in a transport accident during the course of work. In addition, the TAC has also made payments to WorkSafe Victoria as reimbursement for external services jointly acquired by the TAC and WorkSafe Victoria, and payments for the provision of services by WorkSafe Victoria to the TAC, on normal commercial terms and conditions.

OTHER TRANSACTIONS

Other related transactions requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

24. NOTES TO THE CASH FLOW STATEMENT

(A) RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash includes cash on hand and at banks and cash equivalent assets. Cash equivalent assets are highly liquid investments with short periods to maturity, which are readily convertible to cash at the option of the TAC. Cash at the end of the financial year, as shown in the cash flow statement, is reconciled to the related items in the balance sheet as follows:

	2008	2007
	\$000	\$000
Cash at bank	33,739	30,454
Cash equivalents (investments)	1,029,178	829,083
Total	1,062,917	859,537

(B) RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULTS

	2008	2007
	\$000	\$000
Net profit/(loss) after tax	(517,121)	691,004
Depreciation and amortisation	4,407	2,826
Realised loss/(gain) on sale of investments	107,748	(360,359)
Unrealised loss/(gain) on investments	676,722	(267,598)
Changes in assets and liabilities		
Increase in outstanding claims	195,179	150,099
Increase in unearned premium reserve	31,789	20,402
Decrease/(increase) in receivables and other assets	4,687	(19,784)
Increase/(decrease) in creditors and provisions	15,846	(363)
Increase in net deferred tax balances	(330,429)	(20,203)
Increase/(decrease) in income tax payable	(214,608)	130,948
Net cash inflow/(outflow) from operating activities	(25,780)	326,972

25. FINANCIAL INSTRUMENTS

The TAC's financial assets and liabilities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. VFMC uses different methods to measure different types of risk to which the TAC's investment portfolio is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and credit rating for credit risk.

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: market interest rates (interest rate risk), foreign exchange (currency risk), and market prices (price risk).

VFMC manages market risk by seeking input from the TAC's actuaries to ensure the investment mix is appropriate to service future liabilities and that projected outcomes are in line with the TAC's overall investment objectives and remain within the risk parameters approved by the Treasurer.

For the sensitivity analysis of each type of market risk, the percentage change used for each of the variables has been determined by the TAC as at 30 June 2008 and 30 June 2007, and is consistent with that used by the Department of Treasury and Finance.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The significant accounting policies (Note 1) describe the policies used to measure and report the assets and liabilities of the TAC. Where the applicable fair value is determined by discounting future cash flows, movements in interest rates will result in a reported unrealised gain or loss in the operating statement.

VFMC manages interest rate risk through an asset allocation strategy for the TAC's investment portfolio, which acts as an economic hedge against the insurance liabilities of the TAC. To the extent that these assets and liabilities can be matched, unrealised gains and losses on remeasurement of liabilities resulting from interest rate movements will be offset by unrealised losses or gains on remeasurement of investment assets.

VFMC uses derivatives to manage the interest rate risk on interest rate sensitive assets. Interest rate swap contracts and forward rate agreements are used to either change the interest rate risk between fixed and floating rates of interest or between different floating rates of interest.

Interest rate swaps

Interest rate swaps allow VFMC to swap floating rate investments into fixed rates and vice versa. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Contracts normally involve quarterly payment or receipt of the net amount of interest. The unrealised loss on the swaps in the portfolio at 30 June 2008 was \$6.78 million (2007: unrealised loss \$8.31 million).

Interest rate options

VFMC may enter into interest rate options to hedge interest rate exposures. The option contracts have repricing terms up to 3 months. As at 30 June 2008, the outstanding option contracts were \$nil (2007: \$nil).

Forward rate agreements

VFMC may enter into forward interest rate agreements with expiry terms out to 12 months to maximise anticipated investment returns. As at 30 June 2008, outstanding agreements were \$nil (2007 \$nil).

A summary of the TAC's exposure to interest rate risk and maturity analysis is as follows:

	Fixed maturity dates						Non interest bearing	Total value
	Variable interest rate	3 months or less	4 to 12 months	1 to 5 years	Over 5 years			
2008	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Financial assets								
Cash and deposits	33,739	-	-	-	-	-	33,739	
Investments:								
-interest rate swaps	(6,775)	-	-	-	-	-	(6,775)	
-other investments	1,950,641	314,687	111,555	469,666	159,036	3,715,054	6,720,639	
Other assets	-	-	-	-	-	5,977	5,977	
	1,977,605	314,687	111,555	469,666	159,036	3,721,031	6,753,580	
Financial liabilities								
Payables	-	-	-	-	-	67,560	67,560	
Other liabilities	-	285	853	1,084	-	6	2,228	
	-	285	853	1,084	-	67,566	69,788	
Net financial assets	1,977,605	314,402	110,702	468,582	159,036	3,653,465	6,683,792	

	Fixed maturity dates					Non interest bearing	Total value
	Variable interest rate	3 months or less	4 to 12 months	1 to 5 years	Over 5 years		
2007	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets							
Cash and deposits	30,454	-	-	-	-	-	30,454
Investments:							
-interest rate swaps	(12,120)	-	-	-	-	-	(12,120)
-other investments	860,631	566,459	203,173	921,901	456,838	4,722,422	7,731,424
Other assets	-	-	-	-	-	5,598	5,598
	878,965	566,459	203,173	921,901	456,838	4,728,020	7,755,356
Financial liabilities							
Payables	-	-	-	-	-	53,609	53,609
Other liabilities	-	278	836	1,159	-	8	2,281
	-	278	836	1,159	-	53,617	55,890
Net financial assets	878,965	566,181	202,337	920,742	456,838	4,674,403	7,699,466

Reconciliation of net financial assets to net assets	2008	2007
	\$000	\$000
Net financial assets as above	6,683,792	7,699,466
Non-financial assets and liabilities:		
Provisions	32,139	(182,143)
Net insurance liabilities	(6,626,681)	(6,405,732)
Net non-financial assets	682,898	310,678
Net assets per balance sheet	772,148	1,422,269

Interest rate sensitivity

A sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 0.5% increase or decrease in interest rates (or discount rates) is used by the TAC's actuaries to present the sensitivities of the actuarial claims liabilities to management to allow them to monitor interest rate risk on liabilities.

At reporting date, if interest rates had moved 0.5% up or down with all other variables held constant, the TAC's net profit and equity would move as follows (all other reserves would remain constant):

	2008	2007
	\$000	\$000
Impact on profit and equity of a 0.5% increase in interest rates:		
-Before impact of interest rate derivatives	(44,482)	(29,716)
-Impact of interest rate derivatives	(9,040)	(22,567)
-After impact of interest rate derivatives	(53,522)	(52,283)
Impact on profit and equity of a 0.5% decrease in interest rates:		
-Before impact of interest rate derivatives	44,511	29,731
-Impact of interest rate derivatives	9,042	22,507
-After impact of interest rate derivatives	53,553	52,238

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The TAC is exposed to foreign exchange risk through its investments which are denominated in foreign currency, and anticipated future transactions.

VFMC limits foreign exchange risk through the use of forward currency contracts where it agrees to sell specified amounts of foreign currencies in the future at a predetermined exchange rate. VFMC's policy, approved under the Investment Risk Management Plan, is to hedge 50% of international equities exposure and 100% of other international asset exposure.

	Investment in foreign currency		Forward contract cover		Net exposure	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
-Australian Dollar	5,305,013	6,259,470	647,247	1,078,308	5,952,260	7,337,778
-United States Dollar	868,201	862,827	(296,331)	(554,086)	571,870	308,741
-British Pound	148,499	102,853	(127,929)	(112,594)	20,570	(9,741)
-Euro Dollar	178,893	230,896	(81,632)	(177,420)	97,261	53,476
-Japanese Yen	72,577	131,961	(70,013)	(106,453)	2,564	25,508
-Other currencies	123,966	108,640	(54,627)	(105,098)	69,339	3,542
Total investments (note 10)					6,713,864	7,719,304

Foreign currency sensitivity

The sensitivity analysis below has been determined based on the exposure to foreign exchange rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

The following table details the TAC's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies with all other variables held constant.

The sensitivity analysis includes foreign currency denominated investments items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	2008 \$000	2007 \$000
Impact on profit and equity of a 10% increase in foreign exchange rates:		
-Before impact of foreign exchange derivatives	(88,591)	(91,457)
-Impact of foreign exchange derivatives	40,125	67,178
-After impact of foreign exchange derivatives	(48,466)	(24,279)
Impact on profit or equity of a 10% decrease in foreign exchange rates:		
-Before impact of foreign exchange derivatives	108,277	111,780
-Impact of foreign exchange derivatives	(49,041)	(82,106)
-After impact of foreign exchange derivatives	59,236	29,674

(c) Other price risk

The TAC is exposed to equity price risk arising from equity investments (both within Australian markets and overseas; refer to note 10). Equity investments are held for strategic rather than trading purposes.

VFMC limits price risk through diversification of the equity investment portfolio.

Equity price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity prices both within Australia and overseas markets at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

The following table details the TAC's sensitivity to a 10% increase and decrease in listed equities market and a 10% increase and decrease in unlisted equities markets in Australia and overseas.

At reporting date, if listed and unlisted equity prices had been 10% higher or lower and all other variables were held constant, the TAC's net profit and equity would move as follows:

	2008	2007
	\$000	\$000
Impact on profit and equity of a 10% increase in equity prices:		
- listed equities	104,322	208,573
- unlisted equities – Australian	125,554	113,430
- unlisted equities – overseas	22,721	5,945
Impact on profit and equity of a 10% decrease in equity prices:		
- listed equities	(104,322)	(208,573)
- unlisted equities – Australian	(125,554)	(113,430)
- unlisted equities – overseas	(22,721)	(5,945)

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the TAC.

VFMC manages credit risk by conducting due diligence on counterparties and will only deal with counterparties of high quality with substantial balance sheets. Agreements also contain provisions for the agreement to be reviewed or rescinded upon the occurrence of specified events relating to counterparty credit and liquidity.

Assessment processes also ensure that well-defined documentation underpins each transaction; that clear rules exist for completing single transactions with a particular counterparty; and that appropriate credit limits exist to accommodate the transaction. Exposure is measured on a multi-tiered basis according to the individual transaction, counterparty total, credit rating total, etc. and is monitored by personnel separated from the dealing function. When conducting over-the-counter derivative transactions, bilateral legal contracts must be signed with the counterparty prior to execution of the transaction.

The establishment of appropriate policies and multi-tiered limits ensures that the TAC maintains a diversified portfolio without any significant concentration of credit risk on an industry, regional or country basis.

The TAC's maximum exposure to credit risk at balance date in relation to each class of financial asset is the carrying amount of those assets as indicated in the balance sheet.

Concentrations of credit risk

VFMC manages credit risk by diversifying the exposure amount counterparties and operating in liquid markets. The TAC does not have any significant concentration of credit risk on an industry, regional or country basis. The investment strategy for the TAC is to ensure a diversified portfolio.

The table below provides information regarding credit risk exposure of the TAC by classifying assets according to VFMC's credit ratings of counterparties:

2008	Investment grade¹	Non- investment grade²	Total
	\$000	\$000	\$000
Financial assets at fair value through P & L			
Bank and cash equivalents	33,739	-	33,739
Cash and deposits	618,395	-	618,395
Debt securities	2,077,504	460,529	2,538,033
Financial derivatives	-	16,715	16,715
Claims recoveries receivables	-	5,977	5,977
Total	2,729,638	483,221	3,212,859
2007			
Financial assets at fair value through P & L			
Bank and cash equivalents	30,454	-	30,454
Cash and deposits	250,991	-	250,991
Debt securities	2,805,755	117,209	2,922,964
Financial derivatives	-	22,658	22,658
Claims recoveries receivables	-	5,598	5,598
Total	3,087,200	145,465	3,232,665

¹ VFMC classifies all assets with Standard and Poor's credit ratings of AAA to BBB- as investment grade.

² These non-investment grade assets include assets that fall outside the range of AAA to BBB- Standard and Poor's credit ratings as well as non-rated assets that are within the risk parameters outlined in the Investment Risk Management Plan.

LIQUIDITY RISK

Liquidity risk arises from the TAC being unable to meet financial obligations as they fall due.

VFMC manages liquidity risks through holding high quality liquid assets in its total investment portfolio, which are readily convertible to cash assets. The TAC is cash flow positive with premium and investment income exceeding claims and administrative cost payments.

The following table summarises the maturity profile of the TAC's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and on the earliest date on which the TAC can be required to pay.

2008	Less than 3 months	4–12 months	1–5 years	+5years	Total
	\$000	\$000	\$000	\$000	\$000
Financial liabilities					
Other creditors and accruals	67,560	-	-	-	67,560
Finance lease liabilities	285	853	1,084	-	2,222
Financial derivatives (net settled)	(853)	16,244	17,157	(23,620)	8,928
Total	66,992	17,097	18,241	(23,620)	78,710
2007					
Financial liabilities					
Other creditors and accruals	53,609	-	-	-	53,609
Finance lease liabilities	279	835	1,159	-	2,273
Financial derivatives (net settled)	115	389	5,223	7,498	13,225
Total	54,003	1,224	6,382	7,498	69,107

The table above includes only the liquidity analysis in relation to contractual (as opposed to statutory) financial liabilities. While the liability for outstanding claims is the most significant liability for which payments will need to be made in the future, these do not meet the definition of a financial liability. The average term to settlement from injury date for claims liabilities is included in note 2 to these financial statements.

CAPITAL MANAGEMENT STRATEGY

Capital maintained by the TAC is an integral part of managing the uncertainties impacting on the value of outstanding claims liabilities and returns from its investment portfolio. Consistent with the outcome of the State Government review, the TAC has adopted a target funding level of 110%, being the midpoint of a target funding level range of 100–120%. It is expected that from time to time the TAC's actual funding ratio will be outside that target funding range. In such circumstances, corrective action may be recommended to transition the actual funding range to the target funding level over time.

The TAC will seek to continually aim towards the target funding ratio of 110% over rolling five-year periods. Where funding ratio fell below 100%, it is expected that dividend payments to Government would cease. Where funding ratio exceeded 120%, "special" dividends may be payable in addition to the ordinary dividend, or other options such as increasing benefits or reducing premiums may be considered.

The TAC's funding ratio is calculated as "net assets less deferred tax asset, divided by the outstanding claims liability". The funding ratio is also adjusted for an allowance for dividend at the benchmark rate to ensure the reported funding ratio is not misleading.

26. SEGMENT INFORMATION

The TAC operates the compulsory third party accident compensation scheme in Victoria.

STATEMENT BY CHAIRMAN, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCE AND ACCOUNTING OFFICER

We certify that the financial report of the Transport Accident Commission has been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the income statement, balance sheet, statement of changes in equity, cash flow statement and notes to and forming part of the financial statements, present fairly the financial transactions for the year ended 30 June 2008 and the financial position of the Transport Accident Commission as at that date.

We are not aware of any circumstances which would render any particulars included in the financial report misleading or inaccurate.

Dated at Melbourne this 27th day of August 2008.



PAUL BARKER
Chairman



PAUL O'CONNOR
Chief Executive Officer



TIM FITZMAURICE
Chief Finance and Accounting Officer

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDIT REPORT

TO THE BOARD MEMBERS, TRANSPORT ACCIDENT COMMISSION

The Financial Report

The accompanying financial report for the year ended 30 June 2008 of the Transport Accident Commission which comprises an income statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the statement by chairman, chief executive officer and chief finance and accounting officer have been audited.

The Board Members' Responsibility for the Financial Report

The Board members of the Transport Accident Commission are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- Establishing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- Selecting and applying appropriate accounting policies
- Making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to internal control relevant to the Commission's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board members, as well as evaluating the overall presentation of the financial report.

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

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Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDIT REPORT (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial statements published in both the annual report and on the website of the Transport Accident Commission for the year ended 30 June 2008. The Board members of the Commission are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named on the previous page. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Transport Accident Commission website.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Audit Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Transport Accident Commission as at 30 June 2008 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
29 August 2008



D.D.R. Pearson
Auditor-General

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Auditing in the Public Interest

SECTION 1 - CORPORATE GOVERNANCE

This statement covers the main corporate governance practices that ensure the TAC is managed to achieve its mission, meet commitments to stakeholders and operate commercially.

BOARD OF MANAGEMENT

The Chairman and the Board are nominated by the Minister and appointed by the Governor in Council. There are presently nine non-executive directors, including the Chairman.

The Board has established clearly defined accountabilities and delegations for the Chief Executive Officer. Policies and procedures cover all aspects of the TAC's activities and are reviewed regularly to ensure the TAC achieves its objectives regarding:

- Compliance with applicable laws and regulations
- Reliability of financial reporting
- Safeguarding of assets
- Effectiveness and efficiency of operations.

DIRECTOR'S ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

Directors are entitled to seek independent professional advice in connection with their duties at the TAC's expense, unless determined otherwise by the Board.

CONFLICT OF INTEREST

If a Director has a direct or indirect pecuniary interest in a matter being considered by the Board, the Director must disclose the nature of the interest. Unless otherwise determined by the Minister or the Board, the Director must not be present during any deliberation of the Board in relation to the matter and must not take part in any decision of the Board.

BOARD COMMITTEES

Remuneration Committee

Members at 30 June 2008: Elana Rubin (Chair), Paul Barker and Julie Caldecot

Role:

- Remuneration Policy – establish and maintain a remuneration policy that meets the strategic goals of the TAC. The Committee will periodically review all policies covering fixed remuneration, incentive remuneration, benefits, terms and conditions.
- Oversee the application of the remuneration policy for senior executives, ensuring the policy is consistent with the Government Sector Executive Remuneration Panel (GSERP) guidelines and policies as established from time to time.
- Annual Remuneration Review – to approve remuneration increases budget and the incentive remuneration budget for the TAC.
- Remuneration Compliance – to ensure that all remuneration policies and practices comply with the law and with TAC and government policy.
- Disclosure – to ensure that appropriate and required disclosure is made of Director and Executive remuneration, in accordance with regulatory requirements and good governance practices.
- Recruitment – to recruit the TAC's Chief Executive Officer.

Audit and Risk Management Committee

Members at 30 June 2008: Geoff Hilton (Chair), Paul Barker, Julie Caldecott and Maria Wilton all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*.

Role:

- Oversee an appropriate risk management framework and consider the effectiveness of the TAC's risk management and internal controls.
- Provide oversight for the issues that potentially impact the TAC's financial reporting process of proposed regulatory, accounting or reporting initiatives.
- Consider the reliability, integrity and completeness of financial information and the financial reporting practices of the TAC presented by management.
- Monitor compliance with relevant laws, regulations and government directives and that accounting policies are in line with the *Financial Management Act 1994*, government guidelines and current Australian Accounting Standards.
- Monitor compliance with the TAC's internal investment policies and procedures, the contractual arrangements with the VFMC and requirements of the Prudential Statement.
- Advise the Finance and Investment Strategies Committee of any matter or internal control weakness that impacts the committee's area of responsibility.
- Review and recommend to the Board approval of the annual plan submitted by internal audit.
- Monitor that the objectivity and independence of internal and external audit is preserved by monitoring employment relationships, financial relationships and the provision of non-audit services and other assessments as deemed necessary.
- Review management responses to internal and external audit reports, actions to correct any noted deficiencies and monitor progress to correct deficiencies.
- Evaluate the overall effectiveness of internal and external audit and recommend appointment and fees for the internal auditors to the Board.

SECTION 1 - CORPORATE GOVERNANCE (CONTINUED)

- Implement the TAC's annual internal audit plan and deal with issues raised by the TAC's auditors (internal and external).
- Initiate and supervise, where appropriate, special reviews.
- Review and monitor the policies (including whistleblowers) for preventing and detecting fraud.
- Annually recommend to the Board an attestation to government that the TAC complies with the Victorian Government Risk Management Framework.

Financial and Investment Strategies Committee

Members at June 30 2008: Elana Rubin (Chair) and Bob Officer

Role:

- Make recommendations (at least annually) to the Board on investment objectives in the context of overall balance sheet risk management and consistent with the capital, pricing and reserving policy set by Government.
- Monitor and make recommendations to the Board regarding balance sheet management issues.
- Make recommendations to the Board regarding amendments to the stock voting policy, and review VFMC reports to ensure voting activity is in accordance with policy.
- Review the performance of the VFMC and other service providers in the context of the investment objective, service level agreements and other appropriate measures.
- Monitor the success of the investment strategy by reviewing fund performance compared to objectives, long-term targets and peer group.

The FISCO will also advise the Board in relation to other matters relevant to the management and performance reporting of the TAC's investment fund and other financial strategies as appropriate.

Marketing and Roads Safety Committee

Members as at June 30 2008: Bob Officer (Chair), Victor Perton and Sonia Petering

Role:

- Review the strategies of the marketing, sponsorship and communications programs, ensuring the strategies are supported by sound business principles.
- Make recommendations to the Board on proposals which are beyond the delegated authority of the Chief Executive Officer.
- Monitor the identification and management of critical reputation and performance risks.

Health Issues Committee

Members at June 30 2008: Julie Caldecott (Chair) and Geoff Hilton

Role:

- Review and challenge health care strategies and related business plans and monitor their progress as required.
- Oversee the potential impact on the agencies' financial positions of proposed health care initiatives, including fee setting and initiatives to influence service usage.
- Monitor purchasing approaches, relationships and interactions with the health care sector to ensure strong relationships with the external health care environment and to establish appropriate formal agreements where required.
- Monitor developments and trends in the health care sector to ensure that viability and service delivery risks and opportunities are appropriately identified and that appropriate strategies are in place to mitigate risks.
- Ensure health care strategies and initiatives are directed toward achieving improved health, employment and social outcomes for clients and stakeholders.
- Monitor health care performance measures ensuring reasonableness of cost of care and quality of service delivery and outcomes.
- Monitor the performance of the agencies' clinical panels and any other similar panels established to assess the efficiency and value of clinical services provided by the agencies to clients, injured workers and stakeholders.
- Review and make recommendation on health care related research guidelines and priorities to the agencies, ensuring that they meet the agencies' objectives.
- Monitor research strategies and ensure that these are addressing the Board's objectives and measures, including return on investment.
- Examine any other health related issues referred by the Board.

PRUDENTIAL STATEMENT

The Board is required to submit an annual certification to the Victorian Treasurer that certifies:

- The appropriateness of the TAC's investment objectives
- The communication of the investment objectives to VFMC
- Compliance with the Prudential Statement – Victorian Public Sector Investments.

To this end the Board obtains appropriate comfort statements from TAC management, and the VFMC Board.

SECTION 1 - CORPORATE GOVERNANCE (CONTINUED)

RISK MANAGEMENT

The TAC has in place a risk management framework to ensure that the appropriate procedures are in place for the effective identification, quantification and management of risks.

The risk management framework details the roles of the Board and its Committees, the internal auditor and management. The Board is responsible for setting the risk priorities which are the major focus of the internal plan. The Audit and Risk Management Committee oversees the risk management framework and is responsible for ensuring the effectiveness and implementation of control strategies and operational practices.

Compliance with the Victorian Government Risk Management Framework

Standing Direction 4.5.5 of the *Financial Management Act 1994* requires public sector agencies to provide an annual attestation of compliance with the risk management process requirements set out in the Victorian Government Risk Management Framework.

The Audit and Risk Management Committee of the Transport Accident Commission has considered the Statement by the Chief Executive Officer on compliance with the Victorian Government Risk Management Framework, the Executive Team internal attestation process and independent assessments from Internal Audit and the Victorian Managed Insurance Authority.

On this basis, I certify on behalf of the Board of the Transport Accident Commission that the Transport Accident Commission:

- has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard: AS/NZ 4360;
- has an internal control system in place that enables the executive to understand, manage and satisfactorily control risk exposures; and
- Audit and Risk Management Committee and the Executive Team have critically reviewed the risk profile during the period 1 July 2007 to 30 June 2008.



PAUL BARKER

Chairman
Transport Accident Commission
27 August 2008

SHARED VALUES AND GUIDING PRINCIPLES

Integrity

We will be open, honest and reliable in everything that we do, achieving and maintaining the highest levels of professional service to our stakeholders and each other.

Unity of purpose

We will work together to achieve our vision and mission. We will share experiences, knowledge and ideas to foster greater communication, interaction and cohesiveness within the organisation.

Dignity and respect

We will treat all people, inside and outside the organisation, with dignity and respect.

Innovation

We recognise the role innovation can play in the achieving the organisation's vision. We will foster a culture that encourages employees to maximise their potential.

Accountability and responsibility

We will support and encourage employees to be responsible and accountable, and to make decisions within the scope of their role.

SECTION 2 – COMPLIANCE

This section includes the disclosures required by the *Financial Management Act 1994* and the *Transport Accident Act 1986*.

INCORPORATION AND MINISTERIAL RESPONSIBILITY

The TAC is a body corporate established under Section 10 of the *Transport Accident Act 1986* (the Act) (No. 111 of 1986, reprint No. 11 dated 17 April 2008). The Act sets out the objectives, functions and powers of the TAC.

The Minister for Finance, WorkCover and the TAC is the Minister administering the *Transport Accident Act 1986*.

MINISTERIAL DIRECTIONS

There were no Ministerial Directions given by the Minister for Finance, WorkCover and the TAC in the period 1 July 2007 to 30 June 2008.

THE TAC'S OBJECTIVES, FUNCTIONS, POWERS AND ACCOUNTABILITY

Sections 11, 12, 13 and 14 of the *Transport Accident Act 1986* set out the objectives, functions, powers and accountability of the TAC.

Objectives of the Commission (section 11)

- To manage the transport accident compensation scheme as effectively, efficiently and economically as possible
- To ensure that appropriate compensation is delivered in the most socially and economically appropriate manner and as expeditiously as possible
- To ensure that the transport accident scheme emphasises accident prevention and effective rehabilitation
- To develop internal management structures and procedures that will enable it to perform its functions and exercise its powers effectively, efficiently and economically
- To manage claims under the *Accident Compensation Act 1985* as an authorised agent of the Victorian WorkCover Authority as effectively, efficiently and economically as possible
- If appointed as an agent of a self-insurer under S.143A of the *Accident Compensation Act 1985*, to carry out the functions and powers of a self-insurer as effectively, efficiently and economically as possible.

Functions of the Commission (section 12)

- To administer the Transport Accident Fund
- To receive and assess, and accept or reject, claims for compensation
- To defend proceedings relating to claims for compensation
- To pay compensation to persons entitled to compensation
- To determine transport accident charges
- To collect and recover transport accident charges
- To provide advice in relation to the transport accident scheme
- To provide funds for the program designed to secure the early and effective medical and vocational rehabilitation of persons injured as a result of transport accidents and for other rehabilitation programs for persons injured in transport accidents
- To collect and assess data and statistics in relation to transport accidents
- To provide advice to the Minister in relation to matters specifically referred to the Commission by the Minister and generally in relation to the administration of this Act and the compensation scheme under this Act
- To commercially exploit knowledge and expertise in compensation schemes and scheme administration
- To act as an authorised agent under section 23 of the *Accident Compensation Act 1985*
- If appointed, to act as an agent of a self-insurer under section 143A of the *Accident Compensation Act 1985*
- To carry out such other functions conferred on the Commission by this or any other Act
- To promote the prevention of transport accidents and safety in use of transport
- To promote, so far as possible, a program designed to secure the early and effective medical and vocational rehabilitation of people injured as a result of transport accidents to whom or on behalf of whom the Commission is or may become liable to make any payment under the Act.

Powers of the Commission (section 13)

- To do all things that are necessary or convenient to be done for, or in connection with, the performance of its functions and to enable it to achieve its objectives
- To enter into agreements or arrangements and settle or compromise differences or disputes with other persons
- To do all things necessary to be done in connection with the management of its interest in the assigned debt within the meaning of Part 2A of the Act, which deals with the assigned debts of the Pyramid Building Society, Countrywide Building Society and the Geelong Building Society
- To exercise other powers in relation to the assigned debt of the building societies on behalf of the Treasurer
- To apply for, obtain and hold intellectual property rights (including patents, copyrights, trade marks and registered designs)
- To enter into agreements or arrangements for the commercial exploitation within or outside Victoria of intellectual property rights and ancillary services on any terms or conditions as to royalties, lump sum payments or otherwise as the Commission may see fit
- To enter into agreements or arrangements within or outside Victoria for the provision by the Commission of administration, management or information systems or services
- To do all things necessary or convenient to be done in connection with acting as an authorised agent of the Victorian WorkCover Authority under section 23 of the *Accident Compensation Act 1985* and as an agent of a self-insurer under section 143A of that Act.

SECTION 2 – COMPLIANCE (CONTINUED)

Accountability of the Commission (section 14)

The Commission must perform its functions and exercise its powers subject to the general direction and control of the Minister and in accordance with any specific written directions given by the Minister in relation to a matter or class of matters specified in the directions.

LEGISLATION

The following legislative changes have occurred in the period from 1 July 2007 to 30 June 2008.

Transport Accident and Accident Compensation Acts Amendment Act 2008 No.60/2007

The *Transport Accident and Accident Compensation Acts Amendment Act 2008* came into operation on 28 November 2007. The Act made a number of amendments to the *Transport Accident Act 1986* (the Act) as follows:

- With effect from 19 September 2007 it was confirmed that assessments of loss of earnings under the Act do not include any allowance for employer superannuation contributions
- With effect from 19 September it was confirmed that assessments of impairment under the Act must take into account the effects of any medical or surgical treatment undergone in respect of the injury
- From 28 November 2007 a number of improvements to the benefits under the Act were implemented
 - funding of substitute care for up to 12 weeks in circumstances where the person injured in an accident was the primary carer for a disabled or elderly family member;
 - an increase in the cap on the amount of family counselling available to the family of a person who dies or is severely injured in a transport accident up to \$5000;
 - clarification of provisions relating to the payment of the medical excess to ensure that where multiple members of a family are involved in the same transport accident only one excess is payable;
 - the capping of claimant contributions towards the cost of supported accommodation to ensure that the daily living expenses of claimants in supported accommodation remains affordable;
 - access to income benefits in circumstances where a person with a severe injury who has returned to work is unable to continue with their employment;
 - the payment of travel expenses for clients who would otherwise be unable to travel to and from school because of their transport accident injuries; and
 - the funding of the cost of repair or replacement of mobility aides, such as wheelchairs and disability scooters that are damaged in a transport accident.

SUBORDINATE LEGISLATION

Regulations

No regulations were made under the *Transport Accident Act 1986* in the 2007/08 financial year.

Orders in Council

The orders in Council made during 2007/08 were:

- The Transport Accident Charges Order (No.1) 2008 (Gazette 22 May 2008 page 1128). This order fixed the transport accident charges to apply during the 2008/09 financial year. The order increased the transport accident charges for vehicles in all classes by the CPI.
- Declaration that the TAC Medical Excess not be indexed in the financial year commencing 1 July 2008 (Gazette 19 June 2008 page 1375). This order provided that the TAC medical excess not be indexed on 1 July 2008 as provided by the *Transport Accident Act 1986*.

NATIONAL COMPETITION POLICY

Review of Legislative Restrictions

In accordance with its National Competition Policy commitments, the Government commissioned a review of Victoria's transport accident compensation legislation in September 2000. The review identified three main restrictions on competition: the compulsory nature of scheme; the TAC as a legislated monopoly; and centralised premium setting. To address centralised premium setting, the Minister for Finance, WorkCover and the TAC now has discretion to request the Essential Services Commission to provide an independent review of the TAC's proposed premium each year.

Competitive Neutrality

Under Competitive Neutrality policy, the TAC is listed as a significant business enterprise. In accordance with this policy, the TAC pays the full suite of Commonwealth and State taxes or tax equivalents. The TAC is not a net borrower in its own right and therefore is not subject to the Financial Accommodation Levy.

VICTORIAN INDUSTRY PARTICIPATION POLICY (VIPP)

During 2007/08, the TAC did not commence or complete contracts to which the *Victorian Industry Participation Policy Act 2003* applied.

CONSULTANTS

During 2007/08, there were no consultants engaged where the cost of each individual engagement was in excess of \$100,000.

However, there were seven consultancies engaged during the financial year at a total cost of \$0.18 million. Total approved project fees and expenditure for 2007/08 exclude GST.

SECTION 2 – COMPLIANCE (CONTINUED)

BUILDING ACT 1993

The TAC's policy with respect to new building works, and alterations to existing buildings, is to comply with the *Building Act 1993* as though the TAC were not exempt from compliance as a public authority (this is provided for in section 217 (3) of the *Building Act 1993*). Some premises occupied by the TAC may have been constructed or altered under exemptions for public bodies which applied at the time. The TAC is unaware of any material non-compliance with the current building standards for buildings of their nature and age.

WHISTLEBLOWERS PROTECTION ACT 2001

The TAC encourages the reporting of known or suspected incidences of improper conduct or detrimental actions. Procedures have been established to facilitate disclosures of improper conduct by the TAC and its employees and to ensure that any matters disclosed are properly investigated and dealt with. The procedures provide for the protection from reprisals of persons making disclosures. Included in the procedures are the disclosure mechanisms, confidentiality provisions and the roles and responsibilities of the designated protected disclosure coordinator, the protected disclosure officers, investigators and welfare managers.

During 2007/08 there were no disclosures or investigations of improper conduct or detrimental actions made to the TAC by staff or any referred to the TAC by the Ombudsman or other persons.

ENVIRONMENTAL PERFORMANCE

The TAC has a Green Office policy focussed on protecting the environment and supporting sustainable outcomes.

During the year the TAC continued a number of environmentally sustainable initiatives, supported by an environmental committee, to reduce waste and improve resource efficiency. Initiatives include:

- Working towards achieving a 4.5 star energy efficiency rated headquarters in Geelong
- Development of an environmental sustainability reporting system consistent with the Department of Sustainability and Environment and government policy through Resource Smart
- Established an environmental steering committee to implement 'green initiatives' across the organisation
- Recycling – continued emphasis on separation of kitchen waste and office paper recycling
- Paper – recycled office paper in use across the entire organisation, plans in place to use exclusively by July 2009.

MISCELLANEOUS DISCLOSURE

To the extent applicable, the information required under Financial Reporting Direction 22 issued by the Minister for Finance under Section 8 of the *Financial Management Act 1994* has been prepared and is available on request.

SCHEME NOTES

Service of documents

Section 130 of the *Transport Accident Act 1986* sets out the method of service of documents on the TAC, namely, by personally serving an authorised officer at the TAC's Melbourne office. People wishing to effect service should attend the TAC's Customer Service Centre, Level 7, 222 Exhibition Street, Melbourne, and ask for an authorised officer to accept service (From January 2009 this service will be located at 60 Brougham Street, Geelong).

Alternatively, an authorised officer of the TAC will give a written acknowledgment of service of process directed as follows:

Chief Claims Officer
GPO Box 2751Y
MELBOURNE 3001
Ausdoc: DX 28 Melbourne

Please note that this is a voluntary process and that proof of posting is not proof of service. If an acknowledgment letter is not received within 10 days after sending process by mail, personal service should be attempted under section 130.

ACCESS TO INFORMATION

Freedom of Information

The TAC officers responsible for receipt and initial action on requests made under the *Freedom of Information Act 1982* are Mr Richard Pang, Ms Justine Adams and Ms Audrey Davidson.

The TAC possesses paper-based, microfiche and electronic documents with respect to claims administration, and general administrative, financial and investment functions.

During 2007/08:

- The TAC received 668 Freedom of Information (FOI) requests for access to documents, compared with 723 during 2006/07, a decrease of 8%. Most requests related to anticipated or current common law proceedings
- There were no requests for amendment to personal records
- There were no notices received specifying that a document was not included in a published statement of documents available from or in the possession of the TAC.

SECTION 2 – COMPLIANCE (CONTINUED)

Routine documentation may be released without making a formal FOI request. Potential applicants should therefore first request release of such documentation from the relevant staff member.

Should a formal FOI request be required, a request must be submitted in writing detailing the documents sought, as well as enclosing the statutory \$22.70 application fee, preferably in the form of a cheque payable to "Transport Accident Commission".

The statutory application fee of \$22.70 is applicable for the period 1 July 2008 to 30 June 2009 in accordance with the *Monetary Units Act 2004*.

The fee will be waived for applicants seeking personal information who provide a copy of their current valid health care card or pensioner concession card.

There is no application fee for a request for amendment to personal records.

The TAC is an agency subject to the *Freedom of Information Act 1982*, and is therefore not subject to the direct access provisions of the *Information Privacy Act 2000* and the *Health Records Act 2001*.

Further information about FOI is available from the TAC's website: www.foi.tac.vic.gov.au and the Victorian Government's FOI Online website: www.foi.vic.gov.au

Contact details for the TAC's FOI section are as follows:

Freedom of Information Officer
Transport Accident Commission
GPO Box 2751
MELBOURNE VIC 3001
Phone: (03) 9664 6527
Fax: (03) 9656 9360
Email: foi@tac.vic.gov.au

Medical reports for common law purposes

To facilitate clients in receiving legal advice, the TAC will, on request or as part of its agreed protocols, provide copies of medical reports commissioned by the TAC, independently of its normal FOI access arrangements.

Requests for access to medical reports should be directed to the relevant TAC claims officer or, where the reports relate to impairment assessments, to the relevant impairment officer. There is no fee for access to documents under this policy.

Subpoenas

All subpoenas should be addressed to 'The Authorised Person' and must be personally served on an authorised officer at the TAC's Customer Service Centre, Level 7, 222 Exhibition Street, Melbourne. The TAC prefers to have a minimum of 14 days notice prior to the return date of the subpoena.

SECTION 2 – COMPLIANCE (CONTINUED)

PUBLICATIONS

The TAC produces and makes available the following publications:

Description	Mode of access
A better approach to lifetime support	Copy
About lifetime support	Copy
About the TAC	Copy/Internet
A career at the TAC	Copy
Annual Transport Accident charges including GST and duty	Copy
At home with the family	Copy
Checklist of services available as part of vocational programs	Copy
Choosing an Attendant Care Agency (information sheet)	Copy
Choosing a residential care service	Copy
Clinical framework for the delivery of health services	Copy
Clinical justification flow chart	Copy
Community Group Programs (information sheet)	Copy
Community services for families (information sheet)	Copy
Community services (information sheet)	Copy
Course of employment transport accident notes	Copy
Daily Support (information sheet)	Copy
Drive Smart 2 (brochure)	Copy
Drive Smart 2 CD-ROM (available to learner drivers)	CD
Empower	Copy/Internet
GST compliance	Copy
HELP pack	Copy
If you need further treatment (information sheet)	Copy
Information for people with Major Injuries (Booklets 1 – 4)	Copy
Information on TAC medical examinations (information sheet)	Copy
Integration support billing information	Copy
Loss of earnings capacity (information sheet)	Copy
Make sure you're right to drive: how to reduce the risk for yourself and others on the road	Copy
Muck Up Day Video and Curriculum advice booklet	Copy
Occupational physicians - helping you get back to work	Copy/Internet
Occupational physiotherapists - helping you recover and get back to work	Copy/Internet
Occupational physiotherapists list - metro	Copy/Internet
Occupational physiotherapists list - regional	Copy/Internet
Pharmacy expenses	Copy
Physiotherapy (fees)	Copy/Internet
Post-hospital support (information sheet)	Copy
Preparing to go home - hospital discharge checklist	Copy
Prosthetic and orthotics (fees)	Copy/Internet
Public Key Infrastructure Hospital staff	Copy
Returning to work - information for employers	Copy
Returning to work (information sheet)	Copy
Residential care (information sheet)	Copy
Ride Smart CD-ROM (available to learner motorcyclists)	Copy
Road Safety Reports (monthly summary)	Internet
Safe Driving Policy	Copy
Save your skin. Don't hit the road without full protective gear	Copy
Self-purchasing your TAC services (information sheet)	Copy

SECTION 2 – COMPLIANCE (continued)

PUBLICATIONS (continued)

Description	Mode of access
TAC Annual Reports	Copy/Internet
TAC allied health billing standards	Copy
TAC benefits for self-employed people	Copy
TAC billing requirements	Copy
TAC billing requirements for home, domestic and housekeeping services	Copy
TAC Business Plan (2006–2009)	Copy
TAC Dependency Benefits – a guide for funeral directors	Copy
TAC domestic services	Copy
TAC equipment suppliers billing standards	Copy
TAC Enterprise Agreement 2005–2008	Copy
TAC home modifications	Copy
TAC home services	Copy
TAC hospital services billing standards	Copy
TAC housekeeping	Copy
TAC income support	Copy
TAC information for employers (information sheet)	Copy
TAC information for people with soft tissue injuries	Copy
TAC impairment benefits	Copy
TAC impairment examination (information sheet)	Copy
TAC medical billing standards	Copy
TAC post-acute support services	Copy
TAC prosthetics and orthotics billing standards	Copy
TAC Research Charter	Copy
TAC Statement of Corporate Intent (2006–2009)	Copy/Internet
TAC support when a person dies	Copy
TAC vehicle modifications	Copy
The TAC's complaints process	Copy
The Transport Accident Commission – the benefits of the TAC model for proposed injury insurance	Copy
Therapy Support (information sheet)	Copy
Using modified vehicles – cost exemptions	Copy
VCE Legal Studies Resources Kit	Copy
VCE Media Resource Kit	Copy
Victorian Trauma Foundation (information kit)	Copy/Internet
Working Together	Copy
Your Feedback	Copy
Your Privacy and the TAC	Copy
Your TAC case manager	Copy
Your Voice newsletter	Copy
120 hours. Make it your goal	Copy
4th Edition Impairment Examinations Information Manual	Copy

Research information

Requests for information for research purposes should be directed in the first instance to the Senior Manager, Claims Research – Mr David Attwood (david_attwood@tac.vic.gov.au). The request must be in writing, setting out:

- the research purposes for which the information will be used
- a definition of the data requested.

SECTION 2 – COMPLIANCE (continued)

Access to information on the internet

The TAC's corporate website (www.tac.vic.gov.au) includes information about the TAC, its claim policies, fees and benefit entitlement information for the public, clients, providers and key stakeholder groups. Information about road safety initiatives, statistics, promotions, and advice for drivers is available on the TAC's road safety website (www.tacsafety.com.au). The TAC also offers drivers information about vehicle crash test results on the How Safe Is Your Car website (www.howsafeisyourcar.com.au).

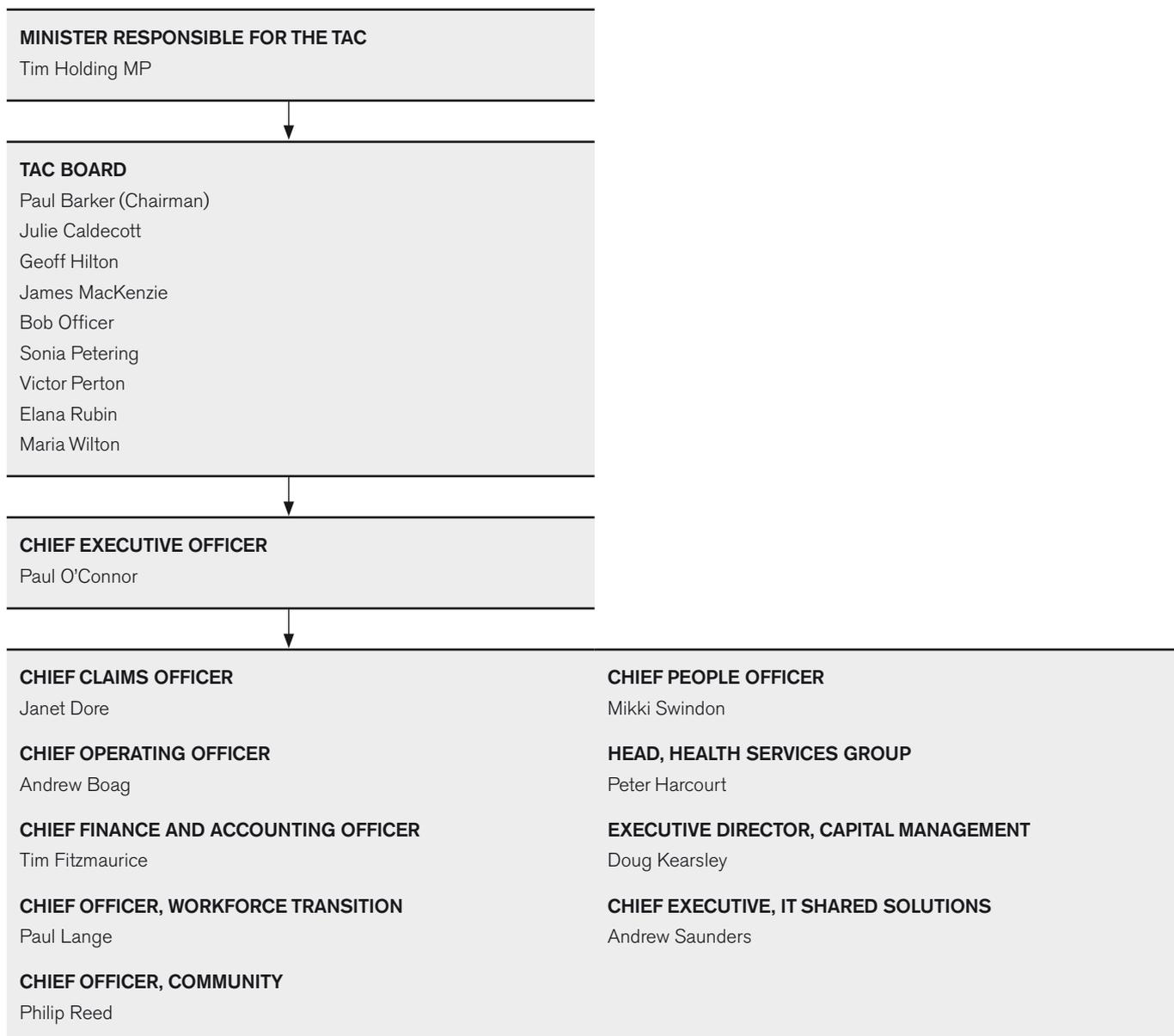
APPLICATION OF MERIT AND WORKPLACE EQUITY PRINCIPLES

The TAC strongly believes that all people have the right to work in an environment free of discrimination and harassment. It is the objective of the TAC's Workplace Equity program to ensure that there shall be no discrimination or harassment relating to race, colour, sex, sexual preference, age, physical or mental disability, marital status, family responsibilities, pregnancy or potential pregnancy, religion, political opinion, national extraction, social origin, trade union association or non-association. The TAC regularly undertakes Equal Employment Opportunity training as part of its obligation and commitment to a workplace free of harassment and discrimination. The TAC's objective is to have a workplace free of these issues. To do this, managers must continually show leadership in order to develop and maintain a culture where these sorts of behaviours are unacceptable.

WORKFORCE DATA

	2008	2007
TAC	794	749
Average age	37	37

TAC ORGANISATIONAL STRUCTURE (as at publication date)



COMPLIANCE INDEX TO DISCLOSURE REQUIREMENTS 2007/08

DISCLOSURE INDEX

The Annual Report of the TAC is prepared in accordance with all relevant Victorian legislations. This index has been prepared to facilitate identification of the TAC's compliance with statutory disclosure requirements.

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*Throughout