

# **FINANCIAL REPORT**

**2006/2007**

<b>Income Statement</b>		<b>2007</b>	<b>2006</b>
<b>For the year ended 30 June 2007</b>	<b>Note</b>	<b>\$000</b>	<b>\$000</b>
Premium revenue		1,072,497	1,022,937
Reinsurance premium expense		(1,884)	(2,017)
<b>Net premium revenue</b>		<b>1,070,613</b>	<b>1,020,920</b>
Gross claims incurred	7	(811,831)	(908,429)
Claims recoveries revenue	7	12,823	(6,111)
<b>Net claims incurred</b>		<b>(799,008)</b>	<b>(914,540)</b>
Administration costs	5	(108,555)	(98,141)
Marketing and road safety expenditure		(30,059)	(25,938)
Safer road infrastructure expenditure		(89,717)	(66,537)
Trauma projects expenditure		(4,413)	(4,309)
Premium collection fees	11	(26,219)	(23,090)
<b>Underwriting expenses</b>		<b>(258,963)</b>	<b>(218,015)</b>
<b>Underwriting profit/(loss)</b>		<b>12,642</b>	<b>(111,635)</b>
Investment income	6	980,164	964,764
Investment expenses	6	(23,105)	(21,673)
<b>Profit before income tax</b>		<b>969,701</b>	<b>831,456</b>
Income tax expense	8(a)	(278,697)	(227,258)
<b>Net profit</b>		<b>691,004</b>	<b>604,198</b>

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

<b>Balance Sheet</b>		<b>2007</b>	<b>2006</b>
<b>As at 30 June 2007</b>	<b>Note</b>	<b>\$000</b>	<b>\$000</b>
<b>Current assets</b>			
Cash and cash equivalents	23	30,454	24,641
Receivables	9	51,993	45,587
Investments	10	911,637	1,008,946
Deferred acquisition costs	11	13,138	12,671
Other assets	12	3,949	4,912
<b>Total current assets</b>		<b>1,011,171</b>	<b>1,096,757</b>
<b>Non-current assets</b>			
Receivables	9	208,890	196,550
Investments	10	6,807,667	6,076,311
Plant and equipment	13	5,079	6,012
Intangibles	14	19,746	7,198
Deferred tax assets	8(c)	36,526	16,323
<b>Total non-current assets</b>		<b>7,077,908</b>	<b>6,302,394</b>
<b>Total assets</b>		<b>8,089,079</b>	<b>7,399,151</b>
<b>Current liabilities</b>			
Outstanding claims	16	731,008	680,280
Unearned premiums	17	531,642	511,241
Payables	15	76,653	75,414
Tax liabilities		168,768	37,819
Provisions	18	9,932	9,683
Lease liabilities	19(c)	1,114	795
<b>Total current liabilities</b>		<b>1,519,117</b>	<b>1,315,232</b>
<b>Non-current liabilities</b>			
Outstanding claims	16	5,143,082	5,046,664
Provisions	18	3,452	2,989
Lease liabilities	19(c)	1,159	1,001
<b>Total non-current liabilities</b>		<b>5,147,693</b>	<b>5,050,654</b>
<b>Total liabilities</b>		<b>6,666,810</b>	<b>6,365,886</b>
<b>Net assets</b>		<b>1,422,269</b>	<b>1,033,265</b>
<b>Equity</b>			
Reserves	1(r)	9,526	8,214
Accumulated surplus		1,412,743	1,025,051
<b>Total equity</b>		<b>1,422,269</b>	<b>1,033,265</b>

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

<b>Statement of Changes in Equity For the year ended 30 June 2007</b>	<b>Motorcycle Road Safety Reserve \$000</b>	<b>Accumulated surplus \$000</b>	<b>Contributed capital \$000</b>	<b>Total \$000</b>
<b>At 30 June 2005</b>	<b>6,300</b>	<b>1,384,946</b>	–	<b>1,391,246</b>
Adjustment on first time adoption of A-IFRS	–	(130,179)	–	(130,179)
Restated total equity at the beginning of the year	6,300	1,254,767	–	1,261,067
Net profit for the year	–	604,198	–	604,198
Total recognised income and expense for the year	6,300	1,858,965	–	1,865,265
Transfer to Motorcycle Road Safety Reserve	–	(4,341)	–	(4,341)
Transfer from Motorcycle Road Safety Reserve	–	2,427	–	2,427
Transfer to accumulated surplus	(2,427)	–	–	(2,427)
Transfer from accumulated surplus	4,341	–	–	4,341
Conversion of accumulated surplus into contributed capital	–	(600,000)	600,000	–
Repayment of contributed capital	–	–	(600,000)	(600,000)
Dividend paid for 2004/05 year	–	(232,000)	–	(232,000)
<b>At 30 June 2006</b>	<b>8,214</b>	<b>1,025,051</b>	–	<b>1,033,265</b>
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)
<b>At 30 June 2007</b>	<b>9,526</b>	<b>1,412,743</b>	–	<b>1,422,269</b>

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

<b>Cash Flow Statement</b>		<b>2007</b>	<b>2006</b>
<b>For the year ended 30 June 2007</b>	<b>Note</b>	<b>\$000</b>	<b>\$000</b>
<b>Cash flows from operating activities</b>			
Premiums received		1,198,970	1,147,886
Dividends received		228,768	187,746
Interest received		121,955	130,643
Claims paid		(718,785)	(684,244)
Claims recoveries received		9,424	9,021
Payments to suppliers and employees		(175,626)	(149,839)
Payments for marketing and road safety projects		(30,285)	(25,837)
Payments for trauma projects and safer road infrastructure expenditure		(90,156)	(74,176)
Goods and services tax paid		(49,342)	(46,405)
Income tax equivalent paid		(167,951)	(192,617)
<b>Net cash inflow from operating activities</b>	<b>23(b)</b>	<b>326,972</b>	<b>302,178</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(7,178,694)	(9,283,982)
Sale of investments		7,321,467	9,848,954
Purchase of plant and equipment		(1,109)	(3,031)
Expenditure on intangibles		(13,200)	(6,613)
<b>Net cash inflow from investing activities</b>		<b>128,464</b>	<b>555,328</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(302,000)	(232,000)
Repayment of contributed capital		-	(600,000)
Farrow Group liquidation receipts/(expense)		(241)	849
<b>Net cash outflow from financing activities</b>		<b>(302,241)</b>	<b>(831,151)</b>
<b>Net increase in cash and cash equivalents</b>		<b>153,195</b>	<b>26,355</b>
Cash and cash equivalents at the beginning of the year		708,534	683,253
Effects of exchange rate changes on cash held in foreign currencies		(2,192)	(1,074)
<b>Cash and cash equivalents at end of the year</b>	<b>23(a)</b>	<b>859,537</b>	<b>708,534</b>

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).

The financial report was authorised for issue by the directors on 3 September 2007.

### 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:

	Title	Operative date
2005-10	Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038)	1 January 2007
AASB 7	Financial Instruments: Disclosures	1 January 2007
AASB 101	Presentation of financial statements (revised standard)	1 January 2007

These amendments are not effective for the annual reporting period ended 30 June 2007 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 entity'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.

#### (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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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% (2006: 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

Effective July 2006, the Victorian Funds Management Corporation Limited (VFMC) assumed responsibility for the TAC's strategic investment asset allocation and actively manages the TAC's investment portfolio to ensure the TAC is able to meet their expected future claims payments.

With the exception of plant and equipment and intangibles, the TAC has determined that all investments are held to back insurance liabilities and their accounting treatment is described below.

#### Investments

Investments are designated at fair value through the 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.

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;
- shares, fixed interest securities, options and units in trusts listed on stock exchanges are initially recognised at cost and the subsequent fair value is taken as the quoted bid price of the instruments at the balance sheet date; and
- unlisted unit trusts are recorded at fund managers' valuation.

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 TAC's appointed fund managers commit 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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

The TAC's appointed fund managers use derivative financial instruments such as foreign currency contracts and interest rate swaps to economic hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are stated at fair value.

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. Any gain or loss from remeasuring of foreign currency contracts and interest rate swaps at fair value is recognised in the income statement.

### (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.

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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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 who seek 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 Authority (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 2007	30 June 2006
Average claim frequency (claims per 1000 registrations)	4.11	4.49
Average claim size	\$46,081	\$41,746
Expense rate	13.4%	13.1%
Discount rate	6.2%	5.9%
Short-term inflation (AWE)	4.0%	4.0%
Short-term inflation (CPI)	2.5%	2.5%
Superimposed inflation	1.0%	1.2%
Long-term gap (Discount – AWE)	2.5%	2.5%
Long-term gap (Discount – CPI)	3.5%	3.5%
Average weighted term to settlement from injury date	12.7 years	12.6 years
Risk margin	7.5%	7.5%

## 2. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

### 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.

#### Average claims 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:

- 18.1% of benefits managed by Benefit Delivery
- 12.4% of benefits managed by Community Support
- 11.1% 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 statements		691,004	1,422,269
Average claim frequency	+1%	684,779	1,416,044
	-1%	697,229	1,428,494
Expense rate	+1%	658,695	1,389,960
	-1%	723,313	1,454,578
Short-term discount rate	+1%	818,302	1,549,568
	-1%	557,442	1,288,708
Short-term inflation rates	+1%	544,462	1,275,728
	-1%	832,709	1,563,974
Average weighted term to settlement	+1 year	783,679	1,514,944
	-1 year	598,329	1,329,594

### 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, profits from insurance operations are 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 TAC's reinsurance treaties; and
- the investment allocation strategy, established by independent asset consultants 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.

#### (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 net profit of \$691 million (2006: \$604 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 the TAC's asset consultant 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. The Board considers that this additional disclosure in the financial report is therefore warranted to explain the impact of external factors on the financial performance.

The net profit for the 2006/07 financial year was favourably impacted by the strong investment returns for the year, which were \$438 million above the long-term average expected returns. The previous financial year's result was \$428 million above the long term average expected returns.

The claims economic factors result in a favourable impact of \$152 million (2006: unfavourable \$34 million) on claims liabilities. This is principally due to the favourable impact from higher bond yields. The unfavourable impact in the previous year was due to higher assumed long term inflation, partially offset by a favourable impact from higher bond yields.

The table below highlights the impact from short-term fluctuations and economic assumptions on the financial result.

	2007 \$M	2006 \$M
Short term investment fluctuations <sup>1</sup>	438	428
Changes in inflation assumptions and discount rates	152	(34)

<sup>1</sup> The TAC investment portfolio recorded a net return of 13.8%, compared to 14.1% in the previous year, from continuing strong equity markets.

#### 5. ADMINISTRATION COSTS

	2007 \$000	2006 \$000
Staff and related	65,556	59,180
Information technology	16,071	16,612
Occupancy and utilities	6,152	6,219
Other operating costs	20,776	16,130
<b>Total<sup>1</sup></b>	<b>108,555</b>	<b>98,141</b>
Total administration costs include the following:		
Doubtful debts written back	(608)	(490)
Provision for employee entitlements	2,151	798
Depreciation and amortisation	2,826	3,172
Operating lease rentals	4,852	4,693
Auditor General's fees <sup>2</sup>	165	153
Interest on finance lease	118	89

<sup>1</sup> Includes costs of about \$10 million incurred in 2006/07 associated with the implementation of Geelong relocation program.

<sup>2</sup> Fees are for audit of the financial report.

<b>6. INVESTMENT INCOME</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
Dividend income	229,399	192,313
Interest income	122,808	127,136
Changes in fair values of investments <sup>1</sup>		
– Realised gains	360,359	271,559
– Unrealised gains	267,598	373,756
Gross investment income	980,164	964,764
Investment expenses	(23,105)	(21,673)
<b>Net investment income</b>	<b>957,059</b>	<b>943,091</b>

<sup>1</sup> This is the difference between the fair value of the investments as at 1 July 2006 or the cost of acquisition (for investments purchased during the period), and net sales proceeds (realised) or their fair value as at 30 June 2007 (unrealised).

The TAC investment portfolio recorded a net return of 13.8% for 2006/07, compared to 14.1% in the previous year, from continuing strong equity markets. Investment expenses increased in 2006/07 mainly due to the average larger investment portfolio size.

## 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.

	<b>Current year</b>	<b>Prior years</b>	<b>2007 Total</b>	<b>Current year</b>	<b>Prior years</b>	<b>2006 Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Gross claims incurred						
– Undiscounted	2,158,348	483,952	2,642,300	1,945,430	3,297,643	5,243,073
– Discount movement	(1,269,043)	(561,426)	(1,830,469)	(1,084,789)	(3,249,855)	(4,334,644)
	889,305	(77,474)	811,831	860,641	47,788	908,429
Claims recoveries						
– Undiscounted	(11,320)	(16,334)	(27,654)	(8,548)	28,632	20,084
– Discount movement	4,100	10,731	14,831	1,956	(15,929)	(13,973)
	(7,220)	(5,603)	(12,823)	(6,592)	12,703	6,111
<b>Net claims incurred</b>	<b>882,085</b>	<b>(83,077)</b>	<b>799,008</b>	<b>854,049</b>	<b>60,491</b>	<b>914,540</b>

The net claims incurred of \$799 million (2006: \$915 million) is impacted by both internal and external factors as noted below:

	<b>2007</b>	<b>2006</b>
	<b>\$M</b>	<b>\$M</b>
Claims incurred – internal <sup>1</sup>	951	881
Claims incurred – external <sup>2</sup>	(152)	34
<b>Total claims incurred</b>	<b>799</b>	<b>915</b>

<sup>1</sup> **Claims incurred – internal** for 2006/07 is \$951 million, which is 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. The higher than expected claims incurred results in 2006/07 is also due to changes in discount rates over the period.

<sup>2</sup> **Claims incurred – external** reflects the financial impact on changes in inflation assumptions and discount rates. In 2006/07, the claims economic impact results in a favourable impact of \$152 million on claims liabilities. This is principally due to the favourable impact from higher bond yields.

## 8. INCOME TAX

<b>(a) Income tax recognised in income statement</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>Income tax expense comprises:</b>		
Current tax expense	281,716	172,225
Deferred tax expense	(3,408)	53,852
Adjustments in respect of prior years	389	1,181
<b>Total tax expense charged to income statement</b>	<b>278,697</b>	<b>227,258</b>
<b>Deferred tax expense comprises:</b>		
Increase in deferred tax assets	(6,664)	(4,765)
Increase in deferred tax liabilities	3,256	58,617
	<b>(3,408)</b>	<b>53,852</b>

<b>(b) Reconciliation between net profit before tax and income tax expense</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
Net profit before tax	969,701	831,456
Tax at the statutory rate of 30% (2006 – 30%)	290,910	249,437
Imputation gross-up on dividends received	6,317	7,572
Franking credits on dividends received	(21,056)	(25,228)
Farrow Group revenue	(22)	(10)
Sundry items	2,548	(4,513)
<b>Income tax expense reported in income statement</b>	<b>278,697</b>	<b>227,258</b>

<b>(c) Deferred tax balances</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>Deferred tax assets comprise:</b>		
Claims handling expense included in outstanding claims	198,721	190,425
Provisions and accrued employee entitlements not currently deductible	5,260	5,159
Accruals not currently deductible	34	1,767
	<b>204,015</b>	<b>197,351</b>
<b>Deferred tax liabilities comprise:</b>		
Unrealised gain on investments	166,417	180,727
Difference in depreciation of plant and equipment for accounting and income tax purposes	1,072	301
	<b>167,489</b>	<b>181,028</b>
<b>Net deferred tax assets</b>	<b>36,526</b>	<b>16,323</b>

<b>9. RECEIVABLES</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current</b>		
Premiums receivable	9,540	8,769
Claims GST receivable <sup>1</sup>	33,451	28,399
Claims recoveries and other debtors	12,805	12,879
Less: Provision for impairment	(3,803)	(4,460)
	9,002	8,419
<b>Total current</b>	<b>51,993</b>	<b>45,587</b>
<b>Non-current</b>		
Claims GST receivable <sup>1</sup>	174,445	164,922
Claims recoveries receivable	34,800	31,934
Less: Provision for impairment	(355)	(306)
	34,445	31,628
<b>Total non-current</b>	<b>208,890</b>	<b>196,550</b>

<sup>1</sup> 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.

## 10. INVESTMENTS

Effective July 2006, the VFMC assumed responsibility for the TAC's strategic investment asset allocation decisions in respect of the TAC's fund to ensure the TAC is able to meet their expected future claims payments. The TAC has outsourced the administration of its investment portfolio to the VFMC through a Client Service Agreement. Under this agreement all investments are managed by the VFMC through specialist fund managers and a Master Custodian. The Master Custodian holds the investments and conducts settlements pursuant to instructions from the specialist fund managers.

The TAC has determined that all investments are held to back insurance liabilities and are designated at fair value through profit or loss.

	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current</b>		
Bank and cash equivalents	906,219	855,885
Debt securities	99,234	210,603
Investment income receivables	60,411	58,927
Investment settlements outstanding	(175,780)	(112,554)
Financial derivatives	21,553	(3,915)
<b>Total current</b>	<b>911,637</b>	<b>1,008,946</b>
<b>Non-current</b>		
Debt securities	2,118,313	1,799,766
Equities – listed domestic equities	1,207,628	1,313,402
Equities – listed international equities <sup>1</sup>	1,497,310	1,386,629
Unlisted trust units	1,289,000	766,247
Property – listed property trusts	379,025	556,432
Property – unlisted property trusts	327,503	259,688
Financial derivatives	(11,112)	(5,853)
<b>Total non-current</b>	<b>6,807,667</b>	<b>6,076,311</b>
<b>Total</b>	<b>7,719,304</b>	<b>7,085,257</b>

<sup>1</sup> Forward exchange contracts are utilised to partially hedge the currency exposure of international equities.

<b>11. DEFERRED ACQUISITION COSTS</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
Balance at 1 July	12,671	10,216
Acquisition costs incurred in the year	26,686	25,545
Amount charged to income	(26,219)	(23,090)
<b>Balance at 30 June</b>	<b>13,138</b>	<b>12,671</b>

<b>12. OTHER ASSETS</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current</b>		
Prepayments and others	948	4,815
GST receivable	3,001	97
<b>Total current</b>	<b>3,949</b>	<b>4,912</b>

<b>13. PLANT AND EQUIPMENT</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>Plant and equipment</b>		
At cost	14,053	13,658
Less: Accumulated depreciation	(11,228)	(9,435)
	<b>2,825</b>	<b>4,223</b>
<b>Motor vehicles under lease</b>		
At cost	2,801	2,088
Less: Accumulated depreciation	(547)	(299)
	<b>2,254</b>	<b>1,789</b>
<b>Balance at 30 June</b>	<b>5,079</b>	<b>6,012</b>

<b>Movements in carrying amounts</b>	<b>Plant and equipment \$000</b>	<b>Motor vehicles \$000</b>	<b>Total \$000</b>
<b>Balance at 1 July 2005</b>	<b>3,499</b>	<b>882</b>	<b>4,381</b>
Additions	2,113	1,308	3,421
Disposals	(20)	(163)	(183)
Depreciation expense	(1,369)	(238)	(1,607)
<b>Balance at 1 July 2006</b>	<b>4,223</b>	<b>1,789</b>	<b>6,012</b>
Additions	414	1,113	1,527
Disposals	-	(287)	(287)
Depreciation expense	(1,812)	(361)	(2,173)
<b>Balance at 30 June 2007</b>	<b>2,825</b>	<b>2,254</b>	<b>5,079</b>

<b>14. INTANGIBLES</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>Computer software</b>		
At cost	30,623	17,423
Less: Accumulated amortisation	(10,877)	(10,225)
	<b>19,746</b>	<b>7,198</b>
<b>Movements in carrying amounts</b>		
Balance at 1 July	7,198	2,150
Additions	13,200	6,613
Current year amortisation	(652)	(1,565)
<b>Balance at 30 June</b>	<b>19,746</b>	<b>7,198</b>

<b>15. PAYABLES</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current</b>		
Advance premiums <sup>1</sup>	23,044	24,314
Other creditors and accruals	53,609	51,100
<b>Total current</b>	<b>76,653</b>	<b>75,414</b>

<sup>1</sup> Advance premiums represent premiums received for policies commencing after balance date.

## 16. OUTSTANDING CLAIMS

### (a) Outstanding claims liability

Outstanding claims liability as at 30 June 2007 has been determined by the Directors after appropriate consideration of the actuarial advice provided by an independent actuarial firm, PricewaterhouseCoopers Actuarial Ltd.

	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
Expected future claims payments (undiscounted)	16,783,252	15,049,188
Discount to present value	(11,917,736)	(10,296,051)
	4,865,516	4,753,137
Claims handling expenses	616,189	590,464
	5,481,705	5,343,601
Risk margin	392,385	383,343
<b>Outstanding claims liability</b>	<b>5,874,090</b>	<b>5,726,944</b>
Current	731,008	680,280
Non-current	5,143,082	5,046,664
<b>Outstanding claims liability</b>	<b>5,874,090</b>	<b>5,726,944</b>

### (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% (2006: 7.50%).

## 16. OUTSTANDING CLAIMS (continued)

### (c) Reconciliation of movement in discounted outstanding claims liability

	Gross \$000	Recoveries \$000	2007 Net \$000	Gross \$000	Recoveries \$000	2006 Net \$000
Outstanding claims brought forward	5,726,944	(232,375)	5,494,569	5,240,282	(215,793)	5,024,489
IFRS adjustment 1 July 2005	–	–	–	196,104	(3,290)	192,814
	5,726,944	(232,375)	5,494,569	5,436,386	(219,083)	5,217,303
Effect of changes in economic assumptions	(133,056)	539	(132,517)	33,566	732	34,298
Effect of claims experience and modelling	(120,331)	(2,537)	(122,868)	(108,256)	15,615	(92,641)
Cost of prior year claims moving one year closer to payment (unwind of discount)	183,141	(2,050)	181,091	122,478	(3,644)	118,834
Increase in claims incurred/recoveries anticipated over the year	882,077	(8,775)	873,302	860,641	(6,592)	854,049
Included claims recognised in the income statement	811,831	(12,823)	799,008	908,429	6,111	914,540
Claims payments and recoveries during the year	(679,260)	9,870	(669,390)	(646,146)	8,872	(637,274)
Increase in provision for GST credits	14,575	(14,575)	–	28,275	(28,275)	–
<b>Outstanding claims carried forward</b>	<b>5,874,090</b>	<b>(249,903)</b>	<b>5,624,187</b>	<b>5,726,944</b>	<b>(232,375)</b>	<b>5,494,569</b>

### (d) Claims development table

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

Accident year	2002 \$000	2003 \$000	2004 \$000	2005 \$000	2006 \$000	2007 \$000	Total \$000
<b>Estimate of ultimate claims costs:</b>							
At end of accident year	1,314,412	1,249,826	1,443,864	1,330,042	1,715,906	1,924,878	
One year later	1,178,482	1,310,766	1,198,363	1,605,442	1,674,284	–	
Two years later	1,230,610	1,277,465	1,572,798	1,558,131	–	–	
Three years later	1,131,304	1,351,246	1,777,775	–	–	–	
Four years later	1,154,756	1,546,250	–	–	–	–	
Five years later	1,303,435	–	–	–	–	–	
Current estimate of cumulative claims costs	1,303,435	1,546,250	1,777,775	1,558,131	1,674,284	1,924,878	9,784,753
Cumulative payments	(462,016)	(393,340)	(340,943)	(288,199)	(244,452)	(142,894)	(1,871,844)
<b>Outstanding claims – undiscounted</b>	<b>841,419</b>	<b>1,152,910</b>	<b>1,436,832</b>	<b>1,269,932</b>	<b>1,429,832</b>	<b>1,781,984</b>	<b>7,912,909</b>
Discount							(5,103,989)
2001 and prior claims							2,199,078
Claims handling expenses							616,189
Recoveries and GST credits							249,903
<b>Outstanding claims per balance sheet</b>							<b>5,874,090</b>

<b>17. UNEARNED PREMIUMS</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
Balance at 1 July	511,241	491,086
Deferral of premium written in the year	531,642	511,241
Earning of premium written in previous year	(511,241)	(491,086)
<b>Balance at 30 June</b>	<b>531,642</b>	<b>511,241</b>

<b>18. PROVISIONS</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current</b>		
Employee benefits <sup>1</sup>	9,924	9,434
Farrow costs	8	249
<b>Total current</b>	<b>9,932</b>	<b>9,683</b>
<b>Non-current</b>		
Employee benefits	1,652	1,189
Leasehold restoration <sup>2</sup>	1,800	1,800
<b>Total non-current</b>	<b>3,452</b>	<b>2,989</b>
<sup>1</sup> Annual leave and long service leave entitlements expected to be settled:		
– within 12 months of reporting date	4,801	3,955
– beyond 12 months of reporting date	5,123	5,479
<b>Total</b>	<b>9,924</b>	<b>9,434</b>

<sup>2</sup> The provision for restoration costs represents the fair value of 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.

<b>Movement in provisions</b>	<b>Employee benefits</b>	<b>Leasehold restoration</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Balance at 1 July 2006	10,623	1,800	12,423
Additional provision recognised	1,270	–	1,270
Reduction arising from payments	(1,192)	–	(1,192)
Unwind of discount and effect of changes in the discount rate	875	–	875
<b>Balance at 30 June 2007</b>	<b>11,576</b>	<b>1,800</b>	<b>13,376</b>

<b>19. COMMITMENTS</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>(a) Administrative expenditure<sup>1</sup></b>		
Estimated administrative expenditure contracted at balance date, but not provided for:		
– no later than one year	114,259	158,875
– later than one year but not later than five years	336,603	315,839
– later than five years	350,600	423,000
	<b>801,462</b>	<b>897,714</b>
<b>(b) Operating leases<sup>2</sup></b>		
Minimum lease payments:		
– no later than one year	5,410	5,313
– later than one year but not later than five years	12,390	17,656
	<b>17,800</b>	<b>22,969</b>
<b>(c) Finance leases<sup>3</sup></b>		
– no later than one year	1,224	889
– later than one year but not later than five years	1,231	1,060
Total minimum lease payments	2,455	1,949
– future finance charges	(182)	(153)
Lease liability	2,273	1,796
– current liability	1,114	795
– non-current liability	1,159	1,001
	<b>2,273</b>	<b>1,796</b>

<sup>1</sup> Included in the administrative expenditure is a total amount of about \$700 million (nominal) of commitments by the TAC to provide funding for major road safety infrastructure programs in Victoria over 2007/08 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 \$55 million of commitment by the TAC to provide funding of the new Victorian Neurotrauma Initiative over a five year period.

<sup>2</sup> 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.

<sup>3</sup> 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 following the Victorian Government's decision to relocate the TAC to Geelong.

## 20. EMPLOYEE SUPERANNUATION

Superannuation is provided for employees via the following superannuation funds:

	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
Emergency Services Superannuation Scheme		
– Revised and New Scheme <sup>1</sup>	1,023	902
Victorian Superannuation Fund – VicSuper Scheme	3,625	2,662
Private sector complying funds	1,915	1,424
<b>Total</b>	<b>6,563</b>	<b>4,988</b>

<sup>1</sup> These 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 2007, no contributions were outstanding (2006: nil). Employees have the option of contributing exclusively to private sector complying funds or contributing to the Victorian Superannuation Fund or both.

## 21. KEY MANAGEMENT PERSONNEL REMUNERATION

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

	2007 \$000	2006 \$000
Short-term employee benefits	2,641	2,563
Post-employment benefits	124	148
Other long-term employee benefits	44	82
Termination benefits	178	517
<b>Total</b>	<b>2,987</b>	<b>3,310</b>

### (a) Remuneration of responsible persons

	2007 \$000	2006 \$000
Total remuneration received or receivable by responsible persons	803	874
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	3	3
\$50,000 – \$59,999	1	–
\$80,000 – \$89,999	1	1
\$90,000 – \$99,999	1	2
\$380,000 – \$389,999	1	–
\$440,000 – \$449,999	–	1

## 21. KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

<b>(b) Remuneration of executive officers</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
Total remuneration received or receivable by all executive officers	2,184	2,436

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.

<b>Income band</b>	<b>Base remuneration</b>		<b>Total remuneration</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Less than \$100,000	1	1	–	–
\$120,000 – \$129,999	1	–	–	–
\$140,000 – \$149,999	1	–	–	–
\$150,000 – \$159,999	1	1	–	–
\$170,000 – \$179,999	–	2	1	–
\$180,000 – \$189,999	–	–	1	2
\$190,000 – \$199,999	–	2	–	–
\$200,000 – \$209,999	–	–	1	–
\$210,000 – \$219,999	1	–	1	1
\$220,000 – \$229,999	1	1	–	–
\$230,000 – \$239,999	–	–	–	1
\$240,000 – \$249,999	1	1	–	–
\$250,000 – \$259,999	1	1	–	–
\$260,000 – \$269,999	–	–	1	1
\$270,000 – \$279,999	1	–	2	–
\$280,000 – \$289,999	–	–	1	1
\$300,000 – \$309,999	–	–	1	1
\$360,000 – \$369,999	–	–	–	1
\$390,000 – \$399,999	–	–	–	1

## 22. 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 from 29 November 2006; the Honourable John Lenders MP, Minister for WorkCover up to 29 November 2006 and the following responsible persons:

Mr Paul Barker (Acting Chairman – 31 January 2007 to 31 July 2007)

Dr Julie Caldecott

Mr Geoff Hilton (appointed 27 February 2007)

Mr James MacKenzie (Chairman, leave of absence – 31 January 2007 to 31 July 2007)

Mr Paul O'Connor (Chief Executive Officer)

Professor Robert Officer (appointed 10 October 2006)

Mr Victor Pertou (appointed 27 February 2007)

Ms Elana Rubin

Ms Maria Wilton

Mr Michael Wright (term expired 3 May 2007)

### 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.

## 22. RESPONSIBLE PERSON-RELATED DISCLOSURES (continued)

### 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 is 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 partner of Boston Consulting Group which has provided services to the TAC during the year on normal commercial terms and conditions.

Mr Paul O'Connor was and Professor 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 (VWA), 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 the VWA as reimbursement for external services jointly acquired by the TAC and the VWA, and payments for the provision of services by the VWA 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.

## 23. 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:

	2007 \$000	2006 \$000
Cash at bank	30,454	24,641
Investments (current):		
– Cash and deposits at call	286,595	108,189
– Debt securities (90 days or less to maturity)	542,488	575,704
<b>Total</b>	<b>859,537</b>	<b>708,534</b>

### (b) Reconciliation of net cash flows from operating activities to net profit

	2007 \$000	2006 \$000
Net profit after tax	691,004	604,198
Depreciation and amortisation	2,826	3,172
Realised gain on sale of investments	(360,359)	(271,559)
Unrealised gain on investments	(267,598)	(373,756)
<b>Changes in assets and liabilities</b>		
Increase in outstanding claims	150,099	293,848
Increase in unearned premium reserve	20,402	20,154
Increase in receivables and other assets	(19,784)	(24,144)
Increase/(decrease) in creditors and provisions	(363)	15,624
Decrease/(increase) in net deferred tax balances	(20,203)	53,853
Increase/(decrease) in income tax payable	130,948	(19,212)
<b>Net cash flows from operating activities</b>	<b>326,972</b>	<b>302,178</b>

## 24. FINANCIAL INSTRUMENTS

### Purpose of holding derivative products

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. Derivative financial instruments principally consist of forward rate agreements, interest rate swaps, interest rate options, forward foreign exchange contracts and futures contracts. Derivatives are utilised to gain access to, and allow flexibility within, the financial markets in order to manage and structure the investment portfolio in line with the TAC's investment strategy.

The TAC's appointed fund managers are authorised to invest in derivative financial instruments, subject to such investments complying at all times with the investment guidelines established in accordance with the Treasurer's Prudential Statement. Under the prudential statement, derivatives cannot be used for speculative purposes or to gear the investment portfolio.

Derivatives are used to manage financial risks inherent in the TAC's investment portfolio. Derivative financial instruments are used by the TAC's appointed fund managers to better manage its portfolio of direct investments in equity and fixed interest instruments.

In the case of cash and fixed interest investments, the TAC's appointed fund managers may utilise bank bill and bond futures contracts and interest rate swaps to provide a liquid and cost effective method of achieving the desired interest rate exposure.

Hedging of equity positions may be undertaken by the TAC's appointed fund managers via futures and options contracts, by selling such contracts against an underlying investment asset physical position, or by buying such contracts when backed by an underlying cash position.

### Interest rate risk

The TAC's appointed fund managers use derivatives to manage the interest rate risk on its interest rate sensitive assets. Interest rate swaps 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 the TAC's appointed fund managers 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 2007 was \$8.31 million (2006: unrealised loss \$5.86 million).

#### Interest rate options

The TAC's appointed fund managers 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 2007, the outstanding option contracts were \$nil (2006: \$nil).

#### Forward rate agreements

The TAC's appointed fund managers may enter into forward interest rate agreements with expiry terms out to 12 months to maximise anticipated investment returns. As at 30 June 2007, outstanding agreements were \$nil (2006: \$nil).

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

2007	Variable interest rate \$000	Fixed maturity dates						Non-interest bearing \$000	Total value \$000
		1 year or less \$000	1-2 years \$000	2-3 years \$000	3-4 years \$000	4-5 years \$000	5+ years \$000		
<b>Financial assets</b>									
Cash and deposits	30,454	-	-	-	-	-	-	-	30,454
Investments	285,714	713,887	161,716	256,943	357,956	310,762	1,044,082	4,588,244	7,719,304
	<b>316,168</b>	<b>713,887</b>	<b>161,716</b>	<b>256,943</b>	<b>357,956</b>	<b>310,762</b>	<b>1,044,082</b>	<b>4,588,244</b>	<b>7,749,758</b>
Weighted average interest rate	4.00%	6.50%	6.82%	6.92%	6.12%	6.29%	4.69%	-	
<b>Financial liabilities</b>									
Accruals and creditors	-	-	-	-	-	-	-	53,609	53,609
Other liabilities	-	1,114	659	500	-	-	-	8	2,281
	-	<b>1,114</b>	<b>659</b>	<b>500</b>	-	-	-	<b>53,617</b>	<b>55,890</b>
Weighted average interest rate	-	6.40%	6.40%	6.40%	-	-	-	-	
<b>Net financial assets</b>	<b>316,168</b>	<b>712,773</b>	<b>161,057</b>	<b>256,443</b>	<b>357,956</b>	<b>310,762</b>	<b>1,044,082</b>	<b>4,534,627</b>	<b>7,693,868</b>

**24. FINANCIAL INSTRUMENTS (continued)**

2006	Variable interest rate \$000	Fixed interest maturing in						Non- interest bearing \$000	Total value \$000
		1 year or less \$000	1-2 years \$000	2-3 years \$000	3-4 years \$000	4-5 years \$000	5+ years \$000		
<b>Financial assets</b>									
Cash and deposits	24,641	-	-	-	-	-	-	-	24,641
Investments	108,189	940,757	162,466	251,097	205,297	319,083	892,547	4,205,820	7,085,256
	<b>132,830</b>	<b>940,757</b>	<b>162,466</b>	<b>251,097</b>	<b>205,297</b>	<b>319,083</b>	<b>892,547</b>	<b>4,205,820</b>	<b>7,109,897</b>
Weighted average interest rate	3.62%	5.60%	6.17%	6.40%	6.33%	5.26%	4.61%	-	
<b>Financial liabilities</b>									
Accruals and creditors	-	-	-	-	-	-	-	51,100	51,100
Other liabilities	-	795	597	404	-	-	-	249	2,045
	<b>-</b>	<b>795</b>	<b>597</b>	<b>404</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,349</b>	<b>53,145</b>
Weighted average interest rate	-	6.36%	6.36%	6.36%	-	-	-	-	
<b>Net financial assets</b>	<b>132,830</b>	<b>939,962</b>	<b>161,869</b>	<b>250,693</b>	<b>205,297</b>	<b>319,083</b>	<b>892,547</b>	<b>4,154,471</b>	<b>7,056,752</b>

Accruals and creditors represent liabilities for goods and services provided to the economic entity, prior to the end of the financial year, which are unpaid. Amounts are normally settled within 30 days and are carried at nominal value.

Reconciliation of net financial assets to net assets	2007	2006
	\$000	\$000
Net financial assets as above	7,693,868	7,056,752
Non-financial assets and liabilities:		
- Provisions	(182,143)	(50,242)
- Net insurance liabilities	(6,405,732)	(6,238,185)
- Net non-financial assets	316,276	264,940
<b>Net assets per balance sheet</b>	<b>1,422,269</b>	<b>1,033,265</b>

## 24. FINANCIAL INSTRUMENTS (continued)

### Foreign exchange risk

The TAC is exposed to foreign exchange risk through its investments which are denominated in foreign currency, and anticipated future transactions. The TAC's appointed fund managers limit foreign exchange risk through the use of forward contracts where it agrees to sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The forward exchange contracts outstanding at balance date in Australian dollar equivalents are:

Outstanding contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2007	2006	2007 FC'000	2006 FC'000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
<b>Buy – 3 months or less</b>								
Australian Dollar	1.000	1.000	1,104,181	1,020,566	1,104,181	1,020,566	1,104,181	1,020,566
British Pound	0.422	0.401	1,218	4,431	2,883	11,042	2,882	11,062
Canadian Dollar	0.900	0.828	1,192	3,060	1,324	3,719	1,324	3,706
Danish Kroner	4.662	4.302	228	5,566	49	1,294	49	1,290
Euro Dollar	0.626	0.579	1,832	9,260	2,925	15,997	2,926	16,039
Hong Kong Dollar	6.510	5.697	2,213	4,295	340	754	334	745
Japanese Yen	99.872	84.548	662,418	952,668	6,637	11,268	6,348	11,311
Singapore Dollar	1.291	1.172	150	870	116	743	116	741
Swedish Krona	5.796	5.375	1,246	24,165	215	4,495	215	4,543
Swiss Franc	1.035	0.928	423	3,718	409	4,097	409	4,101
United States Dollar	0.841	0.735	9,409	47,492	11,190	64,598	11,101	63,952
<b>Sell – 3 months or less</b>								
Australian Dollar	1.000	1.000	(25,873)	(116,937)	(25,873)	(116,937)	(25,873)	(116,937)
British Pound	0.419	0.406	(48,801)	(47,417)	(116,515)	(116,751)	(115,476)	(118,243)
Canadian Dollar	0.907	0.838	(35,066)	(32,159)	(38,661)	(38,399)	(38,965)	(39,011)
Danish Kroner	4.610	4.364	(20,135)	(18,779)	(4,369)	(4,304)	(4,321)	(4,354)
Euro Dollar	0.613	0.589	(112,971)	(95,045)	(184,373)	(161,506)	(180,346)	(164,258)
Hong Kong Dollar	6.473	5.735	(58,064)	(45,039)	(8,971)	(7,856)	(8,775)	(7,818)
Japanese Yen	99.537	83.416	(11,713,759)	(10,026,005)	(117,715)	(120,200)	(112,801)	(119,150)
Singapore Dollar	1.274	1.183	(12,082)	(5,036)	(9,484)	(4,258)	(9,351)	(4,299)
Swedish Krona	5.672	5.469	(75,412)	(80,280)	(13,301)	(14,684)	(13,012)	(15,083)
Swiss Franc	1.012	0.917	(34,271)	(30,939)	(33,862)	(33,743)	(33,119)	(34,188)
United States Dollar	0.830	0.740	(478,890)	(384,573)	(577,145)	(519,935)	(565,187)	(517,944)

### Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The TAC's appointed fund managers manage liquidity 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.

### Credit risk

#### Credit risk exposures

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.

Credit risk arises through the failure of a counter party to meet its contractual obligations as and when they fall due. The TAC's maximum credit risk exposure in relation to these is as follows:

- the full amount of the foreign currency the TAC pays when settling a forward exchange contract, should the counter party not pay the dollars it is committed to deliver to the TAC.
- futures – the counter parties to all futures transactions are recognised Futures Exchanges and, as a result, it is unlikely that significant risk exists as to exposures to the exchange.

## **24. FINANCIAL INSTRUMENTS (continued)**

### Concentration of credit risk

The TAC's appointed fund managers manage credit risk by diversifying the exposure among counter parties 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 of the TAC is to ensure a diversified portfolio).

### Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial report approximate their fair values unless otherwise stated in note 1.

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, the use of discounted cash flow analysis using the applicable yield curve for the duration of the instruments is made.

## **25. 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 2007 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 3rd day of September 2007.



**Paul Barker**  
Chairman



**Paul O'Connor**  
Chief Executive Officer



**Tim Fitzmaurice**  
Chief Finance and Accounting Officer



Victorian Auditor-General's Office

**INDEPENDENT AUDIT REPORT**

**To the Members of the Parliament of Victoria and Members of the Board of the Commission**

**Matters Relating to the Electronic Presentation of the Audited Financial Report**

This auditor's report for the financial year ended 30 June 2007 relates to the financial report of the Transport Accident Commission included on its web site. The Board of the Transport Accident Commission is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named below. 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 this web site.

**The Financial Report**

The accompanying financial report for the year ended 30 June 2007 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 has been audited.

**The Responsibility of the Members of the Board for the Financial Report**

The Members of the Board 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 Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing 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 Board Members' 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.

# VAGO

Victorian Auditor-General's Office

## INDEPENDENT AUDIT REPORT (continued)

### 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. The Auditor-General, his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

### Auditor's 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 2007 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE  
4 September 2007



**D.D.R. Pearson**  
Auditor-General

## **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 and TAC management. 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.

### **Directors' 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 as at 30 June 2007: Elana Rubin (Chair), Paul Barker and Julie Caldecott.

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 and 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 the remuneration increase 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.

## SECTION 1 – CORPORATE GOVERNANCE (continued)

### Audit and Risk Management Committee

Members as at 30 June 2007: Julie Caldecott (Acting Chair), Paul Barker, Geoff Hilton 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*.

Retired members (during financial year ended 30 June 2007): Michael Wright

#### Role:

- Oversee an appropriate risk management framework and consider the effectiveness of the TAC's risk management and internal controls.
- Provide an 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 the 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 compliance requirements of the Prudential Statement.
- Advise the Finance and Investment Strategies Committee of any matter or internal control weakness that impacts that committee's area of responsibility.
- Review and recommend approval of the annual audit 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.
- Implement the TAC's annual internal audit plan and deal with issues raised by the TAC's auditors (internal and external).
- Initiated and supervise, where appropriate, special reviews.
- Review and monitor the policies (including whistleblowers) for preventing and detecting fraud.

### Financial and Investment Strategies Committee

Members as at 30 June 2007: 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 Road Safety Committee

Members as at 30 June 2007: Paul Barker (Chairman to 14 March 2007), Bob Officer (Chairman from 14 March 2007), Victor Perton and Elana Rubin

Retired members (during financial year ended 30 June 2007): Julie Caldecott and Maria Wilton

#### 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.

## **SECTION 1 – CORPORATE GOVERNANCE (continued)**

### Health Issues Committee

Members as at 30 June 2007: Julie Caldecott (Chair) and Geoff Hilton

Retired members (during financial year ended 30 June 2007): Michael Wright (Chairman to 3 May 2007)

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 TAC 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, the internal auditors of the TAC and the VFMC and from the VFMC Board.

### **Risk management**

The TAC has in place a risk management framework to ensure that 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.

### **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 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* (No. 111 of 1986, reprint No. 10 dated 25 August 2005) (the Act). The Act sets out the objectives, functions and powers of the TAC.

The Minister for Finance, WorkCover and the Transport Accident Commission is the Minister administering the Act.

### **Ministerial directions**

There were no Ministerial Directions given by the Minister for WorkCover or the Minister for Finance, WorkCover and the Transport Accident Commission in the period 1 July 2006 to 30 June 2007.

### **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 TAC (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 section 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 TAC (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 TAC 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 TAC 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 TAC is or may become liable to make any payment under the Act.

## SECTION 2 – COMPLIANCE (continued)

### Powers of the TAC (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 TAC may see fit.
- To enter into agreements or arrangements within or outside Victoria for the provision by the TAC 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.

### Accountability of the TAC (section 14)

The TAC 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 2006 to 30 June 2007.

#### Accident Compensation and other Legislation (Amendment) 2006, No.41/2006

The *Accident Compensation and other Legislation (Amendment) Act 2006* came into operation on 26 July 2006. The Act:

1. amended section 15 of the *Transport Accident Act 1986* to enable the Governor in Council to appoint one of the Directors of the TAC to be the Chairman of the TAC; and
2. amended section 46A of the *Transport Accident Act 1986* to provide that psychiatric impairment is to be determined using revised guidelines entitled the Guide to the Evaluation of Psychiatric Impairment for Clinicians.

#### Public Sector Acts (Further Workplace Protection and other Matters) Act 2006, No. 80/2006

This Act amended section 16 of the *Transport Accident Act 1986* to provide that the *Public Administration Act 2004* (other than part 3 of that Act) applies to a Director of the TAC in respect of the office of Director.

### Subordinate legislation

#### Regulations

The *Transport Accident Regulations 2007* (Sr No.49/2007) were made on 12 June 2007. These Regulations prescribe the forms to be used for the purposes of the Act and also prescribe additional injuries that are defined as severe injuries for the purposes of Act. The Regulations replace the *Transport Accident Regulations 1996*.

#### Orders in Council

The Orders in Council made during 2006/07 were:

- The Transport Accident Charges Order (No.1) 2007 (Gazette 17 May 2007 page 901). This Order fixed the transport accident charges to apply during the 2007/08 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 2007 (Gazette 28 June 2007 page 1398). This Order provided that the TAC medical excess not be indexed on 1 July 2007 as provided by the *Transport Accident Act 1986*.
- Appointment of Bob Officer as Director on the Board of Management of the TAC for a period of three years from 10 October 2006 to 9 October 2009 (both dates inclusive).
- Appointments of Geoff Hilton and Victor Perton as Directors on the Board of Management of the TAC for a period of three years from 27 February 2007 to 26 February 2010 (both dates inclusive).

### National Competition Policy

#### Essential Services Commission review

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 responsible for the TAC may now 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.

## SECTION 2 – COMPLIANCE (continued)

### Victorian Industry Participation Policy (VIPP)

During 2006/07, the TAC commenced five contracts in metropolitan Melbourne to which the *Victorian Industry Participation Policy Act 2003* applied. The contracts have an estimated value of \$82 million. The commitments by the contractors under VIPP included:

- an overall level of local content of 89 percent of the total value of the contracts
- 171 full time equivalent jobs
- benefits to the Victorian economy in terms of skills and technology transfer are expected to result from the use of latest technology and best practice service management standards.

### Consultants

Consultancies >\$100,000	Description of work	Total approved project fee \$000	2006/07 expenditure \$000	Future expenditure \$000
Booz Allen Hamilton	Review of claims operation model	1,000	834	0
Boston Consulting Group	Review of TAC business plan	193	193	0

In addition, a further 15 consultancies where the total fees payable to the consultants were less than \$100,000 were engaged during the financial year at a total cost of \$0.53 million. Total approved project fees and expenditure for 2006/07 exclude GST.

### 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 2006/07 there were no disclosures or investigations of improper conduct or detrimental actions made to the TAC by employees 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 'green office' initiatives, supported by an awareness program, to reduce waste and improve resource efficiency. Initiatives include:

- Office equipment – use of photocopiers made from recycled and recyclable parts with energy saving mode and the use of double-sided printers.
- Recycling – separation of kitchen waste for recycling and an office paper recycling program.
- Energy consumption – nightly security patrols to ensure all lighting is turned off when staff have left for the day and limitation on the operation of the building's air-conditioning system commensurate with staff occupation of the building.
- Paper – recycled office paper is available for use and a campaign is underway to introduce its use throughout the TAC's operations.
- Carbon neutral – the TAC offset the carbon emissions by its vehicle fleet by planting vegetation through Landcare Australia. The TAC's motor vehicle fleet was carbon neutral for the 2006/07 year.

### Miscellaneous disclosure

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

## **SECTION 2 – COMPLIANCE (continued)**

### **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.

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 of the Act.

### **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 Naomi Thomas-Hawkins and Ms Justine Adams.

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

During 2006/07:

- The TAC received 723 Freedom of Information (FOI) requests for access to documents, compared with 746 during 2005/06, a decrease of 3%. Most requests related to anticipated or current common law proceedings.
- The average number of days for the TAC to make an initial decision in response to an FOI request for access to documents was 22 days, well within the statutory timeframe of 45 days.
- 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.

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 \$22.00 application fee, preferably in the form of a cheque payable to "Transport Accident Commission".

The statutory application fee of \$22.00 is applicable for the period 1 July 2007 to 30 June 2008 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](http://www.foi.tac.vic.gov.au) and the Victorian Government's FOI Online website: [www.foi.vic.gov.au](http://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](mailto:foi@tac.vic.gov.au)

#### Access to medical reports

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

Description	Mode of access
TAC Annual Reports	Copy/Internet
TAC Business Plan (2006-2009)	Copy
TAC Statement of Corporate Intent (2006-2009)	Copy/Internet
TAC Enterprise Agreement 2005-2008	Copy
Annual Transport Accident charges including GST and duty	Copy
TAC Research Charter	Copy
Your Privacy and the TAC	Copy
About the TAC	Copy/Internet
Information for people with Major Injuries (Booklets 1–4)	Copy
Empower	Copy/Internet
TAC benefits for self-employed people	Copy
TAC income support	Copy
TAC impairment benefits	Copy
Returning to work	Copy
If you need further treatment (information sheet)	Copy
Choosing an Attendant Care Agency (information sheet)	Copy
Your TAC Case Manager (information sheet)	Copy
Community Group Programs (information sheet)	Copy
Therapy Support (information sheet)	Copy
Daily Support (information sheet)	Copy
4th Edition Impairment Examinations Information Manual	Copy
Working Together	Copy
TAC support when a person dies	Copy
TAC Dependency Benefits – a guide for funeral directors	Copy
Your Feedback	Copy
Drive Smart 2 (brochure)	Copy
Drive Smart 2 CD-Rom (available to learner drivers)	CD
HELP pack	Copy
120 hours. Make it your goal	Copy
Muck Up Day Video and Curriculum advice booklet	Copy
Road Safety Reports (monthly summary)	Internet
Safe Driving Policy	Copy
Save your skin: don't hit the road without full protective gear	Copy
Ride Smart CD-Rom (available to learner motorcyclists)	Copy
VCE Legal Studies Resource Kit	Copy
VCE Media Resource Kit	Copy
At home with the family	Copy
About lifetime support	Copy
Principles of therapy	Copy
Clinical justification flow chart	Copy
TAC information for people with soft tissue injuries	Copy
Information on TAC medical examinations (information sheet)	Copy
Post-hospital support (information sheet)	Copy
Residential care (information sheet)	Copy
Self-purchasing your TAC services (information sheet)	Copy
Loss of earnings capacity (information sheet)	Copy
TAC Returning to work – information for employers	Copy
Choosing a residential care service (information sheet)	Copy

## SECTION 2 – COMPLIANCE (continued)

### Publications

Description	Mode of access
Shared Supported Accommodation – your rights and responsibilities (information sheet)	Copy
The TAC's complaints process	Copy
Returning to work: Information for GPs (information sheet)	Copy
Work activity planner	Copy
Home activity planner	Copy
A better approach to lifetime support	Copy
Victorian Trauma Foundation (information kit)	Copy/Internet
The Transport Accident Commission – the benefits of the TAC model for proposed injury insurance	Copy
Self-purchasing TAC services	Copy
A career at the TAC	Copy
Checklist of services available as part of vocational program (information sheet)	Copy
Course of employment transport accident notes (information sheet)	Copy
GST compliance (information sheet)	Copy
Integration support billing information (information sheet)	Copy
Pharmacy expenses (information sheet)	Copy
Physiotherapy (fees) (information sheet)	Copy/Internet
Prosthetic and orthotics (fees) (information sheet)	Copy/Internet
Self-purchasing – client as employer (information sheet)	Copy
TAC allied health billing standards (information sheet)	Copy
TAC billing requirements (information sheet)	Copy
TAC billing requirements for home, domestic and housekeeping services (information sheet)	Copy
TAC domestic services (information sheet)	Copy
TAC equipment suppliers billing standards (information sheet)	Copy
TAC home modifications (information sheet)	Copy
TAC vehicle modifications (information sheet)	Copy
TAC home services (information sheet)	Copy
TAC hospital services billing standards (information sheet)	Copy
TAC housekeeping (information sheet)	Copy
TAC medical billing standards (information sheet)	Copy
TAC post-acute support services (information sheet)	Copy
TAC prosthetics and orthotics billing standards (information sheet)	Copy
TAC vehicle modifications (information sheet)	Copy
Using modified vehicles – cost exemptions (information sheet)	Copy
The TAC and the Victorian <i>Freedom of Information Act 1982</i>	Copy/Internet

### Research information

Requests for information for research purposes should be directed in the first instance to the Senior Manager, 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; and
- a definition of the data requested.

### Access to information on the internet

The TAC's corporate website ([www.tac.vic.gov.au](http://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](http://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](http://www.howsafeisyourcar.com.au)).

## SECTION 2 – COMPLIANCE (continued)

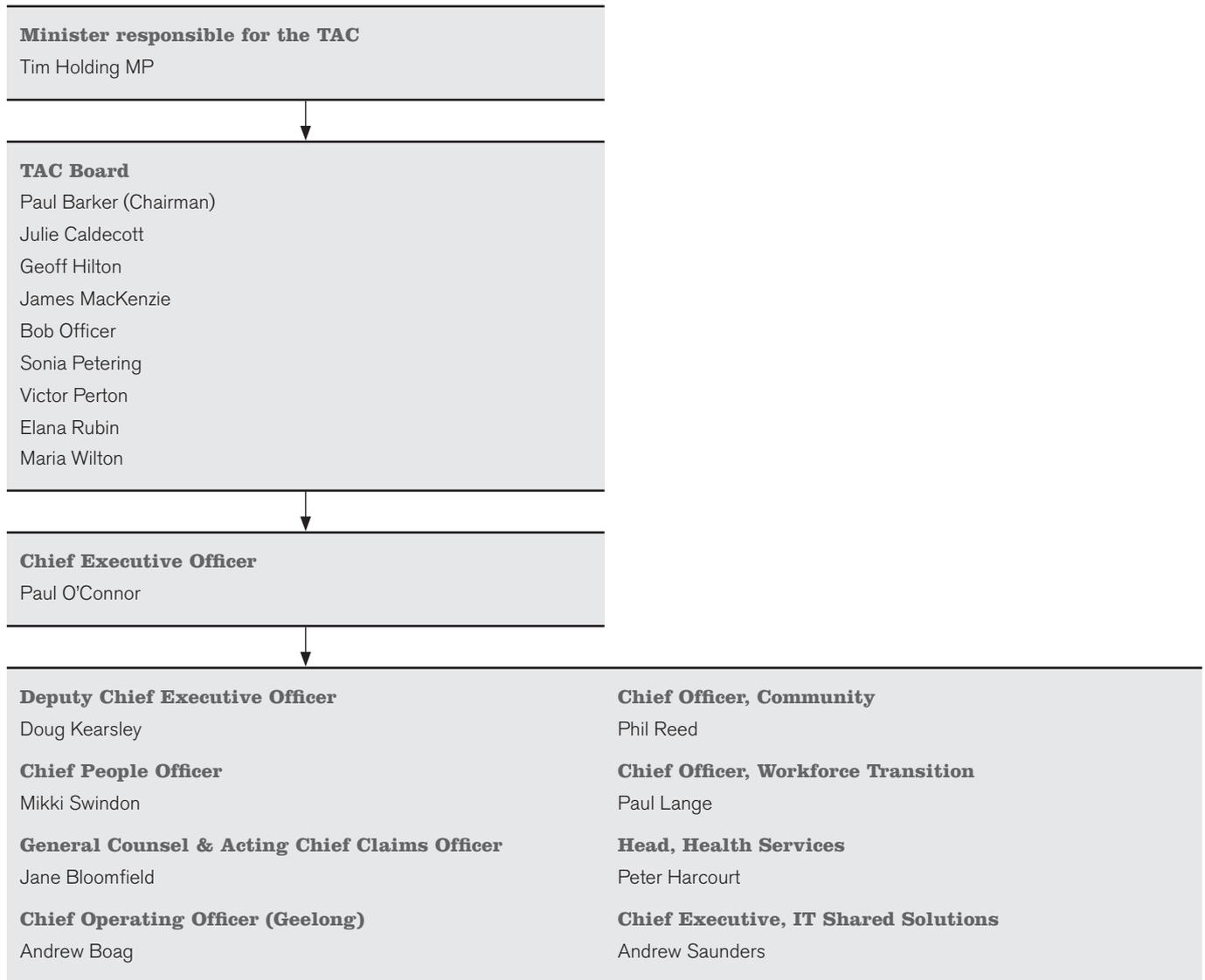
### Application of merit and workplace equity principles

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

	2007	2006	2005
TAC workforce	749	703	666
Average age	37	37	37

**TAC ORGANISATIONAL STRUCTURE (as at publication date)**



## COMPLIANCE INDEX TO DISCLOSURE REQUIREMENTS 2006/07

### 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.

Ministerial Directions Legislation	Requirement	Page reference
<b>Report of Operations</b>		
Charter and purpose		
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Management and structure		
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FRD 22B	Summary of the financial results for the year	8
FRD 22B	Significant changes in financial position during the year	43
FRD 22B	Operational and budgetary objectives and performance against objectives	*
FRD 22B	Major changes or factors affecting performance	*
FRD 22B	Subsequent events	NA
FRD 22B	Details of consultancy expenditure	77
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<b>Financial Statements</b>		
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SD 4.2(b)	Income Statement	42
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SD 4.2(c)	Compliance with Ministerial Directions	46
SD 4.2(c)	Accountable officer's declaration	69
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Other disclosures in notes to the financial statements		
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<i>Victorian Industry Participation Policy Act 2003</i>		77
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\*Throughout