



2001

TRANSPORT ACCIDENT COMMISSION
ANNUAL REPORT

I CAN MAKE A
DIFFERENCE...

TAC





COVER IMAGE

Fata Zivalj (TAC client and road safety ambassador)

Three-year-old Fata Zivalj was tragically injured by a speeding driver when she ran out on to the road. A ventilated quadriplegic since her accident, Fata used her personal experiences to strengthen the TAC's anti-speeding message. Now twelve years old, Fata became a road safety ambassador to launch the TAC's '10 km/h less will save lives' campaign to coincide with the introduction of the Victorian Government's new 50 km/h speed limit on local streets in January 2001.

"I was happy to be part of the TAC launch. I don't want kids to get injured like I did. I want them to live normal and happy lives."



Doug McDonald (TAC Support Co-ordinator)

In his role as a support co-ordinator at the TAC, Doug manages treatment, rehabilitation and integration programs for clients – working very closely with Fata and her family.

The TAC provides severely injured clients with a single point of contact to enable a closer understanding of their total care requirements – in Fata's case this includes everything from schooling; to home modification requirements; to providing respite for family members.

"Working with people like Fata and her family is very rewarding. We have a strong relationship and I'm proud of the quality of care we are able to provide. Above and beyond that, Fata and I are good friends."

THE TRANSPORT ACCIDENT COMMISSION WAS ESTABLISHED, AND IS GOVERNED, BY THE TRANSPORT ACCIDENT ACT 1986. THE TAC ADMINISTERS A COMPREHENSIVE NO-FAULT COMPENSATION SCHEME FOR VICTORIANS WHO ARE INJURED OR DIE AS A RESULT OF A TRANSPORT ACCIDENT. BENEFITS INCLUDE THE PAYMENT OF HOSPITAL, MEDICAL AND REHABILITATION EXPENSES AS WELL AS LOSS OF INCOME. ADDITIONAL COMPENSATION MAY BE AVAILABLE THROUGH COMMON LAW IN CASES OF SERIOUS INJURY OR DEATH.

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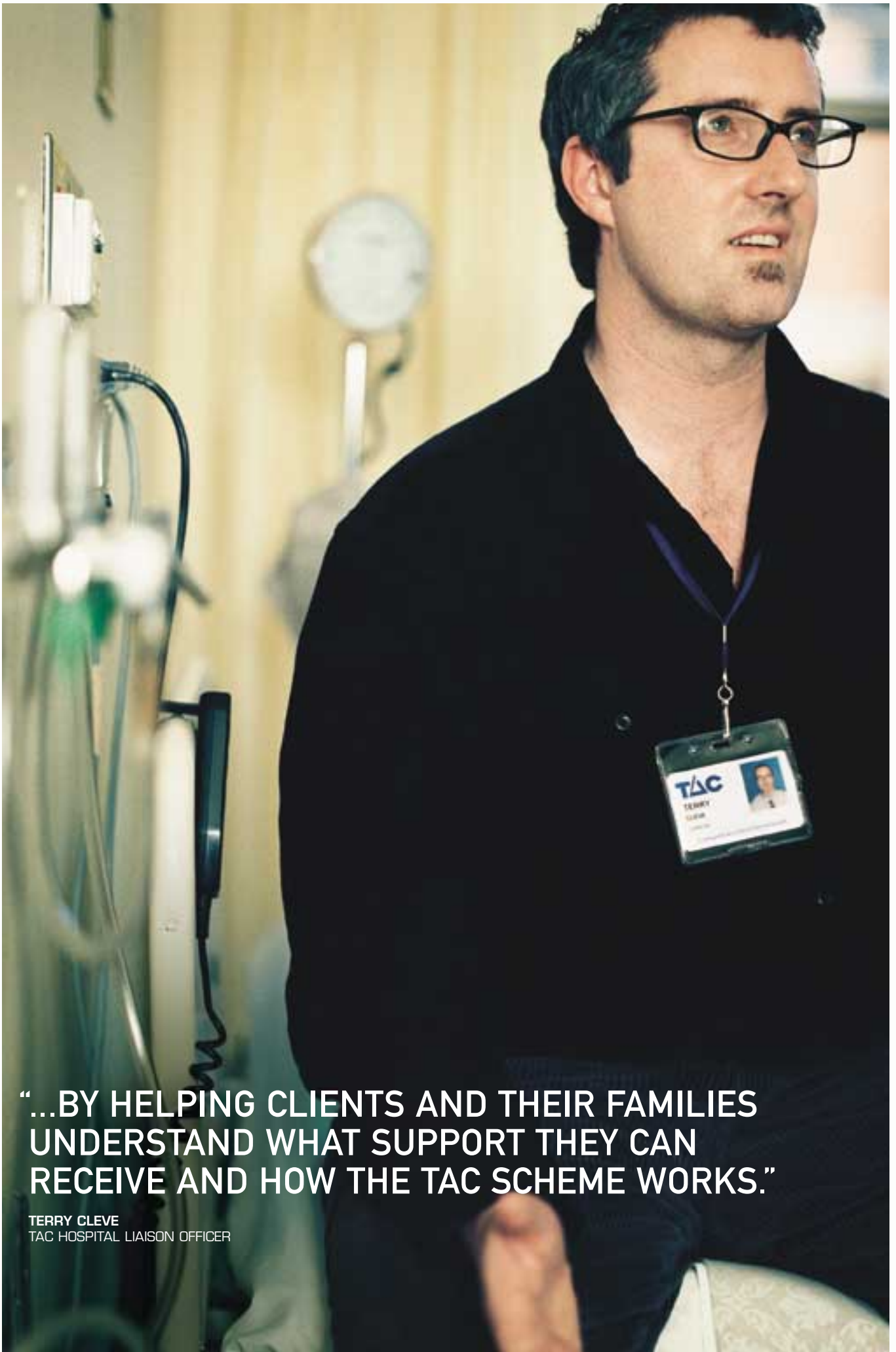
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**“...BY USING TECHNOLOGY TO PROVIDE
BENEFITS TO OUR CLIENTS SOONER.”**

KATE EDWARDS-COGHILL
TAC REHABILITATION OFFICER



“...BY HELPING CLIENTS AND THEIR FAMILIES UNDERSTAND WHAT SUPPORT THEY CAN RECEIVE AND HOW THE TAC SCHEME WORKS.”

TERRY CLEVE
TAC HOSPITAL LIAISON OFFICER



**“...TO YOUNG PEOPLE’S ATTITUDES
ABOUT TAKING RISKS ON THE ROAD.”**

HAYLEY CLOAKE
MUCK UP DAY FILM DIRECTOR



**“...BY HELPING PEOPLE GET BACK
TO WORK SAFELY AND SMOOTHLY.”**

KAREN MONTGOMERY
TAC REHABILITATION OFFICER



(L-R) JAMES MACKENZIE, BOB CAMERON, STEPHEN GRANT

24 September 2001
Hon Bob Cameron, MP
Minister for WorkCover
Level 21, Nauru House
80 Collins Street
Melbourne Vic 3000

Dear Minister,

I am pleased to submit the Fifteenth Annual Report of the Transport Accident Commission for presentation to Parliament, pursuant to Part 7 of the Financial Management Act.

James MacKenzie
CHAIR

**THE TRANSPORT ACCIDENT COMMISSION'S MISSION
IS TO REDUCE ROAD TRAUMA AND ITS IMPACT
ON THE LIVES OF ACCIDENT VICTIMS IN A CARING,
EFFICIENT AND FINANCIALLY RESPONSIBLE MANNER.**



SUMMARY OF RESULTS

		00/01	99/00	98/99	97/98	96/97	
OPERATIONAL							
Total payments made (all schemes)	\$M	498	469	469	448	460	
New and existing claims paid		42,856	41,199	41,052	39,469	40,519	
New claims received (all schemes)		21,702	21,383	22,921	21,552	22,684	
Number of fatalities		414	398	401	373	384	
Fatality rate per 10,000 vehicles		1.23	1.21	1.26	1.19	1.25	
Number of vehicles registered ¹	M	3.370	3.281	3.192	3.129	3.062	
Melbourne car premium ²	\$	297	277	275	275	272	
FINANCIAL							
Operating profit/(loss) before tax	\$M	(193)	571	538	286	255	
Operating profit/(loss) after tax	\$M	(192)	447	443	265	249	
Dividend payable							
– return of capital	\$M	–	–	–	–	100	
– annual ordinary	\$M	–	224	221	133	125	
– accident prevention blackspot dividend ³	\$M	40	n/a	n/a	n/a	n/a	
Investment return	%	2.0	11.1	9.6	8.6	18.4	
Total assets	\$M	5,570	5,466	5,029	4,635	4,183	
Total liabilities	\$M	4,629	4,293	4,079	3,907	3,588	
Net assets	\$M	941	1,173	949	728	595	
PERFORMANCE AGAINST TARGET							
		00/01 Target	00/01 Actual	99/00 Actual	98/99 Actual	97/98 Actual	96/97 Actual
ACCIDENT PREVENTION							
TAC no-fault claims per 10,000 vehicles ⁴		55.0	52.6	53.3	55.9	54.3	58.5
Hospitalised claims (inpatient duration > 1 day) per 10,000 vehicles ⁵		10.0	10.4	10.3	10.5	10.2	10.8
CLAIMS MANAGEMENT							
Actuarial release ⁶	\$M	100	2	122	111	157	124
Client service score ⁷		7.0	6.8	6.6	6.6	6.4	6.6
FINANCIAL MANAGEMENT							
Solvency margin ⁸	%	25.3	15.3	23.2	24.2	18.2	16.2
Administration cost ratio ⁹	%	10.7	10.2	9.9	9.8	8.7	9.3
Rolling 5-year real investment return	%	5.0	8.1	10.1	9.4	9.5	10.0

1 Latest available ABS vehicle data.

2 2000/01 inclusive of GST.

3 \$40M was paid this year as part of the \$240M accident prevention blackspot dividend.

4 Historical series and targets updated to reflect latest available vehicle data.

5 Data for 12 months to end of May each year.

6 Difference between the actuarial projected claims incurred and actual claims incurred.

7 New methodology introduced 1999/00. Historical figures have been adjusted accordingly.

8 Ratio of net tangible assets to outstanding claims liabilities. 1999/00 and 2000/01 Actuals are after allowance for accident prevention blackspot dividend.

9 Ratio of administration costs to premium income.



HIGHLIGHTS

SERVICE DELIVERY

- \$498 million in benefits paid to over 42,000 injured Victorians.
- Legislative enhancements will result in payments of more than \$30 million in additional benefits each year.
- E-business initiatives result in the majority of clients now receiving quicker, safer electronic payments.
- Improvement in the TAC's client satisfaction score.
- Introduction of communication processes to continue improving client satisfaction.

ROAD SAFETY

- World-first prototype 'SafeCars' developed and launched.
- Reduction in fatality and serious injury claim lodgements for drivers and riders aged 18-25.
- Fatality rate of 1.23 per 10,000 vehicles – the lowest of any Australian State.

FINANCIAL MANAGEMENT

- Rolling five-year real investment return of 8.1%.
- Solvency margin of 15.3%.
- Net assets of \$941 million.

BUSINESS SYSTEMS

- First Australian organisation to implement Australian Business Number Digital Signature Certificates to secure email messages.

HUMAN RESOURCES

- Staff Care program launched.
- TAC's Enterprise Agreement 2000 – 2002 certified and implemented.

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SUMMARY OF RESULTS
HIGHLIGHTS



BOARD OF DIRECTORS 2001

(top row L–R)

JAMES MACKENZIE BBus, FCA
CHAIR APPOINTED 2001
CHIEF EXECUTIVE OFFICER (1994-97) Transport Accident Commission
CHAIR Victorian WorkCover Authority,
DIRECTOR James Fielding Investments Ltd Group, **CHAIRMAN** Investment Diversity Limited,
DIRECTOR Monivae College Foundation Ltd

STEPHEN GRANT BA (Marketing) (UK), FCA
CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR APPOINTED 2000
CHAIR Victorian Trauma Foundation, **DIRECTOR** Myers Pharmacy Pty Ltd

JUDY WARD B Com (Melb), ACA, FTIA, AICD
APPOINTED 2001
CHAIRPERSON Falls Creek Resort Management Board, **MEMBER** Alpine Resort Co-ordinating Council,
PARTNER PricewaterhouseCoopers

DANNY SAMSON BE (Chem Eng), PhD (NSW)
APPOINTED 1994
CHAIR OF MANAGEMENT Department of Management, The University of Melbourne

(bottom row L–R)

MICHAEL PRYLES AM LLB, LLD (Melb), LL.M, SJD (SMU), PhD (Bond), FCIArb, FAMINZ, FIArbA
APPOINTED 1995
PARTNER Minter Ellison Lawyers, **CHAIR** TAC Law Pty Ltd, **DIRECTOR** Victorian Workcover Authority,
PRESIDENT AND DIRECTOR Australian Centre for International Commercial Arbitration,
COMMISSIONER United Nations Compensation Commission, **PROFESSORIAL ASSOCIATE** The University of Melbourne

ALAN GOODFELLOW BEc (Monash)
APPOINTED 2000
Management and Marketing Consultant
DIRECTOR Underworks Pty Ltd

ANNE WARD BA LLB (Melb)
APPOINTED 2000
PARTNER Minter Ellison Lawyers, **DIRECTOR** TAC Law Pty Ltd
DIRECTOR Brain Imaging Research Institute



SENIOR MANAGEMENT 2001

(top row L-R)

STEPHEN GRANT
CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

GREG TWEEDLY
EXECUTIVE GENERAL MANAGER SERVICE DELIVERY

DAVID HEALY
GENERAL MANAGER ROAD SAFETY

ANN DONNAN
GENERAL MANAGER HUMAN RESOURCES

DOUG KEARSLEY
EXECUTIVE GENERAL MANAGER FINANCE AND PLANNING

(bottom row L-R)

ANDREW JOHNSTON
GENERAL MANAGER COMMON LAW & APPEALS/TAC LAW

DE-ARNNE SCHMIDT
MANAGER COMMUNICATIONS

KERRY POWER
GENERAL MANAGER HEALTH CARE

SUE KAPOURELAKOS
GENERAL MANAGER MAJOR INJURY

TONY MARXSEN
EXECUTIVE GENERAL MANAGER OPERATIONAL EFFICIENCY

The TAC scheme continues to be a viable and successful model for the provision of personal injury transport accident insurance for all Victorians.

The organisation – now in its fifteenth year – is performing strongly, despite a difficult year caused by poor investment market returns. With a focus on claims management and investment performance, the organisation's long-term returns will ensure that the TAC remains adequately provisioned to provide benefits to injured Victorians.



2001

CHAIR'S REPORT

The long-term viability of the TAC scheme remains strong, despite recording an operating loss of \$192 million for this financial year. The TAC's total assets at 30 June 2001 were \$5.57 billion (\$5.47 billion at 30 June 2000). The TAC's solvency margin at 30 June 2001 was 15.3%. Our aim is to maintain solvency levels between 15% and 25%.

The TAC's investment strategy forecasts a negative investment return on average once in five years, with a long-term annualised real investment return target of 5%. Despite a poor investment return of 2% for 2000/01, the TAC's rolling five-year real investment return of 8% per annum comfortably exceeds its targeted real return of 5% per annum.

While the organisation did not achieve its actuarial release target for the year, a release of \$2 million was achieved. A strong performance by Common Law and Appeals was offset by a disproportionately high number of catastrophic injuries, which had a significant impact on the TAC's actuarial release result. Similarly, projected costs for long-term care have been revised to better reflect future liabilities.

Ongoing scheme viability will be ensured using our current claims management approach, based on segmentation by risk and micro-management of liabilities.

CEO Stephen Grant has initiated a number of improvements in the key areas of litigation management, treatment, income replacement and lifetime care.

I am pleased to report the organisation's performance in service delivery continues to improve. Initiatives have been introduced to enhance the way the TAC communicates with its clients, increasing efficiency in providing treatment, return-to-work programs and benefit payments.

In my dual roles as Chair of the Transport Accident Commission and the Victorian WorkCover Authority, I am confident the Victorian Government's policy on organisational synergies between the two agencies will deliver benefits to all parties through shared learnings and consistent policies.

The TAC has a long history of partnership with other peak Victorian road safety organisations, contributing to a holistic road safety strategy considered to be among the world's best. The Victorian Government, Victoria Police, VicRoads and the RACV are all to be congratulated for their respective roles in the State's approach to accident prevention, road safety education and enforcement.

I am pleased to be working again with the TAC's highly dedicated staff, who provide an outstanding level of service and care to the Victorian public. I would like to pay tribute to the high calibre management team and CEO Stephen Grant, who are committed to making the TAC a continuously improving organisation, through a clear focus on claims management and service delivery along with the recognition of the benefits to be derived from the TAC's high profile involvement in road accident prevention initiatives.

Judy Ward was appointed by the Government to the Board in 2001. I warmly welcome Judy, who brings to the TAC a wealth of experience in professional accounting practice and management. On behalf of the Board, I would like to thank former Chairman, Margaret Jackson (who left the TAC this year), for her eight and a half years of service to the TAC. Margaret's involvement was instrumental in placing the TAC in the position it is today. Thank you also to Stephen Cordner (Board member 1995–2001) and Patricia Cross (Board member 1997–2001) for their contributions.

The TAC has considerable challenges ahead. With these challenges now identified and strategies in place to meet them, the organisation is looking forward to achieving its long-term goals.



James MacKenzie
CHAIR

Victorians can rightly be proud of their TAC – the organisation which has helped save thousands of lives, provided quality care and financial security to road accident victims, and has remained financially viable at a reasonable cost to Victorian motorists. Although still relatively new to the TAC, I am in no doubt that this achievement is due in no small part to the commitment of our staff.



2001

CHIEF EXECUTIVE OFFICER'S REPORT

The TAC aims to provide Victorians with the most equitable personal injury insurance scheme in the world. Our key focus has been on maintaining the financial viability of the scheme, improving service delivery and accident prevention.

The past year saw the introduction of a significant legislative change program. Legislative enhancements will result in payment of more than \$30 million in additional benefits each year.

During the coming year, the TAC will design and implement a comprehensive client relationship management program to ensure that relevant communication materials, direct client support and benefits are provided at appropriate times throughout the duration of an injured person's treatment.

Aggressive service delivery timelines have been set to match our commitment in this area, including a 50% reduction in the time taken to make a first loss of earnings payment, a 35% reduction in the time to come to a decision on a serious injury application and a 50% reduction in the time to settle a common law claim.

The TAC will confront the continuing issue of the cost of lifetime care, undertaking research to better understand the changing needs of clients and investigate other models of service delivery. In addition, we will fund innovative accommodation, employment and leisure options as substitutes for potentially isolating one-to-one care.

Strengthening links with the Victorian WorkCover Authority are allowing us to share best practice in service delivery, with both organisations contributing to a growing bank of knowledge.

The next generation of road safety initiatives has been set as a priority for the organisation. The Victorian Government has committed to a 20% reduction in deaths and serious injuries on Victorian roads by 2006. This is an ambitious target, but one which the TAC believes is achievable with the support of other key road safety stakeholders.

Based on extensive research, the TAC continues to develop new accident prevention initiatives, as evidenced by the development of our world-first SafeCar, designed to encourage manufacturers, fleet owners and motorists to consider the use of new vehicle safety technology.

The TAC also continues to educate the Victorian public on road safety behavioural issues including drink-driving, fatigue and use of restraints. Speed is a particular focus, with extensive research undertaken this year towards the development of new approaches to an issue that continues to contribute significantly to road trauma.

The TAC recorded an administration cost ratio of 10.2% which was below the budgeted level of 10.7%. The current year's ratio was higher than previous years, largely due to expenditure on Project e-ch@nge, with benefits to be realised in future years, and the establishment of TAC Law, which increased staff numbers significantly but delivered substantial reductions in claims costs.

E-ch@nge initiatives aimed at improving processes with supporting technology continued to be progressed. Redesigning our key benefit and payment functions and introducing a client contact management system, are significant projects for this year.

Improved processes through the strategic use of technology ultimately mean faster and more efficient care provision and delivery of benefits to clients.

People remain central to the success of the TAC's plans for the future. Reflecting this, the organisation has created a comprehensive Staff Care program designed to create a positive and healthy work environment, leading to a more dedicated workforce.

In addition to effective support services to boost staff health and wellbeing, the Human Resources division has made a significant investment in training, building on our competency bank and developing programs which forge a strong culture of excellence within the organisation.

The TAC, quite rightly, has a reputation for excellence in scheme management, service delivery and road safety.

I am impressed by the focus and commitment of staff, and I know their ongoing dedication will result in continued benefits to Victorian road users and innovation in world-class accident prevention programs.

Stephen Grant
CHIEF EXECUTIVE OFFICER



SERVICE DELIVERY

2001

The TAC provides no-fault personal injury insurance, meaning anyone injured in a transport accident within Victoria (or interstate if in a Victorian-registered vehicle) is eligible to receive benefits, irrespective of who caused the accident.

The governing principle of the scheme is to provide appropriate and reasonable care for those injured on our roads for as long as necessary. In the case of the catastrophically injured, this can mean lifetime care.

LEGISLATIVE CHANGES

The past year saw the introduction of significant legislative change. A suite of legislative enhancements will result in payment of more than \$30 million in additional benefits each year.

The main changes include:

- increases in benefits, in most cases to neutralise the impost of the GST;
- additional benefits for minors requiring lifetime income support;
- lump-sum payments of up to \$121,830 to families following the death of a primary care provider;
- payment of visiting expenses for an injured person's spouse and/or children;
- counselling for families of severely injured clients; and
- payment by the TAC for transport accidents that occur in the course of employment.

NO-FAULT BENEFITS

In general terms, benefits available under the scheme include:

- ambulance transport;
- hospital treatment;
- medical, health and rehabilitation treatment provided by doctors and other health professionals;
- attendant care, home help and child-minding;
- disability services, including home and vehicle modifications;
- income replacement; and
- lump sum and weekly payments for permanent impairment.

Where death occurs as a result of a transport accident, support is provided for dependants in the form of lump sum and periodic income replacement payments, child-minding and home help, counselling for immediate family members and reasonable funeral expenses.

Benefits are indexed annually in accordance with Consumer Price Index (CPI) or Average Weekly Earnings (AWE).

FIGURE 1

BENEFITS PAID (\$M)

More than 42,000 people received benefits from the TAC in 2000/01.

Benefit Type	Payments 1998/99	1999/00	2000/01
Treatment	123.8	139.3	158.4
Loss of income	49.6	51.7	55.8
Impairment	26.7	20.5	19.2
Death benefits	37.1	35.4	42.5
Long-term care	19.9	24.7	30.8
Other no-fault	13.8	10.5	16.7
Common Law – Serious injury	143.2	142.2	119.7
Common Law – Interstate and other	44.2	29.5	44.6
Old schemes	10.4	15.2	10.1
Total	468.7	469.0	497.9



COMMON LAW BENEFITS

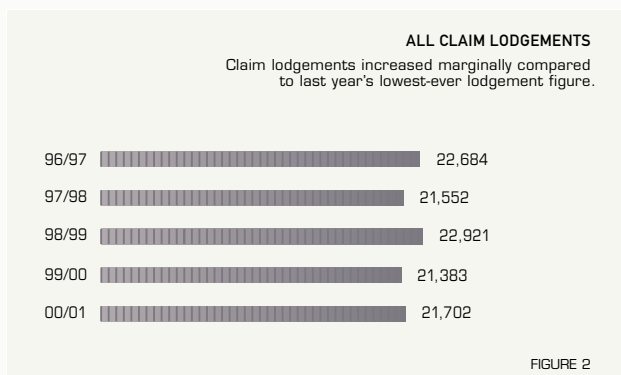
In addition to no-fault benefits, a person who is seriously injured in a transport accident is entitled to pursue a claim for further compensation through the court system, where another party is proved to be at fault.

Common law damages are payable for economic loss up to \$810,820 and for pain and suffering up to \$360,360 and can be recovered by the dependants of a person killed in a transport accident, up to a maximum of \$590,250. All these benefits are indexed each year with CPI.

The TAC also administers claims remaining from previous Victorian no-fault common law and journey-to-work compensation schemes.

BENEFITS PAID

During 2000/01, a total of 21,702 new claims were lodged with the TAC, an increase of only 1.5% on the previous year (21,383) which was the lowest-ever lodgement level. (FIGURE 2) In the same period, a total of 42,856 people received benefits and/or compensation from the TAC scheme.



Payments for the year totalled \$498 million, compared to \$469 million in 1999/00.

IMPROVING SERVICE

Launched in 1999/00, Project e-ch@nge was initiated to help the TAC identify ways to harness new technology to improve its service. In line with this aim, the majority of clients are now receiving benefits through electronic funds transfer, which not only reduces administrative costs, but ensures clients receive their benefits more quickly and securely.

During the past year, 82% of claims received by the TAC were accepted within one day, an improvement of 10% over the previous year.

Other important achievements in service improvement include:

- reaching an all-time high in call centre performance, with 85% of incoming calls answered within 20 seconds;
- developing a new medical certificate that provides the TAC with a greater understanding of the injuries and treatment needs of injured people;
- working in consultation with the Australian Physiotherapy Association to promote best practice treatment for TAC clients that is more focused on treatment outcomes;
- improving the delivery of attendant care services for TAC clients through the introduction of new technology, Care Online (see page 16);
- being the first Australian organisation to implement a brokerage system for the supply and delivery of all specialist rehabilitation equipment, known as 'e-quip', resulting in faster delivery, improved cost-effectiveness and administrative savings; and
- developing an information brochure *An Introduction to the TAC*, that explains the benefits injured people are entitled to, how the TAC works, and what clients need to do to manage their own recovery and rehabilitation (see page 22).

01

BUSINESS PROCESS IMPROVEMENT TECHNOLOGY IMPROVING COMMUNICATION

CARE ONLINE

During the year, the TAC took its first steps toward secure, web-based business applications with the launch of Care Online. Care Online allows the entire attendant care transaction to be completed electronically. This not only reduces the administrative costs in the provision of care, it also increases the consistency and efficiency of managing attendant care. In addition to facilitating shared care options and reducing social isolation for clients, Care Online allows faster approval for ad hoc requests for respite. Most importantly, it means that

support co-ordinators have more time to focus on their relationships with clients. The new system is paperless and accessed through a secure log-on process.

ABN DSC

The TAC was the first organisation in Australia to use Australian Business Number Digital Signature Certificates (ABN DSC). The certificates are part of the TAC's electronic communications program designed to increase the speed with which clients' rehabilitation programs can be approved for implementation.

Secure online transaction facilities will soon be rolled out to the TAC's major healthcare providers. This will enable the TAC to transfer documents, including confidential medical records, in a totally secure electronic environment, meaning faster and better service to both clients and medical provider partners.



ANDREA HOLLIDAY TAC CLIENT

CLIENT SATISFACTION

The TAC is committed to providing clients with a high standard of service, delivering benefits in a fair and efficient manner.

The TAC benchmarks client satisfaction levels through quarterly surveys. In June 2001, the TAC achieved an average client satisfaction score of 6.8, an improvement of 0.2 on last year.

A service delivery forum was established in October 2000 to facilitate business initiatives that improve client satisfaction. A number of projects have resulted in significant improvements to client satisfaction, including:

- developing the information brochure *An Introduction to the TAC*;
- developing information packs for brain-injured clients and their families; this model is currently being extended to all other catastrophically injured client groups;
- improving communication with clients during the common law, VCAT and impairment process, which can be an uncertain and difficult time, by updating clients more regularly and promoting informal conferences to discuss issues; and
- introducing workshops attended by all claims staff to improve service delivery to clients.

REVIEWS OF TAC DECISIONS

The level of disputation over TAC decisions remains low, with the organisation remaining committed to ensuring that the review process is as clear and transparent as possible.

The TAC offers an informal, independent review process that is a cost-free and efficient alternative to the Victorian Civil and Administrative Tribunal (VCAT). Informal review lodgements for the financial year 2000/01 increased by 65 (12%) in comparison with 1999/00. Resolutions for the same period increased by 182 (42%), with only 13% seeking a further review at VCAT.

In the past year, the number of lodgements made to VCAT was 1,074 compared to 2,067 four years ago. This figure represents an improvement in real terms to the way the TAC makes decisions and manages claims. This reduction in appeals has enabled significant inroads to be made in the level of outstanding appeals, reducing from 935 in 1999/00 to 795 in 2000/01 – the lowest level since 1993.

Last year, the TAC focused on reducing the time taken to resolve an appeal. This resulted in significant success in this area, with 80% of appeals now resolved within 13 months (2000/01 figures), compared to 19 months in 1999/00. The TAC aims to improve this significantly during 2001/02.

PROVIDING CARE FOR LIFE

The TAC recognises that in most cases, catastrophically injured clients will be dependent on the TAC for the rest of their lives.

In the past year, the Major Injury division was restructured into different streams:

- spinal injuries;
- severe acquired brain injuries;
- moderate acquired brain injuries;
- child and youth; and
- rural.

The division's new structure has enabled clients to have a single contact person at the TAC, making it easier for them to work with the organisation and enabling staff to have a greater focus on client care, treatment and long-term planning.

Highlights in the area of lifetime care during the past year include:

- improving service delivery (with more than 600 home visits in the first three months of the restructure), which has strengthened the TAC's relationship with its clients and improved its understanding of client needs;
- introducing Care Online which has improved the efficiency with which attendant care programs are implemented and managed, giving staff more time to assist clients;
- establishing a Community Care and Support Panel for attendant care providers through a tender process, where clients now receive attendant care at an agreed standard of quality;
- creating more accommodation beds and facilities in a community environment to give clients more options for independent living arrangements;
- improving client access to leisure and community-based activities through the 'CONNECT' community access program, which now has over 100 participants; and
- continuing support for the Monash Epworth longitudinal study that will provide the TAC with a greater understanding of the long-term needs of people with acquired brain injuries, with an agreement to funding for a further three years.

RETURNING TO WORK

Almost one third of TAC clients were employed at the time of their accident. Evidence shows that gaining or resuming employment is one of the most effective forms of rehabilitation, benefiting the injured person, the employer and the community.

While most people are able to return to their pre-accident employment without intervention, some people need help from the TAC. The TAC is committed to helping people injured on our roads to get back to work as soon as possible.

In 2000/01 the TAC paid \$55.8 million in loss of income benefits (\$51.7 million in 1999/00). (FIGURE 6) Last year, the Restorative Care division realigned its claims management structure to develop specialist teams that focus on clients with vocational needs. The teams were further refined to focus on levels of injury severity that greatly influence a person's rehabilitation needs.

STRUCTURAL ALTERATIONS PAYMENTS (\$M)

The TAC provided a record level of home modification support for clients.

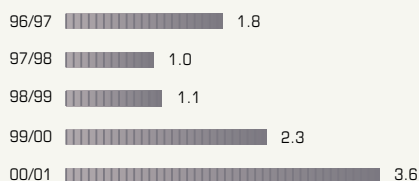


FIGURE 3

ATTENDANT CARE PAYMENTS (\$M)

Growth in attendant care payments reflects the increase in the number of catastrophic injuries.

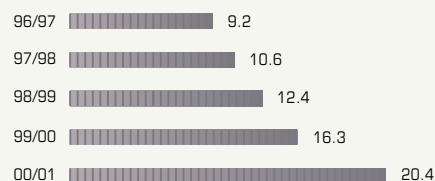


FIGURE 4







Together with improved work practices, this new structure has led to more injured people returning to work. A total of 1,182 clients returned to work with the TAC's help in 2000/01 (368 more than the previous year).

Key improvements in the way the TAC assists injured people returning to work include:

- early identification of return-to-work issues and providing vocational assistance at the right stage in a client's recovery;
- an improved focus on the injured person's specific capacities, needs and abilities when determining the most suitable type of rehabilitation;
- developing services to better meet the needs of clients with more complex return-to-work needs; and
- building better relationships with vocational providers, helping clients to benefit from their strong market networks and knowledge.

PROVIDING TREATMENT

The TAC continues to improve its processes to ensure that clients receive quality care that meets their needs and maximises their independent living skills.

Some of these improvements to treatment processes include:

- testing the concept of maintenance physiotherapy by including discussions in professional journals for treating providers, resulting in clients who have long-term treatment

going on therapy breaks to determine whether the continuing treatment is of benefit;

- hosting clinical education seminars for physiotherapists to introduce and explain the concept of utilising outcome measurement tools to determine a client's treatment with the aim of promoting outcome-orientated treatment; and
- developing a specialist pharmacy project team of qualified pharmacists to review and improve dispensing practices and billing arrangements for pharmacy items with the aim of reducing costs in an area identified as having strong growth.

MANAGING FRAUD

While the vast majority of TAC clients are entitled to the benefits they claim under the TAC scheme, unfortunately a very small minority seek to defraud accident victims of funds which have been put in trust on their behalf. The TAC maintains a sophisticated anti-fraud strategy and vigorously pursues cases where fraud is apparent.

During the course of 2000/01, the TAC investigated several hundred claims to ensure appropriate benefits were being paid. In the vast majority of cases, this resulted in an agreed outcome between the TAC and its clients and service providers. In seven instances, where flagrant fraud was identified, the TAC instituted and concluded legal proceedings against the particular client or medical provider, all of which resulted in guilty verdicts.

**LOSS OF EARNINGS FIRST PAYMENTS
(DAYS TO DELIVER 80%)**
The time taken to deliver first loss of earnings (LOE) payments remains a priority.

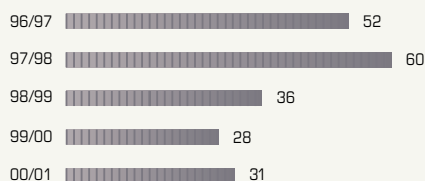


FIGURE 5

LOSS OF EARNINGS (LOE) PAYMENTS (\$M)
LOE Payments have increased due to higher numbers of short-term recipients.

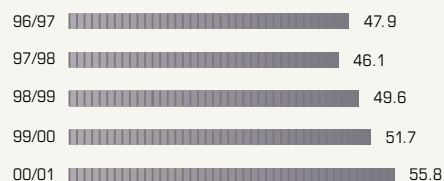


FIGURE 6

01

BUSINESS PROCESS IMPROVEMENT TECHNOLOGY IMPROVING COMMUNICATION

“The TAC is applying new technologies to improve the level of service provided to clients. The faster we can process and approve rehabilitation plans, the sooner the healing process can begin.”

KATE EDWARDS-COGHILL TAC REHABILITATION OFFICER

COMMON LAW

In addition to a comprehensive range of no-fault benefits, the TAC scheme provides access to common law damages for those seriously injured and able to prove that someone else was at fault in the accident.

During the past year, 581 clients received serious injury common law settlement payments from the TAC, totalling approximately \$120 million, with an average settlement size of \$206,106. (FIGURE 7) This outcome demonstrates the organisation's continuing sound common law management.

TAC Law has now completed its third full financial year of operation and is focused on providing a professional service to all stakeholders. TAC Law manages all defendant legal work for common law claims and no-fault appeals, previously handled by a panel of legal firms.

TAC Law continues to work proactively with client solicitors to reach early finalisation of claims. TAC Law is committed to the early exchange of information with solicitors and in 2000/01 was able to finalise 54% of common law claims within 12 months of the date the serious injury certificate was granted.

The number of claims for serious injury payments has stabilised, which will help to ensure the long-term viability of the scheme.

Of 382 serious injury certificates granted during the financial year, 42 were granted by a judge through the court system and

340 by TAC Law on behalf of the TAC. A further 202 clients obtained serious injury certificates by reaching the 30% impairment threshold.

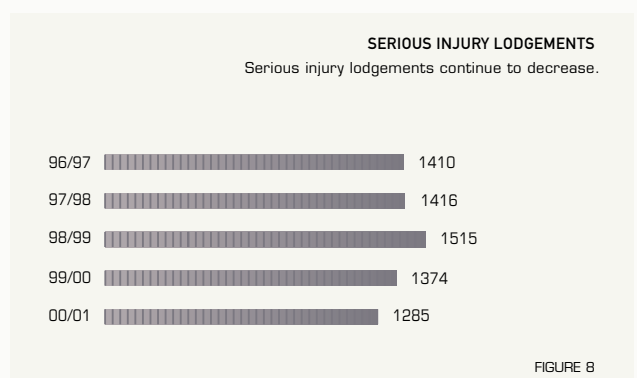
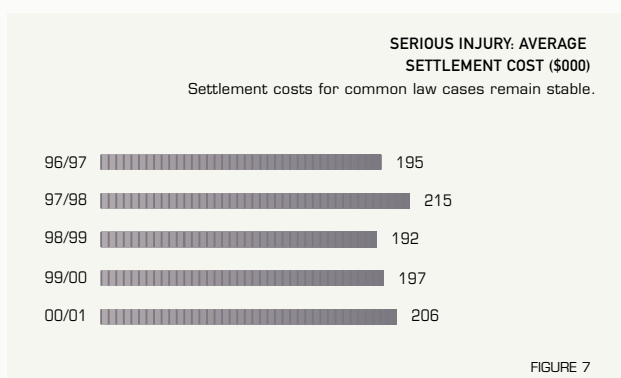
TAC Law has improved the quality of case preparation for the TAC and is now better placed to make realistic offers of settlement earlier. In line with the vision originally set for TAC Law, the TAC adopts a holistic approach to litigation management, with lawyers viewing appeal disputes and litigation in the wider context of the claim and, wherever possible, eliminating the adversarial approach.

INFORMATION TECHNOLOGY/ PROCESS IMPROVEMENT

One of the first Australian companies to successfully enter the second generation of IT outsourcing, the TAC has adopted new IT suppliers for the next five years. Adopting the best available technologies results in efficiencies and faster turnarounds in dealing with key stakeholders.

Information security and privacy remain a priority with the TAC, and new policies have been defined to ensure the protection of our clients' personal details.

Additionally, the TAC is the first organisation in Australia to use Australian Business Number Digital Signature Certificates (ABN DSC). The certificates are part of the TAC's electronic communications program and a case study of these initiatives is on page 16.



02

SERVICE DELIVERY CLIENT COMMUNICATION PROGRAM

As part of a strong organisational focus on service delivery and client satisfaction, an information brochure has been developed for people injured in transport accidents. The aim of the brochure is to improve communication and understanding between the TAC and its clients.

Titled *An Introduction to the TAC*, the brochure provides information on which benefits the TAC can fund, what clients need to do to claim them and

how the TAC makes decisions. Designed as a basic introduction, the brochure provides a high-level overview of the TAC's role and the TAC 'process', which will help clients manage their recovery or rehabilitation.

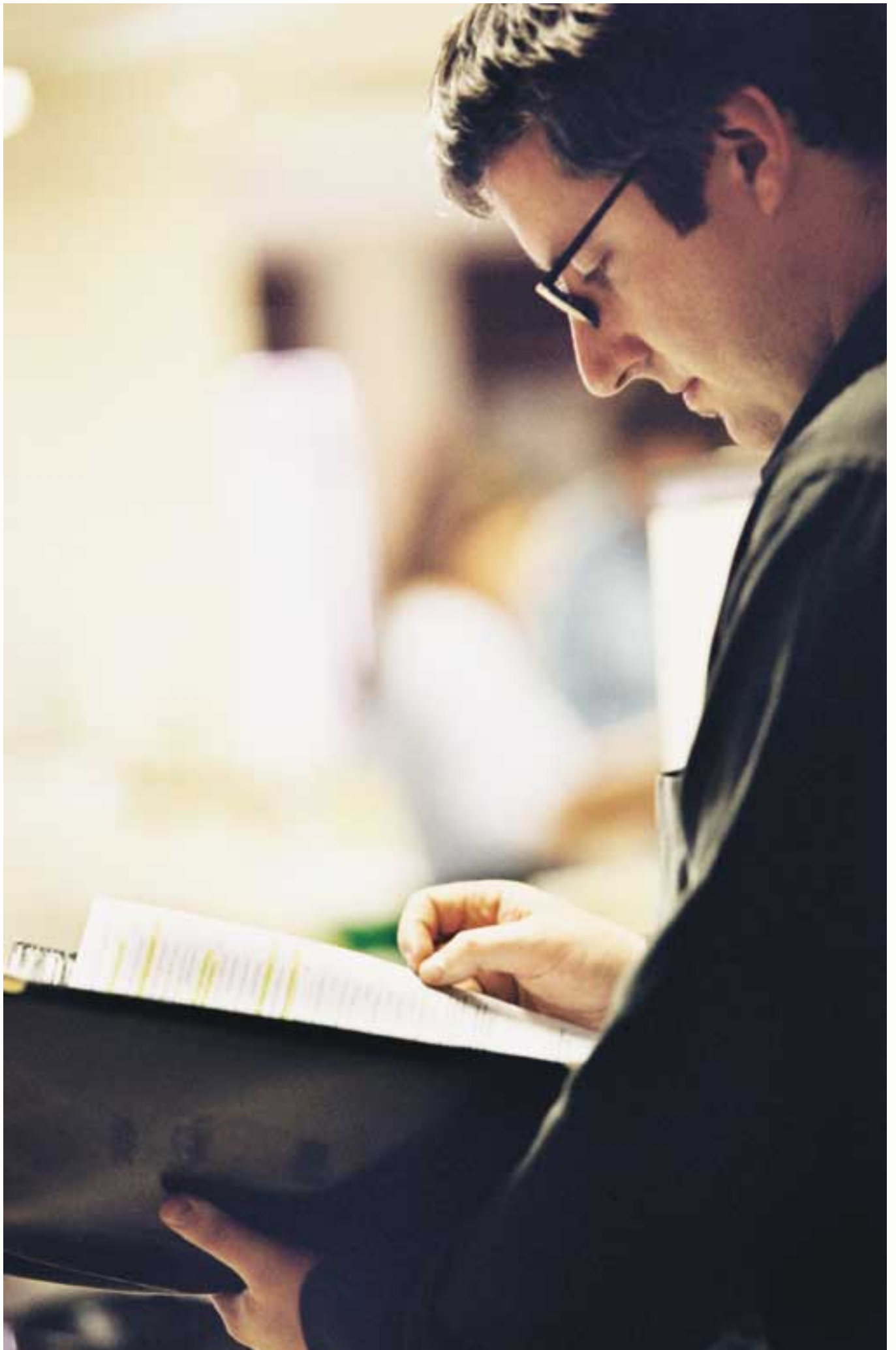
The brochure will be distributed with the TAC claim form, enabling clients to access information as soon as possible after their accidents, which is when they need it most.

In developing the brochure, the TAC conducted comprehensive research with people who had been involved in accidents, to identify their exact information needs. The brochure has been very positively received to date, and will continue to be refined through a further stage of market research with TAC clients.

“We often deal with people at a very stressful and confusing time in their lives. *An Introduction to the TAC* has helped to clearly explain how the TAC works and the benefits clients are entitled to receive.”

TERRY CLEVE HOSPITAL LIAISON OFFICER







ROAD SAFETY

2001

Reducing the frequency and severity of road trauma remains a key strategy for controlling TAC claim costs. Working closely with other road safety authorities, particularly Victoria Police and VicRoads, the TAC continues to deliver benefits to the community and tackle the State's major road safety issues.

SAFETY TECHNOLOGY

The TAC recognises the potential role technology can play in further reducing Victoria's road toll. Working with the Monash University Accident Research Centre and the Ford Motor Company of Australia in a world-first project, the TAC has developed two prototype 'SafeCars' which are equipped with leading road safety technologies.

Now that SafeCar has been developed successfully, the second stage of the project will see a further fifteen vehicles fitted out for trial in commercial fleets. The trial will allow the safety impact of the new technologies to be assessed.

Ultimately, it is intended that these cars will provide the way forward for occupant safety using intelligent design in private and commercial vehicles, with corresponding decreases in the number of people killed or injured on our roads.

YOUTH FOCUS

Now in its third year, the TAC's HELP campaign includes a range of innovative road safety programs: mass media advertising; direct marketing to all learner drivers and their parents; and a

CD-Rom virtual training product, *DriveSmart*. The campaign aims to increase novice driver skills and reduce levels of deliberate risk-taking.

During the year, the TAC launched a compelling documentary, *Muck Up Day*, detailing the experiences of a school leaver convicted of culpable driving following a fatal crash on the night of his graduation. The documentary was distributed throughout Victorian secondary schools to coincide with the end of the VCE school year. It demonstrates to students the consequences of drink-driving and risk-taking. This project is profiled on page 25.

CAMPAIGNS

Speed was a major focus for the TAC's marketing campaigns in 2000/01.

In January 2001, the Victorian Government lowered the speed limit on Victorian local streets to 50km/h. In conjunction with VicRoads and Victoria Police, the TAC launched a major campaign to educate the community about the introduction of the 50km/h limit and its road safety benefits.

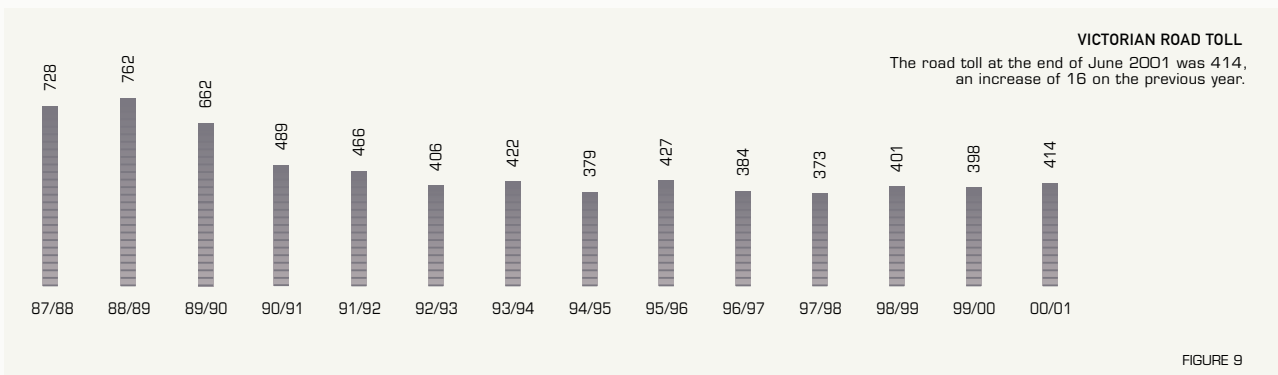


FIGURE 9

03

YOUTH PROGRAM MUCK UP DAY

Reducing the high incidence of young driver deaths on Victoria's roads remains a priority for the TAC.

Timed to coincide with VCE end-of-school celebrations, the TAC launched a 30-minute documentary profiling the tragic death of an 18-year-old student on 'muck up day' the previous year.

The documentary – *Muck Up Day* – recounts the true story of an 18-year-old driver who was sentenced to two years in a youth detention centre for culpable driving following a fatal crash in Langwarrin in October 1999.

Having attended an end of VCE party, the unlicensed driver – who had been drinking – decided to take a drive in his recently purchased car with two male friends. The 'joy ride' soon ended when he crashed at high speed, causing the death of the back seat passenger, and seriously injuring himself and another friend.

Muck Up Day explores the effect of the crash on the driver, the family of the student who died, other families and friends, the school and the wider community.

The documentary highlights the effects of risk-taking behaviour with the aim of encouraging young people to exercise safe decision-making particularly at times of high risk.

Most secondary schools in Victoria have requested *Muck Up Day*, which has also been incorporated into a new VCE Legal Studies Resource Kit.

Extensive market research commenced during the year for the development of a major new campaign designed to tackle the issue of speeding over the next two years.

Other advertising campaigns launched during 2000/01 included a new pre-Christmas drink-driving commercial ('Never') and campaigns highlighting drink-driving and speed enforcement, while the issues of fatigue and seatbelt wearing were also addressed.

SPONSORSHIPS

The TAC continues to promote road safety awareness in the community, with a focus on high-risk groups, through an active sponsorship program.

The TAC's sponsorship of the under-18 football league (TAC Cup) celebrated its 10th year promoting young driver messages. A new community partnership began with Collingwood Football Club to support the Speed campaign, particularly the introduction of the new 50 km/h residential limit. Both Richmond and Collingwood Football Clubs appointed leading players as

'road safety ambassadors' and contributed hundreds of hours to the TAC's Players in Schools program and other community-based activities.

ENFORCEMENT INITIATIVES

The TAC continues to support police enforcement activities both directly and through advertising campaigns. A significant increase in enforcement resources to target speed and drink-driving was announced in the State budget in May 2001, to be phased in over the 2001/02 financial year.

ROAD TRAUMA TRENDS

Victoria's road toll in 2000/01 was 414, sixteen more than the previous year. However, serious injuries (those requiring hospitalisation of more than one day) were down 2% on 1999/00. Encouragingly, given the TAC's recent focus on young driver issues, there was a 6% reduction in the number of fatalities and serious injuries among drivers and riders aged 18–25. This trend was particularly noticeable among drivers aged 18–20, the primary target of the TAC's youth campaign.

HOSPITALISED CLAIM RATE (>1 DAY)/10,000 VEHICLES

The hospitalised claim rate remains steady.

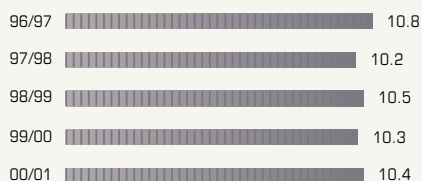


FIGURE 10

ACCEPTED TAC NO-FAULT CLAIMS PER 10,000 VEHICLES

The rate of accepted claims per 10,000 vehicles continues to decline.

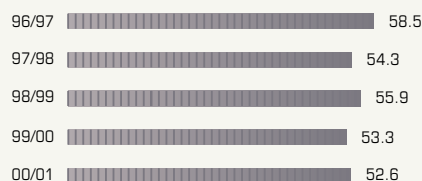


FIGURE 11

RICHMOND FOOTBALLER ANDREW KELLAWAY
AT CHELTENHAM SECONDARY COLLEGE





03

YOUTH PROGRAM MUCK UP DAY

“Muck Up Day presents a powerful road safety message to youth by showing the very real consequences of other young people’s bad decisions.”

HAYLEY CLOAKE *MUCK UP DAY* DIRECTOR







HUMAN RESOURCES

2001

The Human Resources division introduced a number of innovative strategies in the areas of staff health and wellbeing, and in maximising the use of technology.



CULTURAL CHANGE

The TAC's organisational culture has been reviewed in light of rapid change impacting on systems and processes, work practices and organisational structure. The review led to a range of recommendations relating to staff support and training, communications, change and transition management and organisational values. These will be progressively implemented over the next year.

COMMUNICATION AND CUSTOMER SERVICE TRAINING

As part of the improved client communication focus for the TAC, 230 staff participated in three workshops to examine, practise and plan good communication and customer service skills.

STAFF WELLBEING

A new Human Resources Staff Care program was implemented in 2000/01, with initiatives including a range of fortnightly health and wellbeing programs for staff, an active training program to provide staff with the confidence and skills to avoid or manage aggression or violence while at work, and an upgraded internal and external counselling service.

ENTERPRISE AGREEMENT

Continuing the TAC's reputation as a progressive employer, successful certification and implementation of the TAC's Enterprise Agreement 2000–2002 was achieved.

INNOVATION

As part of the TAC's e-ch@nge project, a number of key internal electronic administration processes have been developed to replace paper-based forms such as leave applications.

A remote worker policy has been introduced, which includes comprehensive occupational health and safety assessments and a support network, providing greater flexibility for both staff and the business.

WORKPLACE EQUITY

In line with the organisation's commitment to equal opportunity and equity, regular presentations by line managers to staff were instituted. As well as ensuring that all staff understand their responsibilities under equal opportunity legislation, this program promotes open discussion about equity issues.

04

RESTORATIVE CARE RETURN TO WORK

Research shows that getting back to work is one of the most effective forms of rehabilitation for injured workers.

The TAC is committed to helping people injured on our roads to get back to work safely and quickly. A variety of programs and assistance are available to suit the specific needs and abilities of both clients and employers. Last financial year, the TAC funded

and coordinated programs that helped 1,182 injured people return to work.

The Restorative Care division employs highly qualified staff, such as Karen Montgomery, a TAC Rehabilitation Officer; to work together with clients and their employers to facilitate a structured, safe and successful return to the workforce.

The TAC also works closely with vocational service providers whose specialist knowledge helps to ensure clients' safety, work endurance and proper pain management.







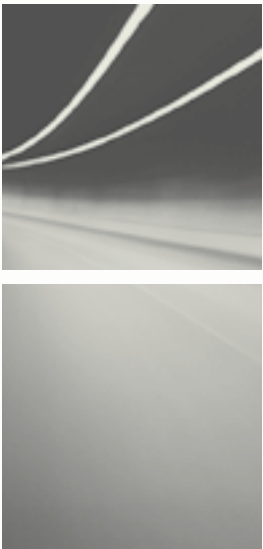
04

RESTORATIVE CARE RETURN TO WORK

“Helping our clients return to work is an incredibly rewarding experience. For many people, resuming work is a positive sign that they are getting back to their pre-accident life. The TAC’s support makes a real difference.”

KAREN MONTGOMERY REHABILITATION OFFICER





FINANCIAL MANAGEMENT

2001

The TAC is responsible for managing the comprehensive no-fault personal injury compensation scheme for Victorians killed or injured on the State's roads. It is also the organisation's responsibility to ensure adequate funds are held to meet the long-term medical and rehabilitation needs of those Victorians, while keeping premiums at reasonable levels.

PREMIUMS

The TAC scheme is funded primarily from premiums paid by the owners of Victorian-registered motor vehicles, supplemented by investment income earned on funds held to meet the costs of future claims.

On 1 July 2000, TAC premiums increased by 7.2%. Part of this increase (2.2%) was to account for price rises in the previous year as measured by the Consumer Price Index (CPI). The remainder of the increase (5%) was due to the introduction of the GST by the Commonwealth Government.

Prior to 1 July 2000, the TAC obtained independent actuarial advice on the net impact of the new tax system on its costs. While GST is applied to TAC premiums at the full rate of 10%, there are offsets available to the TAC which reduce the net impact to 5%. Motorists were given the full benefit of the available offsets. Since the inception of the TAC scheme, strong financial management has led to premium increases remaining well below CPI.

During 2000/01, the Transport Accident Act 2000 was amended to provide for premiums to be set by Order rather than by Regulation. A Charges Order (determining premiums) was made and came into effect from 1 July 2001.

The TAC scheme also covers people injured in train and tram accidents, with premiums being charged to managers of railways and tramways to fund these claims.

The TAC's premiums remain among the lowest in Australia.

INVESTMENT AND FINANCIAL RISK MANAGEMENT STRATEGIES

The TAC's objective is to maintain scheme viability through prudent investment and financial risk management.

TAC premiums are calculated assuming that a 5% real investment return can be achieved over the average duration of claims liabilities (around nine and a half years). The TAC's investment allocation is set in order to achieve an average 5% real return through this period. An allocation of 60% to growth assets is expected to achieve this target return with minimal volatility. This allocation to growth assets is diversified across Australian and international shares and property.

Movements in the Australian dollar are significant and can impact profit substantially on an annual basis. However, currency as an asset class is expected to generate a nil return over the long term. To avoid these potentially significant fluctuations, the TAC has adopted a policy of fully hedging against movements in the Australian dollar.

The TAC aims to maintain a solvency margin of 15–25% to protect the scheme from volatility in financial markets.

The scheme is protected by reinsurance should a catastrophic accident occur. The Board has elected to retain the first \$75 million exposure to a catastrophe and reinsures a further \$150 million to safeguard the scheme.

The TAC maintains a prudential margin on its outstanding claims provision to ensure that a 'probability of sufficiency' of 80–85% exists. The maintenance of a prudential margin is consistent with commercial best practice.

Despite integrated financial risk management strategies, the TAC's financial modelling shows that annual profit remains volatile, with losses expected around once every five years caused predominantly by investment market volatility. A lower allocation to growth assets would reduce this

volatility in profitability; however, the implication of a lower allocation to growth assets is that premiums would need to increase to maintain long-term profitability.

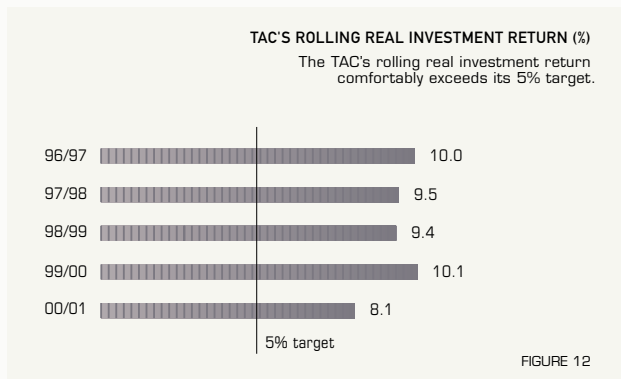
The volatility arises from the need under Australian Accounting Standards to mark the TAC's asset and claims liabilities to market levels on an annual basis. Both equity prices and bond yields (which impact valuation of the TAC's claims liabilities) can be very volatile, resulting in a volatile reported profit result.

2000/2001 RESULTS

The TAC recorded an after-tax operating loss of \$192 million (\$447 million profit in 1999/00).

The TAC's investment return of 2% was well below the budget of 7.5% due to the poor return recorded from international equities markets during the year. All major international equities markets recorded negative double-digit percentage returns during the financial year.

Despite the poor investment return for the year, the TAC's rolling five-year real investment return of 8.1% per annum still exceeds its targeted return of 5% per annum. (FIGURE 12)



ASSETS AND LIABILITIES

The TAC's total assets at 30 June 2001 were \$5.57 billion (\$5.47 billion at 30 June 2000), while the TAC's total liabilities were \$4.63 billion (\$4.29 billion at 30 June 2000).

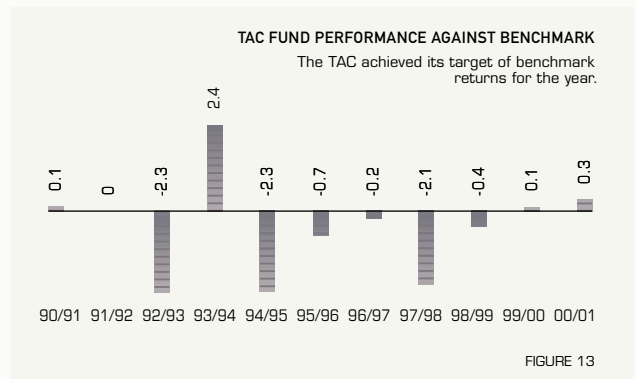
The TAC's solvency margin at 30 June 2001 was 15.3% after allowing for a \$200 million accident prevention blackspot dividend to the State Government (23.2% last year).

TAX AND DIVIDENDS PAID

Under the Transport Accident Act, the TAC pays an annual dividend to the Government. The benchmark dividend payment is 50% of after-tax profit although this may be adjusted for various factors such as scheme cost trends and solvency levels.

The TAC also pays a 'State Equivalent Taxation' to the State Government. The TAC is exempt from Commonwealth income tax.

A \$40 million dividend was paid to the State Government during the year, being part of the \$240 million accident prevention blackspot dividend commitment. In addition, \$135.7 million relating to the final dividend for the 1999/00 financial year was paid. Due to the operating loss recorded for 2000/01, no dividend will be paid this financial year.





2001

TRANSPORT ACCIDENT COMMISSION
FINANCIAL REPORTS

STATEMENTS OF FINANCIAL PERFORMANCE		CONSOLIDATED		TAC	
FOR THE TWELVE MONTHS ENDED 30 JUNE 2001		2001	2000	2001	2000
	Note	\$000	\$000	\$000	\$000
Premium revenue		768,657	772,512	768,657	772,512
Gross investment revenue	5	104,463	528,646	104,519	530,128
Claims recoveries revenue		4,328	15,995	4,328	15,995
Total operating income		877,448	1,317,153	877,504	1,318,635
Gross claims incurred	6	(950,991)	(629,879)	(957,303)	(636,154)
Administration costs	4	(78,259)	(75,949)	(71,947)	(69,674)
Premium collection fees		(16,096)	(15,602)	(16,096)	(15,602)
Accident prevention programs		(21,004)	(21,459)	(21,004)	(21,459)
Trauma projects funding		(7,764)	(6,713)	(7,764)	(6,713)
Investment fees and expenses		(4,805)	(2,900)	(4,861)	(4,382)
Reinsurance expenses		(975)	(928)	(975)	(928)
Profit/(loss) from operating activities	3	(202,446)	563,723	(202,446)	563,723
Farrow Group revenue		9,866	7,652	9,866	7,652
Profit/(loss) from ordinary activities before income tax expense		(192,580)	571,375	(192,580)	571,375
Income tax revenue/(expense)	7(a)	175	(123,889)	175	(123,889)
Net profit/(loss)	16	(192,405)	447,486	(192,405)	447,486

THE ATTACHED NOTES FORM PART OF THE FINANCIAL REPORTS

STATEMENTS OF FINANCIAL POSITION		CONSOLIDATED		TAC	
		2001	2000	2001	2000
AS AT 30 JUNE 2001		2001	2000	2001	2000
	Note	\$000	\$000	\$000	\$000
CURRENT ASSETS					
Cash assets	24	13,593	10,228	13,593	10,228
Receivables	9	27,793	22,188	27,241	21,825
Other assets	10	8,421	18,550	8,421	18,550
Tax refund receivable	7(b)	34,785	0	34,780	0
Investments	8	384,725	255,998	694,225	565,498
Total Current Assets		469,317	306,964	778,260	616,101
NON-CURRENT ASSETS					
Receivables	9	106,079	70,941	106,079	70,941
Other assets	10	9,140	5,182	9,140	5,182
Equipment, furniture and IT systems	11	8,817	5,707	8,817	5,707
Investments	8	4,842,837	4,954,827	4,842,837	4,954,827
Deferred tax assets	7(d)	133,904	122,786	133,737	122,637
Total Non-Current Assets		5,100,777	5,159,443	5,100,610	5,159,294
Total Assets		5,570,094	5,466,407	5,878,870	5,775,395
CURRENT LIABILITIES					
Payables	12	45,025	83,112	354,350	392,598
Unearned premiums		386,392	366,494	386,392	366,494
Tax liabilities	7(b)	0	27,936	0	27,871
Outstanding claims	13	573,540	494,802	573,540	494,802
Provisions	14	3,627	138,982	3,267	138,609
Total Current Liabilities		1,008,584	1,111,326	1,317,549	1,420,374
NON-CURRENT LIABILITIES					
Payables	12	210	867	210	867
Outstanding claims	13	3,508,148	3,081,215	3,508,148	3,081,215
Provisions	14	4,062	3,924	3,873	3,864
Deferred tax liabilities	7(c)	108,335	95,915	108,335	95,915
Total Non-Current Liabilities		3,620,755	3,181,921	3,620,566	3,181,861
Total Liabilities		4,629,339	4,293,247	4,938,115	4,602,235
Net Assets		940,755	1,173,160	940,755	1,173,160
RESERVES					
Reserve for accident prevention blackspot dividend	15	200,000	240,000	200,000	240,000
Retained profits	16	740,755	933,160	740,755	933,160
Parent Entity Interest		940,755	1,173,160	940,755	1,173,160
Total Reserves		940,755	1,173,160	940,755	1,173,160

THE ATTACHED NOTES FORM PART OF THE FINANCIAL REPORTS

STATEMENTS OF CASH FLOWS		CONSOLIDATED		TAC	
FOR THE YEAR ENDED 30 JUNE 2001		2001	2000	2001	2000
	Note	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Transport accident charges collected		867,744	794,807	867,744	794,807
Dividends received		89,922	81,627	89,922	81,627
Interest received		149,400	137,419	149,400	137,419
Claims paid		(508,784)	(483,521)	(508,784)	(483,521)
Claims recoveries received		10,849	14,479	10,849	14,479
Payments to suppliers and employees		(103,038)	(93,500)	(102,905)	(93,593)
Payments for accident prevention programmes		(20,615)	(22,339)	(20,615)	(22,339)
Goods and services tax paid		(94,846)	0	(94,847)	0
Tax paid		(61,268)	(95,893)	(61,158)	(95,836)
Net cash flows from operating activities	24	329,364	333,079	329,606	333,043
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans received from controlled entities		0	0	(242)	36
Payments for investments		(3,233,101)	(3,820,601)	(3,233,101)	(3,820,601)
Proceeds from sale of investments		3,073,739	3,726,579	3,073,739	3,726,579
Payments for equipment, furniture and IT systems		(4,730)	(1,026)	(4,730)	(1,026)
Net cash flows from investing activities		(164,092)	(95,048)	(164,334)	(95,012)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(175,743)	(273,463)	(175,743)	(273,463)
Farrow Group liquidation distributions received		10,831	28,311	10,831	28,311
Net cash flows from financing activities		(164,912)	(245,152)	(164,912)	(245,152)
Net increase/(decrease) in cash held		360	(7,121)	360	(7,121)
Cash and cash equivalents at the beginning of the financial year		105,786	109,850	105,786	109,850
Effects of exchange rate change on the balances of cash held in foreign currencies at the beginning of the financial year		2,229	3,057	2,229	3,057
Cash and cash equivalents at end of the financial year	24	108,375	105,786	108,375	105,786

THE ATTACHED NOTES FORM PART OF THE FINANCIAL REPORTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies, which have been adopted in the preparation of this financial report, are:

(A) BASIS OF PREPARATION

The financial reports of the Transport Accident Commission (TAC), the parent entity, and the consolidated financial reports of the economic entity are general purpose financial reports which have been prepared in accordance with the provisions of the *Financial Management Act 1994*, applicable Australian Accounting Standards (AAS) and other mandatory professional reporting requirements.

The consolidated financial reports of the economic entity include the financial reports of the controlled entities, listed in note 18.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The new and revised accounting standards namely, AAS 1– Statement of Financial Performance, AAS 36– Statement of Financial Position and AAS 37– Financial Report Presentation and Disclosure have been adopted in the preparation of the consolidated financial reports. As a result of applying these accounting standards, a number of comparative amounts were represented or reclassified to ensure comparability with the current reporting period.

(B) REVENUE RECOGNITION

PREMIUM REVENUE

Premium revenue comprises transport accident charges for motor vehicles and levies for Public Transport Corporation and other bodies charged under Part 7 of the *Transport Accident Act 1986*. Premium revenue does not include stamp duty and goods and services tax received on behalf of the State and Federal governments.

The earned portion of the premiums charged is recognised as revenue from the date of attachment of risk. The pattern of recognition over the policy period is based on time, which is considered to approximate closely the pattern of risks underwritten.

INVESTMENT REVENUE

Dividend income is recognised when the market prices are quoted ex-dividend, whilst interest revenue is recognised on an accrual basis. Trust distribution income is recognised when the market prices are quoted ex-distribution for listed trust.

Changes in net market values of investments at balance date, as compared with their net market value at the previous balance date or cost of acquisition if acquired during the financial year, are recognised as investment revenue. Profits and losses arising on foreign currency transactions are included in investment revenue. Realised gains or losses on the termination of derivative financial instruments and unrealised gains or losses on changes in net market values of financial instruments are included in investment revenue.

(C) UNEARNED PREMIUMS

Unearned premiums represent the proportion of premiums written, which relate to periods of insurance subsequent to balance date, computed on the basis that the risk attaches to all policies from the middle of the month in which they are written.

(D) OUTSTANDING CLAIMS

The liability for outstanding claims is in respect of claims incurred but not yet paid, claims incurred but not yet reported (IBNR) and the anticipated direct and indirect costs of those claims. The liability for outstanding claims has been measured on the basis of actuarially estimated costs of claims, 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 discount rate TAC uses for discounting outstanding claims liabilities is based on the anticipated rate of return on TAC's assets. The rate is expected to be sustainable over the duration of the liabilities.

Claims liabilities include a prudential margin to increase the probability of sufficiency of the liabilities to 80% – 85% in recognition that there are inherent uncertainties in the actuarial assumptions underlying the present value calculation.

(E) CLAIMS RECOVERIES

Claims recoveries on paid claims, reported claims not yet paid and IBNR are recognised as revenue and are based on actuarial assessment in a manner similar to the measurement of outstanding claims liability and discounted to a present value at balance date (Note 1(d)).

(F) DEFERRED ACQUISITION COSTS

Acquisition costs represent fees paid and/or payable to VicRoads for the collection of transport accident charges for motor vehicles. A portion of acquisition costs relating to unearned premium is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount and are amortised over the financial year expected to benefit from the expenditure.

(G) INVESTMENTS

Investments are stated at net market value at balance date after allowing for anticipated costs of disposal. Net market values are determined as follows:

- (i) Listed equities, property trust units and government, semi-government and corporate bonds – by reference to market quotations and other recognised pricing sources.
- (ii) Discount securities – based on current redemption yields.
- (iii) Investment in controlled entities – based on the net assets of the controlled entities at balance date.

(H) SCRIP LENDING

The TAC commenced scrip lending activity in May 2001, which involves the lending of securities to third parties in exchange for cash collateral in excess of the market value of the securities for a fee derived from the interest earned on the collateral deposited. The securities lent continue to be classified as investments on the basis that the risks and benefits of ownership of the securities remain with the entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(I) FOREIGN CURRENCY CONVERSIONS**

Transactions undertaken by international fund managers that are denoted in foreign currencies are converted to Australian currency at the rate of exchange prevailing at the date of the transaction. Investments held at balance date that are denominated in foreign currencies have been converted to Australian currency using exchange rates at that date.

(J) DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives used by the TAC are financial instruments whose existence is derived from the value of, or changes in the value of, an underlying investment instrument. Derivatives are valued at net market value at balance date based on published market quotations.

Exchange traded options and futures contract may be entered into by the TAC's domestic equity investment managers to manage price fluctuations in domestic equities. Domestic options and futures contract are marked to market daily, using the settlement price of trading from the Sydney Futures Exchange.

Options and futures contracts may be entered into by the TAC's international equity managers to manage price fluctuations in international equity investments. The contracts are valued using settlement prices at close of trading as per brokers' statements.

All exchange gains and losses relating to forward foreign exchange contracts are brought to account in the profit and loss account in the same period as the exchange differences on the investments covered by the hedging transactions.

(K) EMPLOYEE ENTITLEMENTS

Liabilities for salaries and annual leave are recognised as a current liability and are measured as the amount unpaid at the balance date at undiscounted amounts based on current salary rates in respect of employees' services up to that date.

Liabilities for long service leave are measured at the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity, which closely match the estimated future cash outflows.

In determining the liabilities for long service leave, consideration has been given to future increases in salary rates and experience of employee departures. Related on-costs have also been included in the liabilities.

Contributions to employee superannuation funds are charged as an expense as the contributions are paid or become payable.

(L) FARROW (PYRAMID) GROUP OF BUILDING SOCIETIES - ASSETS AND LIABILITIES

In accordance with the *Transport Accident (Amendment) Act 1992*, the liabilities associated with the liquidation of the failed Farrow Group of building societies (Pyramid, Geelong and Countrywide) were transferred to the TAC on 15 January 1993, along with the right to receive the distributions from the liquidator and any outstanding amounts received from the petrol levy introduced by the Victorian Government.

The fair market value of distributions from the liquidator to the TAC represents the net present value of expected future distributions and is based on the liquidator's cash flow forecasts. The fair market value of the liability owing under the Victorian Government Security Bonds represents the net present value of the expected future payments to bond holders.

The discount rate TAC uses for discounting is the same discount rate used in the actuarial assessment of outstanding claims liabilities (note 1(d)).

(M) DEPRECIATION

Depreciation is provided on all equipment, furniture and IT systems on a straight line basis at rates which allocate their costs over their estimated useful lives to the TAC. Depreciation rates are reviewed annually to ensure the carrying amounts reflect the remaining useful lives of the respective assets.

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

- IT systems 33%
- Furniture and equipment 10%–15%

(N) DIVIDENDS

In accordance with the *State Owned Enterprises Act 1992*, the TAC was until 29 November 2000 a reorganising body under that Act and required to pay to the Victorian State Government, a dividend out of profits or retained surplus, as determined by the Treasurer after consultation with the Board of the TAC.

From 29 November 2000, the TAC is required under section 29B of the *Transport Accident Act 1986*, to pay to the Victorian State Government, a dividend as determined by the Treasurer after consultation with the TAC and the Minister.

An obligation to pay a dividend only arises after consultation between the TAC and the relevant portfolio Minister and the Treasurer. No dividend has been accrued in respect of 2000–01.

(O) INCOME TAX

In accordance with the *State Owned Enterprises Act 1992* the TAC is required to pay income tax equivalent under the Victorian State Tax Equivalent System. Controlled entities are subject to the *Federal Income Tax Assessment Act 1936*.

Pursuant to section 88(3D) of the *State Owned Enterprises Act 1992*, the TAC is required to enter the National Tax Equivalence Regime (NTER) to replace the existing State Tax Equivalent System effective 1 July 2001. The TAC will continue to pay income tax equivalent under the NTER to the Victorian State Government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) INCOME TAX (CONTINUED)

Tax effect accounting is applied using the liability method, whereby income tax is regarded as an expense, and calculated on accounting profit after allowing for permanent differences. Income tax on timing differences is set aside to either the deferred income tax or future income tax benefit accounts at current rates. Any future income tax benefit relating to tax losses is not carried forward unless the benefit is virtually certain of being realised.

(P) GOODS AND SERVICES TAX

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

(Q) ROUNDING OFF

All amounts are expressed to the nearest \$1,000.

2. REVENUE FROM OPERATING ACTIVITIES		CONSOLIDATED		TAC	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
	Note				
Premium revenue		768,657	772,512	768,657	772,512
Claims recoveries revenue	6	4,328	15,995	4,328	15,995
Dividends		91,747	84,420	91,803	85,902
Interest income		146,291	133,436	146,291	133,436
Unrealised gain on investments		(2,097)	385,434	(2,097)	385,434
Proceeds from sale of investments		3,073,739	3,726,579	3,073,739	3,726,579
		4,082,665	5,118,376	4,082,721	5,119,858

3. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Reconciliation of the profit/(loss) from operating activities to underwriting results is as follows:

		CONSOLIDATED		TAC	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
	Note				
Premium revenue		768,657	772,512	768,657	772,512
Reinsurance expenses		(975)	(928)	(975)	(928)
Net premium revenue		767,682	771,584	767,682	771,584
Claims recoveries revenue	6	4,328	15,995	4,328	15,995
Gross claims incurred	6	(950,991)	(629,879)	(957,303)	(636,154)
Administration and program costs		(107,027)	(104,121)	(100,715)	(97,846)
Premium collection fees		(16,096)	(15,602)	(16,096)	(15,602)
Underwriting profit/(loss)		(302,104)	37,977	(302,104)	37,977
Investment revenue	5	99,658	525,746	99,658	525,746
Profit/(loss) from operating activities		(202,446)	563,723	(202,446)	563,723
Profit/(loss) from operating activities includes the following expenses:					
• Bad and doubtful debts		2,950	802	2,950	742
• Depreciation on equipment and furniture		1,549	1,329	1,549	1,329
• Employee entitlement provisions		1,751	1,483	1,569	1,268
• Net operating lease rentals		4,247	4,528	4,247	4,528

4. ADMINISTRATION COSTS		CONSOLIDATED		TAC	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
Staff costs		(43,722)	(41,208)	(37,636)	(35,177)
Information technology costs		(18,549)	(18,070)	(18,625)	(18,070)
Operating costs		(15,988)	(16,671)	(15,686)	(16,427)
Total		(78,259)	(75,949)	(71,947)	(69,674)

5. INVESTMENT REVENUE	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Dividends	91,747	84,420	91,803	85,902
Interest	146,291	133,436	146,291	133,436
Changes in net market values of investments				
• Unrealised gains/(losses)	(2,097)	385,434	(2,097)	385,434
• Realised losses	(131,478)	(74,644)	(131,478)	(74,644)
	104,463	528,646	104,519	530,128
Investment fees and expenses	(4,805)	(2,900)	(4,861)	(4,382)
Total	99,658	525,746	99,658	525,746

Investment revenue for 2000/2001 was lower than 1999/2000 mainly due to lower investment returns from the international and domestic equity markets.

6. NET CLAIMS INCURRED

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

	2001 CONSOLIDATED			2000 CONSOLIDATED		
	Current year \$000	Prior Years \$000	Total \$000	Current year \$000	Prior Years \$000	Total \$000
Gross claims incurred						
• Undiscounted	1,719,855	382,464	2,102,319	1,461,565	956,798	2,418,363
• Discount	(966,498)	(184,830)	(1,151,328)	(796,320)	(992,164)	(1,788,484)
	753,357	197,634	950,991	665,245	(35,366)	629,879
Claims recoveries						
• Undiscounted	(17,890)	14,699	(3,191)	(20,538)	3,755	(16,783)
• Discount	6,941	(8,078)	(1,137)	7,924	(7,136)	788
	(10,949)	6,621	(4,328)	(12,614)	(3,381)	(15,995)
Net claims incurred	742,408	204,255	946,663	652,631	(38,747)	613,884

	2001 TAC			2000 TAC		
	Current year \$000	Prior Years \$000	Total \$000	Current year \$000	Prior Years \$000	Total \$000
Gross claims incurred						
• Undiscounted	1,726,167	382,464	2,108,631	1,467,840	956,798	2,424,638
• Discount	(966,498)	(184,830)	(1,151,328)	(796,320)	(992,164)	(1,788,484)
	759,669	197,634	957,303	671,520	(35,366)	636,154
Claims recoveries						
• Undiscounted	(17,890)	14,699	(3,191)	(20,538)	3,755	(16,783)
• Discount	6,941	(8,078)	(1,137)	7,924	(7,136)	788
	(10,949)	6,621	(4,328)	(12,614)	(3,381)	(15,995)
Net claims incurred	748,720	204,255	952,975	658,906	(38,747)	620,159

Claims incurred for 2000/2001 was higher than for 1999/2000 principally due to:

- an increase in severity of accidents for the current year;
- an increased allowance at June 2001, relating to prior accident years, for lifetime care and paramedical payments for severely injured clients; and
- changes in economic assumptions between the years (refer to note 13).

7. INCOME TAX

The amount of income tax attributable to the financial year differs from the amount calculated on the profit/(loss) from ordinary activities. The differences are reconciled as follows:

	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
(A) INCOME TAX EXPENSE				
Prima facie income tax on the profit/(loss)				
from ordinary activities at 34% (2000 36%)	(65,477)	205,695	(65,477)	205,695
Tax effect of permanent differences which reduce tax payable:				
• Tax exempt foreign income	73,574	(65,738)	73,574	(65,738)
• Rebateable dividends	0	(22,144)	0	(22,144)
• Farrow Group revenue	(3,373)	(2,742)	(3,373)	(2,742)
• Sundry items	(51)	(48)	(51)	(48)
	4,673	115,023	4,673	115,023
Tax effect of decrease in tax rates on deferred tax balances	(4,848)	8,866	(4,848)	8,866
Income tax expense/(revenue)	(175)	123,889	(175)	123,889
Comprising:				
• Current taxation provision	40	64,087	0	64,017
• Deferred income tax provision	12,418	42,786	12,418	42,786
• Future income tax benefit	(11,140)	17,047	(11,100)	17,117
• Overprovision in prior year	(1,493)	(31)	(1,493)	(31)
	(175)	123,889	(175)	123,889

	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
(B) PROVISION FOR CURRENT INCOME TAX				
Balance at beginning of year	27,936	59,773	27,871	59,728
Movements during the year:				
• Income tax paid	(61,268)	(95,893)	(61,158)	(95,843)
• Current year's income tax expense	40	64,087	0	64,017
• Overprovision in prior year	(1,493)	(31)	(1,493)	(31)
	(34,785)	27,936	(34,780)	27,871

	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
(C) PROVISION FOR DEFERRED INCOME TAX				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:				
• Unrealised gain on investments	125,935	96,161	125,935	96,161
• Reduction attributable to tax losses	(17,467)	0	(17,467)	0
• Difference in depreciation of plant and equipment for accounting and income tax purposes	(133)	(246)	(133)	(246)
	108,335	95,915	108,335	95,915

7. INCOME TAX (CONTINUED)

	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
(D) PROVISION FOR FUTURE INCOME TAX BENEFIT				
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30%, on the following items:				
• Claims handling expense included in outstanding claims	123,315	107,625	123,315	107,625
• Provisions and accrued employee entitlements not currently deductible	8,122	11,288	7,955	11,139
• Accruals not currently deductible	2,467	3,873	2,467	3,873
	133,904	122,786	133,737	122,637

The company tax rate will be reduced from 34% to 30% from the 2001/02 income tax year.

As a result, deferred tax balances which are expected to reverse in the 2001/02 year, or a later income tax year, have been re-measured at the applicable rate of 30%.

A potential future income tax benefit of \$35.10 million (2000 \$39.68 million) relating to tax losses carried forward by a controlled entity has not been brought to account in the financial reports.

This benefit will only be obtained if:

- (i) the controlled entity derives future assessable income and capital gains of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- (ii) the losses are transferred to an eligible entity in the economic entity;
- (iii) the controlled entity continues to comply with the conditions for deductibility imposed by the law; and
- (iv) no changes in tax legislation adversely affect the controlled entity or the economic entity in realising the benefit from the deductions for the losses.

The TAC does not believe it is appropriate to regard realisation of the future income tax benefits relating to these tax losses as virtually certain (see Note 1(o)).

8. INVESTMENTS	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
CURRENT				
Bank, money market, foreign currency & other deposits	99,483	162,048	99,483	162,048
Investment receivables	46,594	47,113	46,594	47,113
Investments in controlled entities	0	0	309,500	309,500
Government, semi-Government and corporate bonds	238,648	46,837	238,648	46,837
Total Current	384,725	255,998	694,225	565,498
NON-CURRENT				
Government, semi-Government and corporate bonds	1,761,285	1,868,742	1,761,285	1,868,742
Domestic equities	1,505,607	1,469,059	1,505,607	1,469,059
International equities ⁽¹⁾	1,276,891	1,355,994	1,276,891	1,355,994
Property trust units	299,054	261,032	299,054	261,032
Total Non-Current	4,842,837	4,954,827	4,842,837	4,954,827
Total	5,227,562	5,210,825	5,537,062	5,520,325

⁽¹⁾ The TAC utilises forward contracts to fully hedge the currency exposure of international equities.

8. INVESTMENTS (CONTINUED)**(A) MONETARY ITEMS DENOMINATED IN FOREIGN CURRENCIES**

As at 30 June 2001, the TAC fully hedged its foreign currency exposures. The following Australian dollar equivalents collectively account for the majority of foreign currency investments held at balance date:

	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
United States dollar	717,743	682,408	717,743	682,408
Euro dollar	220,338	252,551	220,338	252,551
Japanese yen	146,131	180,787	146,131	180,787
United Kingdom pound sterling	130,862	132,497	130,862	132,497

9. RECEIVABLES	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
CURRENT				
Premiums receivable	8,091	8,757	8,091	8,757
Input tax credits ⁽¹⁾	7,930	0	7,930	0
Claims recoveries and other debtors	16,658	25,592	16,106	25,123
Less: Provision for doubtful debts	(4,886)	(12,161)	(4,886)	(12,055)
	11,772	13,431	11,220	13,068
Total Current	27,793	22,188	27,241	21,825
NON-CURRENT				
Input tax credits ⁽¹⁾	43,851	4,039	43,851	4,039
Claims recoveries receivable	63,952	75,559	63,952	75,559
Less: Provision for doubtful debts	(1,724)	(8,657)	(1,724)	(8,657)
	62,228	66,902	62,228	66,902
Total Non-Current	106,079	70,941	106,079	70,941

⁽¹⁾ This amount is actuarially estimated and discounted to present value at balance date for the future input tax credits and decreasing adjustments which the TAC is entitled to claim in connection with the goods and services tax payable on future claims payments.

10. OTHER ASSETS	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
CURRENT				
Farrow distribution	0	5,261	0	5,261
Deferred acquisition costs	8,024	7,890	8,024	7,890
Prepayments and others	397	5,399	397	5,399
Total Current	8,421	18,550	8,421	18,550
NON-CURRENT				
Farrow distribution	9,140	7,182	9,140	7,182
Less: Provision for doubtful distributions	0	(2,000)	0	(2,000)
Net distribution receivable from liquidator	9,140	5,182	9,140	5,182
Total Non-Current	9,140	5,182	9,140	5,182

11. EQUIPMENT, FURNITURE AND IT SYSTEMS	CONSOLIDATED		TAC	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
EQUIPMENT, FURNITURE AND IT SYSTEMS				
At cost	15,637	12,906	15,637	12,906
Less: accumulated depreciation	(6,820)	(7,199)	(6,820)	(7,199)
Total written down value	8,817	5,707	8,817	5,707
Reconciliation:				
Opening written down value balance as at 1 July	5,707	6,009	5,707	6,009
Additions	4,795	1,382	4,795	1,382
Disposals	(136)	(355)	(136)	(355)
Current year depreciation	(1,549)	(1,329)	(1,549)	(1,329)
Closing written down value balance as at 30 June	8,817	5,707	8,817	5,707

12. PAYABLES	CONSOLIDATED		TAC	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
CURRENT				
Advance premiums ⁽¹⁾	17,200	12,333	17,200	12,333
Accruals	18,099	22,780	18,093	22,683
GST payable ⁽²⁾	3,431	37,178	3,124	37,178
Interest bearing liabilities	6,092	10,302	6,092	10,393
Farrow liabilities	203	519	203	519
Amount due to controlled entities	0	0	309,638	309,492
Total Current	45,025	83,112	354,350	392,598
NON-CURRENT				
Farrow liabilities	210	232	210	232
Interest bearing liabilities	0	635	0	635
Total Non-Current	210	867	210	867

⁽¹⁾ Advance premiums represent premiums received for policies with attachment dates commencing after balance date.

⁽²⁾ GST payable as at 30 June 2000 included \$36.68 million attributable to unearned premium reserve at 30 June 2000.

13. OUTSTANDING CLAIMS

Outstanding claims liability as at 30 June 2001 has been set by the Directors after appropriate consideration of the actuarial advice provided by an independent actuarial firm, PricewaterhouseCoopers Actuarial Pty Ltd.

	CONSOLIDATED		TAC	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Current liability	573,540	494,802	573,540	494,802
Non-current liability	3,508,148	3,081,215	3,508,148	3,081,215
Total	4,081,688	3,576,017	4,081,688	3,576,017
Undiscounted future claims payments	11,988,228	10,264,512	11,988,228	10,264,512
Discount to present value	(7,906,540)	(6,688,495)	(7,906,540)	(6,688,495)
Liability for outstanding claims	4,081,688	3,576,017	4,081,688	3,576,017

The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 9.5 years (2000: 9 years).

The prudential margin included in the outstanding claims liability as at 30 June 2001 is 15% (2000: 15%) of central estimate including claims handling expenses and after deducting recoveries.

Amendments to the *Accident Compensation Act 1985* and the *Transport Accident Act 1986* enable the Victorian WorkCover Authority (VWA) to recover all compensation payable under the WorkCover scheme that is incurred as a result of an injury in a transport accident during the course of work. The recovery right of the VWA took effect from 1 July 2000. An amount of \$29.0 million (2000: nil) has been included in the outstanding claims liability at 30 June 2001 to provide for the additional liability to be incurred by the TAC as a result of these changes.

13. OUTSTANDING CLAIMS (CONTINUED)

The following inflation rates and discount rates were used in estimating the liability for outstanding claims (refer Note 1(d)). The discount rate is equivalent to risk free rates plus 1% per annum. Claims inflation includes wage inflation plus superimposed inflation. Superimposed inflation is included on some but not all TAC claims benefits. The equivalent average superimposed inflation rate across all claims payments is 1% per annum (2000: 1%).

CLAIMS EXPECTED TO BE PAID	2001	2000
Not later than one year		
• Wage inflation rate	3.5%	4.0%
• Discount rate	6.0%	7.0%
Later than one year		
• Wage inflation rate	3.7%	3.8%
• Discount rate	7.4%	7.3%

14. PROVISIONS	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
CURRENT				
Dividends	0	135,743	0	135,743
Employee entitlements ⁽¹⁾	3,627	3,239	3,267	2,866
Total Current	3,627	138,982	3,267	138,609
NON-CURRENT				
Employee entitlements ⁽¹⁾	4,062	3,924	3,873	3,864
Total Non-Current	4,062	3,924	3,873	3,864
⁽¹⁾ Aggregate employee entitlements	7,689	7,163	7,140	6,730

15. RESERVE FOR ACCIDENT PREVENTION BLACKSPOT DIVIDEND	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Balance as at 1 July	240,000	0	240,000	0
Transfer from retained profits (note 16)	0	240,000	0	240,000
Dividend paid	(40,000)	0	(40,000)	0
Balance as at 30 June	200,000	240,000	200,000	240,000

The Directors have committed to funding a \$240 million dividend to the government for accident prevention blackspot projects.

16. RETAINED PROFITS	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Balance as at 1 July	933,160	949,417	933,160	949,417
Operating profit/(loss) from the current year	(192,405)	447,486	(192,405)	447,486
Dividend provided for or paid	0	(223,743)	0	(223,743)
Amount transferred to reserve (note 15)	0	(240,000)	0	(240,000)
Balance as at 30 June	740,755	933,160	740,755	933,160

17. COMMITMENTS

At balance date, the total expenditure contracted but not provided for in the financial report is as follows:

	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Operating lease commitments, payable:				
• No later than one year	4,525	5,983	4,525	5,983
• Later than one year but not later than five years	15,828	9,883	15,828	9,883
• Later than five years	15,029	0	15,029	0
	35,382	15,866	35,382	15,866
Administrative expenditure commitment, payable:				
• No later than one year	19,028	18,657	19,028	18,657
• Later than one year but not later than five years	24,749	34,854	24,749	34,854
• Later than five years	0	2,293	0	2,293
	43,777	55,804	43,777	55,804

18. CONTROLLED ENTITIES

BOOK VALUE OF IMMEDIATE PARENT ENTITY INVESTMENT

	2001	2000
	\$000	\$000
Name of entity controlled by the TAC		
• TAC Law Pty Ltd	0	0
• Opalwood Pty Ltd	0	0
• Southgate Trust	309,500	309,500
	309,500	309,500

COUNTRY OF INCORPORATION

All controlled body corporates are incorporated in Victoria, Australia.

SHAREHOLDINGS

The TAC is the ultimate parent entity and the sole owner of the shares in all controlled entities, except TAC Law Pty Ltd (TAC Law). The TAC does not own shares in TAC Law, which provides legal services to the TAC under a retainer agreement. The TAC is the principal client of TAC Law and is deemed to have control over TAC Law for financial reporting purposes. The financial report of TAC Law is accordingly consolidated with that of the TAC.

19. AMOUNT PAID OR DUE AND PAYABLE TO THE AUDITOR-GENERAL

The amount paid or due and payable to the Auditor-General for auditing the financial reports.

	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Amount paid or due and payable	139	131	129	122

20. EXECUTIVE OFFICERS' REMUNERATION	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Income received, or due and receivable by Australian-based executive officers (excluding the Managing Director) whose income is more than \$100,000 from the TAC.	1,505	1,409	1,505	1,409
The number of Australian-based executive officers (excluding the Managing Director) whose income is more than \$100,000 is shown below in their relevant income bands:	No.	No.	No.	No.
\$110,000 – \$119,999	1	0	1	0
\$130,000 – \$139,999	2	1	2	1
\$150,000 – \$159,999	0	2	0	2
\$160,000 – \$169,999	0	2	0	2
\$170,000 – \$179,999	1	0	1	0
\$180,000 – \$189,999	0	1	0	1
\$210,000 – \$219,999	1	2	1	2
\$220,000 – \$229,999	1	0	1	0
\$230,000 – \$239,999	1	0	1	0
\$260,000 – \$269,999	1	0	1	0

Executive Officers' remuneration represents all payments, including superannuation contributions, made in accordance with individual employment contracts.

21. EMPLOYEE SUPERANNUATION FUNDS

Superannuation contributions are provided for employees via the following superannuation funds:

	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
State Superannuation Fund ⁽¹⁾	865	992	865	992
Victorian Superannuation Fund	1,468	1,075	1,274	885
Private Sector Complying Funds	464	476	270	337
Total	2,797	2,543	2,409	2,214

⁽¹⁾ These schemes are defined benefit schemes.

The basis of superannuation contributions for the above funds is in accordance with the scales set out in the relevant legislation or the scales determined by the State Superannuation Fund and the Victorian Superannuation Fund. There are no contributions outstanding at balance date (2000: \$0.06 million).

The TAC has received confirmations from the Government Superannuation Office that there are no unfunded liabilities for employee entitlements for the defined benefit schemes under the State Superannuation Fund.

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

22. RESPONSIBLE PERSON-RELATED PARTY DISCLOSURE (CONTINUED)

The names of persons who were responsible persons at any time during the financial year are:

The Minister,

The Honourable Bob Cameron MP, Minister for WorkCover

The Directors,

Professor Stephen Cordner (resigned 30 June 2001)

Mrs Patricia Cross (resigned 30 June 2001)

Mr Alan Goodfellow

Mr Stephen Grant (Managing Director appointed 6 November 2000)

Ms Margaret Jackson (resigned 30 June 2001)

Mr John Lees (resigned 15 September 2000)

Dr Michael Pryles AM

Professor Danny Samson

Ms Anne Ward (appointed 25 July 2000)

Mr James MacKenzie was appointed as a Director and Chair of the TAC effective from 1 July 2001.

REMUNERATION OF RESPONSIBLE PERSONS

The relevant amounts relating to the Minister are reported separately in the Financial Reports of the Department of Premier and Cabinet.

	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Income paid or payable or otherwise made available to directors of the TAC and a controlled entity	695	660	639	606
The number of directors of the TAC whose remuneration falls within the following bands:			No.	No.
\$1 – \$9,999			0	1
\$20,000 – \$29,999			0	2
\$30,000 – \$39,999			5	3
\$40,000 – \$49,999			0	1
\$50,000 – \$59,999			1	0
\$60,000 – \$69,999			1	1
\$150,000 – \$159,999			1	0
\$190,000 – \$199,999			1	0
\$320,000 – \$329,999			0	1

RETIREMENT BENEFITS OF RESPONSIBLE PERSONS

No retirement benefits were paid by the TAC in connection with the retirement of responsible persons during the financial year.

OTHER TRANSACTIONS OF RESPONSIBLE PERSONS AND RESPONSIBLE PERSON-RELATED PARTIES

Ms Margaret Jackson, a director during the 2000 / 2001 year, is the spouse of a partner of the firm of Minter Ellison Lawyers, who was formerly a partner of Herbert Geer & Rundle Lawyers. Both firms have provided legal services to the TAC for a number of years on normal commercial terms and conditions.

Mrs Patricia Cross, a director during the 2000 / 2001 year, is the spouse of a partner of the firm of Arthur Robinson & Hedderwicks Lawyers, which has provided legal services to the TAC for a number of years on normal commercial terms and conditions.

A director, Dr Michael Pryles AM, is a partner of the firm of Minter Ellison Lawyers, which has provided legal services to the TAC for a number of years on normal commercial terms and conditions.

A director, Professor Danny Samson, is a director of Techstrat Research Pty Ltd, which has provided consulting services to the TAC for a number of years on normal commercial terms and conditions.

Professor Stephen Cordner, a director during the 2000 / 2001 year, is the director of the Victorian Institute of Forensic Medicine, and a professor of forensic medicine at Monash University. The Victorian Institute of Forensic Medicine has conducted research on behalf of the TAC for a number of years on normal commercial terms and conditions.

A director, Ms Anne Ward, is a partner of the firm of Minter Ellison Lawyers and was formerly a partner of Herbert Geer & Rundle Lawyers. Both firms have provided legal services to the TAC for a number of years on normal commercial terms and conditions.

22. RESPONSIBLE PERSON-RELATED PARTY DISCLOSURE (CONTINUED)

The aggregate amounts in respect of the following types of transactions with responsible persons and responsible person-related parties were:

	TAC AND CONSOLIDATED	
	2001 \$000	2000 \$000
Legal services	695	1,013
Research and consulting services	252	173

A number of the directors of the TAC are also directors of other bodies and corporations, some of which have transactions with the TAC. The relevant directors believe that they do not have the capacity to control or significantly influence the financial or operating policies of those bodies corporate or their dealings with one another.

Those bodies are therefore not considered to be related parties with responsible persons for the purposes of the disclosure requirements of the Directions of the Minister for Finance under the *Financial Management Act 1994* entitled "Responsible Person-Related Disclosure in Public Sector Financial Reporting".

OTHER RECEIVABLES FROM OR PAYABLES TO RESPONSIBLE PERSONS AND RESPONSIBLE PERSON-RELATED PARTIES

As at 30 June 2001, there are no other receivables from, or payables to, responsible persons and responsible person-related parties.

RESPONSIBLE PERSON LOANS

For the year ended 30 June 2001, no loans were made to responsible persons and responsible person-related parties.

23. TRANSACTIONS WITH OTHER VICTORIAN GOVERNMENT CONTROLLED ENTITIES

During the 2000/01 financial year, transactions were undertaken with other Victorian Government controlled entities.

These transactions are summarised as follows:

	INTRA		INTER	
	2001 \$000	2001 \$000	2000 \$000	2000 \$000
Assets	103,327	—	99,176	—
Liabilities	1,691	4,082	164,639	4,804
Revenues	7,621	—	8,133	—
Expenses	164,566	79,608	373,419	63,757

Note: Intra-entity transactions are those transactions with entities within the Treasury and Finance portfolio, while inter-entity transactions are those transactions with entities controlled by the Victorian Government, but outside the portfolio.

24. CASH FLOW INFORMATION**(A) RECONCILIATION OF CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and at banks, investments in money market and highly liquid investments with short periods to maturity, which are readily convertible to cash. Cash and cash equivalents at the end of the financial year, as shown in the statement of cash flows, are reconciled to the related items in the financial reports as follows:

	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Cash at bank	13,593	10,228	13,593	10,228
Money market deposits	94,782	95,558	94,782	95,558
Total	108,375	105,786	108,375	105,786

24. CASH FLOW INFORMATION (CONTINUED)

(B) RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO NET PROFIT/(LOSS)

	CONSOLIDATED		TAC	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Net profit/(loss)	(192,405)	447,486	(192,405)	447,486
Depreciation and amortisation	1,549	1,329	1,549	1,329
Unrealised loss/(gain) on investment	2,097	(385,434)	2,097	(385,434)
Realised loss on sale of investment	131,478	74,644	131,478	74,644
Farrow Group revenue	(9,866)	(7,652)	(9,866)	(7,652)
CHANGES IN ASSETS AND LIABILITIES				
Increase in outstanding claims	505,671	156,299	505,671	156,299
Increase/(decrease) in unearned premium reserve	19,898	(16,901)	19,898	(16,901)
Increase in receivables and other assets	(35,142)	(7,422)	(35,010)	(8,614)
Decrease/(increase) in creditors, accruals and provisions	(32,497)	42,677	(32,474)	43,833
Decrease in net deferred tax balances	1,302	59,910	1,319	59,910
Decrease in income tax payable	(62,721)	(31,857)	(62,651)	(31,857)
Net cash flows from operating activities	329,364	333,079	329,606	333,043

25. FINANCIAL INSTRUMENTS

PURPOSE OF HOLDING DERIVATIVE PRODUCTS

Derivative financial instruments, principally forward foreign exchange contracts and futures contracts may be 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. Derivatives are not used to gear or leverage the fund. Derivative financial instruments are not held for speculative purposes.

In the case of cash and fixed interest investments, the TAC's investment managers may utilise Bank Bill Futures, Three and Ten Year Bond Futures Contracts 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 investment 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

(i) A summary of the TAC's exposure to interest rate risk on financial instruments is as follows:

2001	FIXED INTEREST MATURING IN					
	Floating interest rate \$000	1 year or less \$000	1 to 5 years \$000	Over 5 years \$000	Non interest bearing \$000	Total carrying value \$000
FINANCIAL ASSETS						
Cash and deposits	13,593	0	0	0	0	13,593
Other assets	0	0	0	0	9,140	9,140
Investments	0	400,195	987,653	802,680	3,037,034	5,227,562
Total financial assets	13,593	400,195	987,653	802,680	3,046,174	5,250,295
Weighted average effective interest rate	4.70%	4.85%	5.72%	5.46%	—	
FINANCIAL LIABILITIES						
Accruals and creditors	0	6,092	0	0	18,099	24,191
Other liabilities	0	0	0	0	413	413
Total financial liabilities	0	6,092	0	0	18,512	24,604
Weighted average effective interest rate	—	7.5%	—	—	—	
Net financial assets	13,593	394,103	987,653	802,680	3,027,662	5,225,691

25. FINANCIAL INSTRUMENTS (CONTINUED)

INTEREST RATE RISK (CONTINUED)

2000	FIXED INTEREST MATURING IN					
	Floating interest rate	1 year or less	1 to 5 years	Over 5 years	Non interest bearing	Total carrying value
	\$000	\$000	\$000	\$000	\$000	\$000
FINANCIAL ASSETS						
Cash and deposits	10,228	0	0	0	0	10,228
Other assets	0	0	0	0	10,443	10,443
Investments	0	250,936	922,998	965,526	3,071,365	5,210,825
Total financial assets	10,228	250,936	922,998	965,526	3,081,808	5,231,496
Weighted average effective interest rate	5.00%	3.75%	6.21%	5.81%	—	
FINANCIAL LIABILITIES						
Accruals and creditors	0	10,393	635	0	22,689	33,717
Other liabilities	0	0	0	0	751	751
Total financial liabilities	0	10,393	635	0	23,440	34,468
Weighted average effective interest rate	—	7.50%	7.50%	—	—	
Net financial assets	10,228	240,543	922,363	965,526	3,058,368	5,197,028

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.

In accordance with AAS 33, Presentation and Disclosure of Financial Instruments, obligations arising under insurance contracts have not been included in the above financial instruments disclosure.

(ii) Reconciliation of net financial assets to net assets

	CONSOLIDATED	
	2001 \$000	2000 \$000
Net financial assets	5,225,691	5,197,028
Provisions	(116,024)	(266,757)
Net insurance liabilities	(4,468,080)	(3,942,511)
Net non-financial assets	299,168	185,400
Net assets	940,755	1,173,160

CREDIT RISK

(i) Credit Risk Exposures

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

In relation to off balance sheet financial assets, 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. (Refer Note 8(a).)
- 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. Unrealised loss as at balance date amounted to \$0.41million (2000: \$0.43 million gain).

(ii) Concentration of Credit Risk

The TAC manages 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).

25. FINANCIAL INSTRUMENTS (CONTINUED)**LIQUIDITY RISK**

Liquidity risk arises from being unable to meet financial obligations as they fall due. The TAC manages liquidity through rigorous cash flow monitoring and through holding high quality liquid assets in its total investment portfolio.

FOREIGN EXCHANGE RISK

The TAC limits 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 objective is to fully hedge the currency exposure of investments denominated in foreign currencies. At 30 June 2001, all foreign currency investments are fully hedged.

The forward exchange contracts are usually for less than 12 months and contracts outstanding at balance date in Australian dollar equivalents are:

	2001		2000	
	Average weighted exchange rate	Market value \$000	Average weighted exchange rate	Market value \$000
OUTSTANDING CONTRACTS (LESS THAN 12 MONTHS)				
United States dollar	0.5143	700,711	0.5963	661,525
Euro dollar	0.5873	245,355	0.6173	259,823
Japanese yen	61.6226	141,002	61.9839	172,373
United Kingdom pound sterling	0.3615	132,724	0.3831	134,219
Swiss franc	0.8919	41,008	0.9778	39,494
Canadian dollar	0.7987	29,962	0.8740	32,430
Swedish krona	5.2414	14,463	5.1632	23,571
Hong Kong dollar	4.0315	13,175	4.6501	15,922
Danish kroner	4.3555	5,781	4.6261	5,799
Singapore dollar	0.9348	5,487	1.0129	6,113

NET FAIR VALUES**(i) Methods of Valuing Financial Instruments**

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

- (a) Financial instruments traded in an organised financial market (traded securities) – current quoted market bid price for an asset or offer price for a liability adjusted for any transaction costs necessary to realise the asset or settle the liability. Quoted market prices are available for listed shares, options debentures and other equity and debt securities.
- (b) Financial instruments not readily traded in an organised financial market – the present value of contractual future cash flows. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank term deposits, accounts receivable, accounts payable and dividends payable approximate net fair value.

(ii) Carrying Value of Financial Instruments

The TAC's financial assets and liabilities are carried at amounts that approximate net fair value in accordance with the requirements of AAS 26 Financial Reporting of General Insurance Activities.

STATEMENT BY CHAIR AND CHIEF EXECUTIVE OFFICER

We certify that the financial reports of the Transport Accident Commission have been prepared in accordance with applicable Australian Accounting Standards, other mandatory professional reporting requirements, the *Financial Management Act 1994* and Part 9 of the Directions under the *Financial Management Act 1994*.

In our opinion, the consolidated financial reports of the economic entity present fairly the results of the financial transactions of the economic entity during the year ended 30 June 2001 and the financial position of the economic entity as at that date.

At the date of signing these financial reports, we are not aware of any circumstances that would render any particulars included in the reports misleading or inaccurate.

Dated at Melbourne this 23rd day of August 2001.



James MacKenzie
CHAIR



Stephen Grant
CHIEF EXECUTIVE OFFICER

AUDITOR-GENERAL'S REPORT

To the Members of the Parliament of Victoria, the responsible Ministers and the Members of the Board of the Transport Accident Commission

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL REPORT

This audit report relates to the financial report of the Transport Accident Commission for the financial year ended 30 June 2001 included on the Transport Accident Commission's web site. The Members of the Board are responsible for the integrity of the Transport Accident Commission's web site. I have not been engaged to report on the integrity of the Transport Accident Commission's web site. The audit report refers only to the statements named below. It does not provide an opinion 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.

AUDIT SCOPE

The accompanying financial report of the Transport Accident Commission for the Financial Year ended 30 June 2001, comprising the statement of financial performance, the statement of financial position, the statement of cash flows and notes to the financial statements, has been audited. The Members of the Board are responsible for the preparation and presentation of the financial report and the information it contains. An independent audit of the report has been carried out in order to express an opinion on it to the Members of the Parliament of Victoria, the responsible Ministers and the Members of the Board as required by the Audit Act 1994.

The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The audit procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements and complies with the requirements of the Financial Management Act 1994, so as to present a view which is consistent with my understanding of the Corporation's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In my opinion, the financial report presents fairly the financial position of the Transport Accident Commission as at 30 June 2001 and the results of its operations and its cash flows for the year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements and complies with the requirements of the *Financial Management Act 1994*.

Melbourne 23 August 2001



J.W. Cameron
AUDITOR-GENERAL

CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

The Chair and the Board are nominated by the Minister and appointed by the Governor in Council. There are presently six non-executive directors, including the Chair, and one executive Director.

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; and
- 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: Alan Goodfellow, Stephen Grant, James MacKenzie (Chair), Michael Pryles, Danny Samson, Anne Ward and Judy Ward.

Role:

- To review CEO remuneration and make recommendations to the Minister.
- To make recommendations on remuneration policy for senior executives.
- To ensure packages are at levels which will attract and retain executives capable of managing the TAC's operations.
- To review collective employment agreements and salary reviews.
- To review and endorse appraisal processes.

AUDIT COMMITTEE

Members: Michael Pryles (Chair), James MacKenzie, Alan Goodfellow

Role:

- To assist the Board with its responsibilities in the preparation of the TAC's financial statements and review of internal controls.
- To recommend the appointment of an internal auditor.
- To review and report to the Board on the performance of the internal auditor.
- To examine both the internal auditor's and the Auditor-General's evaluations of internal controls and confirm that the necessary changes are implemented.
- To provide a line of communication between the Board and the internal auditor and the Auditor-General.
- To ensure the ongoing relevance of the internal audit plan to the business plan.
- To ensure the reliability of financial information.

ASSET STRATEGY COMMITTEE

Members: James Mackenzie (Chair), Stephen Grant, Danny Samson, Judy Ward.

Role:

- To oversee the investment strategy adopted by the Board.
- To make recommendations to the Board on critical allocation decisions underpinning the strategy.
- To review the performance of the TAC's fund managers including the Victorian Funds Management Corporation (VFMC).

CORPORATE GOVERNANCE (CONTINUED)

PRUDENTIAL STANDARDS

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

- maintains adequate planning processes and appropriate internal controls;
- adheres with maximum exposure limits to various asset classes;
- has established investment objectives and financial planning objectives;
- has established long term investment strategies consistent with those investment objectives; and
- complies with quarterly and annual reporting requirements to the Treasurer.

To this end the Board obtains appropriate comfort statements from TAC management and the internal auditors of the TAC and the VFMC.

COMPLIANCE

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

INCORPORATION AND MINISTERIAL RESPONSIBILITY

The TAC is a body corporate established under section 10 of the *Transport Accident Act 1986* (the Act) (No. 111 of 1986, reprint No. 8 dated 1 August 2001). The Act sets out the objectives, functions and powers of the TAC.

The TAC is no longer a reorganising body under the *State Owned Enterprises Act 1992* as a result of amendment of the *Transport Accident Act 1986*, which came into operation on 28 November 2000. Under section 10A of the *Transport Accident Act 1986* the TAC is a statutory corporation under the Act and is not subject to the *State Owned Enterprises Act 1992*.

The Minister for WorkCover is the Minister administering the *Transport Accident Act 1986*.

MINISTERIAL DIRECTIONS

No Ministerial directions were given by the Minister for WorkCover during the financial year 2000/2001.

THE TAC'S OBJECTIVES, FUNCTIONS, POWERS AND ACCOUNTABILITY

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

OBJECTIVES OF THE COMMISSION (SECTION 11)

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

FUNCTIONS OF THE COMMISSION (SECTION 12)

- To administer the Transport Accident Fund.
- To receive and assess, and accept or reject, claims for compensation.
- To defend proceedings relating to claims for compensation.
- To pay compensation to persons entitled to compensation.
- To determine transport accident charges.
- To collect and recover transport accident charges.
- To provide advice in relation to the transport accident scheme.
- To provide funds for the program designed to secure the early and effective medical and vocational rehabilitation of persons injured as a result of transport accidents and for other rehabilitation programs for persons injured in transport accidents.
- To collect and assess data and statistics in relation to transport accidents.
- To provide advice to the Minister in relation to matters specifically referred to the Commission by the Minister and generally in relation to the administration of this Act and the compensation scheme under this Act.
- To commercially exploit knowledge and expertise in compensation schemes and scheme administration.
- To act as an authorised agent under section 23 of the *Accident Compensation Act 1985*.

COMPLIANCE (CONTINUED)

- If appointed, to act as an agent of a self-insurer under section 143A of the *Accident Compensation Act 1985*.
- To carry out such other functions conferred on the Commission by this or any other Act.
- To promote the prevention of transport accidents and safety in use of transport.
- To promote, so far as possible, a program designed to secure the early and effective medical and vocational rehabilitation of persons injured as a result of transport accidents to whom or on behalf of whom the Commission is or may become liable to make any payment under the Act.

POWERS OF THE COMMISSION (SECTION 13)

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

ACCOUNTABILITY OF THE COMMISSION

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

LEGISLATION

The following legislative changes have occurred in the period from 1 July 2000 to 30 June 2001:

The *Transport Accident (Amendment) Act 2000*, (No.84 /2000) received the Royal Assent on 28 November 2000 and came into operation as follows:

- Sections 1, 2, 6, 9–11, 13, 14(3), 15(4), 17, 18, 21, 22, 24–26, 27(4), 31–33, 36, 37, 39, and 40 on 28 November 2000;
- Sections 3(1), 3(2), 3(5), 4 and 41 on 7 December 2000;
- Sections 12, 14(1), 14(2), 14(4), 16 and 30 on 1 March 2001;
- Sections 34 and 35 on 1 July 2001.

The remaining sections of the legislation with the exception of section 23(1) of the Act will come into operation on 1 August 2001. It should also be noted that section 15(4) had retrospective effect to 1 July 2000.

Some of the changes contained in the *Transport Accident (Amendment) Act 2000* changes include:

- An increase of 4% in LOEC payments to offset the effect of the Goods and Services Tax with effect from 1 July 2000;
- Wider access to lump sum dependency benefits to provide for lump sum compensation upon the death of a non-earning spouse responsible for the care of children;
- Extension of access to family counselling for the family of a person severely injured in a transport accident;
- Access to payment of travel and accommodation for a spouse and dependent child to visit their spouse or parent whilst they are an in-patient in a hospital more than 100km from home;
- The inclusion of regular overtime worked by a person before the accident in pre-accident earnings assessments;
- An increase from 60% to 80% of average weekly earnings in the amount of LOEC payable in cases where an amount of LOEC cannot otherwise be determined;
- Provision for transport accident charges to be fixed by Order in Council rather than by Regulation;
- The inclusion of broader provisions dealing with the availability of home and vehicle modifications;
- The extension of the scheme to cover incidents in which a bicycle collides with a parked car whilst the bicycle rider is travelling to or from work;
- A revised process for dealing with applications for review of decisions that are lodged at the Victorian Civil and administrative Tribunal after 1 August 2001;
- Requirements for obtaining prior approval before obtaining a medical report after 1 August 2001.

COMPLIANCE (CONTINUED)

OTHER LEGISLATIVE CHANGES AFFECTING THE TRANSPORT ACCIDENT ACT:

- Schedule 2 of the *Statute Law Amendment (Relationships) Act 2001* will amend the *Transport Accident Act* with effect from 23 August 2001. This Act will recognise that all couples who have committed themselves to a bona fide domestic relationship should receive the same legal rights, irrespective of gender. The effect of the legislation will be to extend access to dependency and other benefits in the Act to same sex couples living together as bona fide domestic partners.
- The *State Owned Enterprises (Amendment) Act 2001* provides for the introduction of the National tax equivalence regime (NTER) to replace existing State arrangements for administering tax equivalent payments made by major Government Business Enterprises (GBEs). The NTER will be administered by the Australian Taxation Office (ATO), which means that quarterly instalment statements and returns that the TAC is required to complete will be submitted to the ATO rather than to State Treasuries. Foreign sourced income derived by TAC will continue to be exempt from tax under grandfather rules until 30 June 2003.
- The *Information Privacy Act 2000 (Vic)* was passed by Parliament late in 2000 and will come into operation on 1 September 2001 and will be implemented over the course of the 2001/2002. This Act requires the TAC to adopt the information privacy principles detailed in the schedule to the Act. The TAC will be required to develop and publish an information privacy policy setting out how the Commission will comply with the privacy principles dealing with the collection and use of personal information of TAC clients.
- The *Health Records Act 2001* was passed by Parliament early in 2001 and will come into operation over the course of the 2001/2002 financial year. This Act will require the TAC adopt the information privacy principles detailed in the schedule to the Act. The TAC will be required to develop and publish policy setting out how the TAC will comply with the principles contained in the Act in relation to the collection, use and access to health records that the Commission obtains in relation to its clients.

REGULATIONS

Two sets of Regulations were made by the TAC during the 2000/2001 year:

- The Transport Accident (Amendment) Regulations 2000 (SR No. 106/2000) were made by the Governor in Council on 17 October 2000. The Regulations prescribed a revised claim form for the purposes of the Act. The effect of the Regulations was to alter taxation references to ensure they are consistent with changes to the tax system introduced by the Commonwealth and make other changes to the wording of questions in the claim form to clarify information requirements and simplify the processing of claims for compensation under the Act.
- The Transport Accident (Administration of Charges) Regulations 2001 (SR No.48/2001) were made by the Governor in Council on 29 May 2001. The Regulations set out procedures dealing with the prescribed period that the owner of a motor vehicle is required to pay a transport accident charge and the time at which payment is required. The regulations also set out the method for calculating the amount of a refund of the charge payable in circumstances where the registration of a motor vehicle is cancelled. These requirements were formally contained in the Transport Accident (Charges) Regulations 1986, which have been revoked. The provisions of the Transport Accident (Charges) Regulations dealing with the fixing of TAC charges is now incorporated in the Transport Accident Charges Order (No.1), which was also made by the Governor in Council on 29 May 2001 (Gazette G 23 of 7 June 2001 Page 1252). In future transport accident charges will be fixed by the making of a Charges Order published in the Government Gazette and not by Regulation as a result of amendments contained in the *Transport Accident (Amendment) Act 2000*.

CONSULTANTS

Each year, to assist decision-making, the TAC calls on external consultants to provide specialist advice which is not normally available within the organisation. During 2000/2001 total consultancy expenditure (as defined by the *Financial Management Act 1994*) was \$1.13 million.

NATIONAL COMPETITION POLICY

COMPETITIVE NEUTRALITY

Under Competitive Neutrality Policy, the TAC is listed as a significant business enterprise. In accordance with this policy, the TAC is fully corporatised and 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.

REVIEW OF LEGISLATIVE RESTRICTIONS

In accordance with its commitment to review legislation under National Competition Policy (NCP), in September 2000, the Government commissioned a review of Victoria's transport accident compensation legislation. The review applied economic analysis and competition principles to the management and administration of the transport accident compensation scheme, consistent with the overriding guiding principle for all NCP legislative reviews.

At the request of the National Competition Council further information has been provided. The government is now awaiting the National Competition Council's Third Tranche Report.

COMPLIANCE (CONTINUED)

COMPLIANCE WITH BUILDING ACT

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.

MISCELLANEOUS DISCLOSURE

To the extent applicable, the information required under guideline 9.1.3(iv) issued by the Minister for Finance under part 7 of the *Financial Management Act 1994* has been prepared and is available on request.

SCHEME NOTES

SERVICE OF DOCUMENTS

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

Alternatively, the General Manager, Common Law and Appeals will give a written acknowledgement of service of process directed as follows:

General Manager, Common Law and Appeals
GPO Box 2751Y
MELBOURNE 3001

Ausdoc: DX 34 Melbourne

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

ACCESS TO INFORMATION

FREEDOM OF INFORMATION

The TAC officer responsible for receipt and initial action on requests made under the *Freedom of Information Act 1982* is Mr Kevin Mundy, Manager, Freedom of Information.

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

During 2000/2001, the TAC received 485 freedom of information requests, compared with 366 during 1999/2000, an increase of 32%. Most FOI requests related to anticipated or current Common Law proceedings.

Routine documentation may be released to clients or their solicitors without making a formal freedom of information request. Clients or their legal representatives should request release of such documentation from the relevant claims officer.

MEDICAL REPORTS FOR COMMON LAW PURPOSES

To facilitate clients in receiving legal advice about their common law entitlements, the TAC will provide copies of medical reports etc, independently of its normal freedom of information access arrangements. Where this applies to reports relied on in determining a person's impairment, the TAC preference is to have one release of all relevant reports, rather than releasing them as they are received. Accordingly, reports will generally only be released under this policy where they relate to a final determination, or to a stabilised component of an interim determination.

Requests for access to medical reports for common law purposes should be directed to the relevant claims officer. There is no fee for access to documents under this policy.

SUBPOENAS

All subpoenas must be served at the TAC's Customer Service Centre, Level 7, 222 Exhibition Street, Melbourne. The TAC prefers to have a minimum of 14 days notice of a file being required at court.

COMPLIANCE (CONTINUED)

PUBLICATIONS

The TAC produces and makes available the following publications:

Description	mode of access
<i>TAC Annual Reports (1987 onwards)</i>	Copy
<i>TAC Business Plan (2001–2004)</i>	Copy
<i>TAC Statement of Corporate Intent 1998–2001</i>	Copy
<i>TAC Enterprise Agreement 2000–2002</i>	Copy
<i>Make sure you're right to drive: how to reduce the risks for yourself and others on the road</i>	Copy
<i>Returning to work (information sheet)</i>	Copy
<i>TAC Law Careers</i>	Copy
<i>Save your skin: don't hit the road without full protective gear</i>	Copy
<i>RAW in the Classroom: a resource kit</i>	Copy/fee \$99
<i>A Guide to Benefits for Permanent Impairment: what it is and how you may be affected</i>	Copy
<i>Learner Driver information pack</i>	Copy
<i>4th Edition Impairment Examinations Information Manual</i>	Copy
<i>A Guide to Medical Examinations to Assess Permanent Impairment: what to expect</i>	Copy
<i>Information for Employers (information sheet)</i>	Copy
<i>VCE Legal Studies Resource Kit</i>	Copy
<i>VCE Media Resource Kit</i>	Copy
<i>Information on TAC Medical Examinations</i>	Copy
<i>Funeral & Dependency Benefits brochure</i>	Copy
<i>Victorian Trauma Foundation (information kit)</i>	Copy/Internet
<i>TAC Policies & Guidelines</i>	Copy/Internet
<i>Road Safety Reports (monthly summary)</i>	Copy
<i>TAC Info (Resource kit for clients and families)</i>	Copy
<i>TAC Research Charter</i>	Copy
<i>Results of the TAC's Customer Feedback Survey</i>	Copy
<i>DriveSmart (brochure)</i>	Copy
<i>DriveSmart CD-ROM (available to learner drivers)</i>	Copy
<i>An Introduction to the TAC: what the TAC can do for you, what you need to do, how the TAC works</i>	Copy
<i>Muck Up Day video and curriculum advice booklet</i>	Copy
<i>Annual Transport Accident charges including GST and duty</i>	Copy

RESEARCH INFORMATION

Requests for information for research purposes should be directed in the first instance to the 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 website (www.tac.vic.gov.au) includes information about the TAC, its claim policies, fees and benefit entitlement information for the public, clients, providers and key stakeholder groups.

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 intended pregnancy, religion, political opinion, national extraction, social origin, trade union association or non-association.

The TAC's Equal Employment Opportunity (EEO) Policy was revised and updated during the year to take account of legislative changes and to include the impact of electronic communications.

Measures undertaken to promote and monitor EEO practices within the TAC include:

- regular meetings of the EEO Committee;
- ongoing EEO training for all staff including EEO as a compulsory module of the induction program for new employees;
- development of brochures to improve communications with multicultural communities; and
- development of a recruitment program for people with disabilities, which includes HR policies and guidelines.

COMPLIANCE (CONTINUED)

OCCUPATIONAL HEALTH & SAFETY

OCCUPATIONAL HEALTH & SAFETY PERFORMANCE		
	1999/2000	2000/2001
Number of WorkCover claims	7	10
Days lost due to injury	126	688
Number of return to work programs initiated	1	5

IMPROVING HEALTH AND SAFETY

Occupational Health and Safety activities and initiatives conducted during the year include:

- A program to help staff enhance their knowledge of the causative factors of aggression and violence, develop their communication and listening skills, and assist them in seeking measures to prevent or reduce aggressive or violent acts;
- Introduction of the TAC safe driving policy;
- Introduction of the TAC Staffcare program to promote staff health and wellbeing activities;
- Development of on-line OHS policies for staff, including a policy on remote workers;
- Computer screen based exercise program piloted;
- Legionella monitoring. The TAC introduced an air quality-monitoring program in conjunction with the building owner which exceeds the current government requirements. The TAC commenced the removal of its water based cooling towers replacing them with non water based air chiller units;
- Continuation of our proactive program of OHS assessments for staff at TAC's Melbourne office and remote regions;
- Free screen based eye testing program;
- Free flu vaccination program;
- Early intervention and pre-injury management program;
- Ongoing assistance to staff with non-work related illnesses or injuries.

FUTURE DIRECTIONS

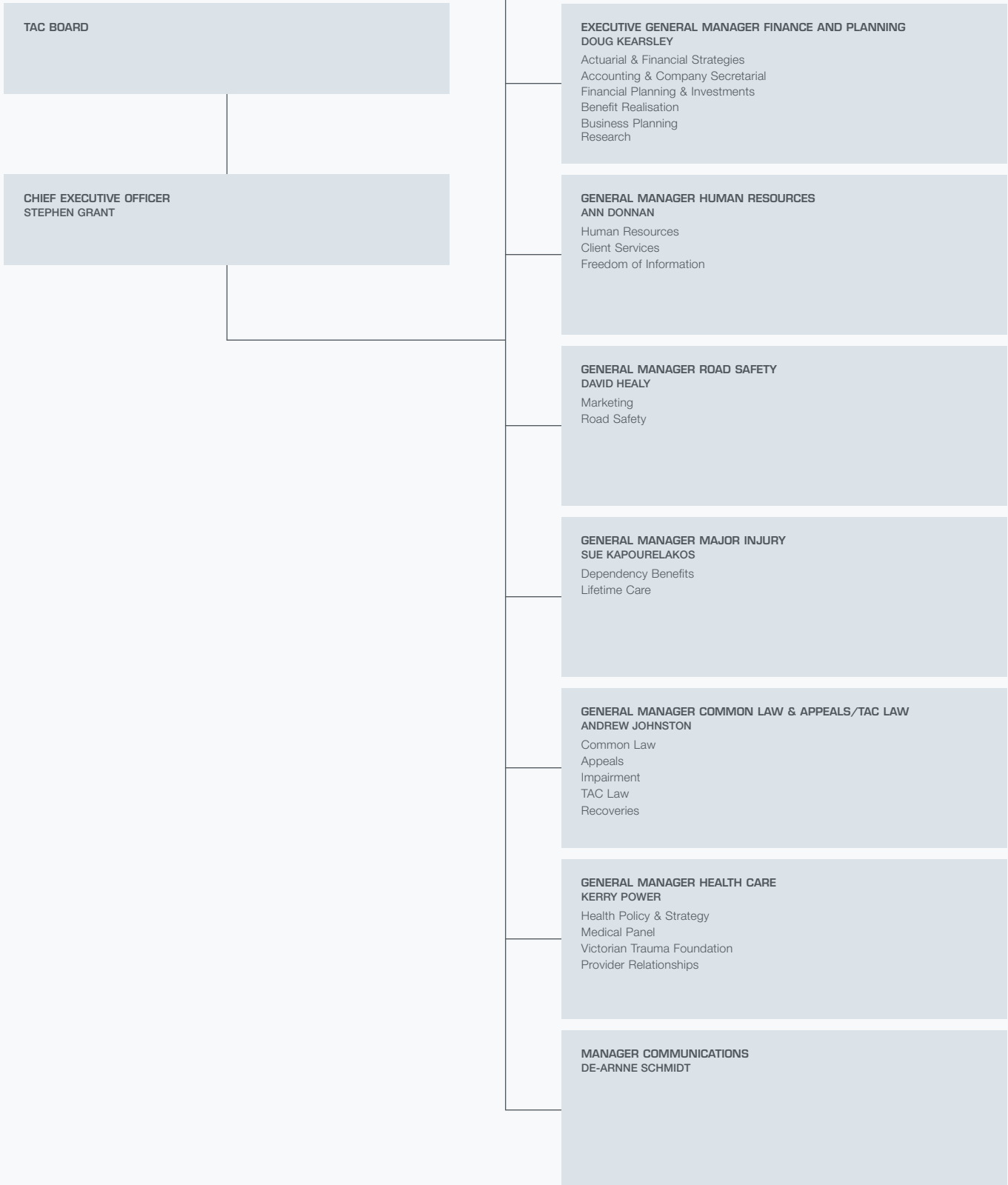
The TAC will continue to promote a safe work environment for its staff and visitors via an active, integrated health and safety program. We will focus on risk minimisation and injury prevention.

WORKFORCE DATA

At 30 June 2001 the TAC employed 637 Effective Full Time staff (compared to 622 at 30 June 2000). The average age of employees was 36 years, the same as the previous year.

2001

TRANSPORT ACCIDENT COMMISSION ORGANISATIONAL CHART



COMPLIANCE (CONTINUED)

COMPLIANCE INDEX TO DISCLOSURE REQUIREMENTS 2000/01

The Annual Report of the TAC is prepared in accordance with the *Financial Management Act 1994* and the Directions of the Minister for Finance. This index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

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* THROUGHOUT

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TRANSPORT ACCIDENT COMMISSION

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